



Deutsche Industriebank

€ 400,000,000 Noncumulative Trust Preferred Securities
(Liquidation Preference Amount of € 1,000 per Trust Preferred Security)

IKB Funding Trust II

**(an indirect wholly-owned subsidiary of IKB Deutsche Industriebank Aktiengesellschaft,
Düsseldorf and Berlin, Germany)**

The noncumulative trust preferred securities, liquidation preference amount € 1,000 per security (the "Liquidation Preference Amount") (the "Trust Preferred Securities"), offered hereby represent preferred undivided beneficial ownership interests in the assets of IKB Funding Trust II, a statutory trust created under the laws of the State of Delaware, United States of America (the "Trust"). One common security of the Trust will be owned by IKB Deutsche Industriebank Aktiengesellschaft (the "Bank"), a branch of the Bank or a wholly-owned subsidiary of the Bank. The terms of the Trust Preferred Securities will be substantially identical to the terms of the noncumulative Class B Preferred Securities (the "Class B Preferred Securities") issued by IKB Funding LLC II (the "Company"), a Delaware limited liability company which has the benefit of a support undertaking issued by the Bank. The Company will invest the proceeds from the sale of the Class B Preferred Securities in subordinated debt obligations issued by IKB Finance B. V.

The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at the option of the holder thereof at any time or by the Trust except on the Initial Redemption Date scheduled to occur on July 29, 2009 (or any Capital Payment Date thereafter), except upon the occurrence of certain tax and capital disqualification events as more fully described herein. Capital Payments (as defined herein) will be payable on the Trust Preferred Securities (i) from (and including) June 29, 2004 (the "Issue Date") to (but excluding) July 29, 2005 (the "Reset Date") at a fixed rate of 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Capital Payment Period (as defined herein) commencing on or after the Reset Date at a rate of 0.05 per cent. per annum above the Reference Rate (as defined herein) for such Capital Payment Period payable semi-annually in arrears on January 29 and July 29 in each year, commencing on January 29, 2006 (each, together with the Reset Date, a "Capital Payment Date"), provided that no Capital Payment shall in any event be at a rate of more than 9 per cent. per annum. Capital Payments are subject to certain conditions, including that the Bank has an amount of Distributable Profits (as defined herein) for the preceding fiscal year at least equal to the Capital Payments. See "Prospectus Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Accrual of Capital Payments".

The Trust Preferred Securities will be initially evidenced by one or more temporary global certificates, interests in which will be exchangeable for interests in one or more permanent global certificates not earlier than 40 days after the issue date upon certification of non-U.S. beneficial ownership by or on behalf of the holders of such interests. These global certificates will be registered in the name of, and will be deposited with a common depository for, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme, Luxembourg ("Clearstream").

The Trust Preferred Securities are expected, on issue, to be assigned an "A2" rating by Moody's Investors Service Ltd., and an "A" rating by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency.

An investment in the Trust Preferred Securities involves certain risks. See "Investment Considerations" beginning on page 34 for a discussion of certain factors that should be considered by prospective investors.

Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Official Segment of Euronext Amsterdam N.V.'s Stock Market ("Euronext Amsterdam"). This Offering Circular constitutes a prospectus for the purposes of the listing and issuing rules of Euronext Amsterdam.

Issue Price: 100 per cent. (equivalent to € 1,000 per Trust Preferred Security).

THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U. S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-U. S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT ("REGULATION S").

BNP PARIBAS

The date of this Offering Circular is June 25, 2004.

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THE BANK, THE COMPANY AND THE TRUST ASSUME RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR. THE BANK, THE COMPANY AND THE TRUST, HAVING MADE REASONABLE INQUIRIES, CONFIRM THAT (I) THE OFFERING CIRCULAR CONTAINS ALL INFORMATION WITH RESPECT TO THE BANK, ITS AFFILIATES, ITS SUBSIDIARIES, THE TRUST PREFERRED SECURITIES, THE CLASS B PREFERRED SECURITIES AND THE DEBT SECURITIES (AS DEFINED HEREIN) THAT IS MATERIAL IN THE CONTEXT OF THE LISTING, ISSUE AND OFFERING OF THE TRUST PREFERRED SECURITIES; (II) THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AND IS NOT MISLEADING; (III) THE OPINIONS AND INTENTIONS EXPRESSED IN THIS OFFERING CIRCULAR ARE HONESTLY HELD; AND (IV) THERE ARE NO OTHER FACTS THE OMISSION OF WHICH MAKES THIS OFFERING CIRCULAR AS A WHOLE OR ANY OF THE INFORMATION OR THE EXPRESSION OF ANY OF THE OPINIONS OR INTENTIONS MISLEADING IN ANY RESPECT.

NO PERSON IS AUTHORIZED TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS OFFERING CIRCULAR, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS OFFERING CIRCULAR MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE BANK, THE TRUST OR THE COMPANY OR BY THE LEAD MANAGER. THE DELIVERY OF THIS OFFERING CIRCULAR AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THIS DOCUMENT IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 (THE "ORDER") OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE TRUST PREFERRED SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH TRUST PREFERRED SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY UPON THIS DOCUMENT OR ANY OF ITS CONTENTS.

IN CONNECTION WITH THE OFFERING, BNP PARIBAS (THE "LEAD MANAGER") OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE TRUST PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH

MIGHT OTHERWISE PREVAIL FOR A LIMITED TIME AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON THE LEAD MANAGER OR ANY OF ITS AGENTS TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH TRANSACTIONS MAY BE EFFECTED ON EURONEXT AMSTERDAM OR OTHERWISE. FOR A DESCRIPTION ON THESE ACTIVITIES, SEE "GENERAL INFORMATION-SUBSCRIPTION AND SALE"

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY IN THE UNITED STATES HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OTHER THAN IN THE NETHERLANDS, NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF THE TRUST PREFERRED SECURITIES IN ANY JURISDICTION WHERE ACTION WOULD BE REQUIRED FOR SUCH PURPOSE. THE DISTRIBUTION OF THIS OFFERING CIRCULAR AND THE OFFERING OF THE TRUST PREFERRED SECURITIES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. EACH PURCHASER OF THE TRUST PREFERRED SECURITIES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE TRUST PREFERRED SECURITIES OR POSSESSES OR DISTRIBUTES THIS OFFERING CIRCULAR AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE TRUST PREFERRED SECURITIES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NONE OF THE TRUST, THE COMPANY, THE BANK OR THE LEAD MANAGER SHALL HAVE ANY RESPONSIBILITY THEREFOR.

SO LONG AS THE TRUST PREFERRED SECURITIES HAVE NOT BEEN LISTED ON EURONEXT AMSTERDAM, OR IT IS UNLIKELY THAT THE TRUST PREFERRED SECURITIES WILL SOON BE ADMITTED TO LISTING, THE TRUST PREFERRED SECURITIES MAY ONLY BE OFFERED, SOLD, OR DELIVERED IN OR FROM THE NETHERLANDS AS PART OF THEIR INITIAL DISTRIBUTION OR AS PART OF ANY RE-OFFERING, AND THIS OFFERING CIRCULAR AND ANY OTHER DOCUMENT IN RESPECT OF THE OFFERING MAY ONLY BE DISTRIBUTED OR CIRCULATED IN THE NETHERLANDS, TO INDIVIDUALS OR LEGAL ENTITIES THAT INCLUDE, BUT ARE NOT LIMITED TO, BANKS, BROKERS, DEALERS, INSTITUTIONAL INVESTORS AND UNDERTAKINGS WITH A TREASURY DEPARTMENT, WHO OR WHICH TRADE OR INVEST IN SECURITIES IN THE CONDUCT OF BUSINESS OR PROFESSION.

FORWARD-LOOKING STATEMENTS

The statements included herein regarding future financial performance and results, and other statements that are not historical facts, are forward-looking statements. The words "believe", "expect", "predict", "estimate" and similar expressions are intended to identify forward-looking statements. Such statements are made on the basis of assumptions, which, although reasonable at this time, may prove to be erroneous. The risks and uncertainties which IKB faces with respect to its future development and the factors that might influence the correctness of such forward-looking statements are, as a general rule, taken into consideration throughout this Offering Circular. Such factors include, among others, the factors discussed in "Investment Considerations" and "Recent Developments and Outlook".

PROSPECTUS SUMMARY

This section contains a summary of the Company, the Trust, the terms of the Trust Preferred Securities and the Class B Preferred Securities, as well as information relating to this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Class B Preferred Securities, the Initial Debt Securities and the Support Undertaking, see "Description of the Trust Securities"; "Description of the Company Securities"; "Description of the Initial Debt Securities" and "Description of the Support Undertaking"; as well as "Distributable Profits of the Bank." For a description of the Trust, the Company and the Bank, see "IKB Funding Trust II"; "IKB Funding LLC II" and "IKB Group."

The following summary is qualified in its entirety by the detailed information and financial data presented elsewhere in this Offering Circular.

The Trust

The Trust is a statutory trust formed under the Delaware Statutory Trust Act, as amended (the "Trust Act"), pursuant to a trust agreement executed by the Company, as sponsor, The Bank of New York, as trustee (the "Property Trustee"), and The Bank of New York (Delaware), as Delaware trustee (the "Delaware Trustee"), and the filing of a certificate of trust with the Secretary of State of the State of Delaware on June 7, 2004. Such trust agreement will be amended and restated in its entirety (as so amended and restated, the "Trust Agreement") prior to the issuance of the Trust Preferred Securities. An IKB Group Company will own one Trust Common Security representing a capital contribution in respect thereof equal to € 1,000. The Trust Common Security will rank *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that upon liquidation of the Trust and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security", the rights of the holder of the Trust Common Security to Capital Payments and other payments in respect of the Class B Preferred Securities will be subordinated to the rights of the holders of the Trust Preferred Securities.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement. In addition, a segregated non-interest bearing trust account under the exclusive control of the Property Trustee (the "Property Account") will be established to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities.

The Trust will use the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists exclusively for the purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities provided it receives from the Company an equal number of Class B Preferred Securities.

The Company

The Company is a limited liability company formed under the Delaware Limited Liability Company Act, as amended (the "LLC Act"), on May 19, 2004, pursuant to a limited liability company agreement of the Company and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Such limited liability company agreement of the Company will be amended and restated in its entirety (as so amended and restated, the "LLC Agreement") prior to the issuance of the Trust Preferred Securities. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of a common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100 per cent. of the issued and outstanding Class B Preferred Securities.

rities. An IKB Group Company will hold the Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (acting directly or through a branch) or a Qualified Subsidiary in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto. The Company may also, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

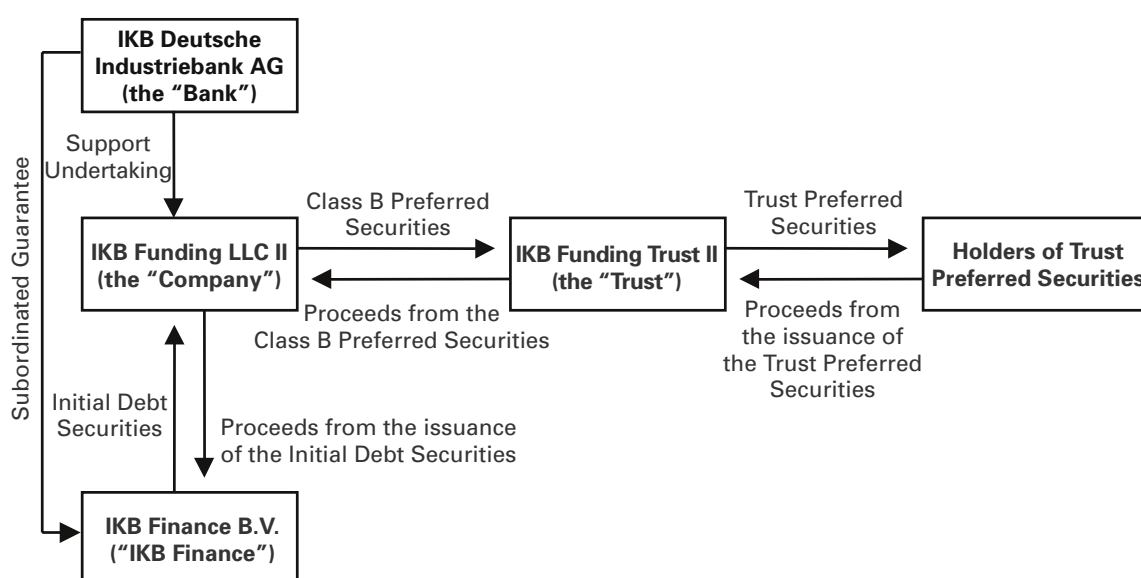
The Formation of the Trust and the Company

Prior to or simultaneously with the completion of the Offering, the Company, the Trust and the Bank will engage in the following transactions: (i) the Company will issue to an IKB Group Company the Company Common Security; (ii) the Company will issue to an IKB Group Company the Class A Preferred Security; (iii) the Trust will issue to an IKB Group Company the Trust Common Security; (iv) the Trust will issue the Trust Preferred Securities to the Lead Manager, who will sell the Trust Preferred Securities to investors; (v) the Company will issue to the Trust the Class B Preferred Securities; and (vi) the Company will acquire the Initial Debt Securities.

In addition, the Bank will enter into the Support Undertaking with the Company. The Servicer will enter into a Services Agreement with the Company and the Trust. An IKB Group Company, as the holder of the Company Common Security, will elect the Board of Directors of the Company (the "Board of Directors"), which initially will consist of four directors.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking.

The following diagram outlines the relationship among the Company, the Trust and the Bank following completion of the Offering.



The Offering

The Trust IKB Funding Trust II is a Delaware statutory trust formed for the purpose of holding the Class B Preferred Securities, the Capital Payments and redemption payments from which will be passed through to holders of the Trust Securities.

The Company IKB Funding LLC II, a Delaware limited liability company, is a wholly-owned subsidiary of the Bank which will be consolidated with the Bank for German bank regulatory purposes. The sole assets of the Company will be the Debt Securities and Permitted Investments.

Securities Offered . . . The Trust will offer € 400,000,000 Trust Preferred Securities with a Liquidation Preference Amount of € 1,000 per Trust Preferred Security. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities.

Use of Proceeds The proceeds from the sale of the Trust Securities will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by an IKB Group Company in return for the Class A Preferred Security and by such or another IKB Group Company in return for the Company Common Security, to make an investment in the Initial Debt Securities. IKB Finance intends to use the proceeds from the sale of the Initial Debt Securities for its general corporate purposes, including on-lending to affiliates. *The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital.*

Bank's Support

Undertaking The Bank will execute a Support Undertaking with the Company for the benefit of the Company and the holders of the Class B Preferred Securities under which it will agree that

- (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities, plus Additional Amounts thereon and
- (ii) in liquidation, the Company will have sufficient funds to pay the Liquidation Preference Amounts of the Class B Preferred Securities, plus accrued and unpaid Capital Payments for the then current Capital Payment Period to but excluding the date of liquidation, and Additional Amounts, if any.

The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank *pari passu* with the most senior ranking preference shares, if any, and other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of the Bank. The holders of the Class B Preferred Securities will be third party beneficiaries of the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Class B Preferred Securities will have the right to elect the Independent Enforcement Director (as defined and described herein) who will be required to enforce the rights of the Company under the Support Undertaking without prejudice to the rights of the holders of the Class B Preferred Securities thereunder.

The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement.

The Bank's obligations under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 Capital Contribution Certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, and the support undertaking entered into by the Bank on July 19, 2002 in respect of the outstanding € 75,068,100 Class B Preferred Securities issued by IKB Funding LLC I, rank *pari passu* with the Bank's obligations under the Support Undertaking.

Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities

Maturity The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the holders thereof. The Company may, under certain circumstances, redeem the Class B Preferred Securities. See "Redemption".

Capital Payments . . . Capital Payments will accrue on the Liquidation Preference Amount (i) from (and including) the Issue Date to (but excluding) the Reset Date at a fixed rate of 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Capital Payment Period commencing on or after the Reset Date at a rate of 0.05 per cent. per annum above the Reference Rate for such Capital Payment Period payable semi-annually in arrears on January 29 and July 29 in each year, commencing on January 29, 2006 (each, together with the Reset Date, a "Capital Payment Date"). For the initial Capital Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 days, and for each subsequent Capital Payment Period on the basis of a 360 day year of 12 months of 30 days each divided by 360 (30/360) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Such subsequent Capital Payments will have a maximum rate of 9 per cent. per annum.

Declaration of Capital Payment . . . Capital Payments on the Class B Preferred Securities are expected to be paid out of payments with respect to interest received by the Company on the Debt Securities or Permitted Investments held by the Company from time to time.

If the Company does not declare (and is not deemed to have declared) a Capital Payment in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period.

Capital Payments on the Class B Preferred Securities are authorized to be declared and paid on any Capital Payment Date to the extent that

- (i) the Company has an amount of Operating Profits for the Capital Payment Period ending on the day immediately preceding such Capital Payment Date at least equal to the amount of such Capital Payments, and
- (ii) the Bank has an amount of Distributable Profits for the preceding fiscal year for which audited financial statements are available at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments or dividends or other distributions or payments on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

*Deemed Declaration
of Capital Payments*

Notwithstanding the foregoing, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Securities (excluding payments by subsidiaries of the Bank exclusively to the Bank). If the dividend or other payment or distribution on such Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If the dividend or other payment or distribution on such Parity Securities was only a partial payment of the amount so owing, the amounts of the Capital Payments deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on Junior Securities, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay dividends or make any other payment.

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the first two Capital Payment Dates falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions semi-annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the Capital Payment Date falling contemporaneously with or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions quarterly, the Capital Payments will be deemed declared for payment in one half the amount that would be payable at the Stated Rate in full on the first Capital Payment Date falling contemporaneously with or immediately following the date on which such dividend was declared or other payment made.

If the Bank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of the Bank and subject to certain exceptions set forth in “Description of the Company Securities – Class B Preferred Securities – Capital Payments”, the Company will be

deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the first two Capital Payment Dates following the date on which such redemption, repurchase or other acquisition occurred.

Prohibition of

Capital Payments . . . *Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the Federal Agency for Financial Services Supervision (Bundesanstalt für Finanzdienstleistungsaufsicht) (the "BaFin") (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits.*

Payments of

Additional Amounts All payments on the Class B Preferred Securities and the Trust Preferred Securities, as the case may be (including any amount payable in liquidation or repayment upon redemption thereof) will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the United States of America, Germany, the Netherlands or the jurisdiction of residence of any obligor on the Debt Securities (or any jurisdiction from which payments are made) (each, a "Relevant Jurisdiction") or any political subdivision or authority therein or thereof having the power to tax, by deduction or withholding (collectively, "Withholding Taxes"), unless such deduction or withholding is required by law. In such event, the Company or the Trust, as the case may be, will pay, as additional Capital Payments, such additional amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after such deduction or withholding, will equal the amounts that would have been received had no such deduction or withholding been required ("Additional Amounts"). However, no such Additional Amounts will be payable in respect of the Class B Preferred Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and dividends or other distributions or payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any Withholding Taxes imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from pay-

ments in respect of the Class B Preferred Securities or the Trust Preferred Securities;

- with respect to any Withholding Taxes that can be avoided if the holder or beneficial owner of Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or Trust Preferred Securities can avoid by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another Paying Agent in a member state of the European Union;
- with respect to any Withholding Taxes that would not have been imposed if the holder of the Class B Preferred Securities or Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Redemption If the Company redeems Class B Preferred Securities, the Trust must redeem a corresponding number of Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on the Initial Redemption Date and on each Capital Payment Date thereafter. The Company will also have the right, at any time prior to the Initial Redemption Date, to redeem the Class B Preferred Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a Redemption Price equal to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to but excluding the Redemption Date, plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred Securities only if it has

- (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date,
- (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed and
- (iii) obtained any required regulatory approvals. See "Description of the Company Securities – Redemption of the Class B Preferred Securities".

No redemption of any Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- the Company has sufficient funds (by reason of payments on the Debt Securities, Permitted Investments or pursuant to the Support Undertaking) to pay the Redemption Price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any;

- the Bank has an amount of Distributable Profits for the preceding fiscal year for which audited financial statements are available at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and
- no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Securities, if any).

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities. See “Description of the Trust Securities – Redemption”

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. See “Description of the Trust Securities – Redemption” for definitions of “Company Special Redemption Event” and “Trust Special Redemption Event”.

Liquidation In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation of the Company, the holder of the Class A Preferred Security will be entitled to receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution. Each holder of the Class B Preferred Securities will be entitled to receive the Liquidation Preference Amount of such Class B Preferred Securities, plus accrued and unpaid Capital Payments in respect of the current Capital Payment Period up to but excluding the date of liquidation and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Bank under the Support Undertaking. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Ranking of Trust Securities Payment of Capital Payments and other distributions and amounts on redemption of the Trust Securities will be made *pro rata* among the Trust Common Security and the Trust Preferred Securities based on the liquidation preferences thereof; provided, however, that upon the occurrence and during the continuance of a default under the Initial Debt Securities or the Support Undertaking, no payment of Capital Payments or any other distributions or amounts on redemption will be made to the holder of the Trust Common Security, unless payment in full in cash of all accumulated and unpaid Capital Payments on, and amounts on redemption of, the Trust Preferred Securities have been made or provided for, and all funds immediately available to the Property Trustee will first be applied to payment in full in cash of all Capital Payments or other amounts on redemption of, the Trust Preferred Securities then due and payable before any such funds are applied to any payment on the Trust Common Security.

*Ranking of
Company Securities*

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; provided that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66 $\frac{2}{3}$ per cent. in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the provisions of the LLC Agreement. For a description of these provisions set forth in the LLC Agreement, see "Description of the Company Securities – Mergers, Consolidations and Sales"

Further Issues

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company; provided, however, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the date of issue, the date as of which Capital Payments accrue, the issue price, and any other deviations required for compliance with law) so as to form a single series with the Class B Preferred Securities.

Enforcement Rights

If (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given, then the holders of the Class B Preferred Securities will have the right to appoint one independent member of the Board of Directors (the "Independent Enforcement Director"). Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination: (i) Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods after the initial Capital Payment Period and (ii) the Bank is in compliance with its obligations under the Support Undertaking.

*Form and
Denomination*

The Trust Preferred Securities will be issued in book-entry form only, in denominations of € 1,000 Liquidation Preference Amount and will be evi-

denced by global certificates deposited with the Common Depositary (except for special circumstances, in which definitive securities will be issued; see "Description of the Trust Securities – Transfer").

Listing Application has been made to list the Trust Preferred Securities on Euronext Amsterdam.

Clearing and Settlement Delivery of the Trust Preferred Securities will be made on or about June 29, 2004 through the facilities of Euroclear and Clearstream on the settlement date against payment in Euro in same-day funds.

Principal Paying Agent/Calculation Agent. Citibank, N. A., London ("Citibank").

Netherlands Paying Agent Citibank International plc

Clearing Codes ISIN: XS0194701487
Common Code: 019470148
Dutch Security Code (*Fonds Code*): 14826
German Security Code (*WKN*): A0BDRX

Notices For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities shall be deemed to have been given upon publication in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

Governing Law The LLC Agreement, including the terms of the Class A Preferred Security and the Class B Preferred Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Support Undertaking will be governed by German law.

Summary of the Terms of the Class A Preferred Security

Class A Preferred Security. The Class A Preferred Security is expected to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Class B Preferred Securities in full on any Capital Payment Date due to insufficient Distributable Profits of the Bank or an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits (as described above), and (ii) the Company has sufficient Operating Profits.

Summary of the Terms of the Initial Debt Securities

Maturity July 29, 2033.

Principal Amount € 400,027,000 (equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus certain amounts contributed by the IKB Group Company for the Class A Preferred Security and the Company Common Security) (as the same may be reduced by redemptions from time to time, the "Principal Amount") of an issue of subordinated notes of IKB Finance B. V. ("IKB Finance") guaranteed on a subordinated basis by the Bank.

Interest Payments . . . Interest will accrue on the Initial Debt Securities (i) from (and including) the Issue Date to (but excluding) the Reset Date at a fixed rate of at least 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Interest Payment Period commencing on or after the Reset Date at a rate of at least 0.05 per cent. per annum above the Reference Rate for such Interest Payment Period payable semi-annually in arrears on January 29 and July 29 in each year, commencing on January 29, 2006. For the initial Interest Payment Period, interest will be calculated on the basis of the actual number of days elapsed in a year of 365 days, and for each subsequent Interest Payment Period on the basis of a 360 year of 12 months of 30 days each divided by 360 (30/360) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Such subsequent interest payments will have a maximum rate of 9 per cent. per annum.

*Payment of
Additional Interest
Amounts*

Payment of interest on the Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes unless such deduction or withholding is required by law. In such event, IKB Finance (or the Bank as guarantor) will pay as additional interest such amounts ("Additional Interest Amounts") as may be necessary in order that the net amounts received by the Company, after such deduction or withholding, will equal the amounts that would have been received had no such withholding or deduction been required; provided, that the obligation of IKB Finance (or the Bank as guarantor) to pay the Additional Interest Amounts will not apply to:

- (i) with respect to any Withholding Taxes that are payable by reason of a holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- (ii) with respect to any Withholding Taxes imposed on a payment to a holder of the Initial Debt Securities and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iii) with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities;
- (iv) with respect to any Withholding Taxes that can be avoided if the holder of the Initial Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- (v) with respect to any Withholding Taxes that would not have been imposed if the holder of the Initial Debt Securities would have presented the Initial Debt Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Interest Amounts on presenting the Initial Debt Securities for payment on the last day of such period of 30 days.

Ranking The obligations under the Initial Debt Securities will constitute direct, unconditional, unsecured and subordinated obligations of IKB Finance ranking *pari passu* with all other subordinated obligations of IKB Finance. In the event of

dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, IKB Finance such obligations will be subordinated to the claims of all unsubordinated creditors of IKB Finance so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of IKB Finance respectively, shall have been satisfied in full.

Initial Guarantee The Bank will guarantee payment of the principal of and interest on the Initial Debt Securities, provided that upon liquidation of the Bank, the obligations of the Bank under the Initial Guarantee:

- (i) will be subordinated to all debt obligations of the Bank that are not subordinated;
- (ii) will rank at least *pari passu* with other subordinated debt obligations or any other instruments; and
- (iii) will be senior to all junior subordinated debt obligations and to preference shares of the Bank, if any, and the common shares of the Bank.

Redemption The Initial Debt Securities will not be redeemable prior to July 29, 2009 (the "Initial Debt Redemption Date"), except upon the occurrence of a Company Special Redemption Event (and the redemption of the Class B Preferred Securities) or in the event of the replacement of the Initial Debt Securities with Substitute Debt Securities. Except as set forth under "– Substitution" below, the Initial Debt Securities may not be redeemed for any reason unless the Company has the right to, and has given notice that it will, redeem Class B Preferred Securities in an aggregate Liquidation Preference Amount equal to the aggregate Principal Amount of Initial Debt Securities to be redeemed or, in the case of a Company Special Redemption Event, in an amount equal to the Principal Amount to be redeemed, plus accrued and unpaid interest up to but excluding the Redemption Date, and Additional Interest Amounts, if any.

Substitution At any time, the Bank will have the right to (i) substitute as obligor on the Debt Securities any office of the Bank (including the head office and any branch) or a Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities; provided, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank (if it is not itself the new obligor) guarantees on a subordinated basis, at least equal to the ranking of the Initial Guarantee, the obligations of any such majority-owned subsidiary.

Reinvestment The LLC Agreement provides that after the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in debt obligations of one or more Qualified Subsidiaries of the Bank, unconditionally guaranteed by the Bank on a subordinated basis at least equal to the ranking of the Initial Guarantee, or in U.S. Treasury securities (together, "Permitted Investments"); provided, in each case, that such investment does not result in a Company Special Redemption Event.

Governing Law The Initial Debt Securities and the Initial Guarantee will be governed by the laws of Germany.

INVESTMENT CONSIDERATIONS

An investment in the Trust Preferred Securities involves certain risks. An investor should carefully consider the following discussion, in conjunction with the other information contained in this Offering Circular, before deciding whether an investment in the Trust Preferred Securities is suitable.

Risks associated with the financial condition of the Bank and its affiliates

If the financial condition of the Bank or its affiliates were to deteriorate, then it could result in: (i) the Bank having insufficient Distributable Profits for the Company to declare and pay Capital Payments on the Class B Preferred Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from the Bank under the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Class B Preferred Securities, which, in turn, would reduce the amounts available to the Trust for periodic distributions to holders of the Trust Preferred Securities. In addition, if a voluntary or involuntary liquidation, dissolution or winding up of the Bank were to occur, holders of the Trust Securities may lose part or all of their investment.

The Company is not required to make Capital Payments

The declaration of Capital Payments by the Company on the Class B Preferred Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. Although it is the policy of the Company to distribute the full amount of Operating Profits for each Capital Payment Period as Capital Payments to the holders of the Class B Preferred Securities, the Board of Directors of the Company has discretion in declaring and making Capital Payments (except with respect to deemed declarations which are mandatory). Notwithstanding the foregoing, however, the Company will be deemed to have authorized Capital Payments on the Class B Preferred Securities under certain circumstances involving payments made in respect of Parity Securities or Junior Securities. See “Description of Company Securities – Class B Preferred Securities – Capital Payments”.

In addition, even if the Bank has sufficient Distributable Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date if on such date there is in effect an order of the BaFin or any other relevant regulatory authority prohibiting the Bank from making any distributions of profits. To the extent the Company is not permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date, this will reduce the amount available to the Trust to make Capital Payments on the Trust Preferred Securities. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments” and “Description of the Trust Securities”.

Capital Payments are noncumulative

The Capital Payments are discretionary and noncumulative. The LLC Agreement provides that it is the policy of the Company to distribute all of its Operating Profits; however, even if the Distributable Profits test has been met by the Bank, holders of the Trust Preferred Securities will have no right to receive any Capital Payments in respect of such Capital Payment Period unless the Board of Directors declares (or is deemed to have declared) Capital Payments on the Class B Preferred Securities for such Capital Payment Period. See “Description of the Company Securities – Class B Preferred Securities – Capital Payments”.

No voting rights; relationships with the Bank and its affiliates; certain conflicts of interest

The Bank will control the Company through the IKB Group Company’s power to elect a majority of the Board of Directors as holder of the Company Common Security. Generally, the Trust, to the extent that it is the holder of the Class B Preferred Securities, will have no right to vote to elect members of the Board of Directors. The only exception is that it will have the right to elect one independent mem-

ber to the Board of Directors, the Independent Enforcement Director, if: (i) the Company fails to make Capital Payments (and any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given.

Special redemption risk

Redemption upon occurrence of a Company Special Redemption Event. The Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are: changes in the tax status of the Company; Additional Amounts become applicable to payments on the Class B Preferred Securities, the Trust Securities or the Debt Securities; the Bank is not permitted to treat the Class B Preferred Securities as Tier I regulatory capital on a consolidated basis; or the Company will be considered an “investment company” within the meaning of the U.S. Investment Company Act of 1940, as amended. See “Description of the Trust Securities – Redemption”

Liquidation of the Trust upon occurrence of a Trust Special Redemption Event. If there has occurred a Tax Event or an Investment Company Act Event (in each case, as defined herein), each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Preferred Securities would receive as its liquidation distribution a corresponding number of the Class B Preferred Securities. Upon such distribution, the Class B Preferred Securities might not be listed on any securities exchange or eligible for trading through Euroclear or Clearstream, and holders of the Class B Preferred Securities and their nominees would become subject to Form K-1 and nominee reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Accordingly, the Class B Preferred Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

The Support Undertaking is not a guarantee that Capital Payments will be made

The Bank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Class B Preferred Securities. However, the Support Undertaking does not represent a guarantee (*Garantie*) from the Bank that the Company will be authorized to declare and make a Capital Payment for any Capital Payment Period. Furthermore, the obligations of the Bank under the Support Undertaking rank junior to all indebtedness of the Bank with the effect that, if the Bank (and therefore the Company) were liquidated, holders of the Trust Preferred Securities would have the right to receive, if any, payments equal to the Liquidation Preference Amount, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period to but excluding the date of liquidation, and Additional Amounts, if any, pursuant to the Support Undertaking *pari passu* with amounts payable to the holders of the most senior preference shares of the Bank. See “Description of the Support Undertaking”

No prior public market

There was no prior public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on Euronext Amsterdam. Listing is expected to occur shortly after closing. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

Regulatory restrictions on the Company's operations

Because the Company is a subsidiary of the Bank, German bank regulatory authorities could make determinations in the future with respect to the Bank that could adversely affect the Company's ability to make Capital Payments in respect of the Class B Preferred Securities. In addition, United States federal or state regulatory authorities, as well as German and European Union regulatory authorities and regulatory authorities in other countries, have regulatory authority over the Bank and/or the Bank's subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to the Bank and/or any of the Bank's subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of any of them to, among other things, make distributions to their respective securityholders, engage in transactions with affiliates, purchase or transfer assets, pay their respective obligations or make any redemption or liquidation payments to their securityholders.

CAPITALIZATION OF THE COMPANY AND THE TRUST

The following tables set forth the capitalization of the Company and the Trust, in each case as of June 25, 2004 and as adjusted to reflect the consummation of the sale of € 400,000,000 Trust Preferred Securities and the use of the proceeds therefrom as described under "Use of Proceeds."

Capitalization of the Company

	June 25, 2004	
	Actual	As Adjusted
	(Euro in thousands)	
Debt		
Total long-term debt	0	0
Securityholders' Equity		
Class B Preferred Securities; none issued and outstanding, actual; and 400,001 Class B Preferred Securities authorized, 400,001 Class B Preferred Securities issued and outstanding, as adjusted	0	400,001
Class A Preferred Securities; none issued and outstanding, actual; and 1 Class A Preferred Security authorized, 1 Class A Preferred Security issued and outstanding, as adjusted	0	1
Company Common Security, none issued and outstanding, actual; and 1 Company Common Security authorized, 1 Company Common Security issued and outstanding, as adjusted	0	50
Total securityholders' interests	0	400,052
Total Capitalization (1)	0	400,052

(1) There has been no material change in the capitalization of the LLC since its formation, except as disclosed in the above table.

Capitalization of the Trust

	June 25, 2004	
	Actual	As Adjusted
	(Euro in thousands)	
Debt		
Total debt	0	0
Securityholders' Interests		
Trust Preferred Securities; none issued and outstanding, actual; and 400,000 securities authorized, 400,000 securities issued and outstanding; as adjusted	0	400,000
Trust Common Security; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common Security issued and outstanding, as adjusted	0	1
Total securityholders' interests	0	400,001
Total Capitalization (2)	0	400,001

(2) There has been no material change in the capitalization of the Trust since its creation, except as disclosed in the above table.

IKB FUNDING TRUST II

The Trust is a statutory trust formed under the Trust Act, pursuant to the trust agreement executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on June 7, 2004. Such trust agreement will be amended and restated in its entirety prior to the issuance of the Trust Preferred Securities to reflect the terms of the Trust Preferred Securities (as so amended and restated, the "Trust Agreement"). The Trust Common Security will rank *pari passu*, and payments thereon will be made *pro rata*, with the Trust Preferred Securities, except that in liquidation and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security"; the rights of the holder of such Trust Common Security to periodic distributions and to payments and distributions upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of such Trust Preferred Securities.

The Trust will use the proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists for the sole purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the Class B Preferred Securities, (ii) investing the proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities in consideration for an equal number of additional Trust Preferred Securities.

Pursuant to the Trust Agreement, there will be five trustees (the "Trustees") of the Trust. Three of the Trustees will be individuals who are employees or officers of the Servicer (the "Regular Trustees"). The fourth Trustee, the Property Trustee, will be a financial institution that is unaffiliated with the Bank. The fifth Trustee will be the "Delaware Trustee." Initially, The Bank of New York will act as Property Trustee, and The Bank of New York (Delaware), a Delaware banking corporation, will act as Delaware Trustee, until, in each case, removed or replaced by the holder of the Trust Common Security.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of the Property Account to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities. The IKB Group Company, as the holder of the Trust Common Security, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, provided that at least one Trustee will be the Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be a Regular Trustee.

For so long as the Trust Preferred Securities remain outstanding, the Bank will covenant (i) that the Trust Common Security will be held by the Bank or by any one or more subsidiaries of the Bank, (ii) to cause the Trust to remain a business trust and not to voluntarily dissolve, wind up, liquidate or be terminated, except as permitted by the Trust Agreement and (iii) to use its commercially reasonable efforts to ensure that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See "Description of the Trust Securities".

Under the services agreement among the Trust, the Company and the Servicer (the "Services Agreement"), the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

IKB Funding Trust II is not currently the subject of any legal proceedings, which might have an impact on the financial situation for the future.

The initial Regular Trustees will be John M. Beeson, Jr., David A. Vanaskey, Jr., and Rosemary Kenard. The address of all Regular Trustees is the principal executive office of the Trust, IKB Funding Trust II, 1100 N. Market Street, Wilmington, Delaware 19890.

The location of the offices of the Property Trustee is 101 Barclay Street, Floor 21 West, New York, New York 10286. The location of the offices of the Delaware Trustee is The Bank of New York (Delaware), 502 White Clay Center, Route 273, Newark, Delaware 19711.

IKB FUNDING LLC II

The Company is a limited liability company that was formed under the LLC Act on May 19, 2004 pursuant to an initial limited liability company agreement (as subsequently amended and restated, the "LLC Agreement") and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100 per cent. of the issued and outstanding Class B Preferred Securities. An IKB Group Company will hold the issued and outstanding Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (acting directly or through a branch) or a Qualified Subsidiary in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

For so long as the Class B Preferred Securities remain outstanding, the LLC Agreement provides that: (i) the Company will remain a limited liability company and, to the fullest extent permitted by law, will not voluntarily or involuntarily liquidate, dissolve, wind up or be terminated, except as permitted by the LLC Agreement; (ii) the Bank and the Company will use their commercially reasonable efforts to ensure that the Company will not be an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes; (iii) the Bank undertakes that the Bank or one or more Qualified Subsidiaries (as defined herein) of the Bank will maintain sole ownership of the Company Common Security and the Class A Preferred Security; and (iv) the Bank or a Qualified Subsidiary may transfer the Company Common Security or the Class A Preferred Security only to the Bank or other Qualified Subsidiaries, provided that prior to such transfer it has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that: (A) the Company will continue to be treated as a partnership, and not as an association or publicly traded partnership taxable as a corporation, for United States federal income tax purposes, (B) such transfer will not cause the Company to be required to register under the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the Class B Preferred Securities.

"Qualified Subsidiary" means a subsidiary that is consolidated with the Bank for German bank regulatory purposes of which more than 50 per cent. of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) and of which more than 50 per cent. of the outstanding capital stock or other equity interest is, at the time, beneficially owned or controlled directly or indirectly by the Bank, which subsidiary meets the definition of "a company controlled by its parent company" as defined in Rule 3a-5 under the 1940 Act.

The rights of the holders of the Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See “Description of the Company Securities – Class B Preferred Securities”.

The Company’s business and affairs will be conducted by its Board of Directors, which initially will consist of four members, elected by the IKB Group Company as initial holder of the Company Common Security. However, in the event that:

- the Company fails to pay Capital Payments (including any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods; or
- a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of the Class B Preferred Securities will have the right to appoint the Independent Enforcement Director. The Independent Enforcement Director’s term will end if, in such Independent Enforcement Director’s sole determination, Capital Payments have been made on the Class B Preferred Securities at the Stated Rate in full for two consecutive Capital Payment Periods after the initial Capital Payment Period and the Bank is in compliance with its obligations under the Support Undertaking.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66⅔ per cent. in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities, or (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under “Description of the Company Securities – Mergers, Consolidations and Sales”.

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company, provided, however, that the Company may, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will select for purchase Permitted Investments in the following order of priority and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments, any Additional Amounts and the Redemption Price of the Class B Preferred Securities:

- first, debt obligations of one or more Qualified Subsidiaries of the Bank, unconditionally guaranteed by the Bank on a subordinated basis that ranks at least *pari passu* with the Initial Debt Securities, or
- second, in the event such an investment is not available, in United States Treasury securities.

The Company will also enter into the Services Agreement with the Trust and the Servicer, under which the Servicer will be obligated, among other things, to provide tax and other administrative services to the Company and the Trust. The fees and expenses of the Trust and the Company, includ-

ing any taxes, duties, assessments or governmental charges of whatever nature (other than Withholding Taxes) imposed by Germany, the United States of America or any other taxing authority upon the Company or the Trust, the fees and expenses of the Servicer, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Bank pursuant to Services Agreement. See "Description of the Services Agreement"

The holders of the Class B Preferred Securities are third-party beneficiaries of the Support Undertaking between the Bank and the Company. See "Description of the Support Undertaking"

IKB Funding LLC II is not currently the subject of any legal proceedings, which might have an impact on the Company's financial position.

The initial directors of the Company will be William R. Bockstein, Thomas M. Straus, Sean A. Breiner and William K. Langden. The initial officers of the Company will be William R. Bockstein, President, Thomas M. Straus, Vice President, Sean A. Breiner, Treasurer and William K. Langden, Secretary. The location of the principal executive offices of the Company is IKB Funding LLC II, 1105 N. Market Street, Suite 1300, Wilmington, Delaware 19801.

USE OF PROCEEDS

The gross proceeds from the sale of the Trust Securities will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by the IKB Group Company in return for the Class A Preferred Security and the Company Common Security, to make an investment in the Initial Debt Securities. IKB Finance intends to use the gross proceeds from the sale of the Initial Debt Securities for its general corporate purposes, including on-lending to affiliates. The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital. The Company will pay certain commissions to the Lead Manager and reimburse the Lead Manager for certain expenses in connection with the Offering. See "General Information – Subscription and Sale". The net proceeds of the issue which will be available to the IKB Group are expected to amount to approximately € 388,000,000.

TIER I CAPITAL AND CAPITAL ADEQUACY

The Bank expects to treat the Class B Preferred Securities as consolidated Tier I regulatory capital for purposes of measuring regulatory capital adequacy.

Regulatory capital adequacy is monitored by the IKB Group on the basis of the guidelines set forth by directives of the Bank for International Settlements (the "BIS") and of the European Council, as implemented by the German Banking Act (*Kreditwesengesetz*) and the principles on regulatory banking capital issued thereunder.

The BIS capital ratio is the principal measure of capital adequacy for international banks. Both the BIS capital ratio and the capital ratios under the German Banking Act (*Kreditwesengesetz*) compare a bank's regulatory capital with its counterparty and market risk. Counterparty risk is measured by assets and off-balance sheet exposures weighted according to broad categories of relative credit risk. The counterparty risk of derivatives is marked to market daily. The IKB Group's market risk is a multiple of its value-at-risk figure, which may be calculated for regulatory purposes based on the IKB Group's internal model.

A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital, hybrid Tier I capital and reserves; supplementary or Tier II capital consists primarily of participatory capital, long-term subordinated liabilities and revaluation reserves for listed securities, and Tier III capital is made up mainly of short-term, subordinated liabilities. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8 per cent. of the risk position, and the minimum BIS core (Tier I) capital ratio is 4 per cent. of the risk position. Under the BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50 per cent. of Tier I capital and total Tier II capital is limited to 100 per cent. of Tier I capital.

DISTRIBUTABLE PROFITS OF THE BANK

The Company's authority to declare Capital Payments on the Class B Preferred Securities for any Capital Payment Period depends, among other things, on the Distributable Profits of the Bank for the preceding fiscal years. For the definition of Distributable Profits, see "Prospectus Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Declaration of Capital Payments". Distributable Profits are determined on the basis of the Bank's audited unconsolidated financial statements prepared, as required by the German Stock Corporation Act (*Aktiengesetz*), in accordance with accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

Distributable Profits in respect of any preceding fiscal years includes, in addition to annual profit (*Bilanzgewinn*), transfers made by the Bank, in its discretion, of amounts carried on its balance sheet as Other Revenue Reserves. In addition, in determining Distributable Profits for any fiscal year, the amounts shown below as Additional Paid-in Capital and Legal Reserve available to offset a loss may be transferred in the Bank's discretion to offset any losses which may be incurred by the Bank; such amounts may not otherwise be used to make Capital Payments.

The following table sets forth, as of March 31, 2003, 2002, and 2001, the items derived from the bank's audited unconsolidated balance sheet that affect the calculation of the Bank's Distributable Profits:

	Fiscal Year Ended March 31		
	2003	2002	2001
	(Euro in millions)		
Annual Profit After Allocations to Retained Earnings (<i>Bilanzgewinn</i>)	67.8	67.8	67.8
Other Revenue Reserves	344.8	302.2	273.4
Additional Paid-in Capital and Legal Reserve available to offset a loss (i.e. special items for general banking risks pursuant to § 340g of the <i>Handelsgesetzbuch</i>)	80.0	80.0	80.0

The Bank has achieved Distributable Profits in respect of each of its past 52 fiscal years.

The Bank paid total dividends on its ordinary shares of € 67.8 million in respect of each of the years ended March 31, 2003, 2002 and 2001.

DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary sets forth the material terms and provisions of the Trust Securities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Trust Agreement and the Trust Act. See “– Form, Book-Entry Procedures and Transfer”.

General

The Trust Securities will be issued in fully registered form without coupons. The Trust Securities will not be issued in bearer form.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the assets of the Trust (the Class B Preferred Securities). Title to the Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders and beneficial owners of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Class B Preferred Securities, issue any securities other than the Trust Securities or incur any indebtedness, provided that, as the Company may, from time to time and without the consent of the Trust as the holder of the Class B Preferred Securities, issue additional Class B Preferred Securities having substantially the same terms as the Class B Preferred Securities so as to form a single series with the Class B Preferred Securities (or in all respects except for the issue date, the date as of which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law, the Trust, accordingly, may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date as of which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for receipt of additional Class B Preferred Securities equal to the aggregate liquidation preference amount of such Trust preferred Securities.

Capital Payments

Capital Payments will accrue on the Liquidation Preference Amount (i) from (and including) the Issue Date to (but excluding) the Reset Date at a fixed rate of 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Capital Payment Period commencing on or after the Reset Date at a rate of 0.05 per cent. per annum above the Reference Rate payable semi-annually in arrears on the Capital Payment Dates in each year, commencing on January 29, 2006. For the initial Capital Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 days, and for each subsequent Capital Payment Period on the basis of a 360 day year of 12 months of 30 days each divided by 360 (30/360) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Such subsequent Capital Payments will have a maximum rate of 9 per cent. per annum.

“Capital Payments” means the periodic distributions on the Trust Preferred Securities and the Class B Preferred Securities.

“Capital Payment Period” means the period from and including a Capital Payment Date (or, in the case of the first Capital Payment Date, the Issue Date) to but excluding the next succeeding Capital Payment Date.

“Reference Rate” means in respect of any Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities) commencing on or after July 29, 2005, “EUR-ISDA-EURIBOR Swap Rate – 11:00” (the annual Euro swap rate expressed as a percentage for swap transactions with a 10-year maturity (the “Designated Maturity”)), which appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and above the caption “11:00 AM C.E.T.” (or such other page

or service as may replace it for the purposes of such rate) (the "Relevant Screen Page") as of 11:00 a. m., Central European time on the relevant Determination Date.

In the event that the foregoing rate does not appear on the Relevant Screen Page on any Determination Date, the Reference Rate for the relevant Capital Payment Period (and Interest Payment Period) will be the "EUR-Annual Swap Rate – Reference Banks" on such Determination Date. "EUR-Annual Swap Rate – Reference Banks" means that rate expressed as a percentage determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the interbank market (the "Reference Banks") to the Calculation Agent at approximately 11:00 a. m., Central European time, on the Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of such Capital Payment Period (or Interest Payment Period) and in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, would be a rate equal to "EUR-ISDA-EURIBOR Swap Rate – 11:00"; "EUR-EURIBOR-Telorate"; with a maturity of six months. If at least three quotations are provided, the Reference Rate for that Capital Payment Period (or Interest Payment Period) will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If any Capital Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof.

"Business Day" means a day (other than Saturday or Sunday) on which all relevant parts of TARGET are operational.

Capital Payments on the Trust Securities are expected to be paid out of Capital Payments received by the Trust with respect to the Class B Preferred Securities. See "Description of the Company Securities – Class B Preferred Securities – Capital Payments": If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to be declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period. In such a case, no Capital Payments will be made on the Trust Securities in respect of such Capital Payment Period.

Each declared Capital Payment will be payable to the holders of record of the Trust Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The record dates for the Trust Securities will be (i) so long as the Trust Securities remain in book-entry form, one Business Day prior to the relevant Capital Payment Date, and (ii) in all other cases, the 15th day of the month in which the relevant Capital Payment Date occurs.

Such Capital Payments will be paid through the Property Trustee who will hold amounts received in respect of the Class B Preferred Securities in the Property Account for the benefit of the holders of the Trust Securities, subject to any applicable laws and regulations and the provisions of the Trust Agreement.

The right of the holders of the Trust Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Capital Payment Period, the holders will have no right to receive a Capital Payment in respect of such Capital Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Capital Payment Period, whether or not Capital Payments are paid in respect of any future Capital Payment Period.

Except as described under “– Subordination of Trust Common Security” below, all Capital Payments and other payments to holders of the Trust Securities will be distributed among holders of record *pro rata*, based on the proportion that the aggregate Liquidation Preference Amount of the Trust Securities held by each holder bears to the aggregate Liquidation Preference Amount of all Trust Securities.

Payments of Additional Amounts

All payments on the Trust Preferred Securities by the Trust (including any amount payable in liquidation or upon redemption thereof) will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities will equal the amounts that otherwise would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Class B Preferred Securities because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of the Capital Payments on the Class B Preferred Securities and dividends or other distributions or payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Trust Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Trust Securities;
- with respect to any Withholding Taxes imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities;
- with respect to any Withholding Taxes that can be avoided if the holder or beneficial owner of Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or Trust Preferred Securities can avoid by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another Paying Agent in a member state of the European Union;
- with respect to any Withholding Taxes that would not have been imposed if the holder of the Class B Preferred Securities or Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Enforcement Events

The occurrence, at any time, of (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full, for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities

(an "Enforcement Event"); provided, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement. In the case of non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities referred to in clause (i) above or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Class B Preferred Securities, holders of the Trust Preferred Securities will have the right to appoint the Independent Enforcement Director. See "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights".

Upon the occurrence of an Enforcement Event, the Property Trustee will have the right to enforce the rights of the holders of the Class B Preferred Securities, including: (i) claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) on the Class B Preferred Securities; (ii) appointment of the Independent Enforcement Director (to the extent that such Enforcement Event results from non-payment of Capital Payments on the Class B Preferred Securities for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Class B Preferred Securities); and (iii) assertion of the rights under the Support Undertaking as it relates thereto.

If the Property Trustee fails to enforce its rights under the Class B Preferred Securities after a holder of the Trust Preferred Securities has made a written request, such holder of record of the Trust Preferred Securities may directly institute a legal proceeding against the Company to enforce the Property Trustee's rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

Redemption

If the Company redeems Class B Preferred Securities, the Trust must redeem a corresponding number of Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on any Capital Payment Date falling on or after the Initial Redemption Date.

The Company will also have the right at any time prior to the Initial Redemption Date to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a Redemption Price equal to the liquidation preference amount of the Class B Preferred Securities being redeemed plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to but excluding the Redemption Date, plus Additional Amounts, if any.

The Company may exercise its right to redeem the Class B Preferred Securities only if it has (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date, (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the aggregate Liquidation Preference Amount of the Class B Preferred Securities being redeemed and (iii) obtained any required regulatory approvals.

The Trust Agreement will provide that the Property Trustee will promptly give notice to the holders of the Trust Securities of the Company's intention to redeem the Class B Preferred Securities on the Redemption Date. Notice of any redemption shall be given to holders of the Trust Preferred Securities in the manner described below under "– Notices".

“Company Special Redemption Event” means (i) a Regulatory Event, (ii) a Tax Event with respect to the Company or (iii) an Investment Company Act Event with respect to the Company. The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. Upon any redemption of the Class B Preferred Securities, the proceeds of such redemption will simultaneously be applied to redeem a corresponding amount of the Trust Securities. Any Class B Preferred Securities or Trust Securities that are redeemed will be canceled, and not reissued, following their redemption.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but the holder of the Trust Common Security will agree that its rights under the Class B Preferred Securities will be subordinated to rights of the other holders of the Class B Preferred Securities.

If, at any time, a Trust Special Redemption Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of such Trust Special Redemption Event, dissolve the Trust upon not less than 30 nor more than 60 days’ notice to the holders of the Trust Securities and upon not less than 30 nor more than 60 days’ notice to, and consultation with the Paying Agent, Registrar, Property Trustee and Euroclear and Clearstream, with the result that, after satisfaction of the claims of creditors of the Trust, if any, Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Preferred Securities and the holder of the Trust Common Security in liquidation of such holders’ interest in the Trust, provided, however, that, if, at such time, the Trust has the opportunity to eliminate, within such 90-day period, the Trust Special Redemption Event by taking some ministerial action, such as filing a form or making an election, or some other similar reasonable measures, which in the sole judgment of the Bank will cause no adverse effect on the Company, the Trust, the Bank or the holders of the Trust Securities and will involve no material costs, then the Trust will pursue any such measure in lieu of dissolution.

“Trust Special Redemption Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

“Tax Event” means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body (an “Administrative Action”) or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or obligor on the Debt Securities would be obligated to pay Additional Amounts or Additional Interest Amounts.

“Regulatory Event” means that the Bank determines that it may not treat the Class B Preferred Securities as core capital or Tier 1 regulatory capital for capital adequacy purposes on a consolidated basis.

An “Investment Company Act Event” means the Bank has received an opinion of a nationally recognized U. S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an “investment company” within the meaning of the 1940 Act as a result of any judicial decision, pronouncement or interpretation (irre-

spective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the Issue Date.

On the date fixed for any distribution of the Class B Preferred Securities, upon dissolution of the Trust, (i) the Trust Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent the Class B Preferred Securities having a Liquidation Preference Amount equal to the Liquidation Preference Amount of the Trust Preferred Securities and the Liquidation Preference Amount of the Trust Common Security until such certificates are presented to the Company or its agent for transfer or reissuance.

If the Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the Class B Preferred Securities (i) to be eligible for clearing and settlement through Euroclear or Clearstream or a successor clearing agent and (ii) to be listed on Euronext Amsterdam or other securities exchange or other organization on which the Trust Preferred Securities are then listed.

Redemption Procedures

On the date specified for redemption of any Trust Preferred Securities in a notice of redemption issued by the Trust in respect of any Trust Securities (which notice will be irrevocable and given at least 30 calendar days prior to the Redemption Date), if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Class B Preferred Securities, then, by 9:00 a. m., Central European time, on the date specified for redemption, the Trust will irrevocably deposit with the Paying Agent funds sufficient to pay the amount payable on redemption of the Trust Preferred Securities called for redemption. If notice of redemption will have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the redemption price, but without interest on such redemption price. In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities will be redeemed *pro rata* in accordance with the procedures of Euroclear and Clearstream.

Purchases of the Trust Preferred Securities

Subject to applicable law (including, without limitation, applicable securities laws and the regulations of any stock exchange and the BaFin), the Bank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the secondary market or by private agreement.

Subordination of the Trust Common Security

Payment of Capital Payments and other distributions on, and amounts on redemption of, the Trust Securities will generally be made *pro rata* based on the Liquidation Preference Amount of the Trust Securities. However, upon the liquidation of the Trust and during the continuance of a default under the Debt Securities or a failure by the Bank to perform any obligation under the Support Undertaking, holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to payments of Capital Payments and other distributions and amounts upon redemption or liquidation of the Trust.

In the case of any Enforcement Event, the holder of the Trust Common Security will be deemed to have waived any such Enforcement Event until all such Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Trust Preferred Securities and not on

behalf of the holder of the Trust Common Security, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Liquidation Distribution upon Dissolution

Pursuant to the Trust Agreement, the Trust will dissolve (i) upon the bankruptcy, insolvency or dissolution of the Bank, (ii) upon the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to dissolve the Trust, (iii) upon the distribution of all of the Class B Preferred Securities upon the occurrence of a Trust Special Redemption Event, (iv) upon the entry of a decree of a judicial dissolution of the Company or the Trust, or (v) upon the redemption of all of the Trust Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive, after payment of Trust liabilities, a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Voting and Enforcement Rights

Except as expressly required by applicable law, or except as provided for in the Trust Agreement or the LLC Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, and to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Class B Preferred Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the Class B Preferred Securities, and (ii) consent to any amendment, modification or termination of the LLC Agreement or the Class B Preferred Securities where such consent will be required; provided, however, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Securities outstanding which is at least equal to the percentage of the Class B Preferred Securities required to so consent or act under the LLC Agreement, may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights." Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee will be under no obligation to take any of the actions described in clause (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U. S. federal income tax purposes and that after such action each holder of the Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Class B Preferred Securities.

Any required approval or direction of holders of the Trust Preferred Securities may be given at a separate meeting of holders of the Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of the Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of the Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be made in the manner described below under "– Notices". Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken;

(ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Class B Preferred Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, will not be entitled to vote or consent and will, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for the Trust Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with trading or market-making activities in connection with such Trust Preferred Securities in the ordinary course of business; provided, however, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities pursuant to the terms of such pledge.

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the IKB Group Company, as the holder of the Trust Common Security.

Merger, Consolidation or Amalgamation of the Trust

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States of America; *provided, that:*

- (i) if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust to the holders of the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Preferred Securities (the "Successor Securities") and the Trust Common Security, so long as the Successor Securities rank the same as the Trust Preferred Securities with respect to Capital Payments, distributions and rights upon liquidation, redemption or otherwise,
- (ii) the Company expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Class B Preferred Securities,
- (iii) the Successor Securities are listed or any Successor Securities will be listed upon notification of issuance, on any securities exchange or any other organization on which the Trust Preferred Securities are then listed or quoted.
- (iv) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including the Successor Securities) to be downgraded by any statistical rating organization nationally recognized in the United States of America,
- (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect,
- (vi) such successor entity has purposes substantially identical to that of the Trust;
- (vii) the obligations of the Bank pursuant to the Support Undertaking will continue in full force and effect, and
- (viii) prior to such merger, consolidation, amalgamation or replacement, the Bank has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities

rities (including the Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register under the 1940 Act, (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor trust) will be classified as a grantor trust for U.S. federal income tax purposes and (D) following such merger, consolidation, amalgamation or replacement, the Company will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. Notwithstanding the foregoing, the Trust will not, except with the consent of holders of 100 per cent. of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank and its affiliates), consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes.

Modification of the Trust Agreement

The Trust Agreement may only be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), provided, that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least a majority of the outstanding Trust Securities affected thereby (excluding Trust Securities held by the Bank and its affiliates); provided, further that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Security, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of a majority of such class of the Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of the Bank, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder, (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; provided, that, no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or (vi) accomplish the issuance, from time to time and without the consent of the holders of the Trust Preferred Securities, of additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Trust Preferred Securities, the issue price and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities in consideration for the receipt of Class B Preferred Securities equal to the aggregate liquidation preference amount of such additional Trust Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee or (iv) cause the Trust or the Company to be required to register under the 1940 Act.

Form, Clearing and Settlement; Certifications by Holders

The Trust Preferred Securities will be issued in fully registered form without coupons, in denominations of € 1,000.

The Trust Preferred Securities will be initially evidenced by a Temporary Global Certificate, in fully registered form, interests in which will be exchangeable for interests in the Permanent Global Certificate, in fully registered form, upon the 40th day after the later of the closing date and the completion of the distribution of the Trust Preferred Securities (the "Restricted Period"). The Global Certificates will be deposited upon issuance with, and registered in the name of, a nominee for the Common Depository for Clearstream and Euroclear. Definitive certificates representing individual Trust Preferred Securities and coupons shall not be issued. Copies of the Temporary Global Certificate and the Permanent Global Certificate are available free of charge at the specified offices of the Paying Agents. Beneficial interests in the Global Certificates may not be exchanged for Trust Preferred Securities in certificated form except as set forth below.

On or after the expiration of the Restricted Period, a certificate must be provided by or on behalf of each holder of a beneficial interest in a Temporary Global Certificate to the Paying Agent, certifying that the beneficial owner of the interest in such Temporary Global Certificate is not a U.S. Person. Unless such certificate is provided, (i) the holder of such beneficial interest will not receive any payments of Capital Payments, redemption price or any other payment with respect to such holder's beneficial interest in the Temporary Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a Permanent Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended. In the event that any holder of a beneficial interest in such Temporary Global Certificate fails to provide such certification, exchanges of interests in the Temporary Global Certificate for interests in the Permanent Global Certificate and settlements of trades of all beneficial interests in such Temporary Global Certificate may be temporarily suspended.

Transfer

Beneficial interests in the Trust Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Euroclear and Clearstream and their respective participants and, except in the limited circumstances described below, Trust Preferred Securities in certificated form will not be issued. Holders of beneficial interests in the Global Certificates must rely upon the procedures of Euroclear and Clearstream and (if applicable) their respective participants to exercise any rights of a holder under the Global Certificates. Transfers and payments in respect of the Trust Preferred Securities may be effected through the Paying Agent subject to the terms of the Trust Preferred Securities and the operating procedures of Euroclear and Clearstream. In the case of transfers between Clearstream participants, between Euroclear participants and between Clearstream participants on the one hand and Euroclear participants on the other hand shall be effected in accordance with procedures established for these purposes by Clearstream and Euroclear, respectively. None of the Bank, the Company and the Trust will have any responsibility or liability for any aspect of the records relating to the payments made on account of beneficial interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

A Permanent Global Certificate will cease to represent the Trust Preferred Securities, and Trust Preferred Securities in definitive registered form will be exchangeable therefor only if (i) the Common Depository notifies the Company that it is unwilling or unable to continue as depository for such Permanent Global Certificate and no successor depository shall have been appointed or (ii) the Company determines in its sole discretion that such Permanent Global Certificate shall be so exchangeable. Such definitive Trust Preferred Securities will be in denominations of € 1,000 and will be registered in such names as Euroclear and Clearstream shall direct and payments with respect thereto will be made at the offices described below. In addition, in all cases where the Trust Preferred Securities are issued in definitive form, the record dates for Capital Payments thereon will be 15 days prior to the relevant Payment Date (whether or not such date is a Business Day). Except as set forth in this paragraph, no definitive securities will be issued.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

Payment

Payments in respect of the Trust Preferred Securities will be made to the nominee of the Common Depository as the registered holder of the Global Certificate representing the Trust Preferred Securities. Payments made to the nominee of the Common Depository shall be made by wire transfer, and Euroclear or Clearstream, as applicable, will credit the relevant accounts of their participants on the applicable dates.

All payments on the Trust Preferred Securities by the Trust, and any amount payable in liquidation or upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order for the net amounts received by holders of the Trust Preferred Securities to equal the amounts that otherwise would have been received has no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Preferred securities under certain circumstances described in “– Payment of Additional Amounts”.

Registrar, Transfer Agent and Paying Agent

Citibank will act as registrar and principal transfer agent (the “Transfer Agent”) and principal paying agent (the “Paying Agent”). Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Transfer Agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Trust Preferred Securities have been called for redemption, the Transfer Agent will not be required to register or cause to be registered the transfer of the Trust Preferred Securities.

For as long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of Euronext Amsterdam so require, the Trust will maintain a paying agent in the Netherlands (the “Netherlands Paying Agent”). The initial paying agent in the Netherlands will be Citibank International plc.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of any Enforcement Event, and after the curing or waiver of all Enforcement Events that may have occurred, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, will exercise the same degree of care as a prudent person would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of the Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following an Enforcement Event.

Notices

All notices or communications to a holder of the Trust Preferred Securities will be delivered, telecopied or mailed by first-class, registered or certified mail to such holder’s address as shown on the books and records of the Trust.

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities shall be deemed to have been given upon publication in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

Governing law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

Miscellaneous

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act and will not be characterized as other than a grantor trust for United States federal income tax purposes.

DESCRIPTION OF THE COMPANY SECURITIES

The following summary sets forth the material terms and provisions of the limited liability company interests of the Company, including the Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.

Upon the execution of the LLC Agreement, the Company will issue limited liability company interests consisting of the Company Common Security, the Class A Preferred Security and the Class B Preferred Securities. The Company Common Security and the Class A Preferred Security will each be owned directly by an IKB Group Company. All of the Class B Preferred Securities will be owned by the Trust. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Company Common Security

Subject to the rights of the holders of the Class B Preferred Securities to appoint the Independent Enforcement Director, all voting rights are vested in the Company Common Security. The Company Common Security is entitled to one vote per security. The Company Common Security, upon consummation of the Offering, will be held by an IKB Group Company.

Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Capital Payment Period have been declared and paid. The Company does not expect to pay dividends on the Company Common Security.

In the event of the voluntary or involuntary liquidation, dissolution, termination or winding up of the Company, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Preferred Securities the full preferential amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to share equally and *pro rata* in any remaining assets.

Class A Preferred Security

The Class A Preferred Security of the Company will be non-voting. Capital payments on the Class A Preferred Security will be payable when, as and if declared by the Board of Directors; such a declaration will occur only to the extent the Board of Directors does not declare Capital Payments on the Class B Preferred Securities at the Stated Rate in full on any Capital Payment Date. It is expected that the holder of the Class A Preferred Security will receive capital payments only to the extent that

- (i) Capital Payments are not permitted to be declared on the Class B Preferred Securities on any Capital Payment Date at the Stated Rate in full due to insufficient Distributable Profits of the Bank for the fiscal year preceding such Capital Payment Period or an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits, and
- (ii) the Company has sufficient Operating Profits. The Company currently does not intend to pay capital payments on the Class A Preferred Security. The payment of capital payments on the Class A Preferred Security is not a condition to the payment of Capital Payments on the Class B Preferred Securities.

In the event of any voluntary or involuntary liquidation, dissolution or winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; provided, that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. Accordingly, upon any liquidation, the holder of the Class A Preferred Security will be entitled to receive a liquidation distribution of the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon). In the event of the

liquidation of the Company, the Independent Enforcement Director will enforce the Support Undertaking solely for the benefit of the holders of the Class B Preferred Securities and, with respect to the Company's rights under the Support Undertaking, the Class B Preferred Securities will rank senior to the Class A Preferred Security and payments thereunder will be distributed by the Company solely to the holders of the Class B Preferred Securities. For a description of the circumstances under which an Independent Enforcement Director may be elected, see "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights".

Class B Preferred Securities

General

When issued, the Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the Company. The Class B Preferred Securities will not have any scheduled maturity date, will not be redeemable at any time at the option of the holders thereof, will not be convertible into any other securities of the Company and will not be subject to any sinking fund or other obligation of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), from issuing any debt securities or any further class or series of equity securities ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights upon liquidation or dissolution of the Company, provided, however, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date as of which Capital Payments accrue on the Class B Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate liquidation preference amount of such additional Class B Preferred Securities.

Capital Payments

Capital Payments will accrue on the Liquidation Preference Amount (i) from (and including) the Issue Date to (but excluding) the Reset Date at a fixed rate of 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Capital Payment Period commencing on or after the Reset Date at a rate of 0.05 per cent. per annum above the Reference Rate for such Capital Payment Period payable semi-annually in arrears on the Capital Payment Dates in each year, commencing on January 29, 2006. For the initial Capital Payment Period, Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 365 days and for each subsequent Capital Payment Period on the basis of a 360 day year of 12 months of 30 days each divided by 360 (30/360) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Such subsequent Capital Payments will have a maximum rate of 9 per cent. per annum.

If any Capital Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day without adjustment, interest or further payment as a result thereof.

Capital Payments on the Class B Preferred Securities are expected to be paid out the Company's Operating profits or from payments received under the Support Undertaking. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Capital Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Capital Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Capital Payment Period.

Capital Payments on the Class B Preferred Securities will only be authorized to be declared and paid on any Capital Payment Date to the extent that

- (i) the Company has an amount of Operating Profits for the Capital Payment Period ending on the day immediately preceding such Capital Payment Date at least equal to the amount of such Capital Payments, and
- (ii) the Bank has an amount of Distributable Profits for the preceding fiscal year for which audited financial statements are available at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments or dividends on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

Notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Securities (excluding payments by subsidiaries of the Bank exclusively to the Bank), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities on the first Capital Payment Date falling contemporaneously with or immediately after the date on which such dividend was declared or other payment or distribution was made. If the dividend or other payment or distribution on Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Capital Payment Date, Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Capital Payment Date. If the dividend or other payment or distribution on Parity Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on Junior Securities ("Junior Distributions"), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities in amounts that vary according to how often the relevant Junior Securities pay dividends or make any other payment.

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the first two Capital Payment Dates falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions semi-annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the Capital Payment Date following contemporaneously with or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions quarterly, the Capital Payments will be deemed declared for payment in one half the amount that would be payable at the Stated Rate in full on the first Capital Payment Date falling contemporaneously with or immediately following the date on which such dividend was declared or other payment made.

If the Bank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of the Bank and subject to certain exceptions set forth in this section, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the first two Capital Payment Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Capital Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the BaFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution of profits. The Company will have no obligation to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company, insufficient Distributable Profits of the Bank or an order of the BaFin.

In determining the availability of sufficient Distributable Profits of the Bank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital

Payments already paid on the Class B Preferred Securities and any capital payments or dividends already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits. Each Capital Payment declared (or deemed to be declared) on the Class B Preferred Securities will be payable to the holders of record as they appear on the securities register of the Company at the close of business on the corresponding record date. The record dates for the Class B Preferred Securities will be:

- for those Class B Preferred Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Class B Preferred Securities held in book-entry form, one Business Day prior to the relevant Capital Payment Date, and
- in all other cases, the 15th day of the month in which the relevant Capital Payment Date occurs.

Payments of Additional Amounts

All payments on the Class B Preferred Securities (including any amount payable in liquidation and any repayment upon redemption thereof) will be made without any deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. The Company will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after any deduction or withholding for or on account of Withholding Taxes, will equal the amounts that would otherwise have been received in respect of the Class B Preferred Securities and the Trust Preferred Securities, respectively, in the absence of such withholding or deduction. No such Additional Amounts, however, will be payable in respect of the Class B Preferred Securities: (i) if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and any payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable); (ii) with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with the Relevant Jurisdiction other than by reason only of the mere holding of the Trust Preferred Securities; (iii) with respect to any Withholding Taxes imposed on a payment to an individual and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; (iv) with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Securities or the Trust Preferred Securities; (v) with respect to any Withholding Taxes that can be avoided if the holder or beneficial owner of Class B Preferred Securities or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority; (vi) with respect to any Withholding Taxes that the holder or beneficial owner of the Class B Preferred Securities or Trust Preferred Securities can avoid by presenting the relevant Class B Preferred Securities or Trust Preferred Securities to another Paying Agent in a member state of the European Union; (vii) with respect to any Withholding Taxes that would not have been imposed if the holder of the Class B Preferred Securities or Trust Preferred Securities would have presented the relevant Class B Preferred Securities or Trust Preferred Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Amounts on presenting such Class B Preferred Securities or Trust Preferred Securities for payment on the last day of such period of 30 days.

Voting and Enforcement Rights

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated below. In the event the holders of the Class B Preferred Securities are entitled to vote as indicated below, each Class B Preferred Security shall be entitled to one vote on matters on which holders of the Class B Preferred Securities are entitled to vote. In the event that

- (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods; or
- (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of the Class B Preferred Securities will have the right to appoint the Independent Enforcement Director. The Independent Enforcement Director will be appointed by resolution passed by a majority of the holders of the Class B Preferred Securities entitled to vote thereon, as described in the LLC Agreement, present in person or by proxy at a separate general meeting of the holders of the Class B Preferred Securities convened for that purpose (which will be called at the request of any holder of a Class B Preferred Security entitled to vote thereon) or by a consent in writing adopted by a majority of the holders of the Class B Preferred Securities entitled to vote thereon. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination:

- (i) the Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for two consecutive Capital Payment Periods after the initial Capital Payment Period and
- (ii) the Bank is in compliance with its obligations under the Support Undertaking.

Any such Independent Enforcement Director may be removed at any time, with or without cause by (and will not be removed except by) the vote of a majority of the holders of the outstanding Class B Preferred Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Class B Preferred Securities entitled to vote thereon, called for that purpose. If the office of Independent Enforcement Director becomes vacant at any time during which the holders of the Class B Preferred Securities are entitled to appoint an Independent Enforcement Director, the holders of the Class B Preferred Securities will appoint an Independent Enforcement Director as provided above.

The Independent Enforcement Director will be an additional member of the Board of Directors referred to above and will have the sole authority, right and power to enforce and settle any claim of the Company under the Support Undertaking. However, the Independent Enforcement Director will have no right, power or authority to participate in the management of the business and affairs of the Company by the Board of Directors except for:

- actions related to the enforcement of the Support Undertaking on behalf of the holders of the Class B Preferred Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Class B Preferred Securities.

No director, including the Independent Enforcement Director, will be a resident of the Federal Republic of Germany.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of the holders of at least 66⅔ per cent. in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates),

- (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, or
- (ii) agree to modify or amend any provision of the Debt Securities, or waive any default in the payment of any amount under the Debt Securities, in any manner that would have a material adverse effect on the interests of the holders of the Class B Preferred Securities or
- (iii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consoli-

dation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under “– Mergers, Consolidations and Sales”

The Company will not, without the unanimous consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional equity securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company provided, however, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue additional Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date from which Capital Payments accrue on the Class B preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to from a single series with the Class B preferred securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

Notwithstanding that holders of the Class B Preferred Securities may become entitled to vote or consent under any of the circumstances described in the LLC Agreement or in the by-laws of the Company (the “Bylaws”), any of the Class B Preferred Securities that are owned by the Bank, the Company or any of their respective affiliates (other than the Trust), either directly or indirectly, will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for Class B Preferred Securities purchased or acquired by the Bank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Class B Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of the Bank), excluding the Trust, to whom the Bank or any of its subsidiaries or affiliates have pledged Class B Preferred Securities may vote or consent with respect to such pledged Class B Preferred Securities to the extent permitted by the terms of such pledge.

Redemption of the Class B Preferred Securities

The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on any Capital Payment Date falling on or after the Initial Redemption Date.

The Company will also have the right, at any time prior to the Initial Redemption Date, to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event.

Any such redemption will be at a Redemption Price equal to (i) in the case of a redemption on or after the Initial Redemption Date, the liquidation preference amount of the Class B Preferred Securities being redeemed and (ii) in the case of a redemption prior to the Initial Redemption Date, the liquidation preference amount of the Class B Preferred Securities, in each case plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to but excluding the Redemption Date, plus Additional Amounts, if any.

No redemption of any Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- (i) the Company has sufficient funds (by reason of the Debt Securities, Permitted Investments or the Support Undertaking) to pay the redemption price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and on the Redemption Date the Debt Securities have been redeemed in an aggregate principal amount equivalent to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed;
- (ii) the Bank has an amount of Distributable Profits at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and

- (iii) no order of the BaFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Securities, if any).

If the outstanding Class B Preferred Securities are to be redeemed in part, then the amount of the Class B Preferred Securities to be redeemed will be determined by the Board of Directors, and the securities will be redeemed by lot or *pro rata* as may be determined by the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which the Class B Preferred Securities may then be listed, and any rules of a relevant clearing corporation. In the case of a partial redemption, the Company will promptly notify the registrar and the transfer agent for the Class B Preferred Securities in writing of the Class B Preferred Securities selected for partial redemption and the Liquidation Preference Amount of the Class B Preferred Securities thereof to be redeemed.

In the event that payment of the Redemption Price in respect of any Class B Preferred Securities, is improperly withheld or refused and not paid, Capital Payments on such Class B Preferred Securities will continue to accrue from the Redemption Date to the date of actual payment of such Redemption Price.

Any redemption of the Class B Preferred Securities, whether on an Capital Payment Date on or after the Initial Redemption Date or upon the occurrence of a Company Special Redemption Event, will not require the vote or consent of any of the holders of the Class B Preferred Securities.

Redemption Procedures

Notice of any redemption of the Class B Preferred Securities (a "Redemption Notice") will be given by the Board of Directors on behalf of the Company by mail to the record holder of each Class B Preferred Security to be redeemed not fewer than 30 days before the date fixed for redemption, or such other time period as may be required by the relevant regulatory authorities. For purposes of the calculation of the Redemption Date and the dates on which notices are given pursuant to the LLC Agreement, a Redemption Notice will be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to holders of the Class B Preferred Securities. Each Redemption Notice will be addressed to the holders of the Class B Preferred Securities at the address of each such holder appearing in the books and records of the Company. No defect in the Redemption Notice or in the mailing thereof with respect to any holder will affect the validity of the redemption proceedings with respect to any other holder.

If the Company gives a Redemption Notice (which notice will be irrevocable) by 10:00 a. m., Central European Time, on the Redemption Date, the Company, if the Class B Preferred Securities are in book-entry only form, will deposit irrevocably with the Paying Agent funds sufficient to pay the Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price in respect of the Class B Preferred Securities held through the nominee for the Common Depositary in global form, or if the Class B Preferred Securities are held in definitive form, will deposit with the Paying Agent funds sufficient to pay the applicable redemption price and will give to the Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities, upon surrender of their certificates, by check, mailed to the address of the relevant holder of the Class B Preferred Securities appearing on the books and records of the Company on the Redemption Date.

If the Company has given a Redemption Notice (which notice will be irrevocable) on the Redemption Date, the Company will deposit irrevocably with the Paying Agent funds sufficient to pay the Redemption Price and will give to the Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities to be redeemed.

However, for so long as the Property Trustee holds the Class B Preferred Securities, payment will be made by wire in same day funds to the holder of the Class B Preferred Securities by 12:00 noon, Central European time, on the Redemption Date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of payment, all rights of the holders of the Class B Preferred Securities so called for redemption will cease, except the right of the holders to receive the Redemption Price, but without interest on the Redemption Price, and from and after the

date fixed for redemption, such Class B Preferred Securities will not accrue Capital Payments or bear interest.

If any Redemption Date falls on a day that is not a Business Day, payment of all amounts otherwise payable on such date will be made on the next succeeding Business Day, without adjustment, interest or further payment as a result of such delay in payment.

Liquidation Distribution

Upon liquidation of the Company, the holder of the Class A Preferred Security has a claim senior to that of the holders of the Class B Preferred Securities, and the holders of the Class B Preferred Securities have a claim senior to that of the holder of the Company Common Security; provided that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. The holder of the Class A Preferred Security will be entitled to receive the Debt Securities (including accrued and unpaid interest thereon) as its liquidation distribution.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Class B Preferred Securities will, subject to the limitations described below, be entitled to receive the Liquidation Preference Amount of such Class B Preferred Securities, plus, in each case, accrued and unpaid Capital Payments in respect of the current Capital Payment Period and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Support Undertaking. The holders of the Class B Preferred Securities will be entitled to receive their liquidation distribution before any distribution of assets is made to the holder of the Company Common Security. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

Mergers, Consolidations and Sales

The Company may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Company may, with the consent of the holders of the Class B Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, provided, that:

- such successor entity either expressly assumes all of the obligations of the Company under the Class B Preferred Securities or substitutes for the Class B Preferred Securities other securities having substantially the same terms as the Class B Preferred Securities (the "Company Successor Securities") so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Class A Preferred Security or any successor Class A Preferred Security to the same extent that the Class B Preferred Securities rank junior to the Class A Preferred Security;
- the Bank expressly acknowledges such successor entity as the holder of the Debt Securities and holds, directly or indirectly, all of the voting securities (within the meaning of Rule 3a-5 under the 1940 Act) of such successor entity;
- such consolidation, amalgamation, merger or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Class B Preferred Securities (including any Company Successor Securities) in any material respect;
- such successor entity has a purpose substantially identical to that of the Company;
- prior to such consolidation, amalgamation, merger or replacement, the Company has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that:

- such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes,
- such consolidation, amalgamation, merger or replacement would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes,
- following such consolidation, amalgamation, merger or replacement, such successor entity will not be required to register under the 1940 Act, and
- such consolidation, amalgamation, merger or replacement will not adversely affect the limited liability of the holders of the Class B Preferred Securities;
- the Bank provides an undertaking to the successor entity under the Company Successor Securities equivalent to that provided by the Support Undertaking with respect to the Class B Preferred Securities.

Book-entry and Settlement

If the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust, the Company will use reasonable efforts to arrange for the Class B Preferred Securities to be issued in the form of one or more global certificates (each a “Global Security”) registered in the name of a nominee for the Common Depositary. As of the date of this Offering Circular, the description herein of Euroclear and Clearstream’s book-entry system and practices as they relate to purchases, transfers, notices and payments with respect to the Trust Preferred Securities will apply in all material respects to any Class B Preferred Securities represented by one or more Global Securities.

Registrar and Transfer Agent

Citibank will act as the registrar and transfer agent for the Class B Preferred Securities. Registration of transfers of the Class B Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the transfer agent for the Class B Preferred Securities may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Class B Preferred Securities have been called for redemption, the transfer agent for the Class B Preferred Securities will not be required to register or cause to be registered the transfer of the Class B Preferred Securities.

Miscellaneous

The Board of Directors is authorized and directed to conduct the affairs of the Company in such a way that (i) the Company will not be deemed to be required to register under the 1940 Act, and (ii) the Company will not be treated as an association or as a “publicly traded partnership” (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes. In this connection, the Board of Directors is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board of Directors determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Class B Preferred Securities.

The Class B Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U. S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U. S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plans or arrangements.

DESCRIPTION OF THE SUPPORT UNDERTAKING

The following summary sets forth the material terms and provisions of the Support Undertaking. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

The Bank and the Company will enter into the Support Undertaking prior to the issuance of the Class B Preferred Securities, pursuant to which the Bank will undertake that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities (plus Additional Amounts thereon, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the Liquidation Preference Amounts of the Class B Preferred Securities, plus any accrued and unpaid Capital Payments for the then current Capital Payment Period up to but excluding the date of liquidation and Additional Amounts, if any. The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking, unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement. The Bank's obligations under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 Capital Contribution Certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, and the support undertaking entered into by the Bank on July 19, 2002 in respect of the outstanding € 75,068,100 Class B Preferred Securities issued by IKB Funding LLC I, rank *pari passu* with the Bank's obligations under the Support Undertaking. So long as any Class B Preferred Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Class B Preferred Securities except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities. The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank *pari passu* with each class of the most senior ranking preference shares, if any, and other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of the Bank.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Class B Preferred Securities for the benefit of the holders of the Trust Securities, the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Class B Preferred Securities (and the Trust Preferred Securities representing Class B Preferred Securities) will have the right to appoint the Independent Enforcement Director, who will be required to enforce the rights of the Company under the Support Undertaking.

All payments under the Support Undertaking will be distributed by the Company *pro rata* to holders of the Class B Preferred Securities until the holders of the Class B Preferred Securities receive the full amount payable under the Support Undertaking. So long as the Trust holds Class B Preferred Securities, the Property Trustee will distribute such payments received by the Trust to the holders of the Trust Preferred Securities *pro rata*.

The Support Undertaking will be governed by, and construed in accordance with, German law.

DESCRIPTION OF THE SERVICES AGREEMENT

The following summary sets forth the material terms and provisions of the Services Agreement. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

Under the Services Agreement, the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

The Services Agreement will terminate upon at least ten 10 days written notice of termination from either the Trust or Servicer to the other; provided, however, that the Servicer has nominated, and the Trust has approved such nomination of, a successor manager to assume all of the rights and obligations of the Servicer hereunder.

The Services Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.

DESCRIPTION OF THE INITIAL DEBT SECURITIES

The following summary sets forth the material terms and provisions of the Initial Debt Securities. This summary is qualified in its entirety by reference to the terms and provisions of the Initial Debt Securities.

General

The Principal Amount of the Initial Debt Securities will be up to € 400,027,000 and will be equal to the sum of the aggregate Liquidation Preference Amount of the Class B Preferred Securities plus certain amounts contributed by an IKB Group Company in return for the Class A Preferred Security and the Company Common Security. The proceeds from the issuance of the Class B Preferred Securities, together with the funds contributed by such IKB Group Company in return for the Class A Preferred Security will be used by the Company to purchase the Initial Debt Securities. The Company will also use € 25,000 of the € 50,000 contribution by the IKB Group Company for the Company Common Security to purchase the Initial Debt Securities. The purchase of the Initial Debt Securities will occur contemporaneously with the issuance of the Class B Preferred Securities. The Initial Debt Securities will not be listed on any stock exchange.

The Initial Debt Securities will consist of an issue of subordinated notes issued by IKB Finance and guaranteed on a subordinated basis by the Bank, which will mature on July 29, 2033, the Maturity Date.

Interest will accrue on the Initial Debt Securities (i) from (and including) the Issue Date to (but excluding) the Reset Date at a fixed rate of at least 6 per cent. per annum payable in arrears on the Reset Date and (ii) for each Interest Payment Period commencing on or after the Reset Date at a rate of at least 0.05 per cent. per annum above the Reference Rate for such Interest Payment Period payable semi-annually in arrears on January 29 and July 29 in each year, commencing on January 29, 2006. For the initial Interest Payment Period, interest will be calculated on the basis of the actual number of days elapsed in a year of 365 days, and for each subsequent Interest Payment Period on the basis of a 360 year of 12 months of 30 days each divided by 360 (30/360), and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Such subsequent interest payments will have a maximum rate of 9 per cent. per annum.

“Interest Payment Date” means, in relation to the Initial Debt Securities, the Reset Date, and January 29 and July 29 of each year, commencing on January 29, 2006.

“Interest Payment Period” means, in relation to the Initial Debt Securities, the period from and including an Interest Payment Date (or, in the case of the first Interest Payment Date, the Issue Date) to but excluding the next succeeding Interest Payment Date.

If any Capital Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day, unless that day falls in the next calendar month, in which case such payment will be due on the first preceding Business Day, in each case without adjustment, interest or further payment as a result thereof.

Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof, will be made without withholding or deduction for Withholding Taxes unless such withholding or deduction is required by law. In such event, IKB Finance or other obligor will pay as additional interest such Additional Interest Amounts as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided*, that the obligation of IKB Finance or such obligor to pay such Additional Interest Amounts shall not apply to:

- with respect to any Withholding Taxes that are payable by reason of a holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- with respect to any Withholding Taxes imposed on a payment to a holder of the Initial Debt Securities and that is required to be made pursuant to European Council Directive 2003/48/EC or any

other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;

- with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities;
- with respect to any Withholding Taxes that can be avoided if the holder of the Initial Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any Withholding Taxes that would not have been imposed if the holder of the Initial Debt Securities would have presented the Initial Debt Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Interest Amounts on presenting the Initial Debt Securities for payment on the last day of such period of 30 days.

The Initial Debt Securities will not be redeemable prior to July 29, 2009 except as set forth below. Subject to having obtained any required regulatory approvals, IKB Finance may cause the redemption of the Initial Debt Securities in whole but not in part prior to July 29, 2009, upon: (i) the occurrence of a Company Special Redemption Event and the election of the Company to redeem the Class B Preferred Securities and (ii) at least 30 days' prior notice, at a redemption price equal to the Principal Amount plus accrued and unpaid interest and Additional Interest Amounts, if any.

Subject to having obtained any required regulatory approvals, IKB Finance may also, at its option, redeem the Initial Debt Securities, in whole or in part, on any Capital Payment Date on or after the Initial Debt Redemption Date (each a "Debt Redemption Date"), upon at least 30 days' prior notice, provided that the Company is permitted and has elected to redeem an equivalent amount of the Class B Preferred Securities.

Any redemption will be at a redemption price equal to the Principal Amount to be redeemed plus accrued and unpaid interest thereon, and Additional Interest Amounts, if any.

In the event of any default on the Debt Securities, the Company will enforce its rights for payment of any overdue amounts, but will not be able to accelerate the maturity of the Initial Debt Securities.

Subordination

The Initial Debt Securities constitute direct, unconditional, unsecured and subordinated obligations of IKB Finance ranking *pari passu* with all other subordinated obligations of IKB Finance. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, IKB Finance, such obligations will be subordinated to the claims of all unsubordinated creditors of IKB Finance so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Bank shall have been satisfied in full.

The Company, as the holder of the Initial Debt Securities, will also agree by its acceptance thereof that it waives any rights it may have to set off claims under the Initial Debt Securities against claims IKB Finance or the Bank may have against it. Pursuant to § 10, subparagraph (5a) of the German Banking Act (*Kreditwesengesetz*), if IKB Finance or the Bank redeems, repurchases or repays the Initial Debt Securities prior to a date on which such redemption or repayment is permitted under the terms thereof, notwithstanding any agreements to the contrary, any amounts so paid to a holder of the Initial Debt Securities must be returned to IKB Finance unless a statutory exemption (including dissolution of IKB Finance or replacement of the Principal Amount with at least equivalent own funds or prior approval of the BaFin) applies.

The obligations of IKB Finance or the Bank under the Initial Debt Securities and the guarantee thereof may not be secured by any lien, security interest or other encumbrance on any property of IKB Finance or the Bank or any other person and, except as permitted by applicable law, neither IKB Finance nor the Bank will not, directly or indirectly, acquire for its own account, finance for the

account of any other person the acquisition of, or accept as security for any obligation owed to it, any of the Initial Debt Securities. IKB Finance is also prohibited from amending the terms of the Initial Debt Securities to limit the subordination provisions or change the Initial Redemption Date to an earlier date.

Substitution

At any time, IKB Finance will have the right to (i) substitute as obligor on the Debt Securities any other office of the Bank (including the head office and any branch) or a Qualified Subsidiary, or (ii) replace the Debt Securities with Substitute Debt Securities issued by the Bank (acting directly or through a branch) or by a Qualified Subsidiary that is consolidated with the Bank for German bank regulatory purposes with identical terms to those of the Initial Debt Securities; provided, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank, unless it itself is the substitute obligor, guarantees on a subordinated basis, at least equal to the ranking of the Initial Guarantee, the obligations of the substitute obligor.

Redemption and Reinvesting of Proceeds

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will attempt to purchase Permitted Investments in the following order of priority, to the extent the same are available (and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments and the redemption of the Class B Preferred Securities):

- first, debt obligations of one or more Qualified Subsidiaries of the Bank (other than IKB Finance), unconditionally guaranteed by the Bank (which may act through a non-German Branch) on a basis that ranks at least *pari passu* with the Initial Debt Securities or
- second, in the event such an investment is not available, in United States Treasury securities.

Initial Guarantee

Pursuant to the Initial Guarantee, the Bank will guarantee the principal of and interest on the Initial Debt Securities. The obligations of the Bank under the Initial Guarantee will be subordinated in the event of liquidation of the Bank to all obligations of the Bank that are not subordinated.

All payments by the Bank under the Initial Guarantee will be made by the Bank without withholding or deduction for Withholding Taxes unless such withholding or deduction is required by law. In such event, the Bank or other obligor will pay Additional Interest Amounts as may be necessary in order that the net amounts received by the Company will equal the amounts that otherwise would have been received had no such withholding or deduction been required; *provided*, that the obligation of the Bank or such obligor to pay such Additional Interest Amounts shall not apply to:

- with respect to any Withholding Taxes that are payable by reason of a holder of the Initial Debt Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Initial Debt Securities;
- with respect to any Withholding Taxes imposed on a payment to a holder of the Initial Debt Securities and that is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- with respect to any Withholding Taxes imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Initial Debt Securities;

- with respect to any Withholding Taxes that can be avoided if the holder of the Initial Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority;
- with respect to any Withholding Taxes that would not have been imposed if the holder of the Initial Debt Securities would have presented the Initial Debt Securities for payment within 30 days of the date that payment was due or became available for payment, except to the extent that such holder would have been entitled to such Additional Interest Amounts on presenting the Initial Debt Securities for payment on the last day of such period of 30 days.

Governing Law

The Initial Debt Securities will be governed by the laws of Germany.

CAPITALIZATION OF IKB GROUP

The following table sets forth the consolidated capitalization of IKB Group as of March 31, 2004 and as adjusted to reflect the Offering and the completion of a tender offer for the trust preferred securities issued by IKB Funding Trust I. For information on the financial condition of IKB Group as of December 31, 2003 see the Consolidated Interim Financial Statements included herein. The data in this table have not yet been approved by the Supervisory Board.

	As of March 31, 2004	
	Actual	As adjusted
	(€ in millions)	
Subordinated liabilities (Nachrangkapital)	1,042	1,042
Participation certificate (Genußscheine) capital	563	563
Fund for general bank risks	80	80
Equity:		
Trust Preferred Securities ⁽¹⁾ ⁽²⁾	250	475
Silent capital	570	570
Subscribed capital	225	225
Capital and revenue reserves	919	919
Distributable profits	70	70
Shareholders equity	2,034	2,259
Other liabilities	33,237	33,237
Total shareholders equity and liabilities	36,956	37,181

⁽¹⁾ In April 2004, the Bank commenced a tender offer to purchase Trust Preferred Securities of IKB Funding Trust I in the amount of € 250 million. The tender offer expired June 7, 2004. Approximately € 175 million Trust Preferred Securities were purchased and cancelled.

⁽²⁾ The "As adjusted" amount includes the Trust Preferred Securities of IKB Funding Trust II in the amount of € 400 million to be newly issued in connection with this Offering Circular plus the still existing Trust Preferred Securities of IKB Funding Trust I outstanding after the repurchase and cancellation.

IKB GROUP

Corporate History, Registered Office, Duration and Object

IKB AG (together with its consolidated subsidiaries, the “IKB Group”) is a German bank organized as a stock corporation (*Aktiengesellschaft*). Its activities date back to September 30, 1924 when IKB AG was first incorporated in Berlin as “Bank für deutsche Industrieobligationen” to manage the reparation payments owed by German companies pursuant to the Treaty of Versailles. In 1931, IKB AG moved on to provide trade and long-term fixed rate investment financing, initially to the agricultural sector and later to medium sized companies. Although a private bank, IKB AG is a leading arranger of public program loans funded by government promotion agencies. On March 29, 1949 IKB AG was incorporated in Düsseldorf and is registered today in Düsseldorf and Berlin for an indefinite period of time as a stock corporation under the laws of Germany. IKB AG is registered in the Commercial Registers of the Local Court of Düsseldorf under No. HRB 1130 and of the Local Court of Berlin-Charlottenburg under No. HRB 8860.

IKB AG’s financial year runs from April 1 of each calendar year to March 31 of the following calendar year. IKB AG has its registered offices in Düsseldorf, at Wilhelm-Bötzkes-Strasse 1, D-40474 Düsseldorf, and in Berlin, at Markgrafenstrasse 46/47, D-10117 Berlin.

According to its Articles of Association, the object of IKB AG is the engagement in the promotion of industry and commerce, in particular by the provision of medium- and long-term debt finance or equity and/or equity surrogates and leasing financing as well as consultancy services in connection therewith. IKB AG primarily targets companies (usually owned by single persons or families) with an annual turnover of between € 10 million and € 500 million, i. e., the so-called German *Mittelstand*.

Capital Structure

The issued and fully paid share capital of IKB AG presently amounts to € 225,280,000 and is divided into 88 million bearer shares of no par value (*Stückaktien*), each of which confers one vote. Pursuant to IKB AG’s Articles of Association, the Board of Directors (*Vorstand*), with the approval of the Supervisory Board (*Aufsichtsrat*), is authorized to increase the share capital by up to € 76,800,000 until August 30, 2007 (*genehmigtes Kapital*). In addition, the shareholders of IKB AG voted at their Annual General Meeting on September 3, 1999 to increase conditionally the capital of IKB AG, by an amount of up to € 22,528,000 by the issue of up to 8,800,000 bearer shares. The conditional capital increase will be executed only to the extent that the holders of bonds or bonds with warrants attached issued before September 3, 2004 exercise their conversion or option rights or holders of bonds issued until September 3, 2004 fulfill their obligation to convert such bonds. Further, the shareholders of IKB AG voted at their Annual General Meeting on August 30, 2002 to increase conditionally the capital of IKB AG by an amount of up to € 22,528,000 by the issue of up to 8,800,000 bearer shares. The conditional capital increase will be executed only to the extent that the holders of profit participation rights with conversion or option rights issued before August 30, 2007 exercise their conversion or option rights or holders of convertible profit participation rights issued before August 30, 2007 fulfill their obligation to convert such profit participation rights. These shareholder resolutions took effect upon entry in the Commercial Register.

In addition, as at December 31, 2003, IKB AG had outstanding € 563 million fully paid non-voting profit participation certificates (*Genussscheine*). Profit participation certificates are issued in bearer form and participate in profits and losses of IKB AG.

As at December 31, 2003 the IKB Group’s Tier I hybrid capital amounted to € 620 million; IKB AG’s Tier I hybrid capital amounted to € 200 million as at December 31, 2003. After the acquisition of a 37.77 per cent. stake in IKB AG, KfW Beteiligungsholding GmbH, a wholly-owned subsidiary of Kreditanstalt für Wiederaufbau (KfW), the public sector German promotional bank, is the largest single shareholder (as at December 31, 2003). Another major shareholder currently is the German Trust for Industry Research (*Stiftung zur Förderung der Forschung für die gewerbliche Wirtschaft*) (11.46 per cent.). The remaining shares are held by institutional and private shareholders. Currently, the German Federal Government holds 80 per cent. of the shares in KfW. Since at the last two annual general meet-

ings of IKB AG KfW was present with calculated voting rights of more than 50 per cent. and the German Federal Government has material influence on the composition of KfW's administration board (*Verwaltungsrat*), IKB is deemed dependent on the Federal German Government according to German company law.

In February 2004, IKB issued a € 200,000,000 Perpetual Silent Participation, which is classified as regulatory Tier I capital.

The shares of IKB AG have been admitted for trading and official quotation on the stock exchanges of Berlin/Bremen, Düsseldorf, Frankfurt am Main, Hamburg and Munich and are traded through the XETRA Trading System and on the unofficial regulated markets (*Freiverkehr*) on the stock exchanges of Hanover and Stuttgart.

Branches, Subsidiaries and Majority Shareholdings

IKB Group's business is conducted primarily in Germany but includes activities abroad. Apart from its operations in Düsseldorf and Berlin, IKB AG maintains branches in Frankfurt am Main, Hamburg, Leipzig, Munich, Stuttgart and in Luxembourg. IKB AG maintains further branches in London and Paris and a representative office in Bangkok. IKB AG has a banking subsidiary in Luxembourg (IKB International S. A.) and finance subsidiaries in New York, Delaware, Paris and Amsterdam (IKB Capital Corporation, IKB Funding LCC I, IKB Financière France S. A. and IKB Finance B. V.).

Through its consolidated subsidiary IKB Private Equity GmbH, Düsseldorf, IKB AG provides private equity and mezzanine instruments to medium- and small-sized companies, to the latter generally in co-operation with KfW. Further consolidated companies in this area of business are: IKB Mezzanine GmbH & Co. KG and IKB Mezzanine Verwaltungs GmbH, all of which are situated in Düsseldorf.

The consolidated subsidiaries of IKB AG further include IKB Immobilien Leasing GmbH, Düsseldorf, a property leasing company, IKB Leasing GmbH, Hamburg, IKB Leasing Berlin GmbH, Erkner, and IKB Autoleasing GmbH, Hamburg, which all concentrate on equipment and machinery leasing, IKB Grundstücks GmbH, Düsseldorf, IKB Grundstücks GmbH & Co. Objekt Uerdinger Strasse KG, Düsseldorf, IKB Grundstücks GmbH & Co. Objekt Wilhelm-Bötzkes-Strasse KG, Düsseldorf, IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf, IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf, IKB Facility Management GmbH, Düsseldorf and AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf.

In accordance with German law and generally accepted accounting principles, IKB AG does not consolidate all its subsidiaries.

Selected Subsidiaries

IKB Private Equity GmbH, 100 per cent. owned by IKB AG with its registered offices at Wilhelm-Bötzkes-Strasse 1, D-40474 Düsseldorf, is active in providing mezzanine, equity capital and shareholder loans mainly to established companies and also to innovative technology-oriented companies.

IKB Leasing GmbH, with its registered office at Heidenkampsweg 79, D-20097 Hamburg, IKB Leasing Berlin GmbH, with its registered office at Friedrichstrasse 1-3, 15537 Erkner, and IKB Autoleasing GmbH with its registered office at Heidenkampsweg 79, D-20097 Hamburg, all 100 per cent. owned by IKB AG, focus on equipment leasing operations; their leasing portfolios are dominated by printing machines, machine tools, injection molding machines, processing centers and industrial lorries and cars.

IKB Immobilien Leasing GmbH, with its registered office at Uerdinger Strasse 90, D-40474 Düsseldorf, 100 per cent. owned by IKB AG, is active in real estate leasing. Operations focus primarily on production facilities, office buildings and commercial property. Real estate and large-scale plant leasing funds are arranged by IKB Structured Assets GmbH.

IKB Capital Corporation, with its registered office at 555 Madison Avenue, New York, NY 10022, USA, 100 per cent. owned by IKB AG, is active in the New York market for leveraged financing and participates in large-scale transactions either as co-underwriter or participant.

Supervision

In common with all other enterprises engaged in one or more of the financial activities defined in the German Banking Act (*Kreditwesengesetz, KWG*) as "banking business", IKB AG is subject to the licensing requirements and other provisions of the KWG. Notably, IKB AG is subject to supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

Capital Adequacy

German capital adequacy rules provide for capital adequacy requirements dealing with counterparty risk and market risk. In relation to the former, each bank must maintain a ratio (its "solvency ratio") of regulatory banking capital to risk-adjusted assets of at least 8 per cent. on a daily basis. The risk-adjusted assets of a bank (the sum of which is the denominator of the solvency ratio) is computed as follows: Assets are assigned to one of five basic categories of relative credit risk (0 per cent., 10 per cent., 20 per cent., 50 per cent. and 100 per cent.) depending on the debtor or the type of collateral, if any, securing the respective assets. The balance sheet value of each asset item is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. Off-balance sheet items, such as financial guarantees, letters of credit, swaps and other financial derivatives, are subject to a two-tier adjustment. First their value (in the case of guarantees and letters of credit, their amount, and in each case of swaps and other derivatives, their value computed on a market or time basis) is adjusted according to their risk classification (20 per cent., 50 per cent. and 100 per cent.) depending on the type of instrument. Then the off-balance sheet items are assigned, like balance sheet assets, to the credit risk categories depending on the type of the counterparty or the debtor or the type of collateral, if any, securing the respective assets and multiplied by the applicable percentage weight.

The market risk positions of a bank are comprised of (i) its foreign exchange position; (ii) its commodities position; (iii) its trading book positions, including some positions involving counterparty risk, as well as interest rate and equity market risk; and (iv) its options transactions position. The market risk positions are net positions, risk-adjusted in accordance with detailed rules. As of the close of each business day, the sum of the net risk-adjusted market risk positions of a bank must not exceed the sum of (i) the difference between its regulatory capital and 8 per cent. of its aggregate amount of risk-adjusted risk assets and (ii) its Tier 3 capital. ("Tier 3 capital" consists of (i) net profits, i.e., the proportionate profit of a bank which would result from closing all trading book positions at the end of given day, less (a) all foreseeable expenses and distributions and (b) all losses arising from the banking book which are likely to arise upon a liquidation of the bank and (ii) short-term subordinated debt meeting certain requirements.)

Executive Bodies

Supervisory Board and Board of Directors

Like all German stock corporations, IKB AG has a two-tier board system. The Board of Directors (*Vorstand*) is responsible for the management of IKB AG and the representation of IKB AG vis-à-vis third parties, while the Supervisory Board (*Aufsichtsrat*) appoints and removes the members of the Board of Directors and supervises the activities of the Board of Directors. The Supervisory Board may not make management decisions, but under the Articles of Association (*Satzung*) of IKB AG, the Board of Directors must obtain the approval of the Supervisory Board for certain actions.

In accordance with the German Works Constitution Act of 1952 (*Betriebsverfassungsgesetz 1952*), two thirds of IKB AG's Supervisory Board consist of representatives elected by the shareholders and one third consists of representatives elected by the employees. Members are elected for three-year terms,

and reelection is possible. The members of the Supervisory Board elect the Chairman and the deputy chairman of the Supervisory Board.

The current composition of the Supervisory Board and the Board of Directors of IKB AG is as follows:

Supervisory Board

Dr. h.c. Ulrich Hartmann
Düsseldorf
*Chairman of the Supervisory Board of E. ON AG
Chairman of the Board*

Hans W. Reich
Frankfurt am Main
Speaker of the Board of Directors of
Kreditanstalt für Wiederaufbau
Deputy Chairman of the Board

Jörg Asmussen
Berlin
Head of Division at the Federal Ministry of
Finance

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

Jörg Bickenbach
Düsseldorf
State Secretary of the Ministry of Economy,
and Labour of Northrhine-Westphalia

Hermann Franzen
Düsseldorf
General Partner of Porzellanhaus Franzen KG

Herbert Hansmeyer
Munich
Former Member of the Board Directors of
Allianz Aktiengesellschaft

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

Roland Oetker
Düsseldorf
Managing Partner of
ROI Verwaltungsgesellschaft mbH

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

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

Dr. Michael Rogowski
Berlin
President of the Federal Association of
German Industry e.V.

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

Employees' Representatives on the Supervisory Board

Wolfgang Bouche
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

Roswitha Loeffler
Berlin
IKB Deutsche Industriebank Aktiengesellschaft

Wilhelm Lohscheidt
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

Jürgen Metzger
Hamburg
IKB Deutsche Industriebank Aktiengesellschaft

Rita Röbel
Leipzig
IKB Deutsche Industriebank Aktiengesellschaft

Dr. Carola Steingräber
Berlin
IKB Deutsche Industriebank Aktiengesellschaft

Ulrich Wernecke
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

Board of Directors

	<u>Date Appointed</u>	<u>Current Term Expires</u>
Dr. Markus Guthoff	April 1, 2001	March 31, 2007
Claus Momburg	November 12, 1997	November 11, 2005
Joachim Neupel	July 1, 1989	December 31, 2006
Stefan Ortseifen	November 1, 1994	October 31, 2007
Frank Schönherr	April 1, 2004	March 31, 2007
Dr. Alexander v. Tippelskirch, Chairman ...	April 1, 1984	September 9, 2004

All Members of the Supervisory Board and the Board of Directors can accept service of process at the business address of IKB AG.

Advisory Board

In addition, IKB AG maintains an Advisory Board which is appointed by the Board of Directors with consent of the Supervisory Board to enhance contacts with industry and commerce. The members of the Advisory Board assist IKB AG's management by providing consultancy support.

Corporate Governance

During the financial year 2001/2002 IKB AG focused much attention on the German Corporate Governance Codex developed by a government commission and drafted corporate governance principles for IKB AG. Following approval by the Supervisory Board these principles were implemented by IKB AG and first published on the Internet in November 2002 (<http://www.ikb.de/ir/frames/aktie/corporate.html>).

Auditors

The auditors of IKB AG for the financial year 2003/2004 are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Am Bonnhof 35, D-40474 Düsseldorf. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has audited the financial statements of IKB AG and the IKB Group for each of the financial years ended March 31, 2000, 2001, 2002, 2003 and 2004, and in each case issued an unqualified audit certificate (*uneingeschränkter Bestätigungsvermerk*).

Business Units

IKB AG is a specialised bank focusing on long-term corporate financing. IKB AG has organised its business activities in five divisions:

- Corporate Lending
- Structured Finance
- Private Equity
- Real Estate Finance
- Treasury

Corporate Lending

IKB AG's core competence is the medium- and long-term corporate lending to companies of various industry sectors and with an annual turnover of € 10 million up to more than € 500 million (typically independent and individually or family-owned and managed accordingly), i. e., the so called German *Mittelstand*. The *Mittelstand* represents the backbone of the German economy and includes a num-

ber of world market leaders with their specialist niche products and with export ratios of up to 80 per cent. According to statistics (last survey 1997/98) of the Federal Ministry of Economics companies with up to 500 employees and/or an annual turnover of up to € 50 million contributed to 45 per cent. of investments, 53 per cent. of gross value added, 68 per cent. of employment and 80 per cent. of apprenticeship in Germany. Loans are generally extended at fixed interest rates with maturities of up to ten years. About 90 per cent. of IKB AG's domestic lending is secured by collateral, usually mortgages on land and buildings and/or the transfer of equipment for security purposes.

The IKB Group offers advisory and consultancy services to its customers, in particular in the areas of structuring investments and identifying appropriate public promotion program loans funded by KfW, Bayerische Landesanstalt für Aufbaufinanzierung and European Investment Bank and others through subsidised public loan programs. IKB AG combines such subsidised public program loans with its own debt financing products in order to offer tailor-made financing solutions for its customers.

As at March 31, 2003, about 87 per cent. (2002: 88 per cent.) of the IKB Group's lending was domestic. Lending was split among over 8,128 (2002: 8,146) customers with an average loan size of € 3.2 million (2002: € 3.1 million).

Structured Finance

The structured finance division covers domestic acquisition and project finance as well as all international activities, i.e. international acquisition finance, guarantee covered export finance, international project finance and participation in syndicated loans at international financial centres (London, Paris, New York).

Private Equity

The private equity division comprises the provision of mezzanine and equity capital to established medium-sized companies by IKB AG's subsidiary IKB Private Equity GmbH. Moreover, IKB Private Equity GmbH finances innovative technology-oriented companies, especially in the sectors of biotechnology, telecommunications and data processing.

Real Estate Finance

The real estate finance division provides long-term financing of commercial property, closed-end real estate funds or structured projects by means of loans; leasing is also available. Moreover, IKB provides consulting services as well as assistance in realizing real estate projects.

Treasury

Own Assets

With a volume of € 5.3 billion, IKB AG has transferred a significant portion of credit risks of its loan portfolio to other entities. The bulk of these synthetically executed securitisations were performed using the KfW PROMISE platform and contain replenishment clauses, meaning that payments that become due can, in accordance with predetermined parameters, be refinanced either in whole or in part. By means of these replenishments IKB re-securitised a loan volume of € 1.3 billion during the financial year 2002/2003.

Investments in international loan portfolios

In part, IKB AG uses the freedom for manoeuvre resulting from these outplacements as a means of expanding its domestic loan operations; on the other hand, IKB AG invests in international loan portfolios in order to further diversify its loan assets as well as its earning structure.

As at December 31, 2003, IKB AG's portfolio of balance sheet-relevant investments in international loan portfolios came to € 2.9 billion. These investments are made in diversified portfolios in a range of asset classes. IKB AG invested in particular in asset-backed-securities issues and in securitised corporate portfolios in the United States and Western Europe. With respect to regions two-thirds of IKB AG's investments accounted for Northern America and one-third for Western Europe. Over 47.5 per cent. of IKB AG's investments have an AAA rating, while more than 97 per cent. are rated as investment grade.

Within the framework of an investment advice contract, IKB AG provides management advisory services for an investment portfolio of € 5.38 billion. Furthermore, in co-operation with other banks, IKB AG also furnishes investment companies with liquidity and security lines, for which IKB AG receives a commission.

In the financial year 2002/2003 net interest and commission income for IKB Group in the securitisation segment sector came to € 47.7 million, while the result from ordinary activity was € 36.7 million. As at December 31, 2003, net interest and commission income for the current financial year came to € 57.8 million, while the result from ordinary activity was € 50.9 million.

Lending

Credit Policies and Procedures

IKB AG has established detailed credit policies and lending guidelines applicable to all of IKB AG's financing activities. The entire loan approval process is supported by sophisticated IT-systems. IKB AG uses a scoring system, which incorporates quantitative and qualitative information derived from thorough knowledge of its core customer group, which has proven accurate over a number of years. IKB AG has a sophisticated monitoring system for following the loans from the application process through to repayment, which allows for continuous oversight of individual loans and the identification of potential problem loans by a number of key indicators, extracted from an extensive data-base.

Problem and Non-Performing Loans

Problem and non-performing loans are tracked in a standardized process with automated procedures by a centralised loan recovery department. They are subject to timely provisioning at a conservative and prudent level. Recoveries from collateral have historically been good. A somewhat different procedure is followed for syndicated loans.

Asset and Liability Management of the Loan Book

It is IKB AG's policy to match assets and liabilities to a fairly high degree. The funds borrowed from government promotion agencies are automatically matched with the loans provided to the customers. Loans funded in the capital markets are steered accordingly. The mismatch limits in place are tight. Foreign currency exposure emanating from international loan business are hedged to a large extent.

Funding and Liquidity Management

In accordance with its Articles of Association, IKB AG does not take deposits. IKB AG funds its activities primarily through the issuance of medium- and long-term bearer bonds, the granting of loans evidenced by transferable certificates of indebtedness (*Schuldscheindarlehen*) and borrowings from other banks, in part in combination with interest rate and/or exchange rate hedging via long-term swaps with top-rated German and foreign banks. The core of interbank funding is provided to IKB AG on a loan by loan basis by instrumentalities serving public policy objectives such as KfW, Deutsche Ausgleichsbank, Bayerische Landesanstalt für Aufbaufinanzierung and European Investment Bank under their respective programs. The funds thus received by IKB AG are at preferential rates and are on-lent to its customers within the framework of such programs.

Fixed Income

Fixed income management focuses on the stabilization of interest surplus emanating from the position of the liquidity book as well as the long-term creation of evaluation reserves.

Generally IKB AG invests in top rated bonds, especially in floating rate notes, which with the use of swaps are transformed into fixed interest rates. In addition, various optional elements are embedded for further improvement of interest rate cash flows.

Proprietary Trading

IKB AG is active in interest rate and stock market trading. Although proprietary trading is not of strategic relevance to IKB AG's earnings, it is run as a profit centre and has produced stable profits over the years. Risk is monitored online daily on a mark to market basis. A value-at-risk approach is also applied.

Rating

The long-term unsecured senior debt of IKB AG has been assigned a rating of AA3 by Moody's and A+ by Fitch Ratings Ltd.

Employees

As of September 30, 2003, the total number of employees in the IKB Group was 1,508 (March 31, 2003: 1,496). As at March 31, 2003, 563 (2002: 569) of these were assigned to market units and 481 (2002: 429) to headquarter departments. 452 (2002: 431) employees worked for subsidiaries.

Management considers relations with its employees to be good. There has been no material disruption of work as a result of labor unrest during the last two financial years.

Litigation

No legal, arbitration, administrative or other proceedings which could have a significant effect on the business or financial position of the Bank or IKB Group, or had such an effect during the last two financial years, have been pending, nor is IKB AG aware, to the best of its knowledge, of any such proceedings now pending or threatened.

Recent Developments and Outlook

IKB announced improved profit from ordinary activities of € 181 million for its 2003/2004 financial year (April 1, 2003 – March 31, 2004), up 8.3% from the previous year. Profits after tax increased by 22.1% to € 105 million. At the meeting to discuss the Bank's financial statements on July 1, 2004 the Board of Management will therefore propose to the Supervisory Board an increase in the dividend per unit share for the 2003/2004 financial year, to € 0.80 (from € 0.77).

As at March 31, 2004, net interest income was up 8.3%, to € 525 million. A higher level of new loans, and a continued improvement in the interest margin were the major contributors to this increase. Net commission income also showed a positive development, rising 32.1% to € 85 million. Administrative expenditure was up 5.6%, to € 232 million.

Given the continued challenges the Bank faces regarding its risk environment, net risk provisions were increased by € 35 million to € 284 million. However, thanks to the stronger result from the securities business (up € 7 million to € 72 million), the risk provisioning balance only showed a € 28 million increase, to € 212 million.

Taking into account net other operating income and expenses, these factors contributed to the overall 8.3% increase in profit from ordinary activities, to € 181 million. Earnings per share amounted to € 2.05 (2002/2003: € 1.90). Return on equity before taxes increased to 15.6% (2002/2003: 15.0%), while the cost/income ratio improved to 37.2% (2002/2003: 38.6%).

Broken down by division, profits from ordinary activities developed as follows (figures for the 2002/2003 financial year in brackets): Corporate Lending € 111 million (€ 103 million); Real Estate Financing EUR € 43 million (€ 41 million); Structured Financing € 66 million (€ 59 million); Private Equity € 0.3 million (€ 0.7 million); Leasing € 24 million (€ 19 million) and Securitization € 76 million (€ 37 million).

The Bank projects consolidated results for the current 2004/2005 financial year in the region of € 190-195 million.

The Bank's consolidated financial statements and unconsolidated financial statements as of and for the year ended March 31, 2004 have not yet been approved by the Bank's Supervisory Board.

TAXATION

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE GERMAN, AUSTRIAN AND UNITED STATES INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF TRUST PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

German Taxation

The following is a discussion of certain German tax considerations that may be relevant to a holder of Trust Preferred Securities that is a tax resident of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e.g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Germany (a "German Holder"). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of Trust Preferred Securities.

Income Taxation

Capital Payments received by or, in specific cases, owed to a German Holder with respect to the Trust Preferred Securities will be subject to German personal or corporate income tax (plus a "solidarity surcharge" thereon, which is currently levied at 5.5 per cent.), and, in the case of a German Holder who is an individual, may be subject to church tax. Upon the sale or redemption of the Trust Preferred Securities, a German Holder will also be required to include in its taxable income the difference between the amount realized on such sale or redemption and the cost of acquisition (or adjusted tax base) of the Trust Preferred Securities. Income derived from the Trust Preferred Securities will also be subject to German municipal trade tax on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German business establishment for trade tax purposes or are held by a German corporate investor.

A German Holder who is an individual and does not hold the Trust Preferred Securities as a business asset will be entitled to a standard deduction (*Werbungskosten-Pauschbetrag*) of € 51 in computing his or her investment income (including income derived from the Trust Preferred Securities) if no higher expenses are evidenced as well as an exemption (*Sparer-Freibetrag*) of € 1,370 with respect to such investment income. These amounts are doubled for couples filing a joint tax return.

German Withholding Tax

If the Trust Preferred Securities are kept in a custodial account maintained by a German Holder with a German bank or a German financial services institution, each as defined in the German Banking Act (*Kreditwesengesetz*) (including a German branch of a foreign bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution) (a "German Disbursing Agent"), the German Disbursing Agent will generally be required to withhold tax (*Zinsabschlagsteuer*) at a rate of 30 per cent. (plus solidarity surcharge thereon at a rate of 5.5 per cent., resulting in an aggregate withholding rate of 31.65 per cent.) of the gross amount paid as income with respect to the Trust Preferred Securities. Upon the sale or redemption of the Trust Preferred Securities, a German Disbursing Agent will generally be required to withhold tax at an aggregate rate of 31.65 per cent. on:

- (i) the excess of the sale or redemption proceeds of the Trust Preferred Securities over the holder's acquisition cost, if the Trust Preferred Securities have been acquired through or purchased from and have since been held in custody with such German Disbursing Agent, or

- (ii) an amount equal to 30 per cent. of the sale or redemption proceeds of the Trust Preferred Securities, if the Trust Preferred Securities have not been so held with such German Disbursing Agent.

Tax withheld by the German Disbursing Agent will be credited against the German Holder's final liability for personal or corporate income tax or refunded if in excess of such final tax liability.

Gift and Inheritance Taxation

The gratuitous transfer of the Trust Preferred Securities by a holder as a gift or by reason of death is subject to German gift or inheritance tax, based on the market value of the Trust Preferred Securities at the time of the transfer, if the holder of the Trust Preferred Securities or the recipient is a resident, or deemed to be a resident, of Germany under German gift and inheritance tax law at the time of the transfer. If neither the holder of the Trust Preferred Securities nor the recipient is a resident, or deemed to be a resident, of Germany at the time of the transfer, no German gift or inheritance tax is levied unless the Trust Preferred Securities form part of the property of a permanent establishment or a fixed base maintained by the holder of the Trust Preferred Securities in Germany.

Other German Taxes

There are no German transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities. Net-worth tax (*Vermögensteuer*) ceased to be levied by Germany on January 1, 1997 and trade tax on capital (*Gewerbesteuer*) ceased to be levied by Germany on January 1, 1998.

European Union Savings Directive

On June 3, 2003, the Council of the European Union adopted a directive on the taxation of savings income. Pursuant to the directive, a member state of the European Union will be required to provide to the tax authorities of other member states information regarding payments of interest (or other similar income) paid by a person within its jurisdiction to individual residents of such other member states, except that Belgium, Luxembourg and Austria will instead operate a withholding system for a transitional period in relation to such payments. Subject to certain conditions, the provisions of the directive will be effective as of January 1, 2005.

Taxation in the United States

The following is a summary of the principal U.S. federal income tax consequences relating to an investment in the Trust Preferred Securities by an investor that is a Non-U.S. Holder (as defined below). This summary does not address any U.S. tax consequences to a person who is a U.S. Holder (as defined below) or is subject to U.S. federal income tax on a net income basis. For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of Trust Preferred Securities other than a U.S. Holder. A "U.S. Holder" is a beneficial owner of Trust Preferred Securities that for U.S. federal income tax purposes is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

This summary addresses the tax consequences to a Non-U.S. Holder that acquires Trust Preferred Securities on their original issue at their original offering price (an "Original Trust Preferred Securityholder"). This summary does not address all tax consequences that may be applicable to a beneficial owner of the Trust Preferred Securities and does not address the tax consequences to a Non-U.S. Holder in special circumstances (for example, the summary does not address a Non-U.S. Holder subject to U.S. federal income tax on a net income basis). This summary is based upon the Internal Rev-

enue Code of 1986, as amended (the "Code"), Treasury Regulations, Internal Revenue Service rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect).

Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to the tax treatment of the Trust Preferred Securities and no assurance can be given that the IRS will not take contrary positions. Moreover, no assurance can be given that the tax consequences described herein will not be challenged by the IRS or, if challenged, that such a challenge would not be successful.

Prospective investors are urged to consult with their tax advisors as to the U.S. federal income tax consequences of the purchase, ownership and disposition of trust preferred securities, as well as the effect of any state, local or foreign tax laws.

Tax Treatment of the Trust

The Bank intends to treat the Trust as a grantor trust for United States federal income tax purposes. Assuming full compliance with the terms of the Trust Agreement, the Trust will not be an association taxable as a corporation.

Tax Treatment of the Company

In purchasing the Trust Preferred Securities, each Original Trust Preferred Securityholder agrees with the Bank, the Company and the Trustee that the Bank, the Company, the Trustee and the Original Preferred Securityholders will treat Original Trust Preferred Securityholders for all purposes as holders of an undivided interest in Trust assets, including the Class B Preferred Securities, and not as holders of a direct interest in the Bank or in any other person, and the following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes. Assuming full compliance with the LLC Agreement, the Company will not be taxable as a corporation and will not itself be subject to U.S. federal income tax. The Bank intends to treat the Company as a partnership for U.S. federal income tax purposes.

Income and Withholding Tax

The Company intends to operate so that it will not be treated as engaged in the conduct of a U.S. trade or business. Moreover, the Company intends to invest in securities that will be exempt from withholding of U.S. federal income tax when income attributable to such securities is distributed or allocated to beneficial holders of Class B Preferred Securities.

Accordingly, a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of the Trust Preferred Securities. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the Company's income unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States of America. A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities, unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States of America or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States of America for 183 days or more in the taxable year of the sale and certain other conditions are met.

Federal Estate Taxes

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Trust Preferred Securities will be required to include at least a portion, and possibly all, of the value thereof in his or her gross estate for U.S. federal estate tax purposes if, at the time of death, income with respect to such Trust Preferred Securities would have been effectively connected with the conduct by such individual of a U.S. trade or business. It is unclear whether an indi-

vidual Non-U.S. Holder, not described in the preceding sentence, who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Trust Preferred Securities will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes. Any Trust Preferred Securities so included may be subject to U.S. federal estate tax unless an applicable estate tax treaty otherwise applies. The United States of America and Germany have entered into an estate tax treaty.

Information Reporting and Backup Withholding

It is expected that the foreign source income on the Trust Preferred Securities will be reported to the Original Trust Preferred Securityholders by U.S. financial institutions that hold the Trust Preferred Securities on behalf of such Original Trust Preferred Securityholders on an IRS Form 1099, which form should be mailed to Original Trust Preferred Securityholders by January 31 following each calendar year.

In general, a Non-U.S. Holder who holds Trust Preferred Securities through a non-United States Bank or other non-United States financial institution that is a participant in Euroclear or Clearstream will not be required to provide certification of non-U.S. status for U.S. withholding purposes and will not be subject to the information reporting rules described above. In other contexts, however, Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting requirements and backup withholding tax.

Netherlands Taxation

See "Information on the Euronext Amsterdam Listing – Netherlands Taxation".

SUBSCRIPTION AND SALE

Subject to the terms and conditions set forth in the Purchase Agreement among the Bank, the Company, the Trust and BNP Paribas (the "Lead Manager"), the Trust has agreed to sell to the Lead Manager and the Lead Manager has agreed to purchase the Trust Preferred Securities at a price of € 1,000 per Trust Preferred Security.

The Purchase Agreement provides that the Company will (i) pay the Lead Manager a combined management, underwriting and selling commission and (ii) reimburse the Lead Manager for certain expenses of the Offering and indemnify it against certain liabilities.

The Lead Manager will also receive a fee pursuant to its role as structuring adviser in connection with advice to the IKB Group relating to the structuring of the transaction.

The Trust Preferred Securities are a new issue of securities with no established trading market. The Bank and the Company have been advised by the Lead Manager that it currently intends to make a market in the Trust Preferred Securities. However, the Lead Manager is not obligated to do so and any such market making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice.

In connection with the Offering, the Lead Manager or any person acting for it may engage in transactions that stabilize, maintain or otherwise affect the price of the Trust Preferred Securities. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the Lead Manager or any person acting for it, and the imposition of a penalty bid, in connection with the Offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Trust Preferred Securities; and short positions created by the Lead Manager or any person acting for it involve the sale by the Lead Manager or any person acting for it of a greater number of the Trust Preferred Securities than they are required to purchase from the Trust in the Offering. The Lead Manager or any person acting for it also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the Trust Preferred Securities sold in the offering may be reclaimed by the Lead Manager or any person acting for it if such Trust Preferred Securities are repurchased by the Lead Manager or any person acting for it in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Trust Preferred Securities, which may be higher than the price that might otherwise prevail in an independent market. These activities, if commenced, may be discontinued at any time.

The Lead Manager and its affiliates have provided from time to time, and expect to provide in the future, investment services to the Bank and its affiliates, for which the Lead Manager or its affiliates has received or will receive customary fees and commissions.

Selling Restrictions

United States of America

The Lead Manager has represented and agreed that, except as permitted by the Purchase Agreement, it will not offer or sell the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the Closing Date, and it will send to each dealer to which it sells Trust Preferred Securities during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Trust Preferred Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Trust Preferred Securities may not be purchased by or transferred to any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include the assets of any such employee benefit plans, plan or arrangements.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

- (i) it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust or the Company; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom.

Germany

The Lead Manager has confirmed that it is aware of the fact that no sales prospectus (*Verkaufsprospekt*) within the meaning of the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the "Sales Prospectus Act") has been or will be published in respect of the Trust Preferred Securities in Germany. The Lead Manager has agreed that it will offer and sell the Trust Preferred Securities only in compliance with the Sales Prospectus Act and any other laws applicable in Germany governing the issue, offering and sale of securities. In particular, the Lead Manager has agreed that any offer or sale of Trust Preferred Securities in Germany will only be made based on an exemption from the sales prospectus requirement under the Sales Prospectus Act.

The Netherlands

So long as the Trust Preferred Securities have not been listed on Euronext Amsterdam, or it is unlikely that the Trust Preferred Securities will soon be admitted to listing, the Trust Preferred Securities may only be offered, sold, or delivered in or from the Netherlands as part of their initial distribution or as part of any re-offering, and this Offering Circular and any other document in respect of the offering may only be distributed or circulated in the Netherlands, to individuals or legal entities that include, but are not limited to, banks, brokers, dealers, institutional investors and undertakings with a treasury department, who or which trade or invest in securities in the conduct of business or profession.

General

In addition to the specific restrictions set out above, the Lead Manager agrees that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Trust Preferred Securities or distribute any offering material.

INFORMATION ON THE EURONEXT AMSTERDAM LISTING

Netherlands Taxation

The following is a summary of certain Dutch tax consequences relating to the purchase, ownership, redemption and disposition of the Trust Preferred Securities or Class B Preferred Securities. This summary does not address any laws other than the tax laws of the Netherlands as currently in effect and in force and as interpreted in published case law by the courts of the Netherlands at the date hereof, and is subject to change after such date, including changes that could have retroactive effect. This section solely addresses the situation of holders of the Trust Preferred Securities or Class B Preferred Securities resident or deemed resident of the Netherlands for Dutch tax purposes, including an individual holder of Trust Preferred Securities or Class B Preferred Securities who has opted to be taxed as a resident of the Netherlands for Dutch tax purposes. This summary does not purport to be complete and, in light of the limited nature of this summary, each holder or prospective holder should avoid placing undue reliance on this summary. Each holder or prospective holder of Trust Preferred Securities or Class B Preferred Securities should consult his or her professional tax advisor with respect to the Dutch tax consequences of an investment in Trust Preferred Securities or Class B Preferred Securities.

This summary does not address the Dutch tax consequences of an investor who holds a substantial interest (*aanmerkelijk belang*) in the Company within the meaning of Section 4.3 of the Income Tax Act 2001. Generally speaking, a holder of Trust Preferred Securities or Class B Preferred Securities holds a substantial interest in the Company if such holder, alone or together with his or her partner (a statutorily defined term) or certain other related persons, directly or indirectly, holds: (i) an interest of 5 percent or more of the total issued capital of the Company or of 5 percent or more of the issued capital of a certain class of shares of the Company; (ii) rights to acquire, directly or indirectly, such interest; or (iii) certain profit sharing rights in the Company.

For the purposes of the principal Dutch tax consequences described herein, it is assumed that the Bank, the Company and the Trust are not resident nor deemed to be resident in the Netherlands for Dutch tax purposes.

Withholding Tax

No Dutch withholding tax is due upon payments on the Trust Preferred Securities or Class B Preferred Securities.

Dutch Taxes on Income and Capital Gains

Dutch Resident Entities

Generally, a holder of Trust Preferred Securities or Class B Preferred Securities will be subject to Dutch corporate income tax with respect to distributions or capital gains realized upon the redemption, disposal or deemed disposal of Trust Preferred Securities or Class B Preferred Securities, if the holder is a resident of, or deemed to be resident of, the Netherlands. It is thereby assumed that a holder of Trust Preferred Securities or Class B Preferred Securities does not hold, either alone or together with affiliated companies (*verbonden lichamen*), an interest of 25% or more in the Trust or the Company.

Unless tax exempt, Dutch resident entities are generally subject to corporate income tax, levied at a rate of 29% of the first € 22,689 of the taxable profits and 34.5% of the excess over this amount.

Dutch Resident Individuals

A holder of Trust Preferred Securities or Class B Preferred Securities who is a resident of the Netherlands, deemed to be a resident of the Netherlands, or who has elected to be treated as a resident of the Netherlands for Dutch tax purposes is subject to income tax in respect of income or capital gains

derived from the Trust Preferred Securities or Class B Preferred Securities at the progressive rates provided in the Income Tax Act 2001 if:

- (i) the holder of the Trust Preferred Securities or Class B Preferred Securities has an enterprise or an interest in an enterprise to which the Trust Preferred Securities or Class B Preferred Securities are attributable; or
- (ii) the income or gain qualifies as income from employment as defined in Section 3.3 of the Income Tax Act 2001 or income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

If conditions (i) and (ii) provided above do not apply to the individual holder of the Trust Preferred Securities or Class B Preferred Securities, the holder of the Trust Preferred Securities or Class B Preferred Securities will be subject to Dutch income tax on a deemed return regardless of actual income derived from the Trust Preferred Securities or Class B Preferred Securities or gain or loss realized upon disposal or deemed disposal of the Trust Preferred Securities or Class B Preferred Securities.

The deemed return equals 4% of the average value of the holder's net assets in the relevant fiscal year (including the Trust Preferred Securities or Class B Preferred Securities). The average value of the holder's net assets in a fiscal year is equal to the sum of the value of the net assets at the beginning of the fiscal year and at the end of the fiscal year divided by two. Taxation only occurs to the extent the average value of the holder's net assets exceeds the "exempt net asset amount" (*heffingsvrij vermogen*) which is, for the year 2004, € 19,252. The deemed return is reduced by the portion of the personal allowances on annual income the holder is entitled to. As so reduced, the deemed return shall be taxed at a rate of 30%.

Dutch gift, estate and inheritance tax

Dutch gift, estate or inheritance taxes will be due in the Netherlands in respect of the transfer of the Trust Preferred Securities or Class B Preferred Securities by way of gift by, or on the death of, a holder of the Trust Preferred Securities or Class B Preferred Securities if the holder is, or is deemed to be, a resident of the Netherlands, for the purpose of the relevant provisions, at the time of the gift or his or her death.

An individual of Netherlands nationality is deemed to be resident of the Netherlands for the purpose of the Dutch gift and inheritance tax if he or she has been a resident of the Netherlands during the ten years preceding the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purpose of the Dutch gift tax only if he or she has been residing in the Netherlands at any time during the twelve months preceding the time of the gift. Applicable tax treaties may override deemed residency.

Other Taxes

There is no Dutch registration tax, capital tax, customs duty, transfer tax, stamp duty, or any other similar tax or duty, other than court fees, payable in the Netherlands in respect of or in connection with the execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) of any agreement relating to the Trust Preferred Securities or Class B Preferred Securities or the performance of the Company's obligations under the Trust Preferred Securities or Class B Preferred Securities.

No Dutch value added tax will arise in respect of any payment in consideration for the issue of the Trust Preferred Securities or Class B Preferred Securities.

Responsibility

The Bank, the Company and the Trust are responsible for the Offering Circular and hereby confirm that, to the best of their knowledge, (i) the information contained in the Offering Circular is true and

accurate and (ii) no information has been omitted which, if it were disclosed, would change the purport of the Offering Circular.

Issue Date

The Trust Preferred Securities will be issued on June 29, 2004. The rights attached to the Trust Preferred Securities take effect as of the issue date of the Trust Preferred Securities.

Yield to Maturity

There is no explicit yield to maturity. The Trust Preferred Securities do not carry a fixed date for redemption and the Trust and the Company are not obliged, and under certain circumstances are not permitted, to make payments on the Trust Preferred Securities and Class B Preferred Securities at the full stated rate.

Over-Allotment and Price Stabilization

In connection with the offering, the Lead Manager or any person acting for it may over-allot or effect transactions with a view to supporting the market prices of the Trust Preferred Securities at a level higher than that which might otherwise prevail for a limited time after the issue date. However, there may be no obligation on the Lead Manager or any of its agents to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period and in any event no later than 30 days after the Closing Date. Such transactions may be effected on Euronext Amsterdam or otherwise.

No Material Change

Save as described herein, there has been no material adverse change in the financial position or prospects of the Bank since December 31, 2003 or the Trust since its formation on May 19, 2004.

Listing and Documents for Inspection

Application has been made to list the Trust Preferred Securities on the Official Segment of the stock market of Euronext Amsterdam. At the date hereof it is not intended to list the Trust Preferred Securities on any other stock exchange.

So long as the Trust Preferred Securities are listed on Euronext Amsterdam there will be a paying agent in the city of Amsterdam. The Trust has appointed Citibank International plc, as initial paying agent in Amsterdam.

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam interest and redemption shall be made payable in Amsterdam in Euro at the offices of the paying agent in Amsterdam.

At any time during the term of the Trust Preferred Securities the most recently published consolidated and non-consolidated audited annual financial statements of the Bank and the IKB Group, the consolidated unaudited interim financial statements of the IKB Group, and, once available, the most recently available annual accounts of the Trust and the Company, will also be available for inspection and obtainable free of charge at the offices of the paying agent in Amsterdam.

The Bank does not publish non-consolidated interim financial statements. Neither the Trust nor the Company prepare interim financial statements.

In addition the following documents will be available for inspection and obtainable, free of charge, at the offices of the paying agent in Amsterdam:

- (a) the Articles of Association (*Satzung*) of the Bank;
- (b) the Amended and Restated Limited Liability Company Agreement and Certificate of Formation of the Company;
- (c) the Amended and Restated Trust Agreement and Certificate of Trust of the Trust;
- (d) the form of the Initial Debt Securities;
- (e) the Support Undertaking; and

Copies of these documents as well as financial statements and interim financial statements are also available in the English and German language at the office of the Bank at IKB Deutsche Industriebank Aktiengesellschaft, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf, Germany.

Incorporation by reference

In addition to the consolidated financial statements of the IKB Group included in the Offering Circular, there are hereby incorporated herein by reference:

- (i) the Articles of Association (*Satzung*) of the Bank; and
- (ii) the Trust Agreement dated June 7, 2004, as amended, and Certificate of Trust of the Trust.

Internet Addresses

Neither the Trust nor the Company has an Internet address. The internet address of the Bank is: www.ikb.de. Information included on or linked to or from this web site does not form part of the Offering Circular unless the Offering Circular explicitly provides otherwise with respect to a particular document that can be downloaded from the Bank's web site.

Notices

For so long as the Trust Preferred Securities are listed on Euronext Amsterdam and the rules of such exchange so require, notices to holders of the Trust Preferred Securities shall be deemed to have been given upon publication in a daily newspaper of general circulation in the Netherlands (which is expected to be the *Het Financieele Dagblad*), notice thereof given to Euronext Amsterdam, and publication in the *Officiële Prijscourant*.

Paying Agent in Amsterdam

Citibank International plc
Europlaza
Hoogoorddreef 54B
1101 BE Amsterdam ZO

Clearing

The Trust Preferred Securities have been accepted for clearance through the facilities of Euroclear and Clearstream under the following clearance codes:

ISIN:	XS0194701487
Common Code:	019470148
Dutch Security Code (<i>Fonds Code</i>):	14826
German Security Code (<i>WKN</i>):	A0BDRX

Other

For so long as the Trust Preferred Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., the Trust will comply with the provisions of the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam N.V. (including Section 2.1.20 of Schedule B), as amended from time to time.

GLOSSARY

"1940 Act" means the U. S. Investment Company Act of 1940, as amended.

"Additional Amounts" means any additional amounts payable by the Company or the Trust pursuant to the terms of Class B Preferred Securities and the Trust Preferred Securities as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after deduction or withholding for or on account of any Withholding Taxes on any payments (including any amount payable in liquidation or repayment upon redemption thereof) will equal the amounts that otherwise would have been received had no such deduction or withholding been required.

"Additional Interest Amounts" means any additional interest amounts payable by IKB Finance or another obligor pursuant to the terms of the Debt Securities as may be necessary in order that the net amounts received by the Company as a result of deduction or withholding for Withholding Taxes upon payment of interest on the Debt Securities or repayment upon redemption thereof will equal the amount that otherwise would have been received had no such deduction or withholding been required.

"Administrative Action" means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental authority or regulatory body.

"Bank" means IKB Deutsche Industriebank Aktiengesellschaft.

"Board of Directors" means the board of directors of the Company.

"BaFin" means the German Federal Agency for Financial Services Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*).

"Business Day" means a day (other than Saturday or Sunday) on which all relevant parts of TARGET are operational.

"Bylaws" means the by-laws of the Company.

"Calculation Agent" means Citibank.

"Capital Payment Date" means the Reset Date, and January 29 and July 29 of each year commencing January 29, 2006.

"Capital Payment Period" means the period from and including a Capital Payment Date (or, in the case of the first Capital Payment Date, the Issue Date) to but excluding the next succeeding Capital Payment Date.

"Capital Payments" means the periodic distributions on the Trust Preferred Securities and the Class B Preferred Securities.

"Citibank" means Citibank, N. A., London.

"Class A Preferred Security" means the noncumulative Class A Preferred Security representing an ownership interest in the Company.

"Class B Preferred Securities" means the noncumulative Class B Preferred Securities evidencing preferred ownership interests in the Company.

"Clearstream" means Clearstream Banking, société anonyme, Luxembourg.

"Code" means the United States Internal Revenue Code of 1986, as amended.

“Common Depository” means the common depository for Euroclear or Clearstream, which shall initially be Citibank.

“Company” means IKB Funding LLC II, a Delaware limited liability company.

“Company Common Security” means the voting common security representing an ownership interest in the Company.

“Company Preferred Securities” means the Class A Preferred Security and the Class B Preferred Securities.

“Company Securities” means the Company Common Security and the Company Preferred Securities.

“Company Special Redemption Event” means (i) a Regulatory Event, (ii) a Tax Event with respect to the company or (iii) an Investment Company Act Event with respect to the Company.

“Debt Redemption Date” means any Interest Payment Date on or after the Initial Debt Redemption Date.

“Debt Securities” means the Initial Debt Securities and the Substitute Debt Securities.

“Delaware Trustee” means The Bank of New York (Delaware).

“Determination Date” means, in respect of each Capital Payment Period commencing on or after the Reset Date, the second Business Day prior to the Capital Payment Date on which such Capital Payment Period commences.

“Distributable Profits” of the Bank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of the Bank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from previous years, minus any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

“Enforcement Event” under the Trust Agreement with respect to the Trust Securities means the occurrence, at any time, of (i) non-payment of Capital Payments (plus any Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full, for the initial Capital Payment Period or subsequently for two consecutive Capital Payment Periods or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking, provided, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Enforcement Event with respect to the Trust Common Security until all Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated.

“Euro” or **“€”** means the lawful currency of the member states of the European Union (including the Federal Republic of Germany) that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the “Maastricht Treaty”).

“Euroclear” means Euroclear Bank S. A./N. V., as operator of the Euroclear system.

“Fitch” means Fitch Rating Ltd.

“Global Certificates” means the Permanent Global Certificates together with the Temporary Global Certificates.

“Global Securities” means one or more global certificates representing the Class B Preferred Securities which the Company will use reasonable efforts to have issued registered in the name of the depositary or its nominee if the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust.

“IKB” means IKB Deutsche Industriebank Aktiengesellschaft.

“IKB Finance” means IKB Finance B.V.

“IKB Group” means the Bank and its consolidated subsidiaries.

“IKB Group Company” means the Bank, a branch of the Bank or a wholly-owned subsidiary of the Bank.

“Independent Enforcement Director” means the independent member of the Board of Directors elected by the holders of the Class B Preferred Securities under specified circumstances.

“Initial Debt Redemption Date” means July 29, 2009, the first day on which the Initial Debt Securities will be redeemable by the Bank other than upon the occurrence of a Company Special Redemption Event or in the event of replacement with Substitute Debt Securities.

“Initial Debt Securities” means subordinated notes of IKB Finance acquired by the Company using the proceeds from the issuance of the Class B Preferred Securities, the Class A Preferred Security and the Company Common Security.

“Initial Guarantee” means the Bank’s subordinated guarantee of payment of the principal of and interest on the Initial Debt Securities.

“Initial Redemption Date” means July 29, 2009, the first day on which the Class B Preferred Securities are redeemable at the option of the Company other than upon the occurrence of a Company Special Redemption Event, in whole or in part.

“Interest Payment Date” means, in respect of the Initial Debt Securities, the Reset Date and January 29 and July 29 of each year, commencing on January 29, 2006.

“Interest Payment Period” means, in respect of the Initial Debt Securities, the period from and including an Interest Payment Date (or, in the case of the first Interest Payment Date, the Issue Date) to but excluding the next succeeding Interest Payment Date.

“Investment Company” means an investment company within the meaning of the 1940 Act.

“Investment Company Act Event” means the receipt by the Bank of an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an “investment company” within the meaning of the 1940 Act as a result of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the Issue Date.

“IRS” means the United States Internal Revenue Service.

“Issue Date” means the date of issue of the Trust Preferred Securities.

“Junior Distributions” means any dividend declared or paid or any other payments or distributions on Junior Securities.

“Junior Securities” means (i) common stock of the Bank, (ii) each class of preference shares of the Bank ranking junior to Parity Securities of the Bank, if any, and any other instrument of the Bank ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking junior to the obligations of the Bank under the Support Undertaking.

“Lead Manager” means BNP Paribas.

“Liquidation Preference Amount” means the Liquidation Preference Amount of € 1,000 per Trust Preferred Security.

“LLC Act” means the Delaware Limited Liability Company Act, as amended.

“LLC Agreement” means the amended and restated limited liability company agreement of the Company.

“Maturity Date” means, in respect of the Initial Debt Securities, July 29, 2033.

“Moody’s” means Moody’s Investors Service, Inc.

“Netherlands Paying Agent” means Citibank International plc.

“Offering” means the offering by IKB Funding Trust II of the Trust Preferred Securities.

“Offering Price” means the initial offering price of € 1,000 per Trust Preferred Security.

“Operating Profits” of the Company for any Capital Payment Period means the excess of the amounts payable (whether or not paid) on the Debt Securities or, after the Maturity Date, on the Permitted Investments that the Company may then hold in accordance with the LLC Agreement during such Capital Payment Period, over any operating expenses of the Company not paid or reimbursed by the Bank or one of its branches or affiliates during such Capital Payment Period, plus any reserves.

“Original Trust Preferred Securityholder” means a person that acquires Trust Preferred Securities on their original issue at their original offering price.

“Parity Securities” means each class of the most senior ranking preference shares, if any, or other instruments of the Bank qualifying as Tier 1 regulatory capital, and Parity Subsidiary Securities.

“Parity Subsidiary Securities” means preference shares or other instrument qualifying as consolidated Tier 1 regulatory capital of the Bank or any other instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking *pari passu* with the obligations of the Bank under the Support Undertaking.

“Paying Agent” means Citibank or such other paying agent appointed in accordance with the provisions of the Trust Securities.

“Permanent Global Certificates” means permanent global certificates representing the Trust Preferred Securities.

“Permitted Investments” means investments by the Company in debt obligations of the Bank or one or more Qualified Subsidiaries of the Bank unconditionally guaranteed by the Bank (which may in either case act through a non-German branch) on a subordinated basis at least equal to the ranking of the Initial Guarantee or in U.S. Treasury securities; provided, in each case, that such investment does not result in a Company Special Redemption Event.

“Potential Securityholder” means the Bank or a Qualified Subsidiary of the Bank.

“Preferred Securities” means the Class B Preferred Securities and the Class A Preferred Security.

“Principal Amount” means up to € 400,027,000 (equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus certain amounts contributed by the IKB Group Company for the Class A Preferred Security and the Company Common Security).

“Property Account” means a segregated non-interest bearing trust account under the exclusive control of the Property Trustee.

“Property Trustee” means The Bank of New York.

“Qualified Subsidiary” means a subsidiary that is consolidated with the Bank for German bank regulatory purposes of which more than 50 per cent. of the outstanding voting stock or other equity interest entitled ordinarily to vote in the election of the directors or other governing body (however designated) and of which more than fifty 50 per cent. of the outstanding capital stock or other equity interest is, at the time, beneficially owned or controlled directly or indirectly by the Bank, which subsidiary meets the definition of “a company controlled by its parent company” as defined in Rule 3a-5 under the 1940 Act.

“Redemption Date” means the date of redemption of the Class B Preferred Securities.

“Redemption Notice” means notice of any redemption of the Class B Preferred Securities.

“Reference Rate” means in respect of any Capital Payment Period (or Interest Payment Period in the case of the Initial Debt Securities) commencing on or after July 29, 2005, “EUR-ISDA-EURIBOR Swap Rate – 11:00” (the annual Euro swap rate expressed as a percentage for Euro swap transactions with a 10-year maturity (the “Designated Maturity”)), which appears on the Reuters screen “ISDAFIX2” under the heading “EURIBOR BASIS” and above the caption “11:00 AM C.E.T.” (or such other page or service as may replace it for the purposes of such rate) (the “Relevant Screen Page”) as of 11:00 a. m., Central European time on the relevant Determination Date.

In the event that the foregoing rate does not appear on the Relevant Screen Page on any Determination Date, the Reference Rate for the relevant Capital Payment Period (or Interest Payment Period) will be the “EUR-Annual Swap Rate – Reference Banks” on such Determination Date. “EUR-Annual Swap Rate – Reference Banks” means that rate expressed as a percentage determined on the basis of the mid-market annual swap rate quotations provided by five leading swap dealers in the interbank market (the “Reference Banks”) to the Calculation Agent at approximately 11:00 a. m., Central European time, on the Determination Date. For this purpose, the mid-market annual swap rate means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of such Capital Payment Period (or Interest Payment Period) and in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, would be a rate equal to “EUR-ISDA-EURIBOR Swap Rate – 11:00”; “EUR-EURIBOR-Telerate”, with a maturity of six months. If at least three quotations are provided, the Reference Rate for that Capital Payment Period (or Interest Payment Period) will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

“Regular Trustees” means three of the Trustees who are employees or officers of the Servicer.

“Regulation S” means Regulation S under the Securities Act.

“Regulatory Event” means a determination by the Bank that it may not treat the Class B Preferred Securities as core capital or Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

“Relevant Jurisdiction” means the United States of America, Germany, the Netherlands or the jurisdiction of residence of any obligor on the Debt Securities or any jurisdiction from which payments on the Trust Preferred Securities, the Class B Preferred Securities or the Debt Securities are made.

“Reset Date” means July 29, 2005.

“Restricted Period” means the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Servicer” means Wilmington Trust Company.

“Services Agreement” means the services agreement among the Trust, the Company and the Servicer.

“Stated Rate” means, for the initial Capital Payment Period, 6 per cent. per annum, calculated on the basis of the actual number of days elapsed in a year of 365 days, and for each subsequent Capital Payment Period, 0.05 per cent. per annum above the Reference Rate for such Capital Payment Period, calculated on the basis of a 360 day year of 12 months of 30 days each divided by 360 (30/360). Such subsequent Capital Payments will have a maximum rate of 9 per cent. per annum.

“Substitute Debt Securities” means any debt securities issued in substitution of the Initial Debt Securities.

“Successor Securities” means other securities having substantially the same terms as the Trust Securities.

“Support Undertaking” means the support agreement between the Bank and the Company substantially in the form set forth in Appendix A.

“TARGET” means the Trans-European Automated Real-time Gross Settlement Transfer system.

“Tax Event” means the receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of a Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action, or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or an obligor on the Debt Securities would be obligated to pay Additional Amounts or Additional Interest Amounts.

“Temporary Global Certificates” means temporary global certificates representing the Trust Preferred Securities.

“Trust” means IKB Funding Trust II, a statutory trust created under the laws of the State of Delaware, United States of America.

“Trust Act” means the Delaware Statutory Trust Act.

“Trust Agreement” means the trust agreement among the Trustees and the Bank, as amended and restated.

“Trust Common Security” means one common security of the Trust.

“Trust Preferred Securities” means € 300,000,000 noncumulative Trust Preferred Securities offered in the Offering.

“Trust Securities” means the Trust Common Security together with the Trust Preferred Securities.

“Trust Special Redemption Event” means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

“Trustees” means the trustees of the Trust, pursuant to the Trust Agreement.

“Withholding Taxes” means any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of a Relevant Jurisdiction or any political subdivision or authority therein or thereof having the power to tax, by way of withholding or deduction.

APPENDIX A: FORM OF SUPPORT UNDERTAKING

This Agreement (the "**Agreement**"), dated June 29, 2004, is entered into between IKB Deutsche Industriebank Aktiengesellschaft, a German stock corporation, (the "**Bank**") and IKB Funding LLC II, a Delaware limited liability company (the "**Company**").

WITNESSETH:

WHEREAS, the Bank owns the Common Security of the Company;

WHEREAS, pursuant to the LLC Agreement, the Company will issue the Class A Preferred Security to the Bank, and the Class B Preferred Securities to the Trust (as defined below);

WHEREAS, pursuant to the Trust Agreement, the Trust will issue the Trust Preferred Securities with the same terms as, and representing corresponding amounts of, the Class B Preferred Securities;

WHEREAS, the Company intends to use the proceeds from the issuance of the Class B Preferred Securities to purchase subordinated notes of IKB Finance B.V.;

WHEREAS, the Company may from time to time declare capital payments on the Class B Preferred Securities pursuant to and in accordance with the LLC Agreement; and

WHEREAS, the Bank wishes to undertake for the benefit of the Company and all current and future holders of the Class B Preferred Securities that (i) the Bank will maintain direct or indirect ownership of the Class A Preferred Security and the Common Security, (ii) the Company will at all times be in a position to meet its obligations, including its obligation to pay Capital Payments, including Additional Amounts thereon, if any, and (iii) in liquidation or dissolution, the Company will have sufficient funds to pay the Liquidation Preference Amount.

NOW, THEREFORE, the parties agree as follows:

Section 1. *Certain Definitions.*

"**Additional Amounts**" has the meaning specified in the LLC Agreement.

"**Agreement**" has the meaning specified in the preamble.

"**Bank**" has the meaning specified in the preamble.

"**Capital Payments**" mean any capital payments or other distributions at any time after the date hereof declared by the Board of Directors of the Company (or deemed declared in accordance with the LLC Agreement), but not yet paid, on the Class B Preferred Securities.

"**Class A Preferred Security**" means the class of preferred limited liability company interests in the Company designated as Class A.

"**Class B Preferred Securities**" mean the class of preferred limited liability company interests in the Company designated as Class B, with a liquidation preference amount of € 1,000 per security.

"**Common Security**" means the common limited liability company interest of the Company.

"**Company**" has the meaning specified in the preamble.

"**Independent Enforcement Director**" means the independent member of the board of directors of the Company elected by the holders of the Class B Preferred Securities upon the occurrence of certain events in accordance with, and under the terms set forth in, the LLC Agreement.

"**Liquidation Preference Amount**" means the stated Liquidation Preference Amount of the Class B Preferred Securities and any other amounts due and payable under the LLC Agreement upon the

voluntary or involuntary liquidation, dissolution, winding up or termination of the Company to the holders of the Class B Preferred Securities.

"LLC Agreement" means the limited liability company agreement of the Company dated as of May 19, 2004, as amended and restated as of June 29, 2004 and as the same may be further amended from time to time in accordance with its terms.

"Capital Payment Period" has the meaning set forth in the LLC Agreement.

"Person" means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

"Preferred Securities" mean the Class A Preferred Security and the Class B Preferred Securities, collectively.

"Trust" means IKB Funding Trust II, a Delaware statutory trust established pursuant to a declaration of trust dated as of June 7, 2004, as amended and restated in the amended and restated trust agreement dated as of June 29, 2004 and as the same may be further amended from time to time in accordance with its terms (the "Trust Agreement").

"Trust Preferred Securities" means the noncumulative Trust Preferred Securities issued by the Trust.

Section 2. *Support Undertaking.*

- (a) The Bank undertakes to ensure that the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including its obligations to pay Capital Payments, including Additional Amounts thereon, if any.
- (b) The Bank undertakes to ensure that in the event of any liquidation of the Company, the Company will have sufficient funds to pay the Liquidation Preference Amount (including accrued and unpaid Capital Payments for the then current Payment Period to but excluding the date of liquidation and Additional Amounts, if any).
- (c) The obligations of the Bank under this Section 2 will be subordinated to all senior and subordinated debt obligations of the Bank, and will rank pari passu with the most senior ranking preference shares, if any, and other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of the Bank. The Bank's obligation under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 capital contribution certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, and the support undertaking entered into by the Bank on July 19, 2002 in respect of the outstanding 75,068,100 Class B Preferred Securities issued by IKB Funding LLC I, rank pari passu with the Bank's obligations under this Agreement.
- (d) This Agreement shall not constitute a guarantee or undertaking of any kind that the Company will at any time have sufficient assets, or be authorized pursuant to the LLC Agreement, to declare a Capital Payment or other distribution.

Section 3. *Third Party Beneficiaries and Enforcement of Rights.*

- (a) The parties hereto agree that this Agreement is entered into for the benefit of the Company and all current and future holders of the Class B Preferred Securities and that the Company and any holder of any such Class B Preferred Securities may severally enforce the obligations of the Bank under Section 2.
- (b) The parties hereto acknowledge that, as provided in the LLC Agreement, if a holder of Class B Preferred Securities has notified the Company that the Bank has failed to pay any amount then due hereunder, and such failure continues for sixty (60) days or more after such notice is given, the holders of the Class B Preferred Securities shall have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under this Agreement.

Section 4. *No Exercise of Rights.* The Bank will not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Class B Preferred Securities are outstanding.

Section 5. *Burden of Proof.* Any failure of the Company to pay Capital Payments, or Liquidation Preference Amounts (or any part thereof), plus, in either case, Additional Amounts, if any, shall constitute prima facie evidence of a breach by the Bank of its obligations hereunder. The Bank shall have the burden of proof that the occurrence of such breach results neither from its negligent nor its intentional misconduct.

Section 6. *No Senior Support to Other Subsidiaries.* The Bank undertakes that it shall not give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support or payment of any amounts in respect of, any other preference shares (or instruments ranking *pari passu* with or junior to preference shares) of any other affiliated entity that would in any regard rank senior in right of payment to the Bank's obligations under this Agreement, *unless* the parties hereto modify this Agreement such that the Bank's obligations under this Agreement rank at least *pari passu* with, and contain substantially equivalent rights of priority as to payment as, such guarantee or support agreement.

Section 7. *Continued Ownership of the Class A Preferred Security and the Company Common Security.* The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Section 8. *No dissolution of the Company.* Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Bank shall not permit the Company to be dissolved until all obligations under this Agreement have been paid in full pursuant to its terms.

Section 9. *Modification and Termination.* So long as any Class B Preferred Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Class B Preferred Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

Section 10. *No Assignment.* So long as any Class B Preferred Securities remain outstanding, the Bank shall not assign its rights or obligations under this Agreement to any Person without the consent of the holders of such Class B Preferred Securities.

Section 11. *Successors.* This Agreement will be binding upon successors to the parties.

Section 12. *Severability.* Should any provision of this Agreement be found invalid, illegal or unenforceable for any reason, it is to be deemed replaced by the valid, legal and enforceable provision most closely approximating the intent of the parties, as expressed in such provision, and the validity, legality and enforceability of the remainder of this Agreement will in no way be affected or impaired thereby.

Section 13. *Governing Law and Jurisdiction.* This Agreement shall be governed by and construed in accordance with, the laws of the Federal Republic of Germany and the parties irrevocably submit to the non-exclusive jurisdiction of such German courts as have jurisdiction over civil matters arising in Düsseldorf.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

**IKB DEUTSCHE INDUSTRIEBANK
AKTIENGESELLSCHAFT**

By: _____
Name:
Title:

By: _____
Name:
Title:

IKB FUNDING LLC II

By: _____
Name:
Title:

By: _____
Name:
Title:

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**Financial Information on
IKB Deutsche Industriebank Aktiengesellschaft
for the fiscal year 2002 / 2003**

Consolidated Balance Sheet of IKB Deutsche Industriebank

Assets	EUR thousand*		March 31, 2003 EUR thousand	March 31, 2002 EUR thousand
Liquid funds				
a) Cash			94	127
b) Balances with the central banks			26 961	10 445
of which: with the Deutsche Bundesbank	26 852	(10 225)		
c) Balances on postal giro accounts			110	7
			27 165	10 579
Claims on banks				
a) payable on demand			1 341 480	311 321
b) other claims			798 150	1 293 626
			2 139 630	1 604 947
Claims on customers			24 803 021	24 600 308
of which: loans to public authorities	2 192 654	(1 799 696)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
aa) from government issuers			–	–
ab) from other issuers			5 858 361	4 782 165
			5 858 361	4 782 165
of which: eligible as collateral for advances from the Deutsche Bundesbank	4 198 150	(3 710 931)		
b) own bonds			68 494	145 598
face value	65 555	(74 027)		
			5 926 855	4 927 763
Shares and other non-fixed interest securities			37 520	37 691
Investments			38 157	38 878
of which: in banks	37 086	(37 269)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			6 966	8 068
of which: in banks	–	(–)		
of which: in financial services companies	–	(–)		
Trust assets			5 688	6 018
of which: loans on a trust basis at third party risk	4 262	(4 574)		
Tangible fixed assets			245 416	214 706
Leasing items			2 466 056	2 346 384
Outstanding capital of minority shareholders			48 867	48 465
Other assets			528 555	891 325
Deferred items			135 850	138 868
Total assets			36 409 746	34 874 000

* in parentheses: Previous year's figures

as at March 31, 2003

Liabilities	EUR thousand*	March 31, 2003 EUR thousand	March 31, 2002 EUR thousand
Liabilities to banks			
a) payable on demand		1 383 609	754 273
b) with agreed maturity or period of notice		14 839 721	14 682 012
		16 223 330	15 436 285
Liabilities to customers			
Other liabilities			
a) payable on demand		115 620	61 014
b) with agreed maturity or period of notice		1 903 512	2 189 432
		2 019 132	2 250 446
Securitised liabilities			
Bonds and notes		13 699 786	12 975 080
Trust liabilities		5 688	6 018
of which: loans on a trust basis at third party risk	4 262 (4 574)		
Other liabilities		539 307	531 493
Deferred items		456 165	469 180
Provisions			
a) provisions for pensions and similar obligations		128 642	123 494
b) tax provisions		149 353	131 644
c) other provisions		59 478	45 517
		337 473	300 655
Special items including reserves		5 934	7 570
Subordinated liabilities		631 756	868 413
Participation certificate (Genussschein) capital		613 759	623 759
of which: with remaining maturities of less than two years	51 129 (51 129)		
Fund for general bank risks		80 000	80 000
Participations of minority shareholders		11 434	14 483
Equity			
a) subscribed capital		225 280	225 280
contingent capital:	22 528 (22 528)		
b) hybrid capital			
<i>ba) silent capital</i>		370 000	170 000
<i>bb) preferred shares</i>		250 000	–
		620 000	170 000
c) capital reserves		567 416	567 416
d) revenue reserves			
<i>da) statutory reserves</i>		2 399	2 399
<i>db) other revenue reserves</i>		359 747	316 292
		362 146	318 691
e) consolidated profit		11 140	29 231
		1 785 982	1 310 618
Total liabilities		36 409 746	34 874 000
Contingent liabilities			
a) contingent liabilities arising from rediscounted bills of exchange		1 280	459
b) contingent liabilities arising from guarantees and indemnity agreements		2 158 340	1 747 709
		2 159 620	1 748 168
Other obligations			
Irrevocable loan commitments		6 872 346	5 800 047

* in parentheses: Previous year's figures

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Consolidated Income Statement of IKB Deutsche Industriebank

Expenses	EUR thousand*	2002/2003 EUR thousand	2001/2002 EUR thousand
Interest expenses		2 331 353	2 424 069
Commission expenses		11 849	5 303
Net expenses from financial operations		–	–
General operating expenses			
a) Personnel expenses			
aa) Salaries and wages		110 698	101 088
ab) Social security contributions and employee benefit and pension expenditure		27 111	32 343
of which: for pensions	12 799 (19 509)		
		137 809	133 431
b) other administrative expenses		65 143	54 889
		202 952	188 320
Depreciation and value adjustments on intangible and tangible fixed assets		19 373	20 214
Depreciation of leasing items		396 167	312 777
Rental expenditure on leasing items and other service related expenses		12 499	11 869
Other operating expenses		33 072	38 494
Write-downs and value adjustments to claims and securities, plus transfer to provisions for possible loan losses		183 421	175 186
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as fixed assets		193	–
Expenditure for loss takeovers		6	–
Allocations to special items including reserves		361	2 651
Transfer to the fund for general bank risks		–	–
Taxes on income and earnings		76 804	73 508
Other taxes not entered under “other operating expenses”		4 153	3 681
Profits transferred on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement		–	–
Net income for the year		85 839	83 129
Total expenses		3 358 042	3 339 201
Net income for the year		85 839	83 129
Attributable to other partners			
Profit		–3 070	–4 360
Loss		10 605	9 845
Loss carried forward from the previous year		–39 234	–17 433
		54 140	71 181
Release of revenue reserves			
of revenues for own shares		–	529
Allocation to revenue reserves			
to revenues for own shares		–	–
to other revenue reserves		–43 000	–42 479
Unappropriated profit		11 140	29 231

* in parentheses: Previous year's figure

for the Period April 1, 2002 to March 31, 2003

Income	2002/2003 EUR thousand	2001/2002 EUR thousand
Interest income from		
a) lending and money market operations	2 478 596	2 541 512
b) fixed interest securities and government-inscribed debt	178 398	211 029
	2 656 994	2 752 541
Current income from		
a) shares and other non-fixed interest securities	645	730
b) investments	1 160	4 071
c) holdings in subsidiary companies	–	–
	1 805	4 801
Income from profit pooling, profit transfer, and partial profit transfer agreements	–	–
Commission income	75 960	44 800
Net income from financial operations	842	1 939
Earnings from write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	–	–
Income from leasing operations	566 239	462 689
Earnings from the release of special items including reserves	1 997	283
Other operating income	54 205	72 148
Total income	3 358 042	3 339 201

Balance Sheet of IKB Deutsche Industriebank AG

Assets	EUR thousand*		March 31, 2003 EUR thousand	March 31, 2002 EUR thousand
Liquid funds				
a) Cash			85	120
b) Balances with central banks			26 880	10 338
of which: with the Deutsche Bundesbank	26 852	(10 225)		
c) Balances on postal giro accounts			100	6
			27 065	10 464
Claims on banks				
a) payable on demand			1 766 572	878 219
b) other claims			6 413 008	5 942 494
			8 179 580	6 820 713
Claims on customers			21 840 364	22 200 570
of which: loans to public authorities	2 192 654	(1 799 696)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
<i>aa) from government issuers</i>			–	–
<i>ab) from other issuers</i>			5 635 468	4 635 500
			5 635 468	4 635 500
of which: eligible as collateral for advances from the Deutsche Bundesbank	4 038 550	(3 608 056)		
b) own bonds			68 494	145 598
face value	65 555	(140 225)		
			5 703 962	4 781 098
Shares and other non-fixed interest securities			13 000	15 411
Investments			946	923
of which: in banks	294	(294)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			390 465	367 915
of which: in banks	164 839	(164 839)		
of which: in financial services companies	–	(–)		
Trust assets			5 688	6 018
of which: loans on a trust basis at third party risk	4 262	(4 574)		
Tangible fixed assets			58 428	52 977
Treasury shares			–	–
nominal amount	–	(–)		
Other assets			416 600	756 399
Deferred items			131 934	131 331
Total assets			36 768 032	35 143 819

* in parentheses: Previous year's figures

as at March 31, 2003

Liabilities	EUR thousand*	March 31, 2003 EUR thousand	March 31, 2002 EUR thousand
Liabilities to banks			
a) payable on demand		1 135 746	1 299 105
b) with agreed maturity or period of notice		16 141 274	15 261 825
		17 277 020	16 560 930
Liabilities to customers			
Other liabilities			
a) payable on demand		134 996	72 580
b) with agreed maturity or period of notice		1 899 093	2 053 322
		2 034 089	2 125 902
Securitised liabilities			
Bonds and notes		13 653 204	12 919 627
Trust liabilities		5 688	6 018
of which: loans on a trust basis at third party risk	4 262 (4 574)		
Other liabilities		380 558	399 438
Deferred items		123 067	131 886
Provisions			
a) provisions for pensions and similar obligations		113 450	108 833
b) tax provisions		139 883	114 853
c) other provisions		57 846	39 073
		311 179	262 759
Subordinated liabilities		881 781	868 413
Participation certificate (Genussschein) capital		613 759	623 759
of which: with remaining maturities of less than two years	51 129 (51 129)		
Fund for general bank risks		80 000	80 000
Equity			
a) subscribed capital		225 280	225 280
contingent capital:	22 528 (22 528)		
b) silent capital		200 000	–
c) capital reserves		567 416	567 416
d) revenue reserves			
da) statutory reserves		2 399	2 399
db) reserves for treasury shares		–	–
dc) other revenue reserves		344 832	302 232
		347 231	304 631
e) distributable profit		67 760	67 760
		1 407 687	1 165 087
Total liabilities		36 768 032	35 143 819
Contingent liabilities			
a) contingent liabilities arising from rediscounted bills of exchange		1 280	459
b) contingent liabilities arising from guarantees and indemnity agreements		4 621 489	4 000 936
		4 622 769	4 001 395
Other obligations			
Irrevocable loan commitments		6 548 341	4 981 719

* in parentheses: Previous year's figures

Income Statement of IKB Deutsche Industriebank AG

Expenses	EUR thousand*	2002/2003 EUR thousand	2001/2002 EUR thousand
Interest expenses		2 316 064	2 448 583
Commission expenses		9 214	2 090
General operating expenses			
a) Personnel expenses			
aa) Salaries and wages		80 270	73 878
ab) Social security contributions and employee benefit and pension expenditure		22 288	27 351
of which: for pensions	11 939 (17 997)		
		102 558	101 229
b) other administrative expenses		57 523	47 618
		160 081	148 847
Depreciation and value adjustments on intangible and tangible fixed assets		12 425	13 865
Other operating expenses		12 454	10 330
Write-downs and value adjustments to claims and securities, plus transfers to provisions for possible loan losses		153 417	141 228
Expenditure for loss takeovers		142	42 922
Taxes on income and earnings		72 110	63 734
Other taxes not entered under "other operating expenses"		484	478
Net income for the year		110 361	96 110
Total expenses		2 846 752	2 968 187
Net income for the year		110 361	96 110
Release of revenue reserves			
of revenues for own shares		-	529
Allocation to revenue reserves			
to other revenues reserves		-42 601	-28 879
Unappropriated profit		67 760	67 760

* in parentheses: Previous year's figure

for the Period April 1, 2002 to March 31, 2003

Income	2002/2003 EUR thousand	2001/2002 EUR thousand
Interest income from		
a) lending and money market operations	2 519 874	2 616 921
b) fixed interest securities and government-inscribed debt	170 918	203 042
	2 690 792	2 819 963
Current income from		
a) shares and other non-fixed interest securities	645	730
b) investments	1 871	52 071
c) holdings in subsidiary companies	5 503	5 323
	8 019	58 124
Income from profit pooling, profit transfer, and partial profit transfer agreements	39 325	15 416
Commission income	91 030	55 993
Net income from financial operations	837	1 940
Earnings and write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	-	-
Other operating income	16 749	16 751
Total income	2 846 752	2 968 187

Notes

Notes to the Consolidated and the AG's Financial Statements

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 Stock Corporation Act (*AktG*). 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) and the requirements for publication of the European Union. The financial statements comply with the Standards adopted by the German Accounting Standards Board (GASB) and published by the Federal Ministry of Justice in accordance with Article 342, Section 2, of the German Commercial Code (*HGB*).

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, fifteen domestic and five foreign companies are included in the consolidated financial statements at March 31, 2003. 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 425 real estate special purpose entities, as well as 23 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.

Four newly founded companies – IKB Autoleasing GmbH, Hamburg, IKB Funding LLC I, Wilmington, Delaware, USA, as well as the indirect participations in IKB Mezzanine Verwaltungs GmbH, Düsseldorf, and IKB Mezzanine GmbH & Co. KG, Düsseldorf – augmented the number of companies to be consolidated. These companies are fully included in the consolidated financial accounts. The objective of IKB Autoleasing GmbH is to purchase and to lease any sort of vehicle, superstructure as well as facilities and equipment related to the automotive sector. In order to strengthen regulatory capital of IKB Group, IKB Funding LLC I issued noncumulative trust preferred securities, which are disclosed in the balance sheet item "Equity" as hybrid capital.

In the period under review our subsidiary IKB Private Equity GmbH in cooperation with Kreditanstalt für Wiederaufbau (KfW) founded the mezzanine fund IKB Mezzanine GmbH & Co. KG, Düsseldorf, in which IKB Mezzanine Verwaltungs GmbH participates as general partner (*Komplementärin*). The mezzanine fund with volume of EUR 100 million has a lifespan of ten years. The funds, provided by KfW (40 %) and IKB Equity (60 %) in the form of subordinated loans, are to be invested especially by means of atypical silent participations.

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 – if necessary – adapted to conform with the accounting and valuation regulations of the parent company. Both American subsidiaries, draw up the balance according to the accounting principles of US-GAAP. As far as substantially necessary we adopted the subsidiaries 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 41.5 million, and credit differences to EUR 6.3 million. The balance of these differences, which is EUR 35.2 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, 2002:

- AIVG Allgemeine Verwaltungsgesellschaft mbH
- IKB Capital Corporation
- IKB Facility-Management GmbH
- IKB Financière France S.A.
- IKB Grundstücks GmbH and their special purpose entities
- IKB Immobilien Leasing GmbH
- IKB Private Equity GmbH and their subsidiaries.

In the case of IKB Capital Corporation, we prepared interim accounts at March 31, 2003 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.

Securities kept as fixed assets exclusively comprise issues of international industrial companies (corporate bonds and credit linked notes), which we purchased intending to hold them up to the final maturity.

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 *Heubeck* actuarial tables and a 6 % rate of interest and using the German *Teilwert* method for pension expectancies 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 realised.

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 European Central Bank (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

in EUR million	Group		AG	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
Other claims on banks	798	1 294	6 413	5 942
with a remaining maturity				
– up to three months	311	477	4 920	4 873
– more than three months up to one year	290	592	1 156	798
– more than one year up to five years	165	183	282	248
– more than five years	32	42	55	23
Claims on customers	24 803	24 600	21 840	22 201
with a remaining maturity				
– up to three months	3 915	3 615	3 709	3 444
– more than three months up to one year	2 981	2 587	2 537	2 304
– more than one year up to five years	11 447	11 330	9 801	9 975
– more than five years	6 460	7 068	5 793	6 478
Liabilities to banks				
with agreed maturity or period of notice	14 840	14 682	16 141	15 262
with a remaining maturity				
– up to three months	4 210	4 245	5 108	5 338
– more than three months up to one year	2 044	1 301	3 064	1 273
– more than one year up to five years	4 891	5 138	4 807	5 072
– more than five years	3 695	3 998	3 162	3 579
Other liabilities to customers				
with agreed maturity or period of notice	1 904	2 189	1 899	2 053
with a remaining maturity				
– up to three months	116	165	130	151
– more than three months up to one year	170	111	169	84
– more than one year up to five years	863	1 147	862	1 078
– more than five years	755	766	738	740

Of the debentures and other fixed interest securities in the Group EUR 853 million (2001/2002: EUR 180 million) and in the AG EUR 847 million (2001/2002: EUR 179 million) will mature next year. Of the issued debentures included in the balance sheet under securitised liabilities, EUR 5,198 million (2001/2002: 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 7, 2001 and August 30, 2002, we obtained authorisation to acquire our own shares for the purpose of securities trading (max. 5 % of share capital).

During the 2002/2003 financial year, we purchased 4,901,713 treasury shares. The average purchasing price was EUR 12.37 per share. The same amount of shares was sold at an average share price of EUR 12.44. The resulting revenues of EUR 328 thousand are included in the net result from financial operations. The highest daily balance of treasury shares amounted to 2.09 % 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 held by the bank.

In order to enable our employees to acquire shares under employee purchase schemes during the year under review we purchased 26,869 shares at an average price of EUR 11.90, of which we then sold 19,849 to the employees of the AG at a preferential rate of EUR 5.95. A further 7,020 shares were acquired under the same conditions from employees of the Group.

Fixed Asset Schedule

in EUR million	Group						
	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2003	Net book value March 31, 2002
Tangible fixed assets	366.4	50.3	2.1	169.2	19.4	245.4	214.7
Securities	–	937.8	–	–	–	937.8	–
Investments	40.6	0.1	0.6	1.9	0.2	38.2	38.9
Shares in subsidiary companies	8.1	0.7	1.8	–	–	7.0	8.1
Leasing items	3 135.0	616.8	455.3	830.4	396.2	2 466.1	2 346.4

in EUR million	AG						
	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2003	Net book value March 31, 2002
Tangible fixed assets	140.0	17.9	1.8	97.7	12.4	58.4	53.0
Securities	–	937.8	–	–	–	937.8	–
Investments	2.2	0.0	–	1.3	–	0.9	0.9
Shares in subsidiary companies	427.1	22.5	–	59.1	–	390.5	367.9

On March 31, 2003, the book value of the Group's land and buildings used by the Group amounted to EUR 203.7 million, and those of the AG to EUR 33.5 million. The principle item in the Group was the headquarters building in Düsseldorf.

On the Group balance sheet, equipment and furniture, amount to EUR 35.8 million, and for that of the AG, to EUR 23.7 million. They are included in "Tangible fixed assets".

Negotiable Securities

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

in EUR million	Group			AG		
	Total	Listed	Not Listed	Total	Listed	Not Listed
Debentures and other fixed interest securities	5 926.2	5 839.3	86.9	5 704.0	5 627.1	76.9
Shares and other non-fixed interest securities	1.0	1.0	–	1.0	1.0	–
Investments	36.8	36.8	–	–	–	–
Shares in subsidiary companies	–	–	–	151.8	–	151.8

Marketable debentures and other fixed interest securities as well as shares comprise assets with a volume of EUR 929.6 million, which are allocated to the fixed assets and thus are not valued at lowest value (*Niederstwert*). These are securities exclusively issued by international industrial companies (corporate bonds and credit linked notes), which we purchased in connection with our loan business intending to hold them up to the final maturity.

Receivables and Payables Relating to Subsidiary and Related Companies

in EUR million	Group		AG	
	Subsidiary companies	Related companies	Subsidiary companies	Related companies
Claims on banks	59.9	30.6	6 177.3	0.0
Claims on customers	110.8	50.7	2 085.6	0.0
Debentures and other fixed interest securities	–	1.5	–	1.5
Liabilities to banks	641.9	6.6	2 296.9	–
Liabilities to customers	15.1	–	87.3	–

Trust Transactions

in EUR million	Group		AG	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
Claims on customers	4.3	4.6	4.3	4.6
Investments	1.4	1.4	1.4	1.4
Trust assets	5.7	6.0	5.7	6.0
Liabilities to customers	5.7	6.0	5.7	6.0
Trust liabilities	5.7	6.0	5.7	6.0

Subordinated Assets

Subordinated assets are included in the following balance sheet items:

in EUR million	Group	AG
Claims on customers	130.0	14.6
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.

in EUR million	Group		AG	
	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
Assets	5 093	5 326	4 805	5 170
Liabilities	2 321	2 420	2 566	2 425

Other Assets and Other Liabilities

For both the Group and the AG, the largest single item in “Other assets” are amounts due from pro rata interests from interest swaps, cross-currency-swaps and guarantee agreements totalling EUR 346 million in the Group and EUR 336 million in the AG. The remaining amount relates besides participations in companies of EUR 78 million held by IKB Private Equity GmbH and its subsidiary primarily to trade receivables and claims arising from payment procedures.

In both the Group and AG financial statements, the amounts distributed on the participation rights capital (*Genussscheine*) for 2002/2003 (EUR 47 million) and the pro rata interest for the subordinated liabilities with EUR 11.9 million are entered under “Other liabilities”. The pro rata interest from interest rate swap agreements constitute the largest item in the Group (EUR 258 million) and AG (EUR 229 million). As an other significant item trade payables, amounting to EUR 69 million and EUR 1 million respectively, are included.

Accrued and Deferred Income

Prepaid expenses of the Group and AG, amounting to EUR 107 million and EUR 106 million respectively relate to differences pursuant to Article 250, Section 3 of the German Commercial Code (*HGB*) 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 117 million (AG: EUR 111 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 0.3 million a reserve in accordance with Article 6b of the German Income Tax Act and with EUR 5.6 million investment grants.

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 %	Maturity
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
2002/03 ¹⁾	250.0	EUR	4.54	Dec. 31, 2031

¹⁾ Issue with floating rate

Subordinated liabilities in the Group amount to EUR 631.8 million and in the AG to EUR 881.8 million. Interest expense on this amount during the financial year came in the Group to EUR 59.6 million (2001/2002: EUR 60.6 million) and in the AG to EUR 63.8 (previous year: EUR 60.6) million.

Participation Rights Capital (Genussscheine)

The issued participation rights capital of EUR 613.8 million meets the requirements set out in Article 10, Section 5 of the German Banking Act at an amount of EUR 560.2 million and serve to strengthen the bank's liable capital. This 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	74.5	EUR	6.55	March 31, 2012
	613.8			

Interest payments for the 2002/2003 financial year, amounting to EUR 44.7 million, are contained in interest expenses.

The Management Board is authorised to issue participation rights capital – also combined with conversion or option rights – nonrecurring or repeatedly at a total amount of EUR 300 million and with a maximum maturity of 15 years until August 30, 2007. To the bearers of these participation rights conversion and option rights can be granted with a share in subscribed capital of up to EUR 22.5 million. So far, no use was made of this authorisation.

Development of Capital

Equity

Subscribed share capital amounted to EUR 225,280,000.00 on March 31, 2003 and is divided into 88,000,000 shares.

In order to grant conversion 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, conditional capital of EUR 22.5 million is authorised. Furthermore, the company is authorised to issue share capital amounting to EUR 76.8 million until August 30, 2007.

Hybrid Capital

At March 31, 2003, hybrid capital in the Group amounts to EUR 620 million (previous year: EUR 170 million) and to EUR 200 million in the AG, respectively. This capital complies with the requirements of Article 10, Section 4 of the German Banking Act and is therefore attributed to our regulatory tier 1 capital.

Hybrid capital instruments comprise issues in the form of silent participations or preferred shares, the latter being issued by a subsidiary exclusively founded for this purpose. Different to supplementary capital these instruments are subject to stricter requirements with respect to maturity. As to silent participations – basically issued as perpetuums – only the issuer is allowed to terminate the contract after 10 years at the earliest; as to the preferred shares for the investor an unlimited maturity is agreed.

Moreover, in the case of insolvency hybrid capital instruments are subordinated to subordinated liabilities and participation rights capital (*Genussscheine*).

Interest expenses for hybrid capital instruments in the Group amount to EUR 26 million and to EUR 4 million in the AG, respectively.

Changes in the Group's Equity

in EUR million	2003	2002
Balance of the parent company's equity at March 31 of the previous year	1 311	1 294
Subscribed capital of the parent company		
+ hybrid capital	450	–
+ capital reserves	–	–
+ gained Group equity	43	38
+ accumulated other Group result, inasmuch as to be allocated to shareholders of the parent company	–18	–21
= equity of the parent company according to Group balance sheet	1 786	1 311
– treasury shares, not determined for withdrawal	–	–
= equity of the parent company at March 31	1 786	1 311
Balance of minority shareholders' equity at March 31 of the previous year	14	25
– changes in minority shareholders' equity	–3	–11
– <i>therefrom: minority capital</i>	4	–15
– <i>therefrom: accumulated other Group result, inasmuch as to be allocated to minority shareholders</i>	–7	4
= equity of the minority shareholders at March 31	11	14
Equity of the Group at March 31	1 797	1 325

Changes in the AG's Equity

in EUR million	
Equity of the AG at April 1, 2002	1 165.1
Distribution of unappropriated profits for the financial year 2001/2002	– 67.8
Transfer to other revenue reserves from net income of the AG for the financial year 2002/2003	42.6
Addition of hybrid capital	200.0
Unappropriated profit for the financial year 2002/2003	67.8
Equity of the AG at March 31, 2003	1 407.7

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:

at March 31, 2003 in EUR million	Attributable amounts in %				Total
	100	50	20	10	
Balance sheet transactions	17 811	1 729	562	348	20 450
Non-balance sheet transactions	2 127	885	43		3 055
Derivative transactions in the investment portfolio		97	502		599
Weighted risk assets, total	19 938	2 711	1 107	348	24 104
Amount attributable for market risk					425
Total of items obligatory for inclusion					24 528
Liabe capital ¹⁾					2 972
Capital eligible for inclusion ¹⁾					2 972
Tier 1 capital ratio (in %)					7.4
Equity ratio (in %)					12.1

¹⁾ Following adaption of the annual financial statements

at March 31, 2002 in EUR million	Attributable amounts in %				Total
	100	50	20	10	
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					2 556
Capital eligible for inclusion					2 559
Tier 1 capital ratio (in %)					6.4
Equity ratio (in %)					12.1

Contingent Liabilities / Other Obligations

Contingent liabilities

in EUR million	Group	AG
Guarantees	1 921	4 384
Liabilities from security for third-parties	239	239
Total	2 160	4 623

Other obligations

in EUR million	Group	AG
Loan commitments up to one year	5 216	5 085
Loan commitments more than one year	1 657	1 463
Total	6 872	6 548

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 1,334 million (2001/2002: EUR 767 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 14 loan commitments to special entities at an amount of EUR 4.9 billion, which only take effect in the case of short-term liquidity squeeze.

Notes to the Cash flow Statement

The Cash flow Statement complies with the accounting requirements of the German Accounting Standards Committee (GAS 2-10) and shows the balance as well as the changes of the Group’s liquid funds. 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 Statement in EUR million	2002/2003	2001/2002
Net income for the year	86	83
Non-cash items contained in net income for the year and leading into the cash flow from operating activities		
Changes of risk provisioning	260	227
Depreciation of tangible fixed assets, leasing items, and investments	301	333
Profit/loss attributable to other partners	8	5
Changes in other non-cash items (primarily change of provisions)	103	85
Result from the sale of investments and tangible fixed assets	-2	-35
Other adjustments (primarily reallocation of received or paid interest including profits for leasing transactions and paid income tax)	-877	-767
Subtotal	-121	-69
Changes in assets and liabilities from operating activities after corrections for non-cash components		
Claims		
on banks	-454	-702
on customers	-330	-387
Debentures and other fixed interest securities	-1 008	-1 135
Shares and other non-fixed interest securities	-1	-3
Leasing items	-266	-301
Other assets from operating activities	479	60
Liabilities		
to banks	644	125
to customers	-231	-160
Securitised liabilities	715	2 150
Other liabilities from operating activities	-180	-340
Participations of minority shareholders	-3	-11
Interest and dividends received	3 087	3 101
Interest paid	-2 344	-2 436
Payment of income taxes	-62	-69
Cash flow from operating activities	-75	-177
Proceeds from the sale of		
Investments	3	8
Tangible fixed assets	4	30
Payments for the purchase of		
Investments	-1	-3
Tangible fixed assets	-50	-19
Effects of the change in the set of companies to be consolidated	-	-11
Cash flow from investment activities	-44	5
Dividend payments	-68	-68
Changes in liquid funds deriving from other financing activities (balance) (mainly subordinated liabilities / participation rights capital / revenue reserves)	203	250
Cash flow from financing activities	135	182
Balance of liquid funds at the end of the previous period	11	1
Cash flow from operating activities	-75	-177
Cash flow from investment activities	-44	5
Cash flow from financing activities	135	182
Balance of liquid funds at the end of the period	27	11

cash flow from investment activities primarily comprises the revenue from the sale and the payment for the purchase of financial assets and tangible fixed assets. Under financial activities all cash flows from transactions relating to equity and hybrid capital instruments 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 subsidiary companies amounted on March 31, 2003, to EUR 278 thousand for the Group (of which: IKB Leasing Tschechien GmbH EUR 277 thousand) and to EUR 1.3 thousand for 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 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, 2002, the IKB Immobilien Leasing Group had incurred EUR 294 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, 2003

in EUR million	Group								
	Nominal amount				Credit equivalent				Credit risk
	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	18	–	–	18	0	–	–	–	0
Interest swaps	3 333	5 221	10 836	19 390	27	111	2 189	2 327	2 138
Interest options	5	242	239	486	0	2	18	20	15
Forward bonds	195	5	263	463	2	0	75	77	73
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 046	–	–	2 046	39	–	–	39	30
Cross-currency swaps	630	1 222	1 431	3 283	13	94	135	242	67
Currency options	32	–	–	32	2	–	–	2	2
3. Index-based operations									
Over-the-counter-products (OTCs)									
Index swaps	20	–	–	20	2	–	–	2	0
Total	6 279	6 690	12 769	25 738	85	207	2 417	2 709	2 325

in EUR million	AG								
	Nominal amount				Credit equivalent				Credit risk
	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)									
Interest swaps	2 896	5 320	9 799	18 015	34	167	2 190	2 391	2 218
Interest options	5	130	274	409	0	1	19	20	15
Forward Bonds	195	5	5	205	2	0	0	2	2
Forward forward deposits	66	55	–	121	0	0	–	0	0
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 003	–	–	2 003	38	–	–	38	30
Cross-currency swaps	579	935	1 474	2 988	14	79	145	238	75
Currency options	32	–	–	32	2	–	–	2	2
3. Index-based operations									
Over-the-counter-products (OTCs)									
Index swaps	20	–	–	20	2	–	–	2	0
Total	5 796	6 445	11 552	23 793	92	247	2 354	2 693	2 342

Some 93 % of the Group and 97 % 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 20.4 billion (AG: EUR 18.8 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 2.3 billion to the Group and the AG at the balance sheet date, representing 9 % and 10 % 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 aligned 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
- Leasing and
- Securitisation.

The results arising from the bank's activities in the fields of investments in international loan portfolios, advisory services for special funds and the securitisation and outplacement of credit risks are shown separately for the first time in the segment "Securitisation".

The basis for the segment reports are the internal, controlling-oriented division accounts, which form part of IKB's management system. This procedure corresponds to the information 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.

Segment Report

in EUR million
Net interest income
Net commission income
Net interest and commission income
Administrative expenses
<i>Personnel expenses</i>
<i>Other administrative expenses</i>
Other operating result ^{*)}
Risk provisioning balance
Result from ordinary activities
Ø Allocated tier 1 capital
Loan volume at balance sheet date March 31
Cost/income ratio in %
Return on equity in %
Ø Number of staff
Volume of new business

^{*)} incl. net result from financial operations

Income and expenses of the other divisions are assigned in accordance with their respective responsibility. Net 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 negative figure of the average allocated tier 1 capital shown in the segment "Securitisation" results from capital releases caused by CLO transactions including the offsetting against capital requirements for investments in international loan portfolios. 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.

by Business Division for the Financial Year 2002/2003

Corporate Lending		Real Estate Financing		Structured Financing		Private Equity		Leasing		Securitisation		Head Office		Total	
1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02
225.1	227.9	81.7	70.5	94.0	95.2	4.1	3.9	43.6	42.5	2.4	-8.3	34.1	39.6	485.0	471.3
5.7	4.4	7.9	7.4	14.4	6.0	-0.6	-0.6	-3.7	-4.4	45.3	27.4	-4.9	-0.7	64.1	39.5
230.8	232.3	89.6	77.9	108.4	101.2	3.5	3.3	39.9	38.1	47.7	19.1	29.2	38.9	549.1	510.8
65.2	62.4	24.3	23.4	31.3	27.6	7.4	7.3	25.5	22.8	4.5	2.3	61.7	60.7	219.9	206.5
49.8	47.9	17.9	16.9	21.1	18.6	4.8	4.0	16.2	15.4	2.2	1.3	25.8	29.3	137.8	133.4
15.4	14.5	6.4	6.5	10.2	9.0	2.6	3.3	9.3	7.4	2.3	1.0	35.9	31.4	82.1	73.1
0.0	0.0	0.0	0.0	0.2	0.2	10.9	-14.2	9.7	10.6	0.0	0.0	0.2	34.6	21.0	31.2
62.8	64.5	24.1	22.8	18.4	20.2	6.3	24.7	5.2	2.6	6.5	0.6	60.1	39.8	183.4	175.2
102.8	105.4	41.2	31.7	58.9	53.6	0.7	-42.9	18.9	23.2	36.7	16.2	-92.4	-26.9	166.8	160.3
626	636	241	220	179	182	24	24	47	37	-204	-264	199	237	1 112	1 072
16 022	16 266	5 532	5 355	4 209	4 191	191	204	2 659	2 550	1 937	676	45	56	30 595	29 298
28.2	26.9	27.1	30.0	28.8	27.2	51.4	-	51.4	47.0	9.4	12.0			38.6	38.1
16.4	16.6	17.1	14.4	32.9	29.5	2.9	-	40.2	62.1	-	-			15.0	15.0
311	324	126	121	126	103	46	44	125	116	10	5	689	637	1 433	1 350
2 658	2 274	765	793	1 494	1 399	32	55	710	710	1 402	676	-117	183	6 944	6 090

Segment Report by Geographical Region

Assignment of the segments by geographical region occurs – with adjusted previous year’s figures – in accordance with the respective location of our offices or Group companies.

	Germany		Other Europe		America		Head Office		Total	
	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02	1.4.02 – 31.3.03	1.4.01 – 31.3.02
in EUR million										
Net interest income	328.6	325.5	111.8	99.0	10.5	7.2	34.1	39.6	485.0	471.3
Net commission income	60.3	36.3	8.6	4.1	0.1	-0.2	-4.9	-0.7	64.1	39.5
Net interest and commission income	388.9	361.8	120.4	103.1	10.6	7.0	29.2	38.9	549.1	510.8
Administrative expenses	139.1	129.6	15.0	12.1	4.1	4.1	61.7	60.7	219.9	206.5
Other operating result ¹⁾	20.3	-3.8	0.3	0.3	0.2	0.1	0.2	34.6	21.0	31.2
Risk provisioning balance	89.0	101.4	32.8	32.2	1.5	1.8	60.1	39.8	183.4	175.2
Result from ordinary activities	181.1	127.0	72.9	59.1	5.2	1.2	-92.4	-26.9	166.8	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	
	2002/2003	2001/2002
Allocation to specific provisions for bad and doubt debts/ direct depreciation less payments received on claims written off	269	248
Allocation to general provisions for bad and doubtful debts	4	4
Release of provisions for bad and doubtful debts	25	48
Net risk provision	248	204
Result from securities in the liquidity reserve	65	29
Risk provisioning balance	183	175

Risk Provisioning Status at Group Level

in EUR million	Group				
	As at April 1, 2002	Utilisation	Release	Allocation	As at March 31, 2003
Specific provisions for bad and doubtful debts/ provisions for contingent liabilities	836	146	25	245	910
General provisions for bad and doubtful debts	39	–	–	4	43
Total risk provisioning status	875	146	25	249	953

Administrative Services

We engage in administrative services relating to our loan and deposit operations especially to guarantee business, 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		
Fixed remuneration	2 150	1 975
Variable remuneration	2 200	2 200
	4 350	4 175
Members of the Supervisory Board		
Fixed remuneration	101	101
Variable remuneration	780	780
Travel expenses/turnover tax	107	107
	988	988
Members of the Advisory Board	625	625
Former Members of the Board of Managing Directors and their surviving dependents	2 135	2 135

An amount of EUR 19.3 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	255
Supervisory Board	119

Average Number of Staff during the Financial Year (calculated on the basis of fulltime workers)

	Group		AG	
	2002/2003	2001/2002	2002/2003	2001/2002
Male	846	797	597	563
Female	587	553	407	392
	1 433	1 350	1 004	955

Corporate Governance

Declaration concerning the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (AktG)

On November 7, 2002, the Management Board and the Supervisory Board submitted the first Declaration of Conformity pursuant to Article 161 of the German Stock Corporation Act (*AktG*), which shareholders can access at the IKB website (www.ikb.de) on a permanent basis.

Directors' Dealings pursuant to Article 15a of the German Securities Exchange Act (WpHG)

Hereinafter we give an overview of purchases and sales of IKB shares by members of the Management Board and the Supervisory Board as well as by respective related parties:

Date of the transaction	Name	Function	Purchase/ Sale	Number of stocks	Share price in EUR
December 19, 2002	Hermann Franzen	Member of the Supervisory Board	Purchase	3 500	11.46
January 27, 2003	Hermann Franzen	Member of the Supervisory Board	Purchase	2 950	12.05
January 27, 2003	Hermann Franzen	Member of the Supervisory Board	Purchase	500	12.04
January 27, 2003	Hermann Franzen	Member of the Supervisory Board	Purchase	300	12.03

There have been no shareholdings that shall be reported according to Code Item 6.6, Section 2, Sentences 2 and 3, of the German Corporate Governance Code.

Report Concerning Relations to Considerable Related Parties

The following shareholders hold shares in IKB Deutsche Industriebank AG (IKB) of considerable amount:

- KfW Beteiligungsholding GmbH 34.11 %
- Stiftung zur Förderung der Forschung für die gewerbliche Wirtschaft 11.46 %.

The other share capital is – as far as notified – free float.

KfW Beteiligungsholding GmbH is a fully owned subsidiary of Kreditanstalt für Wiederaufbau (KfW). KfW is a public corporation, in which the Federal Republic of Germany (*Bund*) participates with 80 % and the Federal States (*Bundesländer*) with 20 % respectively. Pursuant to Article 12, Section 1, Sentence 1, of the Act concerning Kreditanstalt für Wiederaufbau (*Gesetz über die Kreditanstalt für Wiederaufbau*) KfW is subject to supervision of the German Government.

In the last two annual general meetings of IKB KfW was present with calculated voting rights of more than 50 %.

With 80 % of the shares of KfW and a material influence on the composition of KfW's Administration Board (*Verwaltungsrat*) the Federal Republic of Germany (*Bund*) can exert predominant influence on KfW. IKB shares held by KfW are therefore pursuant to Article 16, Section 4, of the German Stock Corporation Act (*AktG*) defined as shares of the Federal Republic of Germany. Thus IKB is deemed dependent on the German Government according to the German Stock Corporation Act (*AktG*). Pursuant to Article 312 of the German Stock Corporation Act (*AktG*) IKB has prepared a Report of Dependency, which is not published.

Organs

In the following schedule of the members of the Supervisory Board and the Management Board are listed:

- a) *Membership in other legally required Supervisory Boards and*
- b) *Membership in comparable domestic and foreign Supervisory Bodies.*

Supervisory Board

Chairman

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

- a) *Group mandates pursuant to Article 100 Section 2, Sentence 2 of the German Stock Corporation Act (AktG) are marked with**

E.ON Energie AG (Chairman)*

Ruhrgas AG (Chairman)*

Münchener Rückversicherungs-Gesellschaft (Chairman)

RAG Aktiengesellschaft (Chairman)

Deutsche Lufthansa AG

Hochtief AG

- b) *Powergen Limited (Chairman/Group mandate)*

Henkel KGaA

ARCELOR

Deputy Chairman

Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin

President

Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz e.V.

- a) *Bayer AG*

Continental AG

Econia AG (until September 30, 2002)

European Aeronautics and Defense System AG

IBM Deutschland GmbH (until September 23, 2002)

SMS AG

- b) *ETF Group*

Orange S.A.

Ringier AG

Deputy Chairman

Hans W. Reich, Frankfurt (Main)

Chairman of the Board of Managing Directors

Kreditanstalt für Wiederaufbau

- a) *ALSTOM GmbH*

Aareal Bank AG

Deutsche Telekom AG

HUK-COBURG Holding AG

RAG Aktiengesellschaft

Thyssen Krupp Steel AG

- b) *DePfa Bank plc.*

Deutsche Energie-Agentur GmbH

HUK-COBURG Haftpflicht-Unterstützungs-Kasse

kraftfahrender Beamter Deutschlands a.G.

Dr. Jürgen Behrend, Lippstadt

Managing Partner

Hella KG Hueck & Co.

- a) *Leoni AG*

Jörg Bickenbach, Düsseldorf

Undersecretary of State, North Rhine-Westphalia

Ministry for Economics and Labour

- a) *Messe Düsseldorf GmbH*

- b) *WIR-NRW GmbH (Chairman)*

Gesellschaft für Wirtschaftsförderung mbH

NRW-Japan K.K.

ZENIT GmbH

Wolfgang Bouché, Düsseldorf
Elected by the staff

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

Herbert Hansmeyer, Munich
Former Member of the Board of Managing Directors
Allianz Aktiengesellschaft

a) *Dresdner Bank Lateinamerika AG*

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

a) *Group mandates pursuant to Article 100 Section 2,*
Sentence 2 of the German Stock Corporation 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 (until December 31, 2002)
Head of Department VII A
Federal Ministry of Finance

Roswitha Loeffler, Berlin
Elected by the staff

Wilhelm Lohscheidt, Düsseldorf
Elected by the staff

Jürgen Metzger, Hamburg
Elected by the staff

Roland Oetker, Düsseldorf
Managing Partner
ROI Verwaltungsgesellschaft mbH

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

b) *Gamma Holding N.V.*
Scottish Widows Pan European
Smaller Companies OEIC
Dr. August Oetker KG-Gruppe

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

a) *Körber AG (Chairman)*
Vereins- und Westbank AG

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

a) *E.ON Energie AG*

Rita Röbel, Leipzig
Elected by the staff

Dr. Michael Rogowski, Berlin (from August 30, 2002)
President
Federation of German Industry

a) Voith AG (Chairman)
Deutsche Messe AG

*b) European Aeronautic, Defense and Space
Company EADS N.V.
Freudenberg & Co. (Vice-Chairman)
HDI Haftpflichtverband der Deutschen Industrie V.a.G.
Klein Pumpen GmbH
Kreditanstalt für Wiederaufbau
Adolf Würth GmbH & Co. KG
Carl Zeiss*

Dr. Carola Steingräber, Berlin
Elected by the staff

Dipl.-Ing. Hans Peter Stihl, Waiblingen
(until August 30, 2002)
Chairman of the Supervisory Board
STIHL AG

a) Robert Bosch GmbH

b) Robert Bosch Industrietreuhand KG

Ulrich Wernecke, Düsseldorf
Elected by the staff

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

a) Würth Gruppe (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 Ltd.
Würth Nederland B. V.
Würth Neuseeland Ltd.
Würth Handelsges. m. b. H.
Würth AG
Würth España S. A.
Würth Group of North America Inc.
Würth South Africa Co. (Pty) Ltd.
Würth Canada Ltd.
Würth Otomotiv ve Montaj San. Ürün. Paz. Ltd. Sti.
Reca Danmark A/S*

Board of Managing Directors

Dr. Markus Guthoff

a) MetaDesign AG

*b) IKB Private Equity GmbH (Chairman)
IKB Venture Capital GmbH (Chairman)
Firmengruppe Poppe & Potthoff (from April 4, 2003)*

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 Autoleasing GmbH (Vice-Chairman)
IKB Facility-Management GmbH (Vice-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)
DEG – Deutsche Investitions- und
Entwicklungsgesellschaft mbH (Vice-Chairman)
AKA Ausfuhrkredit-Gesellschaft m.b.H. (from April 2, 2003)
Lohmann GmbH & Co. KG
Rich. Hengstenberg GmbH & Co.*

Dr. Alexander v. Tippelskirch

a) Deutsche Gelatine-Fabriken Stoess AG (Chairman)

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

Employees of

IKB Deutsche Industriebank AG

Information pursuant to Article 340 a,
Section 4, Number 1, HGB

Günter Czechatka (until March 31, 2003)

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	308 935 ⁴⁾	8 621
2. Other domestic companies				
IKB Autoleasing GmbH, Hamburg	x	100	2 000	– ¹⁾
IKB Facility-Management GmbH, Düsseldorf	x	100	1 828	538
IKB Grundstücks GmbH, Düsseldorf	x	100	37	11
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	x	100	1 341	–153 ⁵⁾
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100	1 094	–432 ⁵⁾
IKB Grundstücks GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	x	100	7 007	62 ⁵⁾
IKB Grundstücks GmbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Düsseldorf	x	100	48 698	–1 342 ⁵⁾
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 Mezzanine GmbH & Co. KG, Düsseldorf	x	100	31	–69 ^{3) 5)}
IKB Mezzanine Verwaltungs GmbH, Düsseldorf	x	100	21	0 ³⁾
IKB Private Equity GmbH, Düsseldorf	x	100	24 035	– ¹⁾
IKB Venture Capital GmbH, Düsseldorf	x	100	1 000	– ^{1) 3)}
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	x	100	799	124
3. Other foreign companies				
IKB Capital Corporation, New York		100	32 926 ⁷⁾	924
IKB Finance B.V., Amsterdam	x	100	7 337	383
IKB Financière France S.A., Paris	x	100	73 948	2 444
IKB Funding LLC I, Wilmington, Delaware	x ⁶⁾	100	249 994 ⁴⁾	–31
B. Other Investments²⁾				
1. Domestic				
IKB Projektentwicklung GmbH, Düsseldorf	x	100	520	–2
Linde Leasing GmbH, Wiesbaden		25	5 394	2 951 ³⁾
MORSUS Immobilien GmbH, Düsseldorf	x	100	3 679	–24
2. Foreign				
IKB Finanz Leasing AG, Budapest	x	100	480	7 ³⁾
IKB Funding Trust I, Wilmington, Delaware		100	0	0
IKB Leasing Hungaria GmbH, Budapest	x	100	598	34 ³⁾
IKB Leasing Polska GmbH, Posen	x	100	224	–889 ³⁾
IKB Leasing Tschechien GmbH, Praha	x	100	822	–123 ³⁾
			(277)	

Figure in parentheses shows capital outstanding

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/preferred shares

⁵⁾ Company has shown no Notes to the Financial Statement according to Article 264 b, HGB

⁶⁾ Subordinated declaration of backing

⁷⁾ Incl. capital increase of US\$ 20 million at February 28, 2003

In accordance with Articles 325 and 287, *HGB*, our complete investment portfolio, including the listing by name of the 425 special purpose entities of IKB Immobilien Leasing GmbH and its partnership companies as well as 23 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 8,355.3 million were pledged as security.

in EUR million

Liabilities to banks	8 336.9
Liabilities to customers	18.4
Total	8 355.3

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 3,872 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 1,162 million.

In connection with credit derivative transactions we have provided the following banks with cash collaterals (call accounts):

- JP Morgan Chase Bank, London EUR 150 million
- Wachovia Bank N.A., Charlotte/California EUR 250 million
- Westdeutsche Landesbank, Düsseldorf EUR 126 million.

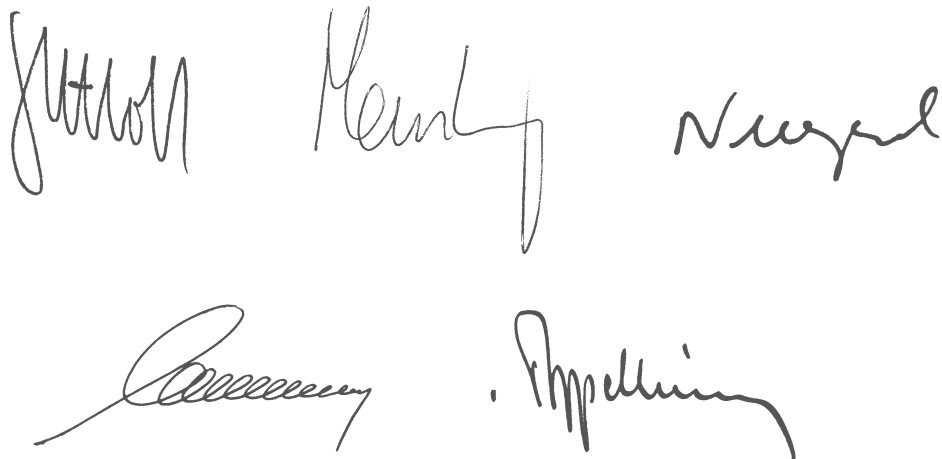
For the adherence of payment obligations in connection with transactions in securities, securities are pledged in favour of Clearstream Banking AG, Frankfurt, at a nominal amount of EUR 2 million. In the framework of future transactions at the EUREX Deutschland for margin obligations securities at a nominal amount of EUR 5 million are pledged in favour of ING BHF-Bank AG, Frankfurt. A security with a nominal value of EUR 7 million is deposited with Clearstream Banking, Luxembourg, to serve as collateral for securities trading in Luxembourg.

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\$ 148 million with a trustee.

Moreover, securities with a nominal value of US\$ 67 million are pledged in favour of Westdeutsche Landesbank, London, serving as collateral in the framework of an issue.

Düsseldorf, May 20, 2003
IKB Deutsche Industriebank AG
The Board of Managing Directors



Auditors' Report

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has confirmed the German annual accounts of IKB Deutsche Industriebank as follows:

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, 2002 to March 31, 2003. 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, 2003

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wohlmannstetter	Pukropski
German Public Auditor	German Public Auditor

**Financial Information on
IKB Deutsche Industriebank Aktiengesellschaft
for the fiscal year 2001 / 2002**

Consolidated Balance Sheet of IKB Deutsche Industriebank

Assets	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liquid funds				
a) Cash			127	42
b) Balances with the central banks			10 445	810
of which: with the Deutsche Bundesbank	10 225	(12)		
c) Balances on postal giro accounts			7	16
			10 579	868
Claims on banks				
a) payable on demand			311 321	247 249
b) other claims			1 293 626	556 873
			1 604 947	804 122
Claims on customers			24 600 308	24 276 426
of which: loans to public authorities	1 799 696	(1 891 272)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
aa) from government issuers			–	–
ab) from other issuers			4 782 165	3 737 924
			4 782 165	3 737 924
of which: eligible as collateral for advances from the Deutsche Bundesbank	3 710 931	(2 738 485)		
b) own bonds			145 598	75 795
face value	140 225	(74 027)		
			4 927 763	3 813 719
Shares and other non-fixed interest securities			37 691	36 139
Investments			38 878	38 907
of which: in banks	37 269	(37 269)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			8 068	4 698
of which: in banks	–	(–)		
of which: in financial services companies	–	(–)		
Trust assets			6 018	6 800
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Tangible fixed assets			214 706	211 511
Leasing items			2 346 384	2 239 422
Outstanding capital of minority shareholders			48 465	49 184
Treasury shares			–	529
nominal amount	–	(86)		
Other assets			891 325	803 979
Deferred items			138 868	153 301
Total assets			34 874 000	32 439 605

* in parentheses: Previous year's figures

as at March 31, 2002

Liabilities	EUR thousand*	March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liabilities to banks			
a) payable on demand		754 273	507 708
b) with agreed maturity or period of notice		14 682 012	14 674 054
		15 436 285	15 181 762
Liabilities to customers			
Other liabilities			
a) payable on demand		61 014	18 647
b) with agreed maturity or period of notice		2 189 432	2 392 023
		2 250 446	2 410 670
Securitised liabilities			
Bonds and notes		12 975 080	10 825 073
Trust liabilities		6 018	6 800
of which: loans on a trust basis at third party risk	4 574 (5 308)		
Other liabilities		531 493	567 647
Deferred items		469 180	514 090
Provisions			
a) for pensions and similar obligations		123 494	111 012
b) tax provisions		131 644	117 560
c) other provisions		45 517	52 976
		300 655	281 548
Special items including reserves		7 570	8 935
Subordinated liabilities		868 413	803 413
Participation certificate (Genussschein) capital		623 759	439 259
of which: with remaining maturities of less than two years	51 129 (–)		
Fund for general banks risks		80 000	80 000
Participations of minority shareholders		14 483	26 508
Equity			
a) subscribed capital		225 280	225 280
contingent capital:	22 528 (48 128)		
b) silent capital		170 000	170 000
c) capital reserves		567 416	567 416
d) revenue reserves			
da) statutory reserves		2 399	2 399
db) reserves for treasury shares		–	529
dc) other revenue reserves		316 292	277 425
		318 691	280 353
e) consolidated profit		29 231	50 851
		1 310 618	1 293 900
Total liabilities		34 874 000	32 439 605
Contingent liabilities			
a) contingent liabilities arising from rediscounted bills of exchange		459	396
b) contingent liabilities arising from guarantees and indemnity agreements		1 747 709	988 856
		1 748 168	989 252
Other obligations			
Irrevocable loan commitments		5 800 047	2 309 366

* in parentheses: Previous year's figures

Consolidated Income Statement of IKB Deutsche Industriebank

Expenses	EUR thousand*	2001/2002 EUR thousand	2000/2001 EUR thousand
Interest expenses		2 424 069	2 334 815
Commission expenses		5 303	5 654
General operating expenses			
a) Personnel expenses			
aa) Salaries and wages		101 088	89 635
ab) Social security contributions and employee benefit and pension expenditure		32 343	27 553
of which: for pensions	19 509 (15 673)		
		133 431	117 188
b) other administrative expenses		54 889	49 978
		188 320	167 166
Depreciation and value adjustments on intangible and tangible fixed assets		20 214	18 242
Depreciation of leasing items		312 777	312 246
Rental expenditure on leasing items and other service related expenses		11 869	14 462
Other operating expenses		38 494	27 787
Write-downs and value adjustments to claims and securities, plus transfer to provisions for possible loan losses		175 186	187 216
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments		–	87
Expenditure for loss takeovers		–	–
Allocations to special items including reserves		2 651	–
Transfer to the fund for general bank risks		–	–
Taxes on income and earnings		73 508	83 209
Other taxes not entered under “other operating expenses”		3 681	4 292
Profits transferred on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement		–	–
Net income for the year		83 129	85 911
Total expenses		3 339 201	3 241 087
Net income for the year		83 129	85 911
Attributable to other partners			
Profit		–4 360	–2 831
Loss		9 845	17 637
Loss carried forward from the previous year		–17 433	–10 161
		71 181	90 556
Release of revenue reserves			
of revenues for own shares		529	–
of other revenue reserves		–	
Allocation to revenue reserves			
to revenues for own shares		–	–315
to other revenue reserves		–42 479	–39 390
Unappropriated profit		29 231	50 851

* in parentheses: Previous year's figure

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	2 541 512	2 487 358
b) fixed interest securities and government-inscribed debt	211 029	178 815
	2 752 541	2 666 173
Current income from		
a) shares and other non-fixed interest securities	730	318
b) investments	4 071	1 373
c) holdings in subsidiary companies	–	–
	4 801	1 691
Income from profit pooling, profit transfer, and partial profit transfer agreements	–	–
Income from investments in associated companies	–	987
Commission income	44 800	17 977
Net income from finance operations	1 939	2 540
Earnings from write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	–	8 507
Income from leasing operations	462 689	431 360
Earnings from the release of special items including reserves	283	1 118
Other operating income	72 148	110 734
Total income	3 339 201	3 241 087

Balance Sheet of IKB Deutsche Industriebank AG

Assets	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liquid funds				
a) Cash			120	35
b) Balances with central banks			10 338	119
of which: with the Deutsche Bundesbank	10 225	(–)		
c) Balances on postal giro accounts			6	3
			10 464	157
Claims on banks				
a) payable on demand			878 219	276 892
b) other claims			5 942 494	4 906 587
			6 820 713	5 183 479
Claims on customers			22 200 570	22 238 574
of which: loans to public authorities	1 799 696	(1 891 272)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
<i>aa) from government issuers</i>			–	–
<i>ab) from other issuers</i>			4 635 500	3 570 639
			4 635 500	3 570 639
of which: eligible as collateral for advances from the Deutsche Bundesbank	3 608 056	(2 614 081)		
b) own bonds			145 598	75 795
face value	140 225	(74 027)		
			4 781 098	3 646 434
Shares and other non-fixed interest securities			15 411	13 477
Investments			923	1 091
of which: in banks	294	(294)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			367 915	353 786
of which: in banks	164 839	(164 839)		
of which: in financial services companies	–	(–)		
Trust assets			6 018	6 800
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Tangible fixed assets			52 977	53 443
Treasury shares			–	529
nominal amount	–	(86)		
Other assets			756 399	689 056
Deferred items			131 331	147 574
Total assets			35 143 819	32 334 400

* in parentheses: Previous year's figures

as at March 31, 2002

Liabilities	EUR thousand*	March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liabilities to banks			
a) payable on demand		1 299 105	652 355
b) with agreed maturity or period of notice		15 261 825	15 281 457
		16 560 930	15 933 812
Liabilities to customers			
Other liabilities			
a) payable on demand		72 580	36 327
b) with agreed maturity or period of notice		2 053 322	2 301 678
		2 125 902	2 338 005
Securitised liabilities			
Bonds and notes			
		12 919 627	10 770 794
Trust liabilities			
		6 018	6 800
of which: loans on a trust basis at third party risk	4 574 (5 308)		
Other liabilities		399 438	435 208
Deferred items		131 886	153 935
Provisions			
a) for pensions and similar obligations		108 833	98 147
b) tax provisions		114 853	107 624
c) other provisions		39 073	30 667
		262 759	236 438
Subordinated liabilities			
Participation certificate (Genussschein) capital			
of which: with remaining maturities of less than two years	51 129 (–)		
Fund for general bank risks		80 000	80 000
Equity			
a) subscribed capital		225 280	225 280
contingent capital:	22 528 (48 128)		
b) capital reserves		567 416	567 416
c) revenue reserves			
ca) statutory reserves		2 399	2 399
cb) reserves for treasury shares		–	529
cc) other revenue reserves		302 232	273 352
		304 631	276 280
d) distributable profit		67 760	67 760
		1 165 087	1 136 736
Total liabilities		35 143 819	32 334 400
Contingent liabilities			
a) contingent liabilities arising from rediscounted bills of exchange		459	396
b) contingent liabilities arising from guarantees and indemnity agreements		4 000 936	2 901 674
		4 001 395	2 902 070
Other obligations			
Irrevocable loan commitments		4 981 719	1 704 910

* in parentheses: Previous year's figures

Income Statement of IKB Deutsche Industriebank AG

Expenses	EUR thousand*	2001/2002 EUR thousand	2000/2001 EUR thousand
Interest expenses		2 448 583	2 380 995
Commission expenditure		2 090	3 420
General operating expenses			
a) Personnel expenditure			
aa) Salaries and wages		73 878	67 349
ab) Social security contributions and employee benefit and pension expenditure		27 351	22 700
of which: for pensions	17 997 (13 885)		
		101 229	90 049
b) other administrative expenses		47 618	42 861
		148 847	132 910
Depreciation and value adjustments on intangible and tangible fixed assets		13 865	12 125
Other operating expenses		10 330	12 438
Write-downs and value adjustments to claims and securities, plus transfers to provisions for possible loan losses		141 228	164 751
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments		–	87
Expenditure for loss takeovers		42 922	9 458
Taxes on income and earnings		63 734	79 691
Other taxes not entered under “other operating expenses“		478	958
Net income for the year		96 110	98 065
Total expenses		2 968 187	2 894 898
Net income for the year		96 110	98 065
Release of revenue reserves			
of revenues for own shares		529	–
Allocation to revenue reserves			
to reserves for own shares		–	315
to other revenues reserves		28 879	29 990
Unappropriated profit		67 760	67 760

* in parentheses: Previous year's figure

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

Auditors' Report

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has confirmed the German annual accounts of IKB Deutsche Industriebank as follows:

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

Unaudited Interim Report of IKB Deutsche Industriebank Aktiengesellschaft as at September 30, 2003

Dear Shareholders,

The economic environment continued to present a challenge during the period under review (April 1 to September 30, 2003), particularly in our business with medium-sized enterprises. A nearly stagnant economy, coupled with a gradual rise in the euro and uncertainty regarding the progress of the government's reform proposals brought about a renewed decline in corporate investment.

Despite these adverse conditions we saw a considerable increase in the volume of new lending business throughout the IKB Group, to EUR 4.0 billion compared with EUR 3.2 billion for the same period in the previous year. Our domestic and international activities both contributed to this favourable development.

Consolidated Income Statement

Net interest income rose by 7.3 % to EUR 238 million, mainly due to persistent growth in our lending business and a significant improvement in margins over the previous year.

Net commission income once again posted strong growth, seeing a 73 % rise – of EUR 17 million – to EUR 40 million, confirming its increasing importance as an earnings component. The increase can be ascribed in particular to the fees received for investment advice provided to special funds which invest

in international loan portfolios; these fees were up by EUR 13 million. In addition, commissions earned from guarantees, structuring and syndication were up by a good EUR 3 million over the previous year.

The net result from financial operations improved during the period under review to EUR 1.6 million (H1 2002/2003: EUR 0.2 million). We engage in foreign exchange transactions almost exclusively in order to hedge against exchange rate risks.

Administrative expenditure was up 3.7 % to EUR 113 million, and is therefore in line with our projections. Personnel expenses rose by 5.0 % to EUR 72 million; this is largely accounted for by the increase in the average number of staff of 46, following the recruitment activities of the past two years. As at September 30, 2003, IKB Group employed 1,508 people. Social security contributions and expenditure for retirement benefits fell by 5.0 % to EUR 15 million. Other administrative expenses saw a negligible increase of 1.5 % to EUR 41 million.

The balance of other operating income and expenses decreased by EUR 9 million to EUR 5 million. Last year's results included exit earnings from investment sales of our Private Equity Division; there were no such transactions in the first six months of this financial year.

The risk provisioning balance of EUR 91 million is EUR 16 million higher than for the same period of the previous year, not least due to the lower level of securities trading results eligible for set-off under German GAAP (HGB). The fact that risk provisioning needs to remain at this relatively high level reflects the absence to date of a significant relief in risk conditions.

Taken all together, we can thus report a welcome 7.5 % increase in the result from ordinary activities, to EUR 81 million. At EUR 45 million, profit after taxes rose by 12.9 % over the same period of the previous year. Consolidated group profit improved by 13.3 %, to EUR 47 million.

Segment Report

The result from ordinary activities within the Corporate Lending Division showed a significant increase to EUR 56 million in the first half of the year over the same period of the last financial year (H1 2002/2003: EUR 48 million). This was accounted for largely by noticeable increases in both net interest and net commission income, together with stable administrative expenditure and a decline in standard risk costs. Accordingly, our return on equity climbed to 18.2 % (15.3 %), while the cost/income ratio fell to 27.8 % (29.2 %).

The Real Estate Financing Division boosted its result from ordinary activities to EUR 21 million (EUR 19 million); mainly due to substantially higher net interest and net commission income. Return on equity in the Division thus increased to 18.3 % (15.9 %) while the cost/income ratio declined to 27.5 %, after 28.5 % in the same period of the previous financial year.

The Structured Financing Division also posted a marked increase in the result from ordinary activities, to EUR 33 million (EUR 28 million). Again, this was due particularly to rising net interest and net commission income, and to the decline in standard risk costs, resulting in an increase in the return on equity to 36.7 % (31.8 %) and a decline in the cost/income ratio to 28.0 % (29.0 %).

The Private Equity Division achieved a result from ordinary activities of EUR 0.5 million. It nearly doubled net interest and net commission income, and was able to reduce risk provisioning considerably. Administrative expenditure declined as well. The return on equity was 4.2 % (1.7 %) and the cost/income ratio 66.0 % (47.6 %).

The Leasing segment comprises our equipment and real estate leasing activities. The result from ordinary activities here is affected by typical expenditure and earnings patterns for the leasing business –

especially in the real estate sector. Because of this, the segment result showed a decline from EUR 9.7 million to EUR 3.4 million.

The Securitisation segment contains the costs of our CLO transactions and the earnings derived from our investments in international loan portfolios. It also includes the commissions earned from our advisory services to special funds which invest in international loan portfolios. The result from ordinary activities during the period under review increased strongly from the same period last year: by EUR 26 million to EUR 32 million.

Consolidated Balance Sheet

The balance sheet total on September 30, 2003 of EUR 37.1 billion was 2 % (EUR 0.6 billion) higher than the figure for March 31, 2003. The increase was attributable largely to the EUR 2.0 billion expansion of our portfolio of bonds and other fixed-income securities, to EUR 7.9 billion. We continued to invest in securitised loan portfolios and in corporate bonds, so that our securitised lending volume increased by EUR 1.1 billion to EUR 2.1 billion. A further reason for expanding our bond portfolio was to broaden the base for securities repurchase transactions with the Bundesbank.

In contrast, claims on banks were down 51 % from March 31, 2003, to EUR 1.1 billion. This is due to a decline in money market trading activities around the reporting date. Claims on customers declined only slightly, by 2 % to EUR 24.4 billion, partly as a result of greater exposure to securitised lending, which is reported under bonds. Liabilities arising from guarantees, which are closely related to the lending business, are unchanged at EUR 2.1 billion.

Overall, we succeeded in expanding Group lending volume – the total of claims on customers, securitised lending, leasing assets, loans to banks and guarantees – by EUR 740 million compared with the March 31, 2003 reporting date, and by EUR 1.3 billion over September 30, 2002.

On the liabilities side, liabilities to banks increased by 2 % to EUR 16.6 billion. Similarly, liabilities to customers rose slightly, by 1 % to EUR 2.1 billion as at September 30, 2003. The volume of securitised liabilities was unchanged at EUR 13.7 billion.

In order to reinforce our capital base, we issued EUR 0.4 billion in subordinated bonds during the period under review: the corresponding liabilities accordingly rose to EUR 1.0 billion. As a result, the Group's own funds totalled EUR 3.5 billion (March 31, 2003: EUR 3.1 billion). At the September 30 balance sheet date, the Group's ratio according to Principle I of the German Banking Act was 12.2 %, and its core (Tier 1) capital ratio stood at 7.0 %.

Despite consistently difficult business conditions, the performance of the financial year so far underlines our confidence that we will comfortably achieve the scheduled increase in the results from ordinary activities for the year as a whole.

For further detailed information on the bank's business development, please refer to www.ikb.de under the heading "Investor Relations".

Yours sincerely,

IKB Deutsche Industriebank AG
The Board of Management

Düsseldorf and Berlin, November 2003

Consolidated Interim Balance Sheet of

Assets	30. 9. 2003	31. 3. 2003	Change	
	EUR mill.	EUR mill.	EUR mill.	%
Claims on banks	1 055	2 140	-1 085	-51
<i>payable on demand</i>	623	1 341	-718	-54
<i>other claims</i>	432	799	-367	-46
<i>of which: 4 years or longer</i>	147	191	-44	-23
Claims on customers	24 416	24 803	-387	-2
<i>with agreed maturity or period of notice less than 4 years</i>	3 151	3 180	-29	-1
<i>4 years or longer</i>	21 265	21 623	-358	-2
Bonds and other fixed-income securities	7 913	5 927	1 986	34
Shares and other non-fixed-income securities	39	38	1	3
Investments, shares in affiliated enterprises	57	45	12	27
Tangible fixed assets	259	245	14	6
Leasing items	2 603	2 466	137	6
Deferred items	112	136	-24	-18
Outstanding capital of minority shareholders	60	49	11	22
Other assets	545	561	-16	-3
Total assets	37 059	36 410	649	2

IKB Deutsche Industriebank as at September 30, 2003

Liabilities	30. 9. 2003 EUR mill.	31. 3. 2003 EUR mill.	Change	
			EUR mill.	%
Liabilities to banks	16 560	16 223	337	2
<i>payable on demand</i>	1 008	1 384	-376	-27
<i>with agreed maturity or period of notice</i>	15 552	14 839	713	5
<i>of which: 4 years or longer</i>	8 678	10 239	-1 561	-15
Liabilities to customers	2 045	2 019	26	1
<i>payable on demand</i>	60	116	-56	-48
<i>with agreed maturity or period of notice</i>	1 985	1 903	82	4
<i>of which: 4 years or longer</i>	1 858	1 830	28	2
Securitised liabilities	13 725	13 700	25	0
Provisions	343	337	6	2
Special items including reserves	6	6	0	0
Subordinated liabilities	1 042	632	410	65
Profit-participation certificates (<i>Genussrechtskapital</i>)	563	614	-51	-8
Fund for general bank risks	80	80	-	-
Capital	1 785	1 797	-12	1
<i>Equity</i>	1 145	1 166	-21	-2
<i>Hybrid capital</i>	620	620	-	-
<i>Minority interest</i>	20	11	9	82
Deferred items	427	456	-29	-6
Other liabilities	483	546	-63	-12
Total liabilities	37 059	36 410	649	2
Endorsement liabilities	1	1	0	0
Liabilities arising from guarantees, etc.	2 119	2 158	-39	-2
Business volume	39 179	38 569	610	2

Consolidated Income Statement
of IKB Deutsche Industriebank
for the Period April 1 to September 30, 2003

	1.4.2003 – 30.9.2003 EUR mill	1.4.2002 – 30.9.2002 EUR mill	Change	
			EUR mill	%
Interest income from lending and money market operations, fixed-income securities and debt register claims, income from leasing operations	1 532.3	1 573.9	-41.6	-2.6
Current income from shares, other non-fixed-income securities and investments ¹⁾	1.4	1.2	0.2	16.7
Interest expenses, expenditure and scheduled depreciation relating to leasing operations	1 295.9	1 353.5	-57.6	-4.3
Net interest income	237.8	221.6	16.2	7.3
Commission income	44.5	25.6	18.9	73.8
Commission expenditure	4.8	2.6	2.2	84.6
Net commission income	39.7	23.0	16.7	72.6
Net result from financial operations	1.6	0.2	1.4	>100
Salaries and wages	56.7	52.5	4.2	8.0
Social security contributions and expenditure for retirement benefits	15.3	16.1	-0.8	-5.0
Personnel expenditure	72.0	68.6	3.4	5.0
Other administrative expenses ²⁾	41.0	40.4	0.6	1.5
Administrative expenditure	113.0	109.0	4.0	3.7
Balance of other operating income/expenses	5.2	14.3	-9.1	-63.6
Risk provisioning balance	-90.6	-75.0	15.6	20.8
Result from ordinary activities/ Profit before taxes	80.7	75.1	5.6	7.5
Property taxes	2.7	2.8	-0.1	-3.6
Taxes on income	33.3	32.7	0.6	1.8
Profit after taxes	44.7	39.6	5.1	12.9
Net minority interest income (-) or loss (+)	2.0	1.6	0.4	25.0
Consolidated profit	46.7	41.2	5.5	13.3

¹⁾ includes income from profit pooling agreements, profit transfer agreements and partial profit transfer agreements

²⁾ includes current depreciation on tangible fixed assets

Changes in the Group's Equity
in the Period April 1 to September 30, 2003

in EUR million	2003	2002
Equity of the parent company at March 31	1 786	1 311
Subscribed capital of the parent company		
± hybrid capital	–	250
± capital reserves	–	–
± gained Group equity	47	41
± accumulated other Group results, to the extent that these are attributable to shareholders of the parent company	–	–
– dividend payments	–68	–68
= equity of the parent company according to the consolidated balance sheet	1 765	1 534
– treasury shares, not determined for withdrawal	–	–
= Equity of the parent company at September 30	1 765	1 534
Equity of minority shareholders at March 31	11	14
± changes in minority shareholders' equity	9	–1
<i>thereof: minority capital</i>	11	–
<i>thereof: accumulated other Group results, to the extent that these are attributable to minority shareholders</i>	–2	–1
= Equity of minority shareholders at September 30	20	13
Equity of the Group at September 30	1 785	1 547

Cash flow Statement
for the Period April 1 to September 30, 2003

in EUR million	2003	2002
Cash and cash equivalents at March 31	27	11
Cash flow from operating activities	–243	–112
Cash flow from investment activities	–35	–10
Cash flow from financing activities	289	181
Cash and cash equivalents at September 30	38	70

Segment Report by Business Division
for the Period April 1 to September 30, 2003

EUR million	CL		REF		SF		PE		Leasing		Securitisation		Head Office		Total	
	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02	1.4.03 – 30.9.03	1.4.02 – 30.9.02
Net interest income	116.2	111.4	40.0	38.6	49.8	46.1	4.9	2.9	15.6	19.5	10.6	-0.7	0.7	3.8	237.8	221.6
Net commission income	2.7	2.2	5.5	4.2	7.9	7.3	-0.2	-0.3	-2.4	-1.8	25.8	11.6	0.4	-0.2	39.7	23.0
Net interest and commission income	118.9	113.6	45.5	42.8	57.7	53.4	4.7	2.6	13.2	17.7	36.4	10.9	1.1	3.6	277.5	244.6
Administrative expenses	33.0	33.2	12.5	12.2	16.2	15.5	3.1	3.9	13.1	11.9	2.9	1.7	32.2	30.6	113.0	109.0
<i>Personnel expenses</i>	25.5	25.4	9.2	8.9	11.1	10.4	2.2	2.1	8.9	7.8	1.4	1.0	13.7	13.0	72.0	68.6
<i>Other administrative expenses</i>	7.5	7.8	3.3	3.3	5.1	5.1	0.9	1.8	4.2	4.1	1.5	0.7	18.5	17.6	41.0	40.4
Other operating result*	0.0	0.0	0.0	0.0	0.1	0.0	0.0	5.6	4.6	5.4	0.0	0.0	2.1	3.5	6.8	14.5
Risk provisioning balance	30.2	32.6	11.9	11.8	8.6	9.6	1.1	4.1	1.3	1.5	1.1	3.1	36.4	12.3	90.6	75.0
Result from ordinary activities	55.7	47.8	21.1	18.8	33.0	28.3	0.5	0.2	3.4	9.7	32.4	6.1	-65.4	-35.8	80.7	75.1
Ø Allocated tier 1 capital	611	626	230	236	180	178	24	24	48	47	-139	-240	201	241	1 155	1 112
Loan volume at balance sheet date 30.9.	15 818	16 498	5 504	5 567	4 106	4 188	214	204	2 787	2 608	2 855	1 039	51	-41	31 336	30 063
Cost/income ratio in %	27.8	29.2	27.5	28.5	28.0	29.0	66.0	47.6	73.6	51.5	8.0	15.6			39.7	42.1
Return on equity in %	18.2	15.3	18.3	15.9	36.7	31.8	4.2	1.7	14.2	41.3	-	-			14.0	13.5
Ø Number of staff	297	308	125	126	129	123	43	47	127	125	13	9	728	678	1 462	1 416
Volume of new business	1 521	1 350	326	390	906	755	27	9	259	269	1 022	389	-49	8	4 012	3 170

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

* incl. net result from financial operations

Unaudited Interim Report of IKB Deutsche Industriebank Aktiengesellschaft as at December 31, 2003

Dear Shareholders,

Economic development in Germany was less than satisfactory during the period under review (April 1 to December 31, 2003). The combination of weak domestic demand and a significant appreciation of the euro led to stagnating gross domestic product and a 4 % decline in corporate investments.

Despite these adverse conditions, we were able to increase the volume of new lending business throughout the IKB Group, to EUR 6 billion. This represents a rise of 8 % over the same period of the previous year. This positive development is attributable primarily to an increase in the volume of disbursements in Germany, especially in our Corporate Lending Division and our Leasing segment.

Consolidated Income Statement

Consolidated net interest income was up in the first three quarters of the current financial year by 7.0 % over the relevant period of the previous year, to EUR 366 million. This can be ascribed to the aforementioned increase in the volume of business and also to further improvement in interest margins.

Net commission income increased significantly, by just under 60 % to EUR 59 million. A good one-third of this surplus resulted from commissions earned by our Divisions on guarantees and structured transactions,

with the other two-thirds coming from our investments in international loan portfolios and investment advice provided to conduits, which invest in structured portfolios.

The net result from financial transactions improved to EUR 3 million (9m 2002/2003: EUR 0.3 million). We engage in foreign exchange transactions almost exclusively in order to hedge against exchange rate risks.

Administrative expenditure was up 5.2 % to EUR 172 million. Personnel expenses rose by 4.8 % to EUR 109 million. This was due to salary increases, and to an increase of 39 in the average number of staff following the recruitment activities of the previous financial year. As at 31 December 2003, the IKB Group employed 1,512 people. The 5.9 % increase in other administrative expenses, to EUR 63 million, was largely accounted for by the project costs for implementing regulatory requirements – such as Basel II or the Minimum Requirements for the Conduct of Lending Activities as prescribed by BAFin, the German regulatory authority, but also the transformation to accounting under IAS/IFRS.

The balance of other operating income and expenses was down slightly, by EUR 1.3 million, to EUR 10 million. In the same period last year, this result was determined mainly by exit earnings realised by our Private Equity Division.

The risk provisioning balance of EUR 130 million is EUR 29 million higher than for the same period last year, mainly due to a significantly lower level of securities trading results – EUR 15 million, after EUR 50 million – being eligible for set-off under German GAAP (HGB). Net risk provisioning on the other hand showed a slight decline, falling EUR 5 million to EUR 145 million. Overall, however, there is no evidence as yet of any fundamental improvement in the general risk environment. For this to be achieved the economic outlook in Germany would need to brighten considerably, and there is no such indication at this point in time.

The result from ordinary activities increased by 7.1 % to EUR 137 million. Profit after taxes of EUR 75 million was up on the same period of the previous year by 14.1 %. Consolidated group profit improved by 11.2 %, to EUR 77 million.

Segment Reporting

The Corporate Lending Division recorded a significant increase in its results from ordinary activities over the same period of the previous year – up to EUR 85 million (9m 2002/2003: EUR 74 million). The increase is attributable to a decrease in administrative expenditure and in standard risk costs, and to an increase in net interest income – not least due to the strong momentum in our new business. As one of the driving factors of this development, we observed a

number of our clients taking advantage of low interest rates to restructure parts of their long-term loans. Accordingly, the cost/income ratio in this division improved to 27.4 % (29.0 %), and the return on equity rose to 18.4 % (15.6 %).

The result from ordinary activities of the Real Estate Financing Division advanced to EUR 34 million (EUR 32 million), largely due to increases in both net interest and net commission income. The cost/income ratio in this division fell to 26.5 % (26.8 %), while the return on equity rose to 19.5 % (9m 2002/2003: 18.0 %).

The Structured Financing Division also posted a further increase in its result from ordinary activities, to EUR 49 million (EUR 46 million). Again, this was mainly due to a slight increase in net interest income and lower standard risk costs. The cost/income ratio in this division was slightly higher, at 28.3 % (27.8 %), while the return on equity rose to 37.0 % (33.2 %).

Results from ordinary activities in the Private Equity Division were up slightly to EUR 0.4 million compared with the previous year's 9-month figure of EUR 0.1 million. Net interest income rose substantially, also benefiting from the clearly stronger momentum in new business. The balance of other operating income and expenses declined due to lower exit earnings, while slightly higher risk provisioning was required. The cost/income ratio for the division stood

at 69.1 % (77.4 %), with a return on equity of 2.2 % (0.6 %).

The Leasing segment, which comprises our equipment and real estate leasing activities, achieved lower results from ordinary activities, down to EUR 8 million compared to EUR 18 million in the same period of the previous financial year. Last year's results were particularly affected by one-off income arising from placing leasing items with external investors. Because of this, the cost/income ratio for this segment rose to 67.3 % (47.7 %) while the return on equity fell to 20.4 % (52.2 %).

Our Securitisation segment accounts for expenses arising from the placement of credit risks with third parties, and for income from our investments in international loan portfolios, as well as from investment advisory services to conduits. Results from ordinary activities during the period under review increased considerably over the same period last year, from EUR 13 million to EUR 51 million.

Consolidated Balance Sheet

The balance sheet total on December 31, 2003, was EUR 37.4 billion. This represents an increase of EUR 1 billion, or 3 %, over the figure reported at the end of the previous financial year (March 31, 2003). This growth is predominantly attributable to the EUR 2.0 billion expansion (to EUR 7.9 billion) of our portfolio

of bonds and other fixed-income securities, especially in securitised loan portfolios and corporate bond issues. A further key reason for expanding our bond portfolio was to broaden the base for securities repurchase transactions with Deutsche Bundesbank.

Claims on banks were down, mainly because of a decline in term deposits around the reporting date. Claims on customers fell by EUR 0.4 billion to EUR 24.4 billion. This decline however, was exceeded significantly by the rise in securitised lending referred to above. Liabilities arising from guarantees, which are also closely related to claims on customers, fell by EUR 0.2 billion to EUR 1.9 billion. Thanks to the continued positive development in our Leasing segment, the portfolio of leasing items increased by EUR 0.2 billion to EUR 2.7 billion.

Group lending volume – comprising claims on customers, securitised lending, leasing items, loans to banks and guarantees – advanced by EUR 0.9 billion compared with the March 31, 2003, to EUR 31.4 billion. Despite the difficult economic environment overall, we were therefore successful in expanding our business activities during the course of 2003.

On the liabilities side of the balance sheet, liabilities to banks declined by EUR 0.6 billion to EUR 15.6 billion; among other factors, this was due to withdrawals of overnight deposits around the reporting date. Liabilities to customers were unchanged at EUR 2 billion. The volume of securitised liabilities

however was up by a considerable EUR 1.4 billion to EUR 15.1 billion as at December 31, 2003.

We also increased the subordinated liabilities, by EUR 0.4 billion to a total of EUR 1 billion. As at 31 December 2003, the Group's own funds totalled EUR 3.5 billion (EUR 3.1 billion). The Group's ratio according to Principle I of the German Banking Act was 11.8 %, and its core (Tier 1) capital ratio stood at 6.7 %.

Adverse economic conditions will continue to represent a substantial challenge to us during the 2003/2004 financial year. However, from our business performance to date we are confident of slightly exceeding our projection for results from ordinary activities.

For further detailed information on the bank's business development, please refer to www.ikb.de under the heading "Investor Relations".

Yours sincerely,

IKB Deutsche Industriebank AG
The Board of Management

Düsseldorf and Berlin, February 2004

Consolidated Interim Balance Sheet of

Assets	31. 12. 2003	31. 3. 2003	Change	
	EUR mill.	EUR mill.	EUR mill.	%
Claims on banks	947	2 140	-1 193	-56
<i>payable on demand</i>	654	1 341	-687	-51
<i>other claims</i>	293	799	-506	-63
<i>of which: 4 years or longer</i>	125	191	-66	-35
Claims on customers	24 445	24 803	-358	-1
<i>with agreed maturity or period of notice less than 4 years</i>	3 521	3 180	341	11
<i>4 years or longer</i>	20 924	21 623	-699	-3
Bonds and other fixed-income securities	7 922	5 927	1 995	34
Shares and other non-fixed-income securities	66	38	28	74
Investments, shares in affiliated enterprises	60	45	15	33
Tangible fixed assets	262	245	17	7
Leasing items	2 706	2 466	240	10
Deferred items	112	136	-24	-18
Outstanding capital of minority shareholders	60	49	11	22
Other assets	866	561	305	54
Total assets	37 446	36 410	1 036	3

IKB Deutsche Industriebank as at December 31, 2003

Liabilities	31. 12. 2003	31. 3. 2003	Change	
	EUR mill.	EUR mill.	EUR mill.	%
Liabilities to banks	15 581	16 223	-642	-4
<i>payable on demand</i>	454	1 384	-930	-67
<i>with agreed maturity or period of notice</i>	15 127	14 839	288	2
<i>of which: 4 years or longer</i>	8 643	10 239	-1 596	-16
Liabilities to customers	2 035	2 019	16	1
<i>payable on demand</i>	76	116	-40	-34
<i>with agreed maturity or period of notice</i>	1 959	1 903	56	3
<i>of which: 4 years or longer</i>	1 847	1 830	17	1
Securitised liabilities	15 122	13 700	1 422	10
Provisions	312	337	-25	-7
Special items including reserves	6	6	0	0
Subordinated liabilities	1 042	632	410	65
Profit-participation certificates (<i>Genussrechtskapital</i>)	563	614	-51	-8
Fund for general bank risks	80	80	-	-
Capital	1 815	1 797	18	1
<i>Equity</i>	1 176	1 166	10	1
<i>Hybrid capital</i>	620	620	-	-
<i>Minority interest</i>	19	11	8	73
Deferred items	418	456	-38	-8
Other liabilities	472	546	-74	-14
Total liabilities	37 446	36 410	1 036	3
Endorsement liabilities	1	1	0	0
Liabilities arising from guarantees, etc.	1 945	2 158	-213	-10
Business volume	39 392	38 569	823	2

Consolidated Income Statement
of IKB Deutsche Industriebank
for the Period April 1 to December 31, 2003

	1.4.2003 – 31.12.2003 EUR mill	1.4.2002 – 31.12.2002 EUR mill	Change	
			EUR mill	%
Interest income from lending and money market operations, fixed-income securities and debt register claims, income from leasing operations, current income from shares, other non-fixed-income securities and investments ¹⁾	2 300.6	2 333.4	-32.8	-1.4
Interest expenses, expenditure and scheduled depreciation relating to leasing operations	1 934.9	1 991.6	-56.7	-2.8
Net interest income	365.7	341.8	23.9	7.0
Commission income	66.7	42.4	24.3	57.3
Commission expenditure	7.3	4.7	2.6	55.3
Net commission income	59.4	37.7	21.7	57.6
Net result from financial operations	3.0	0.3	2.7	>100
Salaries and wages	85.6	80.3	5.3	6.6
Social security contributions and expenditure for retirement benefits	23.2	23.5	-0.3	-1.3
Personnel expenditure	108.8	103.8	5.0	4.8
Other administrative expenses ²⁾	62.8	59.3	3.5	5.9
Administrative expenditure	171.6	163.1	8.5	5.2
Balance of other operating income/expenses	9.9	11.2	-1.3	-11.6
Risk provisioning balance	-129.9	-100.5	29.4	29.3
Result from ordinary activities/ Profit before taxes	136.5	127.4	9.1	7.1
Property taxes	3.9	3.6	0.3	8.3
Taxes on income	57.3	57.8	-0.5	-0.9
Profit after taxes	75.3	66.0	9.3	14.1
Net minority interest income (-) or loss (+)	1.9	3.4	-1.5	-44.1
Consolidated profit	77.2	69.4	7.8	11.2

¹⁾ includes income from profit pooling agreements, profit transfer agreements and partial profit transfer agreements

²⁾ includes current depreciation on tangible fixed assets

Changes in the Group's Equity
in the Period April 1 to December 31, 2003

in EUR million	2003	2002
Equity of the parent company at March 31	1 786	1 311
Subscribed capital of the parent company		
± hybrid capital	–	450
± capital reserves	–	–
± gained Group equity	78	69
± accumulated other Group results, to the extent that these are attributable to shareholders of the parent company	–	–
– dividend payments	–68	–68
= equity of the parent company according to the consolidated balance sheet	1 796	1 762
– treasury shares, not determined for withdrawal	–	–
= Equity of the parent company at December 31	1 796	1 762
Equity of minority shareholders at March 31	11	14
± changes in minority shareholders' equity	8	1
<i>thereof: minority capital</i>	10	4
<i>thereof: accumulated other Group results, to the extent that these are attributable to minority shareholders</i>	–2	–3
= Equity of minority shareholders at December 31	19	15
Equity of the Group at December 31	1 815	1 777

Cash flow Statement
for the Period April 1 to December 31, 2003

in EUR million	2003	2002
Cash and cash equivalents at March 31	27	11
Cash flow from operating activities	–237	–298
Cash flow from investment activities	–47	–16
Cash flow from financing activities	288	354
Cash and cash equivalents at December 31	31	51

Segment Report by Business Division
for the Period April 1 to December 31, 2003

in EUR million	CL		REF		SF		PE		Leasing		Securitisation		Head Office/ Consolidation		Total	
	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02	1.4.03 – 31.12.03	1.4.02 – 31.12.02
Net interest income	173.4	168.3	63.6	61.6	72.6	71.6	5.5	2.8	25.0	37.4	18.7	-1.1	6.9	1.2	365.7	341.8
Net commission income	4.8	4.1	7.3	6.4	11.9	12.2	-0.2	-0.4	-3.5	-3.0	39.1	19.2	0.0	-0.8	59.4	37.7
Net interest and commission income	178.2	172.4	70.9	68.0	84.5	83.8	5.3	2.4	21.5	34.4	57.8	18.1	6.9	0.4	425.1	379.5
Administrative expenses	48.8	50.0	18.8	18.2	24.0	23.3	4.7	4.8	19.8	19.4	5.1	3.5	50.4	43.9	171.6	163.1
<i>Personnel expenses</i>	37.4	37.8	13.5	13.4	16.3	15.5	3.3	3.7	13.3	12.8	2.4	1.6	22.6	19.0	108.8	103.8
<i>Other administrative expenses</i>	11.4	12.2	5.3	4.8	7.7	7.8	1.4	1.1	6.5	6.6	2.7	1.9	27.8	24.9	62.8	59.3
Other operating result*	0.0	0.0	0.0	0.0	0.2	0.0	1.5	3.8	7.9	6.3	0.0	0.0	3.3	1.4	12.9	11.5
Risk provisioning balance	44.9	48.8	18.6	18.0	12.1	14.4	1.7	1.3	2.1	2.9	1.8	1.2	48.7	13.9	129.9	100.5
Result from ordinary activities	84.5	73.6	33.5	31.8	48.6	46.1	0.4	0.1	7.5	18.4	50.9	13.4	-88.9	-56.0	136.5	127.4
Ø Allocated tier 1 capital	612	628	229	236	175	185	24	24	49	47	-133	-232	199	224	1 155	1 112
Loan volume at balance sheet date 31.12.	15 976	16 508	5 479	5 694	3 781	4 161	229	216	2 897	2 679	3 154	1 364	-100	-134	31 416	30 488
Cost/income ratio in %	27.4	29.0	26.5	26.8	28.3	27.8	69.1	77.4	67.3	47.7	8.8	19.3			39.2	41.7
Return on equity in %	18.4	15.6	19.5	18.0	37.0	33.2	2.2	0.6	20.4	52.2	-	-			15.8	15.3
Ø Number of staff	297	301	126	127	130	124	42	46	127	125	13	10	729	692	1 464	1 425
Volume of new business	2 452	2 100	530	632	1 209	1 151	47	18	566	421	1 225	1 188	-78	10	5 951	5 520

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

* incl. net result from financial operations

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