

FITCH WITHDRAWS IKB'S RATINGS

Fitch Ratings-Frankfurt/London-30 June 2011: Fitch Ratings has maintained German-based IKB Deutsche Industriebank AG's (IKB) Long-term 'BBB-' Issuer Default Rating (IDR) and Short-term 'F3' IDR on Rating Watch Negative (RWN) and simultaneously withdrawn the ratings. The Individual Rating has been affirmed at 'E' and withdrawn. A full list of rating actions is at the end of this comment.

The ratings have been withdrawn as the agency will no longer have sufficient information to maintain the ratings following the issuer's decision to stop participating in the rating process. Fitch will no longer provide rating or analytical coverage for IKB. However, Fitch will continue to rate the notes guaranteed by the German government's Financial Market Stabilisation Fund (SoFFin) based on the irrevocable guarantee of the 'AAA'-rated Federal Republic of Germany, which at present total EUR8.6bn.

IKB's Long-term IDR and senior debt ratings reflect the high level of sovereign support arising from the funding guarantees provided by SoFFin. The RWN reflects Fitch's expectation that the authorities' propensity to support will recede in line with the scheduled expiration of these guarantees by 2015. The reduction of SoFFin's coverage may encourage other critical funding providers to cut their exposure to IKB.

Fitch also considers that the enactment of the German bank resolution regime in January 2011, in conjunction with IKB's weak standalone profile and uncertain recovery prospects, exposes the bank, and particularly its subordinated lower Tier 2 debt holders, to an increased resolution risk. Fitch also notes that IKB's owner, Lone Star (not rated), is currently trying to sell the bank, and that a sale to a highly-rated institution, although not Fitch's base case, cannot be ruled out at this stage.

Fitch previously noted (see "Fitch Maintains IKB's 'BBB-' IDR on RWN", dated 13 April 2011 at www.fitchratings.com) that it expected to resolve the RWN on all ratings once it had more clarity regarding the level of support that may realistically be available to the various classes of debt. Fitch considers that no material changes have occurred since then that may change its rating rationale.

The affirmation of the Individual Rating reflects uncertain recovery prospects. Despite the restructuring progress achieved, Fitch believes it will be challenging to restore a viable standalone business model before state support is withdrawn, specifically the restoration of a sustainable funding profile that is not reliant on external support.

The rating actions are as follows:

IKB AG:

Long-term IDR: 'BBB-', maintained on RWN and withdrawn

Short-term IDR: 'F3', maintained on RWN and withdrawn

Individual Rating: affirmed at 'E' and withdrawn

Support Rating: '2', maintained on RWN and withdrawn

Support Rating Floor: 'BBB-', maintained on RWN and withdrawn

Senior unsecured debt: 'BBB-', maintained on RWN and withdrawn

Subordinated lower Tier 2 debt: 'B+', maintained on RWN and withdrawn

SoFFin-guaranteed notes: affirmed at 'AAA'

The following ratings have all been affirmed at 'C' / 'RR6' and withdrawn:

IKB Funding Trust I's EUR75m perpetual trust preferred securities (ISIN: DE0008592759)

IKB Funding Trust II's EUR400m perpetual trust preferred securities (ISIN: XS0194701487)

Hybrid Raising GmbH's EUR200m perpetual silent participations (ISIN: DE000A0AMCG6)

Capital Raising GmbH's EUR200m perpetual silent participations (ISIN: DE0007490724)
Propart Funding Ltd's EUR150m profit participation certificates due 2015 (ISIN: DE000A0GF758)
In Fitch's rating criteria, a bank's standalone risk is reflected in Fitch's Individual Ratings and the prospect of external support is reflected in Fitch's Support Ratings. Collectively these ratings drive Fitch's Long- and Short-term IDRs.

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Additional information is available at www.fitchratings.com.

Applicable criteria 'Global Financial Institutions Rating Criteria', dated 13 August 2010, 'Short-Term Ratings for Corporate Finance', dated 2 November 2010, and 'Rating Hybrid Securities', dated 29 December 2009, are available at www.fitchratings.com.

Fitch's Recovery Ratings (RR), introduced in 2005, are a relative indicator of creditor recovery on a given obligation in the event of a default. A broad overview of Fitch's RR methodology as it relates to specific sectors, including a Case Study webcast, can be found at www.fitchratings.com/recovery

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685

Short-Term Ratings Criteria for Corporate Finance

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726

Rating Hybrid Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493086

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