6-Month Report 2016/2017

(1 April — 30 September 2016)

IKB

Deutsche Industriebank

Contents

Letter from the Chairman of the Board of Managing Directors

Dear shareholders,

Dear business partners of IKB,

We achieved a sustainable and competitive position in the German corporate banking market by focussing on the German Mittelstand – providing loans, advisory services and capital market solutions.

This success can also be seen in the results for the first half of the 2016/17 financial year: We are again able to report positive net income. IKB has been profitable for the last 3.5 years. We expect a positive group net income for the full financial year.

The new business volume increased by 22% year-on-year to € 2.2 billion – while maintaining pricing discipline.

Thanks to the positive overall economic development, particularly in Germany, and our solid risk management, our counterparty default risk is at a very moderate level. In particular, this is reflected in the low risk provisioning and the further reduction in non-performing assets. The ratio of our non-performing assets to total credit volume is now below 2%.

The business environment is still characterised by challenges and uncertainty. The costs of complying with regulatory requirements, including the bank levy, are considerable. The current and potential future regulatory projects will present IKB with substantial challenges.

At 11.2% (10.6% on a fully loaded basis) as of 30 September 2016, our regulatory common equity tier 1 ratio (CET 1) was significantly higher than the minimum statutory requirements. The leverage ratio was at a level of 8.3%, and the liquidity coverage ratio was 245%. Both ratios exceeded regulatory requirements by more than 100%.

We have a solid capital position and ample liquidity – and therefore a good basis for profitable growth. In our target customer segment of industrial, high-growth and internationally successful Mittelstand companies, IKB has long-standing relationships, based on trust and mutual understanding.

A key element of the further development is also the forthcoming squeeze-out of minority shareholders in December. Our main shareholder, Lone Star, has increased its shareholding in IKB to 95.88%, following its voluntary purchase offer in the summer of this year.

The Board of Managing Directors of IKB supports Lone Star's plan to acquire all shares in IKB. With a unified shareholder base we will be able to react to any changes in the economic and regulatory environment, enhance our efficiency and focus even more on our work with mid-cap clients.

Düsseldorf, November 2016

M. Wiedmann

Dr Michael H. Wiedmann

Interim Group Management Report

1. Basic information on the Group

Comprehensive information on the IKB Group can be found on pages 13 to 14 of the 2015/16 annual report. There have been no material changes to this information since its publication.

2. Economic report

Macroeconomic and industry-specific conditions

The global economy picked up over the summer following extremely muted growth in the spring. Economic output in the industrialised nations returned to stronger growth, while the emerging economies stabilised thanks in some cases to the recovery in oil prices. However, the underlying growth trend in the global economy is still weaker than in the years prior to the major recession.

The US economy lost considerable momentum in the winter half-year 2015/16, and production growth remained muted in the second quarter of 2016 before picking up more strongly in the third quarter. More recently, macroeconomic expansion has been curbed in particular by the substantial reduction in inventories, while capital expenditure has also declined in response to low oil prices. By contrast, private consumption has increased substantially, not least thanks to the further improvement in the employment market.

Underlying economic momentum in the euro zone remained moderate in the first half of 2016. In France, economic output contracted slightly in the second quarter following significant expansion in the previous quarter on the back of private consumption. GDP growth in Italy also ground to a halt in the summer following moderate increases in each of the five previous quarters. By contrast, economic output in Spain grew substantially in the first half of the year. Since late 2014, the Spanish economy has recorded annual growth rates in excess of 3%.

At 0.4%, economic growth in Germany was slightly weaker in the second quarter of 2016 following an extremely strong first quarter with growth of 0.7%. Developments were driven in particular by private and public consumption on the back of the positive employment situation and additional spending for refugees. However, corporate investment was disappointing, with lively activity in the first quarter followed by 2.4% less investment in the second quarter. The renewed uncertainty among companies is likely to be primarily attributable to geopolitical risks and concerns of a slowdown in the global economy.

The British economy enjoyed strong growth in the second and third quarters. The outcome of the Brexit referendum on 23 June 2016 led to a deterioration in the economic outlook for the United Kingdom, although it is expected to take some time for the consequences of the vote to become clear.

Financing conditions in the euro zone remained favourable. Since March, the key lending rates of the European Central Bank (ECB) have been 0% (main refinancing operations rate) and -0.4% (deposit rate). After being increased by € 20 billion in March 2016, the monthly bond purchase volume is now € 80 billion. Since June, the ECB has been purchasing high-grade to medium-grade corporate bonds in addition to government bonds. The sustained high level of liquidity is likely to be a major reason why money market rates in the euro zone remain extremely low. Having already been very low, capital market yields declined further in the summer months, with bonds from investment-grade countries with a remaining term of ten years trading at negative yields. Interest rates on the lending markets also fell.

Lending to companies in the euro zone remained muted. As previously, banks in some member states, e.g. Italy and Spain, are suffering from a high proportion of loans at risk of default. In particular, the renewed problems in the Italian banking sector in the summer appear to have curbed domestic lending in recent months. Although corporate lending in Spain continued to grow, the upward trend has slowed. In France and Germany, development was generally positive but remained cautious on account of the continued low level of investment activity. In addition, German companies were also able to meet a large proportion of their overall financing requirements from own funds generated or they continued to make use of alternative financing sources such as the capital markets, thereby continuing a trend that has been visible for several years.

The pressure on bank profits remained in place, with results of operations impacted by low interest rates, restructuring measures and the regulatory requirements. Demand for bank-specific products such as corporate loans remained weak, while the extensive provision of liquidity by the ECB meant that companies were able to make use of alternative sources of financing via the capital markets. In Germany in particular, many companies are so well positioned that they are able to finance most of their investments internally. The extremely low level of interest rates is also having an adverse effect on the margin development of banks. By contrast, the lower cost of loan loss provisioning is continuing to have a supporting effect. Together with the wide range of regulatory provisions, pressure on earnings is rising in connection with the intense competitive environment.

Significant events in the period under review

Classification as not potentially posing a risk to the banking system

Reversing the previous classification by the German Federal Financial Supervisory Authority (BaFin) in consultation with Deutsche Bundesbank, IKB was classified as not potentially posing a risk to the banking system in accordance with section 20 (1) sentence 3 of the German Act on the Recovery and Resolution of Institutions and Financial Groups (SAG) by way of a letter dated 8 April 2016. This classification may be changed again in future.

Changes in the Group

IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG and IKB Grundbesitzgesellschaft Frankfurt GmbH & Co. KG were formed on 21 June 2016. The purpose of both companies is real estate acquisition, disposal, management and letting. They may also perform all activities directly or indirectly serving this purpose. IKB AG is the limited partner of IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, with a mandatory capital contribution of € 18,980,000.00 and a liable capital contribution of € 94,900.00. The personally liable partner is IKB Grundstücksgesellschaft Düsseldorf GmbH. IKB Grundstücks GmbH & Co. Objekt Holzhausen KG is the limited partner of IKB Grundbesitzgesellschaft Frankfurt GmbH & Co. KG, with a mandatory capital contribution of € 6,832,800.00 and a liable capital contribution of € 94,900.00. The personally liable partner is IKB Grundstücks GmbH.

In late September 2016, the Board of Managing Directors resolved to close IKB AG's foreign locations, with the exception of the Luxembourg office, by the end of the financial year 2016/17 and to operate its foreign business from the Frankfurt/Main and Düsseldorf offices in future.

Legally relevant events

Debt issuance programme

The debt issuance programme was updated on 25 August 2016. This programme has since been used for various new issues.

Personnel changes

Supervisory Board

Mr Mark Coker, Dr Karl-Gerhard Eick and Dr Lutz-Christian Funke, whose terms of office expired at the end of the Annual General Meeting on 1 September 2016, were re-elected to the Supervisory Board by resolutions of the Annual General Meeting on 1 September 2016.

As scheduled, Mr Rainer Lenz stepped down from the Supervisory Board at the end of the Annual General Meeting on 1 September 2016. At his own request, Mr Stefan A. Baustert stepped down from the Supervisory Board ahead of schedule on the same date. Reflecting the reduction in size that was resolved last year, the Supervisory Board now has only nine members.

At the constituent meeting of the Supervisory Board on 1 September 2016, Dr Karl-Gerhard Eick was re-elected as Chairman of the Supervisory Board. In this function, he is also the Chairman of the Executive Committee, the Nomination Committee and the Remuneration Control Committee. At the same meeting, the members of the Supervisory Board elected Dr Karl-Gerhard Eick and Mr Bernd Klein as members of the Risk and Audit Committee, with the latter replacing the departing Mr Rainer Lenz. They also elected Mr Sven Boysen as a member of the Nomination Committee, again replacing the departing Mr Rainer Lenz.

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 1 September 2016

The Annual General Meeting of IKB AG for the financial year 2015/16 was held in Düsseldorf on 1 September 2016. 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 https://www.ikb.de/en/investor-relations/general-meeting. There are no pending legal proceedings against resolutions of the Annual General Meeting.

Purchase offer by LSF6

On 8 August 2016, LSF6 Europe Financial Holdings, L.P., Dallas, USA ("LSF6") made a purchase offer to the shareholders of IKB AG (ISIN DE 0008063306/WKN 806 330). The acceptance period for the offer by LSF6 ended at midnight (CEST) on 5 September 2016.

LSF6 informs IKB about intention to conduct a squeeze-out

On 8 September 2016, LSF6 informed IKB AG that it would hold more than 95% of the shares and the share capital of IKB AG following the settlement of its voluntary public acquisition offer for all of the shares of IKB AG of 8 August 2016 and that, as the principal shareholder of IKB AG, it had resolved to conduct squeeze-out proceedings in accordance with section 327a ff. of the German Stock Corporation Act (AktG) following the settlement of the offer. By way of a letter dated 12 September 2016, LSF6 subsequently informed IKB AG that it held 95.88% of the shares and the share capital of IKB AG and that it had decided to conduct squeeze-out proceedings. At the same time, LSF6 requested that the Board of Managing Directors of IKB AG hold an Extraordinary General Meeting to resolve on the transfer of the shares of the minority shareholders to LSF6 in exchange for payment of adequate cash compensation. By resolution on 13 September 2016, amended by a resolution on 20 September 2016 to correct a clerical error concerning the resolution date, the Düsseldorf Regional Court appointed Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the expert auditor responsible for examining the appropriateness of the proposed cash compensation.

By way of a letter dated 17 October 2016, IKB AG was informed that the cash compensation defined by LSF6 as the principal shareholder was € 0.49 per no-par value share (see also "Significant events after 30 September 2016", Notes).

Tender for the statutory audit of the IKB Group

On 6 September 2016, IKB AG issued a public tender for the statutory audit of the single-entity and consolidated financial statements of IKB AG and the financial statements of certain subsidiaries included in the consolidated financial statements for the financial year 2017/18 in accordance with the requirements of the

EU regulation on the statutory audit of public-interest entities (Regulation (EU) No. 537/2014). Statutory auditors and audit firms were invited to express their interest in the tender by 12:00 p.m. (CEST) on 14 September 2016. The selection procedure is currently in progress.

Delisting

Following an application by IKB AG on 29 February 2016, trading in the shares of IKB AG in the Entry Standard of the Deutsche Börse AG, Frankfurt, was discontinued with effect from the end of 11 April 2016. The Düsseldorf Stock Exchange discontinued trading of IKB AG's shares in its Primary Market with effect from the end of 31 March 2016.

The listing of IKB AG's shares in the unofficial market of the Düsseldorf Stock Exchange was terminated on 4 October 2016 (see also "Significant events after 30 September 2016", Notes).

Further information can be found in section 2. "Economic report/Significant events in the period under review" on page 18 of IKB's 2015/16 annual report and in section 3. "Supplementary report" on page 25 of IKB's 2015/16 annual report.

Net assets, financial position and results of operations

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

Business development

In the first half of the financial year 2016/17, the Group's new business volume increased by € 0.4 billion or 22% year-on-year to € 2.2 billion. The majority of the new business volume relates to IKB AG. In the period under review, loans from own funds accounted for 60% of the new business volume (previous year: 54%), while public programme loans accounted for 21% (previous year: 29%) and equipment leasing accounted for 19% (previous year: 17%).

Results of operations

In the first half of the financial year 2016/17, IKB generated consolidated net income of € 10 million after € 23 million in the same period of the previous year.

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 and expenses and depreciation and write-downs of lease assets.

Net interest and lease income in the Group amounted to € 144 million in the period under review (previous year: € 142 million). This increase was primarily due to improved margins and increased volumes in the operating lending business.

Net fee and commission income

The Group recorded net fee and commission income of € 17 million, up on the prior-year figure of € 14 million. The increase was largely due to higher advisory fees.

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 € 141 million in the period under review compared with € 143 million in the same period of the previous year.

Personnel expenses were unchanged year-on-year at € 90 million.

Other administrative expenses and depreciation, amortisation and impairment losses declined by € 1 million to € 52 million. This improvement was primarily due to the repurchase of the administrative building in Düsseldorf.

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.

The main factors influencing net other income, which improved from a negative € 8 million in the previous year to € 29 million, are presented below.

The measurement and sale of long-term investments resulted in net income of € 154 million after net income of € 87 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 € 114 million after net expenses of € 62 million in the previous year.

The decision to close the foreign branches resulted in a non-recurring extraordinary restructuring expense of € 7 million.

Expenses for retirement benefits impacted net other income in the amount of € 6 million in the period under review (previous year: € 46 million). Of this figure, an expense of € 15 million related to the discounting of pension provisions in line with the German Ordinance on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung* – RückAbzinsV) issued by Deutsche Bundesbank (previous year: expense of € 22 million), while income of € 9 million related to the measurement of and transactions involving the assets transferred in contractual trust arrangements (previous year: expense of € 24 million).

Net risk provisioning

Net risk provisioning, which includes amortisation/depreciation and write-downs of receivables and specific securities as well as additions to loan loss provisions, changed by € 32 million, from a positive € 14 million in the first half of the financial year 2015/16 to a negative € 18 million.

The specific risk provisioning contained in this figure made a positive earnings contribution of € 9 million following a negative contribution of € 15 million in the previous year. This was primarily due to the reversal of specific risk provisions that were no longer necessary.

There was a net addition to general allowances of € 28 million in the period under review (previous year: net reversal of € 20 million).

Net risk provisioning includes net income from securities in the liquidity reserve and derivatives and from restructured loans in the amount of € 2 million after € 9 million in the previous year.

(Note: Additional information on risk provisioning can be found in the “Risk provisioning” table in section 3. “Risk report”.)

Taxes

Net tax expenses amounted to € 21 million in the period under review after net tax income of € 4 million in the same period of the previous year. € 7 million of the tax expenses in the period under review related to write-downs of tax credits and deferred tax assets that are no longer expected to be utilised following the decision to close the foreign branches.

Net income

Consolidated net income for the first half of the 2016/17 financial year amounted to € 10 million, after consolidated net income of € 23 million in the previous year.

Net assets

The Group's total assets declined by € 0.7 billion as against 31 March 2016, amounting to € 18.8 billion at the end of the reporting period.

The gross credit volume, which also includes off-balance sheet business (see also section 3. “Risk report”), decreased by € 0.7 billion as against 31 March 2016 to € 22.0 billion. This item primarily comprises medium-term and long-term loans to banks, loans to customers, asset derivatives in the non-trading book and guarantees.

Assets

Receivables from banks in the Group declined slightly by € 0.5 billion to € 1.6 billion.

Receivables from customers increased slightly by € 0.1 billion to € 10.0 billion on the back of a sharp increase in the new business volume.

Bonds and other fixed-income securities in the Group decreased by € 0.4 billion to € 4.7 billion.

Liabilities

Liabilities to banks declined by € 1.0 billion to € 6.9 billion, particularly due to the lower level of borrowing on the interbank market.

Liabilities to customers increased by € 0.4 billion to € 7.9 billion, largely as a result of the higher level of customer deposits.

Equity

Equity increased by € 12 million, from € 1,011 million to € 1,022 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 € 585 million is taken into account as common equity tier 1 capital.

Unrealised gains and losses have arisen in the period under review and 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. Unrealised losses could lead to a lower level of net interest income or losses on disposal in future financial years. Like at 31 March 2016, the fair value measurement of the banking book in accordance with IDW RS BFA3 did not result in any provisioning requirements.

Financial position

The funding mix means that IKB's liquidity position is solid 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 3. “Risk report”.

Overall assessment

The results of operations for the first half of the financial year 2016/17 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 in the first half of the financial year 2016/17 was positive on the whole.

Financial and non-financial performance indicators

Non-financial performance indicators are of minor importance in terms of the management of 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 3. “Risk report”.

As at 30 September 2016, the CET 1 ratio amounted to 11.2% for the IKB Group and 15.1% for IKB AG (for details see section 3. “Risk report”). As anticipated in the 2015/16 annual report, this meant that IKB maintained its common equity tier 1 ratio at a high level and exceeded the statutory minimum requirement (CRR) of 4.5% for the CET 1 ratio plus a capital conservation buffer of 0.625% and the additional capital requirement resulting from the SREP process.

Leverage ratio

In addition to the risk-weighted capital requirements forming part of the solvency system, the provisions of the CRR (Capital Requirements Regulation) 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 and the provisions of Delegated Regulation (EU) 2015/62 of 17 January 2015, the leverage ratio of the IKB Group in accordance with Article 429 CRR amounted to 8.3% as at 30 September 2016 (IKB AG: 9.4%), thereby comfortably exceeding the benchmark of 3.0% and, as forecast in the 2015/16 annual report, remaining essentially unchanged as against the previous year at Group level. The ratio for IKB AG was better than forecast, largely as a result of the first-time application of the option provided by Article 429 (7) CRR.

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

As stated in the 2015/16 annual report, IKB expects to generate positive operating results in the Group in the financial year 2016/17 including disposals of financial instruments. Consolidated net income of € 10 million was generated in the period under review.

Cost income ratio

The cost income ratio describes the ratio of administrative expenses to the sum of net interest income, net fee and commission income and net income from the trading portfolio. It amounted to 87.6% at Group level as at 30 September 2016 compared with 96.5% in the previous year.

Banking income and net banking income

The Group's banking income, which consists of net interest and lease income and net fee and commission income, amounted to € 161 million at Group level as at 30 September 2016 compared with € 156 million in the previous year.

Net banking income is calculated as banking income less provisions for possible loan losses (including general allowances) and amounted to € 142 million at Group level as at 30 September 2016 compared with € 161 million in the previous year.

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

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

With a liquidity ratio in accordance with section 2 (1) LiqV of between 1.49 and 1.71, IKB AG had an adequate liquidity buffer at all times during the entire period under review. This meant the liquidity ratio was within the forecast range of 1.25 to 2.00 for the financial year 2016/17 as announced by IKB in its annual report for the financial year 2015/16.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) is the ratio of highly liquid assets (liquidity buffer) to short-term net liquidity requirements, quantified as the net amount of all cash inflows and outflows in the next 30 calendar days. In accordance with Article 460 (2) of Regulation (EU) No. 575/2013 in conjunction with Article 38 (2) of Delegated Regulation 2015/61/EU, a minimum LCR of 60% came into force on 1 October 2015 and increased to 70% as at 1 January 2016.

Following the introduction of binding minimum requirements, IKB performs liquidity management on the basis of both the LiqV ratio and the LCR. The LCR amounted to 245% at IKB Group level as at 30 September 2016 (IKB AG: 212%), thereby exceeding the minimum of 100% for the financial year 2016/17 as set out in the 2015/16 annual report. This target was comfortably exceeded at all times during the period under review.

3. Risk report

Where methods and processes have not changed since 31 March 2016, no detailed presentation is provided in the following section and readers should refer to IKB's 2015/16 annual report (see pages 26 to 64).

Regulatory capital resources and risk-bearing capacity

Regulatory capital resources

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

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

Figures in € million	**30 Sep. 2016**	**31 Mar. 2016[2)]**
Counterparty default risk (including CVA charge € 108 million; 31 March 2016: € 153 million)	12,139	11,970
Market risk equivalent	204	182
Operational risk	722	611
Total risk-weighted assets (RWA)	**13,066**	**12,763**
Common equity tier 1 (CET 1)	**1,470**	**1,479**
Additional tier 1 (AT 1)	281	282
Total Tier 1 (T 1)	**1,751**	**1,761**
Tier 2 (T 2)	411	429
Own funds	**2,162**	**2,190**
CET 1 ratio	**11.2%**	**11.6%**
T 1 ratio	13.4%	13.8%
Own funds ratio	16.5%	17.2%

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

1) Figures taking into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 30 September 2016 and 31 March 2016 respectively, 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.

2) Figures after approval of the accounts and taking into consideration the addition to the fund for general banking risk in CET 1 at the reporting date

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

Figures in € million	**30 Sep. 2016**	**31 Mar. 2016[2)]**
Counterparty default risk (including CVA charge € 108 million; 31 March 2016: € 153 million)	11,151	11,027
Market risk equivalent	64	61
Operational risk	481	366
Total risk-weighted assets (RWA)	**11,697**	**11,454**
Common equity tier 1 (CET 1)	**1,762**	**1,772**
Additional tier 1 (AT 1)	0	0
Total Tier 1 (T 1)	**1,762**	**1,772**
Tier 2 (T 2)	221	239
Own funds	**1,983**	**2,011**
CET 1 ratio	**15.1%**	**15.5%**
T 1 ratio	15.1%	15.5%
Own funds ratio	16.9%	17.6%

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

1) Figures taking into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 30 September 2016 and 31 March 2016 respectively, 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.

2) Figures after approval of the accounts and taking into consideration the addition to the fund for general banking risk in CET 1 at the reporting date

The increase in risk-weighted assets as at 30 September 2016 to around € 250 million at individual Bank level and around € 300 million at Group level is attributable to new lending business, which more than offset the scheduled and unscheduled repayments. As part of its implementation of the European Banking Authority (EBA) guidelines for the banking supervisory review and evaluation process (SREP), BaFin has begun to define binding capital requirements for the institutions it supervises directly, known as Less Significant Institutions (LSI). This included the definition of a binding minimum capital requirement for IKB in September 2016.

At 11.2% at Group level and 15.1% at individual Bank level, IKB's CET 1 ratios are significantly in excess of the statutory minimum requirements for CET 1 including a capital conservation buffer, an anti-cyclical capital buffer and the SREP capital requirement.

The Board of Managing Directors expects it to be possible to meet the statutory minimum requirements in the future (see also section 5. “Outlook”). Although the CRR has been binding since 1 January 2014, there remains uncertainty with regard to the interpretation of the new regulation. This is also reflected in the large number of interpretation issues raised with the EBA, which are extremely important when it comes to interpreting the regulation. Furthermore, many technical regulatory standards to be announced by the EBA are not yet available in their final version or their publication has been delayed compared with the EBA’s original timetable. Further uncertainty is provided by the fact that the results of the international banking regulation process and the European project for uniform bank supervision are not always foreseeable. This relates in particular to the implementation of the regulations arising from the Banking Recovery and Resolution Directive (BRRD) with national implementation in the form of the German Recovery and Resolution Act. In addition, the Basel Committee (BCBS) has issued for consultation or already adopted a number of working papers that are consolidated under the working title of Basel IV. In particular, this includes the papers on the revision of the standardised approach for credit risk (BCBS 347), counterparty default risk (BCBS 279), revisions to the securitisation framework (BCBS 303), the trading book framework (BCBS 305), operational risk (BCBS 355), interest rate risk in the banking book (BCBS 368) and capital floors for the advanced measurement approach (BCBS 306). The precise effect of these papers on future capital requirements cannot be quantified at present. The binding date on which harmonised EU-wide banking supervisory legislation will come into force has also still yet to be defined.

Risk-bearing capacity

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

For the internal monitoring and controlling of its risk-bearing capacity, IKB adopts an accounting-based going-concern perspective as well as a value-based liquidation or gone-concern perspective.

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

In the going-concern view, the risk coverage potential is determined on the basis of the regulatory equity items in such a way that all minimum capital requirements, including the regulatory capital conservation buffer, would be met in the analysis period even if the risk coverage funds were completely exhausted. When the risk coverage potential is determined, it is ensured that capital items that do not participate in current losses are not included. As the introduction of the minimum capital requirement as part of the banking supervisory review and evaluation process (SREP) also has consequences for the structure of the going-concern view, BaFin is currently revising its "Supervisory assessment of bank-internal capital adequacy concepts" guideline. The Bank will retain the current structure of its going-concern view until the resulting changes are published.

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

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

Table: Economic capital requirements – going-concern perspective

	30 Sep. 2016 in € million	30 Sep. 2016 in %	31 Mar. 2016 in € million	31 Mar. 2016 in %
Counterparty default risk	186	58%	189	56%
Market price risk	29	9%	43	13%
Operational risk	15	5%	15	4%
Business risk	67	21%	67	20%
Liquidity risk	24	7%	26	8%
Total	**321**	**100%**	**340**	**100%**
less diversification effects	-59		-64	
Overall risk position	**262**		**276**	
Risk coverage potential	**755**		**786**	

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

The overall risk position declined by € 14 million compared with the start of the financial year to € 262 million. This was primarily due to the reduction in market price risk. Due to rising capital requirements for the planned business expansion during the analysis period, the risk coverage potential declined by € 31 million compared with 31 March 2016 to € 755 million.

As at 30 September 2016, the overall risk position amounted to 35% of the risk coverage potential after taking diversification effects into account (31 March 2016: 35%). This means that the risk coverage potential is sufficient to cover the economic capital requirements arising from the occurrence of unexpected risks across the risk horizon. All regulatory minimum capital requirements under Basel III will continue to be met – even excluding diversification effects – should these unexpected risks occur.

In addition to the above going-concern perspective, the Bank observes and analyses the overall risk position and risk coverage potential from a liquidation perspective. In contrast to the going-concern perspective, this involves calculating the risk coverage potential and the corresponding risks using a value-based approach. Risk coverage potential in 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, derivatives and pension obligations are included in full.

The following table compares the economic capital requirements in the liquidation perspective that could arise mathematically in a year to cover unexpected losses at a confidence level of 99.76% (value at risk) with the risk coverage potential that will be available in the next twelve months.

Table: Economic capital requirements – liquidation perspective

	30 Sep. 2016 in € million	30 Sep. 2016 in %	31 Mar. 2016 in € million	31 Mar. 2016 in %
Counterparty default risk	691	51%	667	47%
Market price risk	561	37%	591	41%
Operational risk	52	4%	52	4%
Business risk	115	8%	115	8%
Total	**1,418**	**100%**	**1,425**	**100%**
less diversification effects	-329		-306	
Overall risk position	**1,088**		**1,119**	
Risk coverage potential	**1,744**		**1,734**	

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

Risk coverage potential in the liquidation perspective increased slightly by € 10 million compared with the start of the financial year. At the same time, the overall risk position for all risks classified as significant declined by € 31 million to € 1,088 million. This meant that the risk coverage potential considerably exceeded the overall risk position after taking diversification effects into account, with utilisation amounting to 62% (31 March 2016: 65%). Even excluding diversification effects, the risk coverage potential still clearly exceeds the overall risk position with utilisation of 81% (31 March 2016: 82%).

Forecast calculations and stress tests

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

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

Risk strategy

The individual risk strategies (credit risk strategy, market price risk strategy, liquidity risk strategy, operational risk strategy) are a component of the integrated business and risk strategy. They set out the framework towards which IKB's business activities are geared.

In the first half of the financial year 2016/17, the risk strategies were revised as required in order to reflect the current business focus and the economic situation. The areas of the strategies requiring adjustment as identified by the Strategy and Risk Committee were taken into account. This revision did not result in any significant changes to the individual risk strategies. As such, please refer to IKB's 2015/16 annual report for further information (see pages 32 and 33).

Counterparty default risk

Details of the credit approval process and individual exposure monitoring, sovereign risk, the quantification of credit risk and portfolio monitoring and management can be found in IKB's 2015/16 annual report (see pages 33 to 35).

Structure of counterparty default risk

The credit volume as at 30 September 2016 was composed as follows:

Table: Credit volume – Group

in € million	30 Sep. 2016	31 Mar. 2016	Change	30 Sep. 2015	Change
Receivables from banks	1,591	2,122	-531	2,211	-620
Receivables from customers	10,033	9,888	145	10,249	-216
Bonds and other fixed-income securities not including own bonds	4,679	5,036	-357	5,356	-677
Equities and other non-fixed-income securities	471	470	1	485	-14
Assets held for trading	-	-	-	253	-253
Equity investments[1)]	4	11	-7	19	-15
Lease assets	919	941	-22	968	-49
Subtotal: Balance sheet assets	**17,697**	**18,468**	**-771**	**19,541**	**-1,844**
Contingent liabilities[2)]	2,366	2,257	109	2,221	145
Asset derivatives in the non-trading book[3)]	1,603	1,792	-189	1,499	104
Write-downs[4)]	339	355	-16	386	-47
Leasing: Deferred income and advance payments for intangible assets	-70	-63	-7	-80	10
Provisions for expected losses for embedded derivatives	-51	-50	-1	-50	-1
Securities lending	146	-	146	-	146
Gross credit volume	**22,030**	**22,759**	**-729**	**23,517**	**-1,487**
For information purposes: other significant counterparty default risks outside the gross credit volume					
Irrevocable loan commitments	1,819	1,559	260	1,327	492
Equity investments[1)] and investments in associated and affiliated companies	20	28	-8	35	-15

1) In the Group, investments after consolidation are part of the gross credit volume, at IKB AG they are outside the gross credit volume.
2) Before deducting risk provisions. This item contains the nominal value of all protection seller credit default swaps (CDSs), including a nominal amount of € 1,268 million (31 March 2016: € 1,243 million) that is treated as a derivative for accounting purposes in accordance with the provisions of IDW RS BFA 1 n.F.
3) Including € 14 million (31 March 2016: € 7 million) in positive fair values for protection seller CDSs whose nominal values are treated as contingent liabilities for accounting purposes in accordance with the provisions of IDW RS BFA 1 n.F.
4) not including provisions for expected losses for embedded derivatives in structured products; credit volume after deduction of write-downs on bonds and other fixed-income securities

While receivables from banks, bonds and other fixed-income securities and asset derivatives in the non-trading book declined by a total of € 1.1 billion, receivables from customers increased slightly from € 9.9 billion to € 10.0 billion. In receivables from customers, the net growth in the strategic credit portfolio offset the continued reduction in the non-strategic portfolio.

The Bank engaged in securities lending as at 30 September 2016. The resulting additional counterparty default risk, i.e. the risk of default of the securities borrower, is recognised in the "Securities lending" item in the amount of € 146 million.

All in all, the gross credit volume at the Group decreased by € 0.7 billion compared with the start of the financial year.

Irrevocable loan commitments rose by € 0.3 billion. In the same way as the slight increase in receivables from customers, this was attributable to the upturn in strategic lending.

There were no significant changes in the size category and collateral structure compared with 31 March 2016 (see IKB's 2015/16 annual report, page 37 ff.).

Geographical structure

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

Table: Credit volume by region – Group

	30 Sep. 2016 in € million	30 Sep. 2016 in %	31 Mar. 2016 in € million	31 Mar. 2016 in %
Germany	9,677	44%	9,869	43%
Outside Germany	11,616	53%	12,092	53%
Western Europe	8,829	40%	9,552	42%
Eastern Europe	1,214	6%	1,179	5%
North America	1,143	5%	990	4%
Other	430	2%	371	2%
Subtotal	**21,293**	**97%**	**21,961**	**96%**
Risk transferred to third parties[1)]	737	3%	798	4%
Total	**22,030**	**100%**	**22,759**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

At € 7.6 billion (31 March 2016: € 7.4 billion), the domestic credit volume primarily relates to corporate lending. The reduction in domestic business is attributable solely to business activities with banks and the financial sector.

The lower volume in Western Europe outside Germany is largely due to the public sector (€ -0.3 billion), banks and the financial sector (€ -0.2 billion) and, to a lesser extent, corporate lending (€ -0.1 billion).

Leasing accounts for half of the credit volume attributable to Eastern Europe, while € 0.4 billion relates to bonds and credit default swaps of the Republic of Poland.

Sector structure

Table: Credit volume by sector – Group

	30 Sep. 2016 in € million	30 Sep. 2016 in %	31 Mar. 2016 in € million	31 Mar. 2016 in %
Industrial sectors	10,210	46%	10,037	44%
Mechanical engineering	976	4%	947	4%
Energy supply	731	3%	729	3%
Chemical industry	674	3%	687	3%
Services	656	3%	626	3%
Metal products	600	3%	663	3%
Other industrial sectors	6,573	30%	6,385	28%
Real estate	443	2%	434	2%
Financial sector	1,609	7%	1,361	6%
Banks	5,201	24%	6,041	27%
Public sector	3,830	17%	4,088	18%
Subtotal	**21,293**	**97%**	**21,961**	**96%**
Risk transferred to third parties[1)]	737	3%	798	4%
Total	**22,030**	**100%**	**22,759**	**100%**

1) Hermes guarantees, indemnifications, risks transferred

Growth in corporate lending led to a slight increase in the volume and number of industrial sectors, whose structure remained largely unchanged.

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. 2016 in € million	30 Sep. 2016 in %	31 Mar. 2016 in € million	31 Mar. 2016 in %
1-4	5,809	26%	7,659	34%
5-7	8,371	38%	7,512	33%
8-10	4,623	21%	4,288	19%
11-13	1,700	8%	1,565	7%
14-15	398	2%	378	2%
Non-performing assets[2)]	392	2%	559	2%
Subtotal	**21,293**	**97%**	**21,961**	**96%**
Risk transferred to third parties[3)]	737	3%	798	4%
Total	**22,030**	**100%**	**22,759**	**100%**

1) higher rating classes reflect lower creditworthiness
2) before specific risk provisions and loan loss provisions, after write-downs of securities to the lower of cost or market
3) Hermes guarantees, indemnifications, risks transferred

The lower volume in rating classes 1-4 is due in roughly equal measure to the reduction in bonds and receivables from banks and to changes in the rating of banks whose derivative and call account volumes are now reported in the lower rating classes 5-7 and 8-10.

Non-performing assets

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

	30 Sep. 2016 in € million	31 Mar. 2016 in € million	Change in € million	Change in %
Assets with specific risk provisioning	361	447	-86	-19%
Non-impaired	58	139	-81	-58%
Total	**419**	**586**	**-167**	**-28%**
as % of credit volume	1.9%	2.6%		

1) before specific risk provisions and loan loss provisions, before write-downs of securities to the lower of cost or market

Non-performing assets again declined significantly by € 167 million or 28% compared with 31 March 2016. The majority of this development was attributable to the reduction in assets with specific risk provisioning. This related to settlement and sales activities in Germany and abroad, with the Bank again reversing existing specific risk provisions to profit or loss.

The decrease in non-impaired non-performing assets is primarily due to the finalised implementation of an adjustment of the definition of NPA to reflect the current statutory provisions of the Capital Requirements Regulation (CRR) under which certain restructuring loans are not considered to have defaulted, meaning that they are not classified as non-performing assets. As part of its active risk management, the Bank monitors these loans and assigns them to be managed by units specialising in restructuring. Details can be found on page 45 of IKB's 2015/16 annual report. All in all, non-performing assets and other exposures managed by the units specialising in restructuring amounted to € 575 million as at 30 September 2016 (31 March 2016: € 688 million), corresponding to 2.6% (31 March 2016: 3.0%) of the total credit volume.

Non-performing assets do not include:

- Risks transferred to third parties for non-performing assets (€ 81 million; 31 March 2016: € 99 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).
- Unutilised commitments for debtors whose residual exposure is classified as a non-performing asset (€ 17 million; 31 March 2016: € 30 million) and
- Securities transferred to Rio Debt Holdings – see the “Structured credit products” subsection of “Counterparty default risk” in section 3. “Risk report”.

Provisions for possible loan losses

Table: Provisions for possible loan losses – Group

	30 Sep. 2016 in € million	30 Sep. 2015 in € million	Change in %	31 Mar. 2016 in € million
Additions to specific risk provisions/provisions[1)]	27.8	33.3	-17%	67.1
Direct write-downs	7.9	10.9	-28%	14.4
Recoveries on loans previously written off	-5.4	-3.4	59%	-8.7
Reversal and unwinding of specific risk provisions/provisions[1)]	-39.0	-25.7	52%	-62.5
Additions to/reversals of general allowances[2)]	28.4	-20.4		7.0
Provisions for possible loan losses	**19.7**	**-5.3**		**17.3**
Embedded derivatives/expenses for credit insurance/income from restructured loans	-1.9	-		0.5
Net addition to risk provisioning	**17.8**	**-5.3**		**17.8**
Net income from securities and derivatives in the liquidity reserve	-0.2	-8.5	-98%	-8.5
Net risk provisioning	**17.6**	**-13.8**		**9.3**
Development of specific risk provisions/provisions[3)]				
Opening balance	206.9	330.7	-37%	330.7
Utilisation	-32.5	-77.5	-58%	-130.0
Reversal	-35.9	-22.6	59%	-56.0
Reclassification and net interest expense and discounting	0.3	1.5	-80%	0.2
Unwinding	-3.1	-3.1	0%	-6.5
Additions to specific risk provisions/provisions	27.8	33.3	-17%	67.1
Effect of changes in exchange rates	0.3	-0.4		1.4
Total specific risk provisions/provisions	**163.8**	**261.9**	**-37%**	**206.9**
General allowances[2)]				
Opening balance	166.2	159.2	4%	159.2
Addition/reversal	28.4	-20.4		7.0
Reclassification	-0.7	-		-
Total general allowances	**193.9**	**138.8**	**40%**	**166.2**
Total provisions for possible loan losses (including provisions)	**357.7**	**400.7**	**-11%**	**373.1**

1) excluding general allowance for contingent liabilities recognised as provisions
2) General allowances and general risk provisioning including general allowance for contingent liabilities recognised as provisions
3) excluding provisions for embedded derivatives, excluding general allowance for contingent liabilities recognised as provisions

Due to the addition to general risk provision in the amount of € 28.4 million, provisions for possible loan losses in the first half of the current financial year were up year-on-year at € 19.7 million (net reversal of € 5.3 million; shown with a minus sign in the above table), while sub-portfolios of previously recognised general allowances were reversed to profit or loss in the first half of the previous year in the amount of € 20.4 million.

The recent additions to general risk provision reflect the Bank's active efforts to reduce its non-strategic credit portfolio with a focus on medium-term to long-term project finance. This development is discussed in greater detail in the notes (see (5) Provisions for possible loan losses).

Without taking specific valuation allowances into account, net income of € 8.7 million was generated in particular as a result of increased reversals of specific risk provisions /provisions. An expense of € 15.1 million was reported in the same period of the previous year.

Structured credit products

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

The portfolio investments sub-segment included the following elements as at 30 September 2016:

- Securitisation positions assigned to the strategic core business of the Bank and primarily deriving from the securitisation of own loans with a nominal amount of € 44 million (31 March 2016: € 57 million) and a carrying amount of € 17 million (31 March 2016: € 30 million). These assets largely have a sub-investment grade rating.
- Securities that were transferred to Rio Debt Holdings with a nominal volume of € 127 million (31 March 2016: € 135 million) and a carrying amount of € 62 million (31 March 2016: € 69 million). IKB's sub-prime risks have a carrying amount of € 46 million (31 March 2016: € 46 million).

In terms of asset classes, the risk of investments with corporate underlyings (CLOs) amounted to € 17 million (31 March 2016: € 22 million). The risk of assets with ABS underlyings (ABS and CDO of ABS) amounted to € 62 million (31 March 2016: € 77 million).

Liquidity risk

Refinancing situation

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

As at 30 September 2016, the secured refinancing volume on the interbank market including refinancing via the ECB amounted to around € 1.6 billion (31 March 2016: € 2.3 billion).

The volume of customer deposits secured via the Deposit Protection Fund increased slightly in the period under review, amounting to just under € 5.5 billion as at 30 September 2016 (31 March 2016: € 5.3 billion).

In addition to these customer deposits, IKB has promissory note loans secured via the Deposit Protection Fund with a total volume of € 1.8 billion (31 March 2016: € 1.8 billion). IKB also refinances its operations through the issue of unsecured bearer bonds in the retail customer segment, which had a total volume of around € 0.65 billion as at 30 September 2016 (31 March 2016: € 0.6 billion).

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

Liquidity situation

IKB had secured its liquidity situation for the longer term as at 30 September 2016.

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 around € 6.1 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 describes a package of measures and a defined procedure for responding to a liquidity bottleneck.

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 2.00. In the period under review, the average liquidity ratio was 1.6, thereby comfortably exceeding the regulatory minimum of 1.00.

The minimum liquidity coverage ratio has been 70% since 1 January 2016. The Bank's aim is to maintain a significantly higher ratio in excess of 100%. This target was met at all times during the period under review.

Market price risk

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

Table: Market price risk profile

in € million	Value at 30 Sep. 2016	Value at 31 Mar. 2016
Interest rate basis point value (BPV)	**-1.7**	**-2.0**
Credit spread BPV	**-7.1**	**-6.3**
VaR – interest rate and volatility	-10.7	-20.7
VaR – credit spread	-58.4	-53.5
VaR – FX and volatility	-4.1	-3.5
VaR – inflation and volatility	0.0	-0.8
Correlation effect	19.9	20.5
VaR (total)	**-53.3**	**-58.0**

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

Operational risk

The gross loss volume in the first half of the financial year 2016/17 totalled € 0.2 million at Group level (prior-year total restated to reflect more recent information: € 30.1 million[1)]). Around € 0.1 million of this figure related to IKB AG (prior-year total restated to reflect more recent information: € 26.9 million). In individual cases, the loss amounts are still based on estimates for which it may not be possible to obtain accurate figures until considerably later in some cases.

1 The prior-year figures were primarily restated for operational reasons relating to two loans that were first reported for risk purposes in the financial year 2012/13. The loss was retrospectively identified as having materialised in the first half of the financial year 2015/16. The reported gross loss was offset by reductions in the amount of € 8.3 million, resulting in a net loss of € 8.7 million.

Legal risk

The changes since the report as at 31 March 2016 are as follows:

As part of the reorientation conducted in connection with IKB 2.0, deviations from the sample contracts and standard texts used in lending business and related business and individually worded agreements and transactions are examined and approved by the Legal central division or fall within its sphere of responsibility.

Derivatives trading

The values in dispute of the three pending claims total around € 3.7 million.

Dissenting view of the tax authorities

In August 2015, IKB AG received tax assessment notices in which the dissenting view of the tax authorities on the application of section 8c of the German Corporate Income Tax Act (KStG)/section 10a of the German Trade Tax Act (GewStG) in connection with the capital increase implemented by IKB AG during the course of the year and the subsequent sale of KfW's shares in IKB to Lone Star in the financial year 2008/09 was implemented. IKB has appealed against the tax assessments. The corporation tax and the solidarity surcharge for 2009 were paid including interest. Payment was made in the amount of around € 140 million from the provisions recognised as at 31 March 2015 and in the amount of € 1 million from net other operating income (further interests). At its application, IKB was granted a suspension of execution for trade tax. The trade tax and the associated interest were therefore not yet payable.

IKB's assessment of the tax law situation is unchanged as against the report dated 31 March 2016. IKB continues to believe that it would have a good chance of success with regard to corporation tax and the solidarity surcharge and a very good chance of success with regard to trade tax when it comes to enforcing its legal position in the court of last instance.

As previously no provision was recognised for trade tax or the corresponding interest on account of IKB's extremely good chance of success in the court of last instance, and hence the extremely positive assessment of the corresponding risk. At the same time, there is a possibility that this risk will need to be reassessed as proceedings continue. The risk for trade tax currently amounts to around € 117 million plus interest of 0.5% per month and cost allocations for Chamber of Commerce and Industry membership fees in the amount of € 1.2 million. The potential interest rate risk amounted to € 37.5 million as at 30 September 2016 and around € 0.6 million for each additional month. If this risk were to occur, this would have the following impact on the key financial performance indicators as at 31 March 2016:

- The regulatory tier 1 ratio or common equity tier 1 ratio calculated as at 30 September 2016 would deteriorate by 1.2 percentage points at the level of the IKB Group and by 1.3 percentage points at the level of IKB AG.
- The leverage ratio calculated as at 30 September 2016 would decline by 0.7 percentage points for the regulatory Group and IKB AG alike.
- Net income after taxes and before additions to/reversals of the fund for general banking risk (section 340g HGB) as at 30 September 2016 would decline by € 155.7 million.

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

In late April 2016, Aleanta GmbH (a wholly-owned subsidiary of IKB AG with which no profit and loss transfer agreement has been agreed, meaning it is not included in the income tax group) received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities are intending to treat the retrospective merger of Olessa GmbH into Aleanta GmbH in the financial year 2010/11 as a case covered by section 42 of the German Tax Code (AO). The tax audit is still in progress. Aleanta GmbH has commented on the matter and the current assessment of the tax audit. The maximum risk encompasses taxes of approximately € 27 million plus interest (calculated as approximately € 7 million up to and including 30 September 2016) and additional Chamber of Commerce and Industry contributions of € 0.2 million. An appeal will be lodged if necessary.

Personnel risk

In order to implement cost reduction and optimisation measures, a new reconciliation of interests and redundancy scheme was negotiated and subsequently signed on 15 April 2016. This sets out a workforce reduction of 151 full-time employees (FTEs) within a period of two years. The first measures were implemented in the first half of the financial year 2016/17 as planned.

The number of voluntary redundancies remains at a low level.

With the adoption of the new remuneration system with effect from the financial year 2014/15, a payment model for variable remuneration was introduced in which IKB AG's share price performance was applied as the benchmark for the long-term development of the Bank's value. Following an internal analysis of the suitability of the share price as an instrument for reflecting the Bank's long-term value development and the delisting of IKB's shares, the Board of Managing Directors decided to implement a system of key performance indicators (consisting of supervisory, operational and other performance indicators) with retrospective effect from the financial year 2014/15. This came into force with effect from the salary review in July 2016.

Other risks

Information on risks relating to information security and IT, compliance, business, strategic, reputational and participation risks can be found in IKB's Group management report for the year ended 31 March 2016. There have been no significant changes since this date.

Overall assessment of the risk situation

In terms of the regulatory capital and liquidity ratios, IKB had a satisfactory position at the end of the first half of the financial year 2016/17. The CET 1 ratio at Group level is 11.2%, thereby also covering the capital requirements resulting from the banking supervisory review and evaluation process (SREP). The leverage ratio is above 8%, while the liquidity ratio averaged 1.6 in the first half of the financial year 2016/17, thereby comfortably exceeding the statutory minimum requirements. This means that IKB has sufficient scope to expand its business volume as planned.

However, there remains not inconsiderable uncertainty due to a number of current banking supervisory projects (e.g. the Basel IV package) that are expected to be realised cumulatively over the coming months and in the medium term. All of these projects share the common characteristic that they tend to lead to an increase in the existing capital requirements. The development of earnings and the business model as planned will ensure that the necessary strengthening of the capital base can take place successively.

Based on the Bank's forecasts, risk-bearing capacity remains secure without restriction not only for the next twelve months, but also for a further two years after that.

Counterparty default risk is at an extremely moderate level thanks to the positive macroeconomic development, particularly in Germany, in conjunction with the Bank's systematic risk management. In particular, this is reflected in the limited need for risk provisioning and the further reduction in non-performing assets.

The sustained environment of low interest rates is placing an additional burden on all market participants, IKB included. In order to generate adequate net interest income in these circumstances, banks find themselves having to enter into corresponding market price risks in the form of interest rate and credit spread risks, depending on their risk appetite, without endangering their risk-bearing capacity. Despite the challenging environment, IKB succeeded in actually reducing its market price risk slightly in the first half of the current financial year.

Liquidity is ensured with a buffer both currently and going forward. The level of operational risk is considered to be moderate.

The Bank's stability remains extremely important not only in respect of regulation, but also as a means of protection against the prevailing geopolitical tensions (implementation of Brexit, impact of the US presidential election, instability in the Middle East), uncertainty concerning the development of the global economy and the monetary policy stance of the central banks, and the consequences of the low interest rate policy.

The planned and potential regulatory projects for banks will also present IKB with considerable challenges. The cost of fulfilling the regulatory requirements, including the bank levy, will be a major cost driver. The various regulatory projects are becoming a risk and competitive factor that should not be underestimated, as they have a considerable impact on the alignment of business models and pose an above-average burden for small and medium-sized banks in particular.

4. Report on opportunities

IKB reports on its opportunities in detail on pages 65 and 66 of its 2015/16 annual report. There have been no material changes to this information since its publication.

5. Outlook

Future general economic conditions

The global economy is expected to continue on its moderate growth path. The emerging economies could see an acceleration of growth as some countries benefit from the stabilisation of the price of oil and other commodities. The industrialised nations are also expected to remain on track for moderate growth. According to the latest joint forecast by the leading research institutes, the global economy is expected to enjoy a slight upturn.

For the US economy, whose performance remains flat despite recording solid growth to date, many economic indicators suggest that the pace of growth is set to rise. The institutes are forecasting growth in US GDP of 1.6% in the current year and 2.3% in 2017. According to the indicators, the moderate economic expansion in the euro zone will continue unchanged. The institutes expect GDP growth in France to amount to 1.3% in 2016 and 1.2% in 2017, while GDP in Italy is forecast to rise by 0.8% in 2016 and 0.9% in 2017. Macroeconomic momentum in Spain is expected to slow slightly, with the institutes anticipating GDP growth of 3.1% in 2016 and 2.2% in 2017; however, the result of the US presidential election has increased the forecast risk.

The outcome of the Brexit referendum has clouded the economic outlook for the United Kingdom. Following strong growth in the first half of 2016, GDP growth for the year as a whole is expected to remain robust at around 2%. A considerably lower growth rate of 1.0% is forecast for 2017. The Brexit referendum means there is increased forecast risk for the United Kingdom, and hence also for Germany.

The German economy is also expected to continue its upward trend. According to the joint forecast, GDP is likely to increase by 1.8% in 2016 and 1.7% in 2017 after adjustment for calendar effects. Growth will be driven in particular by consumer spending. The institutes expect investment activity in Germany to be temporarily curbed by the Brexit vote. In the course of 2017, however, investment is set to return to stronger growth on the back of increased utilisation of production capacities accompanied by favourable financing conditions.

Monetary policy in the major industrialised nations remains highly expansive. In light of global economic risks, the phase of low interest rates in the euro zone is likely to continue for some time, while the USA is expected to tighten its monetary policy only extremely slowly. As a result, the institutes assume that monetary policy measures will contribute to sustained favourable financing conditions on the bond and lending markets during the forecast period and that lending in the euro zone will continue to pick up.

Banks are faced with considerable challenges. Extensive regulatory requirements and the sustained low-interest environment are limiting earnings opportunities in the euro zone. Low interest rates for an indefinite period could intensify the pressure on earnings. This situation is exacerbated by the fact that banks are unable to absorb a reduction in interest rates for loans, as negative deposit rates can only be passed on to a limited extent.

Forecast risk arises from a range of uncertainties. In the euro zone, uncertainties such as problems in the banking sector – and not only in Italy – could lead to a reduced propensity to spend on the part of consumers and companies, thereby curbing macroeconomic demand. However, the consequences of the Brexit referendum are the most prominent risk factor. This is accompanied by ongoing global uncertainties, such as the potential escalation of geopolitical conflicts and the risk of a slump in the Chinese economy. Although they are now starting to recover, low commodity prices also pose a risk for many commodity-dependent countries. In addition, the US presidential election result has increased the forecast risk for the global economy and the financial markets.

Net assets

For a forecast of its net asset situation, the Bank refers to the information on net assets in section 6. "Outlook" on pages 68 and 69 of IKB's 2015/16 annual report and is also maintaining this forecast for the second half of the financial year 2016/17.

Liquidity situation

For a forecast of its liquidity situation, the Bank refers to the information on the liquidity situation in section 6. "Outlook" on page 69 of IKB's 2015/16 annual report and is also maintaining this forecast for the second half of the financial year 2016/17.

Leverage ratio

For a forecast of its leverage ratio, the Bank refers to the information on the leverage ratio in section 6. "Outlook" on page 69 of IKB's 2015/16 annual report and is also maintaining this forecast for the second half of the financial year 2016/17.

Results of operations

For a forecast of its results of operations, the Bank refers to the information on the results of operations in section 6. "Outlook" on page 70 of IKB's 2015/16 annual report and is also maintaining this forecast for the second half of the financial year 2016/17.

Overall assessment

IKB generated positive earnings in the first six months of the current financial year. On this basis, it expects to generate positive net income after taxes and before additions to the fund for general banking risks (section 340g HGB) for the financial year 2016/17 as a whole as planned. As forecast in the 2015/16 annual report, net income is expected to be moderately higher than in the financial year 2015/16. 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. Among other things, the transfer, which will take into account IKB's general banking risk, is intended to secure the Bank against the risks described in this management report.

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

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

Consolidated balance sheet of IKB Deutsche Industriebank AG as at 30 September 2016

in € million	30 Sep. 2016	31 Mar. 2016
Assets		
Cash reserve	**158.9**	**33.7**
a) Cash on hand	-	-
b) Balances with central banks	158.9	33.7
thereof: with Deutsche Bundesbank	158.9	33.7
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	**1,591.3**	**2,122.2**
a) Repayable on demand	1,494.3	1,918.6
b) Other receivables	97.0	203.6
Receivables from customers	**10,033.3**	**9,887.8**
thereof: mortgage loans	983.6	1,045.1
thereof: public sector loans	474.0	514.4
Bonds and other fixed-income securities	**4,697.5**	**5,051.6**
a) Money market securities	-	-
b) Bonds and notes	4,679.0	5,035.7
ba) Public sector issuers	2,584.2	2,887.6
thereof: eligible as collateral for Deutsche Bundesbank	2,532.7	2,835.5
bb) Other issuers	2,094.8	2,148.1
thereof: eligible as collateral for Deutsche Bundesbank	1,958.6	1,994.5
c) Own bonds	18.5	15.9
Nominal amount	18.4	22.8
Equities and other non-fixed-income securities	**470.9**	**470.1**
Assets held for trading	**-**	**-**
Equity investments	**3.8**	**11.1**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in associates	**15.4**	**15.0**
thereof: banks	-	-
thereof: financial services institutions	15.4	15.0
Investments in affiliated companies	**0.8**	**2.1**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Compensation receivables on the public sector including debt securities arising from their exchange	**-**	**-**
Lease assets	**918.9**	**941.1**
Intangible assets	**10.7**	**11.8**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	6.5	7.3
c) Goodwill	3.8	4.0
d) Advance payments made	0.4	0.5
Tangible assets	**216.5**	**220.0**
Called unpaid capital	**-**	**-**
Other assets	**235.2**	**251.8**
Prepaid expenses	**235.6**	**275.3**
Deferred tax assets	**252.8**	**253.6**
Excess of plan assets over post-employment benefit liability	**6.8**	**12.0**
Total assets	**18,848.4**	**19,559.2**

in € million	30 Sep. 2016	31 Mar. 2016
Equity and liabilities		
Liabilities to banks	**6,881.9**	**7,897.0**
a) Repayable on demand	47.5	1,457.8
b) With agreed lifetime or notice period	6,834.4	6,439.2
Liabilities to customers	**7,854.7**	**7,498.4**
a) Savings deposits	-	-
b) Other liabilities	7,854.7	7,498.4
ba) Repayable on demand	1,535.1	1,318.6
bb) With agreed lifetime or notice period	6,319.6	6,179.8
Securitised liabilities	**789.6**	**773.8**
a) Bonds issued	789.6	773.8
b) Other securitised liabilities	-	-
Liabilities held for trading	**-**	**-**
Liabilities held in trust	**-**	**-**
Other liabilities	**389.3**	**345.2**
Deferred income	**119.9**	**147.1**
Deferred tax liabilities	**-**	**-**
Provisions	**351.4**	**348.1**
a) Provisions for pensions and similar obligations	16.2	8.7
b) Tax provisions	40.4	43.1
c) Other provisions	294.8	296.3
Subordinated liabilities	**822.0**	**921.7**
Profit participation capital	**32.2**	**32.2**
thereof: due within two years	32.2	32.2
Fund for general banking risks	**585.0**	**585.0**
thereof: trading-related special reserve according to section 340e (4) HGB	-	-
Equity	**1,022.4**	**1,010.7**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	810.7	810.7
b) Capital reserves	1,750.7	1,750.7
c) Revenue reserves	5.3	5.3
ca) Legal reserve	2.4	2.4
cb) Reserve for shares in a parent or majority investor	-	-
cc) Statutory reserves	-	-
cd) Other revenue reserves	2.9	2.9
d) Difference in equity from currency translation	-5.5	-5.7
e) Net accumulated losses	-2,351.0	-2,361.1
f) Non-controlling interests	1.4	-
Total equity and liabilities	**18,848.4**	**19,559.2**

Contingent liabilities	**1,093.6**	**1,007.9**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	1,093.6	1,007.9
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**1,819.1**	**1,560.2**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	0.8
c) Irrevocable loan commitments	1,819.1	1,559.4

Balance sheet of IKB Deutsche Industriebank AG as at 30 September 2016

in € million	30 Sep. 2016	31 Mar. 2016
Assets		
Cash reserve	**158.9**	**33.7**
a) Cash on hand	-	-
b) Balances with central banks	158.9	33.7
thereof: with Deutsche Bundesbank	158.9	33.7
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	**1,477.6**	**2,013.3**
a) Repayable on demand	1,394.6	1,822.1
b) Other receivables	83.0	191.2
Receivables from customers	**11,482.6**	**11,467.0**
thereof: mortgage loans	983.6	1,045.1
thereof: public sector loans	474.0	514.4
Bonds and other fixed-income securities	**4,321.5**	**4,704.6**
a) Money market securities	-	-
b) Bonds and notes	4,303.0	4,688.7
ba) Public sector issuers	2,192.5	2,502.9
thereof: eligible as collateral for Deutsche Bundesbank	2,141.0	2,450.7
bb) Other issuers	2,110.5	2,185.8
thereof: eligible as collateral for Deutsche Bundesbank	1,842.2	1,879.1
c) Own bonds	18.5	15.9
Nominal amount	18.4	16.1
Equities and other non-fixed-income securities	**2.2**	**1.7**
Assets held for trading	**-**	**-**
Equity investments	**0.7**	**0.7**
thereof: banks	0.2	0.2
thereof: financial services institutions	-	-
Investments in affiliated companies	**254.9**	**148.4**
thereof: banks	-	-
thereof: financial services institutions	-	-
Assets held in trust	**-**	**-**
Compensation receivables on the public sector including debt securities arising from their exchange	**-**	**-**
Intangible assets	**3.7**	**4.6**
a) Internally generated industrial and similar rights and assets	-	-
b) Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	3.7	4.6
c) Goodwill	-	-
d) Advance payments made	-	-
Tangible assets	**4.1**	**199.8**
Called unpaid capital	**-**	**-**
Other assets	**177.1**	**217.7**
Prepaid expenses	**268.0**	**314.5**
Deferred tax assets	**249.0**	**249.7**
Excess of plan assets over post-employment benefit liability	**6.7**	**11.9**
Total assets	**18,407.0**	**19,367.6**

in € million	30 Sep. 2016	31 Mar. 2016
Equity and liabilities		
Liabilities to banks	**6,846.0**	**7,872.5**
a) Repayable on demand	45.6	1,456.8
b) With agreed lifetime or notice period	6,800.4	6,415.7
Liabilities to customers	**7,997.0**	**7,506.2**
a) Savings deposits	-	-
b) Other liabilities	7,997.0	7,506.2
ba) Repayable on demand	1,672.1	1,318.9
bb) With agreed lifetime or notice period	6,324.9	6,187.3
Securitised liabilities	**680.5**	**870.7**
a) Bonds issued	680.5	870.7
b) Other securitised liabilities	-	-
Liabilities held for trading	**-**	**-**
Liabilities held in trust	**-**	**-**
Other liabilities	**288.8**	**379.0**
Deferred income	**101.2**	**153.8**
Deferred tax liabilities	**-**	**-**
Provisions	**318.4**	**314.3**
a) Provisions for pensions and similar obligations	2.9	-
b) Tax provisions	39.1	42.3
c) Other provisions	276.4	272.0
Subordinated liabilities	**347.0**	**446.6**
Profit participation capital	**32.2**	**32.2**
thereof: due within two years	32.2	32.2
Fund for general banking risks	**585.0**	**585.0**
thereof: trading-related special reserve according to section 340e (4) HGB	-	-
Equity	**1,210.9**	**1,207.3**
a) Called-up capital	1,621.5	1,621.5
Subscribed capital	1,621.5	1,621.5
Less uncalled unpaid contributions	-	-
Contingent capital	810.7	810.7
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	-	-
d) Difference in equity from currency translation	-	-
e) Net accumulated losses	-2,163.7	-2,167.3
Total equity and liabilities	**18,407.0**	**19,367.6**

Contingent liabilities	**2,033.1**	**1,941.5**
a) Contingent liabilities from rediscounted and settled bills of exchange	-	-
b) Liabilities from guarantees and indemnity agreements	2,033.1	1,941.5
c) Liability arising from the provision of collateral for third-party liabilities	-	-
Other obligations	**1,657.5**	**1,435.0**
a) Repurchase obligations from non-genuine repurchase agreements	-	-
b) Placement and underwriting obligations	-	0.8
c) Irrevocable loan commitments	1,657.5	1,434.2

Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2016

in € million	2016/17	2015/16
Expenses		
Lease expenses	**-92.1**	**-99.1**
Interest expenses	**-282.0**	**-341.5**
thereof: positive interest	**8.7**	**1.7**
Commission expenses	**-7.3**	**-7.0**
Net trading results	**-**	**-**
General administrative expenses	**-134.7**	**-138.3**
a) Personnel expenses	-89.7	-89.9
aa) Wages and salaries	-75.4	-75.3
ab) Social security, post-employment and other employee benefit costs	-14.3	-14.6
thereof: for pensions	-4.3	-5.4
b) Other administrative expenses	-45.0	-48.4
Depreciation and write-downs on intangible fixed assets and tangible fixed assets	**-153.6**	**-163.2**
a) On lease assets	-146.9	-158.6
b) On intangible and tangible assets	-6.7	-4.6
Other operating expenses	**-458.9**	**-398.8**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-17.6**	**-**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-8.1**	**-4.2**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-17.1**	**-2.3**
Income taxes	**-19.9**	**4.9**
Other taxes not reported under “Other operating expenses”	**-1.0**	**-0.7**
Net income for the financial year	**-10.1**	**-23.1**
Total expenses	**-1,202.4**	**-1,173.3**

in € million	2016/17	2015/16
Income		
Lease income	**270.2**	**292.4**
Interest income from	**393.1**	**445.9**
a) Lending and money market transactions	344.9	379.7
thereof: negative interest	4.6	0.7
b) Fixed-income securities and government-inscribed debts	48.2	66.2
thereof: negative interest	-	-
Current income from	**1.8**	**2.4**
a) Equities and other non-fixed-income securities	0.3	0.2
b) Equity investments	0.6	1.2
c) Investments in associates	0.9	1.0
d) Investments in affiliated companies	-	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**24.6**	**21.3**
Net trading results	**-**	**0.4**
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**13.8**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**165.8**	**94.5**
Other operating income	**346.9**	**301.8**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**0.8**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**-**
Total income	**1,202.4**	**1,173.3**
Net income for the financial year	**10.1**	**23.1**
Non-controlling interests	**-**	**-**
Loss carryforward from the previous year	**-2,361.1**	**-2,371.5**
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	**-2,351.0**	**-2,348.3**

Income statement of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2016

in € million	2016/17	2015/16
Expenses		
Interest expenses	**-292.3**	**-350.6**
thereof: positive interest	**8.7**	**1.7**
Commission expenses	**-2.1**	**-2.6**
Net trading results	**-**	**-**
General administrative expenses	**-107.5**	**-115.6**
a) Personnel expenses	-66.4	-70.7
aa) Wages and salaries	-56.0	-59.8
ab) Social security, post-employment and other employee benefit costs	-10.4	-10.9
thereof: for pensions	-3.7	-4.2
b) Other administrative expenses	-41.1	-44.9
Depreciation and write-downs of intangible fixed assets and tangible fixed assets	**-3.5**	**-2.6**
Other operating expenses	**-431.8**	**-359.5**
Expenses for the addition to the fund for general banking risks	**-**	**-**
Depreciation and write-downs of receivables, specific securities and additions to loan loss provisions	**-16.1**	**-**
Depreciation and write-downs of equity investments, investments in affiliated companies and long-term investments	**-2.3**	**-1.2**
Costs of loss absorption	**-**	**-**
Extraordinary expenses	**-13.0**	**-2.0**
Income taxes	**-18.9**	**7.4**
Other taxes not reported under “Other operating expenses”	**-0.2**	**-0.1**
Profit transfer on the basis of profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Net income for the financial year	**-3.6**	**-4.9**
Total expenses	**-891.3**	**-831.7**

in € million	2016/17	2015/16
Income		
Interest income from	**392.8**	**455.4**
a) Lending and money market transactions	352.8	398.3
thereof: negative interest	4.6	0.7
b) Fixed-income securities and government-inscribed debts	40.0	57.1
thereof: negative interest	-	-
Current income from	**0.4**	**1.0**
a) Equities and other non-fixed-income securities	0.1	-
b) Equity investments	0.3	1.0
c) Investments in affiliated companies	-	-
Income from profit-pooling, profit transfer and partial profit transfer agreements	**-**	**-**
Commission income	**21.2**	**19.4**
Net trading results	**-**	**0.4**
thereof: addition to (-)/reversal of (+) trading-related special reserve according to section 340e (4) HGB	-	-
Income from reversals of write-downs on receivables and certain securities and from the reversal of loan loss provisions	**-**	**14.2**
Income from reversals of write-downs of equity investments, investments in affiliated companies and long-term investment securities	**142.7**	**78.8**
Other operating income	**334.2**	**260.1**
Income from the reversal of the fund for general banking risks	**-**	**-**
Extraordinary income	**-**	**2.4**
Income from assumption of losses	**-**	**-**
Net loss for the financial year	**-**	**-**
Total income	**891.3**	**831.7**
Net income for the financial year	**3.6**	**4.9**
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	**-**	**-**
Allocations to revenue reserves	**-**	**-**
Replenishment of profit participation capital	**-**	**-**
Net accumulated losses	**-2,163.7**	**-2,162.4**

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

Applied accounting principles

(1) Preparation of the annual financial statements and consolidated financial statements

The interim report of IKB Deutsche Industriebank AG (IKB AG), Düsseldorf, entered in the commercial register of the Düsseldorf Local Court under HRB 1130, and the IKB Group (“Group”) for the period ended 30 September 2016 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 regulations 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 2016.

The interim report for the period ended 30 September 2016 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 determined in line with German Commercial Code and disclosed in accordance with section 298 (1) in conjunction with section 265 (2) HGB.

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

Amounts are disclosed in millions of euro. Minor deviations can occur in the figures in the notes due to the rounding of totals. Amounts under € 50 thousand and zero values are shown in the consolidated and annual financial statements of IKB AG as “-”.

The notes to the consolidated financial statements and the notes to the single-entity financial statements of IKB AG have been compiled. Unless noted otherwise, comments apply to both the consolidated financial statements and the single-entity financial statements of IKB AG. The combined interim financial statements and the interim management report contained in this interim report were reviewed by an auditor.

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 2016 with the following exceptions:

(2) Changes in presentation and measurement

As part of the first-time application of the *Bilanzrechtsmodernisierungsgesetz* (BilMoG – German Act to Modernise Accounting Law), IKB AG exercised the option provided by Article 67 of the *Einführungsgesetz zum Handelsgesetzbuch* (EGHGB – Introductory Act to the German Commercial Code) to distribute the additional expenses from the remeasurement of pension provisions over a period of 15 years. Within the Group, this 1/15 distribution was also applied at the subsidiary IKB Leasing GmbH with effect from 31 March 2016. As of 30 September 2016, the difference due to the first-time application of BilMoG attributable to the pension provision for IKB Leasing in the amount of € 4 million was added to pension provisions at Group level in full.

Section 284 (1) HGB as amended by the *Bilanzrichtlinien-Umsetzungsgesetz* (German Accounting Directive Implementation Act) requires that disclosures on the individual items of the balance sheet or income statement in the notes are presented in the same order as the individual balance sheet items. This means there has been a slight change in the order of presentation of the balance sheet and the income statement disclosures compared with the previous year. In accordance with section 285 no. 33 HGB, the report on events after the end of the financial year (supplementary report) is now required to be presented in the notes and not in the management report as in the previous year.

(3) Consolidated group

In addition to IKB AG, 50 (31 March 2016: 46) subsidiaries were included in the consolidated financial statements as of 30 September 2016.

The two Polish subsidiaries, IKBL Asset spólka z ograniczona odpowiedzialnoscia & Co. spólka komandytowa and IKBL ASSET Spolka z ograniczona odpowiedzialnoscia, were included in the consolidated financial statements for the first time with effect from 30 June 2016. The purpose of the companies is the performance of other financing services.

The assets of Equity Fund GmbH were transferred to IKB Invest GmbH by way of a merger by absorption with effect from 1 January 2016.

The subsidiary IKB Grundstücksgesellschaft Düsseldorf GmbH is fully consolidated and included in the consolidated financial statements for the first time with effect from 30 September 2016. The company previously traded as IKB NewCo 4 GmbH. The purpose of the company is the administration of its own assets.

The newly formed companies IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG and IKB Grundbesitzgesellschaft Frankfurt GmbH & Co. KG were also included in the consolidated financial statements as fully consolidated subsidiaries for the first time with effect from 30 September 2016. The purpose of the companies is real estate acquisition, disposal, management and letting. The companies own the IKB head office in Düsseldorf, which is partially used for banking operations and the administrative building in Frankfurt/Main.

One associated company is included in the consolidated financial statements using the equity method (31 March 2016: one).

For further information, please refer to note (23).

(4) 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 does not prepare interim financial statements as of 30 September, the material transactions that have occurred between its balance sheet date and 30 September 2016 are taken into account.

The same principles of consolidation were applied in the interim financial statements as in the consolidated financial statements as at 31 March 2016.

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

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

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

(5) Provisions for possible loan losses

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

For information on the calculation of general allowances and globally calculated loan loss provisions, please refer to the information on risk provisioning on page 89 of IKB's 2015/16 annual report. Changes resulted from the following developments in particular:

Total general allowances and general provisions for possible loan losses, including country risk provisioning for customer receivables, receivables from banks, contingent liabilities and irrevocable loan commitments, totalled € 193.9 million in the Group (31 March 2016: € 166.2 million). General allowances for securities were recognised in the amount of € 2.9 million in the Group (31 March 2016: € 3.3 million).

The net increase of € 28 million in the period under review was attributable primarily to the following factors:

- Increased risk of loss in connection with the planned disposal of non-strategic assets with a focus on medium-term to long-term project finance in the amount of € 32 million (€ 17 million reversed after disposals/€ 49 million recognised for additional acquisitions)
- Increased expected loss of € 2 million as a result of the higher level of loan commitments
- Reduced risk provisioning requirement of € 5 million due to the lower level of average historical credit losses

Notes on the balance sheet

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

	Group		IKB AG	
in € million	**30 Sep. 2016**	**31 Mar. 2016**	**30 Sep. 2016**	**31 Mar. 2016**
Receivables from banks[1)]	**97.0**	**203.6**	**83.0**	**191.2**
remaining term				
up to 3 months	45.4	123.8	32.8	111.4
between 3 months and 1 year	11.7	35.1	10.3	35.1
between 1 and 5 years	24.4	25.3	24.4	25.3
more than 5 years	15.5	19.4	15.5	19.4
Receivables from customers	**10,033.3**	**9,887.8**	**11,482.6**	**11,467.0**
remaining term				
up to 3 months	955.6	949.3	1,038.9	986.0
between 3 months and 1 year	1,140.9	1,495.0	1,280.7	1,618.3
between 1 and 5 years	5,728.1	5,177.2	6,909.7	6,292.3
more than 5 years	2,208.7	2,266.3	2,253.3	2,570.4
Liabilities to banks[1)]	**6,834.4**	**6,439.2**	**6,800.4**	**6,415.7**
remaining term				
up to 3 months	1,299.5	892.9	1,297.1	891.2
between 3 months and 1 year	1,112.4	1,121.9	1,104.9	1,115.6
between 1 and 5 years	3,233.8	3,247.8	3,210.4	3,232.6
more than 5 years	1,188.7	1,176.6	1,188.0	1,176.3
Liabilities to customers[1)]	**6,319.6**	**6,179.8**	**6,324.9**	**6,187.3**
remaining term				
up to 3 months	1,208.3	922.0	1,215.2	929.5
between 3 months and 1 year	1,922.6	2,141.1	1,922.1	2,141.1
between 1 and 5 years	2,595.4	2,442.1	2,594.3	2,442.1
more than 5 years	593.3	674.6	593.3	674.6

1) not including receivables or liabilities repayable on demand

€ 220.6 million (31 March 2016: € 145.0 million) of bonds and other fixed-income securities have a remaining term of up to one year in the Group and € 214.9 million (31 March 2016: € 135.6 million) have a remaining term of up to one year at IKB AG. € 208.0 million (31 March 2016: € 161.9 million) of the bonds issued and reported under securitised liabilities have a remaining term of up to one year in the Group and € 143.7 million (31 March 2016: € 85.9 million) have a remaining term of up to one year at IKB AG.

(7) Repurchase agreements

The carrying amount of the assets reported in the balance sheet at the reporting date and transferred in repurchase agreements is € 1,336.0 million (31 March 2016: € 2,162.3 million) in the Group and € 1,714.4 million (31 March 2016: € 2,391.1 million) at IKB AG.

(8) Receivables from affiliated companies and other investees and investors

	Group			
	30 Sep. 2016		31 Mar. 2016	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	18.3	40.2	-	38.8
Other assets	-	-	-	-

	IKB AG			
	30 Sep. 2016		31 Mar. 2016	
in € million	Affiliated companies	Investees and investors	Affiliated companies	Investees and investors
Receivables from banks	-	-	-	-
Receivables from customers	2,462.9	40.0	2,535.7	38.6
Bonds and other fixed-income securities[1)]	193.6	-	221.7	-
Other assets	20.7	-	21.9	-

1) This item includes bonds of a consolidated special-purpose entity for the first time.

(9) Fixed assets

Group:

in € million	Intangible assets	Tangible assets	Lease assets	Equity investments	Investments in associates	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2016	**67.6**	**273.0**	**1,895.0**	**16.5**	**11.1**	**9.2**	**5,079.5**	**474.9**	**7,826.8**
Additions	1.4	1.5	160.3	-	-	-	1,391.0	1.7	1,555.9
Reclassifications	-	-	-	-	-	-0.1	-	-	-0.1
Effects of currency translation	-	-	-0.2	-	-	-	0.8	-	0.6
Disposals	-0.2	-1.1	-221.3	-7.3	-	-1.2	-1,752.5	-1.0	-1,984.6
Acquisition costs as at 30 Sep. 2016	**68.8**	**273.4**	**1,833.8**	**9.2**	**11.1**	**7.9**	**4,718.8**	**475.6**	**7,398.6**
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2016	**-55.8**	**-53.0**	**-953.9**	**-5.4**	**3.9**	**-7.1**	**-43.8**	**-4.8**	**-1,119.9**
Reversals of write-downs	-	-	0.5	-	0.4	-	4.5	0.1	5.5
Depreciation/amortisation and write-downs	-2.5	-4.4	-147.4	-	-	-	-3.4	-	-157.7
Reclassifications	-	-	-	-	-	-	-0.7	-	-0.7
Effects of currency translation	-	-	0.1	-	-	-	-0.9	-	-0.8
Disposals	0.2	0.5	185.8	-	-	-	4.5	-	191.0
Cumulative depreciation/amortisation, write-downs and reversals thereof by 30 Sep. 2016	**-58.1**	**-56.9**	**-914.9**	**-5.4**	**4.3**	**-7.1**	**-39.8**	**-4.7**	**-1,082.6**
Residual book value as at 30 Sep. 2016	**10.7**	**216.5**	**918.9**	**3.8**	**15.4**	**0.8**	**4,679.0**	**470.9**	**6,316.0**
Residual book value as at 31 Mar. 2016	**11.8**	**220.0**	**941.1**	**11.1**	**15.0**	**2.1**	**5,035.7**	**470.1**	**6,706.9**

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

IKB AG:

in € million	Intangible assets	Tangible assets	Equity investments	Investments in affiliated companies	Bonds and other fixed-income securities	Equities and other non-fixed-income securities	Total
Acquisition costs as at 31 Mar. 2016	**86.5**	**223.2**	**1.2**	**1,159.1**	**4,725.7**	**1.7**	**6,197.4**
Additions	0.9	0.2	-	106.5	1,322.1	0.5	1,430.2
Reclassifications	-	-	-	-	-	-	-
Effects of currency translation	-	-	-	-	0.6	-	0.6
Disposals	-	-198.0	-	-	-1,708.4	-	-1,906.4
Acquisition costs as at 30 Sep. 2016	**87.4**	**25.4**	**1.2**	**1,265.6**	**4,340.0**	**2.2**	**5,721.8**
Cumulative depreciation/amortisation, write-downs and reversals thereof by 31 Mar. 2016	**-81.9**	**-23.4**	**-0.5**	**-1,010.7**	**-37.0**	**-**	**-1,153.5**
Reversals of write-downs	-	0.1	-	-	1.1	-	1.2
Depreciation/amortisation and write-downs	-1.8	-1.9	-	-	-0.4	-	-4.1
Reclassifications	-	-	-	-	-0.7	-	-0.7
Effects of currency translation	-	-	-	-	-	-	-
Disposals	-	3.9	-	-	-	-	3.9
Cumulative depreciation/amortisation, write-downs and reversals thereof by 30 Sep. 2016	**-83.7**	**-21.3**	**-0.5**	**-1,010.7**	**-37.0**	**-**	**-1,153.2**
Residual book value as at 30 Sep. 2016	**3.7**	**4.1**	**0.7**	**254.9**	**4,303.0**	**2.2**	**4,568.6**
Residual book value as at 31 Mar. 2016	**4.6**	**199.8**	**0.7**	**148.4**	**4,688.7**	**1.7**	**5,043.9**

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

The disposals of tangible fixed assets at IKB AG relate in particular to the intragroup sale of the administrative building at IKB's head office in Düsseldorf, which is partially used for banking operations, to IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf, in August 2016.

At the reporting date, the Group had two (31 March 2016: two) items of land and buildings partially used for banking operations in its portfolio with a total carrying amount of € 204.7 million (31 March 2016: € 204.4 million). The intragroup sale meant that IKB AG no longer had any buildings partially used for banking operations in its portfolio at the reporting date (31 March 2016: one). The building in the IKB AG portfolio had a carrying amount of € 194.5 million at 31 March 2016.

Operating and office equipment is included in tangible assets in the amount of € 11.5 million (31 March 2016: € 13.6 million) in the Group and € 3.8 million (31 March 2016: € 5.0 million) at IKB AG.

The disposals of equity investments at Group level in the amount of € 7.3 million are attributable primarily to the sale of the shares in AWEBA Werkzeugbau GmbH Aue, Aue, with effect from 30 June 2016. The disposals of investments in affiliated companies at Group level in the amount of € 1.2 million mainly relate to the merger of Erste Equity Suporta GmbH into Aleanta GmbH, Düsseldorf, with effect from 30 September 2016.

The additions to investments in affiliated companies at IKB AG are due largely to capital injections in connection with the intragroup sale of the administrative building at IKB's head office in Düsseldorf.

The item “Bonds and other fixed-income securities” predominantly includes European government bonds and bank bonds.

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

In total, the Group reported unrealised losses from long-term investments of € 20.0 million (31 March 2016: € 31.5 million) based on the carrying amounts of € 367.8 million (31 March 2016: € 705.3 million) and the fair values of € 347.8 million (31 March 2016: € 673.8 million). At IKB AG, unrealised losses from long-term investments totalled € 36.8 million (31 March 2016: € 53.0 million) on the back of carrying amounts of € 508.5 million (31 March 2016: € 516.6 million) and fair values of € 471.7 million (31 March 2016: € 463.6 million).

No write-downs have been recognised for these losses in the Group or at IKB AG as the differences are not expected to be permanent within the meaning of section 253 (3) HGB.

In the current financial year, write-downs on fixed assets for impairment that is expected to be permanent were recognised in the amount of € 4.5 million (previous year: € 2.1 million) in the Group and € 0.4 million (previous year: € 0.2 million) at IKB AG.

The reported amounts do not include deferred interest.

(10) Subordinated assets

	Group		IKB AG	
in € million	**30 Sep. 2016**	**31 Mar. 2016**	**30 Sep. 2016**	**31 Mar. 2016**
Receivables from customers	285.6	353.3	285.6	353.3
Bonds and other fixed-income securities	0.4	0.7	0.4	0.7
Assets held for trading	-	-	-	-
Total	**286.0**	**354.0**	**286.0**	**354.0**

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

(11) Other assets

Other assets include the following:

	Group		IKB AG	
in € million	**30 Sep. 2016**	**31 Mar. 2016**	**30 Sep. 2016**	**31 Mar. 2016**
Foreign currency adjustment item	71.5	35.6	70.7	34.8
Receivables from leasing business	40.1	27.3	-	-
Receivables from tax authorities	21.4	37.8	14.6	29.8
Hire-purchase properties not yet realised	9.4	9.3	-	-
Receivables from derivatives	5.3	2.1	5.3	2.1
Deferred interest on derivatives	60.9	104.7	61.1	105.2
Trade receivables	5.3	2.6	0.4	0.8
Receivables from affiliated companies	-	-	20.7	21.9
Miscellaneous assets	21.3	32.4	4.3	23.1
Total	**235.2**	**251.8**	**177.1**	**217.7**

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

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

(12) Prepaid expenses

Prepaid expenses include primarily discounts on liabilities recognised at their nominal amount of € 3.7 million (31 March 2016: € 5.0 million) in the Group and € 3.7 million (31 March 2016: € 5.0 million) at IKB AG and prepaid expenses for derivatives business of € 220.1 million (31 March 2016: € 259.0 million) in the Group and € 260.2 million (31 March 2016: € 304.8 million) at IKB AG.

(13) Deferred tax assets

	Group		IKB AG	
in € million	**30 Sep. 2016**	**31 Mar. 2016**	**30 Sep. 2016**	**31 Mar. 2016**
Excess deferred tax assets	252.8	253.6	249.0	249.7

(14) Liabilities to affiliated companies and other investees and investors

	Group			
	30 Sep. 2016		31 Mar. 2016	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to banks	-	-	-	-
Liabilities to customers	3.6	0.9	3.7	0.8
Securitised liabilities	-	-	-	-
Other liabilities	239.2	-	165.2	-

	IKB AG			
	30 Sep. 2016		31 Mar. 2016	
in € million	**Affiliated companies**	**Investees and investors**	**Affiliated companies**	**Investees and investors**
Liabilities to banks	-	-	-	-
Liabilities to customers	178.6	0.9	35.0	0.8
Securitised liabilities	-	-	250.1	-
Other liabilities[1)]	153.4	-	230.0	-

1) This item also includes liabilities to consolidated special-purpose entities for the first time. The comparative figure as at 31 March 2016 was adjusted by € 214.0 million.

(15) Other liabilities

Other liabilities break down as follows:

	Group		IKB AG	
in € million	**30 Sep. 2016**	**31 Mar. 2016**	**30 Sep. 2016**	**31 Mar. 2016**
True sale securitisations	-	-	143.2	213.4
Liabilities from the disposal of lease receivables	239.2	172.4	-	-
Synthetic securitisations	-	-	0.6	0.5
Foreign currency adjustment item	-	-	-	-
Obligations from derivatives	28.5	21.0	28.5	21.0
Deferred interest on derivatives	94.2	101.0	91.4	96.4
Liabilities to tax authorities	10.1	12.8	8.7	10.7
Deferred income for subordinated liabilities	3.6	2.4	3.6	2.4
Trade payables	0.7	12.2	0.5	11.4
Miscellaneous liabilities	13.0	23.4	12.3	23.2
Total	**389.3**	**345.2**	**288.8**	**379.0**

At Group level, lease receivables were sold to unconsolidated special-purpose entities. The transaction did not result in an accounting disposal, hence corresponding other liabilities are reported for the leasing receivables sold. To ensure more transparent presentation, these liabilities are reported separately as "Liabilities from the disposal of lease receivables".

(16) Deferred income

Deferred income includes primarily discounts on receivables recognised at their nominal amount of € 24.4 million (31 March 2016: € 22.8 million) in the Group and € 24.4 million (31 March 2016: € 22.8 million) at IKB AG, deferred income for leasing business of € 51.7 million (31 March 2016: € 48.5 million) at the Group, and deferred income for derivatives business of € 40.9 million (31 March 2016: € 72.6 million) in the Group and € 75.7 million (31 March 2016: € 129.7 million) at IKB AG.

(17) Pension provisions

The mandatory application of section 253 HGB results in the following difference for pension provisions measured using the ten-year average market interest rate:

30 Sep. 2016 **in € million**	**Group**	**IKB AG**
Measurement of obligation using the ten-year average market interest rate	350.6	305.8
Measurement of obligation using the seven-year average market interest rate	386.9	338.0
Difference in accordance with section 253 (6) HGB	**36.3**	**32.2**

(18) Other financial obligations

There have been the following significant changes in "Other financial obligations" compared with the report as at 31 March 2016:

At the reporting date, payment obligations from long-term rental agreements over their term amounted to € 23.4 million (31 March 2016: € 26.8 million) in the Group and € 133.3 million (31 March 2016: € 9.7 million) at IKB AG. The increase at IKB AG is mainly attributable to the intragroup sale of the administrative building at IKB's head office in Düsseldorf, which is partially used for banking operations, to IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf, with economic effect from August 2016 and the conclusion of long-term rental agreements with the new owner. Provisions for expected losses from executory contracts have been recognised for the event that the expenses exceed the benefit of the rental agreement. The risk or opportunity lies in the fact that after the end of a limited rent agreement, the contract can be extended or a follow-up agreement can be concluded at less advantageous or more advantageous conditions.

Dissenting view of the tax authorities

In August 2015, IKB AG received tax assessment notices in which the dissenting view of the tax authorities on the application of section 8c of the *German Corporate Income Tax Act* (KStG)/section 10a of the *German Trade Tax Act* (GewStG) in connection with the capital increase implemented by IKB AG during the course of the year and the subsequent sale of KfW's shares in IKB to Lone Star in the financial year 2008/09 was implemented. IKB has appealed against the tax assessments. The corporation tax and the solidarity surcharge for 2009 were paid including interest. Payment was made in the amount of around € 140 million from the provisions recognised as at 31 March 2015 and in the amount of € 1 million from net other operating income (further interests). At its application, IKB was granted a suspension of execution for trade tax. The trade tax and the associated interest were therefore not yet payable.

If, contrary to expectations, IKB is unsuccessful in the court of last instance in any judicial appeal proceedings against the application of section 8c of the German Corporate Income Tax Act (KStG)/section 10a of the German Trade Tax Act (GewStG) to the offsetting of trade tax losses within the tax group, this could result in a payment obligation of around € 156 million for trade tax, interest on this (with interest calculated until 30 September 2016) and additional Chamber of Commerce and Industry (CCI) contributions. A further € 0.6 million would be added per month by the end of the proceedings. IKB has appealed against the corresponding assessments.

In late April 2016, Aleanta GmbH (a wholly-owned subsidiary of IKB AG with which no profit and loss transfer agreement has been agreed, meaning it is not included in the income tax group) received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities are intending to treat the retrospective merger of Olessa GmbH into Aleanta GmbH in the financial year 2010/11 as a case covered by section 42 of the German Tax Code (AO). The tax audit is still in progress. Aleanta GmbH has commented on the matter and the current assessment of the tax audit. The maximum risk encompasses taxes of approximately € 27 million plus interest (calculated as approximately € 7 million up to and including 30 September 2016) and additional CCI contributions of € 0.2 million. An appeal will be lodged if necessary.

Notes on the income statement

(19) Extraordinary income and expenses

At the reporting date, extraordinary expenses in the Group and at IKB AG included expenses in connection with restructuring expenses in the amount of € 10.7 million (previous year: € 0.0 million).

Other extraordinary expenses of € 2.0 million at IKB AG (previous year: € 2.0 million) and € 6.1 million in the Group (previous year: € 2.3 million) relate to the distribution of the additional expenses from the remeasurement of pension provisions in accordance with BilMoG (see note (2)). The increase in the Group is due to the BilMoG difference for the subsidiary IKB Leasing GmbH being expensed in full.

(20) Other operating expenses

Other operating expenses include essentially:

	Group		IKB AG	
in € million	**1 Apr. 2016 - 30 Sep. 2016**	**1 Apr. 2015 - 30 Sep. 2015**	**1 Apr. 2016 - 30 Sep. 2016**	**1 Apr. 2015 - 30 Sep. 2015**
Expenses from the reversal of swap agreements	-393.2	-270.2	-393.5	-270.2
Expenses from derivatives in the non-trading book	-28.1	-35.1	-28.1	-35.1
Expenses from currency translation	-23.0	-30.2	-	-
Expenses from additions to provisions	-0.6	-8.6	-0.4	-8.3
Pension scheme expense (CTA-funded)	-6.3	-46.3	-5.6	-41.1
Rent/upkeep (not for operational purposes)	-1.7	-2.1	-1.8	-2.8
Expenses for interest on provisions	-0.5	-1.0	-0.5	-1.0

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

(21) 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).

€ 7.4 million of the tax expenses in the period under review related to write-downs of tax credits and deferred tax assets for foreign branches that are no longer expected to be utilised.

(22) Other operating income

Other operating income is composed primarily as follows:

in € million	Group		IKB AG	
	1 Apr. 2016 - 30 Sep. 2016	1 Apr. 2015 - 30 Sep. 2015	1 Apr. 2016 - 30 Sep. 2016	1 Apr. 2015 - 30 Sep. 2015
Income from the reversal of swap agreements	280.7	222.6	294.8	222.6
Income from derivatives in the non-trading book	19.6	20.0	19.8	19.9
Income from currency translation	32.9	36.7	11.7	6.2
Income from the reversal of provisions	3.6	6.9	3.4	6.0
Pension scheme income (CTA-funded)	-	-	-	-
Rental income	2.2	1.6	1.6	1.6
Income from compensation payments[1)]	0.2	6.6	-	0.2
Income from the discounting of provisions	-	0.1	-	0.1

1) from out-of-court settlements

The income from the reversal of swap agreements relates to strategic close-outs of derivative transactions in the banking book. This income is offset by expenses in the item “Other operating expenses”.

Other disclosures

(23) Consolidated group as at 30 September 2016

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

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

(24) List of shareholdings as at 30 September 2016

30 Sep. 2016		Financial year	Letter of comfort	Equity interest in %	Equity in € thousand	Result in € thousand
1. German subsidiaries (consolidated)						
Aleanta GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	1,336	-215
IKB Beteiligungen GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	79,742	0
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	55	0
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	80	0
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	55	0
IKB Beteiligungsgesellschaft 4 mbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	54	0
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	54	0
IKB Data GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	13,000	0
IKB Equity Capital Fund GmbH, Düsseldorf		1 Apr. - 31 Mar.	X	100.00	8,304	1,572
IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf		1 Apr. - 31 Mar.		94.90	100	0
IKB Grundbesitzgesellschaft Frankfurt GmbH & Co. KG, Düsseldorf		1 Apr. - 31 Mar.		94.90	100	0
IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	20	-5
IKB Grundstücks GmbH, Düsseldorf		1 Jan. - 31 Dec.	X	100.00	98	-1
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	3)	1 Jan. - 31 Dec.	X	100.00	8,847	976
IKB Invest GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	263,408	0
IKB Leasing Beteiligungsgesellschaft mbH, Hamburg		1 Apr. - 31 Mar.		100.00	5,825	0
IKB Leasing GmbH, Hamburg		1 Apr. - 31 Mar.	X	100.00	178,223	0
IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3),4)	1 Jan. - 31 Dec.	X	100.00	5,787	1,172
IKB Struktur GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	103,750	0
Istop 1 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	115,975	0
Istop 2 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	155,025	0
Istop 4 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	93,525	0
Istop 5 GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	525	0
Istop 6 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00	114,445	0
MATRONA GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00	45,025	0
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		89.80	0	-4
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		94.90	0	3
UTA Truck Lease GmbH, Neu-Isenburg		1 Apr. - 31 Mar.		100.00	9,028	0
2. Foreign subsidiaries (consolidated)						
AO IKB Leasing geschlossene Aktiengesellschaft, Moscow, Russia		1 Jan. - 31 Dec.		100.00	3,367	-2,165
IKB Leasing France S.A.R.L., Marne La Vallée, France		1 Jan. - 31 Dec.		100.00	3,655	1,040
STILL LOCATION S.à.r.l., Marne La Vallée, France		1 Jan. - 31 Dec.		100.00	21,500	2,741
IKB International S.A. i.L., Munsbach, Luxembourg	4)	1 Apr. - 31 Mar.	X	100.00	39,655	-127
IKB Lux Beteiligungen S.à.r.l., Munsbach, Luxembourg		1 Apr. - 31 Mar.	X	100.00	10,212	-105
IKB Finance B.V., Amsterdam, Netherlands		1 Apr. - 31 Mar.	X	100.00	6,113	8,659
IKB Leasing Austria GmbH, Vienna, Austria		1 Jan. - 31 Dec.		100.00	770	33
IKB Leasing Polska Sp.z.o.o, Poznan (Posen), Poland		1 Jan. - 31 Dec.		100.00	11,544	693
IKBL Asset spólka z ograniczona odpowiedzialnoscia & Co. spólka komandytowa, Poznan, Poland		1 Jan. - 31 Dec.		100.00	59	0
IKBL ASSET Spolka z ograniczona odpowiedzialnoscia, Poznan, Poland		1 Jan. - 31 Dec.		100.00	18	-1
IKB Leasing Finance IFN S.A., Bucharest, Romania		1 Jan. - 31 Dec.		100.00	4,620	370
IKB Leasing S.R.L., Bucharest, Romania		1 Jan. - 31 Dec.		100.00	1,591	257
IKB Leasing SR, s.r.o., Bratislava, Slovakia		1 Jan. - 31 Dec.		100.00	1,932	82
IKB Leasing CR s.r.o., Prague, Czech Republic		1 Jan. - 31 Dec.		100.00	31,186	1,582

30 Sep. 2016		Financial year	Letter of comfort	Equity interest in %	Equity in € thousand	Result in € thousand
IKB Leasing Kft., Budapest, Hungary		1 Jan. - 31 Dec.		100.00	5,906	1,126
IKB Pénzügyi Lizing Zrt., Budapest, Hungary		1 Jan. - 31 Dec.		100.00	3,080	362
IKB Funding LLC II, Wilmington, United States of America	2)	1 Apr. - 31 Mar.	X	100.00	323	22
IKB Funding LLC II, Wilmington, United States of America	2)	1 Apr. - 31 Mar.	X	100.00	596	-2
IKBL Renting and Service S.r.l., Lainate (MI), Italy		1 Jan. - 31 Dec.		100.00	949	-71
3. Special-purpose entities (special-purpose entities included in the consolidated financial statements in accordance with section 290 (2) no. 4 HGB)						
Bacchus 2008-2 Plc, Dublin 2, Ireland						
RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin 2, Ireland						
German Mittelstand Equipment Finance S.A., Luxembourg, Luxembourg						

30 Sep. 2016		Financial year	Letter of comfort	Equity interest in %
4. German subsidiaries (not included in consolidation due to section 296 HGB)	1)			
Brunnenstraße 105-109 Berlin Grundbesitz GmbH, Düsseldorf		1 Jan. - 31 Dec.		94.90
Einsteinufer 63-65 Berlin GmbH i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		100.00
Feldmühleplatz 1 Verwaltungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
FRANA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
GAP 15 GmbH i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		92.80
GARUMNA GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00
HAUSTUS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Yachtzentrum Berlin KG i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		94.67
IKB Beteiligungsgesellschaft 7 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 8 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 9 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB Beteiligungsgesellschaft 10 mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB Projektentwicklungsverwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1 Oct. - 30 Sep.	X	100.00
IKB NewCo 1 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB NewCo 3 GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
IKB NewCo 5 GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00
IKB Real Estate GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Boxdorf KG i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		94.26
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf		1 Apr. - 31 Mar.	X	100.00
ISOG Technology Holding GmbH, Weilheim		1 Apr. - 31 Mar.		57.70
ISOG Management GmbH, Weilheim		1 Apr. - 31 Mar.		57.70
ISOG Technology GmbH & Co. KG, Weilheim		1 Apr. - 31 Mar.		57.70
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		100.00
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		100.00
Ligera GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
MD Capital Solingen Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		100.00
MD Objekt Solingen Verwaltungsgesellschaft mbH i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		100.00
MFRSI Beteiligungsholding Verwaltungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.		100.00

30 Sep. 2016		Financial year	Letter of comfort	Equity interest in %
Restruktur 2 GmbH i.L., Düsseldorf	4)	1 Apr. - 31 Mar.		100.00
Restruktur 3 GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00
Rhodana GmbH, Düsseldorf		1 Jan. - 31 Dec.		100.00
Robert Adams Str. 12 London GmbH i.L., Düsseldorf	4)	1 Jan. - 31 Dec.		100.00
SEQUANA GmbH, Düsseldorf		1 Apr. - 31 Mar.		100.00
5. Foreign subsidiaries (not included in consolidation due to section 296 HGB)	1)			
Valin Asset Management S.à.r.l., Luxembourg, Luxembourg		1 Apr. - 31 Mar.		100.00
IKB Funding Trust I, Wilmington, United States of America		1 Apr. - 31 Mar.		100.00
IKB Funding Trust II, Wilmington, United States of America		1 Apr. - 31 Mar.		100.00
ISOG Technology Co. Ltd., Shanghai, China		1 Apr. - 31 Mar.		57.70
ISOG Technology Italia S.r.l., Turate, Italy		1 Apr. - 31 Mar.		57.70
6. Special-purpose entities (not included in consolidation due to section 296 HGB)				
Weinberg Capital Ltd., Dublin, Ireland				
Corelux Purchaser No. 1 S. A., Luxembourg, Luxembourg				
HIMERA Grundstücks-Vermietungsgesellschaft mbH, Pullach i. Isartal, Germany				
Rosaria Grundstücks-Vermietungsgesellschaft mbH Objekt Heimstetten KG, Grünwald, Germany				
7. German associates	1)			
Linde Leasing GmbH, Wiesbaden		1 Jan. - 31 Dec.		30.00
8. German associates/joint ventures (not accounted for using the equity method due to section 311(2) HGB)	1)			
Argantis GmbH i.L., Cologne	4)	1 Jan. - 31 Dec.		50.00
Chemtura Verwaltungs GmbH, Bergkamen		1 Jan. - 31 Dec.		50.00
Dritte Hubschraubertechnologiepark Donauwörth GmbH, Düsseldorf		1 Jan. - 31 Dec.		50.00
equiNotes Management GmbH, Düsseldorf		1 Jan. - 31 Dec.		50.00
FUNDIS Projektentwicklungsholding GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		50.00
FUNDIS Verwaltungsgesellschaft mbH, Düsseldorf		1 Jan. - 31 Dec.		50.00
HABITO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt EINS KG, Pullach i. Isartal		1 Jan. - 31 Dec.		6.00
Hafenspitze Verwaltungsgesellschaft mbH, Hamburg		1 Jan. - 31 Dec.		25.00
LOUDA SYSTEMS GmbH, Triptis		1 Jan. - 31 Dec.		45.00
MFRSI Beteiligungsholding GmbH & Co. KG, Düsseldorf		1 Jan. - 31 Dec.		50.00
Mike's Sandwich GmbH, Hamburg		1 Jan. - 31 Dec.		35.59
MOTORRAD-ECKE GmbH, Villingen-Schwennigen		1 Jan. - 31 Dec.		38.86
ODS Business Services Group GmbH, Hamburg		1 Jan. - 31 Dec.		32.00
Vermögensverwaltungsgesellschaft DVD Dassow GmbH, Dassow		1 Jan. - 31 Dec.		30.00
9. German equity investments in corporations and partnerships in which the interest exceeds 5% of voting rights	1)			
AXA Immoselect Hauptverwaltungsgebäude GmbH & Co. Objekt Düsseldorf Uerdinger Straße KG, Cologne		1 Jan. - 31 Dec.		5.10
Könemann Verlagsgesellschaft mbH, Cologne		1 Jan. - 31 Dec.		12.50
pgam advanced technologies AG		1 Jan. - 31 Dec.		5.16
10. Foreign equity investments in large corporations in which the interest exceeds 5% of voting rights	1)			
Ring International Holding AG, Vienna, Austria		1 Jan. - 31 Dec.		9.37

1) The information in accordance with section 285 no. 11 HGB on equity and results is not shown for companies not included in the consolidated financial statements in accordance with section 286 (3) sentence 1 no. 1 HGB.
2) Subordinated letter of comfort
3) Company exercised exemption under section 264b HGB and did not prepare notes
4) in liquidation

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

(25) 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.

(26) Derivative financial instruments not recognised at fair value

Group:

	Nominal		Fair value		Carrying amount
30 Sep. 2016 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	14,109.0	1,332.3	2,586.8	248.9	228.8
Credit-related derivatives	1,364.0	10.8	54.4	4.8	65.2
Currency-related derivatives	2,162.3	52.2	28.5	35.6	12.8
Derivatives assigned to several categories	1,244.7	193.6	123.3	57.4	13.4
Total	**18,880.0**	1,588.9	2,793.0	346.7	320.2

IKB AG:

	Nominal	Fair value		Carrying amount	
30 Sep. 2016 in € million		**Positive**	**Negative**	**Assets**	**Equity and liabilities**
Interest-related derivatives	14,339.2	1,342.9	2,584.8	288.1	259.9
Credit-related derivatives	1,415.2	10.8	55.0	4.8	65.8
Currency-related derivatives	2,280.8	52.2	29.3	34.8	12.8
Derivatives assigned to several categories	1,244.7	193.6	123.3	58.4	14.2
Total	**19,279.9**	1,599.5	2,792.4	386.1	352.7

(27) Unrealised gains and losses

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

Group	30 Sep. 2016			31 Mar. 2016		
in € million	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Receivables from banks	1,591.3	1,593.3	2.0	2,122.2	2,123.7	1.5
Receivables from customers	10,033.3	10,575.6	542.3	9,887.8	10,372.5	484.7
Bonds and other fixed-income securities	4,697.5	5,244.0	546.5	5,051.6	5,522.4	470.8
Equities and other non-fixed-income securities	470.9	500.2	29.3	470.1	473.3	3.2
Derivative financial instruments not recognised at fair value	346.7	1,589.0	1,242.3	395.3	1,785.3	1,390.0
Subtotal	**17,139.7**	**19,502.1**	**2,362.4**	**17,927.0**	**20,277.2**	**2,350.2**
Liabilities to banks	6,881.9	7,026.6	-144.7	7,897.0	8,045.1	-148.1
Liabilities to customers	7,854.7	7,971.8	-117.1	7,498.4	7,633.3	-134.9
Securitised liabilities	789.6	794.1	-4.5	773.8	779.2	-5.4
Subordinated liabilities	822.0	440.5	381.5	921.7	538.2	383.5
Profit participation capital	32.2	32.5	-0.3	32.2	28.2	4.0
Silent partnership contributions	0.0	73.4	-73.4	0.0	72.5	-72.5
Derivative financial instruments not recognised at fair value	320.4	2,793.2	-2,472.8	357.2	2,968.9	-2,611.7
Subtotal	**16,700.8**	**19,132.1**	**-2,431.3**	**17,480.3**	**20,065.4**	**-2,585.1**
Total			**-68.9**			**-234.9**

In addition to its net asset surplus included in the consolidated financial statements, the IKB Leasing Group also has a net asset value (unrealised gains from leasing business) of € 125.3 million (31 March 2016: € 131.4 million). The net asset value is calculated using the model of the Federal Association of German Leasing Companies (Bundesverband Deutscher Leasingunternehmen e.V.).

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

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

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

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

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

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

(28) Significant events after 30 September 2016

The following major developments have arisen since 30 September 2016:

After defining the cash consideration, LSF6 Europe Financial Holdings, L.P., Dallas, USA ("LSF6") specified the details of its request of 12 September 2016, including stating that the cash compensation defined was € 0.49 per no-par value bearer share, in a letter dated 17 October 2016.

In response to the squeeze-out request by LSF6, IKB decided to hold an Extraordinary General Meeting on 2 December 2016 to resolve on the transfer of the shares of the minority shareholders of IKB AG to LSF6 in exchange for payment of adequate cash compensation.

The Düsseldorf Stock Exchange announced that the listing of IKB AG's shares in its unofficial market would be terminated with effect from the end of 30 September 2016. Due to an clerical error, however, the listing was not discontinued until 4 October 2016.

On 4 October 2016, the tax authorities issued a negative decision in the appeal proceedings against the tax assessment for corporation tax and the solidarity surcharge for 2009. On 21 October 2016, IKB contested the tax assessment with the Düsseldorf Fiscal Court within the due period. A decision on the appeal proceedings concerning trade tax for 2009 is still outstanding. This does not change the risk assessment (see section 3. "Risk report") from IKB AG's perspective.

(29) Executive bodies

Board of Managing Directors

Dr Michael H. Wiedmann (Chairman)

Claus Momburg

Dr Jörg Oliveri del Castillo-Schulz

Dirk Volz

Supervisory Board

Dr Karl-Gerhard Eick (Chairman)

Dr Claus Nolting (Deputy Chairman)

Stefan A. Baustert (until 1 September 2016)

Sven Boysen*

Mark Coker

Benjamin Dickgießer

Dr Lutz-Christian Funke

Arndt G. Kirchhoff

Bernd Klein*

Rainer Lenz* (until 1 September 2016)

Nicole Riggers*

*elected by the employees

Düsseldorf, 15 November 2016

IKB Deutsche Industriebank AG

The Board of Managing Directors

Dr Michael H. Wiedmann

Claus Momburg

Dr Jörg Oliveri del Castillo-Schulz

Dirk Volz

Note on forward-looking statements

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

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

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