6-Month Report 2014/2015
(1 April — 30 September 2014)

IKB
Deutsche Industriebank

Contents

Letter from the Chairman of the Board of Managing Directors

Dear Shareholders,

Dear business partners of IKB,

IKB successfully completed the comprehensive assessment of the European Central Bank (ECB). This is a sign of quality for the Bank and a good basis for further cooperation with our customers and business partners. The objective of this demanding test was rigorous scrutiny of the balance sheets of banks. The IKB participated with considerable operational and financial cost, even though the Bank has not been supervised directly by the ECB since 4 November 2014, but remains under the supervision of Deutsche Bundesbank and BaFin.

IKB already fulfilled the capital requirements for the asset quality review, the baseline scenario and the adverse scenario of the stress test on the basis of its common equity tier 1 (CET 1) capital as at 31 December 2013. Even without taking into account the transitional regulations of the Basel III equity provisions ("fully phased-in" tier 1 capital), IKB would have had enough tier 1 capital. We have also increased the CET 1 capital by more than € 190 million since 31 December 2013. As is shown by the relatively high leverage ratio compared to other banks, too, the current situation at IKB is better than suggested by the ECB test.

Taking into account the consolidated net income of € 73 million for the first half of the 2014/15 financial year, our current leverage ratio of more than 8% is well above the international minimum requirement of 3%. The liquidity coverage ratio of 339% is also substantially higher than the minimum demanded by the banking authorities to date of 60%. We therefore feel we are well positioned in terms of capital and liquidity to handle new regulatory requirements and to focus on sustainable business.

IKB was founded in September 1924 – 90 years ago – by entrepreneurs for corporations. Since this time, it has accompanied medium-sized German industrial companies. The customer relationships that have grown over the decades still challenge IKB to meet the changing financing requirements of SMEs. That is why today, in addition to lending, our offering also includes services that extend SME access to the capital market.

There has been a change in the funding pattern for SMEs. This is evidenced in a current joint survey by IKB and Creditreform, which involved approximately 6,400 companies with annual sales of between € 25 million and € 5 billion. One thing the study shows is that there is a steady upturn in the number of bond and promissory note issues. Over the last few years, more new funds have flowed to the corporate sector via these channels than via bank loans. For this reason, we are continuously increasing individual financing solutions, capital market finance and advisory. We are always in demand when rapid decisions and sophisticated financing are required. Thus we are further developing the Bank to the benefit of our customers.

German midmarket companies are and remain an attractive target group. Over the years, it was their economic strength that resulted in moderate risk costs for IKB, but at the same time this also attracts many competitors who want to buy their way into the market. In the context of the restrained general economic situation, low corporate investment propensity and low demand for loans, competition is intense. We will continue to be selective when it comes to new lending business in order to generate appropriate income for the risks taken and to reflect the growing requirements imposed by the banking authorities early on.

Düsseldorf, November 2014

Hans Jörg Schüttler

Interim Group Management Report

1. Basic information on the Group

Comprehensive information on the IKB Group can be found on pages 17 and 18 of the 2013/14 annual report. There have been no material changes to this information since its publication.

On 26 October 2014, the ECB published the final results of its Europe-wide, multi-stage review of 130 European banks (comprehensive assessment). The ECB's aim was to rigorously scrutinise the balance sheets of banks before the single supervisory mechanism for the euro zone came into force on 4 November 2014. IKB successfully completed the comprehensive assessment.

IKB already more than fulfilled the capital requirements for the asset quality review (AQR), the baseline scenario and the adverse scenario of the stress test on the basis of its common equity tier 1 (CET 1) capital as at 31 December 2013. IKB has also increased its CET 1 capital by more than € 190 million since 31 December 2013.

Since 4 November 2014, the ECB has been responsible for all banks in the euro zone. IKB is one of the banks which are not directly supervised by the ECB.

2. Economic report

Macroeconomic and industry-specific conditions

The global economy saw moderate expansion during 2014. The euro zone failed to recover as had been hoped, but the upturn in the USA and the United Kingdom continued. The emerging economies also saw varied development. Reflecting the extremely weak expansion in the world economy, global trade barely picked up in the first half of 2014. The approach to monetary policy in the industrialised nations has started to diverge in line with the differences in economic performance in the respective countries. Thus as a result of the good economic development in the USA, the US central bank, the Fed, has successively reduced its bond buyback program. In contrast, the European central bank, the ECB, has continued to relax its monetary policy due to the weak momentum of the euro zone.

In the USA, GDP declined in the first quarter of 2014 due to adverse weather conditions; however, this was followed by substantial catch-up effects in the second quarter, with production rising sharply compared with the previous quarter. Adjusted for extraordinary effects, the US economy showed signs of considerable expansion.

In the regions important for IKB, economic development was varied. The UK economy has been improving since early 2013: GDP increased by just over 3% year-on-year in the first half of 2014, returning to above the level recorded prior to the onset of the financial crisis in 2008 for the first time.

By contrast, fundamental economic momentum in the euro zone remains low, with GDP seeing a considerably weaker upturn than expected in the first half of the year. Economic output improved by just 0.2% in the second quarter. This was primarily attributable to the larger euro zone nations. The French economy stagnated, while Italy entered a new recession in the spring. Both countries saw a substantial downturn in investment in particular. By contrast, Spain has seen rising production for four consecutive quarters, not least thanks to the gradual recovery in domestic demand.

The German economy has cooled off. Following a strong start to the year, GDP in the second quarter of 2014 was 0.2% lower than in the previous quarter. Although the strong momentum at the start of the year as a result of the weather conditions was not expected to continue, the downturn in GDP still came as a surprise. During the year, companies have displayed increasing uncertainty as a result of the Ukraine-Russia conflict and the related sanctions. Leading indicators, such as the deterioration in the ifo Business Climate Index, suggest that macroeconomic development will remain muted.

In the spring, there was optimism concerning increased investment thanks to the favourable financing conditions, rising capacity utilisation and the confidence expressed in company surveys. However, this upturn in investment activity failed to materialise, with corporate investment actually declining in the second quarter. An end to the reluctance to invest is not in sight, as the underwhelming development of the euro zone and geopolitical risks such as the Russia-Ukraine conflict and the crises in the Middle East have led to pronounced uncertainty among companies once again. German consumer demand was also disappointing, with only minimal growth in the second quarter and a deterioration in the consumer climate recently.

All in all, the economic downside risks have increased further since the spring. Alongside the geopolitical risks, disillusionment over economic performance in Europe is a significant factor.

In light of the continued reluctance to invest, bank lending to corporate clients was muted. In addition, companies were also able to meet a large proportion of their overall financing requirements from own funds generated or they continued to make use of alternative financing sources, thereby continuing a trend that has been visible for several years.

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

In September 2014, the ECB cut the main refinancing operations rate to 0.05% and the deposit rate to -0.20% in response to the weakness of the euro zone economy. The unrestricted provision of short-term liquidity was extended until the end of 2016. In addition, the implementation of targeted longer-term refinancing operations (TLTRO) was resolved in June. Purchase programmes for covered bonds and asset-backed securities were also conducted. The decision to further relax monetary policy was driven by the continued reduction in inflation rates in the euro zone until recently. The weak economic development also means that lending in the euro zone remains on a downward trend.

The fragmented nature of the banking market in Europe remains a major problem for the single monetary policy, while the transmission process for the monetary policy measures adopted by the ECB is still disrupted. Lending continues to be weak particularly in Italy, Spain, Portugal, Greece and Ireland, although the downturn in corporate lending in many non-crisis countries has at least now come to a standstill. The continued fragmentation of the banking market is reflected in the different interest rates for corporate loans, different risk burdens in banks' balance sheets and bank refinancing, among other things.

In light of the sustained uncertainty concerning the status of the European banking system, the ECB conducted a comprehensive assessment of the balance sheets of system-relevant banks, including a stress test, prior to the installation of the banking union with the aim of identifying weaknesses in the European banking sector. To ensure credibility, the conditions of the comprehensive assessment were suitably strict. 25 of the 130 participating banks were found to have a capital shortfall as at 31 December 2013, although this situation has since been resolved in some cases. 13 banks – none of them in Germany – still had a shortfall on conclusion of the comprehensive assessment. They will be required to present a capital plan to the ECB in the near future. The results mean that the majority of European banks should be well positioned, including with regard to various stress events.

Irrespective of this generally positive result, however, the banking sector continues to face significant challenges. Recent surveys have shown that euro zone banks are lagging behind their counterparts from other regions, such as the USA and Asia, when it comes to earnings strength. German banks are also comparatively weak in terms of their European peer group. According to calculations of the International Monetary Fund (IMF), their return on equity is below the European average. After earnings in the industry as a whole declined in both 2012 and 2013, there is limited scope for increased profitability in the current year. The cost side is negatively impacted by restructuring measures and the heightened regulatory requirements. Demand for bank-specific products such as corporate loans remains weak. The extremely low level of interest rates is also having a growing adverse effect on the earnings development of many banks, while the earnings potential from maturity transformation is becoming increasingly restricted. Pressure on margins is continuing to rise in light of the intense competition. An adjustment of business policy is required in order to sustainably improve profitability and create scope for the continuous expansion of the capital base.

Significant events in the period under review

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

IKB participated in the ECB's comprehensive assessment, which incorporated a supervisory risk assessment, an asset quality review and a stress test. The results of the assessment were published on 26 October 2014. For more information, see section 3. "Supplementary report".

Recognition of interim Group profits in capital during the financial year

On 30 June 2014, IKB allocated interim Group profits for the first quarter of the financial year 2014/15 to common equity tier 1 capital (CET 1) subject to approval by the German Federal Financial Supervisory Authority (BaFin). By way of a letter dated 10 October 2014, BaFin granted the approval required in accordance with Art. 26 (2) of Regulation (EU) No. 575/2013 (Capital Requirements Regulation – CRR) for the allocation of interim Group profits to common equity tier 1 capital (CET 1) with effect from this date. Based on the provisions of the CRR as at 1 January 2014 and the current interpretation of the European Banking Authority (EBA), the IKB Group had a common equity tier 1 capital ratio (CET 1) of 11.4% at the preparation date of the consolidated interim financial statements on 30 September 2014 (including interim Group profits as at 30 June 2014), taking into account the transitional provisions for 2014 and the EBA's interpretation of the CRR (status: 1 November 2014). The IKB Group had a CET 1 ratio of 10.4% as at 31 March 2014 following the adoption of the consolidated financial statements.

Classification as potentially posing a risk to the banking system

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

Legally relevant events

Changes in the Group

The company European Liquid Bond S.A., SICAV-FIS, was included in the consolidated financial statements as a subsidiary as at 30 June 2014. IKB AG achieved indirect control of the investment fund in June 2014. It was included in the consolidated financial statements as an associate as at 31 March 2014.

IKB Beteiligungsgesellschaft 2 mbH was included in the consolidated financial statements by way of consolidation as a subsidiary as at 30 September 2014. Its purpose is the acquisition, holding and disposal of equity investments in companies and the management of its own assets.

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

Results of the special audit under German stock corporation law

The special auditor under German stock corporation law, Dr Harald Ring, submitted his final report to IKB in late February 2014. Detailed information can be found on pages 63 and 64 of IKB's 2013/14 annual report. On 12 August 2014, the Bank became aware that the Düsseldorf Regional Court had rejected the application for protective proceedings submitted by IKB in accordance with section 145 (4) of the German Stock Corporation Act (AktG). IKB did not appeal this verdict. The final report by the special auditor was subsequently submitted to the commercial register. The special audit report will be included on the agenda of the 2015 Annual General Meeting.

Further information on the special audit under German stock corporation law and the results of the examination of claims for damages against members of the executive bodies in connection with the onset of the crisis in mid-2007 can be found in the "Legal risk" subsection of section 4. "Risk report".

Personnel changes

Supervisory Board

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

As scheduled, Ms Nicole Riggers stepped down from the Supervisory Board at the end of the Annual General Meeting on 4 September 2014. She was re-elected by the employee representatives to the Supervisory Board.

Board of Managing Directors

There were no changes in the composition of the Board of Managing Directors in the period under review.

Annual General Meeting on 4 September 2014

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

Valin funds

IKB launched the investment fund Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF, on 3 June 2014 and had received capital commitments from investors totalling € 450 million by the end of the period under review. The investors are German and foreign institutional investors, who have the option of investing directly in shares of the fund or in bonds with a rating. IKB has undertaken to itself make an investment of up to € 23.7 million. The investment strategy of the fund is to acquire senior loans from German SMEs with annual sales of at least € 250 million for the portfolio. IKB is the investment manager for the fund, which will commence investment activities in the near future.

Net assets, financial position and results of operations

Business development

In an environment of further restrained credit demand from its customers and selective lending by IKB, the Group's new business volume in the first half of the financial year 2014/15 was up slightly year-on-year at € 1.3 billion. The majority of the new business volume relates to IKB AG. In the period under review, loans from own funds accounted for 52% of the new business volume (previous year: 29%), while public programme loans accounted for 27% (previous year: 40%) and equipment leasing accounted for 21% (previous year: 29%).

The positive developments on the capital markets meant that measurement gains were generated from financial instruments on a net basis.

Results of operations

In the first half of the financial year 2014/15, IKB generated consolidated net income of € 73 million. There were no additions to the fund for general banking risk in accordance with section 340g of the German Commercial Code (HGB). In the same period of the previous year, consolidated net income amounted to € 8 million after additions to the fund for general banking risk in accordance with section 340g of the German Commercial Code in the amount of € 128 million.

The results of operations were impacted in particular by net other income of € 117 million (previous year: € -63 million after additions to the fund for general banking risk in accordance with section 340g of the German Commercial Code).

Net interest and lease income

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

Net interest and lease income in the Group amounted to € 131 million in the period under review (previous year: € 140 million). The volume-related reduction in interest and lease income was almost fully offset by the improvement in refinancing conditions compared with the previous year.

Net fee and commission income

The Group recorded net fee and commission income of € 17 million, an increase on the prior-year figure of € 14 million. In connection with the lending business and the financial markets activities, advisory fees increased.

Administrative expenses

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

Administrative expenses in the Group amounted to € 154 million in the period under review compared with € 139 million in the same period of the previous year.

Personnel expenses climbed by € 9 million to € 88 million. This was due in particular to recruitment in front office in the previous financial year, which will be expensed in full in the current financial year. The headcount increase is intended to strengthen sales activities at IKB.

Other administrative expenses and depreciation, amortisation and impairment losses increased by € 5 million to € 65 million. This was primarily attributable to the additional expenses in connection with IKB's mandatory participation in the ECB's comprehensive assessment.

Net other income

Net other income comprises other operating and extraordinary income and expenses and write-downs and reversals of write-downs on equity investments, investments in affiliated companies and long-term investments. Furthermore, net other income in the previous year included additions to the fund for general banking risk (section 340g HGB reserve), which qualifies as common equity tier 1 capital in accordance with the CRR and the CRD IV banking reform package.

The main factors influencing net other income, which increased by € 180 million from € -63 million to € 117 million, are presented below.

There was no addition to or reversal of the fund for general banking risk in the period under review. In the previous year, € 128 million was added to the fund for general banking risk and recognised as an expense in net other income. The common equity tier 1 capital of IKB increased by a corresponding amount.

The measurement and sale of long-term investments resulted in net income of € 100 million after net income of € 61 million in the previous year.

Close-out payments in connection with the strategic early dissolution of derivative transactions in the banking book resulted in net expenses of € 8 million after net income of € 22 million in the previous year.

Net risk provisioning

In the first half of the 2014/15 financial year, net risk provisioning included in amortisation/depreciation and write-downs of receivables, specific securities and additions to loan loss provisions declined year on year by € 35 million to € 24 million.

The Group's provisions for possible loan losses declined by € 34 million to € 25 million and remained at a moderate level when compared over several years.

Group provisions for possible loan losses include € 1 million in net additions to specific valuation allowances, provisions, income from recoveries on receivables written off, and write-downs. In comparison to the first half of the financial year 2013/14, this is a decline of € 55 million. This was due in particular to the lower level of net additions to specific valuation allowances.

In terms of global valuation allowances for lending business in the Group, there was a net addition of € 24 million in the year under review compared with a net addition of € 3 million in the previous year. The increase was made primarily to cover increased latent default risks in connection with the EU sanctions against Russia and more stringent legislation in the renewable energies segment in South Europe.

Net risk provisioning includes net income from securities in the liquidity reserve and derivatives in the amount of € 1 million after € -1 million in the previous year.

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

Taxes

Tax expenses amounted to € 16 million in the period under review after tax income of € 110 million in the same period of the previous year.

Expenses for current and other taxes amounted to € 16 million against € 4 million in the previous year. In addition, deferred taxes in the amount of € 83 million were recognised and tax provisions no longer required in the amount of € 31 million were reversed in the previous year.

Net income

Consolidated net income for the first half of the 2014/15 financial year amounted to € 73 million, after consolidated net income of € 8 million in the previous year. The previous-year figure was after additions of € 128 million to the fund for general banking risk.

Net assets

The Group’s total assets declined by € 0.7 billion as against 31 March 2014 and amounted to € 24.0 billion at the end of the reporting period.

The gross credit volume, which also includes off-balance sheet business (see also section 4. “Risk report”), increased by € 0.1 billion as against 31 March 2014 to € 26.7 billion, and primarily comprises medium-term and long-term loans to banks, loans to customers, trading liabilities, asset derivatives in the non-trading book and guarantees.

Assets

Receivables from banks in the Group remained essentially unchanged at € 2.2 billion.

Receivables from customers within the Group decreased by € 0.8 billion to € 11.5 billion, largely as a result of restrained credit demand on the market and selective lending by IKB.

Bonds and other fixed-income securities in the Group increased by € 0.3 billion to € 7.8 billion.

Liabilities

Liabilities to banks declined by € 0.5 billion to € 9.7 billion, particularly due to the lower utilisation of public programme loans.

Liabilities to customers declined by € 0.3 billion to € 9.3 billion, largely as a result of the reduction in client deposits.

Securitised liabilities in the Group increased by € 0.2 billion to € 1.3 billion.

Equity

Equity increased by € 72 million, from € 983 million to € 1,055 million, largely as a result of the consolidated net income for the period under review.

When calculating regulatory own funds, the fund for general banking risk in the amount of € 574 million is taken into account as common equity tier 1 capital.

Unrealised gains and losses have arisen in recent financial years from financial instruments in the banking book in the form of securities, from derivatives and from the refinancing of the credit book without matching maturities as a result of changes in market interest rates, exchange rates and credit ratings. In view of positive developments on the capital market, in the period under review the Group generated a net increase in the value of derivatives and securities of € 100 million as a result of selling or changing derivative positions. In spite of this, in financial instruments not recognised at fair value in the balance sheet line items receivables from customers, bonds and other fixed-income securities and derivatives, net unrealised gains and losses as at the balance sheet date improved to € -546 million after € -776 million as at 31 March 2014. Unrealised losses could lead to a lower level of net interest income or losses on disposal in future financial years. Like at 31 March 2014, the calculation in accordance with IDW RS BFA3 did not result in any provisioning requirements.

Financial position

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

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

Overall assessment

The results of operations for the first half of the financial year 2014/15 are characterised by a satisfactory earnings situation for the Bank. Net assets and the financial position are in order.

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

Financial and non-financial performance indicators

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

Regulatory tier 1 ratio

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

As at 30 September 2014, the CET 1 ratio – including the recognition of interim Group profits up to 30 June 2014 by the supervisory authorities – was 11.4% for the IKB Group and 14.7% for IKB AG. As anticipated in the annual report for the year ended 31 March 2014, this meant that IKB exceeded the statutory minimum requirement (CRR) for the CET 1 ratio of 4.0%.

The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 30 September 2014 including transitional provisions and the interpretations published by the supervisory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.

Leverage ratio

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

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

Applying the transitional provisions for 2014, the leverage ratio of the IKB Group in accordance with Article 429 CRR amounted to 8.2% as at 30 September 2014 (IKB AG: 7.3%), thereby exceeding the benchmark of 3.0% as forecast in the annual report for the year ended 31 March 2014.

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

As stated in the annual report for the year ended 31 March 2014, IKB assumes that, on the whole, positive operating results will be generated in the financial year 2014/15 from earnings in operating business and measurement gains from financial instruments, which can then be used to strengthen tier 1 capital. Consolidated net income of € 73 million was generated in the period under review.

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

The liquidity ratio in accordance with section 2 (1) of the German Liquidity Regulation (LiqV) is used to evaluate short-term liquidity risk. The LiqV defines the liquidity ratio as the ratio of the cash and cash equivalents available within a period of up to one month to the payment obligations callable during this period. A liquidity ratio of 100% or greater is necessary in order to meet the requirement.

IKB AG's liquidity ratio in accordance with section 2 (1) LiqV comfortably exceeded 100% throughout the entire period under review and amounted to 237% as at 30 September 2014, meaning that IKB AG had an adequate liquidity buffer at all times, as indicated in the annual report for the year ended 31 March 2014.

3. Supplementary report (events after 30 September 2014)

The following major developments have arisen since 30 September 2014:

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

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

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

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

IKB remains under the direct supervision of BaFin and Deutsche Bundesbank even after 4 November 2014 as it has not been classified as a major institution within the meaning of Art. 6 (4) of Regulation (EU) No. 1024/2013 (Single Supervisory Mechanism Regulation).

Personnel changes – Supervisory Board

Dr Andreas Tuczka stepped down from his position with effect from 27 October 2014.

4. Risk report

Where methods and processes have not changed since the start of the financial year, no detailed presentation is provided in the following section and readers should refer to IKB's 2013/14 annual report (see pages 31 to 70).

Regulatory capital resources and risk-bearing capacity

Regulatory capital resources

Since 1 January 2014, the Bank calculates its regulatory capital resources in accordance with the provisions of the CRR. It applies the standardised approach for credit risk, the mark-to-market method for counterparty credit risk, the basic indicator approach for operational risk and the standard regulatory methods for market price risk (interest risk: duration method; option risk: delta plus method or scenario matrix method). The Bank continues to recognize contractual netting agreements to reduce risk of derivative positions. The following tables provide an overview of the regulatory risk items, equity base and ratios as coming into effect with the half-yearly financial statements and the acknowledgement of interim Group profits by the German Federal Financial Supervisory Authority (BaFin).

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

Figures in € million	**30 Sep. 2014[1)]**	**31 Mar. 2014[1)]**
Credit risk	12,857	13,528
Market risk equivalent	151	252
Operational risk	451	289
Total risk-weighted assets (RWA)	**13,459**	**14,069**
Common equity tier 1 (CET 1)	1,538	1,464
Additional tier 1 (AT 1)	370	346
Total Tier 1 (T 1)	**1,908**	**1,810**
Tier 2 (T 2)	429	461
Own funds	**2,337**	**2,271**
CET 1 ratio	**11.4%**	**10.4%**
T 1 ratio	14.2%	12.9%
Own funds ratio	17.4%	16.1%

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

1) All figures after approval of the accounts and taking into consideration the phase-in and phase-out provisions of the CRR for 2014

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

Figures in € million	**30 Sep. 2014**	**31 Mar. 2014[1)]**
Credit risk	11,590	11,837
Market risk equivalent	93	117
Operational risk	262	194
Total risk-weighted assets (RWA)	**11,944**	**12,148**
Common equity tier 1 (CET 1)	1,753	1,733
Additional tier 1 (AT 1)	0	0
Total Tier 1 (T 1)	**1,753**	**1,733**
Tier 2 (T 2)	334	366
Own funds	**2,087**	**2,099**
CET 1 ratio	**14.7%**	**14.3%**
T 1 ratio	14.7%	14.3%
Own funds ratio	17.5%	17.3%

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

1) All figures after approval of the accounts and taking into consideration the phase-in and phase-out provisions of the CRR for 2014

The decrease in risk-weighted assets (RWA) as at 31 March 2014 is primarily attributable to scheduled repayments, unscheduled repayments and sales of non-strategic assets accompanied by limited new business. Although the coming into force of the CRR regulations on 1 January 2014 had a pronounced impact on RWA, the reduction in RWA continued on the whole.

At 11.4% at Group level and 14.7% at individual Bank level, IKB's CET 1 ratios are in excess of the minimum level of 8% required by the ECB as part of its comprehensive assessment (AQR and stress test baseline scenario). This means that IKB comfortably exceeds the statutory minimum requirements in terms of CET 1.

The Board of Managing Directors expects to continue to meet the statutory minimum requirements in the future (see also section 6. "Outlook"). Although the CRR is binding with effect from 1 January 2014, there remains considerable uncertainty with regard to the interpretation of the new regulation remains that will only be resolved over time and following the issuance of a uniform, Europe-wide, and hence binding interpretation by the EBA. Furthermore, a large number of regulatory standards to be announced by the EBA are not yet available in their final version. Further uncertainty is provided by the fact that the results of the international banking regulation process and the development of a unified European bank supervision are not always foreseeable.

Risk-bearing capacity

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

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

Table: Economic capital requirements – going-concern perspective

	30 Sep. 2014 in € million	30 Sep. 2014 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Counterparty default risk	206	52%	206	50%
Market price risk	38	10%	58	14%
Operational risk	25	6%	25	6%
Business risk	99	25%	99	24%
Liquidity risk	29	7%	26	6%
Total	**397**	**100%**	**414**	**100%**
less diversification effects	-67		-74	
Overall risk position	**330**		**340**	
Risk coverage potential	**992**		**873**	

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

The risk cover of € 992 million at the reporting date is € 119 million higher than at the end of the previous financial year (31 March 2014). The increase in risk cover is primarily attributable to the recognition of the forecast adjustment, which includes a further increase in earnings for the current financial year, and the recognition of forecast earnings for the first half of 2015 (April to September) at the end of the risk horizon.

The overall risk position declined by € 10 million year-on-year to € 330 million. This was primarily due to the reduction in market price risk, which more than offset the slight increase in liquidity risk.

As at 30 September 2014, the overall risk position amounted to 33% of the risk coverage potential (31 March 2014: 39%). This means that the risk coverage potential exceeds the economic capital requirements arising from the occurrence of the unexpected risks threefold; accordingly, all of the regulatory minimum requirements in accordance with Basel III would be more than fulfilled even if all unexpected risks were to occur simultaneously.

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

Risk cover amounted to € 1,807 million in the liquidation perspective, an increase of € 215 million compared with the end of the financial year. The utilisation of risk cover has declined from 77% to 65% since the start of the financial year. This means that the risk cover is easily sufficient to cover the overall risk position at a confidence level of 99.76% (derived from a BBB rating). Even excluding diversification effects, the risk cover still exceeds the overall risk position.

Forecast calculations and stress tests

As part of its risk management, the Bank prepares different forecast calculations for the coming financial years. These forecast calculations are based on the Bank’s business plan. The outcome is that, assuming the business plan occurs in reality, the risk cover will continue to exceed the economic capital requirements for unexpected risks in the going-concern perspective over the next two financial years.

The Bank also performs various stress tests on a regular basis and as required. An analysis of the stress tests shows that extreme assumptions, such as the collapse of the euro zone with wider economic consequences for the entire European Economic Area, would significantly reduce the risk cover and lead to an increase in the risk position. As a result of these stress assumptions, the risk cover would no longer be sufficient to fully cover the simultaniously increased overall risk position.

Counterparty default risk

Structure of counterparty default risk

The credit volume as at 30 September 2014 was composed as follows:

Table: Credit volume – Group

in € million	30 Sep. 2014	31 Mar. 2014	Change	30 Sep. 2013	Change
Receivables from banks	2,180	2,235	-55	2,031	149
Receivables from customers	11,510	12,263	-753	13,367	-1,857
Bonds and other fixed-income securities not including own bonds	7,189	6,820	369	7,124	65
Equities and other non-fixed-income securities	566	568	-2	495	71
Trading liabilities	305	318	-13	254	51
Equity investments[1)]	25	25	-	25	-
Lease assets	1,089	1,170	-81	1,281	-192
Other assets: Assets held for sale	-	-	-	91	-91
Subtotal: Balance sheet assets	**22,864**	**23,399**	**-535**	**24,668**	**-1,804**
Contingent liabilities[2)]	1,640	1,376	264	1,129	511
Asset derivatives in the non-trading book	1,873	1,412	461	1,434	439
Write-downs[3)]	473	497	-24	523	-50
Leasing: Deferred income and advance payments for intangible assets	-76	-78	2	-85	9
Provisions for expected losses for derivatives embedded in structured products	-45	-41	-4	-91	46
less portions of bonds and receivables from banks attributable to third parties	-18	-15	-3	-15	-3
Gross credit volume	**26,711**	**26,550**	**161**	**27,563**	**-852**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	779	822	-43	994	-215
Investments[1)] and shares in associated and affiliated companies	40	73	-33	49	-9

1) In the Group, investments after consolidation form part of the gross credit volume.
2) not including derivative components of non-separated structured products (credit default swaps – CDS), which are reported under "Bonds and other fixed-income securities", before deducting risk provisions
3) not including provisions for expected losses for embedded derivatives in structured products; credit volume after deduction of valuation allowances on bonds and other fixed-income securities

The gross credit volume at the Group has risen slightly since the start of the financial year. This can be attributed to increases in bonds, derivative fair values and contingent liabilities due to new protection seller credit default swaps (CDSs). These increases relate to banks and the public sector respectively. In contrast, there was a reduction in receivables from customers.

Table: Credit volume by size – Group

	30 Sep. 2014 in € million	30 Sep. 2014 in %	30 Sep. 2014 number[1)]	31 Mar. 2014 in € million	31 Mar. 2014 in %
Under € 5 million	3,019	11%	21,263	3,254	12%
Between € 5 million and € 10 million	1,698	6%	236	1,809	7%
Between € 10 million and € 20 million	2,574	10%	189	2,867	11%
Between € 20 million and € 50 million	2,923	11%	96	3,050	11%
Over € 50 million	14,949	56%	69	13,555	51%
Subtotal	**25,163**	**94%**	**21,853**	**24,535**	**92%**
Risk transferred to third parties[2)]	1,548	6%	-	2,015	8%
Total	**26,711**	**100%**	**21,853**	**26,550**	**100%**

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

In the categories up to € 50 million credit volume per borrower group, proportion and volume have decreased since the start of the financial year due to repayments. The proportion attributable to the category "Over € 50 million" increased from 51% to 56%. In terms of volume this is an increase of € 1.4 billion. This increase was primarily attributable to banks and the financial sector. The volume attributable to this category increased from € 8.1 billion to € 9.0 billion. The volume to borrower groups in the public-sector in the "Over € 50 million" category also rose, from € 4.1 billion to € 4.4 billion.

The average exposure per borrower unit in the "Over € 50 million" category is € 217 million (start of the financial year: € 205 million based on 66 borrower units).

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

The volume of risks transferred to third parties declined by € 0.5 billion to € 1.5 billion, largely as a result of repayments of loans transferred or secured by way of securitisation transactions. They comprise liability sub-participations by banks (primarily KfW Bankengruppe – KfW) of € 1.0 billion, public guarantees including Hermes cover of € 0.1 billion and synthetic securitisations of € 0.4 billion, in which KfW hedges the credit risk.

Collateral, risk transfer and securitisation

Table: Credit volume by type of collateral – Group

	30 Sep. 2014 in € million	30 Sep. 2014 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Property liens and charges	3,503	13%	3,799	14%
Transfers of ownership and leased assets	2,457	9%	2,564	10%
Other collateral[1)]	2,370	9%	2,361	9%
Collateralised	1,933	7%	1,458	5%
Secured credit volume[2)]	**10,263**	**38%**	**10,182**	**38%**
Without collateral[3)]	14,900	56%	14,353	54%
Subtotal	**25,163**	**94%**	**24,535**	**92%**
Risk transferred to third parties[4)]	1,548	6%	2,015	8%
Total	**26,711**	**100%**	**26,550**	**100%**

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

As the Bank does not offset derivatives with positive fair values against derivatives with negative fair values involving the same counterparty when presenting its credit volume, the “Collateralised” category shows the derivative volume for which derivatives with positive fair values are accompanied by derivatives with negative fair values in the same amount. The rise in market values in derivatives trading meant that the volume in the “Collateralised” category also increased.

Unsecured loans, which increased by € 0.5 billion to € 14.9 billion, primarily related to banks and the financial sector (€ 7.6 billion; 31 March 2014: € 7.2 billion) and the public sector (€ 4.6 billion; 31 March 2014: € 4.2 billion). This mainly includes securities that are assigned to the cash portfolio and are eligible at the ECB. Around € 2.7 billion of the unsecured loans relate to corporate financing (31 March 2014: € 3.0 billion).

Geographical structure

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

Table: Credit volume by region – Group

	30 Sep. 2014 in € million	30 Sep. 2014 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Germany	11,303	42%	11,687	44%
Outside Germany	13,860	52%	12,848	48%
Western Europe	11,056	41%	10,481	39%
Eastern Europe	1,239	5%	1,149	4%
North America	1,278	5%	1,099	4%
Other	287	1%	119	0%
Subtotal	**25,163**	**94%**	**24,535**	**92%**
Risk transferred to third parties[1)]	1,548	6%	2,015	8%
Total	**26,711**	**100%**	**26,550**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The credit volume in Germany has declined by € 0.4 billion since 31 March 2014. In the same period, the credit volume outside Germany has increased by € 1 billion to € 13.9 billion. This development is primarily attributable to foreign banks and the financial sector and is the result of higher fair values of derivatives and balances.

Of the country obligations attributable to Eastern Europe in the amount of € 1.2 billion, around 8% relates to business activities in Russia. There are no business relationships with Ukraine. The increase in Eastern European country obligations by € 90 million relates to the conclusion of Protection Seller CDSs with the Republic of Poland as reference.

The increase in the Other category is due to the conclusion of Protection Seller CDSs with China and Malaysia as reference.

Within Western Europe, risks relate to the following countries:

Table: Credit volume in Western Europe by risk – Group

30 Sep. 2014 in € million	Credit volume after risk mitigation	Thereof public sector	Thereof banks and financial sector[1]	Thereof other counterparty default risks
UK	2,989	-	2,273	716
Spain	1,920	939	546	435
EU[2]	1,878	742	1,136	-
France	1,519	159	901	459
Italy	1,140	583	188	369
Belgium	352	250	95	7
Ireland	297	108	108[3]	81
Netherlands	282	-	210	72
Switzerland	222	-	134	88
Austria	166	79	51	36
Denmark	106	99	7	-
Portugal	62	-	25	37
Finland	48	4	2	42
Sweden	43	-	-	43
Other	32	1	18	13
Total	**11,056**	**2,964**	**5,694**	**2,398**

1) Bank exposures in Spain and Italy contain primarily mortgage covered bonds.
2) European Commission, European Financial Stability Facility (EFSF) and European Investment Bank
3) The figure for Ireland contains portfolio investments of € 50 million held via special purpose entities located in Ireland.

Sector structure

Table: Credit volume by sector – Group

	30 Sep. 2014 in € million	30 Sep. 2014 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
Industrial sectors	10,594	40%	11,173	42%
Mechanical engineering	1,140	4%	1,206	5%
Retail	791	3%	868	3%
Services	742	3%	744	3%
Energy supply	731	3%	716	3%
Metal products	707	3%	733	3%
Other industrial sectors	6,483	24%	6,906	26%
Real estate	635	2%	699	3%
Financial sector	2,130	8%	1,780	7%
Banks	7,172	27%	6,654	25%
Public sector	4,632	17%	4,229	16%
Subtotal	**25,163**	**94%**	**24,535**	**92%**
Risk transferred to third parties[1]	1,548	6%	2,015	8%
Total	**26,711**	**100%**	**26,550**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

The increase in the credit volume attributable to banks and the financial sector is due to higher derivative fair values and call money, while the increase in the public-sector credit volume is due to additional protection seller CDSs and bond purchases.

The credit volume attributable to industrial sectors has declined since 31 March 2014 as a result of repayments.

Credit rating structure

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

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

	30 Sep. 2014 in € million	30 Sep. 2014 in %	31 Mar. 2014 in € million	31 Mar. 2014 in %
1-4	8,911	33%	7,781	29%
5-7	8,969	34%	8,270	31%
8-10	3,929	15%	4,907	18%
11-13	2,110	8%	2,165	8%
14-15	381	1%	387	1%
Non-performing assets[2)]	863	3%	1,025	4%
Subtotal	**25,163**	**94%**	**24,535**	**92%**
Risk transferred to third parties[3)]	1,548	6%	2,015	8%
Total	**26,711**	**100%**	**26,550**	**100%**

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

The higher volume in the good and extremely good rating classes of 1-7 is primarily due to business activities with banks, the financial sector and the public sector.

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

Non-performing assets (problem exposures)

Non-performing assets have declined by € 161 million or 15% since 31 March 2014 due to the realisation of collateral and the sale of loans. The ratio of non-performing assets fell from 4.0% to 3.4% in the same period.

Table: Non-performing assets[1)] – Group

	30 Sep. 2014 in € million	31 Mar. 2014 in € million	Change in € million	Change in %
Impaired	716	838	-122	-15%
Non-impaired	188	227	-39	-17%
Total	**904**	**1,065**	**-161**	**-15%**
as % of credit volume	3.4%	4.0%		

1) Credit volume including losses from impaired securities (30 September 2014: € 41 million; 31 March 2014: € 40 million).

Non-performing assets do not include:

- Risks transferred to third parties for non-performing assets (€ 201 million), as these credit risks have been assumed by other banks, public sector entities or via collateralised loan obligations (CLOs) and are assigned to the party assuming liability (change in credit rating). The credit portions transferred are only considered to be non-performing assets if the party assuming liability also meets one of the default criteria (double default).
- Unutilised commitments for debtors whose residual exposure is classified as a non-performing asset (€ 21 million); open commitments are not included in the credit volume, and
- Securities transferred to Rio Debt Holdings – see the “Structured credit products” subsection of “Counterparty default risk” in section 4. “Risk report” of IKB’s 2013/14 annual report (page 55).

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 Sep. 2014 in € million	30 Sep. 2013 in € million	Change in %	31 Mar. 2014 in € million
Additions to specific valuation allowances/provisions[1)]	56.0	101.5	-45%	216.1
Direct write-downs	0.8	0.6	33%	6.0
Recoveries on loans previously written off	-5.2	-5.5	-5%	-9.7
Reversal and unwinding of specific valuation allowances/provisions[1)]	-49.3	-42.6	16%	-95.0
Additions to/reversals of global valuation allowances	22.5	4.7	>100%	-29.9
Provisions for possible loan losses	**24.8**	**58.7**	**-58%**	**87.5**
Embedded derivatives/Recoveries on receivables from portfolio investments previously written off	-	-1.1	-100%	-0.7
Net addition to risk provisioning	**24.8**	**57.6**	**-57%**	**86.8**
Net income from securities and derivatives in the liquidity reserve	**-1.0**	**1.4**		**0.7**
Net risk provisioning	**23.8**	**59.0**	**-60%**	**87.5**
Development of specific valuation allowances/provisions[2)]				
Opening balance	411.2	414.6	-1%	414.6
Utilisation	-60.8	-66.9	-9%	-123.4
Reversal	-43.9	-36.6	20%	-83.9
Reclassification and net interest expense and discounting	5.1	0.9	>100%	-
Unwinding	-5.4	-6.0	-10%	-11.1
Additions to specific valuation allowances/provisions	56.0	101.5	-45%	216.1
Effect of changes in exchange rates	0.4	-0.8		-1.1
Total specific valuation allowances/provisions	**362.6**	**406.7**	**-11%**	**411.2**
Global valuation allowances				
Opening balance	105.3	135.2	-22%	135.2
Addition/reversal	22.5	4.7	>100%	-29.9
Total global valuation allowances	**127.8**	**139.9**	**-9%**	**105.3**
Total provisions for possible loan losses (including provisions)	**490.4**	**546.6**	**-10%**	**516.5**

1) including global valuation allowance for contingent liabilities recognised as provisions, net € 1.5 million addition in the period 1 April to 30 September 2014 (1 April to 30 September 2013: € 1.4 million reversal)

2) not including provisions for embedded derivatives

Provisions for possible loan losses in the first half of the current financial year were significantly lower than in the same period of the previous year. This was because additions to specific valuation allowances and loan loss provisions were € 46 million or 45% lower, while reversals increased.

The increase of global valuation allowances was made primarily to cover higher latent default risks in connection with the EU sanctions against Russia and more stringent legislation in the renewable energies segment in South Europe.

Structured credit products

There have been no significant changes since the start of the financial year. Accordingly, readers should refer to IKB's 2013/14 annual report (see page 55).

Liquidity risk

Refinancing situation

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

The secured refinancing volume on the interbank market including refinancing via the ECB amounted to around € 3.4 billion as at 30 September 2014 (start of financial year: € 3.4 billion).

The volume of customer deposits declined slightly in the period under review, amounting to just under € 6.3 billion as at 30 September 2014 (start of financial year: € 6.5 billion).

In addition to these customer deposits, IKB has promissory note loans secured via the Deposit Protection Fund with a total volume of € 2.4 billion (start of financial year: € 2.7 billion). IKB AG also expanded the issue of bearer bonds in the retail customer segment to a total volume of around € 0.35 billion as at 30 September 2014 (start of financial year: just under € 0.3 billion).

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

Liquidity situation

Depending on the development of its new business and taking into account credit facilities and liquidity commitments not yet utilised by customers, the Bank expects its liquidity requirements to amount to € 7.9 billion over the next twelve months. This figure is derived from the legal maturities of the Bank's asset and liability positions and its planned new lending business.

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

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

IKB had secured its liquidity for the longer term as at 30 September 2014. The limited minimal liquidity balance is around € 1.2 billion higher than the liquidity limit. This comfortable liquidity situation is also underlined by the fact that, taking into account the legal maturities of the Bank's asset and liability positions and its options for borrowing with the ECB and on the secured interbank market and excluding its planned new lending business ceteris paribus (e.g. not including market disruptions), IKB is financed for an extended period.

The liquidity maturity transformation risk included in the calculation of the Bank's risk-bearing capacity amounts to € 29 million.

In accordance with the German Liquidity Regulation (LiqV), the Bank will ensure that its liquidity ratio remains within a corridor of between 1.25 and 2.0. In the period under review, the liquidity ratio was comfortably in excess of the regulatory minimum of 1.0 at all times. After collecting initial data from the first year of application within the supervisory monitoring period, IKB will convert its liquidity controlling to the new indicators – the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – going forward. This data will provide an indication as to the benchmarks that will establish themselves for internal controlling above and beyond the statutory minimum requirements.

Market price risk

Half-year comparison of the market risk profile

The following table shows the development of the market risk profile since the start of the current financial year at the level of the risk consolidation group in terms of the interest rate and credit spread basis point value and value at risk (VaR) at a 99% confidence level and applying a holding period of one day.

Table: Market price risk profile

in € million	Value at 30 Sep. 2014	Value at 31 Mar. 2014
Interest rate basis point value (BPV)	**-1.0**	**-0.2**
Credit spread BPV	**-7.0**	**-5.8**
VaR (total)	**-23.4**	**-40.7**
VaR – interest rate and volatility	-14.5	-21.9
VaR – credit spread	-22.0	-31.8
VaR – FX and volatility	-0.7	-1.4
VaR – inflation and volatility	-0.7	-1.2
Correlation effect	14.5	15.6

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

Operational risk

The gross loss volume identified in the first half of the financial year amounted to a total of € 1.55 million at Group level (previous year adjusted: € 1.15 million). Around € 0.09 million of this figure related to IKB AG (previous year adjusted: € 0.33 million). Loss reductions (e.g. insurance, settlement or goodwill payments) mean that the loss recognised in the income statement may be lower. If individual loss amounts cannot (yet) be determined exactly, the values are based on estimates; it may not be possible to obtain accurate figures until considerably later in some cases.

Legal risk

The changes since the report as at 31 March 2014 are as follows:

Legal proceedings due to alleged incorrect capital market information

More than 140 claims were originally made against the Bank by investors in IKB securities following the start of the crisis in summer 2007. With the exception of one case with a value in dispute amounting to a low five-figure amount in euro, all suits have been concluded, predominantly with rulings in favour of the Bank.

Nonetheless, even more than seven years since the crisis broke out, the possibility that investors will claim for damages against the Bank cannot be completely ruled out. However, the Bank assumes that any claims not yet asserted in this context will be statute-barred.

Results of the special audit under German stock corporation law

The special auditor under German stock corporation law, Dr Harald Ring, submitted his 1,836-page final report to IKB in late February 2014. Detailed information can be found on pages 63 and 64 of IKB's 2013/14 annual report.

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

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

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

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

Recessionary actions against resolutions by Annual General Meetings

Recessionary and revocation claims against resolutions made by the following Annual General Meetings are currently still pending:

- Annual General Meeting on 28 August 2008 (agenda item 6: election of the Supervisory Board),
- Annual General Meeting on 25 March 2009 (including agenda items 3 and 4: cancellation of the special audit with regard to the Board of Managing Directors and the Supervisory Board).

With regard to the Annual General Meetings on 27 March 2008, 28 August 2008, 25 March 2009 and 5 September 2013, compulsory information proceedings have also been filed with the court in accordance with section 132 of the German Stock Corporation Act (AktG).

Derivatives trading

In individual cases, customers criticised the advisory services provided by the Bank in connection with certain swap products. Legal proceedings were initiated in six cases. Two of these cases have since been concluded, while four are currently pending in the second instance. At the reporting date, the total value in dispute was around € 13.5 million.

Compliance risk

Currently the Commodity Trade Finance unit is being established with business partners outside the EU. This type of business could involve increased money laundering, fraud and reputational risks that are being addressed by applying a more stringent duty of care.

The economic sanctions against Russia that have been resolved will result in increased risk due to the investigative efforts required to ensure compliance with the relevant sanction provisions.

Personnel risk

Since the last reporting period, negotiations on the new provisions concerning variable remuneration (company agreement on variable remuneration, variable remuneration for risk-takers) have been concluded. The company agreement on staff appraisals has also been adjusted to reflect the latest requirements of the German Remuneration Ordinance for Institutions. The transition to the new system of variable remuneration was realised for all employees as part of the scheduled salary review in July of this year.

Other risks

Information on IT, business, strategic, reputational and participation risks can be found in IKB's Group management report for the year ended 31 March 2014. There have been no significant changes since this date.

Overall assessment of the risk situation

As at 30 September 2014, IKB generated consolidated net income, thus further increasing the common equity tier 1 (CET 1) and the CET 1 ratio in comparison to the end of the last financial year. As a result, the buffers above the benchmarks which the ECB established for the comprehensive assessment have widened. The tier 1 capital ratio achieved results in a leverage ratio of over 8%. This is considerably above the liquidity ratio of 3% so far established by the bank supervisory body. At the same time, there has been an increase at IKB in the risk-bearing capacity, i.e. its ability to absorb unexpected losses without jeopardising the minimum regulatory capitalisation.

Strengthening tier 1 capital and thus the resistance of the Bank is to be seen not only in the context of growing regulatory requirements, but also against the backdrop of ongoing uncertainties in the euro zone. Thus the economy in the euro zone continues to show no signs of an upturn in growth. Despite the ECB measures, deflationary trends remain and a longer period of extremely low interest rates is possible. If the ECB buying up government bonds or parallel intervention in the fiscal policy across the euro zone fail to impact, a resurgence of the debt crisis in the euro countries cannot be excluded. Another potentially negative factor is the Russia sanctions which can impact the lending business in a negative fashion, directly or indirectly.

Taking the Bank's planning into account, risk-bearing capacity from a going-concern perspective remains secure without restriction for the next twelve months and a further two years after that. The scope of the Bank in terms of free risk coverage potential has increased. The Bank's risk-bearing capacity in the liquidation perspective has also improved significantly.

IKB spreads the euro securities it holds primarily for liquidity purposes among the counterparty states in Europe. In addition it focuses almost exclusively on good-quality covered debt securities (mortgage bonds, covered bonds, etc.). IKB's securities portfolio continued to increase in value during the first half of the year due to the easing of the tension on the capital markets. Moreover, interest receivables from the securities portfolio helped to stabilise net interest income in an extremely low-interest environment. However, generally speaking, the sustained low level of interest rates could impede the generation of adequate interest income in the future.

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

The risks for corporate financing in Italy, Spain and France are higher than in Germany. For the risks it has identified IKB has established loan loss provisions which results in high coverage ratios. What is more, these countries now account for only a small proportion of IKB's overall corporate loan portfolio. For specific financing in these countries where cash flows are dependent on state-controlled prices (for example, user fees), it remains to be seen whether subsequent changes can be brought about as a result of state intervention.

In an environment characterised by substantial potential event risks (Ukraine, fears of deflation, setbacks in the euro zone, lower oil prices), IKB has secured its liquidity situation for the long term and is remaining cautious in its liquidity management.

The Bank considers potential legal risks from the special auditor report to be manageable. Currently other significant legal risks are not evident.

The next phase in the process of creating the banking union has come. The key issues are the adoption of the resolution regime for banks and uniform regulations for the bank supervisory review process by the ECB. This and a range of further regulatory projects for banks present also the IKB with considerable challenges, not only in implementation, but also in respect to the management of the Bank. The wave of regulation thus has become a risk factor which can have a considerable impact on the alignment of business models. Uncertainty is being caused by the large number of regulations and projects e.g. the implementation of the resolution regime or the level of the European bank levy. They are difficult to keep track of and their considerable repercussions can be recognised only at a very late stage.

The general economic uncertainty, volatility of the markets and the large number of new regulatory measures will continue to accompany the banking world over the next few months. Against the backdrop of this economic uncertainty, the possibility of further new crises resulting in unexpected default, market price and liquidity risks for the banking system – and therefore also for IKB – cannot be ruled out, even in the near future. This could also restrict the business opportunities available to the Bank and have a corresponding impact on the fulfilment of regulatory requirements, the development of risk-bearing capacity and the development of risk provisioning.

5. Report on opportunities

IKB reports on its opportunities in detail on pages 71 and 72 of its 2013/14 annual report. There have been no material changes to this information since its publication.

6. Outlook

Future general economic conditions

The pace of global economic expansion is expected to remain moderate in 2015. The upturn in the USA will continue. This is supported in particular by the economic policy conditions, the gradual recovery of the employment market and the reduced debt levels among private households. The UK is also likely to maintain its positive economic development.

By contrast, economic momentum in the euro zone will remain weak. The upswing that has been anticipated for some time has yet to materialise, prompting the economic research institutes to downwardly revise their forecasts in their autumn reports. Development in France and Italy has been particularly disappointing, while the business climate in both countries has also seen an especially sharp deterioration over the course of the year. For France, the research institutes are forecasting GDP growth of just 0.3% in 2014 and 0.5% in 2015. Meanwhile, economic output in Italy is actually expected to decline again in the current year (GDP: -0.3%), followed by an only moderate recovery next year (+0.3%). By contrast, Spain has returned to growth, with the research institutes forecasting an increase in GDP of 1.2% in 2014 and 1.8% in the following year.

The research institutes have also downwardly revised their spring forecasts for Germany. Geopolitical uncertainty and disillusionment about the European economy have led to a significant downturn in the sentiment indicators. The German economy is expected to do little more than move sideways in the second half of 2014. A recovery will not emerge until next year on the back of an improvement in the export environment. All in all, this means average GDP growth of 1.3% for 2014 and 1.2% for 2015.

The deterioration in companies' sales expectations since spring 2014 is likely to continue to have a negative impact on investment activity throughout the rest of this year. An upturn is not expected until next year, when capital expenditure is expected to benefit somewhat from the improved outlook for exports in particular; however, development will remain hesitant. Increased investment will be supported by the extremely low level of interest rates and the favourable lending standards being applied by banks. Companies are also generally in a good position when it comes to their own financial resources, although their results of operations are likely to deteriorate slightly over the forecast period.

The current differentiation in terms of monetary policy in the industrialised nations is set to continue in 2015 in light of the expected differences in economic performance. In the USA, the Fed is likely to raise its key lending rate in spring 2015 if the economic upturn continues, while the headline rate in the UK is also expected to be increased in the first half of 2015.

Over recent months, the ECB has resolved a range of new measures aimed at achieving a further relaxation in monetary policy and improving the transmission of its monetary policy via the banking system. The package of measures includes a further reduction in key lending rates, the implementation of new refinancing operations linked to bank lending with a term of up to four years, and the announcement of new purchase programmes for private securities. The research institutes believe that the ECB will maintain its expansive approach in light of the muted economic outlook for the euro zone. However, there are doubts as to whether the measures described above will be successful as they are considered likely to provide only limited economic momentum, if any.

The results of the bank stress tests conducted by the ECB have shown that the majority of European banks are on a relatively stable footing and are well equipped to deal with new stress scenarios. The remaining capital shortfall at a total of 13 banks is manageable. However, banks continue to be faced with considerable challenges. Their earnings potential in the euro zone is likely to remain limited, with sustained low interest rates continuing to affect margins, while the weak economic profile in some euro zone countries is failing to provide relief. The earnings situation could also come under further pressure due to intense competition, particularly in Germany. Banks are also increasingly having to prepare themselves for a general shift in corporate financing, with corporations and large midmarket companies at least favouring capital market finance over traditional bank lending to an ever greater extent. In addition, banks are being affected on the cost side by the extensive regulatory measures. As such, the adaptation of their business models to these changes remains on the agenda.

The forecast development is subject to the risks arising from the Ukraine-Russia conflict and the political and military conflicts in the Arab world. With the scope for an expansive economic policy being extremely limited at the level of monetary policy and, in most countries, fiscal policy, there would be little in the way of defence against a global economic downturn.

Net assets

For the period under review, the Bank refers to the information on net assets in section 6. “Outlook” on pages 74 and 75 of IKB’s 2013/14 annual report and is also maintaining this forecast for the second half of the financial year 2014/15.

Liquidity situation

Collateralised borrowing on the interbank market and lending against securities or loan assets with the Central Bank have become important sources of refinancing for many banks. In addition, deposits have become more important for financing.

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

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

As forecast on page 77 of IKB’s 2013/14 annual report, the Bank still expects its liquidity ratio in accordance with the German Liquidity Regulation (LiqV) to remain within a corridor of between 1.25 and 2.0 for the whole financial year 2014/15. After collecting initial data from the first year of application within the supervisory monitoring period that began on 1 January 2014, IKB will convert its liquidity controlling to the new indicators – the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) – going forward. The LCR amounted to 339% as at 30 September 2014, thereby comfortably exceeding the level of 60% that is required to be observed from 1 October 2015.

Leverage ratio

IKB expects the leverage ratio to remain roughly constant at its current level throughout the second half of the financial year 2014/15.

Results of operations

For the period under review, the Bank refers to the information on the results of operations in section 6. “Outlook” on page 78 of IKB’s 2013/14 annual report and is also maintaining this forecast for the second half of the financial year 2014/15.

Overall assessment

After the first six months, IKB expects to generate positive earnings after taxes and before additions to the fund for general banking risks (section 340g HGB) in the whole financial year 2014/15. This result will be higher than expected at the start of the 2014/15 financial year but well below the high figure for the previous year. Should profits be accumulated by IKB AG, IKB intends to transfer them to the fund for general banking risk in accordance with section 340g HGB as at the end of the financial year. Servicing the compensation agreements of a total amount of € 1,151.5 million and the value recovery rights of the hybrid investors mean that IKB AG will probably not report any, or only minimal, profit for a long time to come, even if results are positive. To the extent that net income is reported in future, the reduction in net accumulated losses and the backpayment of bank levies will mean that it is still not possible to distribute a dividend to the shareholders of IKB AG.

.

Combined Interim Financial Statements of IKB Deutsche Industriebank AG and the Group

Consolidated balance sheet of IKB Deutsche Industriebank AG as at 30 September 2014

in € million	30 Sep. 2014	31 Mar. 2014
Assets		
Cash reserve	**16.3**	**22.2**
a) Cash on hand	-	-
b) Balances with central banks	16.3	22.2
thereof: with Deutsche Bundesbank	16.3	22.2
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks	**-**	**-**
Receivables from banks	**2,179.6**	**2,235.4**
a) Repayable on demand	2,077.2	2,128.9
b) Other receivables	102.4	106.5
Receivables from customers	**11,510.2**	**12,263.2**
thereof: mortgage loans	1,359.0	1,465.2
thereof: public sector loans	868.2	1,010.9
Bonds and other fixed-income securities	**7,778.4**	**7,506.6**
a) Money market securities	-	-
b) Bonds and notes	7,189.4	6,820.3
ba) Public sector issuers	3,910.7	3,609.8
thereof: eligible as collateral for Deutsche Bundesbank	3,910.7	3,479.7
bb) Other issuers	3,278.7	3,210.5
thereof: eligible as collateral for Deutsche Bundesbank	2,697.3	2,783.1
c) Own bonds	589.0	686.3
Nominal amount	598.8	695.3
Equities and other non-fixed-income securities	**566.4**	**567.8**
Assets held for trading	**304.6**	**318.1**
Equity investments	**25.1**	**25.4**
thereof: banks	-	0.2
Investments in associates	**12.7**	**45.0**
thereof: financial services institutions	12.7	12.2
Investments in affiliated companies	**2.2**	**2.3**
Assets held in trust	**-**	**-**
Equalisation claims on the public sector including debt securities arising from their exchange	**-**	**-**
Lease assets	**1,089.2**	**1,170.1**
Intangible assets	**12.9**	**15.2**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	12.5	15.0
c) Goodwill	-	-
d) Advance payments made	0.4	0.2
Tangible assets	**25.4**	**26.0**
Called unpaid capital	**-**	**-**
Other assets	**105.9**	**130.5**
Prepaid expenses	**108.5**	**121.7**
Deferred tax assets	**248.0**	**248.8**
Excess of plan assets over post-employment benefit liability	**37.2**	**33.2**
Total assets	**24,022.6**	**24,731.5**

in € million	30 Sep. 2014	31 Mar. 2014
Equity and liabilities		
Liabilities to banks	**9,718.4**	**10,169.1**
a) Repayable on demand	201.8	1,247.8
b) With agreed lifetime or notice period	9,516.6	8,921.3
Liabilities to customers	**9,310.9**	**9,629.5**
a) Savings deposits	-	-
b) Other liabilities	9,310.9	9,629.5
ba) Repayable on demand	1,067.7	891.1
bb) With agreed lifetime or notice period	8,243.2	8,738.4
Securitised liabilities	**1,274.2**	**1,071.9**
a) Bonds issued	1,274.2	1,071.9
b) Other securitised liabilities	-	-
Liabilities held for trading	**306.4**	**333.9**
Liabilities held in trust	**-**	**-**
Other liabilities	**367.8**	**552.2**
Deferred income	**144.5**	**154.2**
Deferred tax liabilities	**-**	**-**
Provisions	**264.8**	**260.5**
a) Provisions for pensions and similar obligations	4.0	3.2
b) Tax provisions	81.9	69.3
c) Other provisions	178.9	188.0
Subordinated liabilities	**974.2**	**971.3**
Profit participation capital	**32.2**	**32.2**
Fund for general banking risks	**574.0**	**574.0**
thereof: trading-related special reserve according to section 340e(4) HGB	0.9	0.9
Equity	**1,055.2**	**982.7**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	191.7	191.7
b) Capital reserves	1,750.7	1,750.7
c) Revenue reserves	4.9	4.9
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	2.5	2.5
d) Difference in equity from currency translation	-18.5	-18.2
e) Net accumulated losses	-2,303.4	-2,376.2
Total equity and liabilities	**24,022.6**	**24,731.5**

Contingent liabilities	**1,849.4**	**1,602.0**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,849.4	1,602.0
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**778.5**	**822.0**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	778.5	822.0

Balance sheet of IKB Deutsche Industriebank AG as at 30 September 2014

in € million	30 Sep. 2014	31 Mar. 2014
Assets		
Cash reserve	**16.3**	**22.2**
a) Cash on hand	-	-
b) Balances with central banks	16.3	22.2
thereof: with Deutsche Bundesbank	16.3	22.2
c) Balances in postal giro accounts	-	-
Debt instruments of public sector entities and bills of exchange eligible for refinancing of central banks	**-**	**-**
Receivables from banks	**2,079.4**	**2,108.6**
a) Repayable on demand	1,985.7	2,017.6
b) Other receivables	93.7	91.0
Receivables from customers	**13,405.6**	**14,232.2**
thereof: mortgage loans	1,359.0	1,465.2
thereof: public sector loans	868.2	1,010.9
Bonds and other fixed-income securities	**6,851.2**	**6,526.9**
a) Money market securities	-	-
b) Bonds and notes	6,846.0	6,524.3
ba) Public sector issuers	3,529.3	3,609.8
thereof: eligible as collateral for Deutsche Bundesbank	3,529.3	3,479.7
bb) Other issuers	3,316.7	2,914.5
thereof: eligible as collateral for Deutsche Bundesbank	2,582.1	2,304.8
c) Own bonds	5.2	2.6
Nominal amount	5.6	3.2
Equities and other non-fixed-income securities	**-**	**-**
Assets held for trading	**304.6**	**318.1**
Equity investments	**11.6**	**11.3**
thereof: banks	0.2	0.2
Investments in affiliated companies	**137.1**	**137.0**
thereof: banks	-	-
Assets held in trust	**-**	**-**
Equalisation claims on the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**35.2**	**39.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets	10.4	12.6
c) Goodwill	24.8	27.0
d) Advance payments made	-	-
Tangible assets	**5.9**	**6.2**
Called unpaid capital	**-**	**-**
Other assets	**68.3**	**112.1**
Prepaid expenses	**172.7**	**202.7**
Deferred tax assets	**251.7**	**251.7**
Excess of plan assets over post-employment benefit liability	**37.0**	**33.1**
Total assets	**23,376.6**	**24,001.7**

in € million	30 Sep. 2014	31 Mar. 2014
Equity and liabilities		
Liabilities to banks	**9,703.3**	**10,161.2**
a) Repayable on demand	196.3	1,247.4
b) With agreed lifetime or notice period	9,507.0	8,913.8
Liabilities to customers	**9,434.0**	**9,628.7**
a) Savings deposits	-	-
b) Other liabilities	9,434.0	9,628.7
ba) Repayable on demand	1,147.5	878.3
bb) With agreed lifetime or notice period	8,286.5	8,750.4
Securitised liabilities	**729.8**	**699.5**
a) Bonds issued	729.8	699.5
b) Other securitised liabilities	-	-
Liabilities held for trading	**306.4**	**333.9**
Liabilities held in trust	**-**	**-**
Other liabilities	**473.0**	**445.5**
Deferred income	**175.7**	**201.2**
Deferred tax liabilities	**-**	**-**
Provisions	**224.9**	**221.9**
a) Provisions for pensions and similar obligations	0.5	-
b) Tax provisions	78.9	65.4
c) Other provisions	145.5	156.5
Subordinated liabilities	**499.1**	**496.3**
Profit participation capital	**32.2**	**32.2**
Fund for general banking risks	**574.0**	**574.0**
thereof: trading-related special reserve according to section 340e(4) HGB	0.9	0.9
Equity	**1,224.2**	**1,207.3**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	191.7	191.7
b) Capital reserves	1,750.7	1,750.7
c) Revenue reserves	2.4	2.4
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	-	-
e) Net accumulated losses	-2,150.4	-2,167.3
Total equity and liabilities	**23,376.6**	**24,001.7**

Contingent liabilities	**2,771.1**	**2,527.1**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	2,771.1	2,527.1
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**682.9**	**766.8**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	-
c) Irrevocable loan commitments	682.9	766.8

Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April 2014 to 30 September 2014

in € million	2014/15	2013/14
Expenses		
Lease expenses	**-100.6**	**-94.0**
Interest expenses	**-495.0**	**-555.5**
Commission expenses	**-5.3**	**-6.6**
Net trading results	**-**	**-**
General administrative expenses	**-148.6**	**-134.1**
a) Personnel expenses	-88.1	-78.8
aa) Wages and salaries	-74.0	-67.0
ab) Social security, post-employment and other employee benefit costs	-14.1	-11.8
thereof: for pensions	-5.0	-3.1
b) Other administrative expenses	-60.5	-55.3
Depreciation and write-downs of intangible and tangible assets	**-183.1**	**-205.6**
a) On leasing assets	-178.2	-200.2
b) On intangible and tangible assets	-4.9	-5.4
Other operating expenses	**-50.2**	**-262.3**
Expenses for the addition to the fund for general banking risks	**-**	**-127.8**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-23.8**	**-59.0**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-14.8**	**-7.8**
Expenses of assumption of losses	**-**	**-**
Extraordinary expenses	**-2.3**	**-2.3**
Income taxes	**-15.4**	**111.2**
Other taxes not reported under “Other operating expenses”	**-0.8**	**-0.9**
Net income for the year	**-72.7**	**-7.5**
Total expenses	**-1,112.6**	**-1,352.2**

in € million	2014/15	2013/14
Income		
Lease income	**313.3**	**336.9**
Interest income from	**579.6**	**650.3**
a) Lending and money market transactions	493.1	564.1
b) Fixed-income securities and government-inscribed debts	86.5	86.2
Current income from	**11.9**	**2.2**
a) Equities and other non-fixed-income securities	8.2	0.7
b) Equity investments	0.7	0.7
c) Associates	1.0	0.8
d) Investments in affiliated companies	2.0	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**22.1**	**21.0**
Net trading results	**1.6**	**4.8**
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**115.3**	**69.1**
Other operating income	**67.7**	**267.9**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**1.1**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**1,112.6**	**1,352.2**
Net income for the year	**72.7**	**7.5**
Loss carryforward from the previous year	**-2,376.2**	**-2,408.4**
Withdrawals from capital reserves	**-**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,303.4**	**-2,400.9**

Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2014 to 30 September 2014

in € million	2014/15	2013/14
Expenses[1)]		
Interest expenses	**-509.5**	**-570.8**
Commission expenses	**-2.2**	**-2.9**
Net trading results	**-**	**-**
General administrative expenses	**-125.4**	**-112.9**
a) Personnel expenses	-71.2	-62.3
aa) Wages and salaries	-60.1	-53.1
ab) Social security, post-employment and other employee benefit costs	-11.1	-9.2
thereof: for pensions	-4.5	-2.9
b) Other administrative expenses	-54.2	-50.6
Depreciation and write-downs of intangible and tangible assets	**-4.9**	**-4.9**
Other operating expenses	**-28.1**	**-231.5**
Expenses for the addition to the fund for general banking risks	**-**	**-127.8**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-23.7**	**-54.7**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments*	**-9.2**	**-13.7**
Expenses of assumption of losses	**-**	**-**
Extraordinary expenses	**-2.0**	**-2.1**
Income taxes	**-13.5**	**111.6**
Other taxes not reported under “Other operating expenses”	**-0.2**	**-0.2**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the year	**-16.9**	**-**
Total expenses	**-735.6**	**-1,009.9**

1) 30 September 2013 figures restated

in € million	2014/15	2013/14
Income[1)]		
Interest income from	**594.3**	**672.2**
a) Lending and money market transactions	516.8	598.4
b) Fixed-income securities and government-inscribed debts	77.5	73.8
Current income from	**2.2**	**-**
a) Equities and other non-fixed-income securities	-	-
b) Equity investments	0.2	-
c) Investments in affiliated companies	2.0	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**21.2**	**19.8**
Net trading results	**1.6**	**4.8**
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**-**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities*	**88.7**	**72.3**
Other operating income	**26.5**	**240.8**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**1.1**	**-**
Income from assumption of losses	**-**	**-**
Net loss for the year	**-**	**-**
Total income	**735.6**	**1,009.9**
Net income for the year	**16.9**	**-**
Loss carryforward from the previous year	**-2,167.3**	**-2,167.3**
Withdrawals from capital reserves	**-**	**-**
Withdrawals from revenue reserves	**-**	**-**
Withdrawals from profit participation capital	**-**	**-**
Withdrawals from silent partnership contributions	**-**	**-**
Appropriation to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,150.4**	**-2,167.3**

1) 30 September 2013 figures restated

Notes to the single-entity and consolidated financial statements (condensed)

Applied accounting principles

The interim financial report of IKB AG and the IKB Group ("Group") for the period ended 30 September 2014 is prepared in accordance with the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) in conjunction with the *Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute* (RechKredV – German Bank Accounting Directive) and taking into account the relevant provisions of the *Aktiengesetz* (AktG – German Stock Corporation Act) and the standards promulgated by the German Standardisation Council (DSR) and endorsed by the German Federal Ministry of Justice in accordance with section 342(2) HGB. These financial statements should be read together with the audited single-entity and consolidated financial statements of IKB AG for the year ended 31 March 2014.

The interim financial report for the period ended 30 September 2014 comprises the balance sheet, the income statement and selected explanatory disclosures in the condensed notes to the financial statements in addition to a condensed Group management report. IKB has opted against the voluntary preparation of a (condensed) statement of changes in equity and a (condensed) cash flow statement. With respect to the events and items arising in the current interim reporting period that are relevant for an understanding of the material changes in items of the balance sheet and the income statement in comparison to the comparative figures shown, please refer to the information on the assets, financials and income in the interim management report of the Group in addition to the disclosures in the condensed notes to the interim financial statements.

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

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

Amounts are disclosed in millions of euro. Minor deviations can occur in the figures in the notes due to the rounding of totals. Amounts under € 50 thousand and zero amounts are shown in the single-entity and consolidated financial statements as "-".

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

The same accounting policies were applied in preparing the interim financial statements as for the single-entity and consolidated financial statements for the year ended 31 March 2014.

(1) Consolidated group

In addition to IKB AG, 46 (31 March 2014: 43) subsidiaries have been included in consolidation in the consolidated financial statements as at 30 September 2014.

The company European Liquid Bond S.A., SICAV-FIS, was included in the consolidated financial statements as a subsidiary as at 30 June 2014. IKB AG achieved indirect control of the investment fund in June 2014. It was included in the consolidated financial statements as an associate as at 31 March 2014. The transfer did not have any impact on profit or loss.

IKB Beteiligungsgesellschaft 2 mbH was included in the consolidated financial statements by way of consolidation as a subsidiary as at 30 September 2014. Its purpose is the acquisition, holding and disposal of equity investments in companies and the management of its own assets.

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

One associated company is included in the consolidated financial statements using the equity method (31 March 2014: two).

55 subsidiaries (31 March 2014: 56) and 17 associates (31 March 2014: 19) were not included in the consolidated financial statements by way of consolidation or using the equity method on account of their immateriality to the net assets, financial position and results of operations of the Group, and instead were recognised as other equity investments at amortised cost.

IKB AG has founded a fund company in Luxembourg named Valin Mittelstand Senior Debt Fund S.A., SICAV-SIF. It was entered in the commercial register on 16 June 2014. The consolidation of the fund company was waived in accordance with section 296(2) HGB as no sub-funds have been formed to date.

(2) Consolidation methods

The consolidated financial statements were prepared in accordance with the uniform accounting policies of IKB AG. The annual financial statements of the subsidiaries included that are neither credit nor financial services institutions have been reconciled to the structure of the RechKredV formats. If a Group company has a reporting date other than 30 September, the material transactions that occur between the balance sheet date and 30 September 2014 are taken into account. Selected companies are included using financial statements updated to the six-month reporting date of the Group.

The same principles of consolidation were applied in the interim financial statements as in the consolidated financial statements as at 31 March 2014:

Acquisition accounting for companies included in consolidation for the first time is in line with the revaluation method in accordance with section 301 HGB. Before the BilMoG came into effect, the book value method was used for companies included in consolidation for the first time.

Assets, liabilities and deferred income as well as revenues and expenses between the Group companies included are consolidated. Interim Group profits from internal transactions are eliminated if not immaterial.

Investments in associated companies are measured using the equity method in accordance with section 312 HGB (book value method). Uniform accounting policies are disregarded when using the equity method in the Group.

Notes on the balance sheet

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

	Group		IKB AG	
in € million	**30 Sep. 2014**	**31 Mar. 2014**	**30 Sep. 2014**	**31 Mar. 2014**
Receivables from banks[1)]	**102.4**	**106.5**	**93.7**	**91.0**
remaining term				
up to 3 months	65.3	74.0	56.6	58.5
between 3 months and 1 year	4.6	6.3	4.6	6.3
between 1 and 5 years	16.1	14.2	16.1	14.2
more than 5 years	16.4	12.0	16.4	12.0
Receivables from customers	**11,510.2**	**12,263.2**	**13,405.6**	**14,232.2**
remaining term				
up to 3 months	1,763.6	1,703.6	1,829.9	1,763.9
between 3 months and 1 year	1,675.4	1,869.9	1,845.7	2,044.5
between 1 and 5 years	5,876.4	6,371.1	7,252.0	7,818.7
more than 5 years	2,194.8	2,318.6	2,478.0	2,605.1
Liabilities to banks[1)]	**9,516.6**	**8,921.3**	**9,507.0**	**8,913.8**
remaining term				
up to 3 months	2,471.6	1,481.5	2,462.1	1,480.6
between 3 months and 1 year	2,078.0	1,770.7	2,077.9	1,770.2
between 1 and 5 years	3,795.4	4,428.3	3,795.4	4,422.2
more than 5 years	1,171.6	1,240.8	1,171.6	1,240.8
Liabilities to customers[1)]	**8,243.2**	**8,738.4**	**8,286.5**	**8,750.4**
remaining term				
up to 3 months	2,441.4	1,212.2	2,456.8	1,224.2
between 3 months and 1 year	1,974.0	3,068.2	2,002.0	3,068.2
between 1 and 5 years	2,765.3	3,222.9	2,765.3	3,222.9
more than 5 years	1,062.5	1,235.1	1,062.4	1,235.1

1) not including receivables or liabilities repayable on demand

€ 678.2 million (31 March 2014: € 500.1 million) of bonds and other fixed-income securities are payable in the following year in the Group and € 607.9 million (31 March 2014: € 293.7 Mio. €) are payable in the following year at IKB AG. € 537.5 million (31 March 2014: € 149.9 million) of the bonds issued and reported under securitised liabilities are payable in the following year in the Group and € 408.9 million (31 March 2014: € 100.3 million) are payable in the following year at IKB AG.

(4) Trading financial instruments

Assets held for trading break down as follows:

	Group		IKB AG	
in € million	**30 Sep. 2014**	**31 Mar. 2014**	**30 Sep. 2014**	**31 Mar. 2014**
Derivative financial instruments	276.0	253.9	276.0	253.9
Receivables	9.9	48.2	9.9	48.2
Bonds and other fixed-income securities	19.3	17.2	19.3	17.2
Risk deduction	-0.6	-1.2	-0.6	-1.2
Total	**304.6**	**318.1**	**304.6**	**318.1**

Trading liabilities include the following items:

	Group		IKB AG	
in € million	**30 Sept. 2014**	**31 Mar. 2014**	**30 Sept. 2014**	**31 Mar. 2014**
Derivative financial instruments	290.5	266.5	290.5	266.5
Liabilities	15.9	67.4	15.9	67.4
Total	**306.4**	**333.9**	**306.4**	**333.9**

After taking into account a risk deduction, trading activities generated net income of € 1.6 million as at 30 September 2014 (31 March 2014: € 4.8 million).

(5) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Lease assets	Equity investments	Investments in associates	Invest-ments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2014	**62.7**	**77.0**	**2,328.2**	**57.7**	**43.8**	**12.0**	**7,529.4**	**568.9**	**10,679.7**
Additions to consolidated group	-	-	-	-	-	-	-	-	-
Additions	0.6	1.5	152.4	0.5	-	-	3,094.8	-	3,249.8
Reclassifications	-	-	-17.4	-	-32.7	-	101.1	-	51.0
Effects of currency translation	-	-	-1.4	-	-	-	22.4	-	21.0
Disposals from consolidated group	-	-	-	-	-	-	-	-	-
Disposals	-0.2	-0.7	-250.3	-9.7	-	-0.1	-2,792.6	-1.1	-3,054.7
Acquisition costs as at 30 Sep. 2014	**63.1**	**77.8**	**2,211.5**	**48.5**	**11.1**	**11.9**	**7,955.1**	**567.8**	**10,946.8**
Cumulative depreciation/ amortisation, write-downs and reversals thereof as at 31 Mar. 2014	**-47.5**	**-51.0**	**-1,158.1**	**-32.3**	**1.2**	**-9.7**	**-176.9**	**-1.1**	**-1,475.4**
Additions to consolidated group	-	-	-	-	-	-	-	-	-
Reversals of write-downs	-	-	0.9	-	0.4	-	9.5	-	10.8
Depreciation/amortisation and write-downs	-2.9	-2.0	-178.8	-0.2	-	-	-6.6	-0.3	-190.8
Reclassifications	-	-	-0.2	-	-	-	-	-	-0.2
Effects of currency translation	-	-	0.7	-	-	-	-9.7	-	-9.0
Disposals from consolidated group	-	-	-	-	-	-	-	-	-
Disposals	0.2	0.6	213.2	9.1	-	-	1.9	-	225.0
Cumulative depreciation/ amortisation, write-downs and reversals thereof as at 30 Sep. 2014	**-50.2**	**-52.4**	**-1,122.3**	**-23.4**	**1.6**	**-9.7**	**-181.8**	**-1.4**	**-1,439.6**
Residual book value as at 30 Sept. 2014	**12.9**	**25.4**	**1,089.2**	**25.1**	**12.7**	**2.2**	**7,773.3**	**566.4**	**9,507.2**
Residual book value as at 31 Mar. 2014	**15.2**	**26.0**	**1,170.1**	**25.4**	**45.0**	**2.3**	**7,352.5**	**567.8**	**9,204.3**

Deferred interests for the financial year and the previous year are shown in additions and disposals.

IKB AG:

in € million	Intangible assets	Tangible assets	Lease assets	Equity invest-ments	Investments in associates	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2014	**85.4**	**26.3**	**-**	**11.3**	**-**	**1,331.7**	**6,535.1**	**-**	**7,989.8**
Additions	0.2	0.1	-	0.5	-	0.1	2,597.1	-	2,598.0
Reclassifications	-	-	-	-	-	-	101.1	-	101.1
Effects of currency translation	-	-	-	-	-	-	13.0	-	13.0
Disposals	-	-	-	-	-	-	-2,279.2	-	-2,279.2
Acquisition costs as at 30 Sep. 2014	**85.6**	**26.4**	**-**	**11.8**	**-**	**1,331.8**	**6,967.1**	**-**	**8,422.7**
Cumulative depreciation/ amortisation, write-downs and reversals thereof as at 31 Mar. 2014	**-45.8**	**-20.1**	**-**	**-**	**-**	**-1,194.7**	**-114.0**	**-**	**-1,374.6**
Reversals of write-downs	-	-	-	-	-	-	3.2	-	3.2
Depreciation/amortisation and write-downs	-4.6	-0.4	-	-0.2	-	-	-3.5	-	-8.7
Reclassifications	-	-	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	-	-	-6.9	-	-6.9
Disposals	-	-	-	-	-	-	-	-	-
Cumulative depreciation/ amortisation, write-downs and reversals thereof as at 30 Sep. 2014	**-50.4**	**-20.5**	**-**	**-0.2**	**-**	**-1,194.7**	**-121.2**	**-**	**-1,387.0**
Residual book value as at 30 Sep. 2014	**35.2**	**5.9**	**-**	**11.6**	**-**	**137.1**	**6,845.9**	**-**	**7,035.7**
Residual book value as at 31 Mar. 2014	**39.6**	**6.2**	**-**	**11.3**	**-**	**137.0**	**6,421.1**	**-**	**6,615.2**

Deferred interests for the financial year and the previous year are shown in additions and disposals.

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

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

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

In total, there were unrealised losses at the balance sheet date from long-term investments of € 91.0 million (31 March 2014: € 110.1 million) based on the carrying amounts of € 564.8 million (31 March 2014: € 993.0 million) and the fair values of € 473.8 million (31 March 2014: € 882.9 million) in the Group.

At IKB AG, based on carrying amounts of € 496.4 million (31 March 2014: € 926.0 million) and fair values of € 440.0 million (31 March 2014: € 849.0 million) the unrealised losses amounted to a total of € 56.4 million (31 March 2014: € 77.0 million).

No write-downs have been recognised for these unrealised losses as the differences are not considered to be permanent impairment. The reported amounts do not include deferred interest.

Operating and office equipment are included in tangible assets in the Group. There is one asset (land/buildings) partially used for banking operations in the portfolio.

Amortisation on intangible lease assets in the Group amounted to € 0.3 million (previous year: € 0.3 million).

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

	Group			
	30 Sep. 2014		31 Mar. 2014	
in € million	Affiliated companies[1)]	Investees and investors	Affiliated companies[1)]	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	17.7	30.3	17.6	30.3
Other assets	-	-	0.2	-
Liabilities to banks	-	-	-	-
Liabilities to customers	3.8	0.5	4.6	-
Securitised liabilities	-	-	1.2	-
Other liabilities	-	-	-	-

1) for affiliated companies not included in consolidation only

	IKB AG			
	30 Sep. 2014		31 Mar. 2014	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	2,903.8	30.0	3,035.0	30.0
Other assets	8.4	-	27.8	-
Liabilities to banks	-	-	-	-
Liabilities to customers	162.1	0.5	38.4	0.5
Securitised liabilities	314.2	-	391.2	-
Other liabilities	26.7	-	36.3	-

(7) Subordinated assets

	Group		IKB AG	
in € million	30 Sep. 2014	31 Mar. 2014	30 Sep. 2014	31 Mar. 2014
Receivables from customers	666.7	787.4	661.7	772.4
Bonds and other fixed-income securities	0.8	0.7	0.8	0.7
Trading liabilities	8.0	1.0	8.0	1.0
Total	**675.5**	**789.1**	**670.5**	**774.1**

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

(8) Repurchase agreements

The carrying amount of assets reported in the balance sheet as at the reporting date and transferred in repurchase agreements is € 3,343.0 million (31 March 2014: € 3,617.9 million) in the Group and € 2,910.1 million (31 March 2014: € 3,164.9 million) at IKB AG.

(9) Other assets and other liabilities

Other assets include the following items:

	Group		IKB AG	
in € million	**30 Sep. 2014**	**31 Mar. 2014**	**30 Sep. 2014**	**31 Mar. 2014**
Foreign currency adjustment item[1]	-	18.1	-	18.1
Receivables from leasing business	23.1	17.6	-	-
Receivables from tax authorities	41.0	42.9	35.1	36.2
Hire-purchase properties not yet realised	8.4	12.1	-	-
Receivables from derivatives[2]	6.9	7.5	8.9	9.5
Deferred interest on derivatives[2]	0.5	1.7	1.0	2.2
Trade accounts and other receivables	3.7	2.1	2.9	0.4
Receivables from affiliated companies	-	-	8.4	27.8
Other assets	22.3	28.5	12.0	17.9
Total	**105.9**	**130.5**	**68.3**	**112.1**

1) from spot exchange rate neutralization
2) restated prior-year figures for IKB AG and the Group owing to partial reclassification of other assets, receivables from derivatives and deferred interest on derivatives

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

Other liabilities break down as follows:

	Group		IKB AG	
in € million	**30 Sept. 2014**	**31 Mar. 2014**	**30 Sept. 2014**	**31 Mar. 2014**
True sale securitisations	-	-	267.3	274.6
Synthetic securitisations	152.2	368.2	18.6	21.8
Foreign currency adjustment item[1]	24.0	-	24.0	-
Obligations from derivatives[2]	105.2	98.5	105.2	98.5
Deferred interest on derivatives[2]	32.9	20.4	26.2	12.7
Liabilities to tax authorities	15.0	17.9	12.1	14.2
Prepaid expenses for subordinated liabilities	4.3	2.8	4.3	2.8
Trade payables	2.3	3.5	0.5	4.7
Other liabilities	31.9	40.9	14.8	16.2
Total	**367.8**	**552.2**	**473.0**	**445.5**

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

Under true sale securitisation transactions IKB AG reports liabilities from special-purpose entities offset by credit receivables not derecognised on account of the retention of credit risks in the same amount.

In synthetic securitisation transactions, IKB AG has transferred risks from structured securities contained in the balance sheet to a special-purpose entity consolidated in the Group. Other liabilities and provisions for expected losses from executory contracts have been recognised at the carrying amount of these securities. Lease receivables were sold to non-consolidated special-purpose entities in the Group. The transaction did not result in an accounting disposal, hence other liabilities are reported at the carrying amount of the leasing receivables.

Deferred interest on the derivative transaction is reported net.

(10) Deferred income and prepaid expenses

Prepaid expenses include discounts on liabilities recognised at nominal amount of € 8.9 million (31 March 2014: € 11.2 million) in the Group and € 8.9 million (31 March 2014: € 11.2 million) at IKB AG and prepaid expenses for derivatives business of € 89.6 million (31 March 2014: € 94.7 million) in the Group and € 157.5 million (31 March 2014: € 179.0 million) at IKB AG.

Deferred income includes discounts on receivables recognised at nominal amount of € 20.8 million (31 March 2014: € 22.2 million) in the Group and € 20.8 million (31 March 2014: € 22.2 million) at IKB AG and deferred income for derivatives business of € 63.7 million (31 March 2014: € 69.8 million) in the Group and € 151.7 million (31 March 2014: € 175.2 million) at IKB AG.

(11) Deferred tax assets

	Group		IKB AG	
in € million	**30 Sep. 2014**	**31 Mar. 2014**	**30 Sep. 2014**	**31 Mar. 2014**
Total reported amount of deferred tax assets	248.0	248.8	251.7	251.7
Total reported amount of deferred tax liabilities	-	-	-	-

Distribution restrictions break down as follows as at 30 September 2014:

Group:				
30 Sep. 2014 in € million	**Gross income**	**Deferred tax assets**	**Deferred tax liabilities**	**Restriction on distribution**
Unrealised gains on plan assets	24.7	-	-7.7	17.0
Recognition of deferred taxes	-	366.5	-110.8	255.7
Total	**24.7**	**366.5**	**-118.5**	**272.7**

IKB AG:				
30 Sep. 2014 in € million	**Gross income**	**Deferred tax assets**	**Deferred tax liabilities**	**Restriction on distribution**
Unrealised gains on plan assets	22.2	-	-6.9	15.3
Recognition of deferred taxes	-	281.5	-22.8	258.7
Total	**22.2**	**281.5**	**-29.7**	**274.0**

Notes on the income statement

(12) Other operating income

The “Other operating income” item essentially breaks down as follows:

	Group		IKB AG	
in € million	1 Apr. 2014 - 30 Sep. 2014	1 Apr. 2013 - 30 Sep. 2013	1 Apr. 2014 - 30 Sep. 2014	1 Apr. 2013 - 30 Sep. 2013
Income from the reversal of swap agreements	3.7	227.4	3.7	227.4
Income from currency translation	23.1	21.4	0.1	1.0
Reversal of provisions	3.1	2.0	1.4	1.3
Rental income	1.7	3.7	1.7	0.7
Compensation payments[1)]	11.4	0.2	-	-
Income from cost allocation	-	0.8	2.4	2.4
Income from agency arrangements	0.2	0.5	-	-
Income from discounting provisions	1.1	0.6	1.1	0.6

1) from out-of-court settlements

While interest swaps were reversed to a larger extent in the previous year, the extent of this was less in the current financial year.

(13) Other operating expenses

Other operating expenses essentially include:

	Group		IKB AG	
in € million	1 Apr. 2014 - 30 Sep. 2014	1 Apr. 2013 - 30 Sep. 2013	1 Apr. 2014 - 30 Sep. 2014	1 Apr. 2013 - 30 Sep. 2013
Expenses from the reversal of swap agreements	-12.0	-205.7	-12.0	-205.7
Addition to provisions	-1.4	-4.6	-0.3	-4.0
Expenses from currency conversion	-19.5	-23.7	-2.3	-
Rent/upkeep (not for operational purposes)	-3.2	-3.9	-4.2	-2.9
Expenses of interest on provisions	-1.2	-1.1	-1.2	-1.1

(14) Income taxes

Income taxes are calculated using the expected effective income tax rate for earnings before income taxes (DRS 16.24).

For the German group of IKB AG, income taxes are calculated on the basis of the earnings incurred as at the interim reporting date as a more exact estimate (DRS 16.25).

Other disclosures

(15) Consolidated group as at 30 September 2014

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

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

(16) Related party transactions

Transactions with related parties were conducted at standard market terms. There were no significant transactions at non-standard market conditions that would have been reportable in line with section 314(1) no. 13 HGB for the IKB Group or section 285 no. 21 HGB for IKB AG.

(17) Derivative financial instruments not recognised at fair value

Group:

	Group				
	Nominal 30 Sept. 2014	Fair value			
in € million		positive	negative	Assets	Liabilities
Interest-related derivatives	42,990.6	1,723.7	3,343.6	33.5	139.3
Credit-related derivatives	1,545.0	20.9	46.1	19.2	59.8
Currency-related derivatives	1,272.3	5.5	36.3	6.9	34.3
Derivatives assigned to several categories	1,769.7	122.5	117.8	37.4	37.6
Total	**47,577.6**	**1,872.6**	**3,543.8**	**97.0**	**271.0**

IKB AG:

	IKB AG				
	Nominal 30 Sept. 2014	Fair value			
in € million		positive	negative	Assets	Liabilities
Interest-related derivatives	44,101.0	1,748.8	3,352.8	101.9	236.7
Credit-related derivatives	1,545.0	20.9	46.1	19.2	59.8
Currency-related derivatives	1,272.3	5.5	36.3	6.9	34.3
Derivatives assigned to several categories	1,769.7	122.5	117.8	39.3	39.3
Total	**48,688.0**	**1,897.7**	**3,553.0**	**167.3**	**370.1**

(18) Unrealised gains and losses

The table below shows the unrealised gains/losses of the key financial balance sheet items and off-balance sheet derivatives of the IKB Group.

IKB Group	30 Sep. 2014			31 Mar. 2014		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference[1)]
Receivables from banks	2,179.6	2,183.0	3.4	2,235.4	2,229.6	-5.8
Receivables from customers	11,510.2	11,949.3	439.1	12,263.2	12,625.7	362.5
Bonds and other fixed-income securities	7,778.4	8,290.1	511.7	7,506.6	7,698.5	191.9
Equities and other non-fixed-income securities	566.4	579.6	13.2	567.8	571.8	4.0
Derivative financial instruments not recognised at fair value	97.0	1,872.6	1,775.6	122.1	1,412.0	1,289.9
Subtotal	**22,131.6**	**24,874.6**	**2,743.0**	**22,695.1**	**24,537.6**	**1,842.5**
Liabilities to banks	9,718.4	9,914.6	-196.2	10,169.1	10,327.3	-158.2
Liabilities to customers	9,310.9	9,543.2	-232.3	9,629.5	9,842.7	-213.2
Securitised liabilities	1,274.2	1,224.3	49.9	1,071.9	1,006.7	65.2
Subordinated liabilities	974.2	603.0	371.2	971.3	573.3	398.0
Profit participation capital	32.2	28.4	3.8	32.2	25.5	6.7
Silent partnership contributions	0.0	69.2	-69.2	0.0	64.8	-64.8
Derivative financial instruments not recognised at fair value	271.0	3,543.8	-3,272.8	227.1	2,847.1	-2,620.0
Subtotal	**21,580.9**	**24,926.5**	**-3,345.6**	**22,101.1**	**24,687.4**	**-2,586.3**
Total			**-602.60**			**-743.8**

1) During the financial year IKB implemented changes in the calculation of fair values. Applying the current measurement methods to the portfolio as at 31 March 2014, unrealised losses would be around € 40.2 million lower.

Also, in addition to its net asset surplus included in the consolidated financial statements, the IKB Leasing Group has a net asset value (unrealised gains from leasing business) of € 150.5 million (31 March 2014: € 161.0 million). The net asset value is calculated using the model of Bundesverband Deutscher Leasingunternehmen.

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

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

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

Securities are measured at the quoted or market price on the reporting date if a liquid price is available. If there are no closing rates, the market value is calculated on the basis of price information from market data providers and tested for plausibility using suitable methods. If there are no quoted prices or price information from contractual providers for securities available, their value is determined on the basis of own measurement models by discounting forecast cash flows. The discounting rate is calculated using the risk profile of similar securities. Among others, parameters not observed on the market are used among others for this. The fair values for fund units recognised in the IKB Group are the total net asset value relating to the units held.

The fair value of derivatives is calculated in line with the measurement hierarchy of section 255(4) HGB. The fair values of derivatives not traded on exchanges are determined on the basis of financial and mathematical measurement models and market measurement parameters (among others including interest rates, interest rate volatilities, exchange rates). The amount, timing and certainty of cash flows are among others dependent on, among other factors, the development of interest and exchange rates, contractual regulations on payment dates for the respective derivative and the credit standing of the respective counterparty.

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

The method for calculating the fair values of promissory note loans and derivatives was changed in the financial year in the context of a system change to a new portfolio management system. This change in measurement method only affects unrealised gains and losses. Applying the amended measurement as at 31 March 2014 would have increased unrealised gains and losses by € 10.8 million.

In the context of regular model validation activities, adjustments were made to standard market methods for calculating the fair values of loans measured as fixed assets. The adjustments resulted in an increase in fair values of € 51.1 million as at 30 September 2014. The valuation changes would have resulted in an increase in the fair value of receivables of € 29.4 million as at 31 March 2014. The changes had no effect on the balance sheet or income statement.

(19) Executive bodies

Board of Managing Directors

Hans Jörg Schüttler
(Chairman)

Dr Dieter Glüder

Claus Momburg

Dr Michael H. Wiedmann

Supervisory Board

Bruno Scherrer (Chairman)

Dr Karsten von Köller (Deputy Chairman)

Stefan A. Baustert

Dr Karl-Gerhard Eick

Dr Lutz-Christian Funke

Arndt G. Kirchhoff

Bernd Klein*

Rainer Lenz*

Dr Claus Nolting

Nicole Riggers*

Carmen Teufel*

Dr Andreas Tuczka (until 27 October 2014)

*elected by the employees

Düsseldorf, 25 November 2014

IKB Deutsche Industriebank AG

The Board of Managing Directors

Hans Jörg Schüttler	Dr. Dieter Glüder
Claus Momburg	Dr. Michael H. Wiedmann

Review Report

Review Report of the auditor for the condensed interim financial statements of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2014

To IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf

We have reviewed the condensed consolidated interim financial statements – comprising the condensed balance sheet, condensed income statement and selected explanatory notes, which are combined with the selected explanatory notes of the condensed interim financial statements – and the interim group management report of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf, for the period from 1 April to 30 September 2014. The preparation of the condensed consolidated interim financial statements in accordance with German commercial law and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim management reports is the responsibility of the Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with German commercial law and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with German commercial law nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim management reports.

We issue this report on the basis of the engagement agreed with the company, which comprises the attached General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2002, which are also applicable to third parties.

Düsseldorf, 26 November 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Mark Maternus Wirtschaftsprüfer (German Public Auditor)	ppa. Michael Meteling Wirtschaftsprüfer (German Public Auditor)

Note on forward-looking statements

This report contains forward-looking statements. Forward-looking statements are statements that do not describe past events; they also include statements on IKB's assumptions and expectations. These statements are based on the planning, estimates and forecasts currently available to the management of IKB. Forward-looking statements therefore apply only on the day on which they are made. IKB accepts no obligation to update such statements in light of new information or future events.

Forward-looking statements naturally include risks and uncertainty factors. A large number of important factors can contribute towards actual results deviating considerably from forward-looking statements. Such factors include economic developments, the condition and development of the finance markets in Germany, Europe, the US and other places where IKB generates income from securities trading, the possible default of borrowers or counterparties in trades, the implementation of our management agenda, the reliability of risk management policies, procedures and methods and the liquidity situation.

IKB Deutsche Industriebank AG
Communications – COM
Wilhelm-Bötzkes-Strasse 1
40474 Düsseldorf
Tel.: +49 211 8221-4511
Fax +49 211 8221-2511
e-mail: investor.relations@ikb.de