6-Month Report 2008/09
1 April – 30 September 2008

IKB Deutsche Industriebank

IKB Key Figures

Income Statement Figures	**1 April to 30 Sept 2008 in € million**	1 April to 30 Sept 2007 in € million
Net interest income	202.5	200.0
Provision for possible loan losses	106.7	166.1
Net interest income (after provision for possible loan losses)	95.8	33.9
Net fee and commission income	24.3	34.4
Net income from financial instruments at fair value	178.0	–1 959.4
Income from investment securities	–233.7	–1 044.1
Administrative expenses	175.2	183.1
Other operating income	405.8	–9.7
Operating result	286.9	–889.2
Consolidated profit	250.3	–965.1

Balance Sheet Figures	**30 Sept 2008 in € million**	Change vs. 31 March 2008 in %
Total assets	45 562	–9.3
Loans and advances to customers	28 861	0.0
Liabilities to banks	17 052	–2.3
Securitised liabilities	15 110	–16.9
Total equity	1 389	17.3

Selected Ratios	**1 April to 30 Sept 2008**	1 April to 30 Sept 2007
Return on equity	48.5%	<0
Cost-income ratio	30.8%	<0
Earnings per share	2.58 €	–10.98 €

Selected Ratios	**30 Sept 2008**	31 March 2008
Capital ratio (Principle I)	8.9%	9.8%
Tier 1 capital ratio	5.4%	6.0%
Number of employees (FTE) as at date above	1 758	1 840

IKB Rating	Long-Term	Short-Term	Outlook
Moody's	Baa3	P-3	Review for possible downgrade
Fitch	BBB-	F3	negative

Letter to Shareholders

Dear Shareholders,

The IKB figures in the first half-year of 2008/09 again show clearly just how strongly the financial market crisis continues to overshadow the actual core business of the Bank. The reported operating result of € 287 million is based primarily on income which results from the fact that specific IKB liabilities were to be carried at a lower level. In comparison relatively modest – but at the same time encouraging – were the operating results in the two core segments Corporate Clients and Structured Finance which together generated the positive figure of € 33 million, after losses had still been incurred in the comparative period of the previous year.

The slightly positive result in the two core segments is overshadowed by current developments on the money and capital markets – especially after the insolvency of the US investment bank Lehman Brothers in the middle of September 2008.

Three important moves

In the second half of October 2008, three decisive moves were made for the Bank:

The EU Commission allowed state aid for IKB with radical conditions: The international activities in New York, Luxemburg and Amsterdam are to be discontinued by 30 September 2011, the real estate financing business is to be scaled back by 60%, the Movesta stake is to be sold and total group assets reduced to € 33.5 billion. At the same time, the continued existence of IKB was made possible by the approval.

Subsequently the capital increase of € 1.25 billion was implemented. This resulted in the IKB Tier I ratio increasing to 9.6%. As the main subscriber to the capital increase was KfW, its stake in IKB AG rose to almost 91%.

The KfW stake in IKB AG was transferred to Lone Star on 29 October 2008.

Lone Star as new major shareholder

The equity capital committed by Lone Star of € 225 million has already been transferred to IKB. In addition, Lone Star granted a mezzanine loan to the special-purpose company in which the IKB transferred the remaining positions of the portfolio investments. With the two measures, Lone Star more than fulfilled the obligations from the share purchase agreement. The remaining risk from the portfolio investments which originally triggered the crisis at the bank is thus clearly defined.

IKB can now refocus more strongly on its business with small and medium-sized enterprises, consolidating its good position with customers. Of course Lone Star also has a keen interest to justify the confidence placed in the Bank by customers. For this reason, we have involved Lone Star comprehensively in IKB's communication with customers. Dr von Köller, Chairman of Lone Star Germany and since 16 December 2008 member of the IKB Supervisory Board, attended events at all branch locations and answered questions from customers. Their feedback was positive across the board.

Challenging environment

In the current situation IKB considers it is exposed to an environment which may well represent the greatest challenge for the entire banking industry since the middle of the twentieth century. In the past, constant liquidity in money and capital markets was considered the fundamental basis of strategic planning at banks. This and certain other assumptions proved incorrect – also for IKB.

It is thus of paramount importance that IKB will receive guarantees for issues totalling € 5 billion from the bank rescue package initiated by the German government. We made an application for guarantees because the situation on the money and capital markets has deteriorated in such a radical way since the event relating to Lehman Brothers that money trading has virtually ground to a halt. Currently obtaining adequate refinancing is virtually impossible. IKB has not applied for SoFFin assistance for recapitalisation or risk transfer.

Strategic realignment

It is not only the conditions imposed by the EU Commission which necessitate a revision of the business activities pursued by IKB. We will again place the interests of our customers more strongly in the focus of our work. Even though it forms an important core competence at IKB, granting long-term loans in itself will not suffice for securing the future of the Bank. We want to extend IKB's product range with reference to the requirements of our customers, approach their financing issues in a creative manner and work out solutions creating value.

Even after one and a half years of the crisis, IKB remains the bank for small and medium-sized enterprises in Germany. We will build on this, even under general conditions in 2009 which undoubtedly will not be easy. I am sure that employees of your IKB will do everything they can – despite what may be radical cuts – to make the most of this second chance for the Bank and to emerge strengthened from the crisis.

Hans Jörg Schüttler
Chairman of the Board of Managing Directors

Interim Group Management Report

1. General conditions

Economic conditions for the domestic and foreign business with financing services deteriorated considerably in the reporting period from 1 April to 30 September 2008. In the third quarter of the 2008 calendar year, the German economy contracted by 0.5% compared with the previous quarter. In the light of the global economic cool down, it was particularly declining foreign trade impulses which impacted adversely. On a year-on-year basis, in the quarter the only positive growth impulses came from within Germany. For the year as a whole, the German government is forecasting a growth rate of 0.2% (as of November 2008).

The economic performance of IKB's foreign markets has also deteriorated. Regional trends on real estate markets and the weakening of the global economy in conjunction with the financial market crisis resulted in growth slowing, and even a contraction in the core IKB countries (Spain, France, Great Britain, Italy). Easing came from the declining oil price, some drastic interest rate cutes in key currencies and possible state measures to support the economy. However, the outlook for 2009 remains critical.

To a large extent, the development of the real economy depends on managing the financial market crisis. The implementation and the effectiveness of the bank rescue program are decisive.

2. Significant events in the reporting period

Reduction of portfolio investments

In its Portfolio Investments segment, IKB almost halved its securities portfolio in terms of nominal volume against 31 March 2008. In several individual transactions with various market participants, a nominal volume of approximately € 1.0 billion was sold. In addition, a portfolio with a nominal value of € 1.6 billion was sold to KfW. However, a nominal amount of € 0.2 billion of this remained in the IKB accounts. This is because, as a result out of compensation from future profits, the capital payments of the investments which exceed the sales price again flow to IKB and thus significant opportunities and risks remain at IKB. All the sales generated a gain of € 78 million and liquidity inflows of € 1 billion.

As a result, the nominal value of the portfolio of structured securities in the Portfolio Investments segment as of 30 September 2008 declined to € 3.3 billion. As of 30 September 2008, the Bank's core segments and head office also hold first loss positions on securitisations structured by IKB with a nominal volume of € 0.25 billion.

Settlement of risk shielding

At the end of September 2007, IKB Deutsche Industriebank AG (IKB AG) and KfW entered into an agreement according to which the KfW secured default risks from portfolio investments on the IKB AG and IKB International S.A. balance sheets up to a maximum level of € 1 billion. This risk shield was implemented on a contractual basis partly on the basis of a CDS, partly by means of a guarantee.

Furthermore, in May 2008, IKB and KfW also entered into and implemented an agreement. Accordingly part of the securities that are essentially in permanent default and that have a carrying amount of zero, but according to the wording of the risk shielding did not yet require settlement, was formally settled early (settlement amount: US$ 321 million and € 57 million).

In addition, first loss positions (with a nominal volume of € 86 million) based on securitised IKB corporate and real estate loan transactions have been transferred out of the rescue package risk shield, as these transactions relate to IKB's core business. As the maximum amount of the shield had already been utilised this did not result in any reduction of the shielding effect for IKB.

On 24 July 2008, IKB AG and KfW entered into an agreement on the early settlement of the remaining risk shield for portfolio investments on the IKB AG and IKB International S.A. balance sheets. As a result, the related CDS and the guarantee were settled and revoked in full. Under the terms of the agreement, KfW made a payment of € 358 million to IKB, while IKB paid KfW a residual fee of € 1 million and US$ 5 million.

Winding up Rhinebridge

On 31 July 2008, as part of an auction all of the assets of the Rhinebridge special-purpose vehicle with a nominal volume of US$ 947 million, were sold at an average price of around 37%. As part of this transaction, IKB AG acquired a proportion of the securities held by Rhinebridge corresponding to its interest in the capital notes, which it subsequently sold to third parties at a profit. As of 30 September 2008 the special-purpose company being wound up left the scope of consolidation due to immateriality. In the reporting period, Rhinebridge impacted the income statement by only € –1 million, after a loss of € 244 million before risk shielding was reported in the previous year.

Changes in the Group

IKB Credit Asset Management GmbH (IKB CAM) was merged with IKB AG with retroactive effect from 1 April 2008.

To generate liquidity, IKB AG sold receivables to the special-purpose company REPV-DS Finance 2008-1 GmbH at a purchase price of the nominal value of the receivables of € 215 million in September 2008. The special-purpose company was financed on the basis of a loan from another bank amounting to € 163 million and a subordinate loan of IKB AG amounting to € 52 million. REPV-DS Finance 2008-1 GmbH was included in the scope of consolidation for the first time on 30 September 2008.

Personnel changes

With effect from 1 April 2008, Dr Andreas Leimbach was appointed as the member of the Board of Managing Directors responsible for Corporate Clients within Germany.

Mr Jörg Asmussen stepped down from the Supervisory Board of IKB AG on 27 May 2008.

At its meeting on 11 July 2008, the Supervisory Board of IKB AG extended the mandates of the Chairman of the Board of Managing Directors, Dr Günther Bräunig, and the member of the Board of Managing Directors, Dr Dieter Glüder, until 15 October 2008.

Annual General Meeting resolution on the capital increase entered in the commercial register

On 27 March 2008, the Annual General Meeting of IKB AG resolved a cash capital increase with shareholders’ subscription rights with a nominal value of up to € 1.49 billion. The challenges to the resolution on the capital increase were withdrawn following a settlement with the petitioning shareholders. The resolution was entered in the commercial register on 25 July 2008. Thus on 25 July 2008, the securities prospectus for the public offer of new IKB shares was published.

Annual General Meeting

The Annual General Meeting on 27 March 2008 also resolved a special review of the responsibilities of the former members of the Board of Managing Directors and the Supervisory Board. The results of this review are still outstanding.

The Annual General Meeting for the 2007/08 financial year was held in Düsseldorf on 28 August 2008. 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 under www.ikb.de.

The Annual General Meeting reappointed Dr Jens Baganz, Detlef Leinberger, Roland Oetker and Dr Martin Viessmann to the Supervisory Board and elected Dr Christopher Pleister and Werner Möller as new members. The Supervisory Board mandate of Dr Michael Rogowski expired at the end of the Annual General Meeting on 28 August 2008.

In addition, the reduction in the number of Supervisory Board members from 21 to 15 was resolved.

As proposed by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, was appointed as the auditor of the single-entity and consolidated financial statements for the 2008/09 financial year and the auditor for the review of the condensed interim consolidated financial statements and the interim Group management report for the first six months of the 2008/09 financial year.

Sale agreement signed

According to the information provided by the parties, the agreement on the sale of the IKB shares held by KfW to LSF6 Europe Financial Holdings L.P., a subsidiary of the U.S. financial investor Lone Star, was signed on 21 August 2008. The purchase agreement covers also the new shares from the capital increase for which KfW subscribed and the compensation payments from the debt waiver declared by KfW in the 2007/08 financial year totalling € 1.05 billion.

Current rating situation

Following the signature of the purchase agreement between KfW and Lone Star on 21 August 2008, Moody's revised its outlook to "Review for possible downgrade" and Fitch Ratings announced the downgrade of IKB AG's long-term rating to BBB–.

IKB Rating		Long-term	Short-term	Financial strength/ Individual rating	Outlook
Moody's	1 Apr 2008	Baa3	P-3	E (stable)	Negative
	21 Aug 2008	Baa3	P-3	E (stable)	Review for possible downgrade
Fitch	21 Dec 2007	A+	F1	E	Stable
	22 Aug 2008	BBB–	F3	D/E	Negative

Effects of the current banking crisis in the reporting period

IKB responded to the intensification of the crisis in the global financial sector at the end of the reporting period at an early stage, examining its exposure to banks in an even more timely manner than previously. These examinations will continue on a rolling basis. IKB also revised its limit system. IKB was thus not directly affected by high-profile bank failures such as Freddie Mac, Fannie Mae, Lehman Brothers and Washington Mutual (i.e. via credit facilities, bonds or equities). Interest rate derivative contracts with Lehman Brothers have been settled without significant losses above market value. Measures were initiated with a view to protecting the value of synthetic CDO transactions with Lehman Brothers as the CDS counterparty as part of the transaction documentation process. Among other things, IKB utilised its right of early termination for a number of transactions. As a result, it expects to receive a substantial cash inflow from the sale of the first-class securities pledged as collateral. As of 30 September 2008, this resulted in considerable reversals against the previous carrying amounts of the CDOs.

The problems of the financial institutions stated above impacted the CDOs of corporates held by IKB as follows. The quoted risk premiums for these companies have widened very significantly, while the liquidity available for our holdings has declined dramatically. The defaults of Fannie Mae, Freddie Mac, Lehman Brothers and Washington Mutual will also reduce the credit enhancement of our transactions, although the remaining subordination will be sufficient to cover further defaults for all transactions. However, a downgrade of several notches for the CDOs can be expected as a result of the lower level of subordination. According, IKB is forecasting losses in terms of market value here.

On the basis of current market indicators, those liability items recognised by IKB at fair value through profit and loss in prior periods needed to be measured lower than at the 30 June 2008 reporting date. According to IAS 39 AG8 additional lower values of liabilities for specific liabilities not carried at fair value are required. For the IKB's IFRS interim group result in the second quarter of 2008/09, this had a positive earnings impact totalling € 1.1 billion. Of this amount € 0.7 billion relates to the change in the fair value of liabilities due to creditworthiness and € 0.4 billion to change in the value of liabilities carried at amortised cost in line with IAS 39 AG8. In the first quarter of 2008/09, comparable measurement effects resulted in an earnings charge of € 0.4 billion. For the whole of the first six months of 2008/09 this thus results in an earnings impact of plus € 0.7 billion.

3. Events after 30 September 2008 (Supplementary report)

EU Commission approves rescue measures

In the matter of state aid from the Federal Republic of Germany for restructuring IKB AG, on 21 October 2008 the EU Commission announced that the state rescue measures which the IKB had received since the beginning of the crisis in July 2007 were approved, subject to conditions and requirements.

The approval of the rescue measures made possible the continued existence of IKB as a bank focussing on small and medium-sized enterprises. The radical conditions include a drastic reduction of IKB's business activities, the discontinuation of the Real Estate Finance segment and closing certain international offices. By 30 September 2011, total group assets are to be reduced to € 33.5 billion (from the current level of € 45.6 billion as of 30 September 2008 and € 63.5 billion on 31 March 2007, before the start of the IKB crisis).

In detail the conditions are as follows:

- Discontinuation of the Real Estate Finance segment (no more new business, reduction of at least 60% of the portfolio by 30 September 2011; remaining portfolio over scheduled repayments); subsidiaries impacted: IKB Immobilien Management GmbH, IKB Projektentwicklung GmbH & Co. KG, IKB Projektentwicklungsverwaltungs GmbH

- Sale of the 50% IKB stake in Movesta Lease and Finance GmbH by 30 September 2011

- Winding-up or sale of IKB Capital Corporation, New York by 30 September 2011 and discontinuation of new business

- Winding up IKB International S.A., Luxemburg by 30 September 2011 (the derivatives business and credit holdings may be relocated to IKB AG in Düsseldorf) and discontinuation of new business

- Discontinuation and winding-up of the IKB business activities in Amsterdam by 31 March 2010

- Sale of non-strategic asset positions by 30 September 2011.

In the case of unforeseen circumstances, particularly the continuation of the financial market crisis or the impossibility of selling specific asset positions, the conditions can be changed or replaced by the EU Commission or an extension of the deadline granted.

Reporting takes place once a year to the EU Commission on the progress made in implementing the restructuring plan and the conditions.

Internal projects have been initiated to implement the EU conditions. They have already commenced work. New business in the Real Estate Finance segment and in IKB CC was discontinued. Preparations for transferring the internal functions from the Luxemburg subsidiary which is to be closed to the Group headquarters in Düsseldorf have been initiated.

The units and subsidiaries directly impacted by the conditions imposed currently employ almost 300 staff. Moreover, as a consequence of the restructuring, further jobs can be affected in other units of the Group. Initially the restructuring projects result in new tasks requiring employees. To the extent that personnel reductions will be made, it is intended to design them in a socially responsible manner in line with the regulatory framework.

The direct economic burden resulting from implementing the EU Commission's decision over the next three years depends to a large extent on the development of the markets for the assets which are to be scaled back. At the current moment in time, it is difficult to make a forecast on the matter. From today's perspective, the IKB estimates a negative impact to the order of approximately € 300 million.

Capital increase concluded

The cash capital increase resolved at the Annual General Meeting of IKB for the 2006/07 financial year on 27 March 2008 was concluded with the entry into the commercial register on 24 October 2008.

In this connection, the IKB AG received from the capital increase € 1.25 billion (before costs), almost solely from KfW, so that the Tier I ratio of the bank on 24 October 2008 was approximately 9.6% on the basis of the risk-weighted assets as of 30 September 2008. With the entry of the implemented capital increase, the share capital of the company increased from € 247,794,332.16 by € 1,250,000,000.00 to € 1,497,794,332.16. 488,281,250 new shares were issued.

On the basis of a stock exchange issue prospectus, the new shares were authorised for stock exchange trading on 13 November 2008. Listing commenced on 14 November 2008.

Sale agreement concluded

According to the information provided by the parties, the agreement on the sale of the IKB shares held by KfW to LSF6 Europe Financial Holdings L.P. was completed on 29 October 2008. The conditions precedent had been fulfilled (including a decision by the EU Commission in the state aid proceedings, registering the implementation of the capital increase at the Düsseldorf local court, BaFin's exemption from the obligation to make a mandatory offer in line with the Securities Acquisition and Takeover Act).

The 90.8% stake in IKB AG held by KfW was thus transferred to LSF6 Europe Financial Holdings L.P. The indirect controlling shareholder of LSF6 Europe Financial Holdings L.P. is John Grayken, USA.

In the context of the sales transactions the rights from the compensation from future profits on € 1,050 million loan granted by KfW to IKB was also transferred and then assigned to LSF6 Rio (Ireland) Limited domiciled in Dublin.

Challenges to the AGM resolutions

In October 2008, there were several challenges to resolutions of the Annual General Meeting on 28 August 2008. The challenged resolutions on contingent and authorised capital have since been entered into the commercial register, despite ongoing claims. In order to secure legal certainty of the entries the IKB has petitioned the district court for approval proceedings.

Capital strengthened with Lone Star

On the basis of the authorisation of the Annual General Meeting of 28 August 2008, the IKB AG Board of Managing Directors resolved to issue a subordinate convertible bond at a nominal amount of € 123.67 million and at an issue price of 100%. Conditions for the existence of a conversion obligation and conversion privilege are that the recessionary actions against this authorisation are settled and the resolution is entered as final into the commercial register. Unless these conditions have occurred by 12 April 2012, conversion obligation and conversion privilege no longer apply. In this case, the bond would have to be repaid on 12 April 2014. IKB anticipates that the conditions will be met in 2009.

At all times, the investors in the convertible bond have an early conversion at the nominal amount. A conversion obligation exists on 12 April 2012 at the latest, or earlier if specific regulatory ratios are met by the IKB.

Until maturity, the interest rate of the convertible bond is 9.5% p.a. In the case of mandatory conversion on the mandatory conversion date of 12 April 2012, the interest rate increases by a further 12.5% p.a.; in the case of an optional conversion or an early mandatory conversion as a result of specific Tier I ratios not being achieved, in addition to the interest rate of 9.5% an additional amount shall be granted equivalent to the interest amount which would have accrued at an interest rate of 1.25% p.a. for the period between the interest payment start and the mandatory conversion date of 12 April 2012. The subscription price is € 23.04 and the conversion price is € 2.56 per share.

In a non-public offer for subscription, IKB AG shareholders were offered these convertible bonds with a contingent conversion obligation and contingent conversion privilege at a ratio of 109 shares to 1 convertible bond; fractional amounts are excluded from the subscription. One bond carries the authorisation to subscribe to 9 new shares at a conversion price of € 2.56 per share.

A subsidiary of the Lone Star group, LSF6 Rio S.a.r.l., Luxemburg, has undertaken to assume all convertible bonds not subscribed to by other IKB AG shareholders. IKB received proceeds of € 123.7 million as a result of the bond issue on 11 December 2008. After implementation of the conversion, the IKB AG would total up to € 1,621 million (previously: € 1,498 million), divided into up to 633,384,923 non-par shares (previously: 585,075,911).

In addition to the convertible bond, LSF6 Rio S.a.r.l., Luxemburg assumed an IKB AG subordinate bond totalling € 101.3 million on 27 November 2008. The subordinate bond has a duration to 27 November 2018 and a coupon of 12% p.a. The issuer can terminate the bond for the first time on 27 November 2013. On 16 December 2008, LSF6 Rio S.a.r.l., Luxemburg, also assumed a further IKB AG subordinate bond totalling € 150,000 with the same conditions as the subordinate bond totalling € 101.3 million from 27 November 2008.

The purchase of the convertible bond and subordinate bonds implement the announced increase of IKB equity on the part of Lone Star at a level of € 225 million in line with the conditions of the BaFin in the notification on the exemption from the obligation to publish the assumption of control and a mandatory offer for IKB AG shares.

Transfer of portfolio investments into a special-purpose company

A nominal amount of € 2.7 billion of the remaining portfolio investments at IKB which were not in the core segments totalling € 3.3 billion was transferred to the special-purpose company Rio Debt Holdings (Ireland) Limited at the beginning of December 2008. With part of the portfolio investments at a nominal value of € 1 billion, the transfer took place on a synthetic basis in the form of a total return agreement. The senior refinancing of the special-purpose company in an amount of € 565 million (consisting of partial amounts of € 423 million and US$ 178 million) is provided by KfW. Lone Star has granted a mezzanine loan in an amount of € 145 million (consisting of partial amounts of € 35 million and US$ 139 million). IKB AG acquired the first loss positions amounting to € 193 million (US$ 243 million). At IKB the maximum risk of losses is thus limited to this amount. Overall, this resulted in liquidity inflows at IKB of € 710 million. Most of the reversal opportunities remain at IKB. The special-purpose company is to be consolidated in the IFRS consolidated financial statements.

From the portfolio investments in a nominal amount of € 0.6 billion which have not been transferred, IKB expects a positive value development overall.

Havenrock

IKB AG and IKB International S.A. assumed at the rate of 25% first loss risks arising from the Havenrock entities (of a nominal value of € 4.4 billion). This was almost completely covered by the KfW risk shield at the reporting date, with IKB's risk reduced to US$ 79 million which was fully included in the income statements of the two previous years.

This risk shield agreement with KfW was terminated early at the end of October 2008. To settle its outstanding payments obligations, KfW paid IKB a total of US$ 1,189 million in November 2008.

Other transactions

In order to strengthen its refinancing structure, IKB International S.A. initiated the "Sigismund CBO 2008-1" transaction (securitisation of a corporate bond portfolio), allowing it to raise an additional amount of around € 0.2 billion from the Luxemburg Central Bank/ECB since mid-October.

To generate liquidity, IKB also used the securitisation platform Bacchus for Collateralised Loan Obligations (CLOs) to securitise receivables from acquisition and project financing. The transactions BACCHUS 2008-1 and BACCHUS 2008-2 implemented in 2008 were to create collateral for ECB refinancing.

BACCHUS 2008-1 is a true-sale securitisation of senior secured loans acquisition financing with a total volume of € 626 million divided into two tranches, € 500 million in the first and € 126 million in the second. In respect to the first tranche, the transaction was concluded on 10 October 2008. The closing for the second tranche occurred on 20 November 2008.

BACCHUS 2008-2 is a true-sale securitisation of European infrastructure financing and financing of wind and solar parks with a total volume of up to € 750 million. The Bacchus 2008-2 issue also took place in two tranches. The closing for the first tranche of € 454 million took place on 3 December 2008. According to current planning, the closing for the second tranche in respect to the remaining amount will take place in the middle of January 2009. The risk from the securities fully acquired by IKB is that of the credit risk of the securitised receivables.

A large part of the IKB AG securities is made up of the so-called ELAN notes (from the bonds issued by the consolidated special-purpose company ELAN Ltd., Jersey). The IKB used the public-sector mortgage bonds from the ELAN special-purpose companies to procure liquidity at the ECB, thus generating cash inflows exceeding € 0.75 billion.

By agreement dated 22/23 September 2008, IKB acquired 100% of IVG Kavernen GmbH, Bonn, a subsidiary of its Bonn-based corporate client IVG Immobilien AG. IKB is thus supporting its customer, IVG, in structuring a sales transaction and reorganising its Caverns division. The purchase agreement was completed on 28 November 2008. From the transaction IKB will achieve gains of € 186 million.

Changes in the Group

Companies in Romania were established in the course of developing business activities in Leasing in Central and Eastern Europe. On 1 October 2008, IKB Leasing Finance IFN SA was founded in addition to the existing Romanian company, IKB Leasing SRL in Bucharest. The purpose of IKB Leasing Finance IFN SA is to enter the market for finance leases in Romania. It was necessary to establish a new company due to the fact that in Romania finance leasing is subject to approval and supervision by the National Bank. The new company will be included in the scope of consolidation from 1 October 2008.

Deposit insurance

In its capacity as service provider for the Deposit Protection Fund of the private banks, in line with its articles the Auditing Association of German Banks imposed conditions for IKB AG for maintaining its deposit protection. It has stipulated conditions above and beyond the conditions of the EU Commission – primarily that the Tier I ratio of the IKB Group in line with the German Commercial Code may not move below 8% to the accounting dates until 31 March 2011 (including the mandatory convertible bonds). In addition, the level of client deposits protected is limited to a volume not exceeding € 9 billion to 30 September 2011. From this time, protected customer deposits may not exceed € 6 billion. The terms of the conditions are currently being negotiated by the Auditing Association of German Banks and the IKB AG Board of Managing Directors.

SoFFin guarantees

In December 2008, the Financial Market Stabilisation Fund (SoFFin) granted IKB a guarantee framework for new bonds of up to € 5 billion. IKB is currently negotiating with the SoFFin and is expecting a contract to be concluded in the first weeks 2009. The guarantees have been approved by the EU Commission.

The IKB Board of Managing Directors made an application for guarantees because the situation on the money and capital markets since the insolvency of the Lehman Brothers investment bank in September 2008 deteriorated in such a radical fashion that trading has virtually ground to a halt. Currently obtaining adequate refinancing is virtually impossible.

Bonds guaranteed by the state may have durations not exceeding 36 months, with the guarantees being extended no longer than the end of 2012. With issues guaranteed by the state, IKB intends to secure its liquidity in the currently extremely difficult capital market situation and to stabilise the business with its small and medium-sized enterprises.

In the context of the guarantee agreement with the SoFFin, the IKB AG Board of Managing Directors, with approval of the Supervisory Board, undertook to carry out the measures stipulated by the EU Commission in the state aid proceedings. IKB has not applied for SoFFin assistance for recapitalisation or risk transfer.

The first state-guaranteed issue is scheduled for the beginning of 2009. Depending on market sentiment, the issue volume could be € 1.5 billion.

Personnel changes

Detlef Leinberger stepped down from the Supervisory Board with effect from 6 October 2008.

On 30 October 2008, the Supervisory Board elected as its Chairman Bruno Scherrer, Head of European Investments, Senior Managing Director of the US investor Lone Star. In line with the application of the IKB AG Board of Managing Directors in accordance with section 104 of the German Stock Corporation Act, the Düsseldorf local court previously appointed Bruno Scherrer as a member of the IKB AG Supervisory Board.

The resolution to reduce the number of members in the Supervisory Board to 15 passed by the Annual General Meeting on 28 August 2008 becomes effective on 15 December 2008. On 18 November 2008, Werner Möller resigned his mandate with immediate effect. Subsequently Dieter Ammer, Dr Jens Baganz, Roland Oetker and Jochen Schametat as well as Rita Röbel stepped down from the Supervisory Board with effect from 30 November 2008 and Randolf Rodenstock on 3 December 2008 with immediate effect.

By decision of the Düsseldorf local court, Dr Karsten von Köller was appointed as a member of the IKB AG Supervisory Board with effect from 16 December 2008.

At its meeting on 8 October 2008, the Supervisory Board of IKB AG extended the mandates of the Chairman of the Board of Managing Directors, Dr Günther Bräunig, until 31 October 2008 and the member of the Board of Managing Directors, Dr Dieter Glüder, until 15 October 2011. As of 31 October 2008, the previous Chairman of the Board of Managing Directors retired as scheduled from the Board of Managing Directors.

At its meeting on 30 October 2008, the Supervisory Board appointed Hans Jörg Schüttler as Chairman of the IKB AG Board of Managing Directors with effect from 1 November 2008.

Effects of the current financial market crisis on IKB after the end of the reporting period

After the insolvency of the US investment bank Lehman Brothers in September 2008 the financial market crisis intensified considerably. Money and capital markets are even less available than was previously the case. Volatilities for many products, especially for interest rates, reached all-time highs.

Model valuations of portfolio investments based on market indicators show fair values still declining. Due to the high volatility, IKB option issuer positions in long-term structured interest products have experienced sharp losses in terms of market value.

Currently no estimate can be given with respect to the impact of the global economic downturn on the credit business. Negative trends are already evident in certain industries, particularly in the automotive sector. Many industries are already experiencing a considerable decline in sales and production, a trend which is likely to accelerate in 2009. For this reason, we are expecting a considerable increase in insolvencies in 2009 and 2010, and thus an upturn in non-performing loans and defaults.

In the bond market and the secondary market for credits – to the extent that there is still liquidity – with higher volatilities and credit spreads the anticipated economic slump is already impacting tangibly in the form of remeasurement losses. In particular, this also impacted securitised credit risks. Even after the first half-year of the current financial year, there were further valuation losses on structured securities and thus additional charges in the income statement.

In addition, IKB is currently unable to estimate the extent to which the economic difficulties affecting member banks of the Deposit Protection Fund will trigger payments from the other member banks.

4. Net assets, financial position and results of operations as of 30 September 2008

Business development

Since the start of the crisis more than a year ago, IKB has significantly reduced its new business volume in response to the liquidity and equity situation. In the first half-year of the 2008/2009 financial year, new business amounted to € 3.5 billion, down 59% on the same period of the previous year.

Income Statement Figures

In the first half-year of 2008/09, the IKB Group recorded an operating result of € 287 million after € –889 million in the same period of the previous year. The Bank's earnings performance is still dominated by the crisis situation and the turbulent financial market environment which impacts the net income from financial instruments at fair value, income from investment securities and net other operating income.

The following table shows the main extraordinary factors affecting the Bank's operating result, broken down into the individual income statement items:

1 April 2008 to 30 September 2008 in € million	Net income from financial instruments at fair value	Income from investment securities	Net other operating income	Total Q1 + Q2 2008/09	Total Q1 + Q2 2007/08	Change
Rhineland Funding				0	–66	66
Havenrock	0			0	–251	251
Portfolio investments	113	–192		–79	–798	719
Losses on long-term investments and derivatives and exchange rate items in terms of market value	–206	–42		–248	–237	–11
Change in fair value of liabilities (due to creditworthiness)	271			271	609	–338
Measurement of liabilities in accordance with IAS 39 AG 8			421	421	0	421
Other	0	0	–15	–15	–32	17
Sub-total	**178**	**–234**	**406**	**350**	**–775**	**1 125**
Net interest income				203	200	3
Provision for possible loan losses				107	166	–59
Net fee and commission income				24	34	–10
Net income from investment accounted for using the equity method				–8	1	–9
Administrative expenses				175	183	–8
Sub-total				**–63**	**–114**	**51**
Operating result				**287**	**–889**	**1 176**

Some totals may be subject to discrepancies due to rounding differences

The Rhineland Funding conduit, which was deconsolidated with effect from 31 July 2007, and the Havenrock entities no longer affected or no longer had a material impact on the Bank's earnings situation in the first half year of 2008/09.

Portfolio investments had an overall effect on the income statement of € –79 million. The fair value result from portfolio investments totalled € 113 million and was composed of gains on the sale of investment securities in the amount of € 69 million and a net remeasurement gain of € 44 million. The net loss from investment securities of € –192 million is strongly attributable to the development of the financial market crisis over recent weeks, as the Bank is required to carry portfolio investments classified as investment securities at amortised cost until the preparation date of the financial statements (adjusting events after the balance sheet date). This resulted in a net remeasurement loss of € –201 million in the first half-year. On the other hand, there was a gain of € 9 million on the sale of investment securities.

The current market environment resulted in a net trading loss of € 206 million on other long-term investments, derivatives and foreign exchange items. The net loss on investment securities in the amount of € 42 million is primarily attributable to a write-down on the shares held in Natixis.

In prior years, for part of its liability items IKB opted for recognition at fair value though profit and loss. As early as the 31 March 2008 reporting date, the crisis at IKB led to remeasurement gains of € 1,735 million on these items, as market indicators suggested that their value had declined significantly. At 30 September 2008, the measurement of these liability items had declined further, e.g. based on IKB's CDS spreads and other market indicators, resulting in a positive fair value result of € 271 million in the first six months of the 2008/09 financial year. This amount is made up of a loss of € 423 million in the first quarter and a gain of € 694 million in the second quarter.

On the basis of changed estimates relating to expected cash flows, liabilities measured in accordance with IAS 39 AG8, especially the two compensation agreements due to the KfW debt waiver which are carried as liabilities, resulted in other operating income of € 421 million. The changed estimates relate primarily to the EU decision on compensation measures. However, they also take into account the considerably more difficult refinancing situation and the concomitant high funding costs.

The disclosures on the other consolidated income statement items are as follows:

In the reporting period, at € 203 million, net interest income was almost unchanged year-on-year (previous year: € 200 million). Behind this trend are counteracting gross changes, which however balance each other out: Net interest income from the Portfolio Investments segment declined by € 45 million. This was due to the sharp decline in volume and the deconsolidation of Rhineland Funding. Amortisation and write-downs resulting from hedge adjustments to be discontinued in accordance with IFRS 1 IG 60A and IG 60B to be reported in net interest income resulted in € 50 million lower interest expense.

At € 107 million, the provision for possible loan losses was considerably lower (€ 166 million). This is primarily due to the fact that the previous-year figure was impacted by considerable adjusting effects. As last-year's half-year financial statements were only prepared on 24 April 2008, appropriate provisions had to be taken for risks which had occurred before 30 September 2007 but which had only become known at the time the interim consolidated financial statements were prepared.

Against the equivalent period in the previous year, net fee and commission income declined by 29%, from € 34 million to € 24 million. This decrease of € 10 million is primarily due to the Corporate Clients, Structured Finance and Portfolio Investments segments.

The loss of € 8 million on investments accounted for at equity (previous year generated a positive result of € 1 million) was primarily attributable to the measurement at equity of Movesta Lease and Finance GmbH due to a non-recurring effect arising from the assumption of real estate transfer tax liabilities for property companies of Movesta Lease and Finance GmbH.

Administrative expenses declined by 4.3% to € 175 million. Whereas personnel expenses fell by 7.7% to € 85 million, largely as a result of the reduction in the number of employees, at € 90 million other administrative expenses remained approximately at the level of the previous year. This is due in particular to the sustained high level of external costs for managing the crisis and the sharp rise in deposit insurance premiums for the current and past financial years. On September 30, 2008, the number of fulltime employees was 1,758 (previous year: 1,840).

The tax expense of € 37 million (previous year: € 76 million) is broken down into € 11 million on foreign income taxes and € 24 million on deferred taxes, largely due to write-downs on deferred tax assets recognised on losses carried forward in Luxembourg.

Overall, net income for the period of € 250 million was generated (€ –965 million).

Earnings per share amounted to € 2.58 in the first half-year of 2008/2009 (previous year: € –10.98). No dilutive measures were implemented in the first six months of the current financial year. Details of the capital increase and the convertible bond can be found in the supplementary report.

Segment reporting

In the first six months of the 2008/09 financial year, the Corporate Clients segment, which encompasses the Bank's domestic corporate lending, leasing and private equity activities, recorded an operating result of € 29 million (previous year: € –17 million).

Net interest income from operating activities remained approximately at the level of the previous year. The new business margin declined slightly to 0.99% in the period under review (previous year: 1.04%), largely as a result of higher refinancing costs. The new business volume, which fell to € 2.0 billion (previous year: € 2.6 billion) reflects the selective approach due to the equity and liquidity situation at IKB and the changed rating and profitability requirements. Administrative expenses increased slightly year-on-year to € 72 million.

Having risen sharply in the 2007/08 financial year, the provision for possible loan losses developed encouragingly in the first six months of 2008/09 and now amounts to € 25 million (previous year: € 48 million).

Due to the improved operating result and lower tied-up equity, the return on equity was 8.3% (–5.1%), while the cost/income ratio improved to 57.1% (68.9%).

The Structured Finance segment, which encompasses the Bank's domestic and foreign project and acquisition financing and export financing activities, reported an operating result of € 5 million in the first six months of 2008/09 (previous year: € –10 million). At € 1.1 billion, new business declined significantly against the previous year (€ 3.1 billion), while the new business margin rose from 2.04% to 2.37%. Above-average margins were achieved in most of the international locations. Net interest income and net fee and commission income was down on the level of the previous year. In comparison to the previous year, provision for possible loan losses increased from € 26 million to € 42 million. Administrative expenses declined slightly to € 33 million.

The segment return on equity was 2.7% (previous year: –5.4%), while the cost/income ratio amounted to 41.7% (previous year: 67.9%).

The Real Estate Clients segment, which encompasses the Bank's domestic and foreign real estate financing, generated an operating result of € –1 million (previous year: € 3 million). At € 32 million, net interest income was at the same level as the figure for the previous year. At € 363 million, the new business volume was down significantly on the previous year (€ 705 million). The new business margin declined to 0.90% (previous year: 1.32%) as a result of increased refinancing costs, while the higher level of staff fluctuation led to a reduction in administrative expenses. At € 21 million, the provision for possible loan losses was considerably higher than in the first six months of the previous years (€ 14 million). This was due to non-recurring effects with portfolio allowances.

The segment return on equity was negative at –1.2% (previous year: 3.1%), while the cost/income ratio amounted to 49.6% (previous year: 55.1%).

The Portfolio Investments segment reported an operating result of € –68 million (previous year: € –1 billion). Broken down into the individual items, the fair value result amounted to € 113 million and was attributable to the gains realised on sales in the first half-year, while the net loss from investment securities amounted to € –192 million, reflecting the negative market development including adjusting events after the balance sheet date. Other operating income is impacted by costs for winding up Rhinebridge in an amount of € –8 million. The reduction in the portfolios held by the segment meant that net interest income declined to € 29 million (previous year: € 74 million). Following the previous-year increase due to project expenses and costs incurred in respect of the risk shield, administrative expenses declined again, to € 11 million (previous year: € 20 million).

The positive operating result of € 323 million in the Head Office/Consolidation segment is primarily attributable to the value measurement of liabilities and the strong decline in provisions for possible loan losses in the non-performing loans reported in this segment.

The combined operating results in the two core segments Corporate Clients and Structured Finance are positive, at € 33 million, up € 61 million year-on-year.

Net assets

At € 45.6 billion, total assets declined by € 4.7 billion or 9.3% between 31 March and 30 September 2008. This was primarily attributable to the reduction in investment securities (including portfolio investments) and receivables from KfW as a result of risk shielding posted under other assets as well as on the liabilities side from the reduction of the portfolio of securitised liabilities. In addition, carrying amounts of assets and liabilities held for trading were lower due to measurement changes.

At € 28.9 billion, loans and advances to customers remained at the same level as 31 March 2008.

Loans and advances to banks decreased slightly by € 0.5 billion to € 2.4 billion as of the reporting date. This is largely the result of the decline in interbank business.

The provision for possible loan losses declined by € 0.1 billion to € 0.7 billion, particularly as a result of utilisations.

Total trading assets fell by € 0.8 billion to € 2.8 billion. This development was driven primarily by the decline in the positive fair values of derivative financial instruments, which was primarily attributable to changes in the value of the credit derivatives concluded by the Havenrock entities for hedging purposes.

Investment securities decreased by a total of € 2.4 billion to € 10.4 billion. This was due to the maturity and sale of financial instruments, as well as further valuation adjustments.

Other assets include the receivables from KfW as a result of risk shielding, which still amount to € 0.8 billion (previous year: € 1.8 billion). The year-on-year reduction in other assets is primarily due to the utilisation of the risk shield and the corresponding settlement payments by KfW.

Securitised liabilities again fell sharply by € –3.1 billion to € 15.1 billion. This was due to maturing bonds that could not be replaced due to the difficult market environment and the IKB crisis.

Liabilities to banks declined by € 0.4 billion to € 17.1 billion. Opposite effects impact here. While there was a significant increase in borrowings from the ECB and special-purpose refinancing (e.g. KfW), as a result of the financial market crisis, interbank borrowing declined sharply in comparison to 31 March 2008. Changed estimates of expected cash flow (IFRS 39 AG8) relating to the compensation agreements of the KfW loans with the debt waiver included, which are carried as liabilities, also contributed to the decline of the balance sheet item.

Reflecting the development of trading assets, liabilities held for trading fell by € 0.8 billion to € 4.6 billion. This was primarily attributable to the hedging positions of the Havenrock entities.

As a result of rating and market-driven valuation allowances, subordinated capital declined by € 0.3 billion to € 1.5 billion.

Equity rose by € 0.2 billion to € 1.4 billion, largely as a result of the net profit for the period. The capital increase implemented at the end of October 2008 meant that equity was strengthened by a further € 1.25 billion (before costs).

At 30 September 2008, IKB held no treasury shares.

Financial position

At 30 September 2008, IKB's liquidity position remained difficult, with borrowing on the money and capital markets virtually impossible other than on a short-term basis and in collateralised form. For further details, please refer to the disclosures in the risk report.

Overall assessment

On the whole, the Bank's business development and financial position in the first half year of 2008/09 continued to be impacted to a large extent by the financial market crisis, as well as the downturn in the value of its portfolio investments and the measurement of liabilities.

5. Risk report

Risk-bearing capacity

Regulatory capital. The following table provides an overview of the Bank's regulatory risk items, equity base and equity ratios:

Regulatory risk capital	30 Sept 2008 in € million	31 March 2008 in € million
Risk-weighted assets	27 616	30 269
Market risk equivalent	925	795
Operational risk	1 324	1 330
Risk position	**29 865**	**32 394**
Tier I capital	1 635	1 941
Tier II capital	1 004	1 191
Tier III capital	52	45
Deductions	–20	–18
Equity capital	**2 671**	**3 159**
Tier I ratio in %	5.44	5.96
Overall capital ratio in %	8.94	9.75

The decline in risk-weighted assets as of 30 September 2008 reflects primarily the reduction in portfolio investments.

At the same time, Tier I capital declined from approximately € 1,941 million to € 1,635 million. The change in Tier I capital is due largely to the adjustment items determined in conjunction with the bank supervisory authorities. They are based on interim losses of IKB AG and IKB International S.A. This also resulted in Tier II capital being reduced by € 187 million, due to the fact that with subordinate capital this is limited by the level of Tier I capital.

At 5.44%, the reported Tier I ratio at Group level is higher than the regulatory minimum of 4.0%. Similarly, the reported overall capital ratio of 8.94% is higher than the regulatory minimum overall capital ratio of 8.0%.

On the basis of the risk-weighted assets as of 30 September 2008 and taking account of the capital increase which only became effect on 24 October 2008, Tier I capital has now risen to approximately 9.6% and the overall capital ratio to approximately 14.2%.

Economic capital. The Group's economic capital requirements in terms of credit risk, market price risk, general business risk and operational risk are calculated at Group level using the Bank's own models. Liquidity and strategic risks are also monitored continuously, but are not managed via economic capital as such risks (e.g. the risk of insufficient liquidity) cannot be resolved through a higher level of capital.

Compared with the previous method, which was based solely on stressed variables (particularly higher probabilities of default, forecast losses and assumptions on correlation) as a result of the Bank's crisis, statistical parameters stressed in additional and separate macroeconomic scenarios are now applied in calculating counterparty default risk. Market price risk is calculated as the integrated VaR for interest rate and spread risks assuming a holding period of one year (previous method: 10 days plus a separate fair value performance limit for management interventions). A 20% VaR discount is applied for management interventions. Operational risk was previously calculated using a simplified basic indicator approach in conjunction with an additional stress factor (+200%). Under the new method, VaR quantification is also performed using a Monte Carlo simulation based on loss allocation. There were no changes to the method applied in calculating business risk. It is based on an historical observation of the quarterly deviations between the targeted and actual interest and fee/commission income and the observed deviations in administrative expenses.

The following table shows the proportion of economic capital for the individual risk types assuming a confidence level of 99.94% compared with the total available economic capital of almost € 3.3 billion classified as risk cover from the perspective of a non-subordinated creditor (liquidation approach).

	30 Sept 2008		30 June 2008		31 March 2008		31 March 2008 Old method	
Economic capital requirements	in € million	in %	in € million	in %	in € million	in %	in € million	in %
Counterparty default risk (without portfolio investments)	920	38	911	44	970	50	1 206	67
Market price risk*								
excluding portfolio investment spread risk	707	–	480	–	680	36	169	9
including portfolio investment spread risk	1 250	51	882	43	n. a.	–	n. a.	–
Operational risk	120	5	120	6	120	6	277	15
Business risk	154	6	153	7	156	8	156	9
Total excluding portfolio investment spread risk	1 901		1 664		1 926	100	1 808	100
Total including portfolio investment spread risk	2 444	100	2 065	100				

* As of 30 September 2008, the methods for quantifying the market price risk was revised (cf. comments below).

One significant consequence of the crisis was supplementing the risk capacity concept with macroeconomic stress scenarios and additional analyses with a long-term going concern perspective, applying considerably tighter limits in terms of the risk cover available for economic capital requirements.

The macroeconomic scenarios (e.g. credit crunch and recession) reflect the impact of possible developments from IKB's perspective, taking the form not only of increased defaults and lower recovery rates, but also in particular higher interest rate and spread risks. The scenarios are regularly adjusted in line with changing economic expectations.

For a risk horizon to March 2010, the maximum economic capital requirements for these additional macroeconomic stress scenarios, which correspond to the total of the individual risk items before diversification between the various risk types, amount to between € 3.0 billion and € 3.1 billion. As of 30 June 2008, this figure was between € 2.6 billion and € 2.8 billion.

Particularly to the end of the reporting period at the time of the insolvency of the US investment bank Lehman Brothers, this crisis in the banking sector resulted in the simultaneous widening of credit spreads, increases in relevant interest rate and spread volatility as well as significant interest reductions. For an appropriate weighting of the extreme market scenario this market price risk method was changed to the end of the reporting period. To 30 June 2008, the market risk figures in the above tables were based on a value-at-risk approach at the level of the most extreme market scenario of the last two years (500 observations), equivalent to a 99.8% quantile. This result was then transformed to a confidence level of 99.94%.

With such a method, the worst scenario of the last two years is always the decisive scenario for the basis scenario VaR. However, in the case of extreme market developments as were observed in the recent past, the risk quantification in the basis situation is already equivalent to a stress scenario. However, as this extreme scenario actually corresponds to a considerably higher quantile (there were no comparable combined market movements over the last 10 years), the change over to a method in which the target quantile of 99.94% is derived from the 25 worst market movements of the last two years. The comparative figures using the revised market risk methods calculated retroactively to 30 June 2008 amount to € 461 million (without spread risk of the portfolio investments) and € 1,038 million (with spread risk of the portfolio investments).

In the context of risk analysis and monitoring, market developments in connection with the insolvency of the Lehman Brothers investment bank will continue to be used as a stress scenario.

In order to reflect the going concern perspective in the risk capacity concept, a significantly reduced level of risk cover is applied on the basis of the minimum capitalisation expected on the part of the capital markets. The calculations as of 30 September 2008 show that even when taking account of the diversification effect, the risks (€ 318 million) still slightly exceed the available risk cover of € 301 million as of the reporting date. In the process, neither the risk minimisation as a result of the since completed sale (or risk transfer) of further portfolio investments nor the capital injection by Lone Star which was still outstanding at this point in time were taken into account. In order to secure the risk-bearing capacity from a going concern perspective, the Bank also plans to reduce the substantial volatility affecting its interest change risk.

Counterparty default risk. In the first six months of the current financial year, counterparty default risk in the market segments was still negligible. In the bond market and the secondary market for credits – to the extent that there is still liquidity – the economic slump and the financial market crisis is already impacting tangibly in the form of remeasurement losses. An upturn in non-performing loans across the Bank will probably only be evident from 2009. However, it cannot be excluded that in individual industries (e.g. automobile and automobile supplier) initial signs can already be identified at the end of the third quarter of the financial year.

Structure of counterparty default risk. For reporting purposes, the Bank has calculated the credit volumes as of 30 September 2008 and 31 March 2008 as follows:

Credit volume	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Loans to banks	41	30	+11
Loans to customers	26 823	26 844	–21
Portfolio investments, corporate and government bonds	4 309	5 717	–1 408
Operating and finance leases	2 070	1 951	+119
Contingent liabilities, CDSs and guarantees	1 848	3 100	–1 252
Total	**35 091**	**37 642**	**–2 551**

The change of € –1,252 million in contingent liabilities, CDSs and guarantees is primarily attributable to changes in the Bank's holdings of CDSs and guarantees.

Size[1] in € million	30 Sept 2008 Credit volume*		Number[1]	31 March 2008 Credit volume*	
Under € 5 million	6 070	17%	19 684	6 059	16%
Between € 5 million and € 10 million	3 807	11%	525	3 840	10%
Between € 10 million and € 20 million	5 002	14%	371	5 077	13%
Between € 20 million and € 50 million	5 019	14%	172	4 635	12%
Over € 50 million	3 532	10%	34	3 700	10%
Market segments	**23 430**	**67%**	**20 786**	**23 311**	**62%**
Risk transfers[2]	9 894	28%		9 965	26%
Market segments (total)	**33 324**	**95%**		**33 276**	**88%**
Under € 50 million	390	1%		2 198	6%
Between € 50 million and € 100 million	519	1%		594	2%
Over € 100 million	857	2%		1 574	4%
Portfolio Investments segment	**1 767**	**5%**		**4 366**	**12%**
Group (total)	**35 091**	**100%**		**37 642**	**100%**

[1] Borrower groups in accordance with section 19 KWG; number of borrower groups
[2] Hermes guarantees, indemnifications, risks transferred
* Some totals may be subject to discrepancies due to rounding differences.

Since the start of the financial year, the overall credit volume has declined by € 2.5 billion. The strongest decline was in the Portfolio Investments segment in which the credit volume declined by € 2.6 billion to € 1.8 billion. This was due to selling portfolio investments, the settlement of the receivables against KfW from the risk shielding and ongoing losses in terms of market value.

Also down were exposures over € 50 million in the market segments. In this category, the average exposure level declined from € 105.7 million to € 103.9 million.

Risks transferred to third parties, which totalled € 9.9 billion, include loans for which the default risk has been assumed by banks or public authorities, as well as the synthetic transfer of loan receivables. At the reporting date, the volume of loans and advances placed via securitisation amounted to € 6.8 billion. To this end, IKB has acquired securitisation products with a nominal value of € 14 million, including the first loss risk arising from the underlying engagements.

Collateral, risk transfer and securitisation.

Collateral in € million	30 Sept 2008 Credit volume*		31 March 2008 Credit volume*	
Property liens and charges	7 736	22%	8 245	22%
Transfers of ownership	2 535	7%	2 460	7%
Other collateral[1]	7 315	21%	6 753	18%
Without collateral	5 844	17%	5 853	16%
Market segments	**23 430**	**67%**	**23 311**	**62%**
Risk transfers[2]	9 894	28%	9 965	26%
Market segments (total)	**33 324**	**95%**	**33 276**	**88%**
Portfolio Investments segment	**1 767**	**5%**	**4 366**	**12%**
Group (total)	**35 091**	**100%**	**37 642**	**100%**

1) E.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, fixed and floating charges, mortgage over shares
2) Hermes guarantees, indemnifications, risks transferred
* Some totals may be subject to discrepancies due to rounding differences.

Not least as a result of the decrease in real estate financing the credit volume secured by property liens and charges decreased since the beginning of the financial year by approximately € 0.5 billion. The approximately € 0.6 billion increase in volume backed by other collateral is the result of expanded volume in the Structured Finance segment.

Risk limitation is supported by the collateral provided by portfolio-oriented risk transfer using consortial engagements and risk transfer by securitisation.

Geographical structure.

Regions in € million	30 Sept 2008 Credit volume*		31 March 2008 Credit volume*	
Germany	14 558	41%	15 231	40%
Western Germany	12 080	34%	12 543	33%
Eastern Germany	2 477	7%	2 688	7%
Outside Germany	8 872	25%	8 080	21%
Western Europe	6 661	19%	6 063	16%
North America	1 172	3%	1 098	3%
Other	1 038	3%	919	2%
Market segments	**23 430**	**67%**	**23 311**	**62%**
Risk transfers[1]	9 894	28%	9 965	26%
Market segments (total)	**33 324**	**95%**	**33 276**	88%
Portfolio Investments segment	**1 767**	**5%**	**4 366**	**12%**
Group (total)	**35 091**	**100%**	**37 642**	**100%**

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

The approximately € 0.8 billion increase in credit volume outside Germany took place primarily in Western Europe (€ +0.6 billion) with a focus in Great Britain (€ +0.2 billion), Spain and France (each € +0.1 billion).

Breakdown of the country lending obligations according to the IKB country rating:

Country rating[1] in € million	30 Sept 2008 Credit volume Total[2]	Rating 1–1.5	2–2.5	3–3.5	4–4.5	5–6
Outside Germany	8 872	8 539	215	62	52	3
Western Europe	6 661	6 661	0	0	0	0
North America	1 172	1 172	0	0	0	0
Other	1 038	705	215	62	52	3

[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 collaterals are made.
* Some totals may be subject to discrepancies due to rounding differences.

€ 3 million of the utilisation of loans and advances reported under risk classes 5.0 to 6.0 relates to Iran.

IKB was impacted by the Iceland crisis with only a single-digit loss in millions.

Sector structure.

Sectors in € million	30 Sept 2008 Credit volume*		31 March 2008 Credit volume*	
Industrial sector	16 916	48%	16 476	44%
Mechanical engineering	1 313	4%	1 261	3%
Energy supply	1 226	3%	1 086	3%
Retail (excluding motor vehicles)	1 011	3%	993	3%
Services	988	3%	895	2%
Metal manufacturing	844	2%	786	2%
Chemical, coal and oil processing	788	2%	750	2%
Transport support services	787	2%	760	2%
Trade mediation	705	2%	674	2%
Health and community care	670	2%	729	2%
Food/beverages and tobacco	661	2%	764	2%
Manufacturing of vehicles and parts	655	2%	663	2%
Other (under € 0.6 billion)	7 268	21%	7 116	19%
Real estate	3 526	10%	3 779	10%
Financial sector	958	3%	1 039	3%
Public sector/banks	2 030	6%	2 017	5%
Market segments (total)	**23 430**	**67%**	**23 311**	**62%**
Risk transfers[1)]	9 894	28%	9 965	26%
Market segments (total)	**33 324**	**95%**	**33 276**	**88%**
Portfolio Investments segment	**1 767**	**5%**	**4 366**	**12%**
Group (total)	**35 091**	**100%**	**37 642**	**100%**

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

The Bank continues to demonstrate a high degree of diversity in terms of industrial sectors, with no single sector representing more than 4% of its total lending portfolio. The real estate sector is broken down into office (4%), mixed use (2%), retail (2%) and other properties (2%).

In a current analysis credits with a volume of approximately € 270 million were identified in other industries whose economic success indirectly depends on the automobile industry. Thus a credit volume of close to € 1 billion is directly or indirectly related to the manufacture of vehicles or vehicle parts.

Credit rating structure in lending business.

Credit rating structure: market segments[1) in € million	30 Sept 2008 Credit volume*		31 March 2008 Credit volume*	
1–1.5	5 509	17%	5 633	17%
2–2.5	7 841	24%	7 734	23%
3–3.5	5 714	17%	5 386	16%
Sub-total I	**19 063**	**57%**	**18 753**	**56%**
4–4.5	2 094	6%	2 000	6%
5 and above	825	2%	889	3%
Non-performing loans (total)	1 447	4%	1 669	5%
Sub-total II	**23 430**	**70%**	**23 311**	**70%**
Risk transfers[2)]	9 894	30%	9 965	30%
Total	**33 324**	**100%**	**33 276**	**100%**

[1)] Higher rating classes reflect lower creditworthiness
[2)] Hermes guarantees, indemnifications, risks transferred
* Some totals may be subject to discrepancies due to rounding differences.

The decline in credit volume for rating classes 1-1.5 is the result of a worsened average industry classification resulting in weaker internal ratings.

Non-performing loans. The Bank has a particular focus on non-performing loans. A loan is classified as non-performing if (i) insolvency proceedings have been initiated, (ii) interest or principal payments are more than 90 consecutive days in arrears, or (iii) there are other clear signs that the debtor is unable to meet the respective contractual obligations in the absence of any objective indications of subsequent payment or the realisation of collateral. The liquidation value of the available collateral is taken into account in such cases.

The following table provides an overview of the loans and advances in the market segments that are classified as non-performing:

Non-performing loans: market segments	30 Sept 2008 Credit volume in € million	31 March 2008 Credit volume in € million	Change	
			in € million	in %
Germany	**1 120**	**1 364**	**–244**	**–18%**
Western Germany	631	730	–99	–14%
Eastern Germany	490	635	–145	–23%
Outside Germany	**115**	**107**	**+8**	**+8%**
Impaired (non-performing) loans	**1 235**	**1 471**	**–236**	**–16%**
Securities (impaired financial assets)	**212**	**198**	**14**	**+7%**
Non-performing loans (total)	**1 447**	**1 669**	**–222**	**–13%**
As % of market segment credit volume	**4.4%**	**5.0%**		

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

The decline of non-performing loans is due primarily to the ongoing reduction of problem exposures in Germany. Approximately € 226 million of risk provisions were utilised.

On the other hand, non-performing loans outside Germany increased slightly, as did impairments of particularly monitored securities (impaired financial assets). Half of the increase in impaired financial asserts is due to currency factors.

Risk provisions.

	1 April 2008–30 Sept 2008 in € million	1 April 2007–30 Sept 2007 in € million	Change in %	1 April 2007–31 March 2008 in € million
Additions/releases				
Additions to individual loan loss provisions/accruals	112.2	235.8	–52%	391.5
Direct write-downs	5.4	3.0	+80%	11.5
Receipts from loans written down	–5.1	–3.2	+59%	–6.8
Additions to/releases of portfolio allowances	29.4	–10.4	–	–19.6
Releases of individual loan loss provisions/accruals	–35.2	–59.1	–40%	–121.4
Provision for possible loan losses	**106.7**	**166.1**	–36%	**255.2**
Portfolio development				
Individual loan loss provisions/accruals				
Opening balance	801.5	1 019.3	–21%	1 019.3
Utilisation	–228.0	–193.0	+18%	–453.4
Release	–35.2	–59.1	–40%	–121.4
Reclassification	–	–0.6	–	–0.7
Unwinding	–10.9	–16.6	–34%	–32.9
Additions to individual loan loss provisions/accruals	112.2	235.8	–52%	391.5
Effect of changes in exchange rates	1.2	–0.2	–	–0.9
Total individual loan loss provisions/accruals	**640.8**	**985.6**	**–35%**	**801.5**
Portfolio allowances				
Opening balance	83.0	103.6	–20%	103.6
Addition/release	29.4	–10.4	–	–19.6
Effect of changes in exchange rates	0.7	–0.4	–	–1.0
Total portfolio allowances	**113.1**	**92.8**	**+22%**	**83.0**
Total risk provisions (including accruals)	**753.9**	**1 078.4**	**–30%**	**884.5**

The provision for possible loan losses is € 106.7 million, € 29.4 million (28%) of which relates to additional portfolio allowances. This is not the result of a deterioration in the portfolio, but a change in the parameter estimates deployed. The focus of the additions to risk provisions in the Structured Finance segment, where € 42 million was transferred. The total change in the provision for possible loan losses is below the previous-year level of € 166 million, although this was based on a longer period for adjusting events.

Risk provisions for the Bank's traditional lending business, including portfolio allowances, totalled € 754 million at the reporting date. The risk provision cover of loans classified as impaired amounted to 52% (31 March 2008: 54%).

Investments in structured credit products.

At 30 September 2008, the IKB Group's investments in structured security portfolios comprised the following:

- investments by IKB AG and IKB subsidiaries with a nominal value of € 3.5 billion;
- the protected first loss risk in the Havenrock entities in the amount of € 0.97 billion. KfW assumed approximately € 0.91 billion of this on the reporting date. IKB's risk is limited to € 0.06 billion.

IKB Group portfolio investments

Credit rating structure* of IKB's portfolio investments (excluding Havenrock)

	30 Sept 2008 Nominal amount in € billion	30 June 2008 Nominal amount in € billion	31 March 2008 Nominal amount in € billion	31 March 2007** Nominal amount in € billion***
Aaa	0.7	1.1	1.6	2.1
Aa	0.9	1.7	1.8	2.9
A	0.3	0.6	1.1	1.2
Baa	0.4	0.5	0.4	0.6
Ba/B	0.4	0.5	0.3	0.1
Sub B	0.9	0.8	0.5	0.2
	3.5	**5.1**	**5.7**	**7.0**

* Moody's ratings. Where two or more ratings are available, the less favourable rating is used.
** The figures for 31 March 2007 include assets in the amount of € 0.3 billion that were transferred to Rhinebridge following its formation in June 2007.
*** Some totals may be subject to discrepancies due to rounding differences.

Since the beginning of the financial year, the portfolio of structured securities has contracted significantly, primarily as a result of sales. A total nominal amount of € 2.3 billion was sold, € 1.9 billion of which in the second quarter of the current financial year. The majority (€ 1.6 billion) was sold to KfW.

The shielding from KfW with the support of the banking associations was terminated early in July 2008. The remaining amount of approximately € 0.4 billion from the risk shielding was paid to IKB at the end of July 2008.

Underlying asset structure of IKB's portfolio investments (excluding Havenrock)

Underlying portfolios	30 Sept 2008 Nominal* amount in € billion	30 Sept 2008 in %	31 March 2008 Nominal* amount in € billion	31 March 2008 in %*
Corporates	1.2	34	2.7	46
ABS	2.1	61	2.3	41
thereof with sub-prime content	1.6	47	1.8	32
ABS/Corporates mixed	0.2	6	0.7	13
thereof with sub-prime content	0.2	6	0.2	4
	3.5	**100**	**5.7**	**100**

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

All investments with mixed underlying assets (ABS/Corporates mixed) were sold in the second quarter of 2008/09. However, a nominal amount of € 0.2 billion remained in the IKB accounts. This is because, as a result the purchase prise (which was considerably below the fair value) and a compensation from further profits, the opportunities and risks from the capital payments of the investments, exceeding 37.5% of the nominal value, remain at IKB.

Rating structure of IKB's portfolio investments with underlying corporate assets as of 30 September (excluding Havenrock)

Credit rating structure**	30 Sept 2008 Nominal in € billion Total*	31 March 2008 Nominal in € billion Total*
Aaa	0.3	0.6
Aa	0.6	1.3
A	0.1	0.5
Baa	0.1	0.1
Ba/B	0.0	0.1
Sub B	0.1	0.1
	1.2	**2.7**

* Some totals may be subject to discrepancy due to rounding differences.
**Moody's ratings. Where two or more ratings are available, the less favourable rating is used.

Of the corporate investments in the amount of € 1.2 billion, a total of 49% (31 March 2008: 55%) of the underlying companies are domiciled in North America.

Rating structure of IKB's portfolio investments with underlying ABS assets as of 30 September (excluding Havenrock)

Credit rating structure**	30 Sept 2008 Nominal in € billion Total*	31 March 2008 Nominal in € billion Total*
Aaa	0.4	0.5
Aa	0.2	0.3
A	0.2	0.5
Baa	0.2	0.3
Ba/B	0.3	0.3
Sub B	0.9	0.4
	2.1	**2.3**

* Some totals may be subject to discrepancy due to rounding differences.
**Moody's ratings. Where two or more ratings are available, the less favourable rating is used.

Of the Bank's unshielded investments with underlying ABS assets (e.g. mortgage loan finance, credit cards) in the amount of € 2.1 billion, a substantial majority of the underlying assets – 92% – are located in North America (31 March 2008: 93%). Since the beginning of the financial year, there have been numerous downgrades, so that now less than half of the nominal volume is still investment grade quality.

Rating structure of IKB's portfolio investments with mixed underlying assets as of 30 September (excluding Havenrock)

Credit rating structure**	30 Sept 2008 Nominal in € billion Total*	31 March 2008 Nominal in € billion Total*
Aaa	0.0	0.4
Aa	0.1	0.1
A	0.1	0.2
Baa	0.0	0.0
Ba/B	0.0	0.0
Sub B	0.0	0.0
	0.2	**0.7**

* Some totals may be subject to discrepancy due to rounding differences.
**Moody's ratings. Where two or more ratings are available, the less favourable rating is used.

Of the mixed underlying assets 49% relate to North American (31 March 2008: 41%).

Rhinebridge portfolio investments. Most of the investments which IKB AG acquired from Rhinebridge in the context of auction proceedings were sold on by the end of September 2008. A nominal amount of € 19 million was not sold.

Havenrock. IKB assumed first loss risk arising from the Havenrock entities' investments in CDSs in the amount of 25% (of a nominal value of € 4.4 billion). This was almost completely covered by the KfW risk shield at the reporting date, with IKB's risk reduced to € 56 million.

This risk shield agreement with KfW was terminated early at the end of October 2008. To settle its outstanding payments obligations, KfW paid IKB a total of US$ 1,189 million in November 2008.

Liquidity and market price risk

Liquidity risk.
Liquidity risk is managed using separate limits on the balances in the Bank's funding matrix, which shows the forecast liquidity requirements of IKB and IKB International S.A. arising from the maturities of the Bank's holdings and the level of intervention required. As a result, the Bank is able to generate detailed forecasts of its daily liquidity requirements for each of the next three months, as well as a sufficiently reliable forecast for a 12-month period.

Depending on the development of its new business and the level of disbursements under existing loan commitments, the Bank expects its liquidity requirements to amount to between € 13 billion and € 15 billion over the next twelve months.

Since the crisis, measures IKB has used to cover its liquidity requirements include secured and unsecured money market borrowing (cash and term deposits), participation in ECB tenders, the conclusion of securities repurchase agreements with banks, the sale of assets and the acceptance of customer deposits.

In July 2008, KfW granted IKB an additional secured refinancing facility in the amount of € 1.5 billion. In addition, collateralised borrowing of € 163 million was concluded with a German bank on the basis of real estate loans. The Bank also receives funds from public assistance programmes initiated by KfW and regional development authorities, which it uses to provide financing to its small and medium-sized corporate clients. There was also the now completed € 1.25 capital increase at the Bank and the equity injection of € 225 million from Lone Star in the fourth calendar quarter.

In addition, the Bank deployed a significant portion of its portfolio investments to generate liquidity in the 2008/09 financial year. Accordingly, a cash inflow of € 1.1 billion was generated from the sale of portfolio investments by the end of September 2008. In the fourth calendar quarter, the Bank generated € 0.7 billion from further sales of portfolio investments. Furthermore, there was the preliminary loss compensation (Havenrock entities) from the risk shield with cash inflows of € 0.9 billion. In addition, three securitisation transactions were implemented which increased (or will increase over the next few weeks) the volume of ECB-eligible collateral by approximately € 1.2 billion. For the first quarter of 2009, a further securitisation transaction is planned to extend the refinancing options with the ECB by an amount of € 0.3 billion.

The Bank has also opted to use guarantees in accordance with the Finance Market Stabilisation Act. The SoFFin has granted the IKB a guarantee volume of € 5 billion. The conclusion of the guarantee agreement allows IKB to obtain refinancing with up to three years directly on the capital market in 2009, thus mobilising liquidity in an extremely difficult market environment since the Lehman Brothers default.

Market price risk.

The relevant risk factors for IKB include foreign currency, interest rate, credit spread, volatility (option price) and share price risk.

Particularly to the end of the reporting period, the crisis in the banking sector resulted in significant interest rate cuts, widening of credit spreads, as well as increases in relevant interest rate and spread volatility. As early as 30 September 2008, this resulted in an increase of the spread VaR to € 42 million (against € 28 million on 31 March 2008) – an ongoing trend. Currently movements on the market remain drastic. It is difficult to calculate their impact.

Interest rate risk. In the second quarter of the 2008/09 financial year, the Bank further reduced its interest-induced market price risk by concluding interest rate hedges. This is reflected in the reduction in the basis point value (see table below) from € –2 million on 31 March 2008 to € 0 million on 30 September 2008. In the same period, value at risk (holding period of 10 days, 99.8% confidence level) from interest rate, volatility and foreign currency risk as well as spread risks from corporate bonds, government bonds, promissory note loans and public-sector mortgage bonds declined from € 143 million to € 123 million.

Interest rate, volatility and foreign currency risk of the IKB Group in € million	30 Sept 2008	30 June 2008	31 March 2008
Basis point value*	0	–1	–2
Vega**	–23	–20	–23
VaR foreign currency	15	20	14
VaR interest rate and volatility	81	74	129
VaR spread	42	28	
VaR correlation effect	–15	–20	
VaR total	**123**	**102**	**143**

* Potential change in the present value of the Bank's portfolio assuming a parallel shift of one basis point (+0.01%) across all interest rate curves

**Potential change in the present value of the Bank's portfolio assuming a 1% increase in interest rate volatility

Despite all of the measures initiated with a view to reducing interest rate risk, the Bank still has a relatively high exposure to increases in the volatility of interest rates (volatility risk, Vega) due to the optional elements used in proprietary trading (IKB as an option issuer). The development of Vega risk since the start of the financial year was not due to changes in the Bank's positions, but rather to changes in the level and volatility of interest rates. As a result of this development on the basis of a interest rate stress test stipulated by the BaFin (interest rate decline by 190 basis points), as of 31 August 2008, IKB AG was for the first time exposed to a present value loss which exceeded 20% of the equity to be held by IKB AG. Due to the capital increase which took place in October 2008, this threshold was restored. The Bank plans to reduce Vega risk by selling structured securities, taking account of the development of the level of interest volatility. In this connection, implementing hedges is something which is being examined.

Spread risk. Spread risk results from changes in the default and liquidity premiums over the risk-free interest rate that are priced into securities and derivatives.

Particularly relevant for IKB are the spread risks of the portfolio investments. Since the end of the first quarter of the current financial year, CDOs of Corporates, CDOs of CDOs as well as ABS bonds were included in VaR calculations using historical simulation in order to allow an integrated perspective for the calculation of the overall risk-bearing capacity. As in the 2007/08 financial year, market price risk for CDOs of ABS was measured using appropriate scenario analyses. To do this the underlying loss estimates are stressed and the resulting risk calculated on the basis of the difference between the stressed and unstressed market values.

After the completion of the sale of the portfolio investments with a nominal value of € 2.7 billion to the special-purpose company Rio Debt Holdings (Ireland) Limited at the beginning of December 2008 – which assumed the first risk loss from IKB AG – the IKB spread risk declined considerably.

Currency risk. Loans and advances denominated in foreign currencies, including their future income streams, are essentially hedged in full. The remaining currency risks are restricted by way of a volume limit for the open positions.

Operational risk

Legal risk.

Legal proceedings due to incorrect capital market information, particularly in conjunction with the press release issued on 20 July 2007 and the financial press conference held on 28 June 2007

As of 16 December 2008, a total of 126 claims for damages have been asserted against the Bank by investors. These claims primarily relate to the alleged incorrect content of the press release issued on 20 July 2007, but also to the alleged incorrect content of capital market information prior to this date. In this context, two court orders to pay have also been issued against the Bank. Objections to these orders were lodged prior to the respective deadlines.

In the above press release dated 20 July 2007, the Bank issued a profit forecast of € 280 million for the 2007/08 financial year. It also referred to two analyses by Moody’s and Standard & Poor’s stating that it would only be affected by the sub-prime crisis to a limited extent. These forecasts subsequently proved to be incorrect.

The legal proceedings detailed above have a (preliminary) total value in dispute of around € 8.1 million. The possibility that additional investors will assert claims for damages against the Bank cannot be ruled out. The success of these claims could increase the overall risk to which the Bank is exposed.

In the meantime, the first 19 claims asserted by investors against the Bank have been rejected in the first instance by several different civil chambers of the Düsseldorf district court; according to information received by the Bank, this decision is now legally binding in one of these cases. However, this does not mean that conclusions can be drawn as to the outcome of the other legal proceedings or any decisions by higher courts.

IKB considers the outstanding claims by investors to be unfounded. At the time, IKB did not identify any material risks in relation to the liquidity facility extended to the Rhineland Funding Capital Corporation conduit, as it did not appear feasible that the entire asset-backed commercial paper market would collapse and that refinancing would not be possible in the long term. In its press release issued on 20 July 2007, IKB therefore focussed on the risks contained in its own balance sheet at that date. Even before this time, IKB was of the opinion that there was no incorrect capital market information which would substantiate relevant claims.

In addition to the claims detailed above, some shareholders and other investors in IKB securities have approached the Bank with out-of-court claims for damages and in particular have filed for extrajudicial settlement against IKB to suspend the running of the statute of limitations.

Legal proceedings by FGIC and claims potentially arising from other parties

On 10 March 2008, the U.S.-based Financial Guaranty Insurance Company (FGIC) and its British subsidiary filed claims against IKB AG, its (then) subsidiary IKB CAM, Havenrock II Ltd. (Havenrock II) and Calyon with a New York court. In the first instance, the plaintiffs have applied to be released from contractual obligations in respect of Havenrock II and Calyon totalling up to US$ 1.875 billion. Claims for an unspecified amount of damages have also been made against IKB.

In late August 2008, a separate settlement was agreed between the plaintiff FGIC and the co-defendant Calyon, under the terms of which FGIC is required to pay an amount of US$ 200 million to Calyon. At the same time, the court also informed the parties that it was considering ordering the initiation of mediation proceedings. In September 2008, the court ordered measures for taking evidence on the admissibility of the action which can result in considerable organisational work for IKB.

IKB continues to hold the view that the action is inadmissible and the accusations set out in the court submission unfounded.

There is a possibility that further claims for damages could be brought against IKB AG as a result of its activities or the activities of IKB CAM in relation to Rhineland Funding Capital Corporation, Havenrock and/or Rhinebridge by other parties involved in these transactions.

In an agreement dated 10/16 September 2008, KfW provided a degree of indemnification to IKB for claims from legal disputes against IKB (including the relevant court courts) in connection with the Rhineland Funding, Rhinebridge or Havenrock entities for events which occurred before 29 October 2008. Claims from IKB AG shareholders of investors in financial instruments linked to the development of IKB shares are not covered by the indemnification.

Even if the indemnification amount is limited, IKB anticipates that the risks from currently asserted legal disputes are largely covered by the indemnification. In this connection, IKB AG has extensive duties to KfW in respect to information, disclosure, notification and action.

If IKB culpably violates a concrete obligation in the indemnification agreement in connection with a concrete claim covered by the indemnification agreement, under certain circumstances, the indemnification claim to this specific claim may be extinguished. The Board of Managing Directors regards the risk of a dereliction of duty as slight. This is because, to assure the contractual obligations of the IKB, the necessary implementation steps for securing behaviour in line with the agreement were specified in detail and documented in writing following in close coordination and cooperation with KfW. The indemnification claims of IKB are also extinguished retroactively if the share sale and transfer agreement or the share transfer in rem between KfW and LSF6 Europe Financial Holdings L.P. are null and void or one of the parties exercises a right to terminate a legal relationship by unilateral declaration which results in the reversal of the performance rendered in the transaction coving the obligation. Furthermore the claims from the indemnification agreement are extinguished if, also taking into account the claims for the indemnification agreement, there is reason for insolvency at IKB AG or insolvency proceedings have been instituted against the assets of IKB AG.

Investigation by the public prosecutors

The investigation initiated by the Düsseldorf Department of Public Prosecution in early August 2007 against (mostly former) senior manager of IKB is still in progress. The Bank is the potentially aggrieved party in this case. The Board of Managing Directors is supporting the Department of Public Prosecution in its work and cooperating with it in every respect in order to ensure that the matters concerned are resolved in full as soon as possible. According to the lawyers mandated by IKB, investigations in respect to possible infringements against the prohibition of insider trading have since been discontinued.

Claims by former members of the Board of Managing Directors

A former member of the Board of Managing Directors has asserted a claim against the Bank for the invalidation of the extraordinary termination of his employment contract. IKB has issued a counterclaim under which it is demanding the repayment of the respective member’s management bonus for the 2006/07 financial year, among other things. Another former member of the Board of Managing Directors has asserted a claim against the Bank for the payment of pension benefits, which IKB has offset against its claim for the repayment of the respective member’s management bonus for the 2006/07 financial year. The possibility of further claims being brought against IKB by former members of the Board of Managing Directors cannot be excluded.

The claims to management bonuses between IKB and the former members of the Board of Managing Directors, Dr Doberanzke and Dr Guthoff, were settled in December 2008. Voluntarily and without prejudice, Dr Doberanzke and Dr Guthoff repaid the management bonuses demanded by the Bank (€ 583,000 and € 600,000 respectively) in an amount of € 494,000 and € 499,000 respectively in October and December 2008. The repayments were made by common consent. The differences to the gross amounts represent the level of the tax disadvantage which resulted because the repayments of the management bonuses paid out in 2007 took place in 2008. In addition, the difference in the case of Dr Doberanzke is due to the fact that in the 2006/07 financial year he was a member of the Board of Managing Directors for only ten months.

State aid proceedings

In the matter of the state aid proceedings, on 21 October 2008, the EU Commission announced that the state rescue measures which the IKB has received since the beginning of the crisis in July 2007 were approved, subject to conditions and requirements. The conditions include a drastic reduction of IKB's business activities, the discontinuation of the Real Estate Finance segment and closing certain international offices as well as a reduction of total assets to € 33.5 billion by September 2011.

If the Company does not implement all conditions and requirements of the EU Commission completely and on time and if the Company should fail to have substantiated this sufficiently no later than two months before the respective deadline, or if the EU Commission should raise objections in such a case, then the state aid would have to be regarded as inadmissible. In the worst case, the Company would then have to return to KfW the state aid granted. This would result in the Company becoming insolvent and overindebtedness of the Company. There is also the risk that the EU Commission assesses certain measures in the restructuring plan as material, but that these are not implemented by IKB AG because the Company had not deemed them material. In accordance with the importance of the EU conditions and the related risks in the case of non-performance, directly after the announcement of the EU decision IKB initiated topic-related projects which deal in operating terms with the implementation of the individual measures. Strict project controlling in connection with timely and regular reporting on project progress to the Board of Managing Directors should safeguard adherence to the dates and deadlines set.

Personnel risk. The workforce fluctuation rate due to termination declined significantly in the period under review. The reduction in the number of employees since the start of the crisis in late July 2007 has not been fully offset by the acquisition of qualified new staff. The adverse effects of this situation are still being managed via the use of internal transfers and the intensive deployment of external consultants, particularly in Central Divisions.

Overall assessment of the risk situation

In a market characterised by extreme levels of uncertainty and volatility, IKB remains exposed to considerable default, interest, liquidity and legal risks.

Currently no estimate can be given in respect to the impact of the global economic downturn on counterparty default risks in the credit business. Even if the development in the reporting period was unremarkable, we are expecting an increase in non-performing loans and defaults from 2009. Negative trends are already evident in certain industries, particularly in the automotive sector. In the bond market and the secondary market for credits – to the extent that there is still liquidity – with higher volatilities and credit spreads the anticipated economic slump is already impacting tangibly in the form of remeasurement losses. In particular, this also impacted securitised credit risks.

In the first half-year of the current financial year, there were further valuation losses on structured securities and thus additional charges in the income statement. After the transfer of a large part of the portfolio investments to the fully consolidated special-purpose company Rio Debt Holdings (Ireland) Limited in December 2008, the risk at IKB is now limited to

- the subordinate loan (first loss risk) granted by IKB AG to the special-purpose company Rio Debt Holdings (Ireland) Limited,

- the value of compensation from further profits from securities sold to KfW,

- portfolio investments with a nominal value of € 0.4 billion being wound up but not sold; from these portfolio investments IKB anticipate a positive performance overall,

- the structured securities in connection with the risk transfer of IKB's own financing

In view of market jitters, despite all the measures initiated with a view to reducing interest rate risk, the Bank still has a relatively high exposure to increases in the volatility of interest rates (volatility risk, Vega) due to the optional elements used in proprietary trading.

Overall, the risk-bearing capacity has not been fully restored. One of the most urgent objectives is to reduce existing market price risks. To do this the Bank plans to reduce Vega risk by selling structured securities and building up hedge positions.

The development of IKB also depends on the extent to which it is able to ensure sufficient access to the money and capital markets. To do this, it is of paramount importance that the planned measures to procure liquidity are implemented. This includes issues guaranteed by the SoFFin.

The Board of Managing Directors expects that the measures to procure liquidity can be implemented.

6. Related party disclosures

In the reporting period, transactions with related parties primarily relate to the support measures and refinancing transactions conducted by IKB's former major shareholder, KfW Bankengruppe. These are presented in note (38) to the interim consolidated financial statements.

After the reporting period, with effect from 29 October 2008, the IKB AG shares held by the KfW Bankengruppe were transferred to LSF6 Europe Financial Holdings L.P.

7. Outlook

Opportunities presented by future developments

The conditions imposed by the EU Commission necessitate a radical revision of the business activities pursued by IKB. The real estate financing business is to be discontinued. By 30 September 2011, total Group assets are to be reduced to € 33.5 billion. For this reason, IKB will leverage its strong positioning as a leading German specialist bank for small and medium-sized enterprises and institutional investors and the high level of trust it enjoys among its customer to offer services not impacting the balance sheet, thus securing the profitability of IKB.

The Bank's future business model will concentrate on the customer group of small and medium-sized enterprises. Long-term corporate loans and structured financing forms will remain key products which can be supplemented by consultancy and services which generate no or little credit risk or balance sheet charges.

The provision of innovative financial solutions to the Bank's customers will remain an integral part of the business model. Securitisation will be used to increase assets under management, at the same time adhering to EU conditions in respect to the limitation of total assets and preserving liquidity.

Germany will remain the core market in the *Corporate Clients* segment. The intensity of acquisition and leverage of customer potential is to be increased. To achieve this, existing product competencies will be developed, offered with increased proximity to the customer and supplemented by consultancy services. Such areas of expertise include the derivatives or development lending business. Also, increased efforts will be made to gain new German small and medium-sized enterprises as customers. The Bank intends to improve its market position in the area of equipment leasing, not only in Germany but also in Central and Eastern Europe. This is a response to the fact that many German and Western European companies have now opened branches in these countries and are financing some of their production capacities on a leasing basis.

IKB intends to use *Structured Finance* products to reinforce its success as a European mid-cap financing house, both for mid-cap LBOs and selected areas of project financing. However, the LBO market in the mid-cap segment has also contracted significantly over recent months as a result of the crisis on the financial markets. The Bank expects the Structured Finance segment to continue to generate around 70% of its income in European sub-markets outside Germany over the next two years.

Due to the EU Commission decision, new business in the *Real Estate Finance* segment has been discontinued. The sale of credits in a better market environment is being prepared.

The key positions which remain in the *Portfolio Investments* segment are a risk participation with a nominal amount of € 193 million in an IKB special-purpose entity and securities to be run down over the next few months.

Impact of the financial market crisis

IKB will be forced to continue to impose strict limits on new business in its individual segments as long as the current financial market crisis continues, banks are unable to obtain sufficient unsecured finance at appropriate cost and the sale of assets such as real estate loans remains extremely difficult. The guarantee for € 5 billion approved by the SoFFin and the possible issues on the capital market after the guarantee agreement has been concluded does safeguard IKB liquidity as planned, but does not allow any increase of new business volume from the current level.

The market environment remains extremely strained, resulting in a high level of volatility and a sharp increase in risk premiums almost across the board. This ongoing development is reflected to a large extent in IKB's market price risk. Only when markets return to calmer waters will this effect reverse.

Conditions imposed by the European Commission in the state aid proceedings

The compensation payments imposed by the European Commission for the state aid granted will have a material effect on IKB's future business development and require the implementation of corresponding restructuring measures (refer to the Supplementary report).

Net assets

The solvency ratios have improved considerably as a result of the capital increase and the provision of equity by Lone Star. In addition, further measures will be taken to ease the asset-side burden on the Bank's risk-bearing capacity. These include further reductions in market price risk and a decrease in the level of risk-weighted assets in its lending business.

Liquidity situation

With the SoFFin approving a guarantee for € 5 billion and the planned closing in the first weeks in January, the subsequently planned issues can help to safeguard the IKB's liquidity at the planned level. In this connection, IKB will make certain undertakings to the SoFFin. This will include regular extensive reporting, the implementation of the EU conditions and the maintenance of a Tier I ratio of 8%.

The Bank's liquidity requirements have declined as a result of a further reduction in new business. On the other hand, at present it cannot be foreseen when the planned sale of assets can be implemented. At the current moment in time, it is virtually impossible to place even collateralised borrowing.

The continued financial market crisis means that the refinancing of IKB's assets will remain difficult and will primarily be achieved by collateralised borrowing. Collateralised borrowing and the lending of securities or loan assets with the Central Bank have become important sources of refinancing for all banks, and IKB is no exception. As in the past, IKB will also refinance a portion of its lending business by borrowing from government development banks.

Earnings performance

Once its restructuring is complete, the Bank expects to have a substantially different earnings structure and a lower level of total earnings. The income generated from portfolio investments in recent years will be reduced significantly. However, residual risks still remain as do reversal opportunities from first loss positions of a special-purpose company. The compensation measures imposed by the EU will result in one-off implementation costs, as well as having a long-term impact due to the elimination of business opportunities. It is difficult to make an assessment for the non-recurring costs. However the rough estimate made by the Board of Managing Directors is € 300 million. This will be realised over the next three years. Administration costs must be reduced on a sustained basis, being brought into alignment with the new business model.

The 2008/09 financial year will continue to be impacted to a large extent by the consequences of the financial market crisis, and in particular the limitation on new business since August 2007 and the sharp rise in refinancing costs. A significant impact on earnings can also be expected for the 2009/10 financial year, especially as the financial market crisis is spreading to the real economy and hence the corporate sector.

In the medium term, the Bank is aiming to achieve a reasonable return on the capital employed in its operating activities.

The Bank's continued development also depends on its ability to obtain adequate refinancing. After the capital increase, a prerequisite for this is that the capital markets, and confidence in banks in general, must return to normal.

The need to service the compensation agreements relating to the provision of € 1,050 million of regulatory core capital in the 2007/08 financial year and the value recovery rights of hybrid investors means that the Group and IKB AG are unlikely to record more than a negligible profit for several years.

IKB Deutsche Industriebank AG
Board of Managing Directors

Düsseldorf, 23 December 2008

Interim Consolidated Financial Statements in accordance with International Financial Reporting Standards on 30 September 2008

Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2008

	Notes	1 April 2008– 30 Sept 2008 in € million	1 April 2007– 30 Sept 2007 in € million*	Change in %
Net interest income	(1)	**202.5**	**200.0**	**1.3**
Interest income		1 477.0	1 864.5	–20.8
Interest expenses		1 274.5	1 664.5	–23.4
Provision for possible loan losses	(2)	**106.7**	**166.1**	**–35.8**
Net interest income (after provision for possible loan losses)		**95.8**	**33.9**	**>100.0**
Net fee and commission income	(3)	**24.3**	**34.4**	**–29.4**
Fee and commission income		29.2	41.0	–28.8
Fee and commission expenses		4.9	6.6	–25.8
Net income from financial instruments at fair value	(4)	**178.0**	**–1 959.4**	
Income from investment securities	(5)	**–233.7**	**–1 044.1**	**77.6**
Net income from investment accounted for using the equity method	(6)	**–8.1**	**0.7**	
Administrative expenses	(7)	**175.2**	**183.1**	**–4.3**
Personnel expenses		84.9	92.0	–7.7
Other administration expenses		90.3	91.1	–0.9
Net other operating income	(8)	**405.8**	**–9.7**	
Other operating income		439.7	23.6	>100.0
Other operating expenses		33.9	33.3	1.8
Result from risk transfer		**–**	**2 238.1**	
Operating result		**286.9**	**–889.2**	
Income taxes	(9)	34.5	75.4	–54.2
Other taxes		2.1	0.5	>100.0
Consolidated income/loss		**250.3**	**–965.1**	
Minority interests		–0.1	0.0	
Consolidated income/loss after minority interests		**250.2**	**–965.1**	

* Amounts restated (see Accounting policies, c. Adjustments to accounting policies in accordance with IAS 8)

Earnings per share

	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007	Change in %
Consolidated income/loss after minority interests (€ million)	250.2	–965.1	
Average number of shares outstanding (million)	96.8	87.9	10.1
Earnings per share (€)	**2.58**	**–10.98**	

There was no dilutive effect as no conversion or option rights were outstanding at the relevant reporting dates.

Consolidated income statement (quarterly breakdown)

in € million	Q2 2008/09	Q1 2008/09**	Q2 2007/08*	Q1 2007/08*
Net interest income	**81.3**	**121.2**	**59.2**	**140.8**
Interest income	716.0	761.0	920.2	944.3
Interest expenses	634.7	639.8	861.0	803.5
Provision for possible loan losses	**81.5**	**25.2**	**142.6**	**23.5**
Net interest income (after provision for possible loan losses)	**–0.2**	**96.0**	**–83.4**	**117.3**
Net fee and commission income	**10.4**	**13.9**	**24.9**	**9.5**
Fee and commission income	13.2	16.0	25.7	15.3
Fee and commission expenses	2.8	2.1	0.8	5.8
Net income from financial instruments at fair value	**620.4**	**–442.4**	**–1 413.1**	**–546.3**
Income from investment securities	**–137.5**	**–96.2**	**–1 041.5**	**–2.6**
Net income from investment accounted for using the equity method	**0.0**	**–8.1**	**0.6**	**0.1**
Administrative expenses	**87.2**	**88.0**	**106.3**	**76.8**
Personnel expenses	43.0	41.9	47.5	44.5
Other administration expenses	44.2	46.1	58.8	32.3
Net other operating income	**391.0**	**14.8**	**–7.8**	**–1.9**
Other operating income	416.4	23.3	18.0	5.6
Other operating expenses	25.4	8.5	25.8	7.5
Result from risk transfer	**–**	**–**	**2 238.1**	**–**
Operating result	**796.9**	**–510.0**	**–388.5**	**–500.7**
Income taxes	31.2	3.3	74.8	0.6
Other taxes	0.7	1.4	0.2	0.3
Consolidated income/loss	**765.0**	**–514.7**	**–463.5**	**–501.6**
Minority interests	0.0	–0.1	0.0	0.0
Consolidated income/loss after minority interests	**765.0**	**–514.8**	**–463.5**	**–501.6**

* Amounts restated (see Accounting policies, c. Adjustments to accounting policies in accordance with IAS 8)
** Amounts restated (see Accounting policies, e. Error correction in accordance with IAS 8)

Consolidated balance sheet of IKB Deutsche Industriebank AG as of 30 September 2008

	Notes	30 Sept 2008 in € million	31 March 2008 in € million*	Change in %
Assets				
Cash reserve		97.9	308.8	–68.3
Loans and advances to banks	(10)	2 351.8	2 850.3	–17.5
Receivables from customers	(11)	28 860.7	28 868.9	0.0
Provision for possible loan losses	(12)	–733.0	–861.2	–14.9
Assets held for trading	(13)	2 832.4	3 637.7	–22.1
Investment securities	(14)	10 444.8	12 844.5	–18.7
Companies accounted for using the equity method	(15)	11.5	14.7	–21.8
Intangible assets		27.8	32.1	–13.4
Property and equipment	(16)	247.6	218.8	13.2
Current income tax assets	(17)	40.5	44.8	–9.6
Deferred income tax assets	(17)	177.1	174.1	1.7
Other assets	(18)	1 202.7	2 111.1	–43.0
Total		**45 561.8**	**50 244.6**	**–9.3**
Shareholders' equity and liabilities				
Liabilities to banks	(19)	17 051.9	17 449.3	–2.3
Liabilities to customers	(20)	5 347.3	5 751.5	–7.0
Securitised liabilities	(21)	15 109.8	18 184.8	–16.9
Liabilities held for trading	(22)	4 582.8	5 410.9	–15.3
Provisions	(23)	74.2	83.7	–11.4
Current tax liabilities	(24)	91.7	88.1	4.1
Deferred tax liabilities	(24)	154.9	149.2	3.8
Other liabilities	(25)	293.5	163.4	79.6
Subordinated capital	(26)	1 466.7	1 779.7	–17.6
Total equity	(27)	1 389.0	1 184.0	17.3
Subscribed capital		247.8	247.8	–
Capital reserve		597.8	597.8	–
Retained earnings		331.6	333.1	–0.5
Currency translation reserve		–13.1	7.0	
Revaluation reserve		–25.8	2.8	
Minority interests		0.5	0.4	25.0
Consolidated profit/loss		250.2	–4.9	
Total		**45 561.8**	**50 244.6**	**–9.3**

* Amounts restated (see Accounting policies, e. Error correction in accordance with IAS 8)

Statement of recognised income and expense (SORIE)

	1 April 2008– 30 Sept 2008 in € million	1 April 2007– 30 Sept 2007 in € million*	Change in %
Gains/losses on remeasurement of securities	–6.8	–25.8	–73.6
Unrealised gains/losses from investment securities available for sale	–50.0	–30.4	64.5
Reclassifications to income statement due to investment securities available for sale	43.2	4.6	>100.0
Changes in value from hedging relationships recognised in profit or loss (Cash flow hedges)	–37.4	–37.4	–
Currency translation differences	–20.1	9.5	
Changes due to actuarial gains/losses (IAS 19)	4.3	14.3	–69.9
Deferred taxes on changes recognised directly in equity	14.3	28.9	–50.5
Net income recognised in total equity	**–45.7**	**–10.5**	**>100.0**
Consolidated income/loss	**250.3**	**–965.1**	
Total recognised gains/losses	**204.6**	**–975.6**	
Attributable to shareholders of IKB	204.5	–975.6	
Attributable to third-party shares	0.1	0.0	

Changes in equity are presented in Note (28).

Condensed cash flow statement for the period from 1 April to 30 September 2008

	2008 in € million	2007 in € million	Change in %
Cash and cash equivalents as of 1 April	**308.8**	**28.7**	**>100.0**
Cash flow from operating activities	–2 327.2	912.5	
Cash flow from investing activities	2 122.6	–905.5	
Cash flow from financing activities	–6.3	–34.9	–81.9
Effects of exchange rate differences	–	–0.1	
Cash and cash equivalents as of 30 September	**97.9**	**0.7**	**>100.0**

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Principles of Group accounting

The interim consolidated financial statements of IKB as of 30 September 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date on the basis of Regulation No. 1606/2002 of the European Parliament and of the 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 domestic 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 reporting date. In accordance with section 37w of the German Securities Trading Act in conjunction with section 37y no. 2 of the German Securities Trading Act, IKB prepares a half-year report consisting of the present condensed interim financial statements and an interim Group management report as well as 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.

Unless otherwise indicated, all amounts are stated in millions of euros (€ million). Amounts in millions and percentages are generally rounded to one decimal place in accordance with standard commercial principles. Some totals and percentages may be subject to discrepancies due to rounding differences.

Accounting policies

a. General information

With the exception of the changes described below, the same accounting policies and computation methods have been applied to the interim consolidated financial statements as to the consolidated financial statements for the year ended 31 March 2008.

Income taxes are calculated in line with IAS 34.30.

b. Scope of consolidation

In addition to the parent company, a total of 28 German companies (31 March 2008: 29; 30 September 2007: 26) and 16 foreign companies (31 March 2008: 16; 30 September 2007: 15) are included in IKB’s interim consolidated financial statements in accordance with IAS 27 as of 30 September 2008. IKB Deutsche Industriebank AG (IKB AG) holds the majority of the voting rights in these entities.

A total of 1 domestic special-purpose entity (31 March 2008: 0; 30 September 2007: 0) and 3 foreign special-purpose entities (31 March 2008: 4; 30 September 2007: 4) were included in consolidation in accordance with SIC-12. Further details can be found in the consolidated financial statements for the year ended 31 March 2008.

The consolidated companies are listed in Note (40). The change in the scope of consolidation during the financial year relates to the following companies:

Following its restructuring as a *Kommanditgesellschaft* (limited partnership under German law) and the subsequent resignation of all further shareholders, IKB Credit Asset Management GmbH, Düsseldorf, was integrated into IKB Deutsche Industriebank AG effective from 1 April 2008. As part of this integration (dissolution without settlement), all of the assets and liabilities of IKB Credit Asset Management GmbH were transferred to IKB Deutsche Industriebank AG. IKB Credit Asset Management GmbH has therefore been dissolved.

As of 30 September 2008, REPV-DS Finance 2008-1 GmbH, Frankfurt am Main, the domestic special-purpose entity formed on 12 September 2008, was included in the scope of consolidation for the first time. The object of the company is purchasing and securitisation of receivables.

After disposal of the financial instruments it held (31 July 2008) and subsequent partial repayment of the commercial papers it had issued, Rhinebridge plc, Dublin, which has been in receivership since October 2007, was deconsolidated for reasons of materiality as of 30 September 2008. There was no deconsolidation result. After the sale of its investments in the context of an auction Rhinebridge only has cash which are used from existing obligations from the receivership until the final liquidation of the company. If assets remain after the settlement of these obligations, before liquidation these will be used for payments to commercial paper investors. Liquidation will occur within the next six years. Any further charges of the IKB Group are excluded.

Further details on the remaining foreign special-purpose entities can be found in the consolidated financial statements for the year ended 31 March 2008.

c. Adjustments to accounting policies in accordance with IAS 8

Due to the significant losses on the underlying CDOs, the value of the derivative financial instruments concluded by the Havenrock entities could not be calculated using the valuation model applied as of 31 March 2008. Instead, a simplified loss projection was used to calculate the fair value of these instruments.

The amounts arising from the amortisation of discontinued hedging relationships in accordance with IFRS 1 IG 60A and IG 60B are now presented in net interest income, as was the case in the consolidated financial statements for the year ended 31 March 2008, rather than in the fair value result. At 30 September 2007, this resulted in a reclassification of € –105.1 million from the fair value result to interest expense and € 37.4 million from the fair value result to interest income.

The result from companies accounted for using the equity method is presented as a separate item on the face of the consolidated income statement. At 30 September 2007, this resulted in a reduction in net interest income and the recognition of a result of € 0.7 million from companies accounted for using the equity method.

d. Changes in estimates in accordance with IAS 8

In determining the portfolio allowances as of 30 September 2008, the parameters for estimating the probability of default were aligned to the default definition in line with Basel II. At the same time, the loss given default estimate was changed from a global recognition to determination on an individual loan basis. In the process, in comparison to historical information, a decline in the number of cases which resume principle repayments without liquidation measures was assumed. Adjusting these parameters results in portfolio allowances increasing by € 29.1 million.

e. Error correction in accordance with IAS 8

In the second quarter of 2008/09, a correction booking relating to the first quarter of 2008/09 was made in connection with the determination of the foreign exchange result. As a result the figures for the first quarter of 2008/09 were subsequently adjusted: As a result financial assets and equity increased to 30 June 2008 by € 25.6 million to €11,599.1 million and € 660.6 million respectively; the negative fair value result and the consolidated loss after minority interest for the first quarter of 2008/09 moved down to €-442.4 million and €-514.8 million respectively.

In consolidating an impairment on intercompany financial instruments at equity in the consolidated financial statements as of 31 March 2008, the relevant deferred tax assets were inadvertently adjusted through profit and loss and not at equity. As a result an excessive figure of € 27.1 million was posted for both income taxes and revaluation reserves. After correction for this situation, income taxes for the business year 2007/08 declined from € 158.6 million to € 131.5 million and consolidated loss after minority interest from € –32.0 million to € –4.9 million and the revaluation reserve from € 29.9 million to € 2.8 million. The equity of € 1,184.0 million posted in the consolidated balance sheet as of 31 March 2008 remains unchanged overall.

Notes to the consolidated income statement

(1) Net interest income

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Interest income from lending and money market transactions and from securities and derivatives	1 285.7	1 680.1	–23.5
Amortisation from discontinued hedging relationships IFRS 1 IG 60B	37.4	37.4	–
Income from leasing transactions	145.7	142.0	2.6
Other interest income/income from shares and investments	8.2	5.0	64.0
Total interest income	**1 477.0**	**1 864.5**	**–20.8**
Interest expense for securitised liabilities, subordinated capital and other liabilities and for derivatives	1 141.5	1 472.9	–22.5
Amortisation from discontinued hedging relationships IFRS 1 IG 60A	55.0	105.1	–47.7
Expenses for leasing transactions	78.0	86.5	–9.8
Total interest expense	**1 274.5**	**1 664.5**	**–23.4**
Net interest income	**202.5**	**200.0**	**1.3**

(2) Provision for possible loan losses

	Measured at amortised cost			Measured at fair value	Finance lease receivables	Provisions for off-balance-sheet transactions	Total
1 April 2008 – 30 Sept 2008 in € million	Loans and advances to banks	Receivables from customers	Investment securities	Investment securities	Receivables from customers		
Additions to specific valuation allowances/provisions	–	105.7	–	–	0.7	5.8	112.2
Direct write-offs	–	5.4	–	–	–	–	5.4
Receipts of loans written down	–	5.1	–	–	–	–	5.1
Additions to/release of portfolio allowances	–	29.4	–	–	–	–	29.4
Releases of individual loan loss provisions/accruals	–	27.5	–	–	1.1	6.6	35.2
Reclassification	–	–	–	–	–	–	–
Provision for possible loan losses	–	**107.9**	**–**	**–**	**–0.4**	**–0.8**	**106.7**
Additions to/reversal of impairment on investment securities (net income from investment securities)	–	–	212.1	88.8	–	–	300.9
Total	–	**107.9**	**212.1**	**88.8**	**–0.4**	**–0.8**	**407.6**

1 April 2007 – 30 Sept 2007 in € million	Measured at amortised cost Loans and advances to banks	Measured at amortised cost Receivables from customers	Measured at amortised cost Investment securities	Measured at fair value Investment securities	Finance lease receivables Receivables from customers	Provisions for off-balance-sheet transactions	Total
Additions to specific valuation allowances/provisions	–	208.9	–	–	2.6	24.3	235.8
Direct write-offs	–	3.0	–	–	–	–	3.0
Receipts of loans written down	–	3.2	–	–	–	–	3.2
Additions to/release of portfolio allowances	–	–10.4	–	–	–	–	–10.4
Releases of individual loan loss provisions/accruals	–	47.7	–	–	0.1	11.3	59.1
Reclassification	–	–	–	–	–	–	–
Provision for possible loan losses	**–**	**150.6**	**–**	**–**	**2.5**	**13.0**	**166.1**
Additions to/reversal of impairment on investment securities (net income from investment securities)	–	–	1 031.1	–	–	–	1 031.1
Total	**–**	**150.6**	**1 031.1**	**–**	**2.5**	**13.0**	**1 197.2**

(3) Net fee and commission income

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Net fee and commission income from lending business	23.5	28.1	–16.4
Net fee and commission income from securitisation	0.2	2.9	–93.1
Other	0.6	3.4	–82.4
Total	**24.3**	**34.4**	**–29.4**

(4) Net income from financial instruments at fair value

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Net trading result	–65.7	–585.3	–88.8
Net result from fair value option	231.7	–1 169.3	
Result from Rhinebridge	12.5	–197.8	
Result from hedging relationships	–0.5	–7.0	–92.9
Total	**178.0**	**–1 959.4**	

The negative effects in the net trading result primarily relate to the derivative result (€ –66.8 million) and the bond result (€ –23.8 million) which is offset by foreign exchange gains (€ 25.7 million).

The result from the application of the fair value option is due in particular to rating-driven income based on the measurement of own liabilities at the reporting date in the amount of € 271.4 million (previous year: € 609.2 million).

The result from Rhinebridge resulted primarily from the sale of the investments in the context of auction proceedings implemented at the end of July 2008. Subsequently Rhinebridge no longer holds any further investments. No further earnings contributions from investments are expected. For reasons of materiality, Rhinebridge was deconsolidated in the interim consolidated financial statements as of 30 September 2008.

The result from fair value hedging relationships is composed of the result from underlying transactions (€ 14.9 million) and from hedging derivatives (€ –15.4 million).

(5) Income from investment securities

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Net loss from securities	–233.5	–1 041.7	–77.6
Net loss from equity participations and shares in affiliated companies	–0.2	–2.4	–91.7
Total	**–233.7**	**–1 044.1**	**–77.6**

The net income from securities primarily consists of net valuation losses in the amount of € 212.1 million on securities classified in accordance with IAS 39 as *Loans and receivables* and € 88.8 million on securities classified in accordance with IAS 39 as *Financial assets available for sale*. The remeasurement losses are largely offset by gains on the sale of securities totalling € 59.1 million.

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

At 30 September 2008, the net loss from Movesta Lease and Finance GmbH (Movesta) and Linde Leasing GmbH amounted to € –8.1 million (previous year: € 0.7 million).

Of this figure, a loss of € 10 million was attributable to expenses at Movesta relating to the tax liabilities of property companies. This has reduced the carrying amount of Movesta to € 0. A provision for the excess of € 5.0 million was recognised on the basis of the shareholders' constructive payment obligation.

(7) Administrative expenses

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Personnel expenses	84.9	92.0	–7.7
Other administrative expenses	79.9	80.9	–1.2
Depreciation and write-downs on operating and office equipment and property, and amortisation and write-downs on intangible assets	10.4	10.2	2.0
Total	**175.2**	**183.1**	**–4.3**

The decline in personnel expenses is due primarily to lower staff numbers.

Other administrative expenses include the cost of consultancy and services relating to the management of the crisis (€ 15.1 million) and charges for the Deposit Protection Fund (€ 13.1 million).

(8) Other operating income

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Other operating income	439.7	23.6	>100.0
Other operating expenses	33.9	33.3	1.8
Total	**405.8**	**–9.7**	

Other operating income relates in particular to gains on the remeasurement of hybrid financial instruments (IAS 39 AG8) in the amount of € 420.8 million.

(9) Income from risk transfer

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Result from hedging for IKB Portfolio Investments	–	923.3	–100.0
Result of hedging Havenrock	–	772.6	–100.0
Effects from Rhineland Funding deconsolidation	–	542.2	–100.0
Total	**0.0**	**2 238.1**	**–100.0**

(10) Income taxes

	1 April 2008 – 30 Sept 2008 in € million	1 April 2007 – 30 Sept 2007 in € million	Change in %
Current income taxes	10.6	2.2	>100.0
Deferred taxes	23.9	73.2	–67.3
Total	**34.5**	**75.4**	**–54.2**

Notes to the consolidated balance sheet (assets)

(11) Loans and advances to banks

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Loans and advances to banks payable on demand	1 066.5	1 462.0	–27.1
Loans and advances to banks (initial maturity < 4 years)	994.4	1 126.3	–11.7
Loans and advances to banks (initial maturity ≥ 4 years)	290.9	262.0	11.0
Total	**2 351.8**	**2 850.3**	**–17.5**

(12) Loans and advances to customers

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Loans and advances to customers (initial maturity < 4 years)	4 846.2	4 747.8	2.1
Loans and advances to customers (initial maturity ≥ 4 years)	22 079.8	22 280.5	–0.9
Finance lease receivables	1 934.7	1 840.6	5.1
Total	**28 860.7**	**28 868.9**	**0.0**

Loans and advances to customers includes changes in value of € –38.7 million (31 March 2008: € –11.1 million) on hedged underlyings.

(13) Provision for possible loan losses

Special provisions for possible loan losses are recognised in order to hedge against identifiable risks from the Bank's lending business.

	Impairment					
	Measured at amortised cost		Finance lease receivables			
in € million	Loans and advances to banks	Loans and advances to customers	Loans and advances to customers	Impairments of portfolio	Provisions for off-balance-sheet transactions	Total
Opening carrying amount (1 April 2008)	0.0	775.9	2.3	83.0	23.3	884.5
Utilisation	0.0	226.4	0.0	0.0	1.6	228.0
Release	0.0	27.5	1.1	0.4	6.6	35.6
Unwinding	0.0	10.9	0.0	0.0	0.0	10.9
Allocation	0.0	105.7	0.7	29.8	5.8	142.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Effects from foreign exchange rate changes	0.0	1.1	0.1	0.7	0.0	1.9
Closing carrying amount (30 September 2008)	**0.0**	**617.9**	**2.0**	**113.1**	**20.9**	**753.9**
less provisions	–	–	–	–	20.9	20.9
Provisions for possible loan losses reported on the balance sheet as at 30 September 2008	**0.0**	**617.9**	**2.0**	**113.1**	**–**	**733.0**

Provisions for possible loan losses in the form of individual loan loss advances and accruals amounted to € 640.8 million (31 March 2008: € 801.5 million). The decline in possible loan losses is due primarily to the further reduction of non-performing loans (NPL) and the resulting utilisation of individual loan loss advances.

(14) Assets held for trading

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Bonds and other fixed-income securities	13.0	33.2	–60.8
Equities and other non-fixed-income securities	–	0.1	–100.0
Promissory notes carried as trading assets	70.0	67.8	3.2
Positive fair values of derivative financial instruments	2 726.4	3 502.9	–22.2
Positive fair values of hedging derivatives	23.0	33.7	–31.8
Total	**2 832.4**	**3 637.7**	**–22.1**

The decrease in the positive fair values of derivative financial instruments is due in particular to changes in the portfolio holdings of the Havenrock entities.

(15) Investment securities

Investment securities include the following items:

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Bonds and other fixed-income securities	10 223.0	12 585.8	–18.8
Equities and other non-fixed-income securities	12.9	11.5	12.2
Equity investments	208.3	247.1	–15.7
Shares in affiliated companies	0.6	0.1	>100.0
Total	**10 444.8**	**12 844.5**	**–18.7**

The change in bonds and other fixed-income securities resulted primarily from maturities, sales and valuation adjustments. The decline in investments is primarily attributable to write-downs on Natixis equities.

(16) Investments accounted for using the equity method

This item includes Movesta Lease and Finance GmbH and Linde Leasing GmbH, the total value of which amounts to € 11.5 million (31 March 2008: € 14.7 million).

(17) Property and equipment

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Operating leases	135.3	112.2	20.6
Land and buildings and advance payments and facilities under construction	89.4	83.3	7.3
Operating and office equipment	22.9	23.3	–1.7
Total	**247.6**	**218.8**	**13.2**

(18) Tax assets

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Current income tax assets	40.5	44.8	–9.6
Deferred income tax assets	177.1	174.1	1.7
Total	**217.6**	**218.9**	**–0.6**

Income tax is calculated in accordance with IAS 34.30 on the basis of the expected effective tax rate on the Bank's pre-tax profit/loss as of 30 September 2008.

As the change in the major shareholder relates to more than 50% of the total share capital, the domestic tax losses carried forward in accordance with section 8c of the German Corporate Income Tax Act (KStG) and section 10a of the German Trade Tax Act (GewStG) will be lost. Accordingly, deferred tax assets relating to domestic loss carryforwards were already written off in full the previous year.

Deferred income tax which occurs in the current financial year due to realising losses from shielded financial instruments and due to the development for fair values of liabilities which could not be planned were calculated as of 30 September 2008 on the basis of the actual differences in profit as of the quarterly reporting date. There is no tax expense in the domestic consolidated Group as of 30 September 2008 due to the compensatory effects from the subsequent capitalisation of deferred tax assets not recognised as of 31 March 2008 due to lack of value. Should there be no change in the market values of the liabilities in the domestic consolidated Group for the entire current financial year, a tax charge is expected.

For Luxembourg, a tax rate of 0% has been calculated. One of the requirements imposed by the EU Commission in respect to the IKB state aid is winding up IKB International S.A. For this reason, it is no longer probable that the tax losses carried forward will be used. For this reason, no deferred tax assets have been recognised for the expected losses in the current year. The deferred tax assets recognised on tax losses carried forward as of 31 March 2008 (approximately € 26 million) were reversed through profit and loss.

Deferred tax assets and deferred tax liabilities were netted in accordance with IAS 12.

(19) Other assets

Other assets amounted to € 1,202.7 million (31 March 2008: € 2,111.1 million). This item primarily includes receivables from KfW Bankengruppe in the amount of € 839.3 million (31 March 2008: € 1,829.7 million) under the terms of the rescue package.

Notes to the consolidated balance sheet (equity and liabilities)

(20) Liabilities to banks

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Liabilities to banks payable on demand	126.0	107.0	17.8
Liabilities to banks (initial maturity < 4 years)	6 980.0	7 431.1	–6.1
Liabilities to banks (initial maturity ≥ 4 years)	9 945.9	9 911.2	0.3
Total	**17 051.9**	**17 449.3**	**–2.3**

In the consolidated financial statements, the loans with debt waiver and compensation from future profits that are included in this item are measured in accordance with the *Other financial liabilities* category set out in IAS 39 AG8. These transactions are reported at their present value on each reporting date, which is calculated by estimating the expected interest and repayment cash flows discounted using the original yield. Unwinding effects of € 32.2 million and measurement effects of € –360.0 million as a result of changed expectation resulted overall in a decline of the carrying amount by € –327.8 million to € 359.5 million against the figure on 31 March 2008.

(21) Liabilities to customers

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Liabilities to customers payable on demand	33.0	24.7	33.6
Liabilities to customers (initial maturity < 4 years)	2 211.1	2 710.6	–18.4
Liabilities to customers (initial maturity ≥ 4 years)	3 103.2	3 016.2	2.9
Total	**5 347.3**	**5 751.5**	**–7.0**

(22) Securitised liabilities

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Bonds issued (initial maturity < 4 years)	7 711.1	10 756.0	–28.3
less own bonds (initial maturity < 4 years)	14.1	893.5	–98.4
Subtotal (initial maturity < 4 years)	7 697.0	9 862.5	–22.0
Bonds issued (initial maturity ≥ 4 years)	7 416.7	8 680.3	–14.6
less own bonds (initial maturity ≥ 4 years)	3.9	358.0	–98.9
Subtotal (initial maturity ≥ 4 years)	7 412.8	8 322.3	–10.9
Total	**15 109.8**	**18 184.8**	**–16.9**

New issues of € 0.4 billion were offset by repayments of € 3.5 billion (carrying amounts).

Securitised liabilities include changes in value of € –7.2 million (31 March 2008: € –0.8 million) from hedged underlyings.

(23) Liabilities held for trading

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Derivatives with negative fair values	4 535.0	5 345.3	–15.2
Negative fair values of hedging derivatives	47.8	65.6	–27.1
Total	**4 582.8**	**5 410.9**	**–15.3**

The decrease in the negative fair values of derivative financial instruments is due in particular to changes in the portfolio holdings of the Havenrock entities.

(24) Provisions

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Provisions for pensions and similar obligations	3.7	3.5	5.7
Other provisions	70.5	80.2	–12.1
Total	**74.2**	**83.7**	**–11.4**

(25) Tax liabilities

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Current tax liabilities	91.7	88.1	4.1
Deferred tax liabilities	154.9	149.2	3.8
Total	**246.6**	**237.3**	**3.9**

Deferred tax assets and deferred tax liabilities were netted in accordance with IAS 12 to the required extent.

(26) Other liabilities

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Trade payables	108.5	123.1	–11.9
Deferred expenses	16.1	13.9	15.8
Miscellaneous	168.9	26.4	>100.0
Total	**293.5**	**163.4**	**79.6**

The rise in other liabilities resulted from an ABS transaction in September 2008 in which leasing receivables were sold to a special-purpose company. With the default risk not being fully transferred, the leasing receivables remain in the IKB balance sheet. IKB recognises other liabilities against the purchaser at the level of the liquidity inflow amounting to € 139.9 million.

(27) Subordinated capital

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Subordinated liabilities	1 207.1	1 228.5	–1.7
Profit participation certificates	120.2	187.5	–35.9
Silent partnership contributions/preferred shares	139.4	363.7	–61.7
Total	**1 466.7**	**1 779.7**	**–17.6**

In addition to subordinated liabilities, IKB's subordinated capital includes capital paid in consideration of profit participation rights, silent partnerships and preferred shares for which IAS 39 AG8 is applied to the extent that they are classified as *Other financial liabilities*. These transactions are reported at their present value on each reporting date, which is calculated by estimating the expected interest and repayment cash flows discounted using the original yield. These effects are shown in the following table.

30 Sept 2008 in € million	Unwinding (interest expense)	Net change in present value (other operating income)
Profit participation certificates	2.9	–20.4
Silent partnership contributions/preferred shares	2.9	–40.4
Total	**5.8**	**–60.8**

The changes in carrying amounts are attributable not only to the effects resulting from the application of IAS 39 AG8 (€ 60.8 million), but in particular to rating-driven and interest-driven changes in the fair value of the items recognised using the fair value option. Due to the worsening in the Bank's CDS spreads and other market indicators, the carrying amounts of these items have declined. Whereas measurement as of 31 March 2008 was performed on the basis of valuation models due to the lack of market data, the preferred shares for which market quotations were available at the reporting date reported a significant drop.

Subordinated liabilities

At 30 September 2008, the Company had the following material subordinated liabilities (in excess of € 100.0 million):

Start of term	Initial nominal amount in € million	Currency	Interest rate in %	Maturity
2000/2001	150.0	EUR	6.00	27 Feb 2009
2003/2004	310.0	EUR	4.50	9 Jul 2013
2006/2007	160.0	EUR	5.21	23 Jan 2017

Profit participation certificates

Profit participation certificates can be broken down as follows:

Year of issue	Initial nominal amount in € million	Currency	Interest rate in %	Maturity
1997/1998	102.3	DM	7.05	31 Mar 2009
1999/2000	20.0	EUR	7.23	31 Mar 2010
2001/2002	100.0	EUR	6.50	31 Mar 2012
2001/2002	74.5	EUR	6.55	31 Mar 2012
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

At 30 September 2008, the carrying amount of silent partnership contributions/preferred shares was € 139.4 million (31 March 2008: € 363.7 million). This includes preferred shares with a carrying amount (after loss participation) of € 53.7 million (31 March 2008: € 208.5 million) that were issued by two U.S. subsidiaries exclusively formed for this purpose, and silent partnership contributions with a carrying amount of € 85.7 million (31 March 2008: € 155.2 million).

(28) Total equity

in € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Currency translation reserve	Revaluation reserve	Minority interests	Consoli-dated profit/loss	Total
Shareholders' equity as at 1 April 2007 after restatements	**225.3**	**568.2**	**–**	**330.6**	**–15.2**	**88.4**	**0.2**	**–**	**1 197.5**
Issue/redemption of shares		–1.6	–1.4						–3.0
Dividends paid									0.0
Changes in the scope of consolidation/Other				2.2					2.2
Consolidated income/loss from 1 April 2007 to 30 September 2007							0.0	–965.1	–965.1
Currency translation differences					9.5				9.5
Change in value in equity				15.3		–35.3			–20.0
Shareholders' equity as at 30 September 2007	**225.3**	**566.6**	**–1.4**	**348.1**	**–5.7**	**53.1**	**0.2**	**–965.1**	**221.1**
Mandatory convertible bonds	22.5	31.8							54.3
Issue/redemption of shares		–0.6	1.4						0.8
Dividends paid									0.0
Changes in the scope of consolidation/Other				–0.1					–0.1
Consolidated profit/loss from 1 October 2007 to 31 March 2008								933.1	933.1
Currency translation differences					12.7				12.7
Change in value in equity				–14.9		–23.2	0.2		–37.9
Shareholders' equity as at 31 March 2008 before restatements	**247.8**	**597.8**	**–**	**333.1**	**7.0**	**29.9**	**0.4**	**–32.0**	**1 184.0**
Changes in accordance with IAS 8						–27.1		27.1	0.0
Shareholders' equity as at 31 March 2008 after restatements	**247.8**	**597.8**	**–**	**333.1**	**7.0**	**2.8**	**0.4**	**–4.9**	**1 184.0**
Issue/redemption of shares									0.0
Dividends paid									0.0
Changes in the scope of consolidation/Other				0.4					0.4
Recognition of consolidated loss 1 April 2007 to 31 March 2008				–4.9				4.9	0.0
Consolidated income/loss from 1 April 2008 to 30 September 2008							0.1	250.2	250.3
Currency translation differences					–20.1				–20.1
Change in value in equity				3.0		–28.6			–25.6
Shareholders' equity as at 30 September 2008	**247.8**	**597.8**	**–**	**331.6**	**–13.1**	**–25.8**	**0.5**	**250.2**	**1 389.0**

Notes to segment reporting

(29) Segment reporting

6 months

in € million	Corporate Clients		Real Estate Clients		Structured financing		Portfolio Investments		Head office/ consolidation		Total	
	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*	1 April 2008– 30 Sept 2008	1 April 2007– 30 Sept 2007*
Net interest income	113.5	116.3	31.5	32.1	63.0	64.0	29.2	74.4	–34.7	–86.8	202.5	200.0
Provision for possible loan losses	25.3	48.1	20.6	14.0	41.9	26.3	0.0	0.0	18.9	77.7	106.7	166.1
Net interest income (after provision for possible loan losses)	**88.2**	**68.2**	**10.9**	**18.1**	**21.1**	**37.7**	**29.2**	**74.4**	**–53.6**	**–164.5**	**95.8**	**33.9**
Net fee and commission income	2.1	4.2	4.1	4.0	19.0	22.9	0.0	3.0	–0.9	0.3	24.3	34.4
Net income from financial instruments at fair value	5.5	–20.9	2.3	1.3	0.3	–2.1	113.1	–2 324.8	56.8	387.1	178.0	–1 959.4
Income from investment securities	0.0	–4.4	0.0	0.0	–2.2	–35.1	–191.7	–991.7	–39.8	–12.9	–233.7	–1 044.1
Net income from investment accounted for using the equity method	2.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	–10.1	0.0	–8.1	0.7
Administrative expenses	71.7	67.9	19.1	21.1	33.4	33.9	10.5	20.3	40.5	39.9	175.2	183.1
Net other operating income	2.4	2.7	0.6	0.9	0.0	0.2	–8.0	–1.2	410.8	–12.3	405.8	–9.7
Result from risk transfer	–	0.0	–	0.0	–	0.0	–	2 238.1	–	0.0	–	2 238.1
Operating result	**28.5**	**–17.4**	**–1.2**	**3.2**	**4.8**	**–10.3**	**–67.9**	**–1 022.5**	**322.7**	**157.8**	**286.9**	**–889.2**
Cost/income ratio in %	57.1	68.9	49.6	55.1	41.7	67.9	<0	<0	–	–	30.8	<0
Return on equity in %	8.3	–5.1	–1.2	3.1	2.7	–5.4	–102.1	–679.4	–	–	48.5	–149.3
Average allocated equity	685	689	204	209	351	384	133	301	–189	–392	1 184	1 191
Credit volume	16 570	17 406	4 593	4 969	8 103	8 617	1 767	6 201	4 058	4 972	35 091	42 165
Volume of new business	1 953	2 638	363	705	1 136	3 066	0	283	0	1 668	3 452	8 360

* Amounts restated (see Accounting policies, c. Adjustments to accounting policies in accordance with IAS 8)

2nd quarter

in € million	Corporate Clients		Real Estate Clients		Structured financing		Portfolio Investments		Head office/ consolidation		Total	
	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*	1 July 2008– 30 Sept 2008	1 July 2007– 30 Sept 2007*
Net interest income	57.6	51.6	15.1	13.2	31.6	26.9	4.9	29.8	–27.9	–62.3	81.3	59.2
Provision for possible loan losses	21.2	42.0	16.0	13.7	37.2	23.5	0.0	0.0	7.1	63.4	81.5	142.6
Net interest income (after provision for possible loan losses)	**36.4**	**9.6**	**–0.9**	**–0.5**	**–5.6**	**3.4**	**4.9**	**29.8**	**–35.0**	**–125.7**	**–0.2**	**–83.4**
Net fee and commission income	0.7	1.8	2.2	1.9	7.3	16.1	0.0	4.8	0.2	0.3	10.4	24.9
Net income from financial instruments at fair value	5.1	–21.6	1.6	0.6	0.1	–2.5	66.9	–1 852.1	546.7	462.5	620.4	–1 413.1
Income from investment securities	0.0	–4.4	0.0	0.0	0.3	–35.1	–115.3	–990.9	–22.5	–11.1	–137.5	–1 041.5
Net income from investment accounted for using the equity method	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	–0.1	0.0	0.0	0.6
Administrative expenses	36.7	33.3	9.8	10.8	17.7	17.8	5.7	15.3	17.3	29.1	87.2	106.3
Net other operating income	–0.1	1.3	0.2	0.4	0.0	–0.1	–12.6	–0.4	403.5	–9.0	391.0	–7.8
Result from risk transfer	–	0.0	–	0.0	–	0.0	–	2 238.1	–	0.0	–	2 238.1
Operating result	**5.5**	**–46.0**	**–6.7**	**–8.4**	**–15.6**	**–36.0**	**–61.8**	**–586.0**	**875.5**	**287.9**	**796.9**	**–388.5**
Cost/income ratio in %	57.9	113.7	51.3	67.1	45.0	335.8	<0	<0	–	–	9.0	<0
Return on equity in %	3.2	–26.4	–13.3	–16.9	–17.5	–36.8	–187.3	–751.3	–	–	269.2	–130.5
Average allocated equity	688	697	201	199	356	391	132	312	–193	–408	1 184	1 191
Credit volume	16 570	17 406	4 593	4 969	8 103	8 617	1 767	6 201	4 058	4 972	35 091	42 165
Volume of new business	1 009	1 400	187	343	637	1 591	0	66	0	453	1 833	3 853

* Amounts restated (see Accounting policies, c. Adjustments to accounting policies in accordance with IAS 8)

Notes to financial instruments

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

The following table contains the carrying amounts of the Bank's financial instruments (before the deduction of risk provisions) in accordance with IFRS 7 reporting classes:

IFRS 7 reporting classes for financial instruments	30 Sept 2008 in € million	31 March 2008 in € million
Assets		
Measured at fair value through profit or loss		
Held for Trading	**2 809.4**	**3 604.0**
Assets held for trading	2 809.4	3 604.0
Fair value Option	**3 567.3**	**4 803.4**
Loans and advances to banks	97.1	88.8
Investment securities	3 470.2	4 714.6
Receivables KfW Bankengruppe	**839.3**	**1 829.7**
Other assets	839.3	1 829.7
Hedging derivatives		
Assets held for trading	23.0	33.7
Measured at fair value		
Available for sale	**1 641.4**	**1 709.1**
Investment securities	1 641.4	1 709.1
Measured at amortised cost		
Loans and receivables	**34 513.9**	**36 208.7**
Loans and advances to banks	2 254.7	2 761.5
Loans and advances to customers (including hedge fair value adjustments)	26 926.0	27 026.4
Investment securities	5 333.2	6 420.8
Finance lease receivables		
Receivables from customers	1 934.7	1 842.5
Other financial instruments not within the scope of IFRS 7		
Investments accounted for using the equity method	11.5	14.7
Total	**45 340.5**	**50 045.8**

IFRS 7 reporting classes for financial instruments	30 Sept 2008 in € million	31 March 2008 in € million
Shareholders' equity and liabilities		
Measured at fair value through profit or loss		
Held for Trading	**4 535.1**	**5 345.3**
Liabilities held for trading	4 535.1	5 345.3
Fair value Option	**4 178.7**	**5 349.6**
Liabilities to banks	619.3	647.1
Liabilities to customers	1 235.7	1 222.9
Securitised liabilities	1 856.9	2 760.1
Subordinated capital	466.8	719.5
Hedging derivatives		
Liabilities held for trading	47.7	65.6
Measured at amortised cost		
Other financial liabilities	**34 797.0**	**37 815.7**
Liabilities to banks	16 432.6	16 802.2
Liabilities to customers	4 111.6	4 528.6
Securitised liabilities (including hedge fair value adjustments)	13 252.9	15 424.7
Subordinated capital	999.9	1 060.2
Total	43 558.5	48 576.2
Off-balance-sheet transactions		
Contingent liabilities	1 356.6	1 482.5
Other commitments	3 952.0	4 436.0
Total	**5 308.6**	**5 918.5**

(31) Fair value of financial assets and liabilities

The following table compares the fair values of financial assets and liabilities with their carrying amounts.

in € million	Fair value		Carrying amount		Difference	
	30 Sept 2008	31 Mar 2008	30 Sept 2008	31 Mar 2008	30 Sept 2008	31 Mar 2008
Assets						
Loans and receivables	**32 785.6**	**34 426.5**	**33 896.0**	**35 432.8**	**–1 110.4**	**–1 006.3**
Loans and advances to banks	2 261.6	2 767.2	2 254.7	2 761.5	6.9	5.7
Loans and advances to customers (including hedge fair value adjustments)*	25 363.7	25 448.7	26 308.1	26 250.5	–944.4	–801.8
Investment securities	5 160.3	6 210.6	5 333.2	6 420.8	–172.9	–210.2
Finance lease receivables	**1 932.7**	**1 839.0**	**1 932.7**	**1 840.2**	**0.0**	**–1.2**
Receivables from customers*	1 932.7	1 839.0	1 932.7	1 840.2	0.0	–1.2
Assets after provision for possible loan losses	**34 718.3**	**36 265.5**	**35 828.7**	**37 273.0**	**–1 110.4**	**–1 007.5**
Shareholders' equity and liabilities						
Other Financial Liabilities	**33 860.6**	**36 392.6**	**34 797.0**	**37 815.7**	**–936.4**	**–1 423.1**
Liabilities to banks	16 405.9	16 593.8	16 432.6	16 802.2	–26.7	–208.4
Liabilities to customers	3 763.6	4 192.0	4 111.6	4 528.6	–348.0	–336.6
Securitised liabilities (including hedge fair value adjustments)	13 053.1	14 778.2	13 252.9	15 424.7	–199.8	–646.5
Subordinated capital	638.0	828.6	999.9	1 060.2	–361.9	–231.6
Shareholders' equity and liabilities	**33 860.6**	**36 392.6**	**34 797.0**	**37 815.7**	**–936.4**	**–1 423.1**

*) The book value of Receivables from customers is stated without provision of € 619.9 million (31 March 2008: € 778.2 million).

(32) Derivatives

	Nominal amount			Fair value					
				Positive		Negative		Total	
	30 Sept 2008 in € million	31 March 2008 in € million	Change in %	30 Sept 2008 in € million	31 March 2008 in € million	30 Sept 2008 in € million	31 March 2008 in € million	30 Sept 2008 in € million	31 March 2008 in € million
Interest-rate derivatives	46 153.9	46 973.8	–1.7	324.9	301.8	1 194.8	1 106.9	–869.9	–805.1
Credit derivatives	9 245.5	9 323.8	–0.8	2 372.9	2 926.5	3 205.1	4 083.7	–832.2	–1 157.2
Currency derivatives	6 297.7	7 551.2	–16.6	51.2	307.8	182.9	220.3	–131.7	87.5
Equity derivatives	–	–	0.0	0.4	0.5	–	–	0.4	0.5
Total	**61 697.1**	**63 848.8**	**–3.4**	**2 749.4**	**3 536.6**	**4 582.8**	**5 410.9**	**–1 833.4**	**–1 874.3**

The table above does not include the credit derivative arising from the risk transfer agreement with KfW Bankengruppe.

Other disclosures

(33) Contingent liabilities and other commitments

IKB's contingent liabilities and other commitments can be broken down as follows:

	30 Sept 2008 in € million	31 March 2008 in € million	Change in %
Contingent liabilities	1 356.6	1 482.5	–8.5
Guarantees, warranties, other	995.8	1 329.1	–25.1
Assumptions of liability	360.8	153.4	>100.0
Other commitments	3 952.0	4 436.0	–10.9
Commitments up to 1 year	1 976.8	2 161.0	–8.5
Commitments from 1 year or more	1 975.2	2 275.0	–13.2
Total	**5 308.6**	**5 918.5**	**–10.3**

Contingent liabilities are generally matched by contingent assets in the same amount. At 30 September 2008, contingent liabilities included assumptions of liability totalling around € 180 million that were recognised under "Guarantees, warranties, other" as of 31 March 2008.

The figures presented reflect the amounts that would have to be paid out if the respective customers were to draw down fully the relevant credit facilities, adjusted for provisions.

(34) Collateral / repurchase agreements

€ 6.7 billion fixed income securities were lodged with Deutsche Bundesbank (31 March 2008: € 8.1 billion) as collateral for the tender proceedings of the European Central Bank (collateral pool). As of the reporting date, credit facilities totalling € 4.0 billion were utilised (31 March 2008: € 3.1 billion).

In the first half year of 2008/09, IKB significantly reduced the extent of its genuine repurchase agreements. As a borrower, the IKB transferred investment securities with a carrying amount of € 566.3 million (31 March 2008: € 1,957.0 million) (repo agreements) as of the reporting date. This related to collateral which the recipient could sell on and re-assign. Since 31 March 2008, the volume of the repurchase agreements was scaled back to reduce counterparty default risk. The repurchase agreements result in liabilities to banks totalling € 486.8 million (31 March 2008: € 1,589.3 million).

In addition, as a lender IKB has received government issues with a fair value of € 233.8 million (31 March 2008: € 229.5 million) (reverse-repo agreements) for which it has the authority to sell on or to re-assign. As of the reporting date, this resulted in loans and advances to banks with a carrying value € 221.7 million (31 March 2008: € 230.8 million). In line with the usual conditions in the context of securities repo agreements, for the government issues received there is a return obligation at the same level. In the context of repo agreements, this collateral was reassigned.

(35) Maturity structure

The outstanding maturities of assets and liabilities are structured as follows:

30 Sept 2008 in € million	up to 3 months	between 3 months and 1 year	between 1 and 5 years	over 5 years	Total
Loans and advances to banks	1 136.9	938.9	70.9	205.1	2 351.8
Receivables from customers	2 541.5	3 002.8	14 243.9	9 072.5	28 860.7
Assets held for trading	32.7	63.4	272.4	2 463.9	2 832.4
Investment securities	450.7	769.7	3 377.5	5 846.9	10 444.8
Companies accounted for using the equity method	0.0	0.0	0.0	11.5	11.5
Total	**4 161.8**	**4 774.8**	**17 964.7**	**17 599.9**	**44 501.2**
Liabilities to banks	5 438.2	2 413.4	5 282.8	3 917.5	17 051.9
Liabilities to customers	1 763.1	315.3	1 397.4	1 871.5	5 347.3
Securitised liabilities	2 995.6	5 233.0	6 796.4	84.8	15 109.8
Liabilities held for trading	178.3	65.6	266.2	4 072.7	4 582.8
Subordinated capital	76.3	212.8	661.0	516.6	1 466.7
Total	**10 451.5**	**8 240.1**	**14 403.8**	**10 463.1**	**43 558.5**

31 March 2008 in € million	up to 3 months	between 3 months and 1 year	between 1 and 5 years	over 5 years	Total
Loans and advances to banks	1 552.7	1 053.6	56.6	187.4	2 850.3
Receivables from customers	2 437.6	3 610.1	13 684.7	9 136.5	28 868.9
Assets held for trading	303.5	64.7	211.8	3 057.7	3 637.7
Investment securities	757.2	559.9	4 177.6	7 349.8	12 844.5
Companies accounted for using the equity method	0.0	0.0	0.0	14.7	14.7
Total	**5 051.0**	**5 288.3**	**18 130.7**	**19 746.1**	**48 216.1**
Liabilities to banks	7 017.1	1 184.5	4 267.0	4 980.7	17 449.3
Liabilities to customers	1 086.5	1 495.8	1 183.8	1 985.4	5 751.5
Securitised liabilities	1 741.9	6 345.9	10 000.9	96.1	18 184.8
Liabilities held for trading	142.8	78.0	543.4	4 646.7	5 410.9
Subordinated capital	23.1	239.7	382.3	1 134.6	1 779.7
Total	**10 011.4**	**9 343.9**	**16 377.4**	**12 843.5**	**48 576.2**

(36) Other financial liabilities

There is a proportionate obligation to make additional contributions with respect to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, in accordance with section 26 of the German Limited Liability Companies Act (GmbHG). IKB also has a proportionate contingent liability for the fulfilment of the obligation to make contributions of other members of the Association of German Banks. 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 any losses incurred by banks in its majority ownership. For further information, please refer to the annual financial statements and management report of IKB Deutsche Industriebank AG as of 31 March 2008.

(37) Average number of employees

	30 Sept 2008	31 March 2008	Change in %
Men	1 074	1 139	–5.7
Women	696	713	–2.4
Total	**1 770**	**1 852**	**–4.4**

(38) Related party disclosures

Liabilities from related party transactions primarily relate to refinancing transactions conducted by IKB AG and its subsidiaries with KfW Bankengruppe in the amount of € 8.4 billion, while Other assets includes receivables from the KfW Bankengruppe in the amount of € 0.8 billion under the terms of the rescue package.

Compared to 31 March 2008, no material changes have occurred in the assets, liabilities, and profit or loss due to related party transactions.

(39) Events after 30 September 2008

As a result of the announcement of the EU Commission on 21 October 2008 in the matter of state aid from the Federal Republic of Germany for restructuring of IKB AG, the operating activities at IKB will be impacted considerably over the next few years. For more information on this matter, please refer to the supplementary report contained in the interim Group management report.

By agreement dated 22/23 September 2008, via its subsidiary IKB Beteiligungen GmbH, IKB acquired 100% of IVG Kavernen GmbH, Bonn, a subsidiary of Bonn-based IVG Immobilien AG, Bonn. IKB is thus supporting its customer, IVG, in structuring a sales transaction and reorganising its Caverns division. The purchase agreement was completed on 28 November 2008.

IKB Beteiligungen GmbH is an interim holding in the IKB Group whose investments including stakes in the IKB leasing companies, in IKB Private Equity GmbH and the 50% stakes in Movesta Lease and Finance GmbH. The business of IVG Kavernen GmbH was the subterranean storage of oil and gas in salt domes (caverns) which have been rinsed out, particularly for the strategic oil reserves of the Federal Republic of Germany and interim store of gas for international energy companies.

IKB Beteiligungen GmbH acquired IVG Kavernen GmbH at a purchase price of € 213 million, made up of € 201 million from the assumption of a liability of IVG Immobilien AG to IVG Kavernen GmbH and € 12 million incidental costs of acquisition. The entire business operations of IVG Kavernen GmbH was spun off to another legal entity held by IVG Immobilien AG resulting in high tax gains. Accordingly, the net assets totals € 26 million. It is made up of € 198 million liquid funds and the above receivable of IVG Kavernen GmbH from IVG Immobilien AG minus a tax provision of € 373 million due to the profits resulting from the spin off. At the time of acquisition goodwill of € 187 million results from the first-time consolidation of IVG Kavernen GmbH.

An agreement on the merger of IVG Kavernen GmbH and IKB Beteiligungen GmbH has been notarised and will become effective at the beginning of 2009 after the entry into the commercial registers of the two companies. The spin-off profit then occurs in the consolidated tax group of IKB AG so that the tax provision does not apply. The goodwill stated above is to be derecognised. Overall there is a profit of € 186 million.

For details of events after the reporting date, please refer particularly to the points:

- Capital increase concluded
- Capital strengthened with Lone Star
- Transfer of portfolio investments into a special-purpose company
- Havenrock
- Other transactions
- Changes in the Group
- SoFFin guarantees

contained in Section 3, Events after 30 September 2008 (Supplementary report), of the interim Group management report.

Executive bodies

Board of Managing Directors

Hans Jörg Schüttler
(Chairman of the Board of Managing Directors
from 1 November 2008)
Dr. Günther Bräunig
(Chairman of the Board of Managing Directors
until 31 October 2008)
Dr. Dieter Glüder
Dr. Reinhard Grzesik
Dr. Andreas Leimbach (from 1 April 2008)
Claus Momburg

Supervisory Board

Bruno Scherrer (Chairman from 30 October 2008)
Werner Oerter (Chairman until 30 October 2008)
Dieter Pfundt (Deputy Chairman)
Detlef Leinberger (Deputy Chairman, until 6 October 2008)
Dieter Ammer (until 30 November 2008)
Jörg Asmussen (until 27 May 2008)
Dr. Jens Baganz (until 30 November 2008)
Wolfgang Bouché*
Hermann Franzen
Ulrich Grillo
Dr. Karsten von Köller (from 16 December 2008)
Jürgen Metzger*
Werner Möller (from 28 August 2008
until 18 November 2008; in this time Deputy Chairman
from 8 October 2008 until 18 November 2008)
Roland Oetker (until 30 November 2008)
Dr. Christopher Pleister (from 28 August 2008)
Dr.-Ing. E. h. Eberhard Reuther
Randolf Rodenstock (until 3 December 2008)
Rita Röbel* (until 30 November 2008)
Dr. Michael Rogowski (until 28 August 2008)
Jochen Schametat* (until 30 November 2008)
Dr. Carola Steingräber*
Dr. Alfred Tacke
Dr. Martin Viessmann
Ulrich Wernecke*
Andreas Wittmann*

*Employee representative

(40) List of consolidated entities as of 30 September 2008

	Letter of comfort	Equity interest in %
A. Consolidated subsidiaries		
1. Foreign banks		
IKB International S.A., Luxembourg	x	100[1]
2. Other domestic companies		
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	x	100
ICCO Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	x	100[1]
ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	x	100[1]
IKB Autoleasing GmbH, Hamburg	x	100[1]
IKB Beteiligungen GmbH, Düsseldorf	x	100
IKB Data GmbH, Düsseldorf	x	100
IKB Dritte Equity Suporta GmbH, Düsseldorf		100
IKB Equity Capital Fund I GmbH & Co. KG, Düsseldorf	x	100[1]
IKB Equity Finance GmbH, Düsseldorf		100[1]
IKB Erste Equity Suporta GmbH, Düsseldorf		100[1]
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	x	100
IKB Grundstücks GmbH & Co. Objekt Hamburg KG, Düsseldorf	x	100
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100
IKB Grundstücks GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	x	100
IKB Grundstücks GmbH, Düsseldorf	x	100
IKB Immobilien Management GmbH, Düsseldorf	x	75
IKB Leasing Berlin GmbH, Erkner	x	100[1]
IKB Leasing GmbH, Hamburg	x	100[1]
IKB Private Equity GmbH, Düsseldorf	x	100[1]
IKB Projektentwicklung GmbH & Co. KG, Düsseldorf	x	100
IKB Projektentwicklungsverwaltungsges. mbH, Düsseldorf	x	100
IMAS Grundstücks-Vermietungsges. mbH, Düsseldorf	x	100
ISOS Grundstücks-Vermietungsgesellschaft mbH & Co. KG, Düsseldorf	x	100[1]
ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf	x	100[1]
ISTOS Beteiligungsverwaltungs- und Grundstücksvermietungsges. mbH, Düsseldorf	x	100
ISTOS Erste Beteiligungsverwaltungs- und Grundstücksvermietungsges. mbH & Co. KG, Düsseldorf	x	100
ISTOS Zweite Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
ISTOS Dritte Beteiligungsverwaltungs- und Grundstücksvermietungsgesellschaft mbH & Co. KG, Düsseldorf		100
3. Other foreign companies		
IKB Capital Corporation, New York		100
IKB Finance B. V., Amsterdam	x	100
IKB Funding LLC I, Wilmington, Delaware	x[2]	100
IKB Funding LLC II, Wilmington, Delaware	x[2]	100
IKB Leasing Austria GmbH, Salzburg	x	100[1]
IKB Leasing ČR s.r.o., Prague	x	100[1]
IKB Leasing France S.A.R.L., Marne	x	100[1]
IKB Leasing Hungária Kft., Budapest	x	100[1]
IKB Leasing Polska Sp.z o.o., Posen	x	100[1]
IKB Leasing SR s.r.o., Bratislava	x	100[1]
IKB Leasing srl, Bucharest	x	100[1]
IKB Lux Beteiligungen S. à.r.l., Luxembourg	x	100
IKB Penzüdyi Lizing Hungária Rt., Budapest	x	100[1]
Still Location S.A.R.L., Marne	x	100[1]
ZAO IKB Leasing, Moscow	x	100[1]

[1] Indirect interest
[2] Subordinated letter of comfort

	Letter of comfort	Equity interest in %
B. Joint ventures/affiliated companies		
Linde Leasing GmbH, Wiesbaden		30[1)]
Movesta Lease and Finance GmbH, Düsseldorf		50[1)]
C. Special Purpose Entities in accordance with SIC-12		
ELAN Ltd., Jersey (three units)		
Havenrock I Ltd., Jersey		
Havenrock II Ltd., Jersey		
REPV-DS Finance 2008-1 GmbH, Frankfurt		

1) Indirect interest

Düsseldorf, 23 December 2008
IKB Deutsche Industriebank AG
Board of Managing Directors

Hans Jörg Schüttler

Dr. Dieter Glüder

Dr. Reinhard Grzesik

Dr. Andreas Leimbach

Claus Momburg

Translation of the review report issued in German language on the condensed consolidated interim financial statements prepared in German language by the management of IKB Deutsche Industriebank AG, Düsseldorf.

Review Report

To IKB Deutsche Industriebank AG, Düsseldorf

We have reviewed the condensed consolidated interim financial statements – comprising the condensed balance sheet, condensed income statement, condensed cash flow statement, statement of recognised income and expense and selected explanatory notes – and the interim group management report of IKB Deutsche Industriebank AG, Düsseldorf, for the period from April 1, 2008, to September 30, 2008, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, January 9, 2009

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ralf Schmitz	Michael Maifarth
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement in accordance with section 37y of the Germany Securities Trading Act in conjunction with section 37w no. 2 (3) of the Germany Securities Trading Act

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group 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, 23 December 2008
IKB Deutsche Industriebank AG
Board of Managing Directors

Hans Jörg Schüttler

Dr. Dieter Glüder

Dr. Reinhard Grzesik

Dr. Andreas Leimbach

Claus Momburg

Financial Calendar

9-month figures for the financial year 2008/09	26 February 2009
Preliminary figures for the financial year 2008/09	June 2009
3-month figures for the financial year 2009/10	13 August 2009
General Meeting for the financial year 2008/09	27 August 2009
6-month figures for the financial year 2009/10	12 November 2009

If you have questions please contact:

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