6-Month Report 2012/2013
(1 April – 30 September 2012)

IKB
Deutsche Industriebank

Contents

Letter from the Chairman of the Board of Managing Directors **4**
Interim Group Management Report **5**
1. General conditions **6**
General conditions for the core business 6
IKB's strategic positioning 7
2. Significant events in the reporting period **9**
Status of implementation of the EU conditions 9
SoFFin guarantees 9
Changes in the Group 10
Legally relevant events 10
Results of the special audit 10
Debt issuance programme 10
Personnel changes 10
Reconciliation of interests and redundancy scheme 10
Annual General Meeting on 23 August 2012 11
Bonds relating to Greece 11
Mandatory conversion of convertible bonds 11
Change of segment from the regulated market to the quality segments of the unregulated market 11
Purchase programme for IKB Funding Trust I and IKB Funding Trust II hybrid securities 12
3. Net assets, financial position and results of operations **13**
Business development 13
Income development 13
Segment development 15
Net assets 15
Financial position 16
Overall assessment 16
4. Risk report **17**
Regulatory capital resources and risk-bearing capacity 17
Counterparty default risk 20
Liquidity and market price risk 26
Operational risk 27
Legal risk 27
Personnel risk 29
Other risks 29
Overall assessment of the risk situation 29
5. Material features of the internal control and risk management system with regard to the accounting process **32**
6. Related party disclosures **32**
7. Events after 30 September 2012 (Supplementary report) **33**
Status of implementation of the EU conditions 33
SoFFin guarantees 33
Change of segment from the regulated market to the quality segments of the unregulated market 34
Purchase programme for IKB Funding Trust I and IKB Funding Trust II hybrid securities 34
8. Outlook **35**
Future general economic conditions 35
Opportunities of future development 36
Net assets 37
Effects of Basel III 37
Liquidity situation 38
Earnings performance 38
Interim consolidated financial statements in accordance with International Financial Reporting Standards as at 30 September 2012 ..... **40**
Consolidated statement of comprehensive income **41**
Consolidated income statement 41
Earnings per share 41
Condensed consolidated statement of comprehensive income 42
Consolidated balance sheet **43**
Consolidated statement of changes in equity **44**
Condensed consolidated statement of cash flows **44**

Notes to the consolidated financial statements **45**
Principles of Group accounting **45**
Overview of accounting policies 45
Accounting policies applied for the first time in the 2012/13 half-year 46
Accounting policies to be applied in future 46
Standards published by the IASB but not yet endorsed in EU law 47
Amendments in accordance with IAS 8 .... **50**
Accounting policies **51**
(a) General information 51
(b) Scope of consolidation 51
Notes on the consolidated income statement **52**
(1) Net interest income 52
(2) Provisions for possible loan losses 52
(3) Net fee and commission income 53
(4) Net income from financial instruments at fair value 53
(5) Net income from investment securities 54
(6) Net income from investments accounted for using the equity method 54
(7) Administrative expenses 54
(8) Other operating result 55
(9) Taxes on income 55
Notes on the consolidated balance sheet (assets) **56**
(10) Loans and advances to banks 56
(11) Loans and advances to customers 56
(12) Provisions for possible loan losses 57
(13) Assets held for trading 58
(14) Investment securities 58
(15) Investments accounted for using the equity method 58
(16) Property, plant and equipment 58
(17) Tax assets 58
(18) Other assets 59
(19) Non-current assets held for sale 59
Notes on the consolidated balance sheet (equity and liabilities) **60**
(20) Liabilities to banks 60
(21) Liabilities due to customers 60
(22) Securitised liabilities 60
(23) Liabilities held for trading 61
(24) Provisions 61
(25) Tax liabilities 61
(26) Other liabilities 61
(27) Subordinated capital 62
Notes on consolidated segment reporting **64**
(28) Segment reporting 64
Notes on financial instruments **67**
(29) Classification of financial instruments in accordance with IFRS 7 67
(30) Fair value of financial assets and liabilities 69
(31) Derivatives 71
Other disclosures **72**
(32) Income taxes in other comprehensive income 72
(33) Contingent assets/liabilities and other commitments 72
(34) Other financial obligations 72
(35) Disclosures on collateral 73
(36) Securities repurchase agreements 74
(37) Average number of employees 74
(38) Related party disclosures 75
(39) Events after 30 September 2012 76
(40) Executive bodies 76
(41) Scope of consolidation as at 30 September 2012 77
Responsibility statement in accordance with section 37y WpHG in conjunction with section 37w(2) no. 3 WpHG **80**

Letter from the Chairman of the Board of Managing Directors

Dear shareholders,
Dear business partners of IKB,

The first half of the financial year 2012/13 was again influenced by the European sovereign debt crisis. The measures implemented by the ECB with a view to building confidence led to an improvement in the situation around the middle of the year, but our results continue to be impacted by low interest rates and volatile credit spreads for European government securities. As a result of the recent improvement in the situation, however, the consolidated net loss for the first half of the year in the amount of € 78 million was lower than the corresponding figure for the first quarter (€ 139 million) and the first half of the previous year (€ 312 million).

For a number of years, fair value fluctuations and extraordinary IFRS-related factors have led to volatility in our results. In future, we intend to report solely in accordance with HGB (German Commercial Code), meaning that this is our final IFRS report for the time being. This transition has been made possible by the fact that all of IKB's securities have now changed stock exchange segment from the regulated market to the quality segments of the unregulated market (Freiverkehr). The transition will simplify processes and reduce costs without materially affecting transparency for our shareholders and investors.

With a tier I ratio of 9.4% and secured liquidity, IKB is increasingly focusing on its core business – addressing the financing and advisory requirements of our SME customers. Although the outlook for the German economy is currently deteriorating, it is enjoying relatively stable development compared with other countries. Despite the ongoing crisis, IKB has succeeded in retaining its traditional SME customer base and further expanding it in a targeted manner. In the last twelve months, we have acquired around 130 new target customers.

We are working on the early repayment of the remaining SoFFin guarantees of € 750 million, which originally had a volume of € 10 billion. This could lead to further cost reductions – to date, fees of € 340 million have been paid to SoFFin (German Financial Market Stabilisation Fund) – as well as lifting the conditions imposed in connection with the SoFFin guarantee, such as a minimum tier I ratio of 8%, and the prohibition on the repurchase of liabilities imposed by the EU. The European Commission recently informed us of the latter fact and confirmed that IKB had met the obligations arising from its ruling dated 21 October 2008 with the exception of two deviations due to legal reasons.

The complex regulatory environment presents smaller banks like IKB with major challenges due to the significant uncertainty it currently entails. Although Basel III is scheduled to come into force at the start of next year, the accompanying extensive regulatory measures in the EU have yet to be passed, while some are still incomplete or clearly no longer technically realisable in good time due to the delays in the legislation process (e.g. IT solutions). Adapting to the lack of clarity demanded by the legislative situation is something that ties up resources and leads to substantial costs.

For IKB, the uncertainty resulting from the economic and regulatory environment remains high and, together with the dramatically changing parameters in the banking industry at present, is delaying the achievement of sustainable profitability. We are seeing a positive trend in the acceptance of our business model by our customers. This is reflected in growth in the number of consulting and capital market clients and improved margins in the lending business. We will continue to work in this direction together with our customers.

Düsseldorf, November 2012

Yours

Hans Jörg Schüttler

Interim Group Management Report

1. General conditions

The past six months were again characterised by the sustained crisis on the capital markets. At the start of the calendar year, temporary relief was provided by the long-term tender initiated by the European Central Bank (ECB), which had an unusually high volume. In the spring, the unresolved problems in the euro zone, which started to also affect larger member states and their banks, led to a further dramatic slump on the markets. Many market participants around the world prepared for or speculated on the collapse of the euro zone. At the same time, there were fears that the sharp fall in interest rates could result in a negative interest rate scenario and that "Japanese conditions" could establish themselves in general, and not only in isolated cases such as yields on individual government bonds. Towards the end of the first half of the year, however, the worst fears subsided thanks to the – politically disputed – announcement by the ECB of a programme for the unlimited buying of government bonds of euro zone member states subject to certain conditions. The markets were also calmed by the establishment of the European Stability Mechanism (ESM) as planned. Since these events, risk premiums for the major euro zone countries in particular have reduced further and interest rates have not only halted their downward trend, but have even risen slightly at the long end of the yield curve. This has significantly reduced the risk that the euro zone will collapse. However, it is still the case that the financing markets in the euro zone have become disintegrated to a large extent due to the risk shared by weak states and their banks, as well as simulations of the dissolution of the euro zone involving, among other things, exorbitant exchange rate risks.

General conditions for the core business

The European debt crisis has again brought the euro zone as a whole to the brink of recession. Germany is the only one of the major economies to still enjoy positive growth rates. In the second quarter, macroeconomic output in the euro zone declined by 0.2% year-on-year, while the relevant core countries for IKB also saw weaker economic development in the period under review. Gross domestic product (GDP) in France has been stagnating for three quarters, while Italy has been in a recession since summer 2011. Spain has become increasingly caught up in the maelstrom of the debt crisis due to the problems affecting its banking sector. In the second quarter, the country's economic output fell for the third time in a row, declining by 0.4%. High unemployment is also increasingly becoming a problem for social stability in Spain. In the United Kingdom, the downturn in GDP also accelerated to 0.4%.

The situation for banks in the euro zone remains difficult. In Spain, for example, the balance sheets of many banks – particularly Spanish savings banks – have been hit hard by the real estate crisis and the recession, with the volume of onerous loans to companies and private households increasing tenfold since the start of 2008. The sovereign debt crisis is proving a significant burden for European banks, which have had to recognise extensive write-downs and impairment losses on their receivables. In combination with the stricter capital requirements imposed by Basel III and the "extraordinary" recapitalisation of major banks arranged by the European Banking Authority (EBA) with the aim of achieving a tier I ratio of 9%, this means that many banks have had to reduce their total assets and, in some cases, scale back their lending activities. It is highly problematic that, two months before Basel III is set to come into force, there is still insufficient clarity as to the features and the nature of implementation of the new regulations.

The German economy has proven to be largely robust in the face of the European debt crisis. Following a strong first quarter of 2012, it grew by a further 0.3% in the second quarter. Private consumer spending rose moderately on the back of a further increase in employment and available income. These two factors stimulated investment in residential construction, which also benefited from historically low mortgage rates. German exports have weathered the storm of the deteriorating global economic environment well so far, and they increased by 2.2% year-on-year in the first half of the current financial year. Despite the weakening of the global economy, foreign trade has made a positive contribution to German GDP growth to date as, by comparison, imports have increased extremely moderately.

However, the German economy was not entirely unaffected by the crisis in the euro zone. In the past spring, the government crisis in Greece and the revelation of the problems affecting the Spanish banking sector led to rising uncertainty about the future of the euro zone. Confidence among German companies was adversely affected by these factors as well as the slowdown in the global economy. Since April 2012, the ifo Business Climate Index has deteriorated from month to month, recently falling to its lowest level since the recession in 2008/09. This unfavourable outlook is reflected in corporate investment in particular. Capital expenditure fell for three consecutive quarters up until mid-2012, with the decline recently

accelerating. Although financing conditions were favourable, the weakness of the global economy meant that companies' sales and profit expectations deteriorated significantly, while industrial capacity utilisation in Germany recently fell below its long-term average. Furthermore, uncertainty over the continued crisis in the euro zone has clearly led to planned investment projects being postponed or scaled back.

In light of this situation, demand for credit in Germany developed extremely moderately, although lending in the country – unlike in the crisis-hit euro zone nations – is not currently subject to any notable restrictions and the monetary conditions for Germany are extremely favourable; indeed, they have seen another slight improvement since the ECB cut the headline rate to 0.75% in July of this year.

There have been and continue to be no signs of a credit crunch. According to the results of the October survey conducted by the Bundesbank as part of its Bank Lending Survey, which were published recently, banks have tightened their corporate lending guidelines slightly and have increased their margins moderately of late, irrespective of the improved refinancing environment. As such, the trend towards more restrictive lending policies has been far less pronounced in Germany than in the euro zone as a whole. Due to the economic situation, banks in Germany are now also seeing a slight downturn in demand for corporate loans that they believe will continue until the end of 2012. Those German banks that were required by the EBA to increase their capitalisation by 30 June 2012 were able to meet or even exceed the targets imposed on them. All in all, the equity base in the German banking sector has improved, but further increases in capital are necessary in order to meet the Basel III standards and the benchmarks set by other international banks. Recently, rating agencies have been critical of the low profit margins in the German banking sector, which can be attributed to factors such as strong competition. In the core business areas on which banks are now increasingly focusing, competition for good clients is becoming even tougher. According to the Bundesbank's findings, the earnings situation among German banks – which was already unsatisfactory last year – deteriorated further in the first half of 2012 on the back of falling interest rates, weak customer demand and increased provisions for possible loan losses.

The ongoing euro zone crisis meant that the market for capital market-related transactions with corporate clients saw comparatively muted development. The markets for M&A transactions, acquisition finance, capital market-oriented products and derivatives transactions of corporatesall developed similarly weakly.

IKB's strategic positioning

IKB (a synonym for the IKB Deutsche Industriebank Group) has undergone comprehensive restructuring over the past five years, a period characterised by a sustained and repeatedly resurgent financial crisis. Key risks have been gradually reduced. Lending business is pursued only where an active customer relationship exists. Long-term project and export financing activities are no longer being actively pursued. All in all, the Bank has been reoriented with a focus on the financing and advisory requirements of its traditional customers, German SMEs.

The business model has been expanded. In addition to credit financing, IKB offers its corporate clients capital market and advisory services (e.g. derivatives, placements, M&A, restructuring consulting) in order to help them optimise their financing structure and gain access to the capital markets. In terms of acquisition finance, IKB works in close cooperation with private equity companies and offers advisory services via its subsidiary IKB Invest GmbH. The development of new business shows that IKB is satisfying the requirements of its customers with this expanded approach.

IKB has a nationwide sales network of locations of IKB AG and the IKB Leasing Group that covers all regions of Germany. Domestic sales are also supplemented by selected European locations. The IKB Leasing Group has 17 leasing companies in ten countries (Germany, France, Italy, Austria, Poland, Romania, Russia, Slovakia, Czech Republic and Hungary).

As at 30 June 2012, the Bank held a share of the market for long-term corporate loans to the German manufacturing industry of around 7%. For public subsidy loans, the specific market share is higher in some areas. IKB's main competitors are larger banks in Germany and abroad in a market that is undergoing great upheaval on account of the financial and sovereign debt crisis, the intervention by the European Commission, aid programmes and regulatory reforms.

The positioning achieved by IKB was beneficial in the past financial year as, despite muted demand for credit among SMEs, lending was above expectations and credit margins reached the forecast level. The restrained development on the capital markets had a negative impact on the volume of and income from

capital market-related transactions (acquisition finance, capital markets, consulting). However, IKB not only participated but also played a leading role in many of the transactions that were realised on these relevant markets.

Given the efforts of the banking authorities to comprehensively redesign and enhance the regulation of banks worldwide, the implications for IKB's business model are that

- the provision of its own customers with funding will be organised via the capital markets to an increasing degree,
- credit periods for corporate financing will be shorter on the whole,
- hedging via derivatives will become more expensive for companies,
- the provision of short-term liquidity will become more expensive,
- customers will also be faced with higher credit costs due to increased capital requirements and the necessary price discipline, and
- deposit-based refinancing must become a key element.

IKB's refinancing structure, which was dominated by the issuance of unsecured bonds prior to the financial crisis, has since been gradually replaced by a refinancing mix involving secured financing and broader deposit business with corporate and retail clients. IKB is thereby preparing itself for a sharp decline in demand among traditional investors (banks, insurance companies) for unsecured bank bonds due to Basel III and Solvency II. The extent to which a presence on the capital markets is becoming less important for IKB is also reflected in the fact that IKB no longer has a rating from a rating agency and has not been a capital market-oriented company within the meaning of section 264d of HGB (German Commercial Code) since the start of November 2012.

The wide range of regulatory projects poses a significant burden in terms of the cost of equity and administrative expenses. Accordingly, the business model will continue to depend to a large extent on a high degree of cost discipline, particularly when it comes to implementing regulatory requirements, as well as the optimisation of risk-weighted assets with regard to the various capital ratios and of balance sheet assets with a particular view to liquidity ratios.

2. Significant events in the reporting period

Status of implementation of the EU conditions

To compensate for the aid provided by public-sector sources, IKB had to satisfy extensive EU requirements. The full implementation of the EU conditions was given the highest priority and was completed by 30 September 2011 despite the significant costs and losses on the sale of assets incurred by IKB as a result.

The final report on the implementation of the EU conditions was submitted by the German government to the European Commission at the turn of the year 2011/12. The implementation period for the ruling expired on 30 September 2011. IKB implemented the measures set out in the restructuring plan on time to the extent that they were permitted by law and could be carried out.

The conditions included a dramatic reduction in IKB's business activities, the discontinuation of the Real Estate Finance segment, the closure of certain international offices and the partial discontinuation of new business. The Group's total assets were to be reduced by around 47% to € 33.5 billion (from € 63.5 billion on 31 March 2007, before the start of the IKB crisis) by 30 September 2011. IKB had to comply with an agreed restructuring plan. Details can be found in the 2011/12 annual report.

The European Commission's resolution dated 17 August 2009 also imposes other obligations on IKB in respect to conduct regarding the extension of the guarantee window for SoFFin (German Financial Market Stabilisation Fund):

- Firstly, the ruling requires restrictions on proprietary trading. These are compatible with IKB AG's objectives.

- Secondly, the ruling strongly restricts the repurchase of IKB AG's own liabilities, although these restrictions do not apply to the repurchase of SoFFin-guaranteed bonds.

IKB AG has taken organisational precautions to ensure compliance with these requirements. The requirements have been complied with by IKB AG.

By way of a letter dated 23 October 2012, the European Commission issued an opinion on the final report on the implementation of the EU conditions and confirmed the fulfilment of the vast majority of the conditions (for details see the supplementary report, section 7).

SoFFin guarantees

In the period under review, IKB AG reduced its SoFFin guarantees from € 4.5 billion to € 1.5 billion by way of early and scheduled returns (a further reduction of € 650 million to € 850 million took place on 26 October 2012, followed by a further reduction of € 100 million to € 750 million on 31 October 2012; see the supplementary report, section 7). Development over time was as follows:

- Early return of € 250 million on 18 May 2012

- Early return of € 250 million on 2 August 2012

- Early return of € 250 million on 24 August 2012

- Scheduled repayment of € 2.0 billion and return of guarantees in the same amount on 10 September 2012

- Early return of € 250 million on 27 September 2012.

The early repayment of SoFFin guarantees means that fee and commission expense is reduced by the amount that would otherwise have been due up until the original maturity.

As of 12 November 2012, the current SoFFin guarantee amounted to € 750 million and related to the bond ISIN DE000A0SMPA3 (maturing on 2 February 2015, FRN 3-month Euribor).

Since the guarantees for the issuing of bonds were granted, IKB has paid fees of € 340 million to SoFFin. In the period under review fees totalled € 29 million. If the remaining SoFFin-guaranteed bonds are repaid on schedule, fees of around € 45 million will be paid in the period from 1 October 2012 to 2 February 2015, including a non-recurring, volume-based fee of € 15 million on 30 June 2013.

Changes in the Group

In April 2012, the investment fund Partner Fonds Eurobonds, Luxembourg, was liquidated.

In May 2012, IKB Partner Fonds, Luxembourg, and Partner Fonds Europa Renten Teilfonds II, Luxembourg, were dissolved.

The liquidation proceedings for MD Capital Verwaltungs GmbH i.L. and MD Objekt Lorsch Verwaltungs GmbH i.L. were initiated on 15 June 2012. The companies are no longer active and are being wound up.

On 11 September 2012, IKB SWE GmbH was renamed IKB Leasing Beteiligungsverwaltungsgesellschaft mbH. In future, the previously inactive company will be used for transactions in the environment of the IKB Leasing Group.

Legally relevant events

Please see the “Legal risks” section in the risk report for details of the significant legally relevant events.

Results of the special audit

IKB has not yet received the results of the special audit. Further information can be found in the 2011/12 annual report.

Debt issuance programme

The debt issuance programme was updated on 20 September 2012 with a reduced volume of € 10 billion.

Personnel changes

Mr Olivier Brahin stepped down from his office with effect from 25 May 2012.

Dr Karsten von Köller and Dr Claus Nolting, whose terms of office expired at the end of the Annual General Meeting on 23 August 2012, were re-elected to the Supervisory Board by resolution of the Annual General Meeting on 23 August 2012. In addition, the Annual General Meeting on 23 August 2012 appointed Mr Michael Kolbeck to the Supervisory Board to replace Dr Thomas Rabe, who had stepped down with effect from 21 February 2012, and appointed Mr Jordi Goetstouwers to the Supervisory Board to replace Mr Oliver Brahin, who had stepped down with effect from 25 May 2012. The constituent meeting of the Supervisory Board on 23 August 2012 re-elected Dr Karsten von Köller as Deputy Chairman of the Supervisory Board.

As scheduled, Ms Carmen Teufel and Mr Bernd Klein stepped down from the Supervisory Board at the end of the Annual General Meeting on 23 August 2012. They were re-elected to the Supervisory Board following an election of employee representatives.

Reconciliation of interests and redundancy scheme

To implement further cost reduction and restructuring measures, a new reconciliation of interests and redundancy scheme was negotiated with the employee representatives and signed on 8 May 2012.

Annual General Meeting on 23 August 2012

The Annual General Meeting of IKB AG for the financial year 2011/12 was held in Düsseldorf on 23 August 2012. The Annual General Meeting adopted all of the resolutions proposed by the Bank's management by a large majority. The results of the individual votes can be found on the Bank's website at www.ikb.de.

Bonds relating to Greece

All Greek bonds were sold after the balance sheet date of 31 March 2012. The resulting expenses were recognised under bonds carried at amortised cost as of 31 March 2012 as an adjusting event.

Mandatory conversion of convertible bonds

In December 2008, IKB AG issued convertible bonds (ISIN DE000A0SMN11) with a nominal amount of € 123,671,070.72. Following the implementation of several optional conversions, the remaining convertible bonds with a nominal volume of € 146,488.32 were mandatorily converted on 11 April 2012, the final mandatory conversion date as set out in the issue conditions, for a number of no-par value bearer shares of IKB AG at the conversion ratio defined in the issue conditions. The mandatory conversion and an optional conversion in January 2012 increased the total number of voting rights by 58,662, from 633,326,261 to 633,384,923, and the subscribed capital by € 150,174.72, from € 1,621,315,228.16 to € 1,621,465,402.88.

Change of segment from the regulated market to the quality segments of the unregulated market

The Board of Managing Directors of IKB AG resolved, with the approval of the Supervisory Board, to implement a change of stock exchange segment for all of the Bank's securities from the regulated market to the quality segments of the unregulated market.

This measure affects the following securities of IKB (ISIN):

Shares: DE0008063306; bearer bonds (subordinate bonds): DE0002197761, XS0118282481, XS0163286007, XS0163773251, XS0165828673, XS0165937458, XS0169197646, XS0171797219, XS0200612355, XS0241326924, XS0266017622, XS0282589505; bearer bonds: DE0002731304, DE0002731445, DE0002731494, DE000A0SMPA3, DE000A0SMPB1, XS0238155088; profit participation certificates: DE0002731429, DE0002731197; credit-linked notes: DE000A0EUEZ7.

IKB applied for the admission of its shares to the General Standard of the regulated market of the Frankfurt Stock Exchange to be revoked, coupled with an application for the introduction of the shares to the Entry Standard of the unregulated market of the Frankfurt Stock Exchange. IKB's shares were included in the Primary Market of the Düsseldorf Stock Exchange on 19 July 2012.

IKB's other securities have also been admitted to the quality segments of the unregulated market of a German stock exchange. Following a corresponding application by IKB AG, the securities ISIN XS0118282481, XS0163286007, XS0163773251, XS0165828673, XS0165937458, XS0169197646, XS0171797219, XS0200612355, XS0241326924, XS0266017622, XS0282589505, XS0238155088, DE000A0EUEZ7 were admitted to trading on the Primary Market of the Düsseldorf Stock Exchange on 9 July 2012. IKB AG's application for the admission of these securities to the regulated market of the Luxembourg Stock Exchange to be revoked came into effect on 27 July 2012.

In addition, IKB AG applied for the admission of the securities ISIN DE0002197761, DE0002731304, DE0002731445, DE0002731494, DE000A0SMPA3, DE000A0SMPB1, DE0002731429, DE0002731197 to the regulated market of the Düsseldorf Stock Exchange to be revoked, coupled with an application for these securities to be introduced to the Primary Market (unregulated market) of the Düsseldorf Stock Exchange. This revocation came into effect on 28 September 2012.

The change of segment is expected to be completed in November 2012 (see the supplementary report, section 7).

Purchase programme for IKB Funding Trust I and IKB Funding Trust II hybrid securities

On 17 August 2012, IKB invited holders of the listed securities issued by IKB Funding Trust I, ISIN DE0008592759, and IKB Funding Trust II, ISIN XS0194701487, to submit offers for sale. The acceptance of the offer was subject to the approval of the proposed contractual amendments relating to IKB Funding Trust I by the investors with an approval rate of not less than 66 2/3%. This figure was not achieved by 30 October 2012 (see also the supplementary report, section 7) and the purchase programme ended without the planned repurchase taking place.

3. Net assets, financial position and results of operations

Business development

Despite the difficult conditions, the Group generated a new business volume of € 1.5 billion as expected in the period under review, a figure that was unchanged as against the previous year (€ 1.6 billion).

Income development

Developments on the financial markets in the first half of the financial year 2012/13 can be divided into two distinct parts. Until July, the sovereign debt crisis affecting the European Monetary Union intensified, with spreads for certain European government securities widening accordingly and interest rates falling sharply. At the end of July, the ECB issued a clear statement that it would perform sufficient measures to ensure the continued existence of the euro. This triggered a turnaround, with the risk premiums for state debtors in the euro zone narrowing, particularly those risk premiums reduced relating to extreme scenarios for the development of the euro zone. At the end of the reporting period, credit spreads had returned to roughly the same level as at the start of the period.

The German economy lost significant momentum compared with the previous year, but is proving comparatively stable in spite of the sustained difficult global economic environment. However, the initial leading indicators suggest an economic slowdown. The moderate expense of € 12 million for provisions for possible loan losses was primarily incurred towards the end of the first half of the financial year.

Net interest income declined across the period as a whole. The volume of interest-bearing customer loans was further reduced in light of the expected Basel III regulations and the EU conditions. In addition, the sovereign debt crisis meant that low-interest cash collateral was required to be provided in derivatives trading to a larger extent, which had a corresponding negative impact on interest income. Interest expense did not decrease to the same extent as interest income as, among other things, the replacement of SoFFin-guaranteed bonds with alternative borrowing sources had a negative effect on net interest income but a positive effect on net fee and commission income.

IKB reported a consolidated net loss of € 78 million for the first half of the financial year 2012/13 (previous year: consolidated net loss of € 312 million). Adjusted for extraordinary factors, the consolidated net loss amounted to € 48 million.

The following table provides an overview of the consolidated income statement for the first half of the financial year 2012/13 and the same period of the previous year, as well as the main extraordinary factors affecting the consolidated net loss in the first half of the year. The extraordinary factors are presented as in the prior periods.

Table: Income statement with extraordinary factors

in € million	Unadjusted statement of total comprehensive income 1 Apr. 2011 - 30 Sep. 2011*	Unadjusted statement of total comprehensive income 1 Apr. 2012 - 30 Sep. 2012	Absolute change	thereof extraordinary factors					Adjusted statement of total comprehensive income 1 Apr. 2012 - 30 Sep. 2012
				Portfolio investments	Long-term investments, liabilities and derivatives	Measurement of liabilities due to credit rating changes	Measurement of liabilities according to IAS 39 AG 8	Other factors	
Net interest income	79.8	58.0	-21.8				-14.8		72.8
Provisions for possible loan losses	-26.4	11.9	38.3						11.9
Net interest income after provisions for possible loan losses	**106.2**	**46.1**	**-60.1**				**-14.8**		**60.9**
Net fee and commission income	-30.8	-12.1	18.7					-29.4	17.3
Net income from financial instruments at fair value	-272.6	-11.4	261.2	16.8	-5.0	-23.0			-0.2
Net income from investment securities	-9.7	29.1	38.8	3.3	17.1				8.7
Net income from investments accounted for using the equity method	1.3	0.7	-0.6						0.7
Administrative expenses	148.2	145.9	-2.3					3.0	142.9
Net other operating income	42.0	24.3	-17.7				10.1	3.2	11.0
Operating result	**-311.8**	**-69.2**	**242.6**	**20.1**	**12.1**	**-23.0**	**-4.7**	**-29.2**	**-44.5**
Taxes	0.2	8.5	8.3					4.6	3.9
Consolidated net profit/loss	**-312.0**	**-77.7**	**234.3**	**20.1**	**12.1**	**-23.0**	**-4.7**	**-33.8**	**-48.4**

Some totals may be subject to discrepancies due to rounding differences.
* Prior-year figures as of 30 September 2011 restated due to changes to IAS 8. The adjustments relate to net interest income and provisions for possible loan losses, both of which increased by € 4.0 million, and do not affect total comprehensive income.

Net interest income declined by € 22 million year-on-year to € 58 million.

Provisions for possible loan losses amounted to € 12 million. In the previous year, higher reversals of specific impairment losses and higher partial reversals of portfolio impairment losses in particular resulted in income of € 26 million.

At € 46 million, **net interest income after provisions for possible loan losses** was down € 60 million on the previous year.

Net fee and commission income improved by € 19 million to € -12 million largely as a result of the early repayment and maturity of SoFFin-guaranteed bonds (previous year: € -31 million).

Net income from financial instruments at fair value amounted to € -11 million, up € 261 million on the previous year. While the prior-year figure was impacted by factors including substantial remeasurement losses on bonds relating to Greece, the figure for the period under review was attributable to the following factors:

- The announcement of outright monetary transactions by the ECB provided a certain degree of relief for the financial markets. The resulting remeasurement gains on the assets recognised on the face of the balance sheet, including those arising from currency and derivative positions, totalled € 113 million. In particular, Italian bonds saw higher fair value recoveries at the end of the reporting period.

- Remeasurement losses on IKB's obligations resulted from the lower level of market interest rates on the whole and the narrowing of IKB's spreads.

Net income from investment securities increased by € 39 million year-on-year to € 29 million, largely as a result of gains on the disposal of portfolio investments and other non-current assets.

Administrative expenses amounted to € 146 million, down € 2 million on the previous year. This further decline serves to underline the success of the ongoing cost reduction measures, which has been achieved despite the significant cost of fulfilling regulatory requirements. Personnel expenses declined by almost € 3 million to € 78 million; this was due in particular to the reduction in the number of employees by 69 to 1,483. Other administrative expenses remained unchanged at € 68 million.

Net other operating income declined by € 18 million year-on-year to € 24 million.

At € -69 million, the **operating result** improved by € 243 million compared with the same period of the previous year.

Tax expense amounted to € 9 million in the period under review (previous year: € 0.2 million) and primarily related to deferred taxes.

The **consolidated net loss** amounted to € 78 million, an improvement of € 234 million as against the previous year.

Segment development

The **Credit Products** segment comprises loans from own funds and public programme funds as well as equipment leasing. In the first half of the financial year 2012/13, the segment generated an operating result of € 46 million after € 67 million in the previous year. This development was primarily attributable to expenses for provisions for possible loan losses in the amount of € 10 million. In the previous year, provisions in the amount of € 9 million were reversed due to the good economic development. The new business volume amounted to € 1.5 billion in the period under review (previous year: € 1.6 billion). While payouts in the traditional lending business and for lease finance were lower than in the previous year, payouts for development loans increased.

The segment return on equity amounted to 15.3% (previous year: 24.3%), while the cost/income ratio amounted to 49.6% (previous year: 49.0%).

The **Advisory and Capital Markets** segment bundles advisory activities and capital market and risk management solutions for customers. Total net interest and net fee and commission income amounted to € 12 million, € 5 million lower than in the previous year. In customer derivatives business, which is reported in net income from financial instruments at fair value, income remained at the prior-year level of € 3 million. Administrative expenses were down slightly year-on-year at € 33 million (previous year: € 34 million). The operating result amounted to € -16 million; this was due in particular to start-up costs in the segment.

The **Treasury and Investments** segment comprises the earnings components and asset positions from the Bank's asset/liability management, holdings of ECB-eligible securities, structured investments and other assets that were required to be reduced in accordance with the EU conditions. The segment reported an operating result of € -21 million after € -428 million in the previous year. The sub-segment Treasury is influenced by refinancing costs and expenses for the guarantee commission paid to SoFFin. In net income from financial instruments at fair value, which was dominated by remeasurement losses on bonds relating to Greece in the previous year (€ -303 million), remeasurement gains on assets and derivatives and remeasurement losses on liabilities resulted in a net loss of € 5 million. In the sub-segment Portfolio Investments, fair value gains meant that net income from financial instruments at fair value amounted to € 17 million (after € -40 million in the previous year).

In addition to the administrative expenses of head office units, the **Head Office/Consolidation** segment reports extraordinary accounting factors as earnings components and asset positions. It also reports the effects of methodological differences between management reporting and the consolidated financial statements, as well as intragroup consolidation items. Expenses of € 23 million were incurred in the period under review due to the credit rating-induced remeasurement of liabilities that is reported in net income from financial instruments at fair value (previous year: income of € 71 million). Other operating income included gains of € 10 million (previous year: € 33 million) from the remeasurement of liabilities in accordance with IAS 39 AG8.

Net assets

Total assets amounted to € 31.1 billion as at 30 September 2012, down on the figure of the balance sheet date as at 31 March 2012 (€ 31.6 billion).

Loans and advances to customers were reduced by € 0.6 billion to € 17.2 billion. This was due in particular to the reduction in risk-weighted assets in light of the expected Basel III regulations. The new business volume in the first half of the financial year was lower than in the previous year and did not match the volume of maturities and repayments in existing business.

Provisions for possible loan losses remained essentially unchanged at € 0.5 billion.

Loans and advances to banks decreased by € 0.5 billion to € 2.5 billion.

Assets held for trading increased by € 0.5 billion to € 3.0 billion, largely as a result of the higher positive fair value of derivatives.

Investment securities remained unchanged year-on-year at € 8.0 billion, with changes and remeasurement effects largely offsetting each other.

Securitised liabilities decreased by € 1.9 billion to € 0.4 billion as a result of the early return and maturity of SoFFin-guaranteed bonds.

Liabilities to banks increased by € 0.5 billion to € 13.7 billion as a result of short-term borrowing on the interbank market.

Liabilities to customers increased by € 0.4 billion to € 10.4 billion.

Liabilities held for trading increased by € 0.7 billion to € 4.5 billion, largely as a result of the higher negative fair value of derivatives.

The € 46 million increase in **provisions** to € 210 million was primarily due to the increase in provisions for pension provisions following an adjustment to the underlying interest rate.

Equity decreased by € 84 million as against 31 March 2012 and amounted to € 341 million. This development is primarily attributable to the consolidated loss for the first half of the year and effects recognised directly in equity for the adjustment to the interest rate for pension obligations, which were only partially offset by the increase in the revaluation surplus.

The **tier I ratio** of the IKB Group based on HGB figures was 9.4% on 30 September 2012 (31 March 2012: 9.4%), while the **overall capital ratio** amounted to 13.5% (31 March 2012: 13.0%).

Financial position

The liquidity situation at IKB is stable. This has been aided by the diversification of the funding mix. Among other things, IKB accepts revolving deposits from a number of customers. The Bank is also reducing its non-strategic assets in particular and conducting selective on-balance sheet new lending business to reduce its eligible risk-weighted assets. Due to early returns and maturities, the volume of SoFFin-guaranteed bonds decreased to € 1.5 billion as of 30 September 2012 (see also the supplementary report, section 7).

Overall assessment

All in all, business development and the situation in the first half of the financial year 2012/13 continued to be dominated by the sovereign debt crisis in the European Monetary Union. Although there are recessionary trends both globally and, in particular, in the EU, economic development in Germany is robust despite the signs of a slowdown, meaning that provisions for possible loan losses in the Bank’s core business remain at a low level.

Net interest income is impacted by the low interest rates due to the crisis, the reduction in holdings as a result of the EU conditions up until autumn 2011 and the repayment of SoFFin-guaranteed bonds – although this also strengthens net fee and commission income.

Administrative expenses reflect the further success of the ongoing cost reduction measures. The reduction in expenses is complicated in particular by the costs for the implementation of the expected Basel III regulations, whose exact features and precise implementation date remain uncertain. In addition to these costs, future business development will be influenced by ongoing investments in the new segments.

4. Risk report

Where methods and processes have not changed since the start of the financial year, no detailed presentation is provided in the following section and readers should refer to the 2011/12 Group management report.

Regulatory capital resources and risk-bearing capacity

Regulatory capital resources. The KWG (German Banking Act) determines the minimum capital to be maintained by banks. The Bank calculates regulatory capital resources for the credit risk according to the standardised approach for credit risk, for operational risk according to the base indicator approach and for market price risk according to standard methods (interest risks: duration method; option risks: delta-plus method/scenario matrix method). The transition from the maturity-based method to the duration method was effected as part of the introduction of the new regulatory market price risk solution “RiVa”.

The following table provides an overview of the Bank’s regulatory risk items, equity base and equity ratios:

Table: Regulatory capital situation at Bank Group level (section 10a KWG)

in € million	30 Sep. 2012	31 Mar. 2012
Risk-weighted assets	15,701	16,143
Market risk equivalent	525	661
Operational risk	287	497
Risk position	**16,513**	**17,301**
Tier I capital	1,594	1,698
Tier II capital	704	695
Tier III capital	0	0
Deductions[1)]	-70	-137
Equity capital	**2,228**	**2,256**
Tier I ratio in %	9.4	9.4
Overall capital ratio in %	13.5	13.0

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

1) Deductions primarily consist of securitisation positions and shareholdings in accordance with section 10 (6) sentence 1 no. 1 KWG.

At 9.4%, the tier I ratio at Group level is higher than the statutory minimum of 4.0%. At 13.5%, the overall capital ratio at Group level is also higher than the statutory minimum of 8.0%.

The Board of Managing Directors expects it to be possible to meet both the statutory minimum requirements and the minimum requirements imposed by SoFFin (including a tier I ratio (Basel II) of 8%) in the future. However, the planned introduction date of Basel III is an area of uncertainty. It remains unclear whether the officially proclaimed date of 1 January 2013 will – or can – be observed by the legislator. The legislative procedure in the EU (EU Regulation) is not yet complete, and a range of technical aspects that the banks were required to implement by the end of the year are still not in place. In addition, more and more gaps in legislation at a national level are being identified; this will, or can be expected to, lead to additional requirements in terms of risk-weighted assets. One definite point is that a central counterparty for the conclusion of standard derivatives that is required by law will not be approved in sufficient time.

Risk-bearing capacity. In accordance with section 25a (1) KWG, banks must have a proper business organisation that encompasses, in particular, an appropriate and effective risk management system ensuring that risk-bearing capacity is secured on an ongoing basis. The term “risk-bearing capacity” is defined in detail in the MaRisk (Minimum Requirements for Risk Management). According to MaRisk, banks must ensure on the basis of their overall risk profile that the material risks are covered by the available economic risk cover. In practice, a number of different procedures for determining risk-bearing capacity have evolved without any one procedure becoming accepted as the sole correct approach. In addition to the methods applied, these procedures differ in terms of whether risk-bearing capacity is viewed from a going concern or a liquidation (“gone concern”) perspective. For the most part, these two perspectives are incompatible. The German supervisory authorities have published a guideline that standardises the criteria to be fulfilled. The guideline states that banks may select a perspective and

manage their risk according to this perspective. IKB has opted for the going concern perspective. Also in this perspective, the available economic risk cover is compared with the total Bank risk determined in accordance with standard business methods (economic capital requirements). The going concern perspective is intended to ensure that the minimum economic capital (benchmark capital) required to continue banking operations is not affected even if both expected and unexpected losses are incurred in the period of analysis. Compliance with the tier I ratio and the equity ratio after deduction of the overall Bank risk position in the current risk-bearing capacity are also monitored. The theoretical liquidation of the Bank – corresponding to the "gone concern" perspective – with the sale of all assets, resulting in both current and hidden fair value losses, is not assumed.

Based on the aforementioned guideline published by the supervisory authorities, there have been some changes to the existing methodology. Firstly, interest-induced hidden charges on securities held in the investment portfolio are not deducted when calculating risk cover, as it is not necessary to make adjustments for hidden charges on securities held in the investment portfolio when using a going concern approach if there is no doubt as to the assumed intention and ability of the entity to hold the securities for the long term or the assumed reversal of impairment. On the other hand, however, intangible assets and loss carryforwards of subsidiaries are deducted when calculating risk cover.

The economic risk capital in the amount of € 540 million is calculated as the core capital (share capital, reserves, net retained profits/loss carryforwards, planned operating result for the next twelve months, investment effects, the extraordinary item for general bank risks, additional core capital at Group level and excluding intangible assets; total: € 1,319 million) less the necessary benchmark capital (€ 779 million).

The Group's economic capital requirements in order to cover "unexpected" risk on a Group basis (counterparty default risk, market price risk, liquidity risk and general business and operational risk) are determined using the Bank's own quantitative models. Economic capital is not currently calculated for reputational and investment risks; however, these are also subject to ongoing monitoring. The same applies to legal risks.

The risks quantified for a risk horizon of one year are compared with the available risk cover for the going concern perspective below.

The following table shows the economic capital requirements at a confidence level of 90%.

Table: Economic capital requirements – going concern perspective

	30 Sep. 2012		31 Mar. 2012	
	in € million	**in %**	**in € million**	**in %**
Counterparty default risk	138	38	154	46
Market price risk	108	30	66	20
Business risk	76	21	76	22
Operational risk	29	8	29	9
Liquidity risk	13	4	12	4
Total	**365**	**100**	**338**	**100**
less diversification effects	-99		-80	
Overall risk position	**266**		**258**	
Economic risk cover	**540**		**551**[2)]	
Regulatory risk cover[1)]	**533**		**615**	

Some totals may be subject to discrepancies due to rounding differences.
1) Ensuring the regulatory minimum capital requirements for banks as set out in the SolvV
2) The economic risk cover reported at 31 March 2012 amounted to € 377 million. On balance, the methodological changes led to an increase in the available risk cover of € 174 million as against the figure previously reported.

The slight increase in the overall risk position is attributable solely to the increased market price risk as a result of the European debt crisis, while unexpected counterparty default risk has declined slightly due to the risk-oriented reduction in credit positions.

Taking into account the aforementioned methodological changes, risk cover decreased from € 551 million at the start of the financial year to € 540 million at the reporting date.

The overall risk position accounted for 49% of economic risk cover as at 30 September 2012 (31 March 2012: 47%).

This means that, as previously, the risk cover is comfortably sufficient to cover the economic capital requirements arising from the occurrence of unexpected risks across the risk horizon without the Bank needing to use its benchmark capital. The economic capitalisation target will be maintained if these unexpected risks should occur.

In addition to the aforementioned management of its risk-bearing capacity, the Bank analyses the overall risk position and risk cover from a liquidation perspective for information purposes, even if this is not directly relevant for risk management as described above. Unlike the going concern perspective, in this case risk cover is calculated as the sum of all the equity components available to the Bank, including profit participation capital and subordinated capital. At the same time, however, all hidden charges on securities and derivatives[1] are deducted from the risk cover in full.

Taking into account the methodological changes described above, risk cover in the liquidation perspective has decreased significantly since the start of the financial year. This is primarily due to the pre-emptive elimination of subordinated liabilities that are not due for repayment until the period from February to July 2013. All in all, risk cover in the liquidation perspective amounted to € 576 million, thereby covering the overall risk position at a confidence level of 94.35%. Without the pre-emptive recognition of the subordinated liabilities due for repayment, risk cover amounted to € 1,049 million, thereby covering the overall risk position at a confidence level of 99.24%.

All in all, IKB believes that its risk-bearing capacity in the going concern perspective is secure. In particular, IKB does not expect Italy to default or to require debt restructuring like Greece. Following the announcement of outright monetary transactions by the ECB, it also does not expect the euro zone to collapse.

Forecast calculations and stress tests. In light of the continued uncertainty with regard to macroeconomic development, the Bank prepares different forecast calculations for the next two financial years. These forecast calculations are based on the Bank’s business plan and various stress scenarios.

The outcome is that, assuming the business plan occurs in reality, the risk cover in the going concern perspective will continue to exceed the economic capital requirements for unexpected risks up to and including the financial year for the entire forecast period until 2014/15. However, the further downgrading of European states as a result of the current European debt crisis or an economic slowdown and the resulting deterioration of the credit rating of the loan portfolio could lead to a potentially significant increase in unexpected counterparty default risk, and hence an increase in the overall risk position.

In terms of market price risk, the calculation of IKB’s risk-bearing capacity currently involves figures that are driven by the EU crisis to a large extent and that are similar to the figures for a stress scenario. These figures are also applied in the current forecasts.

The analysis of economic and macroeconomic stress scenarios shows that more extreme scenarios, such as the collapse of the euro zone with wider economic consequences for the entire European Economic Area, would mean that risk cover would no longer be sufficient to fully cover the overall risk position even in the going concern perspective. It should be noted that the current situation on the capital markets already includes significant elements of a stress scenario.

[1] All interest-, volatility- and credit spread-induced charges with the exception of unrealised fair value losses in traditional lending business in illiquid markets

Counterparty default risk

Structure of counterparty default risk. The credit volume as at 30 September 2012 was composed as follows:

Table: Credit volume

in € million	30 Sep. 2012	31 Mar. 2012	Change
Loans and advances to banks	2,533	2,976	-443
Loans to customers	15,092	15,690	-598
Assets held for trading	2,972	2,479	493
Investment securities[1)	7,940	7,931	9
Operating and finance leases	2,130	2,170	-40
Contingent liabilities (gross), credit default swaps and guarantees	923	467	455
Total credit volume	**31,589**	**31,713**	**-124**

Some totals may be subject to discrepancies due to rounding differences.
1) excluding portions attributable to third parties (€ 11 million; 31 March 2012: € 10 million)

The credit volume as a whole decreased by € 0.1 billion to € 31.6 billion. Loans to customers fell by € 0.6 billion as a result of the further reduction in non-strategic assets and repayments of loans for which the risk has been transferred, among other things. By contrast, assets held for trading increased by € 0.5 billion due to the rise in the positive fair values of derivatives. Contingent liabilities, credit default swaps (CDS) and guarantees increased as a result of protection seller CDSs.

Structure of the credit volume.

Table: Credit volume by size[1)]

in € million	30 Sep. 2012			31 Mar. 2012	
	Credit volume		Number[1)]	Credit volume	
Under € 5 million	4,054	13%	21,286	4,522	14%
Between € 5 million and € 10 million	2,242	7%	309	2,479	8%
Between € 10 million and € 20 million	3,260	10%	236	3,458	11%
Between € 20 million and € 50 million	3,259	10%	110	3,269	10%
Over € 50 million	14,660	46%	71	13,152	41%
Sub-total	**27,475**	**87%**	**22,012**	**26,880**	**85%**
Risk transferred to third parties[2)]	4,115	13%	-	4,833	15%
Total	**31,589**	**100%**	**22,012**	**31,713**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Borrower groups in accordance with section 19 KWG
2) Hermes guarantees, indemnifications, risks transferred

The increase in the "Over € 50 million" category is attributable to the higher positive fair value of derivatives and to new investments in the public sector to a roughly equal extent. The average exposure in this category is € 206 million (31 March 2012: € 188 million). The majority of exposures over € 50 million relate to banks (€ 9.4 billion; 31 March 2012: € 8.9 billion), public-sector borrowers (€ 2.9 billion; 31 March 2012: € 2.2 billion) and portfolio investments (€ 0.6 billion; unchanged year-on-year).

The volume of risks transferred to third parties declined by € 0.7 billion to € 4.1 billion, largely as a result of repayments of loans transferred by way of the Bank's securitisation transactions.

Risks transferred mainly include synthetic securitisations, in which KfW Bankengruppe (KfW) hedges the credit risk, and indemnifications, which are also predominantly used in the context of KfW programmes. The Bank is secured against counterparty default risks by means of synthetic securitisations, although the loans are still reported in the balance sheet and continue to be managed by IKB. At the reporting date, the

utilisation of these loans amounted to € 2.1 billion (31 March 2012: € 2.6 billion). The risks transferred are composed as follows:

- € 0.1 billion for loans for which the Bank has retained only first loss risks of € 11.6 million (originally € 15.3 million).
- Loans with a volume of € 0.4 billion for which only the expected loss and parts of the unexpected loss in the amount of € 32.3 million (originally € 39.2 million) has been transferred. This subordination is still considered sufficient.
- In the last financial year, the hedging of the senior portion of the portfolio was terminated for loans in the amount of € 1.1 billion. The remaining hedging in the amount of € 224.2 million is considered to represent sufficient subordination.
- The credit risk for loans with a volume of € 0.4 billion has been transferred in full.

Collateral, risk transfer and securitisation.

Table: Credit volume by type of collateral

in € million	30 Sep. 2012		31 Mar. 2012	
Property liens and charges	4,385	14%	4,481	14%
Transfers of ownership	2,780	9%	2,779	9%
Other collateral[1)]	2,705	9%	2,677	8%
Collateralised[2)]	4,765	15%	4,033	13%
Secured credit volume[3)]	**14,634**	**46%**	**13,971**	**44%**
Without collateral	12,840	41%	12,909	41%
Sub-total	**27,475**	**87%**	**26,880**	**85%**
Risk transferred to third parties[4)]	4,115	13%	4,833	15%
Total	**31,589**	**100%**	**31,713**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) e.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
2) Derivatives with positive market values (€ 2.5 billion; 31 March 2012: € 1.9 billion) and call accounts (€ 2.3 billion; 31 March 2012: € 2.2 billion) relating to collateral agreements, i.e. with corresponding positions, largely derivatives with negative market values
3) Including credit portions beyond collateral value
4) Hermes guarantees, indemnifications, risks transferred

The increase in the “Collateralised” item is attributable to the higher fair value of derivatives with liquid underlyings and the increase in call accounts.

Geographical structure. As at 30 September 2012, the total credit volume can be broken down by region as follows:

Table: Credit volume by region

in € million	30 Sep. 2012		31 Mar. 2012	
Germany	13,308	42%	13,500	43%
Outside Germany	14,167	45%	13,379	42%
Western Europe	10,359	33%	10,112	32%
Eastern Europe	962	3%	779	2%
North America	2,731	9%	2,318	7%
Other	115	0%	170	1%
Sub-total	**27,475**	**87%**	**26,880**	**85%**
Risk transferred to third parties[1)]	4,115	13%	4,833	15%
Total	**31,589**	**100%**	**31,713**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Hermes guarantees, indemnifications, risks transferred

The increase in Eastern Europe is primarily attributable to protection seller CDSs with the Republic of Poland as the underlying. The increase in North America (USA) is due to the higher positive fair value of derivatives.

Table: Credit volume outside Germany by country rating[1)]

in € million	30 Sep. 2012 Total[2)]	Country ratings				
		1-6	7-9	10-12	13-15	16-19
Western Europe	10,359	8,634	1,653	72	-	-
Eastern Europe	962	730	42	190	0	-
North America	2,731	2,731	-	-	-	-
Other	115	76	11	16	11	-
Total	**14,167**	**12,171**	**1,707**	**279**	**11**	**-**

Some totals may be subject to discrepancies due to rounding differences.
1) excluding risks transferred to third parties; higher credit ratings reflect higher risk levels
2) Export credit guarantees are deducted from the figures presented above. No other adjustments for collateral are made.

86% of the credit volume attributable to countries outside Germany was assigned to the best country risk classes (1-6).

The utilisation of loans in risk classes 10-12 primarily relates to Hungary (€ 125 million), Portugal (€ 72 million) and Romania (€ 66 million). Utilisation in risk classes 13-15 primarily relates to Iran (€ 9 million).

Within Western Europe, the credit volume relates to the following countries:

Table: Credit volume in Western Europe by risk

30 Sep. 2012 in € million	Credit volume after risk mitigation	thereof public sector	thereof banks and financial sector[1)]	thereof other counterparty default risks
France	2,336	251	1,299	786
UK	2,158	-	1,276	883
Italy	1,559	905	256	399
Spain	1,326	78	656	592
EU[2)]	1,173	504	668	-
Netherlands	424	105	181	138
Ireland	327	-	190[3)]	137
Austria	226	77	105	44
Switzerland	218	-	104	114
Sweden	139	-	100	39
Denmark	122	97	25	1
Finland	95	-	18	78
Portugal	72	-	30	42
Other	183	-	51	132
Total	**10,359**	**2,018**	**4,958**	**3,384**

Some totals may be subject to discrepancies due to rounding differences.
1) Bank exposures in Spain and Italy contain primarily covered bonds.
2) European Commission, European Financial Stability Facility (EFSF) and European Investment Bank
3) The figure for Ireland contains portfolio investments of € 182 million held via special purpose entities in Ireland.

The Bank has sold its last remaining first-to-default security in the amount of € 50 million, meaning that there are no longer any additional counterparty default risks with regard to the reference countries for these securities, namely France, Italy, Portugal, the Czech Republic and Cyprus.

Sector structure.

Table: Credit volume by sector

in € million	30 Sep. 2012		31 Mar. 2012	
Industrial sectors	12,584	40%	12,661	40%
Mechanical engineering	1,066	3%	1,061	3%
Services	1,061	3%	935	3%
Energy supply	854	3%	853	3%
Metal products	837	3%	814	3%
Wholesale	754	2%	801	3%
Other industrial sectors	8,012	25%	8,197	26%
Real estate	1,238	4%	1,385	4%
Financial sector	929	3%	969	3%
Banks	9,764	31%	9,436	30%
Public sector	2,959	9%	2,429	8%
Sub-total	**27,475**	**87%**	**26,880**	**85%**
Risk transferred to third parties[1)]	4,115	13%	4,833	15%
Total	**31,589**	**100%**	**31,713**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Hermes guarantees, indemnifications, risks transferred

The increase in the figure for banks is primarily attributable to the further increase in the positive fair value of derivatives and call accounts in connection with derivatives trading. The increase in the public sector is due to protection seller CDSs and the purchase of bonds with a focus on the European Union.

The degree of diversification in the industrial sectors is still high, with no single sector accounting for more than 4% of the portfolio.

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

Table: Credit volume by credit rating structure[1)]

in € million	30 Sep. 2012		31 Mar. 2012	
1-4	8,397	27%	10,212	32%
5-7	8,985	28%	6,267	20%
8-10	5,477	17%	5,222	16%
11-13	2,368	7%	2,604	8%
14-15	562	2%	733	2%
Lehman assets[2)]	343	1%	339	1%
Problem exposures[3)]	1,343	4%	1,501	5%
Sub-total	**27,475**	**87%**	**26,880**	**85%**
Risk transferred to third parties[4)]	4,115	13%	4,833	15%
Total	**31,589**	**100%**	**31,713**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Lower rating classes reflect higher creditworthiness
2) Portfolio investments whose probability of default is no longer dependent on the credit ratings of the portfolio investments due to legal risks, and that therefore cannot be quantified
3) Carrying amounts, i.e. after deducting losses from impaired investment securities
4) Hermes guarantees, indemnifications, risks transferred

The reduction in rating classes 1-4 and the increase in rating classes 5-7 are primarily attributable to the migration of bank credit ratings. Information on the Lehman assets category can be found under Operational risk/Legal risk below. The decline in problem exposures relates to realisation measures as well as recoveries and repayments.

Problem exposures. The following table provides an overview of the development of problem exposures.

Table: Credit volume of problem exposures[1)]

in € million	30 Sep. 2012	31 Mar. 2012	Change	
			in € million	in %
Impaired (non-performing loans)	1,134	1,261	-127	-10%
Non-impaired	268	370	-102	-28%
Total	**1,402**	**1,631**	**-229**	**-14%**
as % of credit volume	4.4%	5.1%		

Some totals may be subject to discrepancies due to rounding differences.
1) Carrying amounts including losses from impaired investment securities (30 September 2012: € 59 million; 31 March 2012: € 130 million).

Non-impaired problem exposures declined due to improvements in credit quality and transfers to impaired problem exposures.

The € 229 million decrease in problem exposures is primarily attributable to the sale of Greek and first-to-default bonds, the derecognition of impaired loans and improvements in the credit ratings of non-impaired problem exposures.

The following table provides an overview of problem exposures classified as non-performing loans.

Table: Credit volume of non-performing loans

in € million	30 Sep. 2012	31 Mar. 2012	Change	
			in € million	in %
Germany	619	662	-44	-6%
Outside Germany	375	378	-3	-1%
Impaired loans	**994**	**1,040**	**-46**	**-4%**
Securities (impaired investment securities)[1)]	140	220	-81	-36%
Impaired (non-performing loans), total	**1,134**	**1,261**	**-127**	**-10%**
as % of credit volume	3.6%	4.0%		

Some totals may be subject to discrepancies due to rounding differences.
1) Carrying amounts plus losses from impaired investment securities (30 September 2012: € 59 million; 31 March 2012: € 130 million).

Provisions for possible loan losses. In the period from 1 April 2012 to 30 September 2012, provisions for possible loan losses remained at a low level of € 11.9 million, albeit slightly higher than in the previous year (€ -26.4 million). This figure contains further reversals of portfolio impairment losses in the amount of € 13.7 million. Additions to specific impairment losses/direct write-downs decreased slightly, while reversals of specific impairment losses/recoveries on loans previously written off and reversals of portfolio impairment losses fell sharply.

Table: Provisions for possible loan losses

in € million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*	Change
Additions to specific impairment losses/provisions	64.6	62.7	3%
Direct write-downs	3.3	9.8	-66%
Recoveries on loans previously written off	-4.1	-5.2	-21%
Additions to/reversals of portfolio impairment losses	-13.7	-20.6	-33%
Reversal of specific impairment losses/provisions	-38.2	-73.1	-48%
Provisions for possible loan losses	**11.9**	**-26.4**	
Development of specific impairment losses/provisions			
Opening balance	446.3	741.4	-40%
Utilisation	-51.7	-237.5	-78%
Reversal	-38.2	-73.1	-48%
Reclassification	-0.7	-0.9	-22%
Unwinding	-10.3	-11.9	-13%
Additions to specific impairment losses/provisions	64.6	62.7	3%
Effect of changes in exchange rates	1.5	1.2	25%
Total specific impairment losses/provisions	**411.5**	**481.9**	**-15%**
Portfolio impairment losses			
Opening balance	83.4	112.3	-26%
Addition/reversal	-13.7	-20.6	-33%
Total portfolio impairment losses	**69.7**	**91.7**	**-24%**
Total provisions for possible loan losses (including provisions)	**481.2**	**573.6**	**-16%**

* Prior-year figures restated.

Total provisions for possible loan losses for the lending business, including portfolio impairment losses, totalled € 481 million as at 30 September 2012. The cover for impaired loans (€ 994 million) in the form of specific impairment losses and provisions amounted to 41% (31 March 2012: 44%). This development reflects the ongoing derecognition of irrecoverable exposures in the period under review for which significant impairment losses had already been recognised in previous years.

Portfolio impairment losses. Portfolio impairment losses cover losses that have already been incurred but have not yet been identified individually. The decrease in portfolio impairment losses in the current financial year is due to the general reduction in loans and advances to customers, as well as the lower volumes in the weaker rating classes of 11-15 and the reduction in problem exposures for which no specific impairment losses have been recognised.

Structured credit products. In terms of carrying amount, the risks of the remaining structured credit products predominantly relate to legal risks from positions in connection with the Lehman insolvency, to economic risks from items solely referencing corporate and state risks and the retention of IKB's own securitisation. IKB now has economic risks from investments with sub-prime content only for some of the assets transferred to the special-purpose entity Rio Debt Holdings.

As at 30 September 2012, the sub-segment Portfolio Investments consists of:

- Securitisation positions with a nominal amount of € 206 million (31 March 2012: € 206 million) and a carrying amount of € 127 million (31 March 2012: € 132 million) assigned to the strategic core business of the Bank and primarily deriving from the securitisation of own loans. These assets largely have a sub-investment grade rating.

- Two synthetic transactions with six tranches and corporate and state reference assets with a total nominal volume of € 200 million (31 March 2012: € 200 million) and a carrying amount of € 154 million (31 March 2012: € 136 million). The transactions have an external rating of Baa.

- Securities with a nominal volume of € 669 million (31 March 2012: € 688 million) and a carrying amount of € 83 million (31 March 2012: € 85 million) that were transferred to Rio Debt Holdings. IKB's sub-prime risks have a carrying amount of € 25 million (31 March 2012: € 27 million). The residual income from the portfolio will be divided between IKB and Lone Star. After deducting the fair value of Lone Star's right to additional proceeds (equity kicker), IKB still has a share of the carrying amount of € 71 million (31 March 2012: € 75 million).

- Owing to the Lehman insolvency, four synthetic transactions with a nominal value of € 343 million (31 March 2012: € 339 million) and a carrying amount of € 343 million (31 March 2012: € 339 million) are being wound up. The risks for IKB resulting from these transactions are limited to legal risks with regard to the winding up process and the credit quality of the collateral provided. The ratings for these assets were withdrawn.

In terms of carrying amount, the actual economic risk to IKB from its portfolio investments therefore amounted to € 352 million as at 30 September 2012 (31 March 2012: € 344 million). Of this figure, € 127 million (31 March 2012: € 132 million) relates to the securitisation positions from IKB's core business listed under point 1, € 154 million (31 March 2012: € 136 million) relates to the synthetic transactions listed under point 2, and € 71 million (31 March 2012: € 75 million) relates to the IKB risks from the Rio assets listed under point 3. In terms of asset classes, the focus is on investments with corporate underlyings (CDOs of corporates and CLOs) in the amount of € 271 million (31 March 2012: € 259 million). The economic risk of assets with ABS underlyings (ABS and CDO of ABS) amounted to € 81 million (31 March 2012: € 85 million). IKB was also subject to the legal risks described in point 4.

Liquidity and market price risk

Liquidity risk. The Bank primarily covered its short term liquidity requirements in the period under review – and will continue to do so in future – through repos (Eurex GC Pooling and ECB) and by accepting customer deposits. The latter come from the Bank's own corporate clients and from institutional investors, as well as from retail customers via the "IKB direct" online platform. The volume of new customer deposits again developed positively in the period under review, amounting to around € 6.2 billion at the end of September 2012.

Medium-term and long-term liquidity was generated by issuing promissory note loans guaranteed by the Deposit Protection Fund and through asset disposals. IKB also received funds from public assistance programmes initiated by KfW and regional business development banks, which it is using to provide financing to its medium-sized corporate clients. In the period under review, additional liquidity was generated from the securitisation of lease receivables (GMEF 2012-I) and their placement with institutional investors.

Depending on the development of its new business, the Bank expects its liquidity requirements to amount to between € 8 billion and € 9 billion over the next twelve months. The main options available for refinancing these requirements are the potential drawdowns of € 5.3 billion with the ECB, secured borrowing on the money market, accepting liabilities guaranteed by the Deposit Protection Fund and selling balance sheet assets. A further option for the Bank lies in capital market-based collateralised refinancing instruments.

IKB's good liquidity position allowed it to further reduce the volume of SoFFin bonds by € 3 billion, from € 4.5 billion as at 1 April 2012 to € 1.5 billion at the end of September 2012 (see also the supplementary report, section 7).

Liquidity planning is based on a range of assumptions as to the above and other factors which can determine liquidity, both on the assets side and the liabilities side. In the event that a number of these assumptions do not come to fruition, this may result in liquidity bottlenecks. For example, this may include market developments that lead to a reduction in liabilities guaranteed by the Deposit Protection Fund or that prevent the Bank from selling assets.

According to planning, and taking into account the maturing SoFFin-guaranteed bonds, liquidity is ensured with a sufficient buffer.

Market price risk. Market price risk constitutes the risk of value changes resulting from fluctuations of parameters observable on the market (risk factors). The relevant risk factors for IKB include foreign currency, interest rate, credit spread, volatility (option price) and share price risk. Market price risks are managed at Group level.

Development of the market price risk profile. The following table shows the development of the market risk profile.

Table: Market price risk indicators

in € million	30 Sep. 2012	31 Mar. 2012
Basis point value[1]	**-0.8**	**0.3**
Vega[2]	**0.4**	**0.1**
VaR[3] – foreign currency	-1	-2
VaR – interest rate and volatility	-12	-5
VaR – spread	-47	-53
Correlation effect	10	5
VaR (total)	**-50**	**-56**

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

1) Basis point value (BPV) indicates the change in the present value of the portfolio assuming a parallel shift of +0.01 percentage point (1 basis point) across all yield curves.
2) Vega indicates the change in the present value of the portfolio assuming an increase in interest rate volatility by 1 percentage point.
3) Value at risk at a 99% confidence level assuming a holding period of one day

The credit spread risk is primarily attributable to government bonds, mortgage bonds, corporate bonds and promissory note loans. The credit spread risk for IKB resulting from the remaining portfolio investments is of minor significance.

Currency positions are largely held in USD, GBP, JPY and CHF. Loans and advances denominated in foreign currencies, including their future income flows, are hedged almost in full.

Operational risk

The loss volume identified in the first half of the financial year totalled € 0.5 million (excluding operational risks that are also credit risks). The extremely low loss volume compared with the same period of the previous year (€ 10.4 million) can be attributed to extraordinary loss events in the previous year and some outstanding current cases whose losses had not yet occurred as of the reporting date.

The Bank still considers the most substantial operational risks to lie in its legal risks.

Legal risk

The following material changes have occurred since the report as at 31 March 2012:

Legal proceedings due to alleged incorrect capital market information. More than 140 claims have been made against the Bank by investors in IKB securities since the start of the crisis in summer 2007. The claims relate to the alleged incorrect content of the press release issued on 20 July 2007, but partly

also to the alleged false content of the financial press conference held on 28 July or the alleged incorrect content of capital market information prior to this date.

The legal proceedings detailed above were for a (provisional) total amount of around € 14.6 million. In addition, further shareholders and investors in other IKB securities have approached the company out of court with claims for damages.

More than 130 of these claims brought by investors have now been finally terminated with legally binding rules in favour of the Bank or the withdrawal of the respective claims; the Bank has only been ordered to pay part of the damages claimed in two cases. Five cases of denial of leave to appeal are pending with the German Federal Court of Justice.

IKB still considers the outstanding claims by investors not yet dismissed (with a remaining provisional value of around € 8.1 million) and the out-of-court claims for damages to be unfounded. Nonetheless, even after more than five years since the crisis broke out, the possibility that additional investors will claim for damages against the Bank cannot be completely ruled out. The success of these claims could increase the overall risk to which the Bank is exposed.

Other legal proceedings. On 25 June 2012, King County, Iowa Student Loan Liquidity Corporation and IKB signed an agreement ending the legal disputes between these parties that had been pending with the United States District Court of the Southern District of New York, USA. The confidential agreement covers the conclusion of the legal disputes without the acknowledgement of guilt by the signatory parties. IKB does not expect this agreement to represent a financial burden for the Bank and considers its legal risks to have declined as a result.

There is a possibility that further claims for damages could be brought against IKB as a result of its activities or the activities of IKB Credit Asset Management GmbH in relation to Rhineland Funding Capital Corporation LLC, Delaware, (RFCC), the Havenrock transactions and/or Rhinebridge by other parties involved in these transactions. In managing its legal positions, IKB has entered into agreements with potential claimants and defendants on the suspension of the statute of limitations.

The company is carefully monitoring the legal landscape in the United States, where a number of disputes are emerging concerning irregularities in subprime lending or its packaging in securitisation products. It has taken initial steps and filed suits against a number of parties in the USA.

The company is therefore analysing its duties under stock corporation law on an ongoing basis to determine whether new information can be gained on the crisis at IKB and its causes, and the legal consequences of this in the interests of the company.

Criminal proceedings/investigation by the public prosecutors. According to the information available to the Company, there are currently no investigations by the public prosecutors or pending criminal proceedings against former or current members of its executive bodies.

CDOs arranged by Lehman Brothers. The Bank invested in structured credit products (originally five synthetic CDOs with a total nominal volume of € 334 million and US$ 213 million) in which Lehman Brothers acted as the secured party through a special purpose entity. Following the insolvency of Lehman Brothers, the transactions concerned were terminated by the issuer on the basis of its contractual options. In such event, the documentation provided for the liquidation of the transaction collateral and the distribution of the profits in a specific order (“transaction waterfall”).

Under the contractually agreed regulations, in the event of its insolvency, the swap counterparty (in this case, Lehman Brothers) is subordinate to the investors in the distribution of the proceeds from the transaction collateral. This regulation on seniority has since been reviewed by courts in the UK and the US without the involvement of the Bank. While courts of final instance in the UK have upheld the validity of this regulation, a first instance insolvency court in the US has granted a violation of basic insolvency law principles. The underlying legal dispute has since been settled out of court between the parties immediately after admission to the court of appeal in the USA. Other model proceedings are still ongoing. A final instance confirmation of the legal position of the opposing party with the US courts could lead to the dismissal of the payment and, under certain circumstances, to claims for restitution against IKB. The Bank considers the probability of occurrence to be low. Due to four of the transactions, the Bank is involved in

the out-of-court settlement proceedings with Lehman Brothers as ordered by the US insolvency court. The Bank reached a settlement with Lehman Brothers on the fifth transaction in the current financial year.

State aid proceedings. In connection with the rescue measures taken by KfW with the support of the banking associations for the benefit of IKB, the European Commission qualified the measures as aid and approved them in October 2008 under strict conditions. The Bank has had to deploy considerable resources to implement these conditions. If this should fail, the Bank could be exposed to significant legal and economic disadvantages. Furthermore, the European Commission's ruling of 17 August 2009 on the admissibility of the extended SoFFin guarantee entails strict obligations with regard to IKB's operations, non-compliance with which could lead to material legal and economic disadvantages for the company.

Recessionary actions against resolutions by Annual General Meetings. The legal actions against resolutions by the Annual General Meetings on 28 August 2008, 25 March 2009, 27 August 2009 and 26 August 2010 as described in the Group management report on the financial year 2011/12 are still pending. To date, no actions have been brought against the resolutions of the Annual General Meeting on 23 August 2012.

Derivatives trading. Individual customers have criticised the consulting services provided by the Bank in connection with certain swap products. Actions are pending in six cases with a total volume in dispute of € 17.3 million as at 30 September 2012. The Bank will defend itself against the accusations.

Personnel risk

The number of resignations is consistent with the average for the banking sector and has remained stable compared with the first half of the financial year 2011/12. The Bank is currently implementing the reconciliation of interests and redundancy scheme concluded on 7 May 2012 in order to reduce the workforce by a total of 173 full-time employees (FTEs) within two years. The first phase, which involved the reduction of around 100 FTEs, went smoothly. Additional highly qualified new employees and managers have been recruited for the establishment of the new market areas. Some planned positions have also been filled via internal transfers, thereby reducing the risk of start-up problems and errors.

Other risks

Information on IT, compliance, business, strategic, reputational and participation risks can be found in the Group management report as of 31 March 2012. There have been no material changes since this date.

Overall assessment of the risk situation

Economic development in the period under review was dominated by the crisis in the euro zone. The first months of the financial year saw growing fears that the euro zone could collapse, with one or more states returning to their national currency. Potential consequences were considered to include incalculable currency risks and significant disruptions of the banking system and national economies. Market prices – particularly those of sovereign debt instruments and bank loans – reflected these extreme risks. At the same time, there were signs of a considerable deterioration in economic development in the euro zone. Both of these factors led to extremely low interest rates, to the extent that it was no longer possible to rule out a scenario of negative interest rates. It took the announcement by the ECB of the unlimited purchase of government bonds to calm the capital markets, and this has remained the case for some weeks. In conjunction with the ESM and announcements from the political sphere, the markets appear to be regaining confidence that the euro will continue to exist and that appropriate measures have been found to prevent excessive risk premiums for larger states – despite the efforts being made to implement savings – and to support these states in the restructuring of their banking systems if this becomes necessary. In the meantime, the premiums for extreme risks reflected in the market prices have started to retreat and there has even been a slight increase in long-term interest rates, albeit at a low level. Among the euro zone states that have faced criticism for some time, Italy in particular has made positive progress in terms of market prices, although the risk premiums demanded of Italy are still at a high level in historical terms.

As a consequence of the “voluntary” restructuring of Greek debt, IKB continued to pursue a reduction in its risk-weighted assets in a targeted manner, with a particular focus on reclassifying government risks and unsecured bank bonds in its liquidity investments. This will remain the case as long as the corresponding scope is provided in view of extremely low interest rates and the need to ensure a sufficiently high volume of securities that are eligible as collateral with central banks.

Risk-bearing capacity using the going concern perspective, which is material for IKB, is secured for the next twelve months. Based on the Bank's forecasts, this also applies to the subsequent two years. The liquidation perspective is affected by the extreme market scenarios of the past, in which factors such as fears of the collapse of the euro and the default of major euro zone countries such as Spain and Italy are still reflected to a large extent. These extreme risks are still covered at a high confidence level, but there remain more liquidity scenarios in which it would not be possible to satisfy the claims of non-subordinate creditors in full than was previously the case.

A key focus for IKB is ensuring sufficient financing for its planned business activities and the repayment of outstanding liabilities. Given the changes in the Bank's business model, its refinancing requirements will be lower than in the past. IKB has adjusted its refinancing structure and freed itself from its dependency on unsecured bond issues. The intensified and diversified deposit business with corporate clients and retail customers and repos (ECB and general collateral pooling) are of growing importance for refinancing. Secured refinancing on the capital market is a liquidity option for the Bank. An expansion of new lending business beyond the planned scope leading to rising liquidity requirements is not expected. According to planning, and taking into account the maturing SoFFin-guaranteed bonds, liquidity is ensured with a sufficient buffer.

IKB has fulfilled the conditions imposed by the European Commission for the state aid granted to the extent permitted by law. Above and beyond this, the obligations imposed by the European Commission with regard to proprietary trading and the repurchase of liabilities will be fulfilled when the SoFFin-guaranteed bonds are returned in full. As long as such bonds are still outstanding, IKB also will be subject in particular to the SoFFin condition of maintaining a tier I capital ratio of at least 8% in accordance with the KWG in connection with the SolvV at the level of both the Group and the Bank. At 9.4%, the Group's tier I ratio is in excess of the minimum level of 8% required by SoFFin, among others, and is expected to remain above this level during the two-year forecast period based on the Bank's planning. IKB's compliance with the maximum volume of deposits and issues means that the main requirements of the Deposit Protection Fund have also been satisfied.

IKB's success will remain dependent on the extent to which it can be continued through the expansion of derivatives business, customer-related capital market products and advisory services in the coming quarters. Despite muted demand for credit among SMEs, lending was slightly above expectations in the period under review and credit margins reached the forecast level. Developments on the capital markets had a negative impact on the volume of and income from capital market-related transactions (acquisition finance, capital markets, advisory). However, IKB not only participated but also played a leading role in many of the transactions that were still realised on these relevant markets.

The euro zone crisis has led to an environment that is characterised by extremely low interest rates and that may remain in place for some time. This is having an impact on net interest income above and beyond the consequences of the European Commission's requirement that the Bank significantly reduce its credit portfolio. As such, the establishment of interest-bearing lending business with customers and the length of the phase of extremely low interest rates remain relevant factors for IKB.

Despite the relatively low growth and the recession in most major euro zone states, German companies are enjoying good sentiment. This is reflected in the extremely low level of risk provisioning, although this is not expected to be sustained in the longer term. All in all, economic development remains fragile on account of the sovereign debt crisis. In many euro zone countries, banks continue to face significant problems; however, the corporate sector is also subject to a growing number of potential threats, some of which are due to a lack of available credit at a national level. Due to the sustained high level of risk for the banking system, which has increased further for some countries, IKB is concentrating its investments in ECB-eligible bonds on covered or secured bonds to a greater extent. Lending to companies in the rest of Europe will also remain selective. IKB does not expect the euro zone to collapse or Italy to default.

The relaxation of the strained situation on the capital markets in recent weeks could be of growing importance if the path adopted is reinforced further through unity and appropriate measures at a political level. At the same time, past experience shows that the uncertainty on the markets and high volatility will continue to accompany IKB for some time. As a matter of principle, the possibility of further new crises with unexpected default, market price and liquidity risks for the banking system – and therefore also for IKB – cannot be ruled out. This could restrict the business opportunities available to the Bank and have a corresponding impact on the fulfilment of regulatory requirements, risk-bearing capacity and the development of risk provisioning. Moreover, the Bank is exposed to the legal risks described.

Despite the proviso that the improvement in the situation does not represent the conclusive settlement of the crisis, the Board of Managing Directors believes that IKB's restructuring can be continued and completed. Uncertainty with regard to market price and counterparty default risk will continue to result in particular from the duration and severity of the sovereign debt crisis in the euro zone.

5. Material features of the internal control and risk management system with regard to the accounting process

The information on the internal control and risk management system provided in the 2011/12 Group management report still applies. There have been no changes.

6. Related party disclosures

Related party transactions primarily relate to liabilities to the parent LSF6 Europe or companies assigned to it under the terms of compensation agreements. The related party transactions contained in receivables primarily relate to loans issued to associated companies and subsidiaries that are not required to be included in consolidation. These are presented in the notes (38).

7. Events after 30 September 2012 (Supplementary report)

The following new developments have arisen since 30 September 2012:

Status of implementation of the EU conditions

By way of a letter dated 23 October 2012, the European Commission issued an opinion on the final report on the implementation of the EU conditions and stated that IKB had largely met the obligations arising from its ruling dated 21 October 2008. Specifically, the European Commission confirmed the following:

- The restructuring plan has been implemented properly. In particular, the change in the ownership of IKB was successful. IKB is now fully privatised and this is reflected in its presence on the market.
- IKB has reduced its total assets to € 32.1 billion, which is lower than the figure of € 33.5 billion required by the European Commission.
- The Real Estate Finance segment (including IKB Management GmbH, IKB Projektentwicklungs GmbH & Co. KG and IKB Projektentwicklungsgesellschaft mbH) has been sold or wound up.
- The winding-up of the Luxembourg location is in progress. There are still legal reasons preventing IKB International S.A. and the Luxembourg branch of IKB AG from being wound up in full. No new business is being conducted in these areas and the measures that have already been implemented cannot be reversed.
- IKB Capital Corporation has been wound up.
- IKB AG's business activities in Amsterdam have been wound up.
- According to the European Commission, the sale or winding-up of the business activities of Movesta Lease and Finance GmbH, 50% of whose shares were previously held by IKB, is not yet complete. Although irreversible measures have been initiated, the European Commission stated that there were still legal reasons delaying completion.
- Due to legal restrictions, the winding-up of other non-strategic assets originally reported in the balance sheet in the amount of € 1.7 billion was only completed in part; however, this is no longer required due to IKB's total assets falling below € 33.5 billion.

Accordingly, the European Commission restricted its monitoring of the conditions arising from its ruling dated 21 October 2008 to the full winding-up of IKB International S.A. and IKB's former 50% equity interest in Movesta Lease and Finance GmbH.

The obligations imposed on IKB AG as a result of the ruling by the European Commission dated 17 August 2009 on the extension of the guarantee volume of SoFFin (German Financial Market Stabilisation Fund) comprise

- restrictions on proprietary trading and
- extensive restrictions on the repurchase of own liabilities, not including the repurchase of SoFFin-guaranteed bonds

and will remain in force until the approved SoFFin guarantees are returned in full.

SoFFin guarantees

On 26 October 2012, IKB returned SoFFin guarantees in the amount of € 650 million ahead of schedule. This related to the bond DE000A0SMPB1 (maturing on 1 February 2013, FRN 3-month Euribor). On 31 October 2012, IKB returned the outstanding SoFFin guarantees in this bond in the amount of € 100 million, meaning that the bond has been repaid in full.

As of 12 November 2012, IKB's SoFFin guarantee amounted to € 750 million and related to the bond ISIN DE000A0SMPA3 maturing on 2 February 2015.

Change of segment from the regulated market to the quality segments of the unregulated market

The change in the stock exchange segment of all of the Bank's securities from the regulated market to the quality segments of the unregulated market is largely complete. The revocation of the admission of IKB's shares to trading on the regulated market of Deutsche Börse AG in Frankfurt/Main came into force on 26 October 2012. IKB's shares were introduced to the Entry Standard on 29 October 2012.

The IKB securities ISIN DE0002197761, DE0002731304, DE0002731445, DE0002731494, DE000A0SMPA3, DE000A0SMPB1, DE0002731429, DE0002731197 were admitted to trading on the Primary Market of the Düsseldorf Stock Exchange on 1 October 2012.

The change of segment is scheduled for completion during November 2012.

In accordance with the publication requirements of the new stock exchange segments, IKB will publish an annual financial report and a half-yearly financial report in future. External accounting will be fully converted to HGB (German Commercial Code). IKB does not expect the change in accounting standards to have a material impact in terms of transparency.

Purchase programme for IKB Funding Trust I and IKB Funding Trust II hybrid securities

The purchase programme for holders of the trust preferred securities issued by IKB Funding Trust I and IKB Funding Trust II ran until 30 October 2012. The approval of the proposed contractual amendments relating to IKB Funding Trust I by not less than 66 2/3% of the investors, which was necessary in order for the offer to be accepted, was not achieved. Accordingly, IKB will not purchase any IKB Funding Trust I or IKB Funding Trust II securities on the basis of the purchase programme.

8. Outlook

Future general economic conditions

The European debt crisis means that the outlook for the euro zone economic environment remains subject to a high degree of uncertainty. Meanwhile, the risks for the global economy are not inconsiderable; they primarily result from contagion effects from developments in the euro zone and – to a lesser extent – the uncertainty over the extent of fiscal policy measures in the United States in particular.

However, the level of uncertainty relating to the euro zone crisis has decreased slightly following the recent decision by the ECB to purchase government bonds on the secondary market to an unlimited extent under certain conditions. This has reduced the risk of a collapse of the euro zone for the time being. This will support economic development in the European Monetary Union, although the situation in the crisis-hit countries is likely to improve only slightly in the coming year. In their latest joint diagnosis, the research institutes are forecasting a decline in economic output in the euro zone in the current year, followed by a slight recovery next year. The outlook for IKB's core countries is far from uniform. In Spain and Italy, the institutes expect GDP to contract in the current and next year. By contrast, the United Kingdom is likely to see a downturn in 2012 followed by a recovery in 2013, while France is set to enjoy a slight improvement in its economic situation following weak growth this year.

In Germany, there are currently numerous signs that macroeconomic expansion is slowing as the end of the year approaches. Incoming orders in the manufacturing industry have been on the slide until recently, while the unfavourable expectations of customers suggest that investment in equipment and commercial property construction will continue to fall. The prospects for private consumption are less negative, aided by the fact that wages and salaries are set to rise on the back of the positive situation on the employment market. In addition, investment in residential property remains attractive. All in all, the institutes expect real GDP to increase by 0.8% in 2012, meaning that the German economy is likely to start the coming year with reduced momentum. Corporate investment – and hence demand for loans – will remain muted for the time being. Meanwhile, exports are likely to expand only moderately, as the euro zone will remain gripped by the recession for the time being and demand for the USA will remain weak due to a significantly more restrictive fiscal policy. By contrast, momentum is expected to be provided by the available income of private households. Over the coming year, the German economy is likely to pick up as long as the situation in the euro zone gradually becomes less strained – as the institutes assume will be the case – and the global economy enjoys stronger growth. In an improved environment of this nature, the favourable financing conditions should begin to play a larger role. For the year as a whole, the institutes are forecasting moderate GDP growth of 1.0%.

The monetary conditions are likely to deteriorate only slightly, thereby remaining favourable. From the perspective of the German economy, the ECB's fiscal policy remains highly expansive. As part of the gradual relaxation of the European financial markets that is assumed by the institutes in their forecasts, however, capital market interest rates in Germany are likely to increase slightly due to a slowdown in the private capital inflows that result from Germany's reputation as a safe haven.

Generally speaking, economic risks will remain high and the possibility of a renewed escalation of the European debt crisis cannot be ruled out even following the ECB's announcement. Firstly, the effectiveness of the ECB programme – aimed at sustainably reducing the interest of a problem country – is by no means guaranteed. Secondly, it should be clear that the programme alone is not enough to resolve the problems in the euro zone, meaning that reforms at the level of the individual countries and the Monetary Union as a whole must continue to be implemented. It is also doubtful as to whether monetary policy will succeed in boosting the economy. A sustainable improvement in the economic environment is likely to depend to a large extent on whether economic policy measures are able to generate confidence in the reform and consolidation efforts in the euro zone among financial investors, companies and households.

In addition, economic development remains affected by the various problems facing the European banking sector. The sovereign debt crisis is leaving its mark on banks' income statements and is placing banks in the crisis-hit countries in particular in a precarious situation and making special support measures necessary, such as in Spain. If the recessionary trend continues, there is also a risk that write-downs on corporate loans will increase again. At the same time, the stricter regulatory framework that has been

agreed at an international level is scheduled for implementation, and this will be followed by further extensive projects. The primary aim is to initially strengthen equity on a sustainable basis – including with the possible consequence that some banks will have to scale back their lending activities. Further regulations concerning areas such as liquidity are set to follow, although the cumulative impact of the various measures on the lending and deposit-taking business of banks remains unclear. In the medium term, larger banks may also be forced to separate their traditional business and their higher-risk investment banking activities, as was recently proposed by an expert commissions appointed by the EU. As the nature of the implementation of Basel III in the EU remains uncertain to a large extent, the consequences of this new regulation will remain highly uncertain over the coming months.

From the perspective of the German economy, however, there are not yet any concerns that these financial considerations could hinder an economic upturn in the next year. Interest rates are at a historically low level, there are no signs of more restrictive lending on the part of banks, and lending capacities in Germany should be sufficient to meet the rising demand for credit among companies for the time being. Furthermore, large companies and larger SMEs are increasingly obtaining funds directly on the capital markets, meaning that they only require bank loans to a limited extent. This is why it is important that the situation on the capital markets continues to ease – and that these markets are not impaired by the tidal wave of new regulation. In particular, the future of derivatives trading is uncertain at present, as the financial market transaction tax could have an impact in this area above and beyond the regulatory intervention that has already been agreed.

However, the structural problems in the German banking sector are far from being resolved, and this presents a tangible risk to the real economy in the medium term. The consolidation process in the banking industry is moving forward comparatively slowly. Adjusting business models is taking time. Weak profitability is making it difficult for banks to build up the new capital that is necessary to meet the more stringent regulatory requirements and the expectations of the market. Earnings potential is likely to remain limited even in the medium term, as banks are increasingly focusing on traditional business activities. Accordingly, this could lead to an increase in competitive pressure, such as in the SME sector, and an inappropriate pricing policy could emerge once again. As such, it is becoming increasingly important for banks to have a clearly defined business model that allows them to secure a viable position on the market with a targeted approach to certain customer transactions and groups.

Opportunities of future development

The fundamental changes in IKB's business model have been initiated. The Bank has been recapitalised, risk management has been expanded, risks have been reduced and liquidity has been secured. Above all, IKB will be able to focus greater attention to customer business now that it has fulfilled the EU conditions (deadline: 30 September 2011). The costs resulting from the implementation of the EU conditions up until this deadline will gradually diminish. The SoFFin guarantee will continue to be repaid further, thereby lowering the currently high level commission expenses, among other things. This means that the foundations have been laid for making the Bank profitable once again, and the majority of the significant non-recurring payments that would have been due in future have been avoided.

IKB believes there are good prospects for an expansion of its activities in the areas of advisory, hedging and credit products. However, owing to the restructuring costs and the start-up costs for new business activities, it will take some time before the reorganisation is also reflected positively in the income statement. The Greek default has delayed the return to a positive result from ordinary business activities. A positive trend in terms of diversification and an increase in income from new business with improved margins have already been observed. Transactions not covering their costs are being eliminated. The number of clients and the level of income from customer-related commission business have increased. The continued development of capital market-related business will depend on whether revenue as a whole increases again as confidence returns. IKB is well positioned to achieve this.

The complexity and burdens that arose from having a wide range of business areas and subsidiaries will be reduced further, with options for this still being examined. IKB will continue to reduce the complexity of its Group structure and improve the efficiency of all significant processes with a view to cutting costs. In this context, the Bank is currently reducing its workforce by around 200. Another important factor in cost development will be the efficient implementation of the extensive changes that will result from the large number of regulatory projects.

IKB has laid the foundations for the further optimisation of its balance sheet structure in terms of the development of total assets and the composition of assets and liabilities. IKB will continue to focus on economically reducing its non-strategic assets and optimising its portfolio of profitable loans to its target customers. Liability-side management is particularly important. This includes stable deposit business and the restructuring and reduction of the liability side of the balance sheet, e.g. through the early return of SoFFin-guaranteed bonds. The overall aim is to ensure a sufficiently high tier I capital ratio. To this end, the possibility of transferring credit risks is examined. IKB can build on the many years of experience from its own securitisation activities. With regard to the implementation of Basel III, risk-weighted assets will be further reduced in both the short term – given the significant uncertainty concerning the actual requirements – and the medium term. Income from risk-weighted assets is also being replaced by service income arising from cooperation with investors.

The potential sale of IKB by Lone Star could have a positive impact on the Bank's future economic development. IKB's Board of Managing Directors remains open to supporting Lone Star's plans.

Net assets

At 13.5% and 9.4% respectively, the overall capital ratio (solvency ratio) and tier I capital ratio of the IKB Group are lower than in the previous year but still significantly in excess of the current minimum statutory requirements. A main control parameter used to date is the tier I capital ratio, which is well over 8% for IKB AG and the Group, thereby providing a buffer for unexpected isolated events. IKB is contractually required, particularly in respect of SoFFin, to maintain minimum tier I capital of 8% in accordance with the KWG (German Banking Act) and the SolvV (German Solvency Regulation). IKB expects to continue to fulfil this minimum requirement of 8% for IKB AG and the Group. To this end, IKB intends to sell or synthetically hedge additional risk-weighted assets and focus on generating loans in which third parties can also invest. Corresponding initiatives have been launched and others will follow. The Bank's business planning and all of the associated measures depend on the market environment. Significant unexpected losses and market disruptions with the characteristics of a stress scenario could further impact IKB's situation and make it impossible to maintain a tier I capital ratio of 8% without additional measures being taken. For the financial years 2012/13 and 2013/14, the Bank expects to see a further reduction in loans and advances to customers, as new lending business will be more than offset by repayments in the lending business and asset-side reductions. In the forecast period, the liability side of the balance sheet is expected to be characterised by a reduction in securitised liabilities and an expansion of the funding mix.

Effects of Basel III

One key element of the Basel Committee's reform package is – assuming a corresponding implementation in European and national law – that the minimum requirement for core tier I capital will be raised from 2% to 4.5% and the minimum requirement for total tier I capital will be increased from 4% to 6%. These requirements will have to be met in stages over the period from 1 January 2013 to 1 January 2015. In addition, banks will be required to maintain a capital conservation buffer of 2.5%, covered by core tier I capital and to be gradually built up in the period from 1 January 2016 to 1 January 2019. Furthermore, a counter-cyclical capital buffer is being introduced that will consist of core tier I capital. In line with respective national conditions, this buffer can be between 0% and 2.5%.

In summary, this means that a core tier I capital ratio of up to 9.5% is expected by the end of the implementation phase on 1 January 2019, though it remains to be seen what form the counter-cyclical capital buffer will take. To ensure these and other minimum ratios, IKB will essentially manage its total assets by reducing risk assets, transferring risk and building up reserves, such as under section 340g HGB.

IKB's capital and liquidity resources are calculated for the Bank and the Group on the basis of HGB and the applicable regulatory standards and, based on the current legal situation, are likely to be significantly in excess of the Basel III limits not yet endorsed in EU law. As the new regulations are implemented, it will emerge which tier I capital ratios banks must strive for in future, which may be above the minimum specifications of international regulatory authorities. The Bank currently expects the significant national transitional regulations to remain unchanged even after an EU regulation introducing Basel III comes into force, at least temporarily. There are contradictory signals with regard to the implementation of Basel III in the EU. Among other things, a grace period after 1 January 2013 is currently being discussed, but no further details have emerged. For the settlement of standard derivatives, for example, it is starting to appear as if the necessary central counterparties will not be available as soon as required.

The preparations for the implementation of Basel III – including the highly comprehensive regulations that will accompany Basel III temporarily or functionally – are giving rise to high costs and complex questions of management. IKB is currently working on the implementation of the new regulations in several major projects, including the restructuring of the reporting system – which will require the use of new reporting software, among other things – and the connection to a central counterparty for standardised derivatives trading, which will require a high-performance trading system, among other things. Despite the early launch of the project and the high costs involved, there are significant uncertainties as a number of statutory regulations have not yet been finalised or are still to be specified or implemented by the EBA or the national banking authorities. In light of the desired implementation date for Basel III at a political level according to the international and national decision-makers, namely 1 January 2013, the Bank's resources are already extremely strained, meaning that it will be largely impossible to absorb any further delays and uncertainties concerning legislation. These uncertainties also relate to the extent of the measures that will be required to control total assets and risk-weighted assets.

Finally, Basel III will also have a significant impact on banks' strategies and business models. Key conclusions are already reflected in their strategic positioning (see section 1). To a greater extent than was the case for previous new regulations, the implementation of Basel III – in conjunction with other regulations such as Solvency II and bank restructuring legislation – will impact business finance and make this more expensive due to the corresponding influence on refinancing at banks. This will also affect typical SME lending and the derivatives used by companies for hedging purposes. IKB expects all banks to have to conduct deposit business to a greater extent, while borrowing via unsecured loans will be driven back by the new regulatory framework.

Liquidity situation

Collateralised borrowing on the interbank money market and lending against securities or loan assets with the Central Bank have become important sources of refinancing for all banks. Furthermore, a rising number of banks are financing themselves via deposits for the first time (mostly via the Internet) or to a greater extent.

In addition to secured financing, business involving deposits and promissory note loans with corporate clients, retail customers and institutional investors forms a key element of IKB's refinancing. IKB will also continue to actively utilise programme loans and global loans from government development banks for its customers.

The funds generated will be used to repay maturing SoFFin-guaranteed bonds and other refinancing as this matures, as well as for new business. The future liquidity situation is also dependent on the development of new business, the extent to which customers draw on existing loan commitments and the market value development of collateral and derivatives. Assuming a normal course of business, IKB will have sufficient liquidity in the forecast period even without access to capital market refinancing.

According to planning, and taking into account the maturing SoFFin-guaranteed bonds, liquidity is ensured with a sufficient buffer.

Earnings performance

The pronounced uncertainty concerning the further duration and severity of the sovereign debt crisis in the European Monetary Union was eased somewhat by the ECB's announcement. However, the German economy lost significant momentum in the second quarter of the financial year, and the difficult global and, in particular, European economic situation is leading to a slowdown in the German economy that could impact IKB's business development in the form of high earnings volatility. There is still a high degree of uncertainty concerning the – in some cases highly surprising – consequences of the current wave of regulation and the necessary adjustments resulting from this.

In light of the current conditions, IKB's earnings forecasts have been postponed and the business model will be reflected in positive earnings until a later date only. The future earnings structure will feature a stronger share of commission income from advisory, derivatives and capital market business and assets under management. Profitable new lending business will lead to a stabilisation of net interest income in the medium term. The expenses of the guarantee commission owed to SoFFin will diminish. Total assets will continue to decline.

Administrative expenses in the Group will be further reduced as a result of improved efficiency, particularly with regard to the fulfilment of regulatory requirements, as well as reductions in Group complexity and the workforce.

To limit its refinancing costs and ensure its liquidity in the future as well, IKB will continue to diversify its refinancing structure. The key components of this are secured financing, the active utilisation of programme loans and global loans from government development banks, and sustainable deposit business with corporate clients and retail customers.

The Board of Managing Directors is maintaining its target of generating an operating profit in the medium term, thereby creating scope for the further strengthening of its tier I capital. Servicing the compensation agreements in the total amount of € 1,151.5 million and the value recovery rights of the hybrid investors mean that IKB will probably not report any, or only minimal, net profit for several financial years to come even if its operating activities are profitable.

Interim consolidated financial statements in accordance with International Financial Reporting Standards as at 30 September 2012

Consolidated statement of comprehensive income

Consolidated income statement

€ million	Note	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*
Net interest income	(1)	**58.0**	**79.8**
Interest income		804.3	836.9
Interest expenses		746.3	757.1
Provisions for possible loan losses	(2)	**11.9**	**-26.4**
Net interest income after provisions for possible loan losses		**46.1**	**106.2**
Net fee and commission income	(3)	**-12.1**	**-30.8**
Fee and commission income		22.2	29.0
Fee and commission expenses		34.3	59.8
Net income from financial instruments at fair value	(4)	**-11.4**	**-272.6**
Net income from investment securities	(5)	**29.1**	**-9.7**
Net income from investments accounted for using the equity method	(6)	**0.7**	**1.3**
Administrative expenses	(7)	**145.9**	**148.2**
Personnel expenses		77.6	80.5
Other administrative expenses		68.3	67.7
Net other operating income	(8)	**24.3**	**42.0**
Other operating income		105.8	112.9
Other operating expenses		81.5	70.9
Operating result		**-69.2**	**-311.8**
Income tax payments	(9)	7.3	-2.2
Other taxes		1.2	2.4
Consolidated net loss		**-77.7**	**-312.0**

* Figures restated

As in the previous year, the consolidated net result relates in full to the shareholders of IKB.

Earnings per share

	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*
Consolidated net loss (€ million)	-77.7	-312.0
Average number of shares outstanding (million)	633.4	633.4
Undiluted earnings per share (€)	**-0.12**	**-0.49**
Diluted earnings per share (€)	**-0.12**	**-0.49**

* Figures restated

Undiluted and diluted earnings are identical as all convertible instruments underwent mandatory conversion in the current financial year and full conversion was assumed for all convertible instruments in the previous year.

Condensed consolidated statement of comprehensive income

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Consolidated net loss	**-77.7**	**-312.0**
Changes in financial assets available for sale recognised directly in equity	63.5	-7.6
Changes in financial assets available for sale recognised in profit or loss	-10.0	3.6
Changes in derivatives hedging fluctuations in future cash flows recognised directly in equity	0.3	-4.3
Currency translation differences recognised directly in equity	1.1	0.8
Changes due to actuarial gains/losses (IAS 19) recognised directly in equity	-65.6	-20.3
Deferred taxes on other comprehensive income	3.9	9.1
Other comprehensive income	**-6.8**	**-18.7**
Total comprehensive income	**-84.5**	**-330.7**

As in the previous year, the total comprehensive income relates in full to the shareholders of IKB.

Consolidated balance sheet

€ million	Note	30 Sep. 2012	31 Mar. 2012	31 Mar. 2011*
Assets				
Cash reserve		78.4	19.1	84.8
Loans and advances to banks	(10)	2,538.8	3,023.6	2,316.2
Loans and advances to customers	(11)	17,163.9	17,783.6	20,330.9
Provisions for possible loan losses	(12)	-466.6	-508.1	-818.5
Assets held for trading	(13)	2,971.8	2,479.2	815.5
Investment securities	(14)	7,951.2	7,941.3	7,892.3
Investments accounted for using the equity method	(15)	10.7	10.5	10.8
Intangible assets		24.3	24.9	19.3
Property, plant and equipment	(16)	191.6	183.5	167.5
Current tax assets	(17)	24.7	22.3	36.1
Deferred tax assets	(17)	218.4	218.0	190.8
Other assets	(18)	377.6	381.2	386.0
of w hich inventories (30 June 2012: € 97.0 million; 31 Mar. 2012: € 97.0 million; 31 Mar. 2011: € 97.0 million)				
Non-current assets held for sale	(19)	5.3	14.6	-
Total		**31,090.1**	**31,593.7**	**31,431.7**

€ million	Note	30 Sep. 2012	31 Mar. 2012	31 Mar. 2011*
Equity and liabilities				
Liabilities to banks	(20)	13,670.6	13,221.8	11,193.6
Liabilities due to customers	(21)	10,398.0	9,997.4	7,693.7
Securitised liabilities	(22)	355.4	2,277.2	7,710.5
Liabilities held for trading	(23)	4,487.8	3,835.6	2,003.6
Provisions	(24)	210.2	164.4	137.1
Current tax liabilities	(25)	103.3	103.9	107.0
Deferred tax liabilities	(25)	68.4	67.4	30.3
Other liabilities	(26)	456.3	483.5	468.1
Subordinated capital	(27)	999.6	1,017.7	1,144.4
Equity		340.5	424.8	943.4
Issued capital		1,621.5	1,621.3	1,621.3
Capital reserve		597.8	597.8	597.8
Retained earnings		-1,804.8	-1,242.9	-1,243.0
Currency translation reserve		-18.0	-19.1	-17.5
Revaluation surplus		21.7	-15.4	-36.5
Consolidated loss/profit		-77.7	-516.9	21.3
Total		**31,090.1**	**31,593.7**	**31,431.7**

* Figures restated

Consolidated statement of changes in equity

€ million	Issued capital	Capital reserves	Retained earnings			Currency translation reserve	Revaluation surplus		Consolidated loss/profit*	Total equity*
			Legal reserve	Actuarial gains/losses (IAS 19)	Other retained earnings*		Financial assets available for sale	Derivatives hedging fluctuations in future cash flows		
Equity as at 31 Mar. 2011	**1,621.3**	**597.8**	**10.2**	**-24.6**	**-1,230.7**	**-17.5**	**-35.0**	**-1.5**	**51.5**	**971.5**
IAS 8: Adjustments as at 31 Mar. 2011	-	-	-	-	2.1	-	-	-	-30.2	-28.1
Equity as at 1 Apr. 2011*	**1,621.3**	**597.8**	**10.2**	**-24.6**	**-1,228.6**	**-17.5**	**-35.0**	**-1.5**	**21.3**	**943.4**
Consolidated net profit	-	-	-	-	-	-	-	-	-312.0	**-312.0**
Other comprehensive income	-	-	-	-14.0	-	0.8	-2.8	-2.9	-	**-18.7**
Total comprehensive income*	-	-	-	-14.0	-	0.8	-2.8	-2.9	-312.0	**-330.7**
Netting of consolidated net profit/loss 1 Apr. 2010 to 31 Mar. 2011	-	-	-	-	21.3	-	-	-	-21.3	**-**
Equity as at 30 Sep. 2011	**1,621.3**	**597.8**	**10.2**	**-38.6**	**-1,207.3**	**-16.7**	**-37.8**	**-4.4**	**-312.0**	**612.5**
Consolidated net profit	-	-	-	-	-	-	-	-	-204.9	**-204.9**
Other comprehensive income	-	-	-	-7.2	-	-2.4	27.3	-0.5	-	**17.2**
Total comprehensive income*	-	-	-	-7.2	-	-2.4	27.3	-0.5	-204.9	**-187.7**
Equity as at 31 Mar. 2012	**1,621.3**	**597.8**	**10.2**	**-45.8**	**-1,207.3**	**-19.1**	**-10.5**	**-4.9**	**-516.9**	**424.8**
Consolidated net loss	-	-	-		-	-	-	-	-77.7	**-77.7**
Other comprehensive income	-	-	-	-45.0	-	1.1	36.8	0.3	-	**-6.8**
Total comprehensive income	-	-	-	-45.0	-	1.1	36.8	0.3	-77.7	**-84.5**
Netting of consolidated net profit/loss 1 Apr. 2011 to 31 Mar. 2012	-	-	-	-	-516.9	-	-	-	516.9	**-**
Addition from convertible bond	0.2	-	-	-	-	-	-	-	-	**0.2**
Equity as at 30 Sep. 2012	**1,621.5**	**597.8**	**10.2**	**-90.8**	**-1,724.2**	**-18.0**	**26.3**	**-4.6**	**-77.7**	**340.5**

* Figures restated

Please see the condensed consolidated statement of comprehensive income for total comprehensive income.

Condensed consolidated statement of cash flows

€ million	2012	2011
Cash and cash equivalents as at 1 Apr.	**19.1**	**84.8**
Cash flow from operating activities	-10.0	56.7
Cash flow from investing activities	107.5	-108.1
Cash flow from financing activities	-38.2	-4.4
Cash and cash equivalents as at 30 Sep.	**78.4**	**29.0**

Notes to the consolidated financial statements

Principles of Group accounting

IKB Deutsche Industriebank AG (IKB), based at Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf, Germany, provides support for medium-sized enterprises and private equity funds in Germany and Europe with loans, risk management, capital market services and advisory services.

The interim consolidated financial statements of IKB as at 30 September 2012 were prepared in accordance with the International Financial Reporting Standards (IFRS) applicable under EU law as at the end of the reporting period on the basis of Regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and the related subsequent regulations.

This includes the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC). The interim consolidated financial statements have been prepared in condensed form in accordance with the requirements on interim financial reporting set out in IAS 34. The German requirements set out in section 315a(1) of the German Commercial Code (HGB) were also applied to the extent that they were applicable at the end of the reporting period. In accordance with section 37w of the German Securities Trading Act (WpHG) in conjunction with section 37y no. 2 of the German Securities Trading Act, IKB prepares a half-year report consisting of these condensed interim financial statements and an interim Group management report in addition to a responsibility statement in line with the requirements of section 297(2) sentence 3 of the German Commercial Code and section 315(1) sentence 6 of the German Commercial Code.

The interim financial statements of IKB include additional disclosures on the income statement, the balance sheet, segment reporting, financial instruments and other financial information. They should be read in conjunction with the audited consolidated financial statements of IKB for the 2011/12 financial year, which was prepared in accordance with the same accounting policies, barring one exception. The exception concerns IFRS 7, the effects of which on the interim consolidated financial statements are presented in the section entitled “Accounting policies applied for the first time in the interim consolidated financial statements”.

The following individual regulations of IFRS 7 have been satisfied outside the consolidated financial statements in the risk report contained in the Group management report:

- IFRS 7.33: Qualitative disclosures on risks arising from financial instruments
- IFRS 7.34(c): Disclosures on concentrations of risk
- IFRS 7.34 in conjunction with IFRS 7.40-42: Qualitative and quantitative disclosures on market risk.

Unless otherwise indicated, all amounts are stated in millions of euro (€ million). Amounts and percentages are generally rounded to one decimal place in accordance with standard commercial principles. Some totals and percentages may contain discrepancies between the various presentations due to rounding differences. Outside tables, the term “previous year” is used in these financial statements for disclosures of comparative figures for the prior-year period.

Overview of accounting policies

Over recent years, the International Accounting Standards Board (IASB) has published a number of amendments to standards. The following table shows these amendments in order of their publication date.

No.	Standard/Interpretation	Title	Date of publication by IASB	Effective for financial years beginning on or after the following date according to the IASB	Endorsed in European law	
					on	from start of first financial year after date shown
	Accounting standards applied for the first time in the 2012/2013 half-year					
1	IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets	7 Oct. 2010	1 Jul. 2011	20 Nov. 2011	30 Jun. 2011
	Accounting standards to be applied in the forthcoming 2013/2014 financial year					
2	IAS 19	Recognition of Pension Provisions	16 Jun. 2011	1 Jan. 2013	5 Jun. 2012	1 Jan. 2013
3	IAS 1	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income	16 Jun. 2011	1 Jul. 2012	5 Jun. 2012	1 Jan. 2013
	Standards published by the IASB but not yet endorsed in EU law					
4	IFRS 9	Financial Instruments: Classification and Measurement for Financial Assets	12 Nov. 2009 / 28 Oct. 2010	1 Jan. 2015		
5	IFRS 1	Severe Hyperinflation and Removal of Fixed Transition Dates	20 Dec. 2010	1 Jul. 2011		
6	IAS 12	Deferred Taxes: Recovery of Underlying Assets	20 Dec. 2010	1 Jan. 2012		
7	IFRS 10	Consolidated Financial Statements	12 May 2011	1 Jan. 2013		
8	IFRS 11	Joint Arrangements	12 May 2011	1 Jan. 2013		
9	IFRS 12	Disclosure of Interests in Other Entities	12 May 2011	1 Jan. 2013		
10	IFRS 13	Fair Value Measurement	12 May 2011	1 Jan. 2013		
11	IAS 27	Financial Statements	12 May 2011	1 Jan. 2013		
12	IAS 28	Investments in Associates and Joint Ventures	12 May 2011	1 Jan. 2013		
13	IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	19 Oct 2011	1 Jan. 2013		
14	IAS 32	Offsetting Financial Assets and Liabilities	16 Dec 2011	1 Jan. 2014		
15	IFRS 7	Disclosures - Offsetting Financial Assets and Liabilities	16 Dec 2011	1 Jan. 2013		
16	IFRS 1	Government Loans	13 Mar. 2012	1 Jan. 2013		

Accounting policies applied for the first time in the 2012/13 half-year

These half-year consolidated financial statements are based on standards and interpretations that are effective within the European Union for the financial year.

(1) On 7 October 2010, the IASB published amendments to IFRS 7 “Financial Instruments: Disclosures” as part of the “Derecognition of financial assets” project. The regulations on derecognition under IAS 39 remain unchanged. The new regulations stipulate additional disclosure requirements for financial assets that are transferred but not derecognised or not fully derecognised. The relationship between these assets and the associated liabilities should be set out in such cases. For transferred and derecognised financial assets, the type and possible risks from continuing involvement exposure must also be disclosed in the notes to the consolidated financial statements. The changes are intended to grant readers of the financial information a better insight into the net assets, financial position and results of operations. The amendment of the standard has no significant effect on IKB.

Accounting policies to be applied in future

The following section discusses the standards and interpretations published by the IASB and adopted by the European Union in the last half-year.

(2) The IASB published amendments to IAS 19 “Employee Benefits” on 16 June 2011. Under these changes, actuarial gains and losses, like other remeasurement changes, are recognised directly in other comprehensive income. In future, income from plan assets will be recognised in profit or loss on the basis of the discount rate regardless of actual interest. IAS 19 also increases the disclosure

requirements for defined benefit plans. These changes are effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(3) The IASB published amendments to IAS 1 “Presentation of Financial Statements” on 16 June 2011. The amendments stipulate that items of other comprehensive income be grouped together according to whether or not they can be reclassified to the income statement in future. It was also confirmed that it will still be permitted to show the components of other comprehensive income in one or two separate statements, i.e. single or two-statement approach. The amended regulations of IAS 1 are effective for financial years beginning on or after 1 July 2012. The effects of the amendments to the standard cannot yet be fully analysed.

Standards published by the IASB but not yet endorsed in EU law

The following standards and interpretations were published by the IASB but had not been endorsed in EU law as at 30 September 2012. The amendments to the standards and interpretations, which are expected to be implemented from the date on which they are required to be applied, will have at least some significant effects on IKB’s accounting policies.

(4) The regulations of IFRS 9 “Financial Instruments” are intended to improve the comprehensibility of the financial statements with regard to the classification and measurement of financial instruments. The discontinuation of the previous breakdown of financial assets in accordance with IAS 39 into four measurement categories rather than two (measurement at amortised cost and measurement at fair value), originally presented in ED IFRS 9 (2009), has been amended again. Depending on the business model and the cash flow characteristics, debt instruments are assigned to one of three measurement categories (measurement at amortised cost, measurement at fair value through profit and loss, measurement at fair value in equity). They are allocated to one of these categories on first-time recognition. If a financial asset (debt instrument) meets the two following conditions, it is assigned to the “at amortised cost” measurement category: a) The financial asset is held as part of a business model whose objective is to hold assets to collect contractual cash flows; b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding (cash flow characteristics). Interest is defined here as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

If the above conditions are not both met, the financial assets are measured at fair value through profit and loss on subsequent measurement. If the objective is to both hold and dispose of the financial asset and if the cash flow characteristics apply, debt instruments are recognised at fair value in equity. The fair value option has been retained.

Equity instruments are always measured at fair value. If there is no intention to sell such instruments, value changes are recognised in other comprehensive income. However, if it is intended to sell them or they are derivatives, value changes must be recognised in profit or loss.

In addition, regulations on the treatment of financial liabilities were published and adopted in the standard on 28 October 2010. The amendments chiefly relate to financial liabilities for which an entity has exercised the fair value option. The part of changes in fair value resulting from own credit risk will be recognised under other comprehensive income rather than in the consolidated income statement as before. This avoids the reporting of gains and losses due to changes in the reporting entity’s own credit rating. However, all other changes in fair value are still to be reported in the consolidated income statement. According to the current status of the standard, the supplementary regulations of IFRS 9 are applicable for financial years beginning on or after 1 January 2015.

In connection with IFRS 9, the standard requirements for calculating impairment (phase 2) and hedge accounting (phase 3) are also being revised. The IASB already published an exposure draft on impairment, which is currently being revised, in the fourth quarter of 2009. Regarding the revision of the hedge accounting regulations, the IASB decided in May 2012 to leave macro hedge accounting out of the IFRS 9 project and to develop it in its own right. A working draft on general hedge accounting was published in September 2012, comprising all the IASB’s decisions to date. A new exposure draft for the first two phases and a final standard for phase 3 – General Hedge Accounting – have been announced for the fourth quarter of 2012. According to the current status of the standard, the regulations of IFRS 9 are effective for financial years beginning on or after 1 January 2015.

The effects of the amendments to the standard have not yet been fully analysed.

(5) The amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates” published by the IASB on 20 December 2010 is not relevant to IKB.

(6) On 20 December 2010 the IASB published amendments to IAS 12 “Income Taxes” which are effective for the first time for financial years beginning on or after 1 January 2012. The amendment to IAS 12 emphasises that recovery of the carrying amount of an asset covered by the scope of IAS 40 takes place through sale rather than through use. The new regulation relates solely to investment property as defined in IAS 40. The amendments are not currently relevant to IKB.

(7) On 12 May 2011, the IASB published a uniform consolidation model for all companies in IFRS 10 “Consolidated Financial Statements”, which supersedes the consolidation guidelines of IAS 27 “Consolidated and Separate Financial Statements in Accordance with IFRS” and SIC 12 “Consolidation – Special Purpose Entities”. Under the regulations of IFRS 10, consolidation is required when a parent company receives variable returns from a subsidiary and can determine the relevant activities of the subsidiary, meaning that it has a significant influence on these returns. The new regulations in this standard are applicable for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(8) Published on 12 May 2011, IFRS 11 “Joint Arrangements” defines two types of joint arrangements: joint operations and joint ventures. The difference is that in the case of joint operations (e.g. a joint project) the operators have rights to assets and liabilities held jointly, whereas joint ventures grant the venturers rights to the net assets or earnings only. Entities participating in joint operations therefore recognise their interest on the basis of direct rights and obligations instead of on the basis of their participation in the joint arrangement. For joint ventures, equity accounting is mandatory, meaning that the previous option of proportionate consolidation no longer applies. The standard also stipulates regulations for entities that are participating in a joint arrangement but that do not exercise joint control. This standard is effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(9) IFRS 12 “Disclosure of Interests in Other Entities”, also published on 12 May 2011, specifies the disclosures required for entities applying the new standards IFRS 10 and IFRS 11. IFRS 12 requires disclosures that enable users of the financial statements to evaluate the type, risks and financial effects associated with the investment in other entities. With the publication of the standard, associated amendments to IAS 27 and IAS 28 were also announced. The amended disclosure requirements are effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(10) In IFRS 13 “Fair Value Measurement”, the IASB issued a standard that replaces the existing regulations on measuring fair value in the individual current IFRS pronouncements with a single standard. In addition, extensive disclosures on the method used to determine fair value are required. This standard is effective for financial years beginning on or after 1 January 2013. The amendments of IFRS 13 could affect the income statement, but cannot yet be fully analysed at this time.

(11) IAS 27 “Separate Financial Statements” contains the regulations on separate financial statements remaining after the regulations on control were transferred to IFRS 10. The revised standard is effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(12) IAS 28 “Investments in Associates and Joint Ventures” includes the regulations on joint ventures and associates carried at equity after the publication of IFRS 11. The revised standard is effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard have not yet been fully analysed.

(13) The interpretation IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, which was approved by the IASB on 19 October 2011, concerns the issues of the recognition and measurement of stripping costs in the production phase of a surface mine. This interpretation is of no relevance to IKB.

(14) The IASB published a revised version of IAS 32 “Offsetting Financial Assets and Liabilities” on 16 December 2011. The application guidelines of IAS 32 “Financial Instruments: Presentation” were merely clarified. The changes to IAS 32 are effective for financial years beginning on or after 1 January 2014. The effects of the amendments to the standard cannot yet be fully analysed.

(15) In connection with the revision of IAS 32, the IASB also published amendments to IFRS 7 “Disclosures – Offsetting Financial Assets and Financial Liabilities” on 16 December 2011. In future, IFRS 7 “Financial Instruments: Disclosures” will require additional disclosures for financial instruments under master netting or similar agreements, even if the underlying instruments are not reported net. The amended regulations of IFRS 7 are effective for financial years beginning on or after 1 January 2013. The effects of the amendments to the standard cannot yet be fully analysed.

(16) The IASB published an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” on 13 March 2012. This amendment grants first-time IFRS adopters the same conveniences as current adopters as regards accounting for government loans. This regulation is effective for the first time for financial years beginning on or after 1 January 2013. The amendments to IFRS 1 are of no relevance to IKB.

For the changes listed above that are relevant to it, IKB is examining the possible effects on the consolidated financial statements.

Amendments in accordance with IAS 8

These financial statements contain one change as against the interim consolidated financial statements as at 30 September 2011. Details of this change can be found in the consolidated financial statements as at 31 March 2012.

The adjustment resulted in the following effects on the prior-year comparison values in the income statement.

The methodology of taking into account the provision of collateral in lending business was developed further in the past financial year. As a result of the improved consideration of collateral cash flows in lending business, the provision for possible loan losses rose by € 4.0 million. In return, the interest income from unwinding increased by the same amount. The correction resulted in a change in reporting. It had no effect on consolidated net profit.

Accounting policies

(a) General information

With the exception of the changes presented above, the interim consolidated financial statements were prepared using the same accounting policies and calculation methods as the consolidated financial statements as at 31 March 2012.

Income taxes are calculated in accordance with IAS 34.30.

(b) Scope of consolidation

In addition to the parent company, a total of 27 German companies (31 March 2012: 27; 31 March 2011: 30) and 18 foreign companies (31 March 2012: 18; 31 March 2011: 17) are included in the consolidated financial statements of IKB as at 30 September 2012 in accordance with IAS 27. IKB AG (in)directly holds the majority of the voting rights in these companies.

The consolidated financial statements also include one associate in accordance with IAS 28 (31 March 2012: one; 31 March 2011: one) and one joint venture in accordance with IAS 31 (31 March 2012: one; 31 March 2011: one). The interests in both companies are measured using the equity method.

Six foreign special purpose entities (31 March 2012: eight; 31 March 2011: seven) were included in the consolidated financial statements in accordance with SIC-12.

The consolidated companies are listed in note (41).

The following changes took place in the scope of consolidation as at 30 September 2012:

In April 2012, the investment fund Partner Fonds Eurobonds, Luxembourg, was liquidated in full.

In May 2012, IKB Partner Fonds, Luxembourg, and Partner Fonds Europa Renten Teilfonds II, Luxembourg, were dissolved.

The three special-purpose entities were deconsolidated by way of repayment of their liquidity.

The newly formed special-purpose entity German Mittelstand Equipment Finance No. 1 S.A., Luxembourg, was included in the consolidated financial statements for the first time as at 30 September 2012. The purpose of the company is the securitisation of lease receivables.

Notes on the consolidated income statement

(1) Net interest income

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*
Interest income from lending and money market transactions and from securities and derivatives	792.4	834.2
Other interest income/income from equities and shareholdings	11.9	2.7
Total interest income	**804.3**	**836.9**
Interest expenses for securitised liabilities, subordinated capital, other liabilities and derivatives	746.3	757.1
Total interest expenses	**746.3**	**757.1**
Net interest income	**58.0**	**79.8**

* Figures restated

No current interest income is recognised for impaired loans and advances. Instead, the increase in the present value of forecast future payments as a result of the passage of time is recognised as interest income (unwinding). The interest income resulting from the unwinding effect for loans and advances to customers and investment securities amounts to € 15.4 million (previous year: € 16.9 million).

(2) Provisions for possible loan losses

1 Apr. 2012 - 30 Sep. 2012 € million	Amortised cost		Fair value in equity	Finance lease receivables	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Investment securities	Investment securities	Loans and advances to customers		
Additions to specific impairment losses/provisions	53.7	-	-	6.5	4.4	64.6
Direct write-downs	3.3	-	-	-	-	3.3
Recoveries on loans previously written off	4.1	-	-	-	-	4.1
Additions to (+)/reversals of (-) portfolio impairment losses	-13.0	-	-	-0.7	-	-13.7
Reversal of specific impairment losses/provisions	26.0	-	-	8.2	4.0	38.2
Provisions for possible loan losses	**13.9**	**-**	**-**	**-2.4**	**0.4**	**11.9**
Additions to (+)/reversals of (-) impairment on investment securities (see “(5) Net income from investment securities”)	-	-1.9	2.1	-	-	0.2
Total	**13.9**	**-1.9**	**2.1**	**-2.4**	**0.4**	**12.1**

1 Apr. 2011 - 30 Sep. 2011 € million*	Amortised cost		Fair value in equity	Finance lease receivables	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Investment securities	Investment securities	Loans and advances to customers		
Additions to specific impairment losses/provisions	56.5	-	-	3.2	3.0	62.7
Direct write-downs	9.8	-	-	-	-	9.8
Recoveries on loans previously written off	5.2	-	-	-	-	5.2
Additions to (+)/reversals of (-) portfolio impairment losses	-22.1	-	-	1.5	-	-20.6
Reversal of specific impairment losses/provisions	59.8	-	-	3.9	9.4	73.1
Provisions for possible loan losses	**-20.8**	**-**	**-**	**0.8**	**-6.4**	**-26.4**
Additions to (+)/reversals of (-) impairment on investment securities (see "(5) Net income from investment securities")	-	10.6	0.0	-	-	10.6
Total	**-20.8**	**10.6**	**0.0**	**0.8**	**-6.4**	**-15.8**

* Figures restated

(3) Net fee and commission income

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Net fee and commission income from lending business	16.0	20.9
Fee and commission expense for liquidity generation	-29.4	-55.2
Other	1.3	3.5
Total	**-12.1**	**-30.8**

The item "Net fee and commission income from lending business" essentially includes the contributions from the Credit Products and Advisory & Capital Markets segments.

The item "commission expenses for liquidity generation" includes the guarantee fees paid to SoFFin in connection with the guaranteed bonds.

(4) Net income from financial instruments at fair value

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Net trading result	79.9	45.8
Net result from fair value option	-90.6	-305.7
Hedging result	-0.7	-12.7
Total	**-11.4**	**-272.6**

The positive effects in net trading income primarily relate to the derivative result of € 75.8 million (previous year: € 25.8 million) and the currency result of € 6.5 million (previous year: € 21.2 million), offset by the result from trading securities and promissory note loans of € -2.4 million (previous year: € -1.2 million).

Some of the investments in international credit portfolios and some of the European government and bank bonds held as a liquidity investment were measured in accordance with the fair value option. The fair value option is also applied to financial instruments containing separable embedded derivatives and to implement risk-minimising hedging strategies. The changes in the fair value of hedging swaps are recognised in this item, as are the changes in the fair value of the hedged items.

The result of the adoption of the fair value option is due to different effects from the measurement of the above mentioned financial instruments. € -84.3 million (previous year: € -336.2 million) of this figure relates to fair value losses on long-term investments, obligations and derivatives from hedging swaps, € 16.8 million to net fair value gains on portfolio investments (previous year: net losses of € 40.1 million)

and € -0.1 million (previous year: € -0.6 million) to write-downs on direct investments of the IKB Invest Group (formerly: IKB Private Equity Group).

Public-sector financial instruments measured at fair value from nations affected by the debt crisis (Italy and Spain) resulted in barely any negative effect on the fair value result as at the end of the reporting period.

The sustained drop in the general interest level is causing interest-induced measurement losses on the Bank's own obligations for which the fair value option had been exercised.

Owing to the narrowing of the IKB credit spread, there were credit rating-induced expenses of € 23.0 million (previous year: income of € 71.2 million) on the Bank's own obligations. Until the planned repayment of these financial instruments, net income from financial instruments at fair value will continue to be affected by changes in credit spreads in future periods.

The result from hedges is composed of the result of fair value hedges and cash flow hedges. The result from fair value hedges is composed of the result from hedged items of € 59.6 million (previous year: € 140.8 million) and from hedging derivatives of € -60.3 million (previous year: € -153.5 million). The earnings contribution from ineffective portions of effective cash flow hedges is not significant.

(5) Net income from investment securities

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Net income/loss from securities	29.7	-9.7
Net loss from shareholdings and investments in non-consolidated subsidiaries	-0.6	-
Total	**29.1**	**-9.7**

The result from securities includes net measurement losses of € -0.2 million (previous year: € -10.6 million). The sale of securities resulted in net income of € 29.9 million (previous year: € 0.9 million).

(6) Net income from investments accounted for using the equity method

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Linde Leasing GmbH	0.7	1.3
MD Capital Beteiligungsgesellschaft mbH	0.0	0.0
Total	**0.7**	**1.3**

(7) Administrative expenses

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Personnel expenses	77.6	80.5
Other administrative expenses	61.8	62.4
Write-downs on office and operating equipment, buildings and intangible assets	6.5	5.3
Total	**145.9**	**148.2**

Other administrative expenses include expenses for advisory and other services in connection with managing the crisis of € 3.0 million (previous year: € 3.8 million) and expenses for the Deposit Protection Fund of € 8.2 million (previous year: € 7.5 million).

(8) Other operating result

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Other operating income	**105.8**	**112.9**
of which: Income from the remeasurement of compensation from future profits and hybrid financial instruments	10.1	33.1
Other operating expenses	**81.5**	**70.9**
Total	**24.3**	**42.0**

The income from the IAS 39 AG8 remeasurement of compensation from future profits and hybrid financial instruments is explained in note (21) “Liabilities due to customers” and note (27) “Subordinated capital”.

In addition to income from the remeasurement of compensation from future profits and hybrid financial instruments, the other operating result is characterised by the net profit in operating lease business and net reversals of/additions to provisions.

(9) Taxes on income

€ million	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Current income taxes	2.8	-1.3
Deferred taxes	4.5	-0.9
Total	**7.3**	**-2.2**

(-) = income/(+) = expense

Notes on the consolidated balance sheet (assets)

(10) Loans and advances to banks

€ million	30 Sep. 2012	31 Mar. 2012
Loans and advances to banks (remaining term up to 1 year)	2,493.4	2,972.6
Loans and advances to banks (remaining term 1-5 years)	40.7	43.8
Loans and advances to banks (remaining term more than 5 years)	4.7	7.2
Total	**2,538.8**	**3,023.6**

The decline in loans and advances to banks essentially results from the utilisation of cash and cash equivalents for the early repayment and planned repayment of SoFFin-guaranteed bonds.

(11) Loans and advances to customers

€ million	30 Sep. 2012	31 Mar. 2012
Loans and advances to customers (remaining term up to 1 year)	3,795.6	3,679.8
Loans and advances to customers (remaining term 1-5 years)	8,039.3	8,377.4
Loans and advances to customers (remaining term more than 5 years)	3,364.0	3,713.0
Finance lease receivables	1,965.0	2,013.4
Total	**17,163.9**	**17,783.6**

The drop in loans and advances to customers is mainly due to the expiry of loan agreements.

The carrying amount of loans and advances to customers includes hedge adjustments from hedged items in macro fair value hedge accounting for interest risks in the amount of € 209.3 million (31 March 2012: € 191.8 million).

(12) Provisions for possible loan losses

30 Sep. 2012 € million	Specific impairment losses		Portfolio impairment losses	Provisions for off-balance sheet transactions	Total
	Amortised cost	Finance lease receivables			
	Loans and advances to customers	Loans and advances to customers			
Opening balance as at 1 Apr. 2012	417.2	7.5	83.4	21.6	**529.7**
Utilisation	44.5	0.0	0.0	7.2	**51.7**
Reversal	26.0	8.2	13.7	4.0	**51.9**
Unwinding	10.0	0.0	0.0	0.3	**10.3**
Addition	53.7	6.5	0.0	4.4	**64.6**
Reclassification	0.0	-0.7	0.0	0.0	**-0.7**
Effect of exchange rate changes	1.3	0.1	0.0	0.1	**1.5**
Closing balance as at 30 Sep. 2012	**391.7**	**5.2**	**69.7**	**14.6**	**481.2**
less provisions	-	-	-	14.6	**14.6**
Provisions for possible loan losses as at 30 Sep. 2012	**391.7**	**5.2**	**69.7**	**-**	**466.6**

31 Mar. 2012 € million	Specific impairment losses		Portfolio impairment losses	Provisions for off-balance sheet transactions	Total
	Amortised cost	Finance lease receivables			
	Loans and advances to customers	Loans and advances to customers			
Opening balance as at 1 Apr. 2011	698.6	7.6	112.3	35.2	**853.7**
Utilisation	305.3	0.0	0.0	20.9	**326.2**
Reversal	123.9	10.2	30.6	15.3	**180.0**
Unwinding	20.4	0.0	0.0	0.4	**20.8**
Addition	166.0	10.3	1.8	22.9	**201.0**
Reclassification	0.0	0.0	0.0	0.0	**0.0**
Effect of exchange rate changes	2.2	-0.2	-0.1	0.1	**2.0**
Closing balance as at 31 Mar. 2012	**417.2**	**7.5**	**83.4**	**21.6**	**529.7**
less provisions	-	-	-	21.6	**21.6**
Provisions for possible loan losses as at 31 Mar. 2012	**417.2**	**7.5**	**83.4**	**-**	**508.1**

Specific loan loss provisions on loans and advances to customers and provisions for off-balance sheet transactions are recognised to hedge the discernible risks in loans business.

Provisions for possible loan losses in the form of specific loan loss provisions on loans and advances to customers and provisions for off-balance sheet lending amounted to € 411.5 million as at 30 September 2012 (31 March 2012: € 446.3 million).

In addition, any further risks which have occurred but not yet been identified and which are not covered by individual write-downs are accounted for by way of portfolio provisions. Net reversals of specific portfolio provisions amounted to € 69.7 million as at 30 September 2012 (31 March 2012: € 83.4 million).

(13) Assets held for trading

€ million	30 Sep. 2012	31 Mar. 2012
Bonds and other fixed-income securities	3.4	26.8
Promissory note loans carried as trading assets	17.2	36.3
Asset derivatives	2,651.4	2,134.1
Asset derivatives offset by non-derivative financial instruments measured at fair value	275.9	266.8
Hedging derivatives with positive fair values	23.9	15.2
Total	**2,971.8**	**2,479.2**

The change in trading assets of € 0.5 billion is mainly due to higher positive fair values for derivatives.

(14) Investment securities

Investment securities include the following items:

€ million	30 Sep. 2012	31 Mar. 2012
Bonds and other fixed-income securities	7,885.8	7,865.5
Investments	65.0	75.4
of which in banks	0.2	0.2
Shares in non-consolidated subsidiaries	0.4	0.4
Total	**7,951.2**	**7,941.3**

(15) Investments accounted for using the equity method

€ million	30 Sep. 2012	31 Mar. 2012
Linde Leasing GmbH	10.2	10.0
MD Capital Beteiligungsgesellschaft mbH	0.5	0.5
Total	**10.7**	**10.5**

(16) Property, plant and equipment

€ million	30 Sep. 2012	31 Mar. 2012
Operating lease assets	165.1	156.2
Land and buildings including advance payments and assets under construction	12.0	12.2
Operating and office equipment	14.5	15.1
Total	**191.6**	**183.5**

(17) Tax assets

€ million	30 Sep. 2012	31 Mar. 2012
Current tax assets	24.7	22.3
Deferred tax assets	218.4	218.0
Total	**243.1**	**240.3**

Income tax is calculated in accordance with IAS 34.30 on the basis of the expected effective tax rate on the Bank's earnings before taxes.

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

(18) Other assets

€ million	30 Sep. 2012	31 Mar. 2012
Lease receivables	104.6	94.4
Trade receivables	46.0	58.3
Prepaid expenses	42.0	48.1
Inventories	97.0	97.0
Other receivables	88.0	83.4
Total	**377.6**	**381.2**

The carrying amount of one property is reported under inventories.

(19) Non-current assets held for sale

This item includes loans and advances to customers held as available for sale of € 5.3 million (31 March 2012: € 14.6 million).

Notes on the consolidated balance sheet (equity and liabilities)

(20) Liabilities to banks

€ million	30 Sep. 2012	31 Mar. 2012
Liabilities to banks (remaining term up to 1 year)	6,467.9	5,158.9
Liabilities to banks (remaining term 1-5 years)	5,772.3	6,321.2
Liabilities to banks (remaining term more than 5 years)	1,430.4	1,741.7
Total	**13,670.6**	**13,221.8**

The rise in liabilities to banks is essentially due to short-term borrowing on the interbank market.

(21) Liabilities due to customers

€ million	30 Sep. 2012	31 Mar. 2012
Liabilities due to customers (remaining term up to 1 year)	6,513.0	6,041.6
Liabilities due to customers (remaining term 1-5 years)	1,960.5	1,677.6
Liabilities due to customers (remaining term more than 5 years)	1,924.5	2,278.2
Total	**10,398.0**	**9,997.4**

The loans received with debt waivers and compensation from future profits measured in accordance with IAS 39 AG8 and reported in this item are measured at their present value as at the end of each reporting period. This is calculated using an estimate of the expected interest and principal cash flows discounted using the effective original yield. The carrying amount was € 295.9 million (31 March 2012: € 291.5 million) as at the end of the reporting period. The rise in the carrying amount is attributable to unwinding expenses (increase in carrying amount) of € 13.8 million and a remeasurement gain (decrease in carrying amount) of € 9.4 million.

(22) Securitised liabilities

€ million	30 Sep. 2012	31 Mar. 2012
Bonds issued (remaining term up to 1 year)	93.4	2,181.1
Bonds issued (remaining term 1-5 years)	249.1	73.9
Bonds issued (remaining term more than 5 years)	12.9	22.2
Total	**355.4**	**2,277.2**

The € 1.9 billion decline in securitised liabilities (31 March 2012: € 5.4 billion) is essentially due to the repayment of SoFFin-guaranteed liabilities and bullet maturities.

The carrying amount of securitised liabilities includes changes in value of € 6.3 million (31 March 2012: € 5.8 million) from hedge adjustments on hedged items.

(23) Liabilities held for trading

€ million	30 Sep. 2012	31 Mar. 2012
Liability derivatives with negative fair values	3,710.7	3,181.5
Liability derivatives offset by non-derivative financial instruments measured at fair value	452.0	416.3
Hedging derivatives with negative fair values	325.1	237.8
Total	**4,487.8**	**3,835.6**

The change in liabilities held for trading of € 0.7 billion is mainly due to higher negative fair values for derivatives.

(24) Provisions

€ million	30 Sep. 2012	31 Mar. 2012
Pension provisions	93.9	30.2
Provisions for restructuring	14.6	13.3
Provisions for off-balance sheet transactions	14.6	21.6
Other provisions	87.1	99.3
Total	**210.2**	**164.4**

The rise in provisions for pensions and similar obligations is essentially the result of the actuarial interest rate used to calculate provisions. The interest rate declined by 1.75 percentage points from 5.25% to 3.5%.

(25) Tax liabilities

€ million	30 Sep. 2012	31 Mar. 2012
Current tax liabilities	103.3	103.9
Deferred tax liabilities	68.4	67.4
Total	**171.7**	**171.3**

Deferred tax assets and liabilities were offset in accordance with IAS 12 within tax groups and companies on the basis of maturities.

(26) Other liabilities

€ million	30 Sep. 2012	31 Mar. 2012
Trade payables	97.4	115.3
Deferred income	61.3	31.0
Restructuring liabilities	2.5	1.6
Other liabilities	295.1	335.6
Total	**456.3**	**483.5**

Other liabilities include an ABS transaction under which lease receivables were sold to an unconsolidated special purpose entity. The ABS transaction did not result in derecognition. The other liability to the acquirer of the ABS transaction amounts to € 269.2 million (31 March 2012: € 282.4 million).

(27) Subordinated capital

€ million	30 Sep. 2012	31 Mar. 2012
Subordinated liabilities	882.5	891.5
Profit participation certificates	13.2	11.9
Silent partnership contributions/preferred shares	103.9	114.3
Total	**999.6**	**1,017.7**

In subordinated capital, the "at fair value through profit or loss" item is reported at fair value and "other financial liabilities" are reported at amortised cost. Some items carried at amortised cost are measured in accordance with IAS 39 AG8. The changes in the carrying amounts of items measured at fair value are essentially due to credit ratings and interest rates. In the event of changes in forecasts for future payments on obligations measured at amortised cost, a new present value is calculated using the effective original return. The difference between the new present value and the previous carrying amount was recognised directly in profit or loss in the past financial year and the previous year. The effects are summarised in the following table:

€ million	Unwinding (interest expense)	Changes in present value (other operating income)	Unwinding (interest expense)	Changes in present value (other operating income)
	1 Apr. 2012 - 30 Sep. 2012		1 Apr. 2011 - 30 Sep. 2011	
Profit participation certificates	-0.5	-	-0.7	2.9
Silent partnership contributions/preferred shares	-0.5	0.8	-0.8	1.4
Total	**-1.0**	**0.8**	**-1.5**	**4.3**

Expenses are shown with a minus sign

Subordinated liabilities

As at 30 September 2012, there were the following significant subordinated liabilities in excess of € 100.0 million:

Year of issue	Original nominal amount € million*	Currency	Interest rate in %	Maturity
2003/2004	310.0	EUR	4.50	9. Jul. 2013
2006/2007	160.0	EUR	2.56	23 Jan. 2017
2008/2009	101.5	EUR	12.00	27 Nov. 2018

* The original nominal amount of the subordinated liability maturing as at 23 January 2017 has been restated at the nominal amount as at the issue date.

Profit participation certificates

The profit participation capital breaks down as follows:

Year of issue	Original nominal amount € million	Currency	Interest rate in %	Maturity
2004/2005	30.0	EUR	4.50	31 Mar. 2015
2005/2006	150.0	EUR	3.86	31 Mar. 2015
2006/2007	50.0	EUR	4.70	31 Mar. 2017
2007/2008	70.0	EUR	5.63	31 Mar. 2017

Silent partnership contributions/preferred shares

The following table shows the carrying amount of silent partnership contributions/preferred shares as at the end of the reporting period. This includes preferred shares that were issued by two US subsidiaries formed for this purpose and silent partnership contributions after loss participation.

€ million	30 Sep. 2012	31 Mar. 2012
Silent partnership contributions	12.8	33.6
Preferred shares	91.1	80.7
Total	**103.9**	**114.3**

Notes on consolidated segment reporting

(28) Segment reporting

Segment reporting is based on the internal income statement, which forms part of IKB's management information system. The presentation is based on the internal management reporting that is used by the full Board of Managing Directors as the chief operating decision-maker (CODM) to assess the performance of the segments and to allocate resources. Segment reporting is prepared in accordance with IFRS 8.

Segment reporting is in line with the Bank's product units. Segment information is presented to show each segment as an independent enterprise responsible for its own earnings and with the required capital resources.

Segmentation

Reporting is based on Bank products by the segments:

- Credit Products
- Advisory and Capital Markets
- Treasury and Investments
- Head Office/Consolidation.

The **Credit Products segment** reports the earnings components and asset positions from IKB's lending and leasing business. This includes regular loans and public programme loans, IKB Leasing Group business and mezzanine financing for companies by the subsidiary IKB Invest GmbH (formerly IKB Private Equity GmbH). The results of collateralised loan obligations, which relate to the loans of this segment, are also presented here.

The **Advisory and Capital Markets segment** comprises IKB's advisory activities in the fields of M&A, structuring, restructuring, structure/income optimisation and private equity. The sub-segment Capital Markets offers capital market solutions for equity and debt capital, risk management solutions in the area of customer derivatives, obtaining deposits from institutional investors and consulting services and structuring for securitisation transactions.

The **Treasury and Investments segment** reports the earnings components resulting from investment decisions by Treasury in the context of asset/liability management and inventories of liquid or ECB-eligible securities. The segment also includes structured investments such as bonds and promissory note loans, IKB's portfolio investments, which represent IKB's investments in securitisation products including first loss pieces and IKB's proprietary trading. Credit exposures that are no longer included in the strategic portfolio and assets of IKB not directly related to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios are intended to be reduced while protecting equity by way of active portfolio management.

Segment results and key figures

Income and expenses are allocated to the segments in accordance with their respective profit responsibility. Net interest income from lending business is calculated using the market interest method and is allocated to the segments on a theoretical basis as a net factor (in accordance with IFRS 8.23). The segments are regarded as independent entities with their own capital resources. Capital is allocated based on risk-weighted assets (in accordance with the standard Basel II approach) with an equity ratio of 8%, taking into account existing hybrid funds. In the Head Office/Consolidation column, the tier I capital attributable to the segments is reconciled to consolidated IFRS Group equity as at 1 April of the respective financial year. In addition to the investment income from this economic capital, net interest income also comprises expenditure for hybrid and subordinated capital. The interest rate for equity investments corresponds to a risk-free interest rate on the long-term capital market.

The reported carrying amount of the provision for possible loan losses in the segments corresponds to the difference between additions to and reversals of valuation allowances for credit defaults and the recoveries on loans and advances previously written off.

To the extent that such costs can be properly allocated, head office staff and operating expenses are allocated to the segments. Project costs are allocated to the segments if the projects were directly attributable to them. Administrative expenses for projects and corporate functions incurred for company law and regulatory reasons are allocated to the Head Office/Consolidation segment.

The performance of a segment is indicated by its operating result. The results are also measured on the basis of its return on equity and cost/income ratio. The return on equity is the ratio of the operating result to the average allocated equity. IKB calculates the cost/income ratio as the ratio of administrative expenses to reported income items not including the provision for possible loan losses.

Segment reporting

€ million	**Credit Products**		**Advisory and Capital Markets**		**Treasury and Investments**		**Head Office/ Consolidation**		**Total**	
	1 Apr. 2012 - 30 Sep. 2012	**1 Apr. 2011 - 30 Sep. 2011***	**1 Apr. 2012 - 30 Sep. 2012**	**1 Apr. 2011 - 30 Sep. 2011**	**1 Apr. 2012 - 30 Sep. 2012**	**1 Apr. 2011 - 30 Sep. 2011***	**1 Apr. 2012 - 30 Sep. 2012**	**1 Apr. 2011 - 30 Sep. 2011**	**1 Apr. 2012 - 30 Sep. 2012**	**1 Apr. 2011 - 30 Sep. 2011***
Net interest income	97.9	100.8	0.7	0.9	-14.5	-9.5	-26.1	-12.4	58.0	79.8
Provisions for possible loan losses	10.5	-8.8	0.0	0.0	1.6	-17.2	-0.2	-0.4	11.9	-26.4
Net interest income after provisions for possible loan losses	**87.4**	**109.6**	**0.7**	**0.9**	**-16.1**	**7.7**	**-25.9**	**-12.0**	**46.1**	**106.2**
Net fee and commission income	4.9	6.1	11.6	16.6	-29.3	-54.5	0.7	1.0	-12.1	-30.8
Net income from financial instruments at fair value	-0.2	0.5	3.0	3.3	11.9	-344.4	-26.1	68.0	-11.4	-272.6
Net income from investment securities	0.0	0.0	0.0	0.0	29.0	-10.4	0.1	0.7	29.1	-9.7
Net income from investments accounted for using the equity method	0.7	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.7	1.3
Administrative expenses	55.6	55.7	32.6	33.5	22.6	28.5	35.1	30.5	145.9	148.2
Net other operating income	8.6	4.9	1.4	1.3	5.9	2.2	8.4	33.6	24.3	42.0
Operating result	**45.8**	**66.7**	**-15.9**	**-11.4**	**-21.2**	**-427.9**	**-77.9**	**60.8**	**-69.2**	**-311.8**
Cost/income ratio in %	49.6	49.0	195.2	151.6	753.3	-6.8	-	-	164.7	-78.0
Return on equity in %	15.3	24.3	0.0	0.0	-8.7	-153.9	-	-	-32.6	-66.1
Average allocated equity	600	548	0	0	488	556	-663	-161	425	943
Credit volume	13,707	14,714	0	0	17,470	17,123	412	169	31,589	32,006
New business volume	1,461	1,577	0	0	12	33	0	0	1,473	1,610

* Figures restated

Head Office/Consolidation reconciliation

In the statement of reconciliation, the earnings and assets allocated to the segments on the basis of the internal reporting systems are reconciled to the consolidated financial statements. IKB's earnings are influenced by extraordinary factors that cannot be controlled by the operating units and for which they cannot be held responsible. In particular, these extraordinary factors include accounting effects from the rating-driven measurement of liabilities and the measurement of liabilities in accordance with IAS 39 AG8.

The "Consolidation" column is used to show the effects of methodological differences between management reporting and the consolidated financial statements as well as intra-Group consolidation matters separately for each item.

€ million	Other		Consolidation		Head Office/ Consolidation	
	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011
Net interest income	-22.6	-20.2	-3.5	7.8	-26.1	-12.4
Provisions for possible loan losses	-0.3	-0.4	0.1	0.0	-0.2	-0.4
Net interest income after provisions for possible loan losses	**-22.3**	**-19.8**	**-3.6**	**7.8**	**-25.9**	**-12.0**
Net fee and commission income	0.3	0.6	0.4	0.4	0.7	1.0
Net income from financial instruments at fair value	-23.0	71.3	-3.1	-3.3	-26.1	68.0
Net income from investment securities	0.1	0.7	0.0	0.0	0.1	0.7
Net income from investments accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0
Administrative expenses	35.1	30.5	0.0	0.0	35.1	30.5
Net other operating income	8.8	33.3	-0.4	0.3	8.4	33.6
Operating result	**-71.2**	**55.6**	**-6.7**	**5.2**	**-77.9**	**60.8**
Credit volume	0	169	412	0	412	169

Results by geographical market

The allocation of income, expenditure and credit volumes is based on the domicile of the respective facility or Group company.

€ million	Germany		Rest of Europe		Americas		Total	
	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011	1 Apr. 2012 - 30 Sep. 2012	1 Apr. 2011 - 30 Sep. 2011*
Net interest income	8.0	27.3	45.2	44.1	4.8	8.4	58.0	79.8
Provisions for possible loan losses	0.4	-37.7	11.5	11.3	0.0	0.0	11.9	-26.4
Net interest income after provisions for possible loan losses	**7.6**	**65.0**	**33.7**	**32.8**	**4.8**	**8.4**	**46.1**	**106.2**
Net fee and commission income	-16.7	-35.9	4.6	5.1	0.0	0.0	-12.1	-30.8
Net income from financial instruments at fair value	1.7	-328.2	-2.3	4.6	-10.8	51.0	-11.4	-272.6
Net income from investment securities	14.3	0.4	14.8	-10.1	0.0	0.0	29.1	-9.7
Net income from investments accounted for using the equity method	0.7	1.3	0.0	0.0	0.0	0.0	0.7	1.3
Administrative expenses	129.1	129.3	16.8	18.9	0.0	0.0	145.9	148.2
Net other operating income	22.4	41.5	1.2	-0.9	0.7	1.4	24.3	42.0
Operating result	**-99.1**	**-385.2**	**35.2**	**12.6**	**-5.3**	**60.8**	**-69.2**	**-311.8**
Credit volume	27,727	27,146	3,832	4,844	30	16	31,589	32,006

* Figures restated

Notes on financial instruments

(29) Classification of financial instruments in accordance with IFRS 7

The following table contains the carrying amounts of the Bank's financial instruments (before deduction of risk provisions) in accordance with the IFRS 7 reporting classes (titles not identical to balance sheet items).

The cash reserve is shown in the balance sheet. Amounts are recognised at nominal amount, which is a sufficient approximation of fair value. They are not considered again in the IFRS 7 information below.

IFRS 7 reporting categories for financial instruments € million	30 Sep. 2012	31 Mar. 2012
Assets		
Fair value through profit or loss		
Held for trading	**2,947.9**	**2,464.0**
Assets held for trading	2,672.0	2,197.2
Asset derivatives offset by non-derivative financial instruments measured at fair value	275.9	266.8
Fair value option	**1,918.1**	**2,073.7**
Loans and advances to customers	8.9	9.0
Investment securities	1,909.2	2,064.7
Hedging derivatives		
Assets held for trading	23.9	15.2
Fair value in equity		
Available for sale	**3,065.1**	**2,951.8**
Investment securities	3,065.1	2,951.8
Carried at amortised cost		
Loans and receivables	**20,711.1**	**21,724.2**
Loans and advances to banks	2,538.8	3,023.6
Loans and advances to customers (including hedge fair value adjustments)	15,190.1	15,761.2
Investment securities	2,976.9	2,924.8
Non-current assets held for sale	5.3	14.6
Receivables from finance leases		
Loans and advances to customers	1,964.9	2,013.4
Other financial instruments not covered by IFRS 7		
Investments accounted for using the equity method	10.7	10.5
Total	**30,641.7**	**31,252.8**
Equity and liabilities		
Fair value through profit or loss		
Held for trading	**4,162.7**	**3,597.8**
Liabilities held for trading	3,710.7	3,181.5
Liability derivatives offset by non-derivative financial instruments measured at fair value	452.0	416.3
Fair value option	**2,863.1**	**4,939.9**
Liabilities to banks	654.0	655.2
Liabilities due to customers	1,870.7	1,840.8
Securitised liabilities	131.0	2,224.1
Subordinated capital	207.4	219.8
Hedging derivatives		
Liabilities held for trading	325.1	237.8
Carried at amortised cost		
Other financial liabilities	**22,560.5**	**21,574.2**
Liabilities to banks	13,016.6	12,566.6
Liabilities due to customers	8,527.3	8,156.6
Securitised liabilities	224.4	53.1
Subordinated capital	792.2	797.9
Total	**29,911.4**	**30,349.7**
Off-balance sheet transactions		
Contingent liabilities	253.5	340.1
Other obligations	1,150.5	1,609.7
Total	**1,404.0**	**1,949.8**

(30) Fair value of financial assets and liabilities

Comparison of fair values and the corresponding carrying amounts

€ million	Fair value		Carrying amount		Difference	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Assets						
Loans and receivables	**20,197.2**	**20,972.2**	**20,319.4**	**21,307.0**	**-122.2**	**-334.8**
Loans and advances to banks	2,539.5	3,034.4	2,538.8	3,023.6	0.7	10.8
Loans and advances to customers (including hedge fair value adjustments)	14,615.3	15,022.4	14,798.4	15,344.0	-183.1	-321.6
Investment securities	3,037.1	2,900.8	2,976.9	2,924.8	60.2	-24.0
Non-current assets held for sale	5.3	14.6	5.3	14.6	-	-
Finance lease receivables	**1,959.7**	**2,005.9**	**1,959.7**	**2,005.9**	**-**	**-**
Loans and advances to customers	1,959.7	2,005.9	1,959.7	2,005.9	-	-
Assets after provisions for possible loan losses	**22,156.9**	**22,978.1**	**22,279.1**	**23,312.9**	**-122.2**	**-334.8**
Equity and liabilities						
Other financial liabilities	**22,971.5**	**21,806.7**	**22,560.5**	**21,574.2**	**411.0**	**232.5**
Liabilities to banks	13,325.5	12,823.9	13,016.6	12,566.6	308.9	257.3
Liabilities due to customers	8,804.7	8,299.8	8,527.3	8,156.6	277.4	143.2
Securitised liabilities (including hedge fair value adjustments)	200.4	28.3	224.4	53.1	-24.0	-24.8
Subordinated capital	640.9	654.7	792.2	797.9	-151.3	-143.2
Equity and liabilities	**22,971.5**	**21,806.7**	**22,560.5**	**21,574.2**	**411.0**	**232.5**

The carrying amount of loans and advances to customers is shown less specific impairment losses in the amount of € 396.9 million (31 March 2012: € 424.7 million).

Level classification

IFRS 7 defines a three-level hierarchy (levels 1 to 3) for disclosures in the notes. The following section discusses the fundamental criteria for distinguishing between the individual level hierarchies to which financial instruments at fair value are allocated:

Level 1. Level 1 includes unadjusted quoted prices on active markets that can be applied by an entity for identical assets and liabilities at the measurement date.

An entity must also have access to the market on the respective measurement date. An active market is one on which transactions occur with sufficient frequency and in a sufficient volume to allow permanent price information to be available.

At IKB, the Level 1 hierarchy is primarily used to report corporate and government bonds. The assessment as to whether securities are traded on an active market is performed on a daily basis using a statistical analysis of prices obtained from various market participants (e.g. Bloomberg) and analysed using statistical methods (e.g. outlier method).

Level 2. Level 2 comprises all financial instruments whose input factors for calculating fair value can be observed directly, i.e. as a price, or indirectly, i.e. derived from prices. Fair values calculated using DCF procedures or option pricing models whose input parameters can be observed on the market are also reported in level 2. At IKB, level 2 includes all instruments that cannot be allocated to level 1 or level 3.

Level 3. Financial instruments for which input factors cannot be observed on active markets are measured using valuation models. If measurement parameters have a significant influence on determining the fair value and these input factors cannot be observed, the financial instruments are allocated to level 3. The fair value must be determined from the perspective of knowledgeable, willing and independent market participants, meaning that significant unobservable input parameters must reflect the assumptions made by market participants in pricing, including risk assumptions.

For all instruments for which unobservable market data is applied in measurement, the significance of the influence of the unobservable market data in relation to observable market data is examined (IFRS 7.27A (c)). The key decision-making criterion with respect to significance is the sensitivity of the fair value to changes in unobservable input parameters in relation to its sensitivity to changes in observable input parameters. This procedure serves to fulfil the requirement that instruments are only classified as Level 3 when unobservable parameters have a significant influence on measurement.

The following table shows the allocation of financial instruments at fair value to the three different level hierarchies:

€ million	Level 1		Level 2		Level 3		Total	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Assets								
Fair value through profit or loss								
Held for trading	**12.3**	**39.0**	**2,467.1**	**2,028.6**	**468.5**	**396.4**	**2,947.9**	**2,464.0**
Assets held for trading	12.3	39.0	2,467.1	2,028.6	468.5	396.4	2,947.9	2,464.0
Fair value option	**1,310.6**	**1,390.5**	**527.6**	**602.0**	**79.9**	**81.2**	**1,918.1**	**2,073.7**
Loans and advances to customers	-	-	8.9	9.0	-	-	8.9	9.0
Investment securities	1,310.6	1,390.5	518.7	593.0	79.9	81.2	1,909.2	2,064.7
Hedging derivatives								
Assets held for trading	-	-	23.9	15.2	-	-	23.9	15.2
Fair value in equity								
Available for sale	**2,841.3**	**2,735.9**	**208.6**	**199.9**	**0.1**	**-**	**3,050.0**	**2,935.8**
Investment securities	2,841.3	2,735.9	208.6	199.9	0.1	-	3,050.0	2,935.8
Total	**4,164.2**	**4,165.4**	**3,227.2**	**2,845.7**	**548.5**	**477.6**	**7,939.9**	**7,488.7**
Equity and liabilities								
Fair value through profit or loss								
Held for trading	**9.5**	**-**	**4,107.1**	**3,542.8**	**46.1**	**55.0**	**4,162.7**	**3,597.8**
Liabilities held for trading	9.5	-	4,107.1	3,542.8	46.1	55.0	4,162.7	3,597.8
Fair value option	**6.0**	**4.2**	**2,845.7**	**4,915.8**	**11.4**	**19.9**	**2,863.1**	**4,939.9**
Liabilities to banks	-	-	654.0	655.2	-	-	654.0	655.2
Liabilities due to customers	-	-	1,859.3	1,820.9	11.4	19.9	1,870.7	1,840.8
Securitised liabilities	-	-	131.0	2,224.1	-	-	131.0	2,224.1
Subordinated capital	6.0	4.2	201.4	215.6	-	-	207.4	219.8
Hedging derivatives								
Liabilities held for trading	-	-	325.1	237.8	-	-	325.1	237.8
Total	**15.5**	**4.2**	**7,277.9**	**8,696.4**	**57.5**	**74.9**	**7,350.9**	**8,775.5**

Available-for-sale investment securities are reduced by financial investments in equity instruments measured at amortised cost as their fair value cannot be reliably determined.

Disclosures on level transfers

A quarterly comparison of all transactions carried at fair value at the start and the end of the respective quarter is performed in order to identify those transactions for which level transfers have taken place. In the case of level transfers during the quarter, the values at the end of the period are applied as the addition and disposal amounts.

Transfers between the individual levels during the financial year are shown in the following table:

€ million	Addition to level 1				Addition to level 2				Addition to level 3			
	Disposal from level 2		Disposal from level 3		Disposal from level 1		Disposal from level 3		Disposal from level 1		Disposal from level 2	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Assets												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.2**
Assets held for trading	-	-	-	-	-	-	-	-	-	-	-	15.2
Fair value option	**-**	**-**	**-**	**16.9**	**-**	**-5.2**	**-**	**-**	**-**	**-**	**-**	**-**
Investment securities	-	-	-	16.9	-	-5.2	-	-	-	-	-	-
Total	**-**	**-**	**-**	**16.9**	**-**	**-5.2**	**-**	**-**	**-**	**-**	**-**	**15.2**
Equity and liabilities												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.2**	**0.2**
Liabilities held for trading	-	-	-	-	-	-	-	-	-	-	2.2	0.2
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.2**	**0.2**

(31) Derivatives

The following table shows a breakdown of derivatives:

€ million	Nominal amount		Fair value					
			Positive		Negative		Total	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Interest rate derivatives	58,322.2	68,096.1	2,783.6	2,277.8	4,303.1	3,665.4	-1,519.5	-1,387.6
Credit derivatives	824.8	229.1	9.9	0.4	16.6	9.1	-6.7	-8.7
Currency derivatives	4,198.2	3,776.9	155.7	137.9	168.1	161.1	-12.4	-23.2
Total	**63,345.2**	**72,102.1**	**2,949.2**	**2,416.1**	**4,487.8**	**3,835.6**	**-1,538.6**	**-1,419.5**

Other disclosures

(32) Income taxes in other comprehensive income

€ million	As at 1 Apr. 2012	Changes recognised directly in equity	Changes recognised in profit or loss	Before income tax effects as at 30 Sep. 2012	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised directly in profit or loss	After income tax effects as at 30 Sep. 2012
Financial assets available for sale	**-10.5**	63.5	-10.0	**43.0**	-19.8	3.1	**26.3**
Derivatives hedging fluctuations in future cash flows	**-4.9**	0.3	-	**-4.6**	-	-	**-4.6**
Currency translation reserve	**-19.1**	1.1	-	**-18.0**	-	-	**-18.0**
Actuarial gains/losses (IAS 19)	**-45.8**	-65.6	-	**-111.4**	20.6	-	**-90.8**
Total	**-80.3**	**-0.7**	**-10.0**	**-91.0**	**0.8**	**3.1**	**-87.1**

€ million	As at 1 Apr. 2011	Changes recognised directly in equity	Changes recognised in profit or loss	Before income tax effects as at 30 Sep. 2011	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised directly in profit or loss	After income tax effects as at 30 Sep. 2011
Financial assets available for sale	**-35.0**	-7.6	3.6	**-39.0**	2.4	-1.1	**-37.7**
Derivatives hedging fluctuations in future cash flows	**-1.5**	-4.3	-	**-5.8**	1.4	-	**-4.4**
Currency translation reserve	**-17.5**	0.8	-	**-16.7**	-	-	**-16.7**
Actuarial gains/losses (IAS 19)	**-24.6**	-20.3	-	**-44.9**	6.4	-	**-38.5**
Total	**-78.6**	**-31.4**	**3.6**	**-106.4**	**10.2**	**-1.1**	**-97.3**

(33) Contingent assets/liabilities and other commitments

IKB’s contingent liabilities and other commitments break down as follows:

€ million	30 Sep. 2012	31 Mar. 2012
Contingent liabilities	**253.5**	**340.1**
Other obligations	**1,150.5**	**1,609.7**
Commitments up to one year	728.1	995.1
Commitments of more than one year	422.4	614.6
Total	**1,404.0**	**1,949.8**

Contingent liabilities are offset by contingent assets in the same amount.

The figures presented reflect the amounts that would have to be paid if the respective customers were to use the relevant credit facilities in full, adjusted for provisions.

As part of the sale of 50% of shares in Movesta Lease and Finance GmbH, Pullach i. Isartal (formerly: Düsseldorf), IKB AG and IKB Beteiligungen GmbH jointly and severally assumed guarantees and indemnification obligations. These include, for example, the transferred GmbH shares and the proper settlement of and compliance with obligations from the past (including issuing tax returns).

(34) Other financial obligations

As at the end of the reporting period, the Group’s payment obligations from equities not fully paid in, investments in GmbHs, investments in non-consolidated subsidiaries, the interests held by IKB Invest GmbH (formerly IKB Private Equity GmbH) and subordinated loans amounted to € 1.3 million (31 March 2012: € 1.3 million).

Other financial obligations for rental agreements, leases and other agreements totalled € 283.6 million on 30 September 2012 (31 March 2012: € 279.3 million).

In accordance with section 5(10) of the by-laws of the Deposit Protection Fund, IKB AG is required to indemnify the Association of German Banks from losses incurred by the latter due to assistance provided for another bank in which IKB AG holds the respective majority of the shares or over which it can directly or indirectly exercise control.

(35) Disclosures on collateral

Disclosures on collateral provided for own liabilities and contingent liabilities

The following table provides an overview of all assets (except for cash collateral payments) pledged as collateral by IKB. This also includes collateral that the secured party can dispose of freely and for which the secured party has a customary right of resale.

€ million	Assets provided as collateral	
	30 Sep. 2012	31 Mar. 2012
Assets		
Fair value through profit or loss		
Held for trading	**14.1**	**12.3**
Assets held for trading	14.1	12.3
Fair value option	**1,200.5**	**843.5**
Investment securities	1,200.5	843.5
Fair value in equity		
Available for sale	**1,637.0**	**1,429.6**
Investment securities	1,637.0	1,429.6
Carried at amortised cost		
Loans and receivables	**10,560.0**	**10,974.8**
Loans and advances to banks	1.3	1.4
Loans and advances to customers	8,452.7	9,144.4
Investment securities	2,106.0	1,829.0
Total	**13,411.6**	**13,260.2**

Fixed-income securities with a nominal volume of € 2.3 billion (31 March 2012: € 3.0 billion) have been transferred as collateral for the tender business of the European Central Bank and for general collateral pooling with Eurex Repo GmbH. In addition, loan receivables with a nominal amount of € 0.4 billion (31 March 2012: € 0.2 billion) have been deposited with Deutsche Bundesbank.

As at the end of the reporting period, these credit facilities had been utilised to a total of € 5.0 billion (31 March 2012: € 4.8 billion).

IKB AG has transferred a total of € 10,558.7 million (31 March 2012: € 10,973.4 million) in loans and advances to customers and investment securities to other banks (particularly KfW) as collateral.

As at the end of the reporting period, there were cash collateral payments amounting to € 1.3 million (31 March 2012: € 1.5 million) in connection with lending business.

Cash collateral in the amount of € 2.1 billion (31 March 2012: € 2.0 billion) was assigned for OTC derivatives as part of collateral management.

Securities with a nominal value of € 69.7 million (31 March 2012: € 184.2 million) have been deposited with Clearstream Banking AG, Frankfurt/Main, for compliance with payment obligations in securities transactions. As at the end of the reporting period, no securities had been deposited with Clearstream Banking S.A., Luxembourg, as collateral (31 March 2012: nominal value of € 7.0 million). In trading on EUREX Germany, securities for margin obligations have been lodged with Barclays, London, with a nominal value of € 5.0 million (31 March 2012: € 22.0 million).

Securities with a nominal volume of € 417.4 million (31 March 2012: € 417.4 million) have been pledged to KfW, Frankfurt/Main, to help hedge joint business concepts and cash collateral of € 230.0 million (31 March 2012: € 230.0 million) has been provided. € 33.1 million (31 March 2012: € 30.0 million) has been pledged as cash collateral at other banks. Additional securities with a nominal volume of € 171.6 million (31 March 2012: € 165.0 million) were pledged as collateral to various banks to secure global loans.

(36) Securities repurchase agreements

In the context of repurchase agreement business, securities with a nominal volume of € 4.1 billion (31 March 2012: € 3.8 billion) were transferred as at the end of the reporting period. The carrying amounts of the investment securities transferred as at the end of the reporting period were € 3.3 billion (31 March 2012: € 2.1 billion) (repo transactions). These assets included collateral that can be resold or repledged.

Securities with a nominal volume of € 0.1 billion (31 March 2012: € 0.5 billion) were deposited with SIX SIS Ltd., Switzerland, to hedge repo transactions with various Swiss counterparties.

The repurchase agreements resulted in deposits from other banks of € 3.2 billion (31 March 2012: € 2.0 billion).

€ million	Repurchase agreements		Corresponding purchase price liabilities (liabilities to banks or customers)	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Assets				
Fair value through profit or loss				
Fair value option	**459.2**	**257.7**	**441.4**	**248.8**
Investment securities	459.2	257.7	441.4	248.8
Fair value in equity				
Available for sale	**1,118.3**	**237.5**	**1,054.5**	**221.5**
Investment securities	1,118.3	237.5	1,054.5	221.5
Carried at amortised cost				
Loans and receivables	**1,714.7**	**1,601.6**	**1,665.6**	**1,511.4**
Investment securities	1,714.7	1,601.6	1,665.6	1,511.4
Total	**3,292.2**	**2,096.8**	**3,161.5**	**1,981.7**

(37) Average number of employees

	30 Sep. 2012	31 Mar. 2012
Men	937	968
Women	556	576
Total	**1,493**	**1,544**

(38) Related party disclosures

Receivables from and liabilities to non-consolidated subsidiaries and other investment companies

Related party transactions primarily relate to refinancing and capital strengthening measures by the parent of IKB's main shareholder LSF6 Europe Financial Holdings, L.P. and companies assigned to it. Loans and advances to customers primarily relate to loans issued to associated companies and other investees and investors that are non-consolidated subsidiaries.

The following table shows the related parties in accordance with IAS 24.19:

€ million	Companies allocated to the parent company		Subsidiaries		Joint ventures/ associates		Total	
	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012	30 Sep. 2012	31 Mar. 2012
Receivables								
Loans and advances to banks	8.0	6.9	-	-	-	-	8.0	6.9
Loans and advances to customers	-	-	0.4	18.6	43.9	50.1	44.3	68.7
Assets held for trading	0.1	-	-	3.2	4.2	2.2	4.3	5.4
Bonds and other fixed-income securities	-	-	0.4	0.4	2.5	2.5	2.9	2.9
Other assets	-	-	-	-	0.2	-	0.2	-
Total	**8.1**	**6.9**	**0.8**	**22.2**	**50.8**	**54.8**	**59.7**	**83.9**
Liabilities								
Liabilities due to customers	307.3	311.4	0.5	-	-	-	307.8	311.4
Liabilities held for trading	8.1	6.8	-	-	-	-	8.1	6.8
Total	**315.4**	**318.2**	**0.5**	**-**	**-**	**-**	**315.9**	**318.2**

There have been no significant changes in the net assets, financial position or results of operations due to related party transactions as against 31 March 2012.

Letter of comfort

IKB undertakes to ensure that its subsidiaries indicated in the scope of consolidation (Note (41)) as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk.

The letters of comfort for the foreign subsidiaries of IKB Leasing GmbH, Hamburg, and IKB Leasing Berlin GmbH, Erkner, were withdrawn. Subsequent liability risks could arise from existing liabilities to third parties of € 7 million.

IKB Invest GmbH (formerly IKB Private Equity GmbH) issued a letter of comfort for IKB Equity Capital Fund GmbH (formerly IKB Equity Capital Fund I GmbH & Co. KG) so that it can meet its obligations under loan and guarantee agreements transferred to it under a spin-off and transfer agreement, including the reimbursement of prosecution and legal costs.

In addition to the existing letter of comfort, IKB also issued a commitment to provide sufficient capital and liquidity for IKB Projektentwicklung GmbH & Co. KG in the 2012/13 financial year.

IKB Leasing Berlin GmbH, Erkner, and IKB Leasing GmbH, Hamburg, have issued unrestricted letters of comfort for IKB Leasing S.R.L., Bucharest, and IKB Leasing Finance IFN SA, Bucharest, for the continuation of the respective companies and for their respective guarantee liabilities.

(39) Events after 30 September 2012

The following new developments have occurred since 30 September 2012:

SoFFin guarantees

IKB repaid SoFFin guarantees of € 650 million ahead of schedule on 26 October 2012. This related to the bond ISIN DE000A0SMPB1 (maturing on 1 February 2013). IKB returned the SoFFin guarantees still outstanding under this bond in the amount of € 100 million on 31 October 2012. It has therefore been repaid in full.

IKB's SoFFin guarantee was therefore reduced to a total of € 750 million as a result of the repayment as at 31 October 2012. This amount relates to the bond ISIN DE000A0SMPA3 maturing on 2 February 2015.

Buyback of IKB Funding Trust I and Funding Trust II

The IKB Group ended its purchase programme for the listed issues of IKB Funding Trust I, ISIN DE0008592759, and IKB Funding Trust II, ISIN XS0194701487 on 30 October 2012. It was intended that the units would be acquired by Matrona GmbH, a company of the IKB Group.

The required approval rating for the proposed contractual amendments to IKB Funding Trust I of not less than 66 2/3 % of investors needed for acceptance of the offer was not achieved. On the basis of the purchase programme, IKB will therefore not be acquiring the securities of IKB Funding Trust I or IKB Funding Trust II.

(40) Executive bodies

Board of Managing Directors

Hans Jörg Schüttler (Chairman of the Board of Managing Directors)
Dr Dieter Glüder
Claus Momburg
Dr Michael H. Wiedmann

Supervisory Board

Bruno Scherrer (Chairman)
Dr Karsten von Köller (Deputy Chairman)
Stefan A. Baustert
Olivier Brahin (until 25 May 2012)
Dr Lutz-Christian Funke
Jordi Goetstouwers (since 23 August 2012)
Ulrich Grillo
Arndt G. Kirchhoff
Bernd Klein*
Michael Kolbeck (since 23 August 2012)
Dr Claus Nolting
Nicole Riggers*
Dr Carola Steingräber*
Carmen Teufel*
Dr Andreas Tuczka
Ulrich Wernecke*

* Employee representative

(41) Scope of consolidation as at 30 September 2012

	Letter of comfort	Share of capital in %
A. Consolidated subsidiaries		
1 Foreign banks		
IKB International S.A. in Liquidation, Luxembourg[3]	x	100
2 Other German companies		
Aleanta GmbH, Düsseldorf		100
Erste Equity Suporta GmbH, Düsseldorf		100[1]
Equity Fund GmbH, Düsseldorf		100[1]
IKB Autoleasing GmbH, Hamburg	x	100[1]
IKB Beteiligungen GmbH, Düsseldorf	x	100
IKB Data GmbH, Düsseldorf	x	100
IKB Equity Capital Fund GmbH, Düsseldorf	x	100[1]
IKB Grundstücks GmbH & Co.Objekt Holzhausen KG, Düsseldorf	x	100
IKB Grundstücks GmbH, Düsseldorf	x	100
IKB Leasing Berlin Gesellschaft mit beschränkter Haftung, Erkner	x	100[1]
IKB Leasing Gesellschaft mit beschränkter Haftung, Hamburg	x	100[1]
IKB Invest GmbH, Düsseldorf (formerly: IKB Private Equity GmbH)	x	100[1]
IKB Projektentwicklung GmbH & Co. KG i. L., Düsseldorf	x	100
Istop 1 GmbH, Düsseldorf		100
Istop 2 GmbH, Düsseldorf		100
Istop 4 GmbH, Düsseldorf		100
Istop 5 GmbH, Düsseldorf		100
IKB Struktur GmbH, Düsseldorf		100[1]
IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISTOS Beteiligungsverwaltungs- und Grundstücks- Vermietungsgesellschaft mbH, Düsseldorf	x	100
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf	x	100
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf		89.8
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf		94.9[1]
MATRONA GmbH, Düsseldorf		100[1]
Zweite Equity Suporta GmbH, Düsseldorf		100[1]

1) Indirect shareholding
2) Subordinated letter of comfort
3) In liquidation (bank licence returned)
4) In liquidation

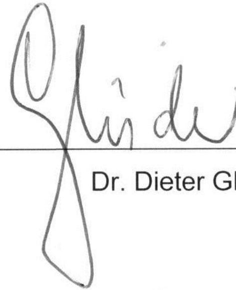
	Letter of comfort	Share of capital in %
3 Other foreign companies		
IKB Capital Corporation, New York[4]		100
IKB Finance B.V., Amsterdam	x	100
IKB Funding LLC II, Wilmington	x[2]	100
IKB Funding LLC I, Wilmington	x[2]	100
IKB Leasing Austria GmbH, Vienna		100[1]
IKB Leasing CR s.r.o., Prague		100[1]
IKB Leasing Finance IFN SA, Bucharest		100[1]
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4		100[1]
IKB Leasing Korlátolt Felelösségü Társaság, Budapest		100[1]
IKB Leasing Polska Sp.z.o.o, Poznan		100[1]
IKB Leasing SR, s.r.o, Bratislava		100[1]
IKB Leasing S.R.L., Bucharest		100[1]
IKB Lux Beteiligungen S.à.r.l, Luxembourg	x	100
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest		100[1]
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4		100[1]
IKBL Renting and Service S.r.l., Lainate (MI)		100[1]
IKB Leasing geschlossene Aktiengesellschaft, Moscow		100[1]
B. Joint ventures/associates		
Linde Leasing GmbH, Wiesbaden		30[1]
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf		50[1]
C. Special purpose entities in accordance with SIC 12		
Bacchus 2008-1 Plc, Dublin		
Bacchus 2008-2 Plc, Dublin		
Partner Fonds Europa Renten Teilfonds I, Luxembourg		
Partner Fonds Government & Covered Select, Luxembourg		
German Mittelstand Equipment Finance No. 1 S.A., Luxembourg		
Rio Debt Holdings Ltd., Dublin		

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation (bank licence returned)
4) In Liquidation

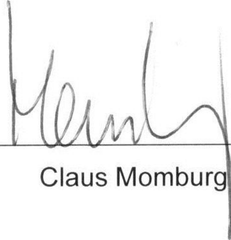
Düsseldorf, 12 November 2012

IKB Deutsche Industriebank AG
The Board of Managing Directors

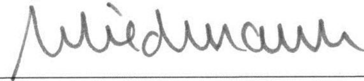
Hans Jörg Schüttler



Dr. Dieter Glüder



Claus Momburg



Dr. Michael H. Wiedmann

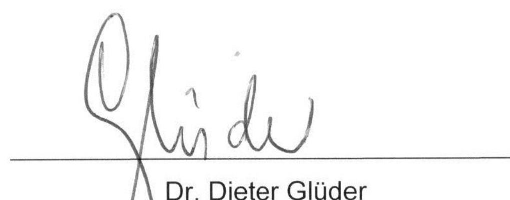
Responsibility statement in accordance with section 37y WpHG in conjunction with section 37w(2) no. 3 WpHG

To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the condensed interim consolidated financial statements present a true and fair view of the assets, liabilities, and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Düsseldorf, 12 November 2012

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler



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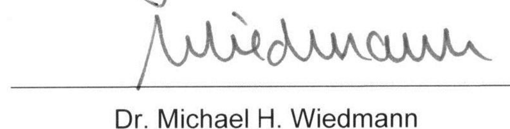

Dr. Michael H. Wiedmann

Note on forward-looking statements

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

Forward-looking statements naturally include risks and uncertainty factors. A large number of important factors can contribute towards actual results deviating considerably from forward-looking statements. Such factors include the condition and development of the financial markets in Germany, Europe, the US and other locations where IKB generates a substantial portion of its income from securities trading, the potential default of borrowers or counterparties in trades, the implementation of the management agenda, the reliability of the risk management policies, procedures and methods applied, and the liquidity situation (not a comprehensive list).

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