for the Period April 1, 2001 to March 31, 2002

Income	2001/2002 EUR thousand	2000/2001 EUR thousand
Interest income from		
a) lending and money market operations	2 616 921	2 568 269
b) fixed interest securities and government-inscribed debt	203 042	169 270
	2 819 963	**2 737 539**
Current income from		
a) shares and other non-fixed interest securities	730	318
b) investments	52 071	3 109
c) holdings in subsidiary companies	5 323	5 871
	58 124	**9 298**
Income from profit pooling, profit transfer, and partial profit transfer agreements	**15 416**	**26 458**
Commission income	**55 993**	**29 523**
Net income from finance operations	**1 940**	**2 250**
Earnings and write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	**–**	**8 507**
Other operating income	**16 751**	**81 323**
Total income	**2 968 187**	**2 894 898**

Notes to the Consolidated and the AG's Financial Statements

Legal Basis and Accounting Principles

The consolidated Group accounts and the financial statements of IKB Deutsche Industriebank AG are prepared in accordance with regulations contained in the German Commercial Code (*HGB*), in conjunction with the accounting regulations for financial institutions *(RechKredV)*, as well as with the relevant provisions of German Company Law. Furthermore the financial statements of the IKB Deutsche Industriebank Group are drawn up in accordance with the Seventh Council Directive of June 13, 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (83/349/EEC) and Council Directive of December 8, 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC).

The notes to the financial statements of IKB Deutsche Industriebank AG and the Group accounts have been presented together in accordance with Article 298, Section 3, HGB.

Consolidated Companies

Apart from the parent company, twelve domestic and four foreign companies are included in the consolidated financial statements at March 31, 2002. In accordance with Article 285, No. 11 of the German Commercial Code (HGB) and Article 313, Section 2, HGB we have entered the consolidated companies in the List of Investments under "A.", while in accordance with Articles 325 and 287, HGB the list of 417 real estate special purpose entities, as well as 27 corporate participations held by IKB Private Equity GmbH and IKB Venture Capital GmbH respectively will be filed with the Commercial Register in a separate schedule. Partnerships eligible for exemption in accordance with Article 264 b HGB are listed in a separated category.

IKB Private Equity GmbH, as well as it's subsidiary IKB Venture Capital GmbH were included in the Group accounts for the first time. The objective of IKB Private Equity GmbH to acquire, to manage and to sell participations in medium-sized companies *(Mittelstand)*. Moreover these companies are to be supported to gain access to the stock market. The main focus of IKB Venture Capital GmbH is to purchase and to sell shares in primarily innovative, growth-oriented enterprises.

In the interests of comparability, the consolidated figures from the previous year were correspondingly adapted in accordance with Article 294, Section 2, HGB. The most significant changes in the adjusted consolidated accounts from the previous year were the increase in the portfolio of other assets by EUR 75 million and the decline in claims on customers by EUR 56 million. As both subsidiaries are exclusively funded by the parent company, the consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH caused no significant change in the Group's balance sheet total. Due to existing profit and loss transfer agreements net income for the financial year 2000/2001 didn't change.

Pursuant to Article 296, Section 2, HGB, we have not included other subsidiary companies (List of Investments under "B.") in the consolidated Group accounts due to their minor impact of the Group's assets, liabilities, financial and income position.

Principles of Consolidation

The Group accounts were prepared in strict accordance with IKB Deutsche Industriebank AG accounting and valuation methods contained in the following section. The financial statements of the companies included were adapted to conform with the accounting and valuation regulations of the parent company. The subsidiary IKB Capital Corporation, New York, draws up the balance according to the accounting principles of US-GAAP. As far as substantially necessary we adopted the subsidiary's accounts to HGB-regulations by offsetting and reconciliation.

Capital consolidation was carried out in accordance with the book value method. For Group companies, the cost of investment is set against the Group's share of equity at the date of acquisition or first-time consolidation. Debit differences amounted to EUR 41.6 million, and credit differences EUR 6.3 million. The balance of these differences, which is EUR 35.3 million, were set off with revenue reserves.

The claims and liabilities as well as expenditure and income between consolidated companies, are eliminated on consolidation.

Normally the financial statements of consolidated companies and those of the parent company are drawn up at the same accounting date. Differing from this rule the annual financial statements of the companies listed below are dated December 31, 2001:

- AIVG Allgemeine Verwaltungsgesellschaft mbH
- IKB Capital Corporation
- IKB Financière France S.A.
- IKB Immobilien Leasing GmbH
- IKB Private Equity GmbH
- ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Uerdinger Straße KG.

In the case of IKB Capital Corporation, we prepared interim accounts at March 31, 2002 in accordance with Article 299, Section 3 HGB.

Accounting and Valuation Methods

Claims on banks and customers are shown at their nominal value, less provisions for bad and doubtful debts. Differences between amounts actually paid and nominal values are included in deferred income and credited to the income statement according to plan.

We have provided for potential loan loss risks by building reserves in the form of general provision for bad and doubtful debts. We calculated the general provision for bad and doubtful debts based on our past experience and weighted amounts.

Securities, which are disclosed under the heading "Debentures and other fixed interest securities", as well as "Shares and other non-fixed interest securities" are valued in accordance with the lower of cost principle applying to current assets, i. e. the purchase price or the lower market price. Pursuant to Article 280 of the German Commercial Code (HGB), we were obliged to write up the value of securities written down in previous years at the current market value, the maximum amount of which is the historical purchase price. Fixed asset securities are not included in the portfolio.

Investments in subsidiary companies and companies in which the bank has a participatory interest are shown at the purchase price currently adjusted.

Fixed assets and leasing items are valued at price of purchase or manufacturing cost, reduced by scheduled depreciation and – as the case may be – (fiscally permissible) special depreciation. When a permanent diminution in value is expected, unscheduled depreciation is applied. Low-value assets are completely written off during the year of purchase.

Liabilities are stated at redemption amount. To the extent that proceeds vary from the redemption amount, the difference is shown on the assets side as a deferred item and charged to income according to plan.

Provisions for pension and similar obligations are computed in accordance with actuarial principles, based on the new *Heubeck* actuarial tables and a 6 % rate of interest and using the German *Teilwert* method for current and ex-employees and the net present value of current pensions. Provisions for taxes and uncertain liabilities are stated at amounts which are likely to be incurred. In accordance with the tax regulations, we discounted provisions for cash payments with 5.5 %.

Derivative transactions (swaps, futures, options) need not be disclosed in the balance sheet. Depending on the purpose trading in derivatives is entered either under trading operations or hedging transactions, whereby positions in trading operations can have hedging functions. If derivative operations are considered trading operations they are then valued in accordance with the imparity and realisation principle. If they are part of a hedging operation, valuation units are formed. Profits and losses resulting from these transactions are offset. Provisions are formed for remaining valuation losses, while remaining valuation profits are not realized.

Currency Conversion

Balance sheet and non-balance sheet amounts denominated in foreign currency are converted in accordance with Article 340 h, HGB. In the case of foreign currency-denominated fixed assets that are not specifically hedged, we have calculated the historic cost of exchange rates.

All other foreign currency-denominated assets, liabilities and other outstanding spot transactions are converted at the reference rate of the ECB at balance sheet date. Premiums or discounts on the spot exchange rate resulting from interest hedging operations on balance sheet items are included in net interest income pro rata temporis. Hedged expenses or profits are converted at the contracted forward rate.

In the income statement only expenses from currency conversion according to Article 340 h, Section 2, HGB are taken into account.

Notes to the Balance Sheet and Income Statement

Breakdown of Maturities of Selected Balance Sheet Items

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Other claims on banks	**1 294**	**557**	**5 942**	**4 907**
with a remaining maturity				
– up to three months	477	101	4 873	4 308
– more than three months up to one year	592	239	798	335
– more than one year up to five years	183	153	248	221
– more than five years	42	64	23	43
Claims on customers	**24 600**	**24 276**	**22 201**	**22 239**
with a remaining maturity				
– up to three months	3 615	3 314	3 444	3 095
– more than three months up to one year	2 587	2 404	2 304	2 306
– more than one year up to five years	11 330	10 878	9 975	9 899
– more than five years	7 068	7 680	6 478	6 939
Liabilities to banks				
with agreed maturity or period of notice	**14 682**	**14 674**	**15 262**	**15 282**
with a remaining maturity				
– up to three months	4 245	4 051	5 338	5 188
– more than three months up to one year	1 301	1 430	1 273	1 426
– more than one year up to five years	5 138	4 685	5 072	4 628
– more than five years	3 998	4 508	3 579	4 040
Other liabilities to customers				
with agreed maturity or period of notice	**2 189**	**2 392**	**2 053**	**2 302**
with a remaining maturity				
– up to three months	165	154	151	77
– more than three months up to one year	111	182	84	158
– more than one year up to five years	1 147	1 130	1 078	1 114
– more than five years	766	926	740	953

Of the debentures and other fixed interest securities in the Group EUR 180 million and in the AG EUR 179 million will mature next year. Of the issued debentures included in the balance sheet under securitised liabilities, EUR 2,239 million will come due next year in the Group and in the AG.

Treasury Shares

At the General Meetings held on September 8, 2000 and September 7, 2001, we obtained authorisation to acquire our own shares for the purpose of securities trading (max. 5 % of share capital).

During the 2001/2002 financial year, we purchased 3,841,236 treasury shares. Including the beginning balance of 33,620 shares on April 1, 2001, the average purchasing price was EUR 13.90. A total of 3,874,856 shares were sold at an average price of EUR 14.17. The resulting revenues of EUR 1,080 thousand are included in the net result from financial operations. The highest daily balance of treasury shares amounted to 1.28 % of subscribed capital. Our affiliates did not engage in the sale or purchase of IKB shares. As at the balance sheet date no treasury shares were hold by the bank.

In order to enable our employees to acquire shares under employee purchase schemes during the year under review we purchased 23,527 shares at an average price of EUR 12.04, of which we then sold 17,577 to the employees of the AG at a preferential rate of EUR 6.02. A further 5,950 shares were acquired under the same conditions from employees of the Group.

Fixed Asset Schedule

	Group						
in EUR million	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2002	Net book value March 31, 2001
Tangible fixed assets	346.5	26.2	6.1	151.9	20.2	214.7	211.5
Investments	40.7	0.1	0.2	1.7	–	38.9	38.9
Shares in subsidiary companies	4.7	3.5	–	0.1	–	8.1	4.7
Leasing items	2 965.2	701.5	532.8	787.5	312.8	2 346.4	2 239.4

	AG						
in EUR million	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2002	Net book value March 31, 2001
Tangible fixed assets	127.5	13.4	0.9	87.0	13.9	53.0	53.4
Investments	2.4	0.0	0.2	1.3	–	0.9	1.1
Shares in subsidiary companies	413.0	64.1	50.0	59.2	–	367.9	353.8

On March 31, 2002, the book value of the Group's land and buildings used by the Group amounted to EUR 186.0 million, and those of the AG to EUR 31.1 million. The principle item in the Group was the headquarters building in Düsseldorf.

On the Group balance sheet, equipment and furniture, amount to EUR 24.0 million, and for that of the AG, to EUR 20.6 million. They are included in "Tangible fixed assets".

Negotiable Securities

The negotiable securities contained in the balance sheet captions listed below are differentiated as follows:

	Group			AG		
in EUR million	Total	Listed	Not Listed	Total	Listed	Not Listed
Debentures and other fixed interest securities	4 907.7	4 823.2	84.5	4 761.0	4 676.5	84.5
Shares and other non-fixed interest securities	0.2	0.2	–	0.2	0.2	–
Investments	37.3	37.3	–	–	–	–
Shares in subsidiary companies	–	–	–	151.9	–	151.9

Receivables and Payables Relating to Subsidiary and Related Companies

	Group		AG	
in EUR million	Subsidiary companies	Related companies	Subsidiary companies	Related companies
Claims on banks	–	45.9	5 432.7	1.2
Claims on customers	82.0	–	2 204.5	–
Debentures and other fixed interest securities	–	1.5	–	1.5
Liabilities to banks	–	6.4	2 035.9	–
Liabilities to customers	0	–	84.4	–

Trust Transactions

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Claims on customers	4.6	5.3	4.6	5.3
Investments	1.4	1.5	1.4	1.5
Trust assets	**6.0**	**6.8**	**6.0**	**6.8**
Liabilities to customers	6.0	6.8	6.0	6.8
Trust liabilities	**6.0**	**6.8**	**6.0**	**6.8**

Subordinated Assets

Subordinated assets are included in the following balance sheet items:

in EUR million	Group	AG
Claims on customers	127.1	8.7
Shares and other non-fixed interest securities	0.5	0.5
Shares in subsidiary companies	–	71.6

Foreign Currency Assets and Liabilities

Currency amounts converted into euro are presented in the following table. The differences between assets and liabilities are covered by currency hedging transactions.

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Assets	5 326	5 055	5 170	4 698
Liabilities	2 420	2 665	2 425	2 620

Other Assets and Other Liabilities

For both the Group and the AG, the largest single item in "Other assets" are amounts due from direct debits totalling EUR 425 million. These direct debits could not be credited to our LZB account, as the balance sheet date (March 31, 2002) was not a workday. A further significant item contained here is the pro rata interest earned on interest rate swap and interest rate and currency swap transactions (Group with EUR 281 million/AG with EUR 284 million). The remaining amount relates besides participations in companies held by IKB Private Equity GmbH and it's subsidiary primarily to trade receivables and claims for reimbursement.

In both the Group and AG financial statements, the amounts distributed on the participation rights capital for 2001/2002 (EUR 36 million), the pro rata interest for the subordinated liabilities with EUR 18 million, as well as the interest expenditure for the silent capital in the Group with EUR 5 million, are entered under "Other liabilities". The pro rata interest from interest rate swap agreements constitute the largest item in the Group (EUR 219 million) and AG (EUR 211 million). Other significant items include trade payables, containing EUR 56 million and EUR 3 million respectively.

Accrued and Deferred Income

Prepaid expenses of the Group and AG, amounting to EUR 126 million and EUR 125 million respectively relate to differences pursuant to Article 250, Section 3 of the German Commercial Code and Article 340 e, Section 2, Sentence 3 of the German Commercial Code (Disagios from the nominal value of liabilities reported in the balance sheet).

Deferred income of the Group amounting to EUR 134 million (AG: EUR 125 million) was posted, which show differences pursuant to Article 250, Section 2 of the German Commercial Code and Article 340 e, Section 2, Sentence 2 of the German Commercial Code (Disagios from the nominal value of claims reported in the balance sheet).

Special Items including Reserves

The special items including reserves absorbed by the Group from the special purpose entities of IKB Immobilien Leasing GmbH represent with EUR 1.7 million a reserve in accordance with Article 6b of the German Income Tax Act and with EUR 5.9 million investment grants. Two special purpose entities, which stated special items including reserves at an amount of EUR 3.7 million, have left the company group. This outflow is not included in the item "Earnings from the release of special items including reserves" in the consolidated income statement.

Subordinated Liabilities

The subordinated liabilities qualify under the German Banking Act as liable capital. An early repayment is not possible. In case of bankruptcy or liquidation they will be repaid only after non-subordinated creditors have been satisfied.

Individual items which exceed 10 % of the total amount:

Year of issue	Book value EUR million	Issue Currency	Interest rate in %	Maturity
1992/93	90.8	NLG	8.00	Jan. 08, 2003
1995/96	90.8	NLG	7.75	June 16, 2005
1999/00	125.0	EUR	5.00	Dec. 28, 2007
2000/01	150.0	EUR	6.00	Feb. 27, 2009

Subordinated liabilities in the Group and AG amount to EUR 868.4 million. Interest expense on this amount during the financial year came to EUR 60.6 million (2000/2001: EUR 47.7 million).

Participation Rights Capital

The issued participation rights capital of EUR 623.8 million meets the requirements set out in Article 10, Section 5 of the German Banking Act at an amount of EUR 570.2 million and serve to strengthen the bank's liable capital. The entire amount is liable in the event of a loss. Interest payments are made solely on the basis of unappropriated profits for the year. The claims of holders of participation rights to repayment of the capital are subordinate to those of other creditors. Participation rights capital includes in detail:

Year of issue	Book value EUR million	Issue Currency	Interest rate in %	Maturity
1991/92	51.2	DM	9.10	March 31, 2003
1993/94	92.0	DM	7.30	March 31, 2005
1994/95	92.0	DM	6.45	March 31, 2006
1995/96	81.8	DM	8.40	March 31, 2007
1997/98	102.3	DM	7.05	March 31, 2009
1999/00	20.0	EUR	7.23	March 31, 2010
2001/02	100.0	EUR	6.50	March 31, 2012
2001/02	10.0	EUR	6.62	March 31, 2012
2001/02	74.5	EUR	6.55	March 31, 2012
	623.8			

Payments for the 2001/2002 financial year, amounting to EUR 35.9 million, are contained in interest expenses.

Changes in Subscribed, Authorised and Contingent Share Capital

Subscribed share capital amounted to EUR 225,280,000.00 on March 31, 2002 and is divided into 88,000,000 shares.

The company is authorised to issue further share capital amounting to EUR 76.7 million until September 5, 2002.

In order to grant conversion privileges or option rights to the bearers of convertible bonds and warrant-linked bonds with an aggregate nominal value of EUR 300 million issued before September 3, 2004, contingent capital of EUR 22.5 million exists.

Silent participations stated as "Silent capital" in our balance sheet comply with the provisions of Article 10, Section 4 of the German Banking Act, and thus counts as tier 1 capital.

Equity

in EUR million	Group
As at April, 2001	1 293.9
Distribution of unappropriated profits of the AG for the financial year 2000/2001	– 67.8
Transfer to other revenue reserves from the Group's net income for the financial year 2001/2002	42.0
Asset-related differences due to newly consolidated companies	– 3.7
Unappropriated profit of the AG for the financial year 2001/2002	67.8
Unappropriated profits and losses of consolidated subsidiaries (net)	– 21.6
As at March 31, 2002	**1 310.6**

in EUR million	AG
As at April 1, 2001	1 136.7
Distribution of unappropriated profits for the financial year 2000/2001	– 67.8
Transfer to other revenue reserves from net income of the AG for the financial year 2001/2002	28.4
Unappropriated profit for the financial year 2001/2002	67.8
As at March 31, 2002	**1 165.1**

Key Figures relating to Bank Regulatory Requirements

The risk-weighted assets in EUR million, as well as capital and Principle I ratios in the Group, break down as follows at the balance sheet date:

	Attributable amounts in %				
at March 31, 2002 in EUR million	100	50	20	10	Total
Balance sheet transactions	15 447	2 064	503	330	18 344
Non-balance sheet transactions	1 471	640	45		2 156
Derivative transactions in the investment portfolio		42	254		296
Weighted risk assets, total	**16 918**	**2 746**	**802**	**330**	**20 796**
Amount attributable for market risk					350
Total of items obligatory for inclusion					**21 146**
Liable capital [1]					2 556
Capital eligible for inclusion [1]					2 559
Tier 1 capital ratio (in %)					6.4
Equity ratio (in %)					12.1

[1] Following adaption of the annual financial statements

at March 31, 2001 in EUR million	Attributable amounts in % 100	50	20	10	Total
Balance sheet transactions	16 624	2 759	339	233	19 955
Non-balance sheet transactions	837	667	23		1 527
Derivative transactions in the investment portfolio		45	138		183
Weighted risk assets, total	**17 461**	**3 471**	**500**	**233**	**21 665**
Amount attributable for market risk					175
Total of items obligatory for inclusion					**21 840**
Liable capital					2 347
Capital eligible for inclusion					2 347
Tier 1 capital ratio (in %)					6.1
Equity ratio (in %)					10.7

The improvement in the Principle I ratio was due first of all to our CLO transaction, which resulted in a reduction in risk assets in terms of bank regulatory requirements.

Contingent Liabilities / Other Obligations

Contingent liabilities in EUR million	Group	AG
Guarantees	1 506	3 759
Liabilities from security for third-parties	242	242
Total	**1 748**	**4 001**

Other obligations in EUR million	Group	AG
Loan commitments up to one year	4 578	3 924
Loan commitments more than one year	1 222	1 058
Total	**5 800**	**4 982**

At the balance sheet date our "Contingent liabilities" also comprise credit derivative contracts in the form of a Credit Default Swap (guarantors) within the item "Guarantees and indemnity agreements" amounting to EUR 767 million (2000/2001: EUR 117 million). In this context we have taken over credit risks of certain credit portfolios for well-defined incidences within the credit engagements. More than two third of the single portfolios are rated in the best rating classes Aaa to A by the independent rating agency Moody's.

The item "Other obligations" comprises six loan commitments to special entities at an amount of EUR 3.2 billion, which only take effect in the case of short-term liquidity squeeze.

Notes to the Cash flow Statement

The cash flow statement shows the status and development of the bank's cash flow. In conformity with its sources, the development of cash flow is divided into three parts: operating activities, investment activities and financing activities. The cash flow from investment activities primarily comprises the revenue from the sale and the payment for financial assets and

Cash flow Statement in EUR million	2001/2002	2000/2001
Net income for the year	**83**	**86**
Non-cash items contained in net income for the year and leading into the cash flow from operating activities		
Changes of risk provisioning	227	209
Depreciation of tangible fixed assets, leasing items, and investments	333	331
Profit/loss attributable to other partners	5	15
Changes in other non-cash items (primarily change of provisions)	85	70
Result from the sale of investments and fixed assets	−35	−63
Other adjustments (primarily reallocation of received or paid interest including profits for leasing transactions and paid income tax)	−767	−709
Subtotal	**−69**	**−61**
Changes in assets and liabilities from operating activities after corrections for non-cash components		
Claims		
on banks	−702	912
on customers	−387	−1 745
Debentures and other fixed interest securities	−1 135	−1 164
Shares and other non-fixed interest securities	−3	−23
Leasing items	−301	−384
Other assets from operating activities	60	−265
Liabilities		
to banks	125	1 847
to customers	−160	22
Securitised liabilities	2 150	22
Other liabilities from operating activities	−340	−78
Participations of minority shareholders	−11	−7
Interest and dividends received	3 101	3 037
Interest paid	−2 436	−2 348
Payment of income taxes	− 69	−92
Cash flow from operating activities	**−177**	**−327**
Proceeds from the sale of		
Investments	8	7
Tangible fixed assets	30	35
Payments for the purchase of		
Investments	−3	−16
Tangible fixed assets	−19	−19
Effects of the sale of associated companies	–	86
Effects of the change in the set of companies to be consolidated	−11	–
Cash flow from investment activities	**5**	**93**
Dividend payments	−68	−68
Changes in liquid funds deriving from other financing activities (balance)	250	291
Cash flow from financing activities	**182**	**223**
Balance of liquid funds at the end of the previous period	**1**	**12**
Cash flow from operating activities	−177	−327
Cash flow from investment activities	5	93
Cash flow from financing activities	182	223
Balance of liquid funds at the end of the period	**11**	**1**

tangible fixed assets. Under financial activities all cash flows from transactions relating to equity and silent capital, as well as subordinated and participation rights capital are shown. In accordance with international practice all other cash flows are assigned to the operating activities.

Cash flow status corresponds to the balance sheet item "Liquid funds", and contains balances held with Central Banks and cash.

Further Information

Other Financial Commitments

Outstanding obligations to pay up share capital, and company investments and investments in related companies amounted on March 31, 2002, to EUR 1.3 thousand for the Group and the AG.

The bank has a pro rata additional funding obligation to Liquiditäts-Konsortialbank GmbH of Frankfurt. In addition, we bear a proportional contingent liability for fulfilling the funding obligations of other partners in the Federation of the Association of German Banks. In addition, pursuant to Article 5, Section 10 of the Statutes for the Deposit Insurance Fund, the bank has committed itself to protect the Association of German Banks from any losses arising due to measures favouring banks in which it owns a majority interest.

At its balance sheet date December 31, 2001, the IKB Immobilien Leasing Group had incurred EUR 183 million in financial obligations arising from contracted leases not yet contained in the balance sheet leasing assets.

Declaration of Backing

In accordance with Article 285, No. 11 HGB/Article 313, Section 2 HGB, IKB ensures, excluding political risk, that the wholly-owned subsidiary companies appearing on the list of investments of IKB Deutsche Industriebank AG and marked as covered by the declaration of backing will be able to meet their contractual liabilities. On behalf of its subsidiaries IKB Finanz Leasing AG, Budapest, and IKB Leasing Hungaria GmbH, Budapest, IKB Leasing GmbH of Hamburg issued letters of comfort to Commerzbank Rt., Budapest.

Forward Contracts

While the IKB Group engages in forward contracts (swaps, forward rate agreements, and futures), these are carried out almost exclusively for hedging balance sheet-relevant transactions. Trading volume in these instruments is kept within narrow limits. Operational volume is restricted by the use of overall exposure, contractual and product-related limits, and are subject to permanent monitoring by our risk management.

Breakdown of Product Groups and Remaining Maturities as of March 31, 2002

	Group								
	Nominal amount				Credit equivalent				Credit risk
in EUR million	up to 1 year	1 up to 5 years	longer than 5 years	**Total**	up to 1 year	1 up to 5 years	longer than 5 years	**Total**	**Total**
1. Interest-rate based operations									
Over-the-counter-products (OTCs)									
Forward rate agreements	–	–	–	**–**	–	–	–	**–**	**–**
Interest swaps	1 885	4 367	8 254	**14 506**	11	45	958	**1 014**	**868**
Interest options	61	652	3 951	**4 664**	1	3	61	**65**	**2**
Forward bonds	–	8	211	**219**	–	0	23	**23**	**20**
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 382	11	–	**2 393**	25	1	–	**26**	**2**
Cross-currency swaps	455	1 648	1 494	**3 597**	27	120	141	**288**	**97**
Currency options	54	–	–	**54**	3	–	–	**3**	**2**
3. Index-based operations									
Over-the-counter-products (OTCs)									
Share index options	2	–	–	**2**	0	–	–	**0**	**0**
Index swaps	–	20	–	**20**	–	2	–	**2**	**0**
Total	**4 839**	**6 706**	**13 910**	**25 455**	**67**	**171**	**1 183**	**1 421**	**991**

	AG								
	Nominal amount				Credit equivalent				Credit risk
in EUR million	up to 1 year	1 up to 5 years	longer than 5 years	**Total**	up to 1 year	1 up to 5 years	longer than 5 years	**Total**	**Total**
1. Interest-rate based operations									
Over-the-counter-products (OTCs)									
Forward rate agreements	–	–	–	**–**	–	–	–	**–**	**–**
Interest swaps	1 915	4 814	8 264	**14 993**	13	83	967	**1 063**	**915**
Interest options	28	454	3 974	**4 456**	0	1	64	**65**	**4**
Forward Bonds	–	8	5	**13**	–	0	0	**0**	**0**
Forward forward deposits	–	121	–	**121**	–	0	–	**0**	**0**
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 315	13	–	**2 328**	24	1	–	**25**	**1**
Cross-currency swaps	455	1 465	1 446	**3 366**	27	117	135	**279**	**102**
Currency options	54	–	–	**54**	3	–	–	**3**	**2**
3. Index-based operations									
Over-the-counter-products (OTCs)									
Share index options	2	–	–	**2**	0	–	–	**0**	**0**
Index swaps	–	20	–	**20**	–	2	–	**2**	**–**
Total	**4 769**	**6 895**	**13 689**	**25 353**	**67**	**204**	**1 166**	**1 437**	**1 024**

Some 95 % of the Group and 93 % of the AG derivatives operations are with OECD banks with first-class ratings. The remainder consists essentially of contracts with customer companies. The greater part of the bank's derivatives business volume related with an amount of EUR 19.4 billion (AG: EUR 19.6 billion) to interest rate transactions, with interest swap transactions forming the dominant product.

In order to illustrate the Group's credit risk, the table shows, in addition to the nominal volumes, the credit-based weightings as credit equivalents and the so-called positive market values (credit risk) of the forward transactions are presented, based on the bank oversight regulations (derived from the figures for Principle I). Defined as the sum of all positive market values, the credit risk amounted to EUR 991 million (AG: EUR 1,024 million) at the balance sheet date, representing 5 % of the nominal value. Existing netting agreements, which, in case of insolvency, enable the setting off of existing claims and liabilities to counterparties, are not taken into account.

Segment Report

The segment report is aligued with the divisions of the bank. These divisions operate at the market as independent units. Segment information is presented to show the divisions as independent enterprises responsible for their own earnings and costs, and with their own capital resources. The operational divisions are:

- Corporate Lending
- Real Estate Financing
- Structured Financing
- Private Equity (former Equity)
- Leasing.

The basis for the segment reports are the internal, controlling-oriented division accounts, which form part of IKB's management information system. This procedure corresponds to the recommendations of the German Accounting Standards Committee e.V. (DRSC) for banks.

The figures of the Private Equity Division correspond with the statement of the sub-group IKB Private Equity GmbH according to commercial law.

Income and expenses of the other divisions are assigned in accordance with their respective responsibility. The interest income from loan business is posted for the units using the market interest method; it also comprises the investment income from economic capital resources. This investment income is allocated to the respective divisions in line with the assigned average tier 1 capital. In doing so a 4.8 %-tier 1 capital ratio based on the risk assets is allocated to the divisions. The benefits resulting from the CLO transactions are maintained in the head office and not assigned to the individual divisions. Whenever they could be assigned on the basis of causation, personnel and material expenses of the head office were credited to the divisions.

The allocation of loan exposure risk costs to the divisions adheres to the method of standard risk costs using the "Expected loss" technique. The risk costs of the head office derive from the difference between the standard risk costs calculated for the units and the risk provisioning balance from the Group profit and loss accounts.

The result of each segment is shown using the result from ordinary activities for the individual division. Moreover, we measure the results generated by the divisions by means of the return on equity and cost/income ratio figures. The return on equity is based on the ratio of the result from ordinary activities to the average assigned tier 1 capital. We determine the cost/income ratio from the quotient of administrative expenses to earnings.

Segment Report by Business Division for the Financial Year 2001/2002

	Corporate Lending		Real Estate Financing		Structured Financing		Private Equity		Leasing		Head Office		Total	
in EUR million	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01
Net interest and commission income	232.3	230.6	78.5	73.1	101.7	84.8	3.3	8.2	38.1	37.5	56.9	16.8	510.8	451.0
Administrative expenses	61.9	61.1	23.3	22.0	27.6	21.9	7.3	6.6	22.8	19.4	63.6	52.2	206.5	183.2
Personnel expenses	*47.5*	*46.4*	*16.8*	*15.2*	*18.6*	*14.2*	*4.0*	*3.0*	*15.4*	*13.5*	*31.1*	*24.9*	*133.4*	*117.2*
Other administrative expenses	*14.4*	*14.7*	*6.5*	*6.8*	*9.0*	*7.7*	*3.3*	*3.6*	*7.4*	*5.9*	*32.5*	*27.3*	*73.1*	*66.0*
Other operating result[1]	0.0	0.0	−0.6	0.0	0.2	0.0	−14.2	9.2	10.6	−1.0	35.2	86.1	31.2	94.3
Risk provisioning balance	64.5	60.5	22.8	26.6	20.2	14.6	24.7	3.7	2.6	1.1	40.4	80.7	175.2	187.2
Result from ordinary activities	105.9	109.0	31.8	24.5	54.1	48.3	−42.9	7.1	23.3	16.0	−11.9	−30.0	160.3	174.9
Ø Allocated tier 1 capital	636	615	220	196	187	159	24	24	123	116	−118	−67	1 072	1 043
Loan volume at balance sheet date March 31	16 266	16 584	5 355	5 097	4 191	3 978	204	237	2 550	2 398	319	−574	28 885	27 720
Cost/income ratio in %	26.6	26.5	29.9	30.1	27.1	25.8	–	37.9	46.8	53.2			38.1	37.8
Return on equity in %	16.7	17.7	14.5	12.5	28.9	30.4	–	29.6	18.9	13.8			15.0	16.8
Ø Number of staff	325	335	121	113	103	84	44	35	58	57	699	651	1 350	1 275
Volume of new business	2 274	2 621	793	528	1 399	1 182	55	58	710	835	859	170	6 090	5 394

[1] incl. net result from financial operations

Segment Report by geographical Region

Assignment of the segments by geographical region occurs in accordance with the respective location of our offices or Group companies.

in EUR million	Germany	Europe, other	America	Head Office	Total
Net interest and commission income	343.8	103.1	7.0	56.9	510.8
Administrative expenses	126.7	12.1	4.1	63.6	206.5
Other operating result[1]	−4.4	0.3	0.1	35.2	31.2
Risk provisioning balance	140.0	29.4	5.8		175.2
Result from ordinary activities	**72.7**	**61.9**	**−2.8**	**28.5**	**160.3**

[1] incl. net result from financial operations

With this presentation we simultaneously fulfil the requirement of EU accounting regulations for banks, which calls for a regional breakdown of earnings.

Allocations/Releases of Risk Provisioning at Group Level

in EUR million	Group 2001/2002	Group 2000/2001
Allocation to specific provisions for bad and doubtful debts/ direct depreciation less payments received on claims written off	248	235
Allocation to general provisions for bad and doubtful debts	4	4
Release of provisions for bad and doubtful debts	48	29
Net risk provision	**204**	**210**
Result from securities in the liquidity reserve	29	23
Risk provisioning balance	**175**	**187**

Risk Provisioning Status at Group Level

	Group				
in EUR million	As at April 1, 2001	Utilisation	Release	Allocation	As at March 31, 2002
Specific provisions for bad and doubtful debts/ provisions for contingent liabilities	793	138	48	229	836
General provisions for bad and doubtful debts	35	–	–	4	39
Total risk provisioning status	**828**	**138**	**48**	**233**	**875**

Administrative Services

We engage in administrative services relating to our loan and deposit operations, the earnings from which are contained in commission income.

Remuneration of the Organs of the Bank and its Advisory Board

in EUR thousand	Group	AG
Members of the Board of Managing Directors	4 728	4 547
Members of the Supervisory Board	878	878
Members of the Advisory Board	710	710
Former Members of the Board of Managing Directors and their surviving dependents	1 949	1 949

An amount of EUR 19.8 million was set aside for pension obligations to former members of the Board of Managing Directors and their surviving dependents.

Loans extended to Members of the Organs

in EUR thousand	Group/AG
Board of Managing Directors	978
Supervisory Board	131

Average Number of Staff during the Financial Year

(calculated on the basis of fulltime workers; previous year's figures adjusted)

	Group		AG	
	2001/2002	2000/2001	2001/2002	2000/2001
Male	797	752	563	548
Female	553	523	392	381
	1 350	**1 275**	**955**	**929**

Supervisory Board

Chairman
Dr. h. c. Ulrich Hartmann, Düsseldorf
Chairman of the Board of Managing Directors
E.ON AG

a) Group mandates persuant to article 100 section 2, sentence 2 of the German Company Act (AktG) are marked with•
E.ON Energie AG• (Chairman)
VEBA Oel AG• (Chairman)
Münchener Rückversicherungs-Gesellschaft (Chairman)
RAG Aktiengesellschaft (Chairman)
Deutsche Lufthansa AG
Hochtief AG

b) Henkel KGaA
ARCELOR

Deputy Chairman (until December 21, 2001)
Herbert Hansmeyer, Munich
Former Member of the Board of Managing Directors
Allianz Aktiengesellschaft

a) Karlsruher Lebensversicherung AG (Vice-Chairman)
Karlsruher Versicherung AG (Vice-Chairman)
Dresdner Bank Lateinamerika AG
VEBA Oel AG

Deputy Chairman
Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin
President
Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz e.V.

a) IBM Deutschland GmbH
econia AG
Continental AG
European Aeronautics and Defense System AG
SMS AG

b) ETF Group
Orange S.A.
Ringier AG

Deputy Chairman (from January 1, 2002)
Hans W. Reich, Frankfurt (Main)
Chairman of the Board of Managing Directors
Kreditanstalt für Wiederaufbau

a) ALSTOM GmbH
DePfa Deutsche Pfandbrief Bank AG
Deutsche Telekom AG
RAG Aktiengesellschaft
Thyssen Krupp Steel AG

b) DePfa Holding plc.
Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G.
HUK-COBURG Holding

Dr. Jürgen Behrend, Lippstadt
Managing Partner
Hella KG Hueck & Co.

Jörg Bickenbach, Düsseldorf
Undersecretary of State, North Rhine-Westphalia
Ministry for Economics and Medium-Sized Firms, Energy and Transport

a) Messe Düsseldorf GmbH

b) KölnMesse- und Ausstellungsgesellschaft m. b. H.
Gesellschaft für Wirtschaftsförderung mbH (Chairman)
Japan K.K.
NRW S. E. Asia Pte. Ltd.
ZENIT GmbH

Thomas Bleher, Düsseldorf * (until September 7, 2001)
IKB Deutsche Industriebank AG

Wolfgang Bouché, Düsseldorf *
IKB Deutsche Industriebank AG

Hermann Franzen, Düsseldorf
Personally Liable Partner
Porzellanhaus Franzen KG

a) NOVA Allgemeine Versicherung AG (Vice-Chairman)

b) BBE-Unternehmensberatung GmbH (Chairman)
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe

* Elected by the staff

a) Membership in other legally required supervisory boards

b) Membership in comparable domestic and foreign supervisory bodies

Dr. Jürgen Heraeus, Hanau
Chairman of the Supervisory Board
Heraeus Holding GmbH

a) Group mandates persuant to article 100 section 2, sentence 2 of the German Company Act (AktG) are marked with•

Heraeus Holding GmbH• (Chairman)
Heraeus Tenevo AG• (Chairman)
Messer Griesheim GmbH (Chairman)
Buderus AG
EPCOS AG
Heidelberger Druckmaschinen AG

b) Argor-Heraeus S.A. (Chairman)

Gunnar John, Berlin
Head of Department VII A
Federal Ministery of Finance

Roswitha Loeffler, Berlin*
IKB Deutsche Industriebank AG

Wilhelm Lohscheidt, Düsseldorf*
IKB Deutsche Industriebank AG

Jürgen Metzger, Hamburg* (from September 7, 2001)
IKB Deutsche Industriebank AG

Roland Oetker, Düsseldorf
Managing Partner
ROI Verwaltungsgesellschaft mbH

a) Mulligan BioCapital AG (Chairman)
Degussa AG
Volkswagen AG

b) E.ON Venture Partners GmbH
Gamma Holding N.V.
Scottish Widows Pan European Smaller Companies OEIC
Dr. August Oetker-Gruppe

Dr.-Ing. E. h. Eberhard Reuther, Hamburg
Chairman of the Supervisory Board
Körber Aktiengesellschaft

a) Körber AG (Chairman)
Hermes Kreditversicherungs-Aktiengesellschaft
Vereins- und Westbank AG

Randolf Rodenstock, Munich
Managing Partner
Optische Werke G. Rodenstock KG

a) E.ON Energie AG

Rita Röbel, Leipzig*
IKB Deutsche Industriebank AG

Dr. Carola Steingräber, Berlin*
IKB Deutsche Industriebank AG

Dipl.-Ing. Hans Peter Stihl, Waiblingen
Personally Liable Partner and Chairman of the Board of Managing Directors
STIHL AG

a) Robert Bosch GmbH

b) Robert Bosch Industrietreuhand KG

Ulrich Wernecke, Düsseldorf*
IKB Deutsche Industriebank AG

Prof. Dr. h. c. Reinhold Würth, Künzelsau
Chairman of the Advisory Council
Würth Group

a) Würth Group (Chairman)
Waldenburger Versicherung AG (Chairman)

b) Robert Bosch Stiftung GmbH
Würth Dänemark A/S
Würth Finance International B. V.
Würth Frankreich S. A.
Würth Italien S. r. l.
Würth Nederland B. V.
Würth Neuseeland Ltd.
Würth Österreich m. b. H.
Würth Schweiz AG
Würth Spanien S. A.
Würth Group of North America Inc.
Würth South Africa
Würth Canada

* Elected by the staff

a) Membership in other legally required supervisory boards

b) Membership in comparable domestic and foreign supervisory bodies

Board of Managing Directors

Dr. Markus Guthoff

a) MetaDesign AG

b) IKB Private Equity GmbH (Chairman)
IKB Venture Capital GmbH (Chairman)

Claus Momburg

b) IKB Immobilien Leasing GmbH (Vice-Chairman)
IKB International S. A.

Joachim Neupel

b) IKB Immobilien Leasing GmbH (Chairman)
IKB Immobilien Management GmbH (Chairman)
IKB Leasing GmbH (Vice-Chairman)
IKB Leasing Berlin GmbH (Vice-Chairman)
IKB International S. A.
IKB Private Equity GmbH
IKB Venture Capital GmbH

Stefan Ortseifen

a) Dura Tufting GmbH

b) IKB International S. A. (Chairman)
IKB Capital Corporation (Chairman)
Lohmann GmbH & Co. KG
Rich. Hengstenberg GmbH & Co.

Georg-Jesko v. Puttkamer (until March 31, 2002)

a) Vivanco Gruppe AG (Vice-Chairman)

b) Honsel Management GmbH

Dr. Alexander v. Tippelskirch

a) Deutsche Gelatine-Fabriken Stoess AG (Chairman)

b) IKB Capital Corporation (Vice-Chairman)
IKB International S. A. (Vice-Chairman)
IKB Leasing GmbH (Chairman)
IKB Leasing Berlin GmbH (Chairman)
IKB Private Equity GmbH (Vice-Chairman)
IKB Venture Capital GmbH (Vice-Chairman)
Johanniter-Krankenhaus Rheinhausen (Chairman)
Hako Holding GmbH & Co. (from April 30, 2002)
Hans Martin Wälzholz-Junius Familienstiftung
Kreditanstalt für Wiederaufbau
nobilia-Werke J. Stickling GmbH & Co.
Wirtschaftsförderung Berlin GmbH

Employees of IKB Deutsche Industriebank AG

Information persuant to article 340 a, section 4, number 1, HGB

Günter Czeczatka
Schöck AG

Klaus Neumann
CURANUM AG

Klaus Reineke
GKD Gebr. Kufferath AG

Claus-Dieter Wagner
Gauss Interprise AG

List of Investments as required by Article 285 No. 11 HGB / Article 313, Section 2, HGB

	Declaration of backing	Share of capital in %	Equity in EUR thousand	Profit/Loss in EUR thousand
A. Consolidated Subsidiaries				
1. Foreign banks				
IKB International S.A., Luxembourg	x	100	300 314 [4]	13 600
2. Other domestic companies				
IKB Facility Management GmbH, Düsseldorf	x	100	1 290	290
IKB Grundstücks GmbH, Düsseldorf	x	100	25	1
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	x	100	1 494	–6
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100	–448	–474
IKB Immobilien Leasing GmbH, Düsseldorf	x	100	5 194	– [1]
IKB Leasing GmbH, Hamburg	x	100	10 481	– [1]
IKB Leasing Berlin GmbH, Erkner	x	100	2 031	– [1]
IKB Private Equity GmbH, Düsseldorf	x	100	24 035	– [1]
IKB Venture Capital GmbH, Düsseldorf	x	100	1 000	– [1] [3]
ILF Immobilien-Leasing Fonds Verwaltung GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	x	100	56 945	50 139 [5]
MORSUS Immobilien GmbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Düsseldorf	x	100	50 040	–2 277 [5]
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	x	100	675	150
3. Other foreign companies				
IKB Financière France S.A., Paris	x	100	72 732	2 046
IKB Finance B.V., Amsterdam	x	100	6 953	205
IKB Capital Corporation, New York		100	17 040	–3 066
B. Other Investments [2]				
1. Domestic				
IKB Projektentwicklung GmbH, Düsseldorf	x	100	522	–146
Linde Leasing GmbH, Wiesbaden		25	2 443	522 [3]
MORSUS Immobilien GmbH, Düsseldorf	x	100	471	3
2. Foreign				
IKB Finanz Leasing AG, Budapest	x	100	452	270 [3]
IKB Leasing Hungaria GmbH, Budapest	x	100	539	–672 [3]
IKB Leasing Polska GmbH, Posen	x	100	723	–829 [3]

[1] Profit and loss transfer agreement exists
[2] Not included in the Group accounts, pursuant Article 296, Section 2, HGB
[3] Indirect holding
[4] Incl. silent capital
[5] Company has shown no Notes to the Financial Statement according to Article 264 b, HGB

In accordance with Articles 325 and 287, HGB, our complete investment portfolio, including the listing by name of the 417 special purpose entities of IKB Immobilien Leasing GmbH and its partnership companies as well as 27 participations of IKB Private Equity GmbH and IKB Venture Capital GmbH, is on file in the commercial registers of the Municipal Courts of Düsseldorf (HRB 1130) and Berlin-Charlottenburg (HRB 8860); if required, we can provide a copy of the list at no charge.

Collateral Items given for Own Liabilities

The following table shows the liabilities of the Group and of the AG, for which assets totaling EUR 8 669,9 million were pledged as security.

in EUR million	
Liabilities to banks	8 652.5
Liabilities to customers	17.4
Total	**8 669.9**

These collateral items relate largely to loans from the Kreditanstalt für Wiederaufbau, as well as to similar institutions, which require these collateral items for the granting of loans.

Transfer of Collateral for Own Liabilities (Information pursuant to Article 35, Section 5 of RechKredV)

EUR 3,424 million in fixed interest securities is deposited with the Deutsche Bundesbank to serve as collateral for the tendering operations of the European Central Bank (collateral pool). At the balance sheet date, recourse had been made to credit facilities totalling EUR 1,749 million. For margin obligations within the framework of futures trading on the EUREX Deutschland exchange, securities with a face value of EUR 5 million are pledged to BHF-BANK AG, Frankfurt. For our securities trading operations in Luxembourg, we placed a negotiable instrument with a nominal value of EUR 7 million with Clearstream Banking, Luxembourg to serve as a security deposit.

For a EUR 50 million global loan facility obtained from Bayerische Landesanstalt für Aufbaufinanzierung (LfA), the bank pledged a negotiable instrument with a nominal value of EUR 51.1 million in favour of LfA.

Within the framework of the emission of credit-linked notes with a nominal value of US$ 534 million (before amortisation), we deposited at the balance sheet date securities from Kreditanstalt für Wiederaufbau nominally valued at US$ 240 million with a trustee.

Düsseldorf, May 21, 2002
IKB Deutsche Industriebank AG
The Board of Managing Directors

The Performance of the IKB Group and AG in Brief

1. An Overview of the Financial Year

During the period under review, the bank's entry into a partnership with Kreditanstalt für Wiederaufbau (KfW) represents a decision of major strategic importance. By purchasing the shares held by Allianz AG and Munich Re Group, KfW now holds a 34 % stake in the share capital of IKB. This partnership is dedicated to supporting Germany's *Mittelstand* of small and medium-sized companies through long-term lending and equity financing. Because KfW will continue in future to offer its industrial development programmes to all banks and savings banks at the same terms, the partnership will have a neutral impact in terms of competition. Closer cooperation between IKB and KfW will strengthen the competitiveness of the German *Mittelstand* both at home and abroad.

IKB and KfW have a corresponding approach to corporate financing: our target Groups are largely identical, as are the sort of projects we finance; moreover, our product ranges are complementary. Thus, despite the difficult underlying economic conditions, we see in our strategic partnership with KfW considerable potential for growth and value enhancement in coming years. This view is shared by the rating agencies. Accordingly – and contrary to the general trend in the banking sector – Moody's has upgraded our long-term rating from A2 to A1, noting a "positive outlook" in this connection.

We intend to continue and expand our joint operations with our previous cooperation partner, Allianz AG, in the fields of life insurance, company pension schemes and property insurance. In future, we will also cooperate with ERGO-Versicherungsgruppe AG in the domain of asset management. Here, we see considerable business potential in our entrepreneurial client base.

During the 2001/2002 financial year, developments in the IKB Group were dominated by an appreciable rise in net interest and commission income on the one hand, and a clear increase in administrative costs on the other, coupled with high provisions for risk. Furthermore, it should be noted that at the balance sheet date (March 31, 2002) IKB Private Equity GmbH (formerly IKB Beteiligungsgesellschaft mbH) and its subsidiary, IKB Venture Capital GmbH, were fully consolidated for the first time, and the previous year's figures adjusted accordingly.

The fundamental data concerning the IKB Group and the AG for the past financial year are as follows:

- net interest income rose by 7.4 % to EUR 471 million (AG: by 13.4 % to EUR 445 million);
- an EUR 27 million-rise in net commission income to EUR 40 million (AG: EUR 28 million to EUR 54 million);
- a widening of the interest margin on new lendings to 1.44 % (2000/2001: 1.32 %);
- administrative expenditure rose by 12.7 % to EUR 207 million (AG: by 12.2 % to EUR 163 million);
- an EUR 63 million-decline in other operating results to EUR 29 million;
- a reduction of the risk provisioning balance by EUR 12 million to EUR 175 million (AG: by EUR 24 million to EUR 141 million) with an increase in gross risk provisions, as well as an appreciably higher release of former risk provisions and a higher securities trading result.

This led to an 8.3 %-decline in the result of ordinary activities to EUR 160 million; for the AG, the figure was also EUR 160 million, the result of an 11 % decline. The Group's cost/income ratio came to 38.1 % (2000/2001: 37.8 %); the return on equity before tax was 15.0 % (2000/2001: 16.8 %).

The Board of Managing Directors has proposed to the Supervisory Board the payment of an unchanged dividend to shareholders of EUR 0.77 per share for the financial year 2001/2002. To reinforce the bank's equity base, EUR 42 million are transferred to reserves from Group net income for the year (AG: EUR 28 million).

Lending Operations and Asset Items

The volume of new loan accommodations during the period under review, including leasing activities, came to EUR 6.1 billion (2000/2001: EUR 5.4 billion). Disbursements by the AG amounted to EUR 5.1 billion (EUR 4.5 billion). Compared to the corresponding figure for the previous year, Group lending volume at March 31, 2002 had risen by 4.2 % to EUR 28.9 billion. Claims on customers, which account for a good 70 % of the balance sheet total, increased by 1 % to EUR 24.6 billion.

The moderate increase in claims on customers reflects the weakness of the overall economy. Specifically, in 2001 gross domestic product in Germany rose by a mere 0.6 %. The level of corporate investment was 5 % lower than the previous year, with the decline in the last quarter surpassing 10 %. The situation in the stock markets was equally difficult, which – particularly after the terror attacks of September 11 – plummeted to new depths. Conversely, economic growth in certain foreign markets especially relevant to our business, namely France, the UK, Eastern Central Europe, and parts of Asia, was considerably stronger.

Accordingly, the bank's individual business divisions developed along diverse lines; while disbursements by the Corporate Lending Division declined as a result of the weak domestic economy and falling levels of investment in machinery and equipment, Real Estate Financing and – in particular – Structured Financing experienced a considerable rise in earnings. Conversely, our Private Equity Division – as was true of the sector as a whole – generated substantial losses.

In close alignment with our claims on customers, liabilities from guarantees (appearing beneath the balance sheet total) rose by EUR 0.8 billion to EUR 1.7 billion. This increase primarily reflects our involvement in foreign loan portfolio structures. Specifically, during the period under review we invested primarily in international portfolios with AAA to BBB ratings, achieving an average margin of 1.5 %. Our foreign investments are always rated and represent a partial compensation of our risk outplacement.

On account of the balance sheet date, claims on banks doubled by EUR 0.8 billion to EUR 1.6 billion. The increase focused on short- and medium-term maturities, whereas longer-term maturities continued to decline.

IKB Group Credit Volume

	March 31, 2002 in EUR million	March 31, 2001 in EUR million [1]	Change in EUR million	in %
Loans to customers	24 600	24 276	324	1.3
Loans to banks	191	216	−25	−11.6
Leasing items	2 346	2 239	107	4.8
Guarantees	1 748	989	759	76.7
Group credit volume	**28 885**	**27 720**	**1 165**	**4.2**

Summarised IKB Group Balance Sheet

	March 31, 2002 in EUR million	March 31, 2001 in EUR million [1]	Change in EUR million	in %
Assets				
Liquid funds	11	1	10	>100
Claims on banks	1 605	804	801	99.6
Claims on customers	24 600	24 276	324	1.3
Debentures	4 928	3 814	1 114	29.2
Shares and other non-fixed interest securities	38	36	2	5.6
Investments and holdings in subsidiary companies	47	44	3	6.8
Tangible fixed assets	215	212	3	1.4
Leasing items	2 346	2 239	107	4.8
Outstanding capital of minority shareholders	49	49	–	–
Other assets	1 035	965	70	7.3
Total assets	**34 874**	**32 440**	**2 434**	**7.5**
Liabilities				
Liabilities to banks	15 436	15 182	254	1.7
Liabilities to customers	2 250	2 411	−161	−6.7
Securitised liabilities	12 975	10 825	2 150	19.9
Provisions	301	282	19	6.7
Subordinated liabilities	868	803	65	8.1
Participation certificate capital (Genussrechtskapital)	624	439	185	42.1
Fund for general bank risks	80	80	–	–
Participations of minority shareholders	14	27	−13	−48.1
Equity capital	1 281	1 243	38	3.1
Other liabilities	1 045	1 148	−103	−9.0
Total liabilities	**34 874**	**32 440**	**2 434**	**7.5**

[1] Figures since March 31, 2001 adjusted due to the first consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH

We increased our portfolio of debentures by 29 % to EUR 4.9 billion; it consists almost exclusively of top-rated floating bonds. This portfolio serves as security for our tendering operations with the European Central Bank, as well as for our collateral management in future interbank transactions. The volume of our portfolio of leasing items expanded by 5 % to EUR 2.3 billion, reflecting the positive trend in equipment leasing.

The Group balance sheet total increased by 8 % or EUR 2.4 billion to EUR 34.9 billlion; in the AG, the balance sheet total increased by 9 % to EUR 35.1 billion.

Funding

We funded our operations primarily by issuing bearer debentures; accordingly, the item "Securitised liabilities" rose by 20 % to EUR 13.0 billion. Specifically, we placed five tranches worth EUR 2.7 billion, as well as EUR 1.6 billion in tap issues; these were balanced by redemptions amounting to EUR 2.1 billion. The EUR 0.3 billion increase in liabilities to banks reflects the rather modest rise in claims on customers.

Equity

With respect to equity our objective is to expand our business without increasing the share capital. Instead, the emphasis is on reducing the amount of risk assets. Accordingly, after two CLO transactions in 2000/2001, we outplaced a further EUR 3.65 billion in credit risks during the year under review. Moreover, we increased subordinated liabilities by EUR 65 million to EUR 868 million, and added EUR 185 million in participation rights capital, which rose to EUR 624 million. Additionally, reserves increased by EUR 38 million to EUR 886 million, meaning that equity at March 31, 2002 reached EUR 2.9 billion, up from EUR 2.6 billion the previous year. For the AG, the corresponding figure for the year under review was EUR 2.7 billion (2000/2001: EUR 2.4 billion).

At March 31, 2002, the Group fulfilled the banking regulatory capital requirement (Principle I) with 12.1 % (2000/2001: 10.7 %); the tier 1 capital ratio was 6.4 % (6.1 %). In the AG, the Principle I figure came to 11.9 % (10.7 %); the tier 1 capital ratio amounted to 6.0 % (5.7 %). We thus attained our goal of exceeding the core capital ratio of 6 % in the Group.

Earnings

During the 2001/20002 financial year, net interest income in the Group rose by 7.4 % to EUR 471 million. This positive development was due in large measure to the expanded margin in our domestic and foreign loan operations, as well as to successful interest management. Especially gratifying was the increase in net commission income, which rose by EUR 27 million to EUR 40 million, largely the result of the investments in international loan portfolio structures mentioned above.

IKB Group Total Liable Funds

	March 31, 2002 in EUR million	March 31, 2001 in EUR million	Change in EUR million	in %
Subscribed share capital	225	225	–	–
Silent capital	170	170	–	–
Capital reserves	568	568	–	–
Revenue reserves	318	280	38	13.6
Fund for general bank risks	80	80	–	–
Tier 1 capital	1 361	1 323	38	2.9
Participation certificate capital (Genussrechtskapital)	624	439	185	42.1
Subordinated liabilities	868	803	65	8.1
Total liable funds	**2 853**	**2 565**	**288**	**11.2**

IKB Group Operating Results

	April 1, 2001 to March 31, 2002 in EUR million	April 1, 2000 to March 31, 2001 in EUR million [1]	Change in EUR million	in %
Interest income from loan operations and money market transactions, fixed interest securities and government-inscribed debt, and earnings from leasing operations	3 215.2	3 097.6	117.6	3.8
Earnings from securities and holdings	4.8	2.7	2.1	77.8
Interest expenditure, expenditure and scheduled depreciation relating to leasing operations	2 748.7	2 661.6	87.1	3.3
Net interest income	471.3	438.7	32.6	7.4
Commission income	44.8	18.0	26.8	>100
Commission expenditure	5.3	5.7	−0.4	−7.0
Net commission income	39.5	12.3	27.2	>100
Net result from financial operations	1.9	2.5	−0.6	−24.0
Personnel expenditure	133.4	117.2	16.2	13.8
Salaries and wages	*101.1*	*89.6*	*11.5*	*12.8*
Social security contributions/expenditure for retirement benefits and pensions	*32.3*	*27.6*	*4.7*	*17.0*
Other administrative expenditure	73.1	66.0	7.1	10.8
Administrative expenditure	206.5	183.2	23.3	12.7
Balance of other operating income and expenditure	29.3	91.8	−62.5	−68.1
Provisions für risk	−175.2	−187.2	−12.0	−6.4
Result from ordinary activities	**160.3**	**174.9**	**−14.6**	**−8.3**

[1] Figures since 2000/2001 adjusted due to the first consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH

Despite difficult conditions in the stock markets and capital markets, our net result from financial operations remained more or less constant at EUR 2 million. A slightly negative result in bond trading was offset by positive results from trading in shares and certificates or indebtedness *(Schuldscheindarlehen)*.

Administrative expenses rose by 12.7 % (or EUR 23 million) to EUR 207 million. A good two-thirds of this increase fall to personnel expenditure, which grew by 13.8 % to EUR 133 million. Three factors contributed to this development: last year's increase in the number of staff by an average of 75 employees, a result of the new Group structure, higher salaries and an above-average rise in social contributions and expenditure on retirement benefits and pensions (+17.0 %). Other operating expenses rose by 10.8 % to EUR 73 million. Figuring prominently here were write-downs on computer hardware and software, higher spending on office space and maintenance, the introduction of a new advertising concept, and higher costs relating to the expansion of our information management and data processing systems.

Other operating income contracted by EUR 63 million to EUR 29 million. The high figure attained the previous year resulted from the sale of our stake in National-Bank AG. During the period under review, other operating income was determined first and foremost by the sale of our former headquarters building in Düsseldorf, as well as value adjustments of the shareholdings of IKB Private Equity GmbH and IKB Venture Capital GmbH.

In the AG, other operating income came to EUR −37 million (EUR 69 million). This dip was due to the afore mentioned sale of our stake in National-Bank, as well as taking over the losses generated by IKB Private Equity GmbH.

Risk Situation

Contrary to our expectations at the beginning of 2001, there was no improvement on the risk front during the period under review. A weak world economy, economic slowdown in Germany, rising unit labour costs and increasingly rigid regulations in the labour market have combined to produce a surge of corporate insolvencies, which rose to 32,000 in 2001, up from 28,000 the year before.

All of these things contributed to making 2001 the most difficult year for the banking sector for the past three decades, according to the Association of German Banks. As a result, charges for bad and doubtful debts last year had to be increased considerably in many cases. In part, this led to a substantial reduction in the results from ordinary activities, as well as declining dividends.

The IKB Group was unable to shield itself completely from these very difficult economic conditions. Thus, gross provisions for risk during the year under review continued to move at a high level, rising by EUR 13 million to EUR 252 million driven above all by write-downs on mezzanine financings. On the other hand, at EUR 48 million, the volume of release of provisions for bad and doubtful debts and payments received on loans written off considerably exceeded the previous year's level (EUR 29 million). Moreover, the securities trading result (EUR 29 million) also surpassed last year's figure.

Accordingly, we succeeded in reducing Group net provisions for risk by EUR 6 million to EUR 204 million (AG: by EUR 17 million to EUR 170 million). The Group's risk provisioning balance declined by EUR 12 million to EUR 175 million (AG: by EUR 24 million to EUR 141 million).

A detailed analysis of our allocations to risk provisions reveals that roughly 45 % of this expenditure – but only 20 % of aggregate exposure – related to corporate and real estate financing in Eastern Germany. At issue here are loans which we made prior to the mid 1990s. With respect to Western Germany, the opposite situation pertains: it accounts for 60 % of loan volume, but only 30 % of write-downs.

Our Structured Finance Division accounted for 10 % of write-downs, and 15 % of aggregate exposure. Private Equity, conversely, had 15 % of the write-downs while accounting for just 1 % of aggregate exposure. This illustrates once again the difficulties experienced by the Private Equity Division during last year's process of restructuring.

At March 31, 2002, Group provisions for specific and general bad and doubtful debts totalled EUR 875 million (2000/2001: EUR 828 million), and in the AG to EUR 788 million (2000/2001: EUR 779 million).

Result from Ordinary Activities

The result from ordinary activities in the Group and the AG came to EUR 160 million, i.e. EUR 15 million or 8.3 % below the previous year's figure (AG: –11 % or EUR –20 million).

Proposal for the Appropriation of Profits

Group net income for the year for the period under review amounted to EUR 83.1 million (EUR 85.9 million). A loss brought forward from the previous year 2000/2001 primarily results from the consolidation of the special purpose entities of IKB Immobilien Leasing GmbH. This result derived from leasing-typical patterns of expenditure and earnings during the early years of these companies. Following the allocation of EUR 42 million to other revenue reserves, unappropriated earnings in the Group came to EUR 29.2 million.

Net income for the year in the AG amounted to EUR 96.1 million (EUR 98.1 million). After the allocation of EUR 28.3 million to other revenue reserves, unappropriated earnings came to EUR 67.8 million. We propose to the General Meeting that this profit be disbursed in the form of an unchanged dividend of EUR 0.77 per share.

2. Risk Report

A. Objectives, Strategies and the Organisation of Risk Management

Objectives and Strategies

With a corporate culture, that is characterised by a conservative risk policy, IKB's risk management is based on fundamental rules defined by the Board of Managing Directors assessing the bank's ability to bear risks. These rules are governed by the principle, that the bank should only take risks in line with the target rating of AA-. Our risk strategy entails the continuous identification, measurement and monitoring of all risks arising from our business activities, and embedding the findings in the bank's risk and profit management.

The successful management of risk is based on achieving an even balance between risk and return. In this process, continuously monitoring and reporting on the risk situation of the bank is particularly important. The overriding objective is to identify and circumscribe potential risks at an early stage. In doing so, we create the scope necessary to secure the bank's existing and the creation of new potential for success.

Risk Organisation

The clearly defined functional organisation of our risk management system guarantees the functionality and effectiveness of the bank's risk management process. The delimitation of tasks and areas of responsibility is documented in a risk management handbook. Embracing all bank-internal and legal requirements, this regulation lays down guidelines, which, in connection with specific organisational directives, establish the principles of the IKB risk management system. Analogously, this applies to all subsidiaries of IKB.

In connection with the concepts of the Basle Committee on Banking Supervision regarding the determination of minimum capital requirements for banks (Basle II), which is expected to come into force in 2006, principles relating to the management of credit risks were published, a key component of the new regulations. On this basis, the German Federal Financial Supervisory Agency is elaborating Minimum Requirements for Lending by Banks. A central element in these minimum standards is a stricter organisational separation of market and after-market units. In a disciplinary and functional sense, IKB has long kept its risk management specialists separate from its market units. Whereas the customer relationship-officers act as the primary point of contact for our customers on all questions of loan operations, the risk management unit carries out an objective and independent analysis of each individual loan commitment, as well as assessing its creditworthiness.

The organisational separation of customer service elements and credit risk monitoring up to just below Board of Managing Directors' level specified by the minimum requirements, corresponds to the separation of risk management and risk controlling already defined in the IKB risk management handbook. Different members of the Board of Managing Directors are responsible for each of these. A close intermeshing of the expertise embodied in these departments is guaranteed while at the same time maintaining different points of emphasis regarding the respective tasks. The main areas of the bank's risk management are described in the following:

Board of Managing Directors. The entire Board of Managing Directors is responsible for IKB's risk management, assessing the risk policy in terms of a clear definition of strategy, the types of business, and the acceptable aggregate risk within the framework of the bank's ability to bear risk.

Risk Committees. The setting up of specific committees for combining and monitoring risk-relevant decisions (asset/liability management, investment, credit risk and product committees) supports the risk management activities and decision-making process of the Board of Managing Directors. These committees are responsible both for fundamental questions of policy and decisions on specific transactions, based on the parameters defined by the Board. They are composed of members of the Board and the operational divisions and representatives of the Risk Management and Risk Controlling Departments.

Risk Management. The Risk Management Department is responsible for the implemention and compliance of Group-wide risk standards in the divisions and departments, as well as for loan portfolio management. Among the basic tasks of the Risk Management Department is, in particular, the entire loan granting process, in which it exercises its own loan approval competence. Risk Management is also responsible for calculating and recommending an appropriate risk provision for identified risks.

Risk Controlling. Under the aegis of the bank's central Controlling Department, Risk Controlling is responsible for implementing the risk policy decisions of the Board of Managing Directors, for producing reports on internal and external risk, as well as for the neutral monitoring of loan, market and operational risks. As an instance independent of the market units, Risk Controlling ensures that all measured risks remain within the parameters determined by the Board of Managing Directors. Within the framework of the risk controlling process, the core responsibilities of Controlling include the daily calculation, analysis and reporting of market price risks as well as topical, continuous monitoring of credit risks. A further point of emphasis is the development of guidelines and procedures for handling market, credit and operational risks, as well as methods of calculating them.

Apart from creating this risk transparency and monitoring the aggregate risk of the bank, Controlling is responsible for the ongoing development and implementation of the risk/profits-based overall management of the bank. Within the framework of strategic planning as well as the operational budget process, Controlling supports the Board of Managing Directors in allocating capital to the divisions.

Internal Auditing. The Group's Internal Auditing unit is organised as an autonomous part of the risk management system. It is subordinate to the entire Board of Managing Directors, to which it directly reports. On the basis of process-oriented inspections, all operational and business flows within the Group are examined, whereby, from the standpoint of risk, the emphasis is placed on the qualitative and quantitative processes and methods as well as data processing flows in the bank's lending and trading operations.

Thanks to this systematic division of responsibilities within the framework of operational risk management, the quality standards called for in the Minimum Requirements for Trading Operations by Banks imposed by the regulatory authorities are also met.

Along with the afore mentioned departments, the individual divisions are bound up in the operational risk management structure. They also ensure the management of operational risks in cooperation with the bank's central Controlling, Organisation and Internal Auditing Departments. Risk policy is coordinated at regular meetings of the division heads.

Basle II

The objective of the new Basle Agreement on regulatory capital requirements (Basle II) is to safeguard the stability of the banking system and promote a stronger, quality-oriented bank supervisory system. Basle II rests on three pillars:

1. Risk-adjusted determination of the required capital for credit risks and operational risks
2. Improvement of the risk management procedures used by banks in monitoring and managing risks
3. Improving market transparency through expanded disclosure obligations.

On the whole, IKB sees in the Basle II regulations a confirmation of its policy of risk-categorised examination of its operations and of continuing to develop its recently started portfolio management operations. Last year, a bank-wide Basle II-project was launched in cooperation with all of the divisions and departments to coordinate implementation of the requirements; regular reports will be submitted to a steering committee in which the Board of Managing Directors is represented.

B. Risk Management Process

Customer Default Risk

Regarding the risk of customer default, we differentiate between credit risk and counterparty risk. A credit risk occurs when the failure of a customer prevents a loan from being paid back fully. Counterparty risk entails the compensation for hedges or reinvestments respectively, or the fact that a profit not yet realised cannot be recovered. On account of the special significance of loan operations as the core business of the bank, credit risk is subject to exceptionally careful scrutiny.

In controlling the risk of customer default, we rely primarily on the following elements: risk policy guidelines governing the acquisition of new business, authorisation of single loans, portfolio monitoring based on comprehensive portfolio analysis, and internal auditing.

Risk Policy Requirements. The point of departure for the risk management process in the lending business is joint planning by the Board of Managing Directors and the divisions, supported by the Corporate Development and Controlling Departments. Based on the bank's ability to bear risk and its growth and earnings targets, risk is explicitly included in the planning process. The objectives derived from this include not only the volume of new business, net interest and commission income and expenditure on material and personnel, but also the costs of risk and equity. In planning the risk costs, the creditworthiness and collateral structure is agreed so as to be able to exercise a sustained influence on the sourcing of new business and the care of existing customers. It is not only the agreed risk policy objectives which count when acquiring new business, but also the credit calculation of the respective transaction taking into account the directly attributable costs, especially the standard risk costs. The volume, yield and risk figures deriving from new business are compared on a timely basis with the target figures, and form the subject of a monthly report submitted to the Board of Managing Directors and the divisions. It is the task of Controlling in this context to identify, analyse and elucidate any discrepancies.

Loan Approval Process. Of crucial importance in the loan process is the Risk Management Department, which operates independently of the divisions, thereby fulfilling the requirement to keep the acquisition of new business separate from the loan decision-making process. The management of customer default risk is based on a loan approval process which takes into account the financial standing of the individual customer company and the sector it operates in, as well as the appropriateness of the planned volume of business. In the case of company groups also the creditworthiness and the whole loan volume of the group are included into the decision. Also increasingly important within the framework of the loan approval process are portfolio considerations, the aim being to support the divisions in optimising the loan portfolio. Within the framework of a graduated system of decision-making authority categorised by rating and volume, individual loan decisions are made based on the volume of existing group loan exposure (on the basis of the borrower unit as defined in Article 19(2) of the German Banking Act), the creditworthiness of the borrower and collateral, either decentrally by the respective division or centrally by the loan units in the Risk Management Department, or by the Board of Managing Directors. Thus, the principle of dual control is invariably maintained. Likewise, loan and contract processing is taken care of by the bank's legal personnel, who also operate independently of the divisions.

Portfolio Monitoring and Controlling. In monitoring and controlling the existing exposure, having an overview of the bank's entire loan portfolio is of crucial importance. Taking into account the corporate groups to which they belong, all loan risks are regularly collected and portfolio-oriented by country, division, rating class and sector monitored by Risk Controlling. To ensure the early detection of risks, the divisions regularly gather up-to-date information on our customers. This enables timely evaluation by the bank of the creditworthiness of borrowers and hence of the risk structure of our loan portfolio. The study of individual industries and market alterations is conducted by the bank's Economics Department.

The point of departure for determining portfolio factors, which are oriented to the bank's business policy objectives and risk policy guidelines, is a regular inspection of the portfolios by the Risk Management Department. Here, the risk structure of the loan portfolios and their alteration over time, which are pointed out by Risk Controlling, and the sector risks and business cycle influences on individual industries identified by the Economics Department, are transformed at portfolio level into risk-control measures by the Risk Management Department. Discrepancies from the planned portfolio structure or undesired concentrations are thus subject to early detection, allowing countermeasures to be taken. The Board of Managing Directors decides on portfolio limit settings based on proposals made by Risk Management.

Managing High-Risk Loans. The management of high-risk cases – separated into foreign and domestic categories – is performed by special teams. By calling these units in at an early stage and involving loan officers with special expertise, it is aimed to introduce measures capable of preserving a company's status as a going concern or, should these efforts fail, to limit substantially the ensuing degree of economic damage.

Rating Process and Rating Techniques. The central element of the overall loan process is the evaluation of our customers' creditworthiness. As a specialist bank with a strong focus on long-term customer and credit relationships with medium-sized companies, in selecting our business partners we impose exceptionally stringent criteria with regard to the creditworthiness and the recoverability of collaterals of our exposure. In doing so we place particularly great emphasis on a sustained, positive earnings performance on the part of our customers. Corresponding credit guidelines concretise this commitment to quality.

In assessing creditworthiness, we make use of computer-supported rating procedures tailored to the customer's industry and the specific form of financing. The customer's various creditworthiness characteristics are correspondingly weighted and subsequently applied to a 10-point scale ranging in steps of 0.5 from 1.0 (the best rating) to 6.0 (default).

An individual "probability of insolvency" is calculated for each rating level and regularly subjected to back testing. Analysis reveals that our internal rating procedures are an accurate means of classifying risk.

In our corporate lending operations we apply a customer rating scheme, which, based on core financial data derived from past and projected economic data, also takes into account the individual characteristics of the company. Particular aspects of project finance and other special forms of financing are subject to a different rating process in which greater significance is attached to cash flow requirements. The rating system used in the bank's real estate finance operations assesses creditworthiness based on specific property and investor information.

Today, these systems already form the core of our internal, risk-based loan risk management system, and will form the basis of the Basle Accord on risk-based minimum capital requirements for lending by banks, which will probably come into force in 2006.

Quantifying Credit Risk. In recent years, credit risk models have gained new importance in the internal management of risk. Here, loss distribution of the loan portfolio – the central item of concern – is divided into two categories: "expected loss" and "unexpected loss". While the "expected loss", as a statistical expectancy value (standard risk cost), is covered by the risk premium included in the loan calculation, the "unexpected loss" represents the potential risk that, based on a specified confidence interval, could be greater than the "expected loss". The coverage of this risk is backed up by the ability to bear risks and is satisfied by an equity premium, which is calculated within the framework of the credit calculation system. To quantify these risks we use our own credit risk model, which we are continuing to develop, and which will be introduced during the course of 2002. Our calculations show that the risks will be covered even at a confidence interval of 99.95 %.

During the course of regular reports on performance, special attention is paid to the risk situation. This way, in the event of conspicuous changes occurring, adequate countermeasures can be adopted on a timely basis.

Quality Assurance. As a part of a benchmarking project carried out last year, not only the system for assessing creditworthiness was scrutinised, but also the approval, monitoring and control processes of our loan operations. The results obtained form the basis for the ongoing refinement of the loan process, taking into account the afore mentioned Minimum Requirements for Lending by Banks and Basle II.

Internal Auditing. Another important step in safeguarding the quality of our loan portfolio are the regular inspections carried out by the internal auditing unit. These audits focus on examining internal flows and especially on adherence to key guidelines when granting loans, as well as on the standards of quality and security of the loan approval process. Moreover, the financial standing and economic content of the loan portfolio is checked by means of regular and representative random audits of individual loans.

Market Price and Liquidity Risks

The group of market price risks plays a further role. Among others, these include interest rate risks, currency risks, and price change risks for shares and other assets. Management of these risks within the framework of the risk management process conforms to the "Minimum Requirements for Trading Operations".

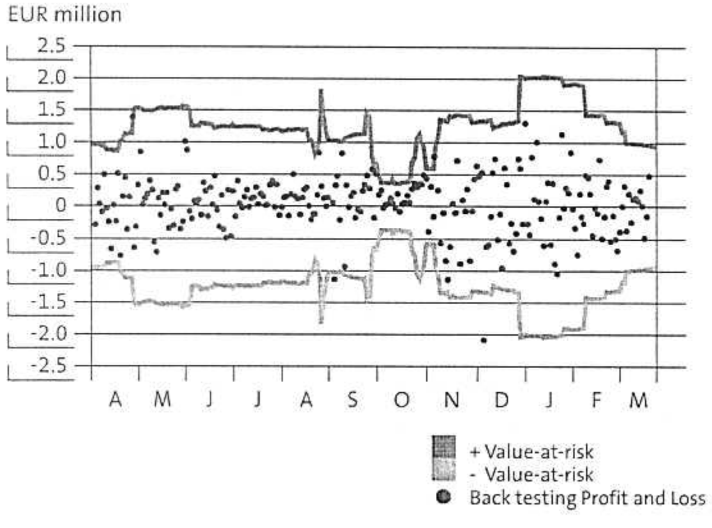
Liquidity Risk. We define liquidity risk as the risk of present or future payment commitments not being able to be made on time or in full. This liquidity management takes place under adherence of external basic conditions. Treasury conducts regular liquidity analyses and cash flow forecasts in order to guarantee solvency at all times. To ensure adequate liquidity we also hold marketable, floating interest rate securities that can be sold or lent against at any time. This eliminates short-term liquidity risk. Furthermore, it is our policy to avoid maturity-related risks by funding our assets largely at matching maturities.

Limit System. The key element in managing market price risk is a sophisticated limit system, which is primarily focused on a market value-oriented limitation of the price or exchange rate risk of interests, derivatives, shares and currencies and is taking profit and loss targets into account. Based on the ability of the bank to bear risk, the limits are agreed between the Board of Managing Directors and Treasury.

Based on this limit system and taking into account the rules of minimum requirements stated in our own general framework – which include limiting ourselves to permissible products – Treasury implements its market expectations in its investment and funding strategies. IKB differentiates its trading for own account, equity investment and asset funding. The trading for own account and equity investment positions are evaluated daily. Their risk content is measured by means of a value-at-risk system. Based on this evaluation and the risk ratios, the degree of utilisation of the risk and loss limits is calculated for both normal and worst case scenarios. The normal case scenarios both for cash value- and interest income-oriented risk measurements are determined for a ten-day period and a confidence level of 99 %. On account of the minor significance of share price risk, the standard procedure is applied here in accordance with Principle I of the German Banking Act. The worst case scenarios are calculated based on an historical analysis of the past 20 to 30 years. Our back testing demonstrates that the actual changes in results in both trading for own account and equity investment are accurately revealed by our value-at-risk estimates. The following graph shows that the two divergences observed in our trading for own account operations lie within the permissible fluctuation limits.

Back Testing in the Course of the Financial Year 2001/2002

Interest Risks: 99% Confidence Level, Share Risks: Standard Method
1-day Holding Period



Asset and Liability Management. Other market price risks can arise from mismatched maturities in loan funding operations and equity investments. In order to quantify and limit these risks, IKB utilises its own asset and liability management system. With the help of this system, daily balances of interest fixations are set for asset transactions, including loan approvals and their subsequent funding, as well as for equity investments. Interest free positions are included in line with historical experience. On the basis of these balances of interest fixations, Risk Controlling determines the interest income that can be attained without risk during the current and coming financial years. In addition, an "interest at risk" for normal and worst case scenarios is calculated. These two factors, the interest income attainable for the various financial years and interest at risk, are set against interest income limits, so that the minimum income requirements of the bank are assured. For the new financial year, a cash value-oriented value-at-risk system is employed for the items relating to loan funding with corresponding limits.

Reporting. In order to monitor market price risks and support the market price risk management, the Managing Directors in charge and Treasury receive comprehensive daily reports on the earnings and risk situation in the afore mentioned portfolios. Once a month, the member of the Board responsible for Controlling reports to the entire Board of Managing Directors on market developments, results and the risk situation of these positions.

Country Risk

The basis for evaluating and managing country risk is our country rating system, which involves six risk categories: (country risk class 1: no recognisable country risk; country risk class 6: high country risk). In assessing individual countries, a wide array of economic, social and political factors are all taken into account. Within the framework of a contemporary reporting system a regular report is made on the utilization of the limits, which are fixed by the board of Managing Directors based on analysis by the Economics Department and the recommendation of the Risk Management Department. At the balance sheet date after deduction of risks covered by credit insurances (i.e. Hermes) only 1 % of the credit volume was allocated to the country risk classes 2 to 5.

Operational Risks

Regulations of Basle II. According to the definition of the Basle Committee for Bank Supervision, "operational risk" refers the danger of losses occurring as a result of inappropriateness or failure of internal procedures, persons and systems, or which arise due to external events.

The new Basle Accord of minimum capital requirements envisages the use of several methods for calculating the capital requirements for operational risks. IKB is already preparing to meet these new standards.

Management of Operational Risks. The divisions, central departments and subsidiaries are responsible for the analysis, evaluation and reporting of operational risks, with the emphasis on regular analysis and identification of shortcomings and ways of optimising all business flows and processes. The operational risks are to be minimised or optimised through continuous improvements of the internal control system, taking into account the economic efficiency or the cost/benefit ratio respectively.

In light of this development, IKB has assigned decentralised risk managers for operational risks. Their task is to identify regularly occurring operational risks in their area of responsibility, and to examine them from the following standpoints:

- possibilities of early recognition,
- measures aimed at minimising the probability of a risk occurring,
- measures aimed at minimising the impact of risk,
- precautions and conduct in emergency situations.

Since the beginning of the current financial year, officers responsible for operational risk have been collecting data relating to cases of damage occurring. These include events relating to

- external criminal activity,
- internal errors (e.g. internal criminal or unauthorised conduct, processing errors and violations of operating, health or safety regulations),
- processing flows,
- damage to property,
- interruption of business operations/system failures, as well as,
- obligingness or legal liability.

The Controlling department coordinates the entire process by entering all cases of damage into a central incident database, which forms the basis for regular evaluations and reports.

Internal Auditing plays a particularly important role in managing operational risks, since within the framework of its process-oriented audits it monitors the internal control system for proper functioning.

Within the framework of risk analysis carried out so far, we have determined that the bank faces no operational risks that pose a threat to its existence. For each of the risks identified, measures for avoidance and possibilities of early recognition of undesirable developments and emergency precautions now exist or have been appropriately insured against.

Legal Risks. In the category of operational risk we also subsume legal risk, i.e. the risk of losses occurring due to the introduction of new legal regulations and of changes and or interpretations to existing laws that are disadvantageous to the bank. Limiting legal risk is the task of the bank's Legal Department, which – when necessary – also draws on external legal advice from leading law firms. All contracts are continuously monitored to determine if amendments are necessary in order to conform to changes in the law or legal practice.

Strategic Risks and Reputation Risk

Strategic risks relate to the threat posed to the long-term success of the bank. These can take the form of changes in the underlying legal and corporate environment, but can also come from changing market and competition conditions, or from our customers or funding partners. Since there is nothing routine about strategic risks, they are hard to collect using an integrated system. They thus come under the special review of the Board of Managing Directors and selected central departments and are analysed on a regular basis.

This entails a regular review of the divisions' strategies within the framework of a systematic planning process, as well as the resulting strategic initiatives and investments.

Reputation risks relates to direct and indirect losses due to a deterioration in the image of the bank among shareholders, customers, employees, business partners and the public at large. All measures affecting the bank's image are carefully identified by the Corporate Development unit, and evaluated in close consultation with the Board of Managing Directors in order to contain the impact of these risks.

C. Risk Reporting and Risk Communication

To enable us to recognise risks at an early stage, and then to analyse and control them, all relevant information from the trading and lending units, as well as the accounting, personnel and other departments, is prepared at least once a month and presented and explained to the Board of Managing Directors and/or the relevant heads of divisions.

During the past financial year, the reporting instruments necessary for managing credit risk were further expanded; they depict the essential control parameters and risk information. In this context, special significance was also attached to loan portfolio reporting. The earnings and risk figures of our loan business, including a comparison with planning and target figures, are regularly and promptly reported to the Board of Managing Directors and the heads of the divisions, enabling divergences to be detected at an early stage and appropriate action to be taken. As a result, the necessary information is made available to the divisions and central departments timely and comprehensively.

In the framework of the reporting on the Minimum Requirements for Trading Operations, Risk Controlling produces a daily report for the Board of Managing Directors, the Treasury and other involved units containing an evaluation of the bank's trading for own account positions, the liquidity status, interest income from the funding of asset operations, and equity investments. This report also features a statement of cash-value risk under normal case and worst case scenarios. In analogous fashion, the risk of change in the bank's net interest income is also reported on in both scenario variants. This report discusses the utilisation of market price limits, as well as containing commentary on special developments.

D. Outlook

The past financial year once again showed that the methods and measuring systems we use in monitoring and managing risk are an adequate mean of depicting the afore mentioned risks, and thus form a solid foundation for the professional risk management engaged in by IKB. In the current financial year, we will focus on the continued expansion of our portfolio-oriented risk and profit management operations. In the process, we will be paying special attention to the development of the banking regulatory requirements in accordance with Basle II as well as the anticipated standards of the Minimum Requirements for Lending by Banks.

3. Performance of the Divisions

During the period under review, the *Corporate Lending Division* disbursed EUR 2.3 billion (see table), a figure below the previous year's EUR 2.6 billion. The main reasons for this were the afore mentioned weakness in corporate investment activities, as well as our approach to risk selection, which remains stringent. Thanks to the improved margin, the division's net interest and commission income, which came to EUR 232 million, actually improved slightly (EUR 231 million). Because the standard risk costs based on the expected loss rose to EUR 65 million from EUR 61 million, the result from ordinary activities declined to EUR 106 million (2000/2001: EUR 109 million). During the period under review, the cost/income ratio came to 26.6 % (26.5 %). The return on equity was 16.7 % (17.7 %).

For the current financial year, we expect the result from ordinary activities of the Corporate Lending Division to be EUR 97 million, once again somewhat below the previous year's figure. This estimate is based on the assumption that, although economic growth in Germany is expected to pick up this year, the volume of investment will decline again. On the other hand, on account of our strategic partnership with KfW, we already expect to see an additional EUR 235 million in new business this year.

In the *Real Estate Financing Division*, net interest and commission income during the period under review rose to EUR 79 million, up from EUR 73 million the year before. Because we were able at the same time to reduce the standard risk costs from EUR 27 million

Segment Report by Business Division for the Financial Year 2001/2002

	Corporate Lending		Real Estate Financing		Structured Financing		Private Equity		Leasing		Head Office		Total	
in EUR million	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01
Net interest and commission income	232.3	230.6	78.5	73.1	101.7	84.8	3.3	8.2	38.1	37.5	56.9	16.8	510.8	451.0
Administrative expenses	61.9	61.1	23.3	22.0	27.6	21.9	7.3	6.6	22.8	19.4	63.6	52.2	206.5	183.2
Personnel expenses	*47.5*	*46.4*	*16.8*	*15.2*	*18.6*	*14.2*	*4.0*	*3.0*	*15.4*	*13.5*	*31.1*	*24.9*	*133.4*	*117.2*
Other administrative expenses	*14.4*	*14.7*	*6.5*	*6.8*	*9.0*	*7.7*	*3.3*	*3.6*	*7.4*	*5.9*	*32.5*	*27.3*	*73.1*	*66.0*
Other operating result[1]	0.0	0.0	−0.6	0.0	0.2	0.0	−14.2	9.2	10.6	−1.0	35.2	86.1	31.2	94.3
Risk provisioning balance	64.5	60.5	22.8	26.6	20.2	14.6	24.7	3.7	2.6	1.1	40.4	80.7	175.2	187.2
Result from ordinary activities	105.9	109.0	31.8	24.5	54.1	48.3	−42.9	7.1	23.3	16.0	−11.9	−30.0	160.3	174.9
Ø Allocated tier 1 capital	636	615	220	196	187	159	24	24	123	116	−118	−67	1 072	1 043
Loan volume at balance sheet date March 31	16 266	16 584	5 355	5 097	4 191	3 978	204	237	2 550	2 398	319	−574	28 885	27 720
Cost/income ratio in %	26.6	26.5	29.9	30.1	27.1	25.8	–	37.9	46.8	53.2			38.1	37.8
Return on equity in %	16.7	17.7	14.5	12.5	28.9	30.4	–	29.6	18.9	13.8			15.0	16.8
Ø Number of staff	325	335	121	113	103	84	44	35	58	57	699	651	1 350	1 275
Volume of new business	2 274	2 621	793	528	1 399	1 182	55	58	710	835	859	170	6 090	5 394

[1] incl. net result from financial operations

to EUR 23 million, the result from ordinary activities increased to EUR 32 million (EUR 25 million). This positive development was made possible above all by the systematic implementation of a marketing strategy developed the year before, which led to an increase in new business volume of EUR 0.8 billion (EUR 0.5 billion). Thanks to this positive trend we succeeded in further improving the cost/income ratio to 29.9 % (30.1 %), while the return on equity rose from 12.5 % to 14.5 %.

During the current financial year we expect this positive trend to continue. Of course, on account of cyclical and structural problems (e.g. substantial overcapacity in Eastern Germany), the real estate market will develop along divergent lines this year and in the foreseeable future. Even so, given our expanded range of real estate-related services and the reinforced structuring of project developments, including their financing, we expect to be able to increase the result from ordinary activities to EUR 39 million.

For our *Structured Financing Division*, the 2001/2002 financial year proved to be a continuation of a long period of unbroken growth. Specifically, the division succeeded in increasing net interest and commission income to EUR 102 million (EUR 85 million). On the other hand, owing to the dynamic expansion of business volume (disbursements increased from EUR 1.2 billion to EUR 1.4 billion), the standard risk costs rose to EUR 20 million, while an increase in the number of staff resulted in heightened administrative expenditure. This led to an increase in the result from ordinary activities, which rose to EUR 54 million (EUR 48 million). The cost/income ratio came to 27.1 % (25.8 %), the return on equity, to 28.9 % (30.4 %).

The expansion of new business volume and the increase in earnings were mainly due to the division's success both at home and abroad in surpassing last year's strong performance in the field of acquisition finance. Conversely, business was less dynamic in the project finance sector.

For the 2002/2003 financial year, we expect to see a further increase in the result from ordinary activities to EUR 66 million. This is because we are currently advising a considerable number of promising consultancy clients in the field of international project finance, which will lead to additional structuring commissions in the coming months. Moreover, we are confident of gaining a greater share in the domestic and international market for acquisition financing, which will be a further source of income. Furthermore, our new strategic partnership with KfW will already lead this year to EUR 230 million in additional business.

Our *Private Equity Division* was hit particularly hard by the plunge in share prices and the significant loss of attractiveness of the market for corporate transactions. Already at a low ebb last summer due to the downturn in the world economy, share prices crashed dramatically in the wake of the terror attacks of September 11. Accordingly, none of the companies in our portfolio of participatory investments was able to go through with the initial public offerings originally planned for the period under review. At the same time, corporate buyout plans were delayed in anticipation of the effects of Germany's 2002 tax reform. This led to a decline in the net interest and commission income of our Private Equity Division to EUR 3 million (2000/2001: EUR 8 million).

Besides this decline the fact, that in the course of the crash on the stock markets and economic difficulties quite a number of participations in our Private Equity portfolio had to be written down, had the most profound impact on the division's result. For companies planning an IPO on Germany's *Neuer Markt* it was difficult under these circumstances to get follow-up financing. Provisions for risk in the field of mezzanine finance rose to EUR 25 million (EUR 4 million). In addition, a further EUR 21 million in value adjustments relating to investments in companies are contained in the Private Equity division's other operating results. Accordingly, the result from ordinary activities was a loss of EUR 43 million; the year before the division posted a profit of EUR 7 million.

This year, the Private Equity Division finds itself confronted with special challenges. Despite the ongoing weakness of the stock markets, however, it is planned to return the division to break even.

Our *Leasing* activities, which embraces our equipment and real estate leasing operations, once again generated EUR 38 million in net interest and commission income during the period under review. Other operating results amounted to EUR 11 million (EUR –1 million). This improvement in earnings was due to exit income following the termination of leasing contracts. Thus, the result from ordinary activities grew to EUR 23 million, up from EUR 16 million the year before. The cost/income ratio also improved, dropping from last year's 53.2 % to 46.8 %. The return on equity rose to 18.9 % (2000/2001: 13.8 %).

During the period under review, the volume of new business at IKB Leasing came to EUR 410 million, just slightly below the previous year's figure (EUR 414 million). To be sure, this has less to do with the state of the economy as a whole than with the fact that the underlying conditions for leasing in Eastern Germany have worsened. In concrete terms, EU restrictions on granting investment subsidies for hirepurchase investments in this part of Germany have brought this business almost to a standstill.

In the field of real estate leasing, the volume of new business came to EUR 300 million (2000/2001: EUR 421 million). The bulk of our exposure is in production and warehousing facilities, office buildings and commercial properties. The share of new building in the new business amounts to 54 %, a major portion of which materialised with the aid of the expert staff of IKB Immobilien Management GmbH. Moreover, we structured more than EUR 100 million in investments, a welcome source of commission income. The structuring of investments in new building is the core competence of IKB Immobilien Leasing GmbH.

For the 2002/2003 financial year, we expect the Leasing Division again to make a positive contribution to earnings, whose size of course will depend on leasing-specific expenditure and income flows. Our equipment leasing business is set to benefit from the forthcoming implementation of Basle II. In a trend already observable in the year under review, Basle II will encourage companies to finance their equipment investments by leasing rather than by loans.

4. Outlook *

For the 2002/2003 financial year – after settlement of the head office costs – we expect the result from ordinary activities in the Group to be EUR 165 million. Contributing decisively here – and this applies to our operations in the Group and AG alike – will be the growth in earnings generated by our Structured Financing and Real Estate Financing Divisions, at least as things stand at present. We are also looking forward to a significant rise in income from activities relating to our investments in and the management of international portfolio structures. Conversely, we expect the Corporate Lending Division to grow at a slower pace for several months to come, the result of lingering economic weakness and the accompanied reluctance of the corporate sector to invest. We also expect to see a return to break even in the Private Equity Division.

We assume that administrative expenditure will rise by 6 %. This increase is substantially lower than that of the previous year, indicting that our recent restructuring of the Group was largely completed by the 2001/2002 financial year.

If we exclude the expected decline in risk provisions in the Private Equity Division, the level of gross risk provisions for the current financial year will probably reach the same level as the figure for the period under review. This development is likely to correspond to the trend throughout the banking sector.

Given the very difficult banking year 2001 IKB came off appreciably better compared to the sector as a whole. We attribute this to our clear strategic focus on the profitable, expansion-oriented and innovative companies of Germany's *Mittelstand*. Furthermore, thanks to our stringent risk selection policy, we also succeeded in further improving the rating structure of our new loan engagements. Whereas in the 2000/2001 financial year, a good two-thirds of our loans fell into the categories of very good to satisfactory, in the year under review it was nearly 70 %. This indicates that our credit evaluation and credit monitoring system, which we have been steadily refining over the years, turns to account to an increasing degree. Particularly gratifying is the fact that we were able to release a substantial volume of provisions.

Against this background, we expect over the next few years to see considerable improvement in the bank's performance. Both at home and abroad, our strategic partnership with KfW is enabling us to reach target groups and offer products that would not have been possible before. On the one hand, this includes gaining large corporations as clients in the domain of international acquisition finance and project finance; on the other, it involves being able to market such attractive products as global loans and certificates of indebtedness *(Schuldscheindarlehen)*. In line with our special strategic position, we thus expect to see double-digit rates of growth in our results from ordinary activities starting in the 2003/2004 financial year.

* Note (not part of the financial statements): an updated description of the recent developments and the outlook of the IKB Group compared to the financial statements 2001/2002 is enclosed on page 56 of this Prospectus.

Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, of IKB Deutsche Industriebank Aktiengesellschaft as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the business year from April 1, 2001 to March 31, 2002. The preparation of these documents in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements and the report on the position of the Company and the Group based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 HGB (*Handelsgesetzbuch*/German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the German *Institut der Wirtschaftsprüfer* (*IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements in accordance with German principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group, respectively, in accordance with German principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development.

Düsseldorf, May 28, 2002

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wohlmannstetter	Pukropski
German Public Auditor	German Public Auditor

Consolidated Balance Sheet of IKB Deutsche Industriebank as at March 31, 2001

Consolidated Balance Sheet of IKB Deutsche Industriebank

Assets	EUR	EUR	EUR	March 31, 2000 EUR thousand
Liquid funds				
a) Cash		42 431.10		127
b) Balances with the central banks of which: with the Deutsche Bundesbank EUR 12 071.96		809 737.75		11 526 (11 022)
c) Balances on postal giro accounts		15 317.31		7
			867 486.16	11 660
Claims on banks				
a) payable on demand		245 510 297.35		721 115
b) other claims		556 872 684.17		928 926
			802 382 981.52	1 650 041
Claims on customers of which: loans to public authorities EUR 1 891 271 872.28			24 332 098 790.61	22 634 938 (989 124)
Debentures and other fixed interest securities				
a) Bonds and debentures aa) from government issuers	–			–
ab) from other issuers	3 737 923 794.13			2 445 007
including: eligible as collateral for advances from the Deutsche Bundesbank EUR 2 738 485 390.50		3 737 923 794.13		2 445 007 (2 167 282)
b) own bonds face value EUR 74 026 540.12		75 795 135.01		207 355 (206 353)
			3 813 718 929.14	2 652 362
Shares and other non-fixed interest securities			36 138 907.56	13 392
Investments of which: in banks EUR 37 268 659.67 of which: in financial services companies EUR –			38 906 427.56	29 214 (26 758) (–)
Investments in associated companies of which: in banks EUR – of which: in financial services companies EUR –			–	35 641 (35 641) (–)
Shares in subsidiary companies 26 446 of which: in banks EUR – of which: in financial services companies EUR –				28 732 931.97 (–) (–)
Trust assets of which: loans on a trust basis at third party risk EUR 5 307 777.63			6 800 388.02	7 381 (5 868)
Fixed assets			211 502 171.58	213 788
Leasing items			2 239 422 373.41	2 113 904
Outstanding capital of minority shareholders			49 183 800.62	60 945
Treasury shares nominal amount EUR 86 067.20			528 717.48	213 (32)
Other assets			728 830 390.52	327 021
Deferred items			153 298 539.19	164 363
Total assets			32 442 412 835.34	29 941 309

as at March 31, 2001

Liabilities	EUR	EUR	EUR	March 31, 2000 EUR thousand
Liabilities to banks				
a) payable on demand		501 559 297.50		85 040
b) with agreed maturity or period of notice		14 674 054 092.57		13 095 628
			15 175 613 390.07	13 180 668
Liabilities to customers				
Other liablities				
a) payable on demand		43 942 026.89		39 510
b) with agreed maturity or period of notice		2 392 022 656.13		2 374 160
			2 435 964 683.02	2 413 670
Securitised liabilities				
Bonds and notes			10 825 072 402.72	10 802 912
Trust liabilities			6 800 388.02	7 381
of which: loans on a trust basis at third party risk EUR 5 307 777.63				(5 868)
Other liabilities			563 526 912.91	409 743
Deferred items			514 089 276.58	497 804
Provisions				
a) for pensions and similar obligations		110 404 026.72		101 014
b) tax provisions		117 560 087.85		117 188
c) other provisions		41 365 682.90		47 875
			269 329 797.47	266 077
Special items including reserves			8 935 324.99	10 053
Subordinated liabilities			803 413 276.13	582 358
Participation certificate (Genussschein) capital			439 259 342.59	439 259
of which: with maturities of less than two years EUR –				(–)
Fund for general bank risks			80 000 000.00	80 000
Participations of minority shareholders			26 508 051.65	45 295
Equity				
a) subscribed capital		225 280 000.00		225 280
contingent capital: EUR 48 128 000.00				(48 128)
b) silent capital		170 000 000.00		100 000
c) capital reserves		567 415 527.13		567 416
d) revenue reserves				
da) statutory reserves	2 398 573.84			2 399
db) reserves for treasury shares	528 717.48			213
dc) other revenue reserves	277 426 607.28			246 275
		280 353 898.60		248 887
e) consolidated profit		50 850 563.46		64 506
			1 293 899 989.19	1 206 089
Total liabilities			32 442 412 835.34	29 941 309
Contingent liabilities				
a) contingent liabilities arising from rediscounted bills of exchange		395 820.25		285
b) contingent liabilities arising from guarantees and indemnity agreements		988 856 406.61		803 066
			989 252 226.86	803 351
Other obligations				
Irrevocable loan commitments			2 309 365 809.78	1 996 410

Consolidated Income Statement of IKB Deutsche Industriebank

Expenses	EUR	EUR	EUR	1999/2000 EUR thousand
Interest expenses			2 333 897 440.29	1 831 422
Commission expenses			4 854 630.92	5 365
Net expenses from finance operations			–	2 594
General operating expenses				
a) Personnel expenses				
aa) Salaries and wages	87 099 123.61			83 292
ab) Social security contributions and employee benefit and pension expenditure	27 053 085.35			24 037
of which: for pensions EUR 15 673 386.54				(13 315)
		114 152 208.96		107 329
b) other administrative expenses		46 405 921.64		43 827
			160 558 130.60	151 156
Depreciation and value adjustments on intangible and fixed assets			18 236 497.50	26 542
Depreciation of leasing items			312 245 418.41	300 605
Rental expenditure on leasing items and other service related expenses			14 462 158.82	9 303
Other operating expenses			24 155 287.57	14 346
Write-downs and value adjustments to claims and securities, plus transfer to provisions for possible loan losses			183 465 103.90	165 546
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments			87 256.95	228
Expenditure for loss takeovers			–	136
Allocations to special items including reserves			–	1 022
Transfer to the fund for general bank risks			–	3 306
Taxes on income and earnings			83 208 406.57	80 268
Other taxes not entered under "other operating expenses"			4 291 936.03	5 050
Profits transfered on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement			–	6 706
Net income for the year			85 911 327.65	75 456
Total expenses			3 225 373 595.21	2 679 051
Net income for the year			85 911 327.65	75 456
Attributable to other partners				
Profit			-2 831 285.71	-2 638
Loss			17 637 317.00	10 800
Loss carried forward from the previous year (profit carried forward)			-10 161 291.60	10 563
			90 556 067.34	94 181
Release of revenue reserves				
of revenues for own shares			–	347
Allocation to revenue reserves				
to revenues for own shares			-315 469.32	–
to other revenue reserves			-39 390 034.56	-30 022
Unappropriated profit			50 850 563.46	64 506

for the Period April 1, 2000 to March 31, 2001

Income	EUR	EUR	1999/2000 EUR thousand
Interest income from			
a) lending and money market operations	2 477 456 426.53		2 037 521
b) fixed interest securities and government-inscribed debt	178 814 679.81		70 503
		2 656 271 106.34	2 108 024
Current income from			
a) shares and other non-fixed interest securities	318 424.97		4 554
b) investments	1 372 954.78		884
c) holdings in subsidiary companies	–		36
		1 691 379.75	5 474
Income from profit pooling, profit transfer, and partial profit transfer agreements		7 107 141.56	27 018
Income from investments in associated companies		986 736.58	4 191
Commission income		17 862 386.81	13 053
Net income from finance operations		2 539 566.12	–
Earnings from write-ups relating to investments, holdings in associated companies, and securities treated as fixed assets		8 506 772.14	2
Income from leasing operations		431 360 020.04	416 263
Earnings from the release of special items including reserves		1 117 726.54	–
Other operating income		97 930 759.33	105 026
Total income		3 225 373 595.21	2 679 051

Balance Sheet of IKB Deutsche Industriebank AG

Assets	EUR	EUR	EUR	March 31, 2000 EUR thousand
Liquid funds				
a) Cash		35 607.44		120
b) Balances with central banks		118 949.70		11 321
of which: with the Deutsche Bundesbank EUR –				(11 022)
c) Balances on postal giro accounts		2 602.11		3
			157 159.25	11 444
Claims on banks				
a) payable on demand		276 891 996.95		1 439 029
b) other claims		4 906 586 529.47		3 822 502
			5 183 478 526.42	5 261 531
Claims on customers			22 238 573 937.94	20 845 949
of which: loans to public authorities EUR 1 891 271 872.28				(989 124)
Debentures and other fixed interest securities				
a) Bonds and debentures				
aa) from government issuers	–			–
ab) from other issuers	3 570 639 379.55			2 275 463
of which: eligible as collateral for advances from the		3 570 639 379.55		2 275 463
Deutsche Bundesbank EUR 2 614 080 529.82				(2 037 549)
b) own bonds		75 795 135.01		207 355
face value EUR 74 026 540.12				(206 353)
			3 646 434 514.56	2 482 818
Shares and other non-fixed interest securities			13 477 453.18	10 613
Investments			1 091 010.11	21 203
of which: in banks EUR 293 570.67				(20 296)
of which: in financial services companies EUR –				(–)
Shares in subsidiary companies				353 786 018.14
315 713				
of which: in banks EUR 164 839 454.84				(164 839)
of which: in financial services companies EUR –				(–)
Trust assets			6 800 388.02	7 381
of which: loans on a trust basis at third party risk EUR 5 307 777.63				(5 868)
Fixed assets			53 442 816.49	54 943
Treasury shares			528 717.48	213
nominal amount EUR 86 067.20				(32)
Other assets			689 055 731.90	290 662
Deferred items			147 573 610.97	160 231
Total assets			32 334 399 884.46	29 462 701

as at March 31, 2001

Liabilities	EUR	EUR	EUR	March 31, 2000 EUR thousand
Liabilities to banks				
a) payable on demand		652 354 704.98		722 772
b) with agreed maturity or period of notice		15 281 457 413.27		12 678 112
			15 933 812 118.25	13 400 884
Liabilities to customers				
Other liabilities				
a) payable on demand		36 327 422.53		44 688
b) with agreed maturity or period of notice		2 301 677 830.45		2 239 801
			2 338 005 252.98	2 284 489
Securitised liabilities				
Bonds and notes			10 770 793 333.43	10 794 596
Trust liabilities			6 800 388.02	7 381
of which: loans on a trust basis at third party risk EUR 5 307 777.63				(5 868)
Other liabilities			435 207 225.40	366 707
Deferred items			153 934 882.56	174 142
Provisions				
a) for pensions and similar obligations		98 146 948.35		90 274
b) tax provisions		107 623 563.04		107 587
c) other provisions		30 667 368.00		28 593
			236 437 879.39	226 454
Subordinated liabilities			803 413 276.13	582 358
Participation certificate (Genussschein) capital			439 259 342.59	439 259
of which: with maturities of less than two years EUR –				(–)
Fund for general bank risks			80 000 000.00	80 000
Equity				
a) subscribed capital		225 280 000.00		225 280
contingent capital: EUR 48 128 000.00				(48 128)
b) capital reserves		567 415 527.13		567 416
c) revenue reserves				
ca) statutory reserves	2 398 573.84			2 399
cb) reserves for treasury shares	528 717.48			213
cc) other revenue reserves	273 353 367.26			243 363
		276 280 658.58		245 975
d) distributable profit		67 760 000.00		67 760
			1 136 736 185.71	1 106 431
Total liabilities			32 334 399 884.46	29 462 701
Contingent liabilities				
a) contingent liabilities arising from rediscounted bills of exchange		395 820.25		286
b) contingent liabilities arising from guarantees and indemnity agreements		2 901 673 769.14		2 551 643
			2 902 069 589.39	2 551 929
Other obligations				
Irrevocable loan commitments			1 704 910 226.49	1 799 395

Income Statement of IKB Deutsche Industriebank AG

Expenses	EUR	EUR	EUR	1999/2000 EUR thousand
Interest expenses			2 380 994 777.60	1 834 206
Commission expenditure			3 420 153.31	2 835
Net expenses from finance operations			–	2 626
General operating expenses				
a) Personnel expenditure				
aa) Salaries and wages	67 348 989.72			65 820
ab) Social security contributions and employee benefit and pension expenditure	22 699 722.75			20 324
of which: for pensions EUR 13 884 878.97				(11 945)
		90 048 712.47		86 144
b) other administrative expenses		42 860 913.18		41 926
			132 909 625.65	128 070
Depreciation and value adjustments on intangible and fixed assets			12 124 575.73	10 832
Other operating expenses			12 438 464.97	12 974
Write-downs and value adjustments to claims and securities, plus transfers to provisions for possible loan losses			164 751 037.45	158 597
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments			87 256.95	225
Expenditure for loss takeovers			9 457 665.19	7 498
Transfer to the fund for general bank risks			–	3 306
Taxes on income and earnings			79 690 538.03	72 348
Other taxes not entered under "other operating expenses"			958 343.01	1 464
Net income for the year			98 065 503.88	88 141
Total expenses			2 894 897 941.77	2 323 122
Net income for the year			98 065 503.88	88 141
Release of revenue reserves of revenues for own shares			–	347
Allocation to revenue reserves				
to reserves for own shares			315 469.32	–
to other revenue reserves			29 990 034.56	20 728
Unappropriated profit			67 760 000.00	67 760

for the Period April 1, 2000 to March 31, 2001

Income	EUR	EUR	1999/2000 EUR thousand
Interest income from			
a) lending and money market operations	2 568 268 552.13		2 093 570
b) fixed interest securities and government-inscribed debt	169 269 856.97		65 166
		2 737 538 409.10	2 158 736
Current income from			
a) shares and other non-fixed interest securities	318 424.97		4 554
b) investments	3 108 694.30		3 978
c) holdings in subsidiary companies	5 871 147.06		5 830
		9 298 266.33	14 362
Income from profit pooling, profit transfer, and partial profit transfer agreements		26 458 227.89	36 016
Commission income		29 523 279.43	24 452
Net income from finance operations		2 249 661.50	–
Earnings and write-ups relating to investments, holdings in associated companies, and securities treated as fixed assets		8 506 772.13	2
Other operating income		81 323 325.39	89 554
Total income		2 894 897 941.77	2 323 122

Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, of IKB Deutsche Industriebank Aktiengesellschaft as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the business year from April 1, 2000 to March 31, 2001. The preparation of these documents in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements and the report on the position of the Company and the Group based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 HGB (*Handelsgesetzbuch*/German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the German *Institut der Wirtschaftsprüfer (IDW)*. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements in accordance with German principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

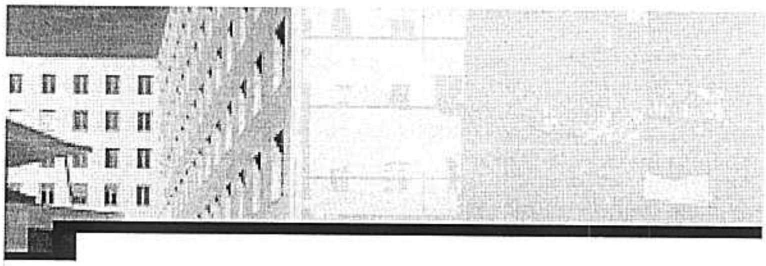
Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group, respectively, in accordance with German principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development.

Düsseldorf, June 6, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wohlmannstetter	Pukropski
German Public Auditor	German Public Auditor



Interim Report as at September 30, 2002

IKB
Deutsche Industriebank

Dear Shareholders,

During the period under review (April 1 to September 30, 2002), the German economy hardly grew at all. True, exports were slightly up compared to the same period the previous year; but corporate investment activity suffered a veritable collapse. Due in part to this difficult business environment, but not least to onerous economic policies and an increasingly inflexible labour market, the number of corporate insolvencies has risen considerably. For 2002 as a whole, we expect the number of corporate failures in Germany to exceed 40,000, up from 32,000 in 2001.

Against this backdrop of economic malaise, corporate demand for bank loans in the banking sector as a whole was necessarily guarded, while provisions for risk in some cases had to be substantially augmented.

IKB could not entirely escape this trend. This is especially true of our domestic loan business, which contracted compared to the same period last year. In light of this development, net interest income – our most important earnings component – came to EUR 222 million, not quite as high as last year's figure. Conversely, we succeeded in improving our net commission income by EUR 17 million to EUR 23 million. Apart from higher commission income in the divisions, this sharp increase in net commission income derived first and foremost from guarantee commissions arising from credit default swaps, as well as from consulting fees relating to special funds for investments in international loan portfolios.

Net result from financial operations remained at a modest level. In particular, the highly volatile conditions in the world's stock markets during the period under review offered little opportunity for generating income. We engage in currency trading almost exclusively as a hedge against exchange rate risks.

Administrative expenditure during the first half of the year rose by 10.8 % to EUR 109 million compared to the same period of the previous year. Compared to two quarters of the result for the whole last financial year 2001/2002, however, this amounts to a rate of increase of 5.5 %. Accordingly, we do not expect to overshoot our 6 % target figure for the full financial year.

The largest cost block, personnel expenditure, rose by 6.5 % to EUR 69 million. This increase is essentially due to the fact that the average number of staff rose by 92, as well as to salary adjustments at the beginning of the financial year. At September 30, 2002 the Group had 1,472 employees.

Other administrative expenses increased by 18.8 % to EUR 40 million. In part, this has to do with extra consulting fees arising from a host of regulatory and legal projects, while normal depreciation on computer software and hardware also went up. For the remainder of the financial year, however, we expect this cost item to grow at a more modest rate.

The other operating result, which amounted EUR 14 million, has been influenced above all by the exit earnings generated by our Private Equity Division (EUR 9 million). Compared to previous year's result this item declined by EUR 10 million.

The risk provisioning balance amounts to EUR 75 million, and is thus EUR 7 million lower than the corresponding figure for the previous year. This is the result of augmenting net provisioning for risk by EUR 13 million to EUR 96 million, compensated by the result from securities in the liquidity reserve, which rose by EUR 20 million to EUR 21 million.

The result from ordinary activities amounts to EUR 75 million, 1.6 % higher than the corresponding figure for the previous year. The DVFA result per share comes to EUR 0.94 (2001: EUR 0.93).

In line with DRSC No. 6, starting this financial year we are also reporting profit after tax, which rose during the first half of the year by 3.4 % to EUR 40 million, as well as consolidated profit, which remained unchanged at EUR 41 million.

Segment Report

During the first half of the 2002/2003 financial year, the Corporate Lending Division produced a result from ordinary activities of EUR 48 million (2001/2002: EUR 54 million). Accordingly, the return on equity eased back to 15.3 % (16.7 %). The cost/income ratio rose to 29.2 % (26.8 %). The Real Estate Financing Division attained a result from ordinary activities of EUR 19 million (EUR 15 million), while the return on equity improved to 15.9 % (13.9 %); the cost/income ratio dropped to 28.5 % (30.8 %). The Structured Financing Division succeeded in increasing its result to EUR 28 million (EUR 27 million). Higher administrative expenditure brought about an increase in the cost/income ratio to 29.0 % (26.2 %); the return on equity declined to 31.8 % (32.5 %). The Private Equity Division achieved a result of EUR 0.2 million (EUR –21.5 million), successfully executing the planned turnaround. Return on equity was 1.7 %, while the cost/income ratio came to 47.6 %. Our real estate and equipment leasing units once again achieved a result from ordinary activities of EUR 10 million. The return on equity came to 15.6 % (16.4 %), while the cost/income ratio was 51.5 % (46.1 %).

Group Accounts

Compared to March 31, 2002, the balance sheet total of the Group at September 30 rose by EUR 0.8 billion or 2 % to EUR 35.7 billion. Owing to expanded money trading transactions at the balance sheet date, claims on banks grew by EUR 0.6 billion to EUR 2.2 billion. Debentures rose by EUR 0.3 billion to EUR 5.2 billion. Roughly 7 % of this portfolio consists of securities issued by corporate issuers, thus representing securitised loan transactions. A good 93 % are floaters, which are virtually immune to price fluctuations; they are primarily used as collateral for tender operations with the *Bundesbank*.

Claims on customers – the most important interest-bearing item on the balance sheet – rose by EUR 0.2 billion to EUR 24.8 billion. Disbursements of EUR 2.5 billion were matched by repayments totalling EUR 2.3 billion. Here, long-term loans declined by EUR 0.2 billion to EUR 21.9 billion, which reflects the difficult economic situation in Germany.

Liabilities from guarantees, which are entered below the balance sheet total and have to be seen in connection with our loan operations, increased by EUR 0.3 billion to EUR 2.0 billion. These are primarily credit default swaps, i.e. investments in international loan portfolios.

The portfolio of leasing items rose by EUR 0.1 billion to EUR 2.4 billion, reflecting increased business. The EUR 0.4 billion decline in claims from collection items is due exclusively to the balance sheet date.

On the liability side of the balance sheet, liabilities to banks increased by EUR 0.3 billion to EUR 15.7 billion. Analogous to claims on banks, this rise was due to increased trades in time deposits and day-to-day money at the balance sheet date. Conversely, long-term borrowing remained unchanged at EUR 10.4 billion.

Securitised liabilities edged up by EUR 0.3 billion to EUR 13.3 billion. Issues of debentures amounted to EUR 1.7 billion, while repayments totalled EUR 1.4 billion.

Hybrid capital was raised by EUR 250 million to EUR 420 million. Here, via a newly founded American subsidiary, we took up silent capital on the international capital markets, which in regulatory terms counts as tier 1 capital. At September 30, 2002, liable funds totalled EUR 3.1 billion. The equity ratio (Principle I) came to 12.1 %, the tier 1 ratio to 6.9 %.

Despite the unsatisfying performance of the German economy, we still expect our results for the full financial year to be slightly above last year's level. However, a great deal will depend on whether our provisions for risk have to be augmented beyond the currently planned amount.

You will find further information on the business development of the bank in the Internet at www.ikb.de under the rubric of Investor Relations.

Sincerely,

IKB Deutsche Industriebank AG
The Board of Managing Directors

Düsseldorf and Berlin, November 2002

Consolidated Interim Balance Sheet of

Assets	30. 9. 2002 EUR mill.	31. 3. 2002 EUR mill.	Changes EUR mill.	%
Claims on banks	2 191	1 605	586	37
payable on demand	*1 098*	*311*	*787*	*>100*
other claims	*1 093*	*1 294*	*–201*	*–16*
of which: 4 years or longer	*212*	*235*	*–23*	*–10*
Claims on customers	24 834	24 600	234	1
with agreed maturity or period of notice up to 4 years	*2 979*	*2 568*	*411*	*16*
4 years or longer	*21 855*	*22 032*	*–177*	*–1*
Debentures and other fixed interest securities	5 199	4 928	271	5
Shares and other non-fixed interest securities	34	38	–4	–11
Investments, shares in subsidiary companies	47	47	0	0
Tangible fixed assets	216	215	1	0
Leasing items	2 412	2 346	66	3
Deferred items	141	139	2	1
Outstanding capital of minority shareholders	49	49	–	–
Other assets	559	481	78	16
Claims from collection items	8	426	–418	–98
Total assets	**35 690**	**34 874**	**816**	**2**

IKB Deutsche Industriebank as at September 30, 2002

Liabilities	30. 9. 2002 EUR mill.	31. 3. 2002 EUR mill.	Changes EUR mill.	%
Liabilities to banks	15 747	15 436	311	2
payable on demand	*879*	*754*	*125*	*17*
with agreed maturity or period of notice	*14 868*	*14 682*	*186*	*1*
of which: 4 years or longer	*10 356*	*10 395*	*−39*	*0*
Liabilities to customers	2 179	2 250	−71	−3
payable on demand	*109*	*61*	*48*	*79*
with agreed maturity or period of notice	*2 070*	*2 189*	*−119*	*−5*
of which: 4 years or longer	*1 939*	*1 972*	*−33*	*−2*
Securitised liabilities	13 324	12 975	349	3
Provisions	295	301	−6	−2
Special items including reserves	6	8	−2	−25
Subordinated liabilities	868	868	–	–
Participation certificate capital *(Genussrechtskapital)*	624	624	–	–
Fund for general bank risks	80	80	–	–
Participations of minority shareholders	13	14	−1	−7
Capital	1 534	1 311	223	17
Equity	*1 112*	*1 112*	*0*	*0*
Subscribed capital	*225*	*225*	*–*	*–*
Reserves	*887*	*887*	*0*	*0*
Hybrid capital	*420*	*170*	*250*	*>100*
Consolidated profit	*2*	*29*	*−27*	*−93*
Deferred items	468	469	−1	0
Other liabilities	552	538	14	3
Total liabilities	**35 690**	**34 874**	**816**	**2**
Endorsement liabilities	0	0	–	–
Liabilities arising from guarantees, etc.	2 025	1 748	277	16
Business volume	37 715	36 622	1 093	3

Consolidated Income Statement of IKB Deutsche Industriebank for the Period April 1, 2002 to September 30, 2002*

	1. 4. 2002 – 30. 9. 2002 EUR mill.	1. 4. 2001 – 30. 9. 2001 EUR mill.	Changes EUR mill.	%
Interest income from lending and money market operations, fixed interest securities and government-inscribed debt, income from leasing operations	1 573.9	1 667.6	−93.7	−5.6
Current income from shares, other non-fixed interest securities and investments[1]	1.2	0.9	0.3	33.3
Interest expenses, expenditure and scheduled depreciation relating to leasing operations	1 353.5	1 445.3	−91.8	−6.4
Net interest income	221.6	223.2	−1.6	−0.7
Commission income	25.6	8.1	17.5	>100.0
Commission expenditure	2.6	2.2	0.4	18.2
Net commission income	23.0	5.9	17.1	>100.0
Net result from financial operations	0.2	0.9	−0.7	−77.8
Salaries and wages	52.5	48.5	4.0	8.2
Social security contributions and expenditure for retirement benefits	16.1	15.9	0.2	1.3
Personnel expenditure	68.6	64.4	4.2	6.5
Other administrative expenses [2]	40.4	34.0	6.4	18.8
Administrative expenditure	109.0	98.4	10.6	10.8
Balance of other operating income/expenses	14.3	24.1	−9.8	−40.7
Risk provisioning balance	−75.0	−81.8	−6.8	−8.3
Result from ordinary activities	**75.1**	**73.9**	**1.2**	**1.6**
Profit before tax	**75.1**	**73.9**	**1.2**	**1.6**
Property taxes	2.8	1.8	1.0	55.6
Taxes on income	32.7	33.8	−1.1	−3.3
Profit after tax	**39.6**	**38.3**	**1.3**	**3.4**
Profit (-) and Loss (+) attributable to other shareholders	1.6	2.7	−1.1	−40.7
Consolidated profit	**41.2**	**41.0**	**0.2**	**0.5**

[1] includes income from profit pooling agreements, profit transfer agreements and partial profit transfer agreements

[2] includes current depreciation on tangible fixed assets

Capital of the Group
in the Period April 1, 2002 to September 30, 2002

EUR mill.	2002	2001
Capital as at April 1	**1 310.6**	**1 293.9**
Transfer to revenue reserves of subsidiary companies from profits carried forward	0.5	0.4
Change of profits carried forward	−0.5	−0.4
Dividend payments	−67.8	−67.8
Asset-related differences due to newly consolidated companies	–	−3.7
Changes of hybrid capital	250.0	–
Consolidated profit April 1 to September 30	41.2	41.0
Capital as at September 30	**1 534.0**	**1 263.4**

Cash flow Statement
for the Period April 1, 2002 to September 30, 2002

EUR mill.	2002	2001
Balance of liquid funds as at April 1	**11**	**1**
Cash flow from operating activities	−113	−25
Cash flow from investment activities	−10	16
Cash flow from financing activities	182	15
Balance of liquid funds as at September 30	**70**	**7**

* For the first time, the Group income statement and segment report include the consolidated figures of the Private Equity Division; previous year's figures were adjusted by adding two quarters of Private Equity's figures for the financial year 2001/2002.

Segment Report by Business Division
for the Period April 1, 2002 to September 30, 2002

EUR mill.	CL 1.4.02 – 30.9.02	CL 1.4.01 – 30.9.01	REF 1.4.02 – 30.9.02	REF 1.4.01 – 30.9.01	SF 1.4.02 – 30.9.02	SF 1.4.01 – 30.9.01	PE 1.4.02 – 30.9.02	PE 1.4.01 – 30.9.01	Leasing[1] 1.4.02 – 30.9.02	Leasing[1] 1.4.01 – 30.9.01	Head Office 1.4.02 – 30.9.02	Head Office 1.4.01 – 30.9.01	Total 1.4.02 – 30.9.02	Total 1.4.01 – 30.9.01
Net interest and commission income	113.6	116.9	42.8	38.0	53.4	49.6	2.6	1.7	17.7	24.4	14.5	–1.5	244.6	229.1
Administrative expenses	33.2	31.3	12.2	11.7	15.5	13.0	3.9	3.7	11.9	11.2	32.3	27.5	109.0	98.4
Personnel expenses	*25.4*	*24.4*	*8.9*	*8.6*	*10.4*	*9.0*	*2.1*	*2.0*	*7.8*	*7.2*	*14.0*	*13.2*	*68.6*	*64.4*
Other administrative expenses	*7.8*	*6.9*	*3.3*	*3.1*	*5.1*	*4.0*	*1.8*	*1.7*	*4.1*	*4.0*	*18.3*	*14.3*	*40.4*	*34.0*
Other operating result[2]	0.0	0.0	0.0	0.0	0.0	0.0	5.6	–7.1	5.4	–0.1	3.5	32.2	14.5	25.0
Risk provisioning balance	32.6	32.1	11.8	11.2	9.6	10.1	4.1	12.4	1.5	3.1	15.4	12.9	75.0	81.8
Result from ordinary activities	47.8	53.5	18.8	15.1	28.3	26.5	0.2	–21.5	9.7	10.0	–29.7	–9.7	75.1	73.9
Ø Allocated tier 1 capital	626	642	236	217	178	163	24	24	124	122	–76	–96	1 112	1 072
Loan volume at balance sheet date 30.9.	16 498	16 705	5 567	5 289	4 188	4 182	204	257	2 608	2 583	403	–618	29 468	28 398
Cost/income ratio in %	29.2	26.8	28.5	30.8	29.0	26.2	47.6	–	51.5	46.1			42.1	43.4
Return on equity in %	15.3	16.7	15.9	13.9	31.8	32.5	1.7	–	15.6	16.4			13.5	13.8
Ø Number of staff	332	324	126	122	123	98	47	42	63	57	725	681	1 416	1 324
Volume of new business	1 350	1 129	390	327	755	732	9	29	269	291	397	47	3 170	2 555

CL = Corporate Lending; REF = Real Estate Financing; SF = Structured Financing; PE = Private Equity

[1] Previos year's figures adjusted to gross leasing volume

[2] incl. net result from financial operations

On the basis of the above
Offering Circular/Listing Prospectus

the € 200,000,000 Perpetual Fixed Rate Capital Notes
divided into 2,000,000 Perpetual Fixed Rate Capital Notes
with the payment of interest and principal
conditional upon receipt of
profit participations and repayment under
a Silent Participation in the commercial enterprise of

IKB Deutsche Industriebank Aktiengesellschaft

Düsseldorf and Berlin

– WKN 749 072 –
– Fondscode F 14332 –
of Capital Raising GmbH
Norderfriedrichskoog

have been admitted for trading on the official market
of the Frankfurt Stock Exchange.

Frankfurt am Main, December 2002

BNP PARIBAS
Frankfurt/Main Branch

Deutsche Bank Aktiengesellschaft