6-Month Report 2011/2012

(1 April – 30 September 2011)

IKB Deutsche Industriebank

Contents

Letter from the Chairman of the Board of Managing Directors

Dear shareholders,
Dear business partners of IKB,

The intensity of the financial crisis has increased significantly over recent months. The European government debt crisis means that the current loss of confidence on the capital markets can be compared with the situation following the collapse of the US investment bank Lehman Brothers in late 2008. The regulatory initiatives by the various institutions mean that government bonds are coming under growing selling pressure at present. As a result, the outlook for the global economy is also deteriorating. Although our ´SME clients continued to enjoy dynamic development in the period ended September 2011, the growth trend in the German economy is also slowing.

This is reflected in IKB's business performance. Remeasurement losses due to the financial crisis during the period under review led to a substantial consolidated net loss in accordance with IFRS despite the positive development in our core business.

Some relief was provided by the positive balance of risk costs in our lending business. In combination with stable new lending business, rising margins and growing fee and commission income, we recorded a significant increase in net banking income (net interest and fee and commission income less provisions for potential loan losses). As such, we believe that we are on the right path with our expanded business model and our focus on the financing and consulting requirements of our traditional SME clients.

30 September 2011 was the deadline for the fulfilment of the EU conditions. Despite the significant costs involved, the full implementation of the EU conditions was a matter of top priority for us. Now that implementation is complete, we are hopeful that we can close this chapter with the submission of the final report in early 2012.

We also consider ourselves to have a secure liquidity position even allowing for the maturity of all the SoFFin bonds. The first SoFFin-guaranteed bond was repaid on schedule at the end of April 2011, and SoFFin guarantees amounting to a further € 1.3 billion were returned ahead of schedule in July 2011. IKB is diversifying its refinancing structure with the aid of collateralised financing and the further expansion of its deposit and promissory note loan business with corporate clients, retail customers (IKB direkt) and institutional investors.

Including the provisions for loan losses on Greek bonds recognised in September 2011, IKB's Tier I ratio is in excess of 10%. We concluded our legal disputes with Crédit Agricole Corporate and Investment Bank and Financial Guaranty Insurance Corporation, thereby significantly reducing our legal risks.

Achieving sustainable operating profitability will require us to cut costs, grow income and further limit the risks to which we are exposed. To this end, we have established a system of management based on quarterly key performance indicators at a Bank, divisional and team level. We are seeking to further reduce the complexity of the Group structure and improve the efficiency of our core processes in order to save costs, while creating additional capacities (infrastructure, human resources) for customer care.

We are encouraged by the progress we have achieved to date, although the government debt crisis in the eurozone is currently overshadowing everything and will mean a delay in achieving our targets. It is unclear as to how long the crisis will continue. We will do our bit to ensure that our customers and business partners can continue to withstand the effects of the financial crisis.

Düsseldorf, November 2011

Yours

Hans Jörg Schüttler

Interim Group Management Report

1. General conditions

Since summer 2011, there has been a significant loss of confidence on the capital markets that can be compared with the situation following the collapse of the US investment bank Lehman Brothers in late 2008. This unexpectedly dramatic development is attributable to the high level of government debt in Europe and the USA and growing doubts as to whether the governments concerned will be able to conclude appropriate rescue measures within a reasonable period or implement programmes to contain the rising debt levels in good time. To date, the EU governments have been unable to effectively combat the crisis that has affected the eurozone since early 2010.

The outlook for the global economy has taken a turn for the worse. Companies and households in the USA and Europe are increasingly pessimistic about the future, while signals on the financial markets, such as falling share prices around the world and the sharp decline in interest rates, suggest an economic downturn. The emerging economies have also seen a slowdown in economic development, although this has only been moderate so far.

General conditions for the core business

The slump on the financial markets began in the summer, when the USA struggled with increasing the upper limit for government debt until the very last minute, thereby damaging confidence in the ability of US politicians to act. At almost the same time, the government debt crisis in the eurozone, which has been ongoing since early 2010, reached new levels. Further resolutions were passed in July 2011 with a view to rescuing Greece, but these were overtaken by events even while being implemented. An even more extensive package of measures was adopted in late October 2011. It initially looked as if this would also come to nothing as Greece stated its desire to hold a referendum. As a result of these developments, the capital markets are showing consistently unfocused risk-averse behaviour and have practically dried up in many areas. The debate has also thrown up the first “real” risks of contagion, with fears of the illiquidity of the market for certain government issuers extending to include the rapid deterioration in the solvency of the government issuers themselves, particularly Italy. The growing lack of investor confidence towards the PIIGS countries was reflected in the extremely high credit spreads on their government bonds, with even France at risk of losing its status as a safe haven for investments. The sharp fall in prices has led to significant fair value losses for the holders of government bonds and high write-downs on Greek bonds.

In this environment, share prices declined sharply around the world, while there was a tangible downturn in government bond yields in major industrialised nations due to the inflow to safe havens. Uncertainty among market participants with regard to economic development on both sides of the Atlantic led to pronounced fluctuations in the euro and US dollar exchange rates and losses on the part of both currencies against the yen and, in particular, the Swiss franc. The Swiss Central Bank is keeping exchange rates stable through market intervention.

In the eurozone, the European Central Bank (ECB) raised interest rates in the first quarter of 2011 following strong economic development. However, this was followed by a general crisis of confidence in the summer combined with growing worries about an economic slowdown. Concerns as to the insufficient volume of the European Financial Stability Facility (EFSF) saw the crisis spreading to major southern European nations, with even France at risk of contagion. The view that the planned EFSF reforms could prove insufficient if more countries lose access to capital market finance led to a dramatic increase in yield premiums on Italian and Spanish government bonds. To prevent a further escalation in the euro crisis, the eurozone governments resolved a comprehensive stabilisation package in October 2011. In addition to the “voluntary” 50% Greek debt haircut and the leveraging of the EFSF in order to keep the capital markets open for other eurozone states, the recapitalisation of system-relevant banks was agreed with a view to stabilising the financial system. However, the markets remained affected by continued political uncertainty in Greece and, subsequently, Italy, and have not yet settled.

IKB’s foreign markets enjoyed a relatively good start to 2011, but this was followed by a weak second quarter. At 0.3%, only Italy was able to record moderate GDP growth compared with the previous quarter. However, the EU debt crisis put growing pressure on the country, and its growth is likely be curbed by the intensification of consolidation measures. Spain is still suffering the consequences of the real estate crisis, and recovery is proving to be slow. The situation in the United Kingdom is similar, with a minimal upturn in the economy as a whole. Despite strong performance at the start of the year, France saw disappointing growth in the second quarter, with the economic recovery all but coming to a standstill. Meanwhile, risks relating to the impact of the government debt crisis on financing costs and doubts concerning the French banking system have also increased.

Following an impressive start to 2011, the German economy has also lost considerable momentum, although the adverse weather conditions must be taken into account. Despite the relatively low level of growth in the second quarter, the German economy remained intact. Sentiment and other leading indicators such as incoming orders suggest a slowdown in the economy in the fourth quarter. Foreign trade made only a small contribution to GDP growth in the first half of the year. Although German exports increased significantly in this period, the rise in imports was almost as pronounced.

Investment activity was extremely lively until the middle of the year. Investments in equipment grew by 1.7% in the second quarter of 2011, only slightly lower than the figure for the previous quarter. Expansion investments also increased on the back of industrial capacity utilisation in particular, which was above-average and continuing to rise. Despite this development on the investment side, however, demand for credit on the part of the manufacturing industry remained essentially unchanged. Having risen steadily since the previous spring, private consumption was disappointing in the second quarter of 2011 despite the continued favourable situation on the labour market with record levels of employment.

The banking sector came under renewed pressure as a result of the government debt crisis in the eurozone. Turbulence on the bond markets led to increased risks for banks as a result of potential direct or indirect losses on government bond exposures. This uncertainty was reflected on the interbank money market, which again suffered from impaired functionality. The growing lack of confidence between banks was documented by the further increase in the interest premium for unsecured vs. secured three-month money. At the same time, banks were unable to issue unsecured bonds or raise equity capital.

In light of this difficult situation, the ECB had to further expand its measures in the area of liquidity policy in order to prevent the debt crisis from spreading to the banking sector, including its main refinancing operations as fixed-rate tenders with full allocation, additional refinancing operations with a longer term and the relaxation of the requirements for eligible collateral. Responding to the growing risk of contagion as a result of the eurozone debt crisis, the ECB reactivated its “at-risk” bond-buying programme in August with the aim of preventing further upheaval within the banking system and lifting the threat of illiquidity on the part of state debtors. The ECB was faced with the challenge of acting as a lender of last resort for banks and governments while countering risks to price stability in an adequate and timely manner.

Efforts by politicians to increase the regulation of the financial markets – something that has already had a wide-ranging impact in terms of the number of plans implemented or in preparation – will continue to provide substantial uncertainty for the time being. It is notable that a number of plans appear to emerge on an uncoordinated, ad-hoc basis. There have also been a number of changes to national and international accounting standards, some of which are significant in terms of their materiality and/or the cost of implementation.

Banks in Europe have announced a general reduction in their business operations and risk-weighted assets, the volume of which is estimated at almost € 1 trillion. As such, there is a possibility that the supply of credit in Europe will run short in the near future. At present, the primary focus is on reducing holdings of eurozone government bonds.

IKB's strategic positioning

Over the past four years in which the financial crisis has endured and repeatedly flared up again, IKB Deutsche Industriebank AG (IKB AG or IKB as a synonym for the Group) has been comprehensively restructured. Significant risks have been successively eliminated. Lending not relating to customers and long-term project and export finance is no longer being actively performed. The Bank has been fully refocused on the financing and consulting requirements of its traditional client base, SME German companies.

The business model has been expanded. In addition to loan finance, IKB offers its corporate clients capital market and advisory services (including derivatives, placements, M&A and restructuring consultancy) that allow them to optimise their financing structure and access the capital markets. IKB works in close cooperation with private equity companies in the area of acquisition finance. As the level of new business shows, IKB is meeting its clients' requirements with this expanded approach.

IKB has a Germany-wide sales network covering every region of the country and consisting of locations of IKB AG and the IKB Leasing Group. This national network is supplemented by selected European locations. The IKB Leasing Group operates in nine countries (Germany, France, Austria, Poland, Romania, Russia, Slovakia, Czech Republic, Hungary) through 14 leasing companies.

As of 30 June 2011, the Bank had a share of around 8% in the market for long-term corporate loans to the German manufacturing industry. The specific market share for public subsidy loans is much higher in some areas. IKB's main competitors are larger banks in Germany and abroad in a market that is undergoing significant upheaval on account of the financial crisis, the intervention by the European Commission, aid programmes and regulatory reforms.

IKB's refinancing structure, which was dominated by the issuance of unsecured bonds prior to the onset of the financial crisis, has since been gradually replaced by a refinancing mix with secured financing and more broad-based deposit business with corporate and retail clients. With this move, IKB is preparing itself for a sharp decline in demand for unsecured bank bonds among traditional investors (banks, insurance companies) as a result of Basel III and Solvency II.

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

- that the provision of its own customers with funding, whether in the form of short-term or medium-term financing or equity, will be organised on the capital markets to an increasing extent; and
- that strict price discipline is needed and that customers will therefore also face higher credit costs than was the case prior to the crisis.

To compensate for the aid provided by public-sector sources, IKB is required to satisfy extensive EU conditions. Despite substantial internal costs and losses on the disposal of assets, IKB worked intensively to implement the EU conditions as of 30 September 2011. Now that implementation is complete, IKB is hopeful that it can close this chapter with the submission of the final report in early 2012.

2. Significant events in the reporting period

Status of implementation of EU conditions

In the matter of state aid from the Federal Republic of Germany for the restructuring of IKB, the European Commission announced on 21 October 2008 that the state rescue measures that IKB had received since the start of the crisis in July 2007 had been approved subject to certain conditions and requirements. By way of its ruling of 15 May 2009, the European Commission approved a change to the schedule for the winding up of the Luxembourg location.

The implementation period for the ruling expired on 30 September 2011. IKB implemented the measures set out in the restructuring plan on time and took all of the measures permitted by law to fulfil the EU conditions during the implementation period. Accordingly, IKB assumes that the conditions were met by the deadline.

The final report to the European Commission on the implementation of the conditions will be submitted in early January 2012.

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

Specifically, the conditions were as follows:

- discontinuation of the Real Estate Finance segment (discontinuation of new business as of 31 December 2008; active reduction of at least 20% of the portfolio by 30 September 2010; reduction of a further 40% of the portfolio by 30 September 2011; remaining portfolio discontinued by way of scheduled repayments); subsidiaries affected: IKB Immobilien Management GmbH (IKB Immobilien Management), IKB Projektentwicklung GmbH & Co. KG (IKB Projektentwicklung), IKB Projektentwicklungsverwaltungs GmbH,

- disposal of IKB's 50% interest in Movesta Lease and Finance GmbH (Movesta) by 30 September 2011,

- winding up or disposal of IKB Capital Corporation, New York (IKB CC), by 30 September 2011 (active reduction of 25% of the portfolio by 30 September 2010) and discontinuation of new business as of 31 December 2008,

- winding-up of IKB International S.A. by 1 April 2011 (the derivatives business and credit holdings up to a maximum of € 3.2 billion were allowed to be relocated to IKB AG in Düsseldorf) and discontinuation of new business as of 1 December 2010,

- winding-up of IKB AG's business activities in Amsterdam by 30 March 2010 and discontinuation of new business as of 31 December 2008, and

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

The specific status of implementation is as follows:

- The credit volume of Real Estate Finance was reduced to € 1.7 billion by 30 September 2011, meaning that IKB complied with the target reduction of 60% as of this date. The subsidiaries from the Real Estate Finance segment were wound up on schedule: IKB Immobilien Management was converted into a GmbH & Co. KG and dissolved by way of integration into IKB, while IKB Projektentwicklung and IKB Projektentwicklungsverwaltungs GmbH were both taken into liquidation. New business was discontinued on schedule.

- IKB's 50% interest in Movesta was sold in 2009. One of the purchase conditions was the hiving-off of Movesta Development GmbH and selected special-purpose entities from Movesta, proportionate ownership of which has remained with the former owners. Movesta Development GmbH was converted into a GmbH & Co. KG and dissolved by way of integration into IKB with effect from 30 September 2011. IKB has also taken all of the measures permitted by law to wind up the special-purpose entities. No new business has been or will be performed.

- IKB CC: The loan portfolio was reduced in full by way of sale. The company's liquidation has been initiated.

- IKB International S.A.: The company's new business was discontinued on schedule. Provided that customers had granted their consent, derivatives and loan business was transferred to IKB AG in Düsseldorf. The remaining derivatives and loan holdings had to remain with the company as they could not be legally transferred. By way of resolution of its Extraordinary General Meeting, IKB International S.A. was dissolved and taken into liquidation with effect from 1 April 2011. Its banking licence was also returned. As a result, the company has been a settlement company since 1 April 2011. The closure process was approved by the Luxembourg banking authority Commission de Surveillance du Secteur Financier. IKB AG had acquired the new customer derivatives business of IKB International S.A. in July 2010.

- All of IKB's business activities in Amsterdam have been discontinued.

- The non-strategic assets as of 30 September 2011 referenced in the corresponding EU condition have been selectively reduced from € 1.7 billion as of 31 March 2007 to € 0.04 billion. The remaining holdings relate to exposures that could not be sold in full due solely to legal restrictions.

- The Group's total assets were reduced to € 31.7 billion as of 30 September 2011, thereby complying with the limit set by the European Commission.

The European Commission's ruling dated 17 August 2009 concerning the extension of the guarantee from the Financial Market Stabilisation Fund (SoFFin) also imposed other obligations on IKB with regard to its operations:

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

- Secondly, the repurchasing of IKB AG's own liabilities is highly restricted, although these restrictions do not apply to buying back SoFFin-guaranteed bonds.

IKB has taken organisational precautions to ensure compliance with these requirements. The European Commission has been informed about the status of implementation. IKB AG complied with the requirements.

SoFFin guarantees

The SoFFin-guaranteed bond maturing on 29 April 2011 was repaid on schedule. Following the buyback and the early return of additional SoFFin guarantees in the amount of € 1.3 billion in July 2011, IKB's SoFFin guarantee volume has decreased to its current level of € 7.3 billion. The maximum guarantee volume was € 12 billion.

The current maturity structure of the SoFFin-guaranteed bonds is as follows:

- € 1.2 billion maturing on 27 January 2012
- € 1.1 billion maturing on 13 March 2012
- € 2.0 billion maturing on 10 September 2012
- € 1.0 billion maturing on 1 February 2013
- € 2.0 billion maturing on 2 February 2015.

Changes in the Group

ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, and ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, were merged into IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, with economic and tax effect from 1 April 2011. Following the entry of the merger in the commercial register of ISOS Grundstücks-Vermietungsgesellschaft mbH, ICCO Grundstücks-Vermietungsgesellschaft mbH was dissolved on 13 October 2011 and ISOS Grundstücks-Vermietungsgesellschaft mbH was dissolved on 14 September 2011.

On 18 August 2011, IKB subscribed for limited partner's shares in the Luxembourg-based fund company Valin Funds S.C.A., SICAV-SIF, a closed-end investment fund with variable capital. Since this date, IKB has also acted as the general partner of the fund company via its subsidiary Valin Funds GP S.à r.l. The fund company has an umbrella structure under which sub-funds will be successively created and their shares marketed to third-party investors.

IKB acquired the shares in Movesta Development GmbH, Düsseldorf, held by IKB Beteiligungen GmbH. Movesta Development GmbH was subsequently converted into a GmbH & Co. KG and, following the exit of its general partner, incorporated into IKB AG with effect from 30 September 2011.

Further details of this transaction and other changes in the scope of consolidation can be found in the accounting policies in the notes under (b) Scope of consolidation.

Legally relevant events

Please see the "Legal risks" section of the risk report for details of material legally relevant events.

Results of the special audit

IKB has not yet received the results of the special audit. Please refer to the details provided in the 2010/11 Annual Report.

Debt issuance programme

In light of the situation on the capital markets, the Bank has refrained from updating its debt issuance programme in 2011.

Personnel changes

Mr. Stefan A. Baustert, Mr. Arndt G. Kirchhoff and Mr. Bruno Scherrer, whose terms of office each expired at the end of the Annual General Meeting on 7 September 2011, were re-elected to the Supervisory Board by resolution of the Annual General Meeting on 7 September 2011. At the constituent meeting of the Supervisory Board on 7 September 2011, Mr. Bruno Scherrer was re-elected as Chairman of the Supervisory Board.

Mr. Andreas Wittmann stepped down from the Supervisory Board at the end of this Annual General Meeting as scheduled. The re-election of employee representatives meant that Ms. Nicole Riggers was elected to the Supervisory Board.

Annual General Meeting on 7 September 2011

The Annual General Meeting of IKB AG for the 2010/11 financial year was held in Düsseldorf on 7 September 2011. The Annual General Meeting adopted all of the resolutions proposed by the Bank's management by a large majority. The results of the individual votes can be found on the Bank's website at www.ikb.de. No actions have been brought against the resolutions of the Annual General Meeting to date.

Current rating situation

IKB terminated its contracts with rating agencies with effect from 30 June 2011, as a rating is no longer beneficial to the Bank and its investors and costs can be saved as a result. In response to this, the rating agencies Fitch and Moody's withdrew their ratings with effect from 30 June and 14 July 2011 respectively, meaning that IKB does not currently have an external rating. With the withdrawal of their ratings, both agencies confirmed their most recent ratings for IKB.

3. Net assets, financial position and results of operations

Business development

The new business volume in the first half of the 2011/12 financial year (1 April to 30 September 2011) remained essentially unchanged year-on-year at € 1.6 billion. In the Bank's customer-related fee and commission business, there was growth in income and the number of customer mandates.

Income statement figures

- The sustained economic growth in spite of the government debt crisis described elsewhere in this report (see General conditions and Supplementary report), particularly in Germany, allowed small and medium-sized German companies to enjoy positive development and hence led to the reversal of provisions for possible loan losses.

- With the credit volume reduced by more than 12% in order to meet the EU conditions, the net interest income reported in the consolidated net loss stabilised due to the non-recurrence of the extraordinary factors recognised in the previous year and higher-margin new business in particular. The reduction in the credit volume was accompanied by an increase in fee and commission income from customer-related business.

- Net income from financial instruments at fair value:

  - The increase in the credit spreads for securities from government debtors in the eurozone led to significant remeasurement losses. IKB primarily holds these securities for refinancing with the ECB.

  - Lower interest rates resulted in remeasurement losses on obligations carried at fair value (particularly issued promissory note loans and derivatives).

  - The simultaneous increase in the credit spread for obligations carried at fair value (IKB spread) resulted in a remeasurement gain that was not sufficient to offset the remeasurement losses due to lower interest rates.

- Necessary adjustments to planning parameters resulted in the recognition of remeasurement gains on IKB's liabilities in accordance with IAS 39 AG 8 in other operating income.

Largely as a result of the negative net income from financial instruments at fair value, IKB reported a consolidated net loss of € 312 million for the first half of the 2011/12 financial year (first half of 2010/11: consolidated net loss of € 246 million). Adjusted for extraordinary factors, IKB recorded a consolidated net profit of € 15 million as against an adjusted consolidated net loss of € 81 million in the same period of the previous year. This reflects the initial success of the implementation of the new business model in the Bank's customer business.

The following table provides an overview of the consolidated income statement for the first half of the 2011/12 financial year and the same period of the previous year as well as the material extraordinary effects (extraordinary factors) affecting the consolidated net loss for the first half of the year. The extraordinary factors are presented in the same way as in the previous periods.

Table: Income statement with extraordinary factors

in € million	Unadjusted statement of comprehen-sive income 1 Apr 2010 - 30 Sep 2010*	Unadjusted statement of comprehen-sive income 1 Apr 2011 - 30 Sep 2011	Absolute change	thereof extraordinary factors					Adjusted statement of comprehen-sive income 1 Apr 2011 - 30 Sep 2011
				Portfolio invest-ments	Long-term assets, liabilities and derivatives	Measure-ment of liabilities due to credit rating changes	Measure-ment of liabilities in line with IAS 39 AG8	Other factors	
Net interest income	69.8	75.8	6.0				-16.2		92.0
Provision for possible loan losses	37.7	-30.4	-68.1						-30.4
Net interest income after provision for possible loan losses	**32.1**	**106.2**	**74.1**				**-16.2**		**122.4**
Net fee and commission income	-44.5	-30.8	13.7					-55.2	24.4
Net income from financial instruments at fair value	-69.4	-272.6	-203.2	-40.1	-303.2	71.3			-0.6
Net income from investment securities	37.2	-9.7	-46.9	-13.9	0.8				3.4
Result of investments accounted for at using the equity method		1.3	1.3						1.3
Administrative expenses	145.8	148.2	2.4					3.8	144.4
Other operating income	-63.9	42.0	105.9				33.1	0.3	8.6
Operating result	**-254.3**	**-311.8**	**-57.5**	**-54.0**	**-302.4**	**71.3**	**16.9**	**-58.6**	**15.0**
Taxes	-8.1	0.2	8.3						0.2
Consolidated net profit/loss	**-246.2**	**-312.0**	**-65.8**	**-54.0**	**-302.4**	**71.3**	**16.9**	**-58.6**	**14.8**

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

* Figures adjusted

Net interest income improved by € 6 million year-on-year to € 76 million. Net interest income in the Credit Products segment (see Segments below) enjoyed stable development despite the reduction in the credit volume (particularly as a result of the EU conditions). On balance, the earnings contribution from the Treasury and Investments segment declined as against the previous year.

The measurement of liabilities in accordance with IAS 39 AG 8 led to accrued interest expense of € 16 million in net interest income. This relates to the compensation agreements in connection with the debt waivers previously issued by KfW Bankengruppe, Frankfurt/Main, and the compensation agreement relating to the debt waiver by LSF6 Europe Financial Holdings, L.P. (LSF6 Europe), Delaware, Dallas/USA, as well as some profit participation certificates and silent partnership contributions.

There was a positive balance of **provisions for possible loan losses** of € 30 million (previous year: negative balance of € 38 million). This was primarily attributable to the partial reversal of existing portfolio allowances and specific valuation allowances due to the sustained positive economic situation and the accompanying reduction in total holdings. A detailed description of the development of the risk situation can be found in the risk report.

Net interest income after provisions for possible loan losses was positive on the whole, improving by € 74 million year-on-year to € 106 million.

At € -31 million, **net fee and commission income** improved by € 14 million as against the same period of the previous year. Net fee and commission income from operating credit and advisory business increased while the guarantee commission payable to SoFFin declined to € 55 million (previous year: € 64 million), although the latter still represented a significant burden on net fee and commission income as a whole. Adjusted for guarantee commission, net fee and commission income for the first half of 2011/12 amounted to € 24 million, up € 5 million on the adjusted prior-year figure.

Net income from financial instruments at fair value amounted to € -273 million, down € 203 million on the previous year. The development in net income from financial instruments at fair value is attributable to opposing effects that are presented as extraordinary factors:

- Changes in the fair value of portfolio investments impacted net income from financial instruments at fair value by € 40 million.
- The net expense on the measurement of long-term assets and liabilities and derivatives in the amount of € -303 million was negatively impacted by a number of factors: in addition to the adverse development of the credit spreads of the European government and corporate bonds used for refinancing with the ECB (see Risk report), lower interest rates – and long-term interest rates in particular – resulted in remeasurement losses on the Bank's liabilities. IKB's exposure in Greece is carried at fair value. The already low fair values declined further as of the reporting date and were

trading at prices of 30%, significantly lower than the voluntary debt haircut of 50% of the nominal amount that was provisionally agreed following the EU summit on 26/27 October. With regard to the voluntary debt haircut, the previously unrealised fair value losses on Greek government bonds are expected to be realised.

- The financial crisis led to the expansion of the IKB spread, resulting in rating-driven remeasurement gains on obligations in the amount of € 71 million.

Net income from investment securities declined by € 47 million year-on-year to € -10 million. Portfolio investments in particular have been affected by remeasurement losses due to negative changes in fair value triggered by the crisis of confidence on the international capital markets; by contrast, positive changes in fair value and disposals resulted in positive net income from investment securities in the same period of the previous year.

Administrative expenses were up € 2 million year-on-year at € 148 million and continue to be affected by the fulfilment of the EU conditions and investments in the realignment of the Bank's business model. Personnel expenses rose by € 3 million to € 81 million; this was due in particular to the increase in the average number of employees by 26 to 1,555 as a result of the expansion of the business model. In contrast, other administrative expenses declined by € 1 million year-on-year to € 68 million.

The **other operating result** improved by € 106 million year-on-year to € 42 million. This was primarily attributable to positive effects from the measurement of liabilities in accordance with IAS 39 AG 8 (extraordinary factor), which resulted from the need to adjust expectations of future business development to reflect the financial and government debt crisis in particular. The prior-year comparative figures were primarily impacted by write-downs on a real estate project and the derecognition of the difference between the purchase price of a company and the fair value of the net assets acquired.

The **operating result** was down € 58 million year-on-year at € -312 million. The adjusted operating result amounted to € 15 million (previous year: € -62 million).

Tax income totalled € 0.2 million at the reporting date. In the previous year, the merger of two companies led to the reversal of tax provisions, resulting in a gain of € 27 million in tax income. The prior-year figure also included an expense for the reversal of deferred tax assets totalling € 16 million for the German tax group and the business premises in Luxembourg.

All in all, the unadjusted **consolidated net loss** amounted to € 312 million, € 66 million higher than the prior-year figure of € 246 million. A consolidated net profit of € 15 million was generated after adjustment for extraordinary factors using the same procedure as in the previous year (previous year: consolidated net loss of € 81 million).

Segment development

The **Credit Products** segment, which covers loans from own funds and public funding schemes as well as equipment leasing, generated a positive operating result of € 69 million in the first half of 2011/12 compared with an operating result of € 43 million in the previous year. This development is attributable to the significant reduction in provisions for possible loan losses and lower administrative expenses. Provisions for possible loan losses in the amount of € 11 million were reversed as a result of the strong economic development. In the same period of the previous year, provisions amounting to € 15 million were recognised. The new business volume in the period under review amounted to € 1.6 billion (previous year: € 1.5 billion). This increase was largely due to rising demand for lease finance. While payments relating to public funding schemes were down year-on-year at around € 0.4 billion, the volume for loans from own funds remained unchanged.

The IKB Leasing Group, which operates nationally and internationally in the field of equipment leasing, achieved a new business volume of € 496 million (previous year: € 389 million) within the segment. The company benefited in particular from the economic upturn and increased investment activity in Germany.

The segment return on equity amounted to 25.3% (previous year: 15.4%), largely as a result of the positive development of provisions for possible loan losses and the sustained extensive hedging of the credit portfolio by CLO, while the cost/income ratio amounted to 49.0% (previous year: 49.5%).

The **Advisory and Capital Markets** segment bundles the Bank's consulting activities and capital market and risk management solutions for customers. In total, net interest income and net fee and commission income increased to € 18 million (previous year: € 4 million). In IKB's customer derivatives business, which is reported in net income from financial instruments at fair value, income of € 3 million was generated after € 8 million in the previous year. The increased headcount and ongoing projects to create the infrastructure for capital market and risk management solutions in particular meant that administrative expenses remained at the high level recorded in the previous year (€ 34 million). As a result of these start-up costs in particular, the operating result amounted to € -11 million, although this represented an improvement on the previous year (€ -21 million).

The **Treasury and Investments** segment comprises the earnings components and asset positions from the Bank's asset-liability management, the portfolio of ECB-eligible securities, structured investments and other assets that were required to be scaled back in accordance with the EU conditions. In the period under review, earnings development was impacted in particular by the effects of the expansion in the credit spreads for certain government and bank risks and the reduction in long-term interest rates, which led to high remeasurement losses on non-current assets held to safeguard liquidity and derivatives (see also the extraordinary factors table). The operating result amounted to € -430 million as against € -343 million in the previous year. The Treasury sub-segment was affected by the aforementioned significant fair value losses on non-current assets and derivatives (€ -303 million) and the expenses for the guarantee commission paid to SoFFin. In the Portfolio Investments sub-segment, fair value losses resulted in net income from financial instruments at fair value in the amount of € -40 million. Provisions for possible losses on the Bank's non-strategic assets were reversed in the amount of € 20 million (following risk provisioning expenses of € 20 million in the previous year). Other operating income amounted to € 2 million; in the previous year (€ -47 million), this item was substantially impacted by write-downs on a real estate project and provisions for legal costs relating to the settlement of portfolio investments in particular.

In addition to the administrative expenses of head office units, the **Head Office/Consolidation** segment reports extraordinary accounting factors as earnings components and asset positions, the effects of differences in methods between management reporting and the consolidated financial statements, and intragroup consolidation matters. Due in particular to the effects of the rating-driven measurement of obligations reported in net income from financial instruments at fair value, which resulted in income of € 71 million in the period under review (previous year: € 189 million), the segment generated a positive result of € 61 million (previous year: € 67 million). The extraordinary effect in net interest income from the write-down of the adjustment item in accordance with IFRS 1 IG60A is no longer recognised due to the full realisation of the relevant hedges as of 31 March 2011. Other operating income contains gains on the remeasurement of liabilities in accordance with IAS 39 AG 8 in the amount of € 33 million. In the previous year, this item included the difference between the purchase price and the fair value of the net assets of an acquired company in the amount of around € 20 million.

Net assets

Total assets amounted to € 31.7 billion as of 30 September 2011, up slightly on the figure as of 31 March 2011. This meant that the Bank complied with the limit of € 33.5 billion for total assets as of 30 September 2011 that was imposed as part of the EU conditions.

Loans and advances to customers declined significantly, falling by € 1.8 billion to € 18.6 billion. The credit portfolio was further reduced in order to comply with the EU conditions. New lending business, which was concluded with higher margins, remained at the prior-year level in the first half of 2011/12 and was not sufficient to offset maturities and repayments in the existing portfolio in terms of volume.

Provisions for possible loan losses decreased by € 0.3 billion to € 0.6 billion.

Loans and advances to banks increased by € 0.4 billion to € 2.7 billion at the reporting date due to short-term money market investments.

Assets held for trading increased by € 1.5 billion to € 2.3 billion; this was largely due to remeasurement gains and growth in the volume of derivatives.

Investment securities fell slightly by € 0.1 billion to € 7.8 billion.

Securitised liabilities declined by € 2.6 billion to € 5.1 billion as a result of final maturities and the early buyback of the Bank's own SoFFin-guaranteed liabilities.

Liabilities to banks increased by € 0.6 billion to € 11.8 billion as a result of short-term money market borrowing.

Liabilities to customers rose by € 1.0 billion to € 8.7 billion. This was primarily due to cash and term deposits from private investors deposited via the IKB direkt platform.

Liabilities held for trading increased by € 1.7 billion to € 3.7 billion, particularly as a result of remeasurement losses and selective growth in the derivatives volume.

Subordinated capital remained largely unchanged year-on-year at € 1.1 billion.

Equity fell by € 0.3 billion as of 31 March 2011 to € 0.6 billion at the reporting date, largely as a result of the consolidated net loss for the first half of the financial year.

As of 30 September 2011, the IKB Group had a **Tier I ratio** based on German Commercial Code (HGB) data of 11.3% (31 March 2011: 11.2%) and an **overall capital ratio** based on HGB data of 14.9% (31 March 2011: 15.9%) in accordance with the quarterly notification submitted to Deutsche Bundesbank. Following the quarterly notification of the Bundesbank on 30 September 2011, the resolutions passed by the EU summit on 26/27 October 2011 meant that it was necessary to recognise valuation allowances on receivables from the Republic of Greece in accordance with the HGB. After updating its ratios accordingly, the IKB Group had a Tier I ratio of 10.7% and an overall capital ratio of 14.3% based on HGB data as of 30 September 2011.

Financial position

The liquidity situation at IKB is stable. In part this is thanks to secured borrowing, the utilisation of the SoFFin guarantees and the diversification of the funding mix. Among other things, IKB is accepting revolving deposits from a number of customers, including via the IKB direkt online platform since March 2011. The Bank is also reducing its volume of non-strategic assets in particular in order to generate liquidity and is selectively entering into new lending business with an impact on the balance sheet. Since 31 March 2011, SoFFin guarantees with a volume of € 1.3 billion have been returned early.

Overall assessment

All in all, business development and the situation in the first half of 2011/12 were dominated by the government debt crisis in the eurozone, which has driven global fears of a new systemic crisis and the emergence of a recession. The loss of confidence in governments and banks and the flight to safe havens have led to a dramatic fall in asset prices. For IKB, this has primarily resulted in remeasurement losses on its holdings of European government and corporate bonds. This adverse situation has not yet affected the creditworthiness of IKB's clients or halted economic development in Germany.

The high remeasurement losses reflect growing concerns that a number of governments and, subsequently, banks could default, even if this situation has only become reality to a limited extent in the voluntary haircut on Greek bonds.

The extremely low level of interest rates can also be attributed to the euro crisis. In the first half of the year, this led to remeasurement losses on assets and liabilities at fair value that were not offset by remeasurement gains on obligations carried at fair value due to the expansion of the IKB credit spread.

It should be noted that provisions for possible loan losses in IKB's core business are significantly lower than in the same period of the previous year due to the sustained strength of the German economy. However, further development will largely depend on the extent to which the crisis can be quickly and credibly stemmed.

Administrative expenses continued to be determined by the costs of fulfilling the EU conditions. This factor will now gradually diminish. Other factors included investments in new business areas and the initiation of activities to implement the new regulatory conditions, which will impact business development over the coming years.

The development of the crisis in the past six months has not been beneficial in terms of increasing new business. Despite this, however, it is encouraging to note that IKB has made progress in its core business, as can be seen from net interest and fee and commission income after provisions for possible loan losses (net banking income) and the positive adjusted consolidated net profit of € 15 million. Here, too, further development will depend on whether the government debt crisis can be stemmed in the near future.

4. Risk report

Where methods and processes have not changed since the start of the financial year, no detailed presentation is provided in the following section and readers should refer to the 2010/11 Group management report.

Regulatory capital resources and risk-bearing capacity

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

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

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

Regulatory capital situation in € million	30 Sep 2011	31 Mar 2011
Risk-weighted assets	16,556	16,776
Market risk equivalent	800	663
Operational risk	497	782
Risk position	**17,853**	**18,221**
Tier I capital	2,088	2,120
Tier II capital	722	919
Tier III capital	0	0
Deductions[1)]	-159	-149
Equity capital	**2,651**	**2,890**
Tier I ratio in %[2)]	11.3	11.2
Overall capital ratio in %[2)]	14.9	15.9

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

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

2) The figures shown are the ratios reported to Deutsche Bundesbank and do not yet contain the risk provisioning for the Bank’s Greek bonds. Taking this into account, the Tier I ratio at Bank Group level amounts to 10.7%, while the overall capital ratio amounts to 14.3%.

At 11.3%, the Tier I ratio at Group level is higher than the statutory minimum of 4.0%. At 14.9%, the overall capital ratio at Group level is also higher than the regulatory minimum of 8.0%.

The Board of Managing Directors expects it to be possible to meet the statutory minimum requirements and the minimum requirements imposed by SoFFin and the Auditing Association of German Banks (including a Tier I ratio of 8%) in future. Although the key data is now known following the approval of Basel III, it remains uncertain in the medium term as to how the numerous regulation projects planned by the national and international banking authorities will affect equity composition and capital requirements as a whole.

The decline in risk-weighted assets as of 30 September 2011 is due to the active reduction in assets in line with the conditions imposed by the EU on the one hand, and scheduled repayments accompanied by the limitations on new business on the other.

Risk-bearing capacity. For the internal management and monitoring of risk-bearing capacity, the economically available risk cover is compared with the total Bank risk calculated using business methods (economic capital requirements) from an equity capital provider perspective (going concern approach) and a lender perspective (liquidation approach).

In the equity capital provider perspective and the lender perspective alike, risk cover consists of core capital (share capital, reserves, net retained profits/loss carryforwards and the forecast operating result for the next twelve months), profit participation certificates and silent partnership contributions (pro rata in the equity capital provider perspective) and, in the lender perspective, subordinated capital. Unrealised fair value losses[1] are deducted from risk cover in both perspectives, while benchmark capital is additionally deducted in the equity capital provider perspective.

In the equity capital provider perspective, risk cover has fallen from € 688 million to € 594 million since the start of the year. In the lender perspective, risk cover amounted to € 1,512 million as of 30 September 2011 (31 March 2011: € 2,065 million). This development is due to the following developments since the start of the financial year:

- Reduction in core capital due to lower forecast earnings.
- In the lender perspective, hidden charges increased in particular as a result of the fall in the fair values of many European government bonds due to the crisis. This was reflected in risk cover in full even though, with the exception of its holdings of Greek bonds, the Bank does not expect these instruments to be permanently impaired.
- The benchmark capital that is required to be maintained in the equity capital provider perspective (minimum capitalisation) is derived from risk-weighted assets (see also “Regulatory capital situation” table).

The Group’s economic capital requirements to cover the “unexpected” total Bank risk [counterparty default risk, market price risk, liquidity risk (equity capital provider perspective only) and general business and operational risk] are determined using the Bank’s own quantitative models. Economic capital requirements are not currently calculated for reputational or participation risks; however, these are also subject to ongoing monitoring. The same applies for legal risks.

The risks quantified for a risk horizon of one year are compared with the available risk cover from the perspective of an equity capital provider and from the perspective of a non-subordinated lender below.

Equity capital provider perspective. The following table shows the economic capital requirements from the perspective of an equity capital provider at a confidence level of 90%.

[1] Equity capital provider perspective: All interest-induced unrealised fair value losses from positions maturing within two years of each other. Lender perspective: All interest-, volatility- and credit spread-induced charges with the exception of unrealised fair value losses in traditional lending business in illiquid markets.

Table: Economic capital requirements – equity capital provider perspective

	30 Sep 2011		31 Mar 2011	
	in € million	**in %**	**in € million**	**in %**
Counterparty default risk	160	45	198	51
Market price risk	60	17	71	18
Operational risk	29	8	29	8
Business risk	76	21	72	19
Liquidity risk	32	9	16	4
Total	**357**	**100**	**387**	**100**
less diversification effects	-80		-98	
Overall risk position	**277**		**289**	
Risk cover	**594**		**688**	

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

The reduction in the overall risk position is primarily attributable to the lower level of unexpected counterparty default risk for IKB's holdings of Greek bonds (risk provisioning: 50% of nominal value). However, the downgrading of other European states in conjunction with the current European government debt crisis would lead to an increase in unexpected counterparty default risk that could be significant in nature, and hence an increase in the overall risk position.

Despite the reduction in the overall risk position, the utilisation level (overall risk position/risk cover in %) in the equity capital provider perspective has risen as a result of the simultaneous above-average decline in risk cover, which was due in part to the risk provisioning for Greek bonds. The utilisation level amounted to 47% as of 30 September 2011 (31 March 2011: 42%).

This means that the risk cover remains comfortably sufficient to cover the economic capital requirements arising from the occurrence of unexpected risks across the risk horizon while maintaining the economic capitalisation target if these risks should occur.

Lender perspective. The following table shows the economic capital requirements from the perspective of a non-subordinated lender.

Table: Economic capital requirements – lender perspective at a 99.76% confidence level

	30 Sep 2011		31 Mar 2011	
	in € million	**in %**	**in € million**	**in %**
Counterparty default risk	718	46	764	47
Market price risk	568	37	609	37
Operational risk	97	6	97	6
Business risk	167	11	158	10
Total	**1,551**	**100**	**1,628**	**100**
less diversification effects	-269		-308	
Overall risk position	**1,282**		**1,321**	
Risk cover	**1,512**		**2,065**	

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

Despite the highly volatile and strained capital markets, economic capital requirements declined slightly. However, the substantial losses on the European government bonds held by IKB due to the government debt crisis in the eurozone resulted in a significant decline in risk cover compared with the start of the financial year. All in all, utilisation of risk cover increased from 64% to 85%.

Forecast calculations and stress tests. In light of the continued uncertainty with regard to macroeconomic development, the Bank prepares various forecast calculations for the next two financial years. In addition to the Bank's business plan, these calculations are based on various stress scenarios. If the business plan is realised, the risk cover will exceed the economic capital requirements for unexpected risks up to and including the 2012/13 financial year. However, the analyses also show that the remaining risk cover after capital components scheduled for repayment in the 2013/14 financial year will be insufficient to fully cover the current economic capital requirements in the lender perspective (forecast utilisation in the 2013/14 financial year: 105%). Accordingly, the Bank is already examining the potential for increasing risk cover and further reducing the overall risk position.

In terms of market price risk, the figures currently applied in the stress scenarios for IKB's analysis of risk-bearing capacity are comparable to the situation following the Lehman insolvency in late 2008. If these risks continue to increase or have a more pronounced impact on the real economy, IKB's risk-bearing capacity will be further impaired, particularly from a lender perspective.

An analysis of the economic and macroeconomic stress scenarios shows that the more extreme scenarios – such as the collapse of the eurozone with macroeconomic repercussions for the EU European economic area, or a downturn in economic growth followed by stagnation well below the potential growth level in the medium term – would mean that risk cover would no longer be sufficient to fully cover the overall risk position in the equity capital provider or lender perspectives. It should be noted that the current situation on the capital markets already includes substantial elements of a stress scenario.

Counterparty default risk

Structure of counterparty default risk. For internal reporting purposes, the Bank has calculated the credit volumes as of 30 September 2011 and 31 March 2011 as follows:

Table: Credit volume

Credit volume in € million	30 Sep 2011	31 Mar 2011[1)]	Change
Loans and advances to banks	2,719	2,308	411
Loans and advances to customers	16,526	18,430	-1,905
Securitised loans	10,050	8,684	1,366
Operating and finance leases	2,096	2,029	67
Contingent liabilities (gross), credit default swaps and guarantees	616	625	-8
Total credit volume	**32,006**	**32,076**	**-69**

Some totals may be subject to discrepancies due to rounding differences.
1) Figures for the previous year have been adjusted

The credit volume has remained essentially unchanged since the start of the financial year. The lower level of loans and advances to customers is primarily attributable to the active portfolio reduction measures in connection with the EU conditions.

The increase in securitised loans resulted from the sharp increase in assets held for trading of € 1.5 billion due to interest rates. At the same time, liabilities held for trading increased by € 1.7 billion for the same reason, as did the call accounts contained in loans to banks in connection with the derivatives business. These transactions are generally covered by mutual collateral agreements.

Structure of credit volume.

Table: Credit volume by size

Size[1] in € million	30 Sep 2011 Credit volume		30 Sep 2011 Number[1]	31 Mar 2011[2] Credit volume	
Under € 5 million	4,348	14%	20,250	4,433	14%
Between € 5 million and € 10 million	2,548	8%	395	2,697	8%
Between € 10 million and € 20 million	3,421	11%	285	3,741	12%
Between € 20 million and € 50 million	3,212	10%	124	3,464	11%
Over € 50 million	12,716	40%	76	11,020	34%
Total	**26,244**	**82%**	**21,130**	**25,355**	**79%**
Risk transferred to third parties[3]	5,762	18%		6,721	21%
Group (total)	**32,006**	**100%**	**21,130**	**32,076**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Borrower groups in accordance with section 19 KWG
2) Figures for the previous year have been adjusted
3) Hermes guarantees, indemnifications, risks transferred

The increase in the over € 50 million size class is not due to new business, but rather is attributable to the higher recognised fair value of derivatives. The average exposure size in this category was € 167 million (31 March 2011: € 165 million). The majority of the exposures over € 50 million were attributable to banks (€ 8.0 billion; 31 March 2011: € 5.8 billion), the public sector (€ 2.5 billion; 31 March 2011: € 3.0 billion) and portfolio investments (€ 0.6 billion; 31 March 2011: € 0.7 billion).

Collateral, risk transfer and securitisation. The provision of cover by means of typical collateral (property liens, transfers of ownership and guarantees) is still of great importance for the traditional long-term lending business at IKB. The carrying amounts for the collateral used for security in the traditional lending business are continually checked and updated.

Table: Credit volume by collateral type

Credit volume in € million	30 Sep 2011 Credit volume		31 Mar 2011[1] Credit volume	
Property liens and charges	4,663	15%	5,204	16%
Transfers of ownership	2,601	8%	2,637	8%
Other collateral[2]	2,772	9%	3,232	10%
Collateralised[3]	2,580	8%	1,218	4%
Secured credit volume[4]	**12,616**	**39%**	**12,291**	**38%**
Without collateral	13,628	43%	13,064	41%
Sub-total	**26,244**	**82%**	**25,355**	**79%**
Risk transferred to third parties[5]	5,762	18%	6,721	21%
Total	**32,006**	**100%**	**32,076**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Figures for the previous year have been adjusted
2) e.g. assignment of receivables, participation rights, assignment of shares, ownership rights, subordinations, positive/negative pledges
3) Liquid derivatives backed by collateral agreements
4) Including credit portions beyond collateral value
5) Hermes guarantees, indemnifications, risks transferred

Loans secured by property liens and charges and other collateral declined by around € 1 billion. In contrast, the “Collateralised” item increased sharply due to the higher fair values of liquid derivatives backed by collateral agreements and the cash deposits held as backing for derivatives reported as liabilities. Loans without collateral also increased as a result of the higher fair values of non-liquid derivatives.

As previously, the risk for a majority of the credit portfolio has been transferred. This mainly includes synthetic securitisations, in which KfW hedges the credit risk, and indemnifications, which are also predominantly used in the context of KfW programmes. Current risk transfers amount to a total of € 5.8 billion. The Bank is secured against counterparty default risks by means of synthetic securitisations, although the loan receivables are still reported in the balance sheet and continue to be managed by IKB. At the reporting date, the utilisation of these loans totalled € 3.4 billion, of which € 2.8 billion relates to loans for which the Bank has only retained first loss risks of € 13.4 million (originally € 15.3 million). Loans with a volume of € 0.6 billion relate to risk transfers for which only the expected and parts of the unexpected loss in the amount of € 33 million (originally € 39 million) have been transferred. This subordination is still considered sufficient.

Geographical structure. As of 30 September 2011, the total credit volume can be broken down by region as follows:

Table: Credit volume by region

Regions in € million	30 Sep 2011 Credit volume		31 Mar 2011[1] Credit volume	
Germany	13,471	42%	13,494	42%
Outside Germany	12,773	40%	11,861	37%
Western Europe	9,461	30%	9,324	29%
Eastern Europe	739	2%	740	2%
North America	2,386	7%	1,579	5%
Other	187	1%	218	1%
Total	**26,244**	**82%**	**25,355**	**79%**
Risk transferred to third parties[2]	5,762	18%	6,721	21%
Group (total)	**32,006**	**100%**	**32,076**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Figures for the previous year have been adjusted
2) Hermes guarantees, indemnifications, risks transferred

The decrease in the credit volume for which risk has been transferred, which primarily relates to borrowers in Germany, was offset by an increase in the credit volume outside Germany due to the higher fair values of derivatives.

Table: Breakdown of country lending obligations according to IKB country ratings

Country ratings[1] Credit volume in € million	30 Sep 2011 Total[2]	Country ratings				
		1-6	7-9	10-12	13-15	16-19
Outside Germany	12,773	11,751	713	235	75	-
Western Europe	9,461	8,778	464	158	61	-
Eastern Europe	739	473	225	41	-	-
North America	2,386	2,386	-	-	-	-
Other	187	113	23	36	14	-

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

92% of the credit volume attributable to countries outside Germany was assigned to the best country risk classes, 1 to 6. In addition, risk transfers (e.g. secured by Hermes) amounting to € 0.1 billion related to borrowers outside Germany.

The utilisation of loans in risk classes 10 to 12 primarily related to Portugal (€ 158 million), Romania (€ 41 million), Turkey (€ 25 million) and Egypt (€ 10 million). Utilisation in risk classes 13-15 related to Greece (€ 61 million) and Iran (€ 14 million).

Within Western Europe, risks relate to the following countries:

Table: Credit volume in Western Europe by risk

30 Sep 2011 in € million	Credit volume after risk mitigation	of which state risks	of which banks	of which other counterparty default risks[1)]
France	2,024	175	964	885
United Kingdom	1,968		970	998
Italy	1,734	1,065	245	425
Spain	1,476	113	645	718
Other	654	51	316	287
Ireland	464		18	446
Netherlands	465	131	177	157
Switzerland	335		191	144
Portugal	158	50	48	60
Sweden	123		100	23
Greece	61	61		
Total	**9,461**	**1,645**	**3,674**	**4,142**

Some totals may be subject to discrepancies due to rounding differences.
1) The figure for Ireland contains portfolio investments in the amount of € 283 million

The Bank also holds five first-to-default securities with a total nominal amount of € 197 million (fair value as of 30 September 2011: € 92 million) to be repaid in the event of refinanced state debtors defaulting in the form of bonds of that country. Reference countries include Greece, Ireland, Italy, Spain and Portugal.

The Greek government bonds held by IKB in the amount of € 209 million (€ 200 million original nominal volume plus € 9 million cumulative rise in an inflation-linked bond) are currently measured at a fair value of € 61 million in accordance with IFRS. The support measures for Greece initiated following the resolutions by the most recent EU summit require creditors to make voluntary contributions. In accordance with HGB, the Bank has written down these bonds by 50% of the higher of their nominal and settlement amount and has classified them as problem exposures (see also Supplementary report).

In light of the voluntary participation of private investors in the restructuring at present and the haircut that looks set to take place, the Bank continues to assume that the support measures mean that Greece will not default, and hence that the write-downs on first-to-default securities with Greece as a reference country will not be permanent.

As previously, IKB does not consider there to be acute counterparty default risks with regard to any other Western European countries.

Country risks are included in the Bank's rating procedure and when calculating impairments for significant receivables. Separate country risk provisioning based on country exposures is not performed.

Sector structure. In order to measure sector risk, IKB regularly carries out a rating process for approximately 400 sectors. This procedure is based on an econometric model which incorporates both macroeconomic national and international developments and sector interrelations. The expertise of the Bank's sector specialists is employed.

Table: Credit volume by sector

Sectors in € million	30 Sep 2011 Credit volume		31 Mar 2011[1] Credit volume	
Industrial sectors	12,152	38%	12,175	38%
Mechanical engineering	1,140	4%	1,141	4%
Services	930	3%	872	3%
Energy supply	915	3%	1,049	3%
Metal products	772	2%	750	2%
Wholesale	748	2%	646	2%
Other industrial sectors	7,646	24%	7,717	24%
Real estate	1,526	5%	1,919	6%
Financial sector	990	3%	1,146	4%
Banks	8,796	27%	6,669	21%
Public sector	2,781	9%	3,446	11%
Total	**26,244**	**82%**	**25,355**	**79%**
Risk transfers[2]	5,762	18%	6,721	21%
Group (total)	**32,006**	**100%**	**32,076**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Figures for the previous year have been adjusted
2) Hermes guarantees, indemnifications, risks transferred

The lower credit volume in the real estate sector is primarily attributable to the withdrawal from this non-strategic sector. The increased volume of loans and advances to banks is largely due to the development of the fair value of derivatives, which increased by € 1.8 billion.

The degree of diversification in terms of industrial sectors is still high. No single industrial sector accounts for more than 4% of the portfolio.

Credit rating structure. The total credit volume is broken down into internal rating classes as follows:

Table: Credit volume by credit rating structure

Credit rating structure[1] in € million	30 Sep 2011 Credit volume		31 Mar 2011[2] Credit volume	
1-4	11,478	36%	9,981	31%
5-7	4,344	14%	4,036	13%
8-10	4,901	15%	4,808	15%
11-13	2,540	8%	2,732	9%
14-15	967	3%	1,291	4%
Lehman assets[3]	361	1%	352	1%
Problem exposures[4]	1,654	5%	2,156	7%
Total	**26,244**	**82%**	**25,355**	**79%**
Risk transfers[5]	5,762	18%	6,721	21%
Group (total)	**32,006**	**100%**	**32,076**	**100%**

Some totals may be subject to discrepancies due to rounding differences.
1) Higher rating classes reflect lower creditworthiness
2) Figures for the previous year have been adjusted
3) Portfolio investments whose probability of default no longer depends on the credit ratings of the portfolio investments themselves due to legal risks, and hence that cannot be assigned a rating
4) Carrying amounts, i.e. after deducting losses from impaired financial assets (securities)
5) Hermes guarantees, indemnifications, risks transferred

The increase in credit ratings 1-4 is primarily attributable to the higher fair values of derivatives reported as assets. The continued economic recovery is reflected in the significant decrease in the volume of loans assigned to classes 11-15. Information on the "Lehman assets" category can be found in the sections on operational risk and legal risk. The reduction in problem exposures is due to disposals, recovery and credit repayment.

Identification and management of problem exposures. The following table provides an overview of the development of problem exposures:

Table: Problem exposures[1)]

Credit volume	30 Sep 2011 in € million	31 Mar 2011 in € million	Change	
			in € million	in %
Impaired (non-performing loans)	1,491	1,761	-270	-15.3%
Non-impaired	411	487	-76	-15.6%
Total	1,902	2,248	-346	**-15.4%**
as % of credit volume	5.9%	7.0%		

Some totals may be subject to discrepancies due to rounding differences.
1) Carrying amounts including losses from impaired financial assets (30 September 2011: € 248 million; 31 March 2011: € 92 million)

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

Table: Non-performing loans

Credit volume	30 Sep 2011 in € million	31 Mar 2011 in € million	Change	
			in € million	in %
Germany	758	1,173	-415	-35.4%
Outside Germany	339	401	-62	-15.5%
Impaired loans	**1,097**	**1,574**	-477	-30.3%
Securities (impaired financial assets)[1)]	394	187	207	110.7%
Impaired (non-performing loans), total	**1,491**	**1,761**	-270	-15.3%
as % of credit volume	4.6%	5.5%		

Some totals may be subject to discrepancies due to rounding differences.
1) Carrying amounts including losses from impaired financial assets (30 September 2011: € 238 million; 31 March 2011: € 92 million)

Impaired loans have declined significantly by around 30% since the start of the financial year. The decrease in non-performing loans includes the utilisation of specific valuation allowances in the amount of € 238 million. The volume of permanently impaired financial assets has increased substantially as against the start of the financial year due to the write-downs on Greek government bonds, which have been classified as permanent.

Risk provisioning. In the period from 1 April 2011 to 30 September 2011, provisions for possible loan losses amounted to € -30 million, down significantly on the prior-year figure of € 38 million. This includes further reversals of portfolio allowances in the amount of € 21 million, the majority of which related to the continued reduction in non-impaired problem exposures. Reversals of specific valuation allowances and provisions also exceeded additions in the first half of the current financial year.

Table: Risk provisioning

	1 Apr 2011 – 30 Sep 2011 in € million	1 Apr 2010 – 30 Sep 2010 in € million	Change
Additions to specific valuation allowances/provisions	61.3	105.0	-42%
Direct write-downs	9.8	16.8	-42%
Recoveries on loans previously written off	-5.2	-3.1	68%
Additions to/reversals of portfolio allowances	-20.6	-18.3	13%
Reversal of specific valuation allowances/ provisions	-75.7	-62.7	21%
Provisions for possible loan losses	**-30.4**	**37.7**	**-181%**
Development of specific valuation allowances/provisions			
Opening balance	741.4	941.0	-21%
Utilisation	-237.5	-211.9	12%
Reversal	-75.7	-62.7	21%
Reclassification	-0.9	-	
Unwinding	-7.9	-9.5	-17%
Additions to specific valuation allowances/ provisions	61.3	105.0	-42%
Effect of changes in exchange rates	1.2	-0.0	
Total specific valuation allowances/ provisions	**481.9**	**761.9**	**-37%**
Portfolio allowances			
Opening balance	112.3	185.1	-39%
Addition/reversal	-20.6	-18.3	13%
Total portfolio allowances	**91.7**	**166.8**	**-45%**
Total risk provisioning (including provisions)	**573.6**	**928.7**	**-38%**

Provisions for possible loan losses including portfolio allowances totalled € 574 million as of 30 September 2011. The cover for impaired loans in the form of specific valuation allowances and provisions amounted to 44% (31 March 2011: 47%). This decline is due to the continued derecognition of exposures considered to be uncollectible in the period under review for which significant valuation allowances had already been recognised in previous years.

Portfolio allowances. Portfolio allowances cover losses that have already been incurred but have not yet been identified individually.[2] The significant improvement in the economic situation since 2010 has allowed the portfolio allowances recognised in 2009 to be reduced significantly.

Investments in structured credit products. The risks arising from these positions were reduced further in the financial year to date. In terms of the credit volume, the risks arising from structured credit products predominantly relate to legal risks from positions in connection with the Lehman insolvency, economic risks from items solely referencing companies and states, and the retention of IKB's own securitisation. IKB now only has economic risks from investments with sub-prime content for some of the assets transferred to the special-purpose entity Rio Debt Holdings.

[2] The Bank distinguishes between two sub-portfolios. One sub-portfolio relates to loans for which there is no objective indication of individual impairment, and the other to loans that have been identified as problem exposures but for which a specific valuation allowances was not considered necessary as a result of the collateral provided and/or the forecast cash flow. The loss estimate is calculated on the basis of historical data and expert assessments. The time delay until an occurred loss is identified or recognised is taken into account by applying a scale factor for the time between the occurrence of the loss event and its identification (loss identification period factor). In the first half of the year, there were no changes in the methodology applied compared with 31 March 2011.

As of 30 September 2011, IKB had the following portfolio investments:

- Securitisation positions with a credit volume of € 117 million (31 March 2011: € 106 million) and a nominal volume of € 187 million (31 March 2011: € 187 million) assigned to the strategic core business of the Bank and predominantly deriving from the securitisation of own loans. The majority of these assets have an external rating of sub-B or no rating.

- Two synthetic transactions with a credit volume of € 119 million and a nominal volume of € 200 million (31 March 2011: three synthetic transactions with a credit volume of € 231 million and a nominal volume of € 270 million) that reference corporate and state risks and have an external rating of Baa. A third transaction with a nominal volume of € 70 million was repaid at par in June 2011.

- Securities with a credit volume of € 142 million (31 March 2011: € 168 million) and a nominal volume of € 788 million (31 March 2011: € 893 million) that were transferred to the special-purpose entity Rio Debt Holdings. IKB's sub-prime risks have a credit volume of € 59 million. The residual income will be divided between IKB and Lone Star. After deducting the fair value of the Lone Star equity kicker, IKB has a share of the credit volume of € 120 million.

- Four synthetic transactions with a credit volume of € 361 million (31 March 2011: € 352 million) and a current nominal value of € 338 million (31 March 2011: € 332 million) that are being wound up due to the Lehman insolvency. The risks for IKB resulting from these transactions are limited to legal risks with regard to the winding-up process and the credit quality of the collateral provided. The ratings for these assets have been withdrawn.

In terms of the credit volume, the actual economic risk to IKB from its portfolio investments therefore amounted to only € 356 million as of 30 September 2011. Of this figure, € 117 relates to the securitisation positions from IKB's core business as outlined in the first paragraph above, € 119 million relates to the synthetic transactions listed in the second paragraph, and € 120 million relates to IKB's risks from the Rio assets as described in the third paragraph. IKB is also subject to the legal risks outlined in the fourth paragraph.

The nominal volume of portfolio investments with corporate underlyings (CDOs of corporates and CLOs) declined to € 594 million (31 March 2011: € 664 million). The nominal volume of investments referring to ABS underlyings fell to € 989 million (31 March 2011: € 1,094 million).

Liquidity and market price risk

Liquidity risk. The Bank covered its short-term liquidity requirements in the reporting period – and will continue to do so in future – mainly by secured borrowing on the interbank money market (cash and term deposits), participating in ECB tenders and accepting customer deposits, which were provided by corporate clients and institutional investors, as well as by retail customers via the IKB direkt online platform. The volume of new customer deposits developed positively in the reporting period, amounting to around € 4.4 billion at the end of September 2011.

Medium- and long-term liquidity was generated by issuing promissory note loans guaranteed by the Deposit Protection Fund and through assets disposals. IKB also received funds from public assistance programmes initiated by KfW and regional development authorities, which it is using to provide financing to its medium-sized corporate clients.

Depending on the development of its new business, the Bank expects its liquidity requirements to amount to between € 9 billion and € 10 billion over the next twelve months. To refinance these requirements, the main options available are drawing options at the ECB in the amount of € 6.9 billion, secured borrowing on the money markets, accepting liabilities guaranteed by the Deposit Protection Fund and selling balance sheet assets. A further option for the Bank lies in capital market-based collateralised refinancing instruments.

Liquidity planning is based on a range of assumptions as to the above and other factors which can determine liquidity on the asset and liabilities side alike. In the event that a number of these assumptions do not come to fruition, this may result in liquidity bottlenecks. Possible scenarios include market developments that result in a reduction in the liabilities guaranteed by the Deposit Protection Fund or that do not allow assets to be sold.

Market price risk. Market price risk is defined as the risk of changes in value resulting from fluctuations of parameters that can be observed on the market (risk factors). The relevant risk factors for IKB include foreign currency, interest rate, credit spread, volatility (option price) and share price risk. Market price risk is managed at Group level.

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

Table: Market price risk indicators

in € million	30 Sep 2011	31 Mar 2011
Basis point value[1)]	**+0.83**	**-0.05**
Vega[2)]	**+0.91**	**+0.60**
VaR[3)] – foreign currency	-2.2	-2.5
VaR – interest rate and volatility	-8.6	-7.5
VaR – spread	-34.3	-41.7
Correlation effect	+8.2	+7.8
VaR (total)	**-36.9**	**-43.9**

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

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

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

Operational risk

The loss volume identified in the first half of the financial year totalled € 10.4 million (excluding operational risks that are also credit risks).

The Bank still considers the most substantial operating risks to lie in its legal risks (see “Legal risk”).

Legal risk

The following material changes have occurred since the report as of 31 March 2011:

Legal proceedings due to alleged incorrect capital market information. Since the start of the crisis in summer 2007, more than 140 claims have been made against the Bank by investors in IKB securities with a (preliminary) total value in dispute of around € 14.4 million. These claims relate to the alleged incorrect content of the press release issued on 20 July 2007 and the alleged incorrect capital market information provided prior to this date.

More than 125 of these claims have been rejected in the first instance by the Düsseldorf Regional Court; the decisions are legally binding in around 100 of these cases. Around 30 claims are still pending; in some cases, the plaintiffs have voluntarily withdrawn their claims.

Different civil divisions of the Düsseldorf Higher Regional Court have dismissed appeals by plaintiffs in a total of 14 cases. The civil divisions declared these cases to be not subject to review. 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. So far, claims for the non-admissibility of the decisions by the Düsseldorf Higher Regional Court have been filed with the German Federal Court of Justice in three cases; the appeal has been allowed in one of these cases to date. Plaintiffs were not awarded damages in any of the cases in which decisions have been passed.

IKB still considers the outstanding claims by investors that have not yet been dismissed (with a remaining provisional value in dispute of around € 10.3 million) and the aforementioned out-of-court claims for damages to be unfounded. Nonetheless, even more than four years since the start of the crisis, the possibility that additional investors will assert claims for damages against the Bank cannot be excluded completely. The success of these claims could increase the overall risk to which the Bank is exposed.

Other legal proceedings. On 16 September 2011, the company announced that Crédit Agricole Corporate and Investment Bank (CA-CIB, formerly Calyon), Financial Guaranty Insurance Company (FGIC) and IKB – as well as other parties – had signed an agreement with the aim of concluding various legal disputes between the parties.

This relates to the proceedings initiated against IKB by CA-CIB and FGIC with the Commercial Court, High Court of Justice in London, United Kingdom, and other legal disputes in New York, USA, and Jersey, Channel Islands.

The confidential agreement governs the termination of the legal disputes without the acknowledgement of guilt by the parties involved. IKB does not expect the settlement to represent a financial burden for the Bank and considers its legal risks to have been reduced significantly as a result of the agreement.

The actions filed by King County and Iowa Student Loan Liquidity Corporation with the United States District Court of the Southern District of New York have been pending since October 2009. The discovery phase is still in progress.

The Company is closely observing the large number of legal disputes arising in the USA with regard to irregularities in the granting of sub-prime loans or their bundling in securitisation products. It has taken the first steps in this respect and filed claims against a number of parties in the USA. In line with its obligations under stock corporation legislation, the Company is constantly examining whether new information can be obtained about the crisis at IKB and its causes and the legal consequences that can be drawn in the Company's interests as a result.

Criminal proceedings/investigation by the public prosecutors. On 14 July 2010, the Düsseldorf Regional Court sentenced Mr Ortseifen to a suspended custodial sentence of ten months due to deliberate market manipulation. This verdict has been legally binding since 20 July 2011 after the German Federal Court of Justice rejected the appeal submitted by Mr. Ortseifen by way of its decision on this date.

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

CDOs arranged by Lehman Brothers. IKB invested in structured credit products (originally five synthetic CDOs with a total nominal volume of € 334 million and US$ 213 million) in which Lehman Brothers acted as the secured party via a special-purpose entity. Following the insolvency of Lehman Brothers, the transactions concerned were terminated by the issuer on the basis of its contractual options. In such an event, the documentation provided for the liquidation of the transaction collateral and the distribution of the profits in a specific order (transaction waterfall). Under the contractually agreed provisions, in the event of its insolvency, the swap counterparty shall be subordinate to the investors in the distribution of the proceeds from the transaction collateral.

This provision on seniority has since been reviewed by courts in the United Kingdom and the USA without IKB's involvement. While the final court of appeal in the United Kingdom has upheld the validity of the provision, a first instance insolvency court in the USA has granted a violation of basic insolvency law principles. The underlying legal dispute was settled between the parties out of court immediately after admission to the court of appeal. Other model proceedings are still ongoing.

The documentation in three of the five transactions is subject to English law. The transactions that are subject to the law of New York have already mostly been paid out to IKB. The remaining amount outstanding is € 37 million. A confirmation of the legal position of the counterparty by the final court of appeal in the USA could lead to payment not being made, and hence to claims for recovery. The Bank considers it unlikely that this situation will occur.

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

Recessionary actions against resolutions by Annual General Meetings. The legal actions against resolutions by the Annual General Meetings on 28 August 2008, 25 March 2009, 27 August 2009 and 26 August 2010 as described in the Group management report on the 2010/11 financial year are still pending. To date, no actions have been brought against the resolutions of the Annual General Meeting on 7 September 2011.

Personnel risk

The number of resignations has increased compared with previous periods, which can lead to occasional capacity bottlenecks. Internal process optimisation measures are being implemented to counteract this development. As it was not possible to implement all of the measures under the reconciliation of interests and redundancy scheme that expired on 30 September 2011, the redundancy scheme was extended until 31 March 2012. One factor that can be considered to have reduced risk is that the Bank has succeeded in recruiting a number of highly qualified new employees and managers. In addition, the new positions created under the restructuring measures have been largely filled by internal reassignments. Only a small number of positions were not filled in this way, meaning that start-up and error risks were limited, particularly in the new central divisions. All in all, the number of new appointments has returned to pre-crisis levels.

Other risks

Information on IT, compliance, business, strategic, reputational and participation risks can be found in the Group management report as of 31 March 2011.

Overall assessment of the risk situation

The development of the overall risk situation at IKB was varied in the first half of 2011/12. The relaxation in terms of counterparty default risk was offset by the negative development of market price risk, which largely resulted from the European government debt crisis and the accompanying expansion in credit spreads, particularly for long-term Italian and Greek government bonds.

From an equity capital provider perspective and a lender perspective alike, risk-bearing capacity is ensured as of 30 September 2011 and for the forecast period.

One major challenge for IKB will be ensuring sufficient financing for its planned business activities and the repayment of outstanding bonds. The changes to the Bank's business model mean that its fundamental refinancing requirements will be lower than in the past. IKB has adjusted its refinancing structure and freed itself from its dependency on unsecured bond issues. The expanded and diversified deposit business with corporate clients and private customers and refinancing via repos (ECB and GC pooling) are of growing importance for refinancing. Secured refinancing on the capital markets remains a liquidity option for the Bank. New lending business is not expected to increase above and beyond the planned scope, thereby leading to higher liquidity requirements. According to planning and taking into account the maturing SoFFin-guaranteed bonds, IKB's liquidity is secured with a sufficient buffer.

IKB is still required to comply with the conditions of the European Commission for the state aid granted, of SoFFin for the guarantees issued for bonds, and of the Deposit Protection Fund for the secured deposit volume. Some of these conditions overlap. The conditions of the European Commission were fulfilled as of the reporting date (30 September 2011). At 10.7% after risk provisioning for the Bank's holdings of Greek bonds, the Group's Tier I ratio remains above the minimum of 8% required by SoFFin, among others, and this is likely to remain the case throughout the forecast period. This means that, in addition to complying with the maximum volume of deposits and issues, the main requirements of the Deposit Protection Fund have also been satisfied.

A crucial factor in IKB's success remains the extent to which the successes achieved with the new business model can be continued in the coming quarters, particularly by expanding business with derivatives, customer-oriented capital market products and consulting services. The income generated from these activities is supplementing the interest income from traditional lending business, which has increased again with higher margins on new business. To date, the development of new business and the growth in net fee and commission income from customer lending and derivatives business has been encouraging, albeit below expectations due to the impact of the government debt crisis.

Despite the relatively low level of growth in the second quarter, the German economy remained intact. Sentiment and other leading indicators such as incoming orders suggest a slowdown in the economy, particularly in the fourth quarter. Overall economic development remains fragile. The banking sector came under renewed pressure as a result of the government debt crisis in the eurozone. Turbulence on the bond markets led to increased risks for banks as a result of potential direct or indirect losses on government bond exposures. This uncertainty was reflected on the interbank money market, which again suffered from impaired functionality. The growing lack of confidence between banks was documented by the further increase in the interest premium for unsecured vs. secured three-month money. This means that IKB will have to deal with uncertainty on the markets and increased volatility for some time still. Generally speaking, the possibility of new crises involving unexpected defaults and market price and liquidity risks for the banking system – and hence also for IKB – cannot be excluded. The Bank is also still exposed to the legal risks presented above.

Based on the positive development to date, the Board of Managing Directors expects that IKB's restructuring will continue and be completed as planned. The duration and severity of the ongoing government debt crisis in the eurozone remains the main factor providing uncertainty.

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

The information on the internal control and risk management system provided in the Group management report on the 2010/11 financial year continues to apply unchanged.

6. Related party disclosures

Related party transactions primarily relate to liabilities from compensation agreements relating to the parent company LSF6 Europe and companies assigned to it. The related party transactions contained in loans and advances primarily relate to loans issued to associated companies and subsidiaries that are not required to be included in consolidation. They are presented in note (37).

7. Events after 30 September 2011 (Supplementary report)

The following new developments have arisen since 30 September 2011:

European debt crisis

The resolutions adopted by the EU summit on 26/27 October 2011 also include a voluntary exchange of bonds issued by the Republic of Greece for "new" bonds, some of which are to be secured, in part, by the EFSF. The exchange is intended to reduce the nominal volume of the existing bonds by 50%. There are no restrictions on the term of the bonds involved. No further significant details of the planned voluntary exchange are known at present. The planned voluntary exchange will not affect the measurement of receivables from the Republic of Greece in the condensed IFRS consolidated interim financial statements, as the Bank already carried these items at a fair value of less than 50%.

In interviews with the press following the EU summit on 26/27 October 2011, the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) stated that companies should recognise write-downs of at least 50% on the nominal volume of receivables from the Republic of Greece in their financial statements for the period ended 30 September 2011. IKB has complied with this requirement.

Changes in the Group

As part of its measures to safeguard liquidity, IKB established an additional investment fund structured as an umbrella fund in October 2011. Partner Fonds Government & Covered Select, Luxembourg, will initially have only one sub-fund.

Legally relevant events

With regard to the legal proceedings described in the Risk report due to alleged incorrect capital market information, a hearing was held at the XI. Civil Division of the German Federal Court of Justice on 15 November 2011 in the case of the right to appeal that was granted. A decision on this case will be announced on 13 December 2011.

Based on the preliminary information from the civil division, IKB expects the case to be referred back to the Düsseldorf Higher Regional Court. This hearing has not changed IKB's previous view, namely that this and the other claims brought by investors that have not yet been finally rejected are unfounded. Based on the preliminary information from the civil division, there are no claims founded in tort.

Mr. Neupel, a former member of the Board of Managing Directors of IKB, sued the Bank for the payment of parts of his pension for the period from August 2008 to May 2010. IKB had offset these payments against its claim for the return of the overpaid bonus for the 2006/07 financial year. The decision by the 6th Civil Division of the Düsseldorf Higher Regional Court on 27 October 2011 rejected Mr. Neupel's claim in the amount of around € 395 thousand as it was of the opinion that the subsequent reduction and offsetting of the bonus was lawful. In December 2010, the Düsseldorf Regional Court issued a different decision, admitting Mr. Neupel's claim for payment in summary proceedings. An application for an appeal to be allowed can be submitted to the German Federal Court of Justice until 2 December 2011.

8. Outlook

Future macroeconomic conditions

The global economy is likely to see divergent development over the coming months. The emerging economies are continuing to enjoy stable growth momentum, whereas the USA and, in particular, the eurozone as a whole are seeing only a weak recovery.

According to the autumn report by leading economic research institutes, the debt and confidence crisis will prevent a substantial recovery in the eurozone over the next year, even if it remains controllable. The consolidation process will continue, thereby significantly impeding economic momentum. After the credit spreads for Italian and Spanish bonds increased significantly in the summer, additional savings packages were resolved in these countries. In France, too, extensive moves towards consolidation are expected for the coming year, including various reductions in expenses and a tax on the most wealthy. The general forecast by research institutes is predicting weak GDP growth for France and Spain of just 0.4% and 0.1% respectively in 2012, while Italian GDP is expected to decline (-0.2%). In light of the dramatic consolidation measures in the country, the United Kingdom is not expected to see a tangible upturn, with GDP growth of 1.1% forecast for 2012.

The debt and confidence crisis in the eurozone is increasingly also affecting the German economy. Substantial losses and fluctuations on the financial markets and the significant deterioration in key sentiment indicators since August suggest that overall economic output will stagnate in the winter of 2011/12. The autumn report assumes GDP growth of 2.9% this year and just 0.8% next year.

For the coming months, the leading indicators – particularly sentiment indicators and incoming orders – suggest that export momentum will slow. According to the research institutes, the expansion of exports will decline next year as a result of the economic slowdown in the Asian emerging economies and the USA and the recession in the eurozone. Exports are not expected to increase again until the forecast upturn in the economy of Germany’s trading partners over the course of the coming year (2011: +7.8%, 2012: +2.9%).

In the forecast period, companies will be more cautious with regard to investments. Although investment activity has remained intact to date, increased uncertainty and the unfavourable outlook are likely to have a pronounced negative impact on companies’ investments over the next six months. Investment activity is likely to increase again from spring 2012. The gradual calming of the situation on the financial markets that is forecast by the research institutions will also lead to a decrease in the level of uncertainty among companies. All in all, investments in equipment are expected to increase by 9.6% in 2011; whereas the increase in 2012 will be just 3.3% – due among other things to the negative statistical overhang at the start of the year.

Although it has seen comparatively weak development to date, private consumption is expected to increase again in the second half of the year. The favourable development of the labour market and higher salary rises mean that net wages will continue to expand significantly, while there will also be growth in capital gains and investment income. The research institutions are forecasting growth in private consumption of 1.2% in 2011 and 0.9% in 2012.

The forecast risks are clearly dominated by the continued European debt crisis. The escalation of this crisis forced the EU government to take further measures in October 2011 in order to protect the stability of the financial markets and the European monetary union. The main resolutions were a “voluntary” 50% haircut on Greek debt, the leveraging of the EFSF and bank recapitalisation. There are still a number of questions concerning the details of the measures resolved. The leveraging construction of the EFSF is complicated and its acceptance on the markets is not guaranteed, while the exact construction of the “voluntary” haircut on Greek debt remains to be seen. Although the measures are a step in the right direction, their structure and market acceptance involve risks, meaning that the crisis could flare up again or even become more serious over the coming months.

Despite the resolutions passed at the summit, it became clear that it was not possible to prevent the contamination of other EU states, with investors focusing in particular on Italy and, to a lesser extent, France. A number of major banks have also significantly reduced their holdings of government bonds.

Without the ECB buyback programme, the credit spreads for bonds from Italy in particular would have increased to far beyond 6%.

The situation in the banking sector is expected to remain extremely strained, with refinancing conditions continuing to be impacted. The current loss in confidence on the financial markets shows that short-term lending on the interbank market will remain the Achilles heel when it comes to refinancing. Issues of bank bonds are also expected to be problematic for the foreseeable future, as banks are current considered to be too risky and the EU's plans to increase the assumption of liability by unsecured bondholders are expiring. Borrowing on the capital markets has now become expensive for banks, and this is expected to remain the case for some time. At the same time, competition for customer deposits – a relatively secure and stable source of refinancing – is on the rise, meaning that this will also become more expensive.

Banks are also being impacted by the new regulations resulting from Basel III and the resolutions of the EU summit (recapitalisation of systemically relevant banks). With the exception of the increased capitalisation of major banks as part of the Greek debt package, all institutions will be required to maintain significantly higher levels of capitalisation in future. These additional requirements must be covered by retained profits and capital increases. This will be even more difficult as the income generated by banks are reduced by higher levels of write-downs, refinancing costs and restructuring expenses, and bank levies. In addition, the funds raised by banks will be tied to cash and cash equivalents to a greater extent in future in order to comply with the new liquidity ratios – meaning that these funds will not be available for lending. Meanwhile, there are fears that the additional regulations could limit the scope for lending on the part of banks to a greater or lesser extent.

Politicians have recently announced a further intensification in banking regulation. Uncertainty as to the impact of the measures that have been announced to date or that are planned for the future will increase. Examples include the coverage of counterparty default risk on the part of government debtors using Tier I capital, the revived discussions of a mandatory leverage ratio, and higher Tier I capital ratios than those prescribed by Basel III. This is exacerbated by the unclear transitory provisions for the EU CAD IV regulation and the financial market transaction tax, as well as the various planned reforms in national and international accounting law, the implementation of which could be significant in terms of their material impact, costs and practical requirements.

As a result, bank management is becoming increasingly complex. Even banks that are far from being systemically relevant in terms of their size are being impacted by regulatory costs to a comparatively greater extent. All banks will be required to focus their activities on what is strategically necessary. This will also lead to many banks discontinuing entire operations and reducing risk-weighted assets to a considerable extent. New business will only be continued selectively, e.g. with targeted customers, specific products or a domestic head office. This means that the markets for banking services will shift considerably without a clear picture emerging.

Opportunities of future development

The fundamental changes to IKB's business model have been initiated. The Bank has been recapitalised, risk management has been expanded, risks have been reduced and liquidity has been secured. Above all, IKB will be able to devote greater attention to customer business once it has fulfilled the EU conditions (deadline: 30 September 2011). The costs resulting from implementing the EU conditions by this deadline will gradually diminish. The SoFFin guarantee will be repaid further, thereby lowering the currently high level of commission expenses, among other things. This means that the foundations for increasing the Bank's income have been laid.

IKB believes there are good prospects for a targeted and sustainable expansion of its activities in the area of consulting, hedging and credit products. However, owing to the restructuring costs and the start-up costs for new business activities, it will still be some time before the reorganisation is also reflected positively in the income statement. A positive trend in diversification and an increase in income from new business have already been observed. The new business volume in the first half of the 2011/12 financial year remained essentially unchanged year-on-year at € 1.6 billion. The margins generated have increased and are sufficient to cover the cost of credit products. In the Bank's customer-related fee and commission business, there was growth in income and the number of customer mandates. The complexity and pressures that arose from having a wide range of business areas and subsidiaries will be reduced further, with options for this still being examined.

IKB is seeking to further reduce the complexity of the Group structure and further improve the efficiency of all its core processes in order to save costs, while creating additional capacities (infrastructure, human resources) for customer care. Cost development will also be impacted to a significant extent by the efficient implementation of the extensive changes resulting from the large number of planned regulation projects.

IKB has created the conditions for the further optimisation of its balance sheet in terms of the development of total assets and the composition of assets and liabilities. IKB will remain focused on the economic reduction of its non-strategic assets and the optimisation of its portfolio of profitable loans to its target clients. Liability-side management is particularly important. This includes focusing on an increased and stable proportion of deposit business and restructuring and reducing the liabilities side, e.g. through the repayment of SoFFin-guaranteed bonds. The overall aim is to ensure a sufficiently high Tier I ratio. To this end, IKB not only actively manages its assets and liabilities, but also makes use of opportunities to transfer risks, an area in which it can build on its many years of experience in its own securitisation operations.

The potential sale of IKB by Lone Star could also have a positive impact on the Bank's continued business development; as such, the Board of Managing Directors of IKB remains amenable to any such plan on the part of Lone Star.

Net assets

At 10.7% and 14.3% respectively, IKB's Tier I ratio and overall capital ratio in accordance with HGB data (taking into account risk provisioning for the Bank's Greek bonds) are significantly higher than the current legal minimum requirements. This has been driven in particular by the targeted reduction in total assets. The main target used to date is the Tier I ratio, which is well over 8% for IKB AG and the Group, thereby providing an adequate buffer for unexpected, isolated events. IKB is contractually required, particularly in respect of SoFFin, to maintain minimum Tier I capital of 8%. IKB expects to continue to meet this SoFFin minimum requirement providing that the government debt crisis does not escalate into a full-blown systemic crisis. For the 2011/12 financial year, the Bank is forecasting a slower decline in the credit volume than in 2010/11 as a result of the planned increase in new lending business with customers, although this will still be more than offset by repayments in lending to customers – again, assuming that no systemic crisis emerges over the coming months (see above). In the forecast period, the liabilities side of the balance sheet is expected to be dominated by rising retail banking deposits and declining securitised debt in particular.

Impact of Basel III

The reform package published by the Basel Committee has increased the minimum requirement for core Tier I capital from 2% to 4.5% and the minimum requirement for Tier I capital as a whole from 4% to 6%. These requirements must be met on a step-by-step basis in the period from 1 January 2013 to 1 January 2015. Banks will also be obliged to maintain a capital conservation buffer of 2.5% to be backed by core Tier I capital; this requirement must be met on a step-by-step basis in the period from 1 January 2016 to 1 January 2019. A countercyclical capital buffer consisting of core Tier I capital or other fully loss-absorbing capital will also be introduced. In line with respective national conditions, this buffer can be between 0% and 2.5%.

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

IKB's capital and liquidity resources for the Bank and the Group as a whole are calculated on the basis of HGB and the applicable regulatory standards, and are currently in excess of the Basel III limits not yet endorsed in EU law. As the new regulations are implemented, it will emerge which Tier I ratios banks must strive to achieve in future, which may be above the minimum specifications of international regulatory authorities. The Bank is currently assuming that the significant transitional provisions at a domestic level will remain in force even after the EU adopts a regulation on the introduction of Basel III.

The preparations for the implementation of Basel III – including the highly comprehensive regulations that will accompany Basel III temporarily or functionally – will give rise to high costs and complex questions of management. Ultimately, Basel III will also influence the strategies and business models of banks. The actual direction will only emerge over the course of implementation.

Liquidity situation

IKB's refinancing structure is being diversified further. The key components of this process are secured financing and the further expansion in the deposit and promissory note loan business with corporate clients, private customers and institutional investors.

The future liquidity situation is also dependent on the development of new business, the extent to which customers draw on existing loan commitments and the collateral provided for derivatives business. Given the changes in the Bank's business model, its refinancing requirements will be lower than in the past. These factors have been taken into account in the Bank's liquidity scenarios.

From a current perspective, IKB has sufficient liquidity resources until well into 2012 even without accessing refinancing options via the capital markets thanks to the issues of € 7.3 billion under the SoFFin guarantee, the planned sale of balance sheet assets and deposits by customers. With these resources, IKB would also be able to overcome temporary, unexpected liquidity requirements.

The Bank also has sufficient liquidity for the remainder of 2012 if the refinancing measures currently under consideration, some of which have already been initiated, can be implemented. These include the prolongation of customer deposits – including via IKB direkt to a greater extent – as well as the placement of promissory note loans and secured refinancing on the capital markets. Further asset sales are also planned.

Collateralised borrowing on the interbank money market and lending against securities or loan assets with the Central Bank have become important sources of refinancing for all banks. Above and beyond this, IKB is continuing to actively utilise programme loans and global loans from government development banks for its customers.

IKB is not currently in a position where it has to issue unsecured bearer bonds on the capital markets. In any case, the market for unsecured bank bonds is on the verge of upheaval, as the regulatory authorities (Basel III, Solvency II) will also be cutting back on key investors' scope for investment.

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

Earnings performance

The current situation is dominated by uncertainty with regard to the duration and severity of the government debt crisis in the euro member states, economic development in the USA and the possibility of an economic slowdown in Germany, all of which could lead to a high degree of earnings volatility in IKB's business development. There is also a degree of uncertainty concerning the current restructuring of the German banking sector.

IKB's management still considers the government debt crisis in the eurozone to be a serious but ultimately temporary phenomenon. It is uncertain as to how long the EU governments will require to find a convincing solution and calm the markets. Based on the current situation, however, it must be assumed in any case that economic activity will remain muted as it has been in the last six months. As such, IKB's earnings forecasts have also been postponed, and the business model will not bear fruit in the form of positive net income until later than originally anticipated. The future earnings structure will feature a stronger proportion of commission income from consulting, derivatives and capital market business. Profitable new lending business will lead to a stabilisation of net interest income in the medium term. The expenses arising from the guarantee commission owed to SoFFin will diminish.

The Group's administrative costs will be reduced further following a temporary flare-up owing to investments in infrastructure and the costs of meeting the EU conditions. To limit its refinancing costs and ensure its liquidity in the future as well, IKB will continue to diversify its refinancing structure. The key components of this are secured financing, actively using programme loans and global loans from government development banks and broader deposit business with corporate and retail clients.

The Board of Managing Directors is maintaining its target of returning to operating profitability in the medium term. This will also create the scope to further strengthen its Tier I capital. Furthermore, servicing the compensation agreements in the total amount of € 1,151.5 million and the value recovery rights of the hybrid investors mean that the Group and IKB AG will probably not report any, or only minimal, profit for several financial years to come.

Consolidated Interim Financial Statements in accordance with International Financial Reporting Standards for the period ended 30 September 2011

Consolidated statement of total comprehensive income

Consolidated income statement

in € million	Notes	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010*
Net interest income	(1)	**75.8**	**69.8**
Interest income		832.9	964.3
Interest expenses		757.1	894.5
Provisions for possible loan losses	(2)	**-30.4**	**37.7**
Net interest income after provisions for possible loan losses		**106.2**	**32.1**
Net fee and commission income	(3)	**-30.8**	**-44.5**
Fee and commission income		29.0	24.4
Fee and commission expenses		59.8	68.9
Net income from financial instruments at fair value	(4)	**-272.6**	**-69.4**
Net income from investment securities	(5)	**-9.7**	**37.2**
Net income from investments accounted for using the equity method	(6)	**1.3**	**0.0**
Administrative expenses	(7)	**148.2**	**145.8**
Personnel expenses		80.5	76.9
Other administrative expenses		67.7	68.9
Other operating result	(8)	**42.0**	**-63.9**
Other operating income		112.9	92.8
Other operating expenses		70.9	156.7
Operating result		**-311.8**	**-254.3**
Taxes on income	(9)	-2.2	-10.4
Other taxes		2.4	2.3
Consolidated net loss		**-312.0**	**-246.2**

* Figures adjusted

As in the previous year, the consolidated net loss is fully attributable to the shareholders of IKB.

Earnings per share

	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010*
Consolidated net loss (€ million)	-312.0	-246.2
Average number of shares outstanding (million)	633.4	633.4
Earnings per share (€)	**-0.49**	**-0.39**

* Figures adjusted

Diluted earnings per share are not calculated as it is assumed that all convertible instruments have already been converted.

Condensed consolidated statement of total comprehensive income

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010*
Consolidated net loss	**-312.0**	**-246.2**
Changes in financial assets available for sale recognised directly in equity	-7.6	-6.3
Changes in financial assets available for sale recognised in profit or loss	3.6	-11.7
Changes in derivatives hedging fluctuations in future cash flows recognised directly in equity	-4.3	1.9
Currency translation differences recognised directly in equity	0.8	-0.4
Changes due to actuarial gains/losses (IAS 19) recognised directly in equity	-20.3	-22.7
Deferred taxes on other comprehensive income	9.1	11.8
Other comprehensive income	**-18.7**	**-27.4**
Total comprehensive income	**-330.7**	**-273.6**

* Figures adjusted

As in the previous year, total comprehensive income is fully attributable to the shareholders of IKB.

Consolidated balance sheet

in € million	Notes	30 Sep 2011	31 Mar 2011*	31 Mar 2010*
Assets				
Cash reserve		29.0	84.8	14.9
Loans and advances to banks	(10)	2,733.1	2,316.2	2,518.3
Loans and advances to customers	(11)	18,576.0	20,330.9	23,665.1
Provisions for possible loan losses	(12)	-552.5	-818.5	-1,072.2
Assets held for trading	(13)	2,283.8	815.5	1,341.3
Investment securities	(14)	7,787.5	7,892.3	8,345.9
Investments accounted for using the equity method	(15)	11.8	10.8	9.5
Intangible assets		22.6	19.3	12.9
Property, plant and equipment	(16)	178.1	167.5	179.5
Current tax assets	(17)	20.8	36.1	42.7
Deferred tax assets	(17)	201.7	190.8	233.2
Other assets	(18)	439.7	386.0	258.5
thereof inventories (as of 30 September 2011: € 97.0 million; as of 31 March 2011: € 97.0 million; as of 31 March 2010: -)				
Non-current assets held for sale		-	-	197.9
Total		**31,731.6**	**31,431.7**	**35,747.5**

Equity and liabilities				
Liabilities to banks	(19)	11,840.8	11,193.6	11,998.0
Liabilities to customers	(20)	8,683.1	7,693.7	7,517.9
Securitised liabilities	(21)	5,121.1	7,710.5	10,791.7
Liabilities held for trading	(22)	3,668.4	2,003.6	2,481.9
Provisions	(23)	132.4	137.1	156.8
Current tax liabilities	(24)	104.9	107.0	109.8
Deferred tax liabilities	(24)	31.2	30.3	103.3
Other liabilities	(25)	482.6	468.1	432.1
Liabilities in connection with assets held for sale		-	-	2.6
Subordinated capital	(26)	1,054.6	1,144.4	1,214.2
Equity		612.5	943.4	939.2
Issued capital		1,621.3	1,621.3	1,621.3
Capital reserve		597.8	597.8	597.8
Retained earnings		-1,235.7	-1,243.0	-291.6
Currency translation reserve		-16.7	-17.5	-17.2
Revaluation surplus		-42.2	-36.5	-6.9
Consolidated profit/loss		-312.0	21.3	-964.2
Total		**31,731.6**	**31,431.7**	**35,747.5**

* Figures adjusted

Consolidated statement of changes in equity

in € million	Issued capital	Capital reserve	Retained earnings		Currency translation reserve	Revaluation surplus		Consoli-dated profits/ losses	Total equity*
			Actuarial gains/losses (IAS 19)	Other*		Financial assets available for sale	Derivatives hedging fluctuations in future cash flows		
Equity as of 1 Apr 2010	**1,621.3**	**597.8**	**-33.8**	**-257.8**	**-17.2**	**0.9**	**-7.8**	**-964.2**	**939.2**
Netting of consolidated net loss 1 Apr 2009 to 31 Mar 2010*				-964.2				964.2	**0.0**
Total comprehensive income*			-15.6		-0.4	-12.7	1.3	-246.2	**-273.6**
Equity as of 30 Sep 2010	**1,621.3**	**597.8**	**-49.4**	**-1,222.0**	**-17.6**	**-11.8**	**-6.5**	**-246.2**	**665.5**
Changes: Basis of consolidation				3.6					**3.6**
Total comprehensive income*			24.9		0.1	-23.2	5.0	267.5	**274.3**
Equity as of 31 Mar 2011	**1,621.3**	**597.8**	**-24.6**	**-1,218.4**	**-17.5**	**-35.0**	**-1.5**	**21.3**	**943.4**
Netting of consolidated net loss 1 Apr 2010 to 31 Mar 2011*				21.3				-21.3	**0.0**
Total comprehensive income			-13.9		0.8	-2.8	-2.9	-312.0	**-330.7**
Equity as of 30 Sep 2011	**1,621.3**	**597.8**	**-38.5**	**-1,197.2**	**-16.7**	**-37.8**	**-4.4**	**-312.0**	**612.5**

* Figures adjusted

For total comprehensive income, see the condensed statement of comprehensive income.

Condensed cash flow statement

in € million	2011	2010
Cash and cash equivalents as of 1 Apr	**84.8**	**14.9**
Cash flow from operating activities	56.7	57.0
Cash flow from investing activities	-108.1	62.1
Cash flow from financing activities	-4.4	-10.5
Cash and cash equivalents as of 30 Sep	**29.0**	**123.5**

Principles of Group accounting

The consolidated interim financial statements of IKB Deutsche Industriebank AG (IKB) for the period ended 30 September 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable under EU law 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 consolidated interim financial statements have been prepared as condensed financial statements in accordance with the requirements of IAS 34 “Interim Financial Reporting”. The national provisions of section 315a (1) of the German Commercial Code (HGB) were also applied as applicable at the reporting date. In accordance with section 37w in conjunction with section 37y no. 2 of the German Securities Trading Act (WpHG), IKB prepares a half-yearly report that includes the condensed consolidated interim financial statements presented here as well as an interim Group management report and a responsibility statement that meets the provisions of section 297 (2) sentence 3 HGB and section 315 (1) sentence 6 HGB.

IKB’s interim financial statements, which have not been subject to a voluntary review by an external auditor this year, contain additional information on the income statement, the balance sheet, segment reporting, financial instruments and other financial information. They should be read in conjunction with IKB’s audited annual financial statements for the 2010/11 financial year, which were prepared using the same accounting policies with a few exceptions. The exceptions relate to the first-time application of the revised version of IAS 24 “Related Party Disclosures” and the amendments introduced by “Improvements to IFRS 2010”, the impact of which on the consolidated interim financial statements is discussed in the “Accounting standards applied for the first time in the consolidated interim financial statements” section.

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

Overview of accounting standards

Over recent years, the International Accounting Standards Board (IASB) has published a number of amendments to standards, in some cases in response to the crisis on the financial markets. The following table provides a chronological overview of these standards ordered by their publication date.

No.	Standard/ Interpretation	Title	Date of publication by the IASB	Required to be applied for financial years beginning on or after the following date according to the IASB	Adoption into European law	
					on	from the start of the first financial year beginning after (date)
	Accounting standards to be applied for the first time in the first half of 2011/2012					
1	IAS 24	Related Party Disclosures	4 Nov 2009	1 Jan 2011	19 Jul 2010	31 Dec 2010
2	IFRIC 14	Prepayments of a Minimum Funding Requirement	26 Nov 2009	1 Jan 2011	19 Jul 2010	31 Dec 2010
3	IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26 Nov 2009	1 Jul 2010	23 Jul 2010	30 Jun 2010
4	IFRS 1 / IFRS 7	First-time Adoption of International Financial Reporting Standards: Revision in conjunction with the amendments to IFRS 7	28 Jan 2010	1 Jul 2010	30 Jun 2010	30 Jun 2010
5	AIP (2010)	Improvements to IFRS	6 May 2010	1 Jul 2010 / 1 Jan 2011	19 Feb 2011	31 Dec 2010
	Standards published by the IASB but not yet adopted into European law					
6	IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets	7 Oct 2010	1 Jul 2011		
7	IFRS 1	Severe Hyperinflation and Rectifying for Fixed Transition Dates	20 Dec 2010	1 Jul 2011		
8	IAS 12	Deferred Tax: Recovery of Underlying Assets	20 Dec 2010	1 Jan 2012		
9	IFRS 9	Financial Instruments: Classification and Measurement for Financial Assets	12 Nov 2009 / 28 Oct 2010	1 Jan 2013*		
10	IFRS 10	Consolidated Financial Statements	12 May 2011	1 Jan 2013		
11	IFRS 11	Joint Arrangements	12 May 2011	1 Jan 2013		
12	IFRS 12	Disclosure of Interests in Other Entities	12 May 2011	1 Jan 2013		
13	IFRS 13	Fair Value Measurement	12 May 2011	1 Jan 2013		
14	IAS 19	Employee Benefits	16 Jun 2011	1 Jan 2013		
15	IAS 1	Presentation of Financial Statements (Presentation of Comprehensive Income)	16 Jun 2011	1 Jul 2012		

* Following an initial decision by the IASB, the date of initial application has been delayed until 1 January 2015.

Accounting standards applied for the first time in the consolidated interim financial statements

These consolidated interim financial statements are based on standards and interpretations that are mandatory within the European Union for the financial year.

(1) The amendments implemented in IAS 24 relate in particular to the definition of related parties. Another key focus of the revision was the introduction of a relief provision for entities under the control, joint control or significant influence of the government (government-related entities). The modification of the definition of related parties will change IKB's group of related parties to which the necessary disclosures in accordance with IAS 24 relate.

(2) The amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement" modifies the accounting treatment of pension claims. The amendment relates to entities whose pension schemes stipulate minimum funding requirements and which make prepayments of the minimum funding. The amendment means that entities are now permitted to recognise the benefit of such prepayments as an asset. The amendments are not currently relevant to IKB.

(3) IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" applies when an entity issues equity instruments to extinguish all or part of a financial liability. Accordingly, the liability is fully or partially derecognised to the extent that it is fully or partially extinguished with equity instruments. The equity instruments issued are measured directly at fair value if this can be reliably determined. If the fair value cannot be reliably determined directly, it is determined indirectly on the basis of the liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the fair value of the equity instrument issued is recognised in profit or loss. IKB is not currently affected by the amendments.

(4) The revision of IFRS 1 in conjunction with the amendments to IFRS 7 is not relevant to IKB.

(5) In addition, the Annual Improvements Projects in May 2010 resulted in further amendments to the existing IFRS standards. This generally related to inconsistencies in or between existing standards or changes to the wording of such standards to reflect subsequent changes. IKB is not affected by the vast majority of the changes.

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

(6) On 7 October 2010, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures" as part of the "Derecognition of financial assets" project. The regulations on derecognition under IAS 39 will remain unchanged. The new provisions stipulate additional disclosure requirements for financial assets that are transferred but not derecognised or not fully derecognised. The relationship between these assets and the associated liabilities should be set out in such cases. For transferred and derecognised financial assets, the type and possible risks from continuing involvement exposure must also be disclosed in the notes. The amended disclosure requirements are applicable for financial years beginning on or after 1 July 2011.

(7) The amendment to IFRS 1 "Severe Hyperinflation and Rectifying Fixed Transition Dates" published by the IASB on 20 December 2010 is not relevant to IKB.

(8) In the amendment "Deferred Taxes: Recovery of Underlying Assets", the IASB published amendments to IAS 12 "Income Taxes" which are to be applied for the first time for financial years beginning on or after 1 January 2012. The amendment to IAS 12 emphasises that recovery of the carrying amount of an asset covered by the scope of IAS 40 takes place through sale rather than through use. The new regulation relates solely to investment property as defined in IAS 40.

(9) The provisions of IFRS 9 "Financial Instruments" are intended to improve the comprehensibility of the financial statements with regard to the classification and measurement of financial instruments. The previous classification of financial assets into four categories in accordance with IAS 39 is superseded by two measurement categories (measurement at amortised cost and measurement at fair value). On initial recognition, financial assets are allocated to one of the two categories based on their respective business model and contractual cash flows. The financial instruments are measured at fair value at the time of addition, taking any transaction costs into account. Subsequent measurement is based on amortised cost or fair value depending on the initial classification of the respective instrument. According to the current status of the standard, the provisions of IFRS 9 are applicable for financial years beginning on or after 1 January 2013. However, the IASB has announced that the standard will only be applicable for financial years beginning on or after 1 January 2015.

In addition, provisions on the accounting treatment of financial liabilities were published and included in the standard on 28 October 2010. The changes primarily relate to financial liabilities for which an entity has exercised the fair value option. The part of changes in fair value resulting from own credit risk will be recognised under other comprehensive income rather than in the income statement as before. However, all other changes in fair value are still to be reported in the income statement. The new provisions allow for reporting of gains and losses due to changes in an entity's own creditworthiness to be avoided under certain conditions. According to the current status of the standard, the supplementary provisions of IFRS 9 are applicable for financial years beginning on or after 1 January 2013. However, the IASB has announced that the standard will only be applicable for financial years beginning on or after 1 January 2015.

(10) On 12 May 2011, the IASB published a uniform consolidation model for all companies in IFRS 10 “Consolidated Financial Statements”; this supersedes the consolidation guidelines of IAS 27 “Consolidated and Separate Financial Statements in Accordance with IFRS” and SIC 12 “Consolidation – Special Purpose Entities”. Under the new regulations, consolidation is required when a parent company receives variable returns from a subsidiary and can directly influence the subsidiary's activities, meaning that it has a significant influence on these returns. The new regulations in this standard are applicable for financial years beginning on or after 1 January 2013.

(11) IFRS 11 “Joint Arrangements”, published on 12 May 2011, supersedes the existing IAS 31 “Interests in Joint Ventures”. The new standard defines two types of joint arrangements: joint operations and joint ventures. The difference is that in the case of joint operations (e.g. a joint project) the operators have rights to assets and liabilities held jointly, whereas joint ventures grant the venturers rights to the net assets or earnings only. Entities participating in joint operations therefore recognise their interest on the basis of direct rights and obligations instead of on the basis of their participation in the joint arrangement. For joint ventures, equity accounting is mandatory, meaning that the previous option of proportionate consolidation no longer applies. The standard also stipulates regulations for entities that are participating in a joint arrangement but do not exercise joint control. This standard is applicable for financial years beginning on or after 1 January 2013.

(12) IFRS 12 “Disclosure of Interests in Other Entities”, also published on 12 May 2011, specifies the aim of the disclosure requirements in terms of disclosures on the nature, risks and financial effects associated with interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. IFRS 12 requires more extensive disclosures in the notes and prescribes the minimum information required to be provided in order to meet the defined information targets. The amended disclosure requirements are applicable for financial years beginning on or after 1 January 2013.

(13) With IFRS 13 “Fair Value Measurement”, the IASB issued a standard that replaces the existing regulations on measuring fair value in the individual current IFRS pronouncements with a single standard. In addition, extensive disclosures on the method used to determine fair value are required. This standard is applicable for financial years beginning on or after 1 January 2013.

(14) On 16 June 2011, the IASB published amendments to IAS 19 “Employee Benefits” requiring that actuarial gains and losses be recognised directly in other comprehensive income in the same way as other remeasurements. The revised IAS 19 also requires a net interest rate that supersedes the expected return on plan assets, as well as expanding the disclosure requirements for defined benefit plans. The amendments are applicable for financial years beginning on or after 1 January 2013.

(15) On 16 June 2011, the IASB published amendments to IAS 1 “Presentation of Financial Statements”. The amendments require items in other comprehensive income to be grouped based on whether they are subsequently reclassifiable to profit or loss or not. It was also confirmed that entities will still be permitted to present the elements of other comprehensive income in a single statement or in two separate statements. The amended provisions of IAS 1 are applicable for financial years beginning on or after 1 July 2012.

IKB is currently examining the potential impact on the consolidated financial statements of the implementation of the aforementioned amendments that are relevant to it.

Changes in accordance with IAS 8

These consolidated financial statements contain various changes as against the consolidated interim financial statements as of 30 September 2010. These amendments are described in the consolidated financial statements for the year ended 31 March 2011. The following changes were also applied:

Correction of errors

Due to the incorrect calculation of amortisation effects of an issue by the Bank, the carrying amount of interest expense and securitised liabilities in prior periods was too low.

In the case of certain financial assets (corporate CDOs), the composition of the portfolio was not taken into account to a sufficient extent. The recalculation of these items resulted in lower fair values and a deterioration in net income from financial instruments at fair value.

In addition, an annual model review highlighted the fact that certain master data for a promissory note loan issued by IKB (liabilities to customers) was not included correctly in the Bank's calculation system due to a data error. This data meant that the fair value for this transaction was too low.

The errors was adjusted with effect from 30 September 2011. The changes described above had the following effects:

31 March 2011

The carrying amount of securitised liabilities as of 31 March 2011 increased by € 7.1 million, from € 7,703.4 million to € 7,710.5 million, as a result of adjusting the amortisation effect. Interest expense for the 2010/11 financial year increased by € 4.0 million, from € 1,715.3 million to € 1,719.3 million. Retained earnings declined by € 3.1 million, from € -1,245.1 million to € -1,248.2 million.

Financial assets declined by € 5.5 million, from € 7,897.8 million to € 7,792.3 million, as a result of the adjusted fair value calculation of corporate CDOs. Net income from financial instruments at fair value fell by € 10.7 million, with the carrying amount of retained earnings declining by € 5.2 million, from € -1,023.0 million to € -1,017.8 million.

Liabilities to customers increased by € 15.5 million, from € 7,678.2 million to € 7,693.7 million, as a result of the adjusted fair value calculation of the promissory note loan. Net income from financial instruments at fair value declined by € 15.5 million.

All in all, net income from financial instruments at fair value was reduced by € 26.2 million, from € 71.4 million to € 45.2 million, as a result of the aforementioned adjustments.

The IAS 8 changes meant that consolidated net profit fell by a total of € 30.2 million, from € 51.5 million to € 21.3 million, while total comprehensive income fell by € 30.2 million, from € 30.8 million to € 0.6 million. Equity declined by € 28.1 million, from € 971.5 million to € 943.4 million.

30 September 2010

As of 30 September 2010, the carrying amount of securitised liabilities increased by € 4.8 million, from € 8,943.9 million to € 8,948.7 million, as a result of the adjusted amortisation. Interest expense increased by € 1.7 million, from € 892.8 million to € 894.5 million.

Financial assets declined by € 6.4 million, from € 8,147.5 million to € 8,141.1 million, as a result of the adjusted fair value calculation of corporate CDOs. Net income from financial instruments at fair value fell by € 11.6 million, from € -57.8 million to € -69.4 million.

All in all, the consolidated net loss increased by € 13.3 million, from € -232.9 million to € -246.2 million, while total comprehensive income changed by € 13.3 million, from € -260.3 million to € -273.6 million.

31 March 2010

Securitised liabilities increased by € 3.1 million as of 31 March 2010 as a result of the adjusted amortisation, from € 10,788.6 million to € 10,791.7 million. Interest expense changed by € 2.7 million, from € 1,824.0 million to € 1,826.7 million. Retained earnings declined by € 0.4 million, from € -291.2 million to € -291.6 million.

Financial assets increased by € 5.2 million, from € 8,340.7 million to € 8,345.9 million, as a result of the adjusted fair value calculation of corporate CDOs. Net income from financial instruments at fair value changed by € 5.2 million, from € -598.9 million to € -593.7 million.

As a result, the consolidated net loss changed by € 2.5 million, from € -966.7 million to € -964.2 million, while total comprehensive income changed by € 2.5 million, from € -941.3 million to € -938.8 million. Equity increased by € 2.1 million, from € 937.1 million to € 939.2 million.

Accounting policies

(a) General

With the exception of the changes presented above, the same accounting policies were applied in preparing these consolidated interim financial statements as for the consolidated financial statements for the year ended 31 March 2011.

Income tax was determined in accordance with IAS 34.30.

(b) Scope of consolidation

In addition to the parent company, a total of 28 German companies (31 March 2011: 30; 30 September 2010: 28) and 17 foreign companies (31 March 2011: 17; 30 September 2010: 17) are included in the consolidated interim financial statements of IKB as of 30 September 2011 in accordance with IAS 27. IKB AG holds the majority of the voting rights in these companies.

The consolidated interim financial statements include seven (31 March 2011: seven; 30 September 2010: four) foreign special-purpose entities in accordance with SIC-12.

The consolidated companies are listed in note 40.

There were the following changes in the scope of consolidation as of 30 September 2011:

ICCO Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, was merged into IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, effective 1 April 2011 by way of an agreement dated 23 August 2011. The merger was entered in the commercial register of the transferring entity on 30 September 2011 and the acquiring entity on 13 October 2011. This means that the transferred company has expired.

ISOS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, was merged into IMAS Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, effective 1 April 2011 by way of an agreement dated 23 August 2011. The merger was entered in the commercial register of the transferring entity and the acquiring entity on 14 September 2011. This means that the transferred company has expired.

As part of the implementation of the EU conditions, 50% of the shares in Movesta were sold. One of the purchase conditions was that ownership of Movesta Development GmbH, Düsseldorf (Movesta Development) would remain with the former owners. The purpose of the company is supporting existing joint ventures in the acquisition of land and similar rights, the establishment and acquisition of buildings, facilities and operating facilities in Germany and their realisation through leasing, sale or other such transactions, and all services relating to this purpose. The following transactions were conducted in connection with the planned winding-up of Movesta Development.

IKB Beteiligungen GmbH, Düsseldorf (IKB Beteiligungen), acquired 100% of the shares of Movesta Development from MD Capital Beteiligungsgesellschaft mbH, Düsseldorf, 50% of the shares of which are held by IKB Beteiligungen and KfW IPEX-Bank GmbH, Frankfurt/Main, respectively, at a purchase price of € 0.7 million. The acquisition became economically effective on 1 April 2011.

IKB Deutsche Industriebank AG, Düsseldorf (IKB AG), acquired 100% of the shares of Movesta Development from IKB Beteiligungen on 1 September 2011. Based on the resolution by the shareholders' meeting on 16 September 2011, the legal form of Movesta Development was converted into Movesta Development GmbH & Co. KG, Düsseldorf. The transaction was entered in the commercial register on 23 September 2011. The exit of the only general partner, Restruktur 3 GmbH, Düsseldorf, meant that all of the assets and liabilities of the company were transferred to the sole remaining limited partner, IKB AG. The transaction was entered in the commercial register on 12 October 2011. The company expired as a result. There were no significant effects on the consolidated financial statements.

Notes on the consolidated income statement

(1) Net interest income

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010*
Interest income from lending and money market transactions and securities and derivatives	830.2	960.9
Other interest income/income from shares and participations	2.7	3.4
Total interest income	**832.9**	**964.3**
Interest expenses for securitised liabilities, subordinated capital and other liabilities and for derivatives	757.1	869.5
Amortisation from discontinued hedges IFRS 1 IG 60A	-	25.0
Total interest expenses	**757.1**	**894.5**
Net interest income	**75.8**	**69.8**

* Figures adjusted

No current interest income is recognised for impaired loans and advances. Instead, the increase in the present value of future payments as a result of the passage of time is recognised as interest income (unwinding). The interest income resulting from the unwinding effect amounted to € 12.9 million (previous year: € 16.6 million).

(2) Provisions for possible loan losses

1 Apr 2011 - 30 Sep 2011 in € million	Amortised costs		Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Investment securities	Loans and advances to customers		
Additions to specific impairment losses/provisions	55.1	-	3.2	3.0	61.3
Direct write-downs	9.8	-	-	-	9.8
Recoveries on loans previously written off	5.2	-	-	-	5.2
Additions to (+)/reversals of (-) portfolio allowances	-22.1	-	1.5	-	-20.6
Reversal of specific valuation allowances/provisions	62.4	-	3.9	9.4	75.7
Provisions for possible loan losses	**-24.8**	**-**	**0.8**	**-6.4**	**-30.4**
Additions to (+)/reversal of (-) impairment on investment securities (net income from investment securities)	-	10.6	-	-	10.6
Total	**-24.8**	**10.6**	**0.8**	**-6.4**	**-19.8**

1 Apr 2010 - 30 Sep 2010 in € million	Amortised costs		Receivables from finance leases	Provisions for off-balance sheet transactions	Total
	Loans and advances to customers	Investment securities	Loans and advances to customers		
Additions to specific impairment losses/provisions	91.8	-	6.2	7.0	105.0
Direct write-downs	16.8	-	-	-	16.8
Recoveries on loans previously written off	3.1	-	-	-	3.1
Additions to (+)/reversals of (-) portfolio allowances	-19.6	-	1.3	-	-18.3
Reversal of specific valuation allowances/provisions	47.5	-	6.1	9.1	62.7
Provisions for possible loan losses	**38.4**	**-**	**1.4**	**-2.1**	**37.7**
Additions to (+)/reversal of (-) impairment on investment securities (net income from investment securities)	-	-16.8	-	-	-16.8
Total	**38.4**	**-16.8**	**1.4**	**-2.1**	**20.9**

(3) Net fee and commission income

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010
Net fee and commission income from lending business	20.9	18.5
Net fee and commission income from securitisation	-	-0.1
Commission expense for liquidity generation	-55.2	-63.9
Other	3.5	1.0
Total	**-30.8**	**-44.5**

Commission expense for liquidity generation contains the guarantee provision paid to SoFFin in connection with the SoFFin-guaranteed bonds.

(4) Net income from financial instruments at fair value

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010*
Net trading result	45.8	-23.2
Net result from fair value option	-305.7	-41.1
Hedging result	-12.7	-5.1
Total	**-272.6**	**-69.4**

* Figures adjusted

The positive effects in the net trading result related to the net income from derivatives in the amount of € 25.8 million (previous year: € -32.8 million) and the net income from currencies in the amount of € 21.2 million (previous year: € 2.2 million), which was offset by the negative result from trading in securities and promissory note loans in the amount of € -1.2 million (previous year: € 10.5 million).

The fair value option was applied for some of the Bank's investments in international credit portfolios and the European government and bank bonds held for securing liquidity. In addition, the fair value option was applied for financial instruments containing separable embedded derivatives and for the implementation of hedging strategies to reduce risk. The changes in fair value as a result of hedging swaps are reported in this item together with the changes in the value of the respective underlyings.

Net income from the application of the fair value option is attributable to different effects from the remeasurement of the aforementioned financial instruments. Of this figure, € -336.2 million (previous year: € -226.8 million) is attributable to fair value losses on non-current assets, obligations and derivatives from hedging swaps, a total of € -40.1 million (previous year: € -4.7 million) is attributable to fair value losses on portfolio investments, and € -0.6 million (previous year: € 1.1 million) is attributable to write-downs on the direct investments of the IKB Private Equity group.

The fair value losses on non-current assets are attributable to the government debt crisis in the eurozone and are largely due to the development of the credit spreads for the government and bank bonds used for refinancing. This relates in particular to bonds with Greek and Italian exposures and first-to-default securities, with reference countries including Greece, Ireland, Italy, Spain and Portugal.

The reduction in the overall interest rate also resulted in interest-driven remeasurement losses on individual obligations for which the fair value option was exercised. This was offset by credit-driven income from the expansion of the IKB credit spread in the amount of € 71.2 million (previous year: € 189.3 million), although this was not sufficient to match the interest-related remeasurement losses. Until the planned repayment of these financial instruments, net income from financial instruments at fair value will continue to be affected by changes in credit spreads in future periods.

The result from fair value hedges contains the result from hedged items of € 140.8 million (previous year: € 97.8 million) and from hedging derivatives of € -153.5 million (previous year: € -102.9 million). No income resulted from cash flow hedges.

(5) Net income from investment securities

in € million	**1 Apr 2011 - 30 Sep 2011**	**1 Apr 2010 - 30 Sep 2010**
Net income/loss from securities	-9.7	36.6
Net income/loss from investments and shares in affiliated companies	-	0.6
Total	**-9.7**	**37.2**

Net income from investment securities includes impairment losses in the amount of € -10.6 million (previous year: € 16.8 million) on securities classified as loans and receivables in accordance with IAS 39. The sale of securities resulted in net income of € 0.9 million (previous year: € 19.9 million).

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

in € million	**1 Apr 2011 - 30 Sep 2011**	**1 Apr 2010 - 30 Sep 2010**
Linde Leasing GmbH	1.3	0.0
MD Capital Beteiligungsgesellschaft mbH	0.0	0.0
Total	1.3	0.0

(7) Administrative expenses

in € million	**1 Apr 2011 - 30 Sep 2011**	**1 Apr 2010 - 30 Sep 2010**
Personnel expenses	80.5	76.9
Other administrative expenses	62.4	62.4
Write-downs on office and operating equipment, real estate and intangible assets	5.3	6.5
Total	**148.2**	**145.8**

Other administrative expenses included expenses for consulting and other services for managing the crisis totalling € 3.8 million (previous year: € 6.8 million) and expenses for contributions to the Deposit Protection Fund in the amount of € 7.5 million (previous year: € 7.3 million)

(8) Other operating result

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010
Other operating income	112.9	92.8
thereof: Income from the remeasurement of compensation from future profits and hybrid financial instruments	33.1	15.4
Other operating expenses	70.9	156.7
thereof: Expenses for the remeasurement of compensation from future profits and hybrid financial instruments	-	16.8
Total	**42.0**	**-63.9**

Income from the remeasurement of compensation from future profits and hybrid financial instruments (IAS 39 AG 8) is discussed in note 20 “Liabilities to customers” and note 26 “Subordinated capital”.

(9) Taxes on income

in € million	1 Apr 2011 - 30 Sep 2011	1 Apr 2010 - 30 Sep 2010
Current income taxes	-1.3	-26.6
Deferred taxes	-0.9	16.2
Total	**-2.2**	**-10.4**

(–) = income / (+) = expenses

Notes on the consolidated balance sheet (assets)

(10) Loans and advances to banks

in € million	30 Sep 2011	31 Mar 2011
Loans and advances to banks (remaining term up to 1 year)	2,668.3	2,248.3
Loans and advances to banks (remaining term 1-5 years)	60.7	56.3
Loans and advances to banks (remaining term more than 5 years)	4.1	11.6
Total	**2,733.1**	**2,316.2**

(11) Loans and advances to customers

in € million	30 Sep 2011	31 Mar 2011
Loans and advances to customers (remaining term up to 1 year)	3,519.2	3,821.0
Loans and advances to customers (remaining term 1-5 years)	8,841.1	9,700.0
Loans and advances to customers (remaining term more than 5 years)	4,269.9	4,920.3
Finance lease receivables	1,945.8	1,889.6
Total	**18,576.0**	**20,330.9**

The reduction in loans and advances to customers is primarily attributable to the implementation of the EU conditions.

The carrying amount of loans and advances to customers includes adjustments from hedged items in the amount of € 201.7 million (31 March 2011: € 108.3 million).

(12) Provisions for possible loan losses

30 Sep 2011 in € million	Impairment		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 Apr 2011)	698.6	7.6	112.3	35.2	**853.7**
Utilisation	230.1	0.0	0.0	7.4	**237.5**
Reversal	62.4	3.9	22.1	9.4	**97.8**
Unwinding	7.6	0.0	0.0	0.3	**7.9**
Addition	55.1	3.2	1.5	3.0	**62.8**
Reclassification	0.0	-0.9	0.0	0.0	**-0.9**
Effects of exchange rate changes	1.2	0.0	0.0	0.0	**1.2**
Closing balance (30 Sep 2011)	**454.8**	**6.0**	**91.7**	**21.1**	**573.6**
less provisions	-	-	-	21.1	**21.1**
Provisions for possible loan losses reported as of 30 Sep 2011	**454.8**	**6.0**	**91.7**	**-**	**552.5**

31 Mar 2011 in € million	Impairment		Portfolio allowances	Provisions for off-balance sheet transactions	Total
	Amortised cost	Receivables from finance leases			
	Loans and advances to customers	Loans and advances to customers			
Opening balance (1 Apr 2010)	877.0	10.1	185.1	53.9	**1,126.1**
Utilisation	311.2	0.0	0.0	5.9	**317.1**
Reversal	118.1	13.3	76.8	23.6	**231.8**
Unwinding	17.7	0.0	0.0	0.1	**17.8**
Addition	264.8	10.5	4.0	11.1	**290.4**
Reclassification	0.0	0.2	0.0	0.0	**0.2**
Effects of exchange rate changes	3.8	0.1	0.0	-0.2	**3.7**
Closing balance (31 Mar 2011)	**698.6**	**7.6**	**112.3**	**35.2**	**853.7**
less provisions	-	-	-	35.2	**35.2**
Provisions for possible loan losses reported as of 31 Mar 2011	**698.6**	**7.6**	**112.3**	**-**	**818.5**

Specific valuation allowances and provisions for off-balance-sheet items were recognised in order to hedge against identifiable risks in the Bank's lending business.

Provisions for possible loan losses in the form of specific valuation allowances and provisions (excluding portfolio allowances) amounted to € 481.9 million as of 30 September 2011 (31 March 2011: € 741.4 million).

Portfolio allowances were also recognised for risks that have occurred but that have not yet been identified and covered by specific valuation allowances. Portfolio allowances amounted to € 91.7 million as of 30 September 2011 (31 March 2011: € 112.3 million).

(13) Assets held for trading

in € million	30 Sep 2011	31 Mar 2011
Bonds and other fixed-income securities	7.3	-
Promissory note bonds carried as trading assets	29.6	32.2
Other derivatives with positive fair values	1,970.0	598.0
Derivatives with positive fair values offset by non-derivative financial instruments carried at fair value	257.3	157.5
Hedging derivatives with positive fair values	19.6	27.8
Total	**2,283.8**	**815.5**

The change in the amount of € 1.5 billion is primarily attributable to remeasurement gains on derivatives.

(14) Investment securities

Investment securities include the following items:

in € million	30 Sep 2011	31 Mar 2011*
Bonds and other fixed-income securities	7,701.3	7,787.3
Shares and other non-fixed-income securities	0.2	-
Investments	85.7	104.8
of which in banks	0.2	0.3
Shares in affiliated companies	0.3	0.2
Total	**7,787.5**	**7,892.3**

* Figures adjusted

The change in bonds and other fixed-income securities is primarily attributable to maturities, disposals and remeasurement losses.

(15) Investments accounted for using the equity method

in € million	30 Sep 2011	31 Mar 2011
Linde Leasing GmbH	11.0	9.9
MD Capital Beteiligungsgesellschaft mbH	0.8	0.9
Total	**11.8**	**10.8**

(16) Property, plant and equipment

in € million	30 Sep 2011	31 Mar 2011
Operating lease assets	149.8	138.9
Land and buildings including advance payments and assets under construction	12.6	12.1
Operating and office equipment	15.7	16.5
Total	**178.1**	**167.5**

(17) Tax assets

in € million	30 Sep 2011	31 Mar 2011
Current tax assets	20.8	36.1
Deferred tax assets	201.7	190.8
Total	**222.5**	**226.9**

In accordance with IAS 34.30, income taxes are calculated by applying the expected effective tax rate to the profit/loss before taxes.

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

(18) Other assets

in € million	30 Sep 2011	31 Mar 2011
Receivables from leasing transactions	126.6	105.1
Accounts receivables	94.6	89.8
Deferred items	43.0	37.3
Inventories	97.0	97.0
Other receivables	78.5	56.8
Total	**439.7**	**386.0**

Notes on the consolidated balance sheet (equity and liabilities)

(19) Liabilities to banks

in € million	30 Sep 2011	31 Mar 2011
Liabilities to banks (remaining term up to 1 year)	4,520.5	3,561.2
Liabilities to banks (remaining term 1-5 years)	5,409.8	5,411.6
Liabilities to banks (remaining term more than 5 years)	1,910.5	2,220.8
Total	**11,840.8**	**11,193.6**

(20) Liabilities to customers

in € million	30 Sep 2011	31 Mar 2011*
Liabilities to customers (remaining term up to 1 year)	4,716.5	4,106.4
Liabilities to customers (remaining term 1-5 years)	1,474.3	1,181.6
Liabilities to customers (remaining term more than 5 years)	2,492.3	2,405.7
Total	**8,683.1**	**7,693.7**

* Figures adjusted

Liabilities to customers increased largely as a result of cash and term deposits from private investors.

The loans with debt waivers and compensation from future profits measured in accordance with IAS 39 AG 8 and reported in this item are measured at their present value at each reporting date. This is calculated using an estimate of the expected interest and principal cash flow discounted using the original yield. The carrying amount at the reporting date was € 306.0 million (31 March 2011: € 320.1 million). This reduction is attributable to unwinding expenses (increase of the carrying amount) of € 14.7 million and a remeasurement gain (reduction in carrying amount) of € 28.8 million.

(21) Securitised liabilities

in € million	30 Sep 2011	31 Mar 2011*
Bonds issued (remaining term up to 1 year)	4,955.3	5,480.7
Bonds issued (remaining term 1-5 years)	136.4	2,202.5
Bonds issued (remaining term more than 5 years)	29.4	27.3
Total	**5,121.1**	**7,710.5**

* Figures adjusted

The reduction in securitised liabilities of € 2.6 billion (31 March 2011: € 3.1 billion) is primarily attributable to final maturities and the repurchase and early repayment of SoFFin-guaranteed liabilities.

The carrying amount of securitised liabilities includes changes in fair value of € 6.0 million (31 March 2011: € 6.8 million) due to hedging adjustments from hedged items.

(22) Liabilities held for trading

in € million	30 Sep 2011	31 Mar 2011
Other derivatives with negative fair values	2,983.8	1,593.4
Derivatives with negative fair values offset by non-derivative financial instruments carried at fair value	430.6	297.4
Hedging derivatives with negative fair values	254.0	112.8
Total	**3,668.4**	**2,003.6**

Liabilities held for trading increased by € 1.7 billion largely as a result of remeasurement losses on derivatives.

(23) Provisions

in € million	30 Sep 2011	31 Mar 2011
Provisions for pensions and similar obligations	23.8	6.4
Provisions for restructuring	20.3	17.5
Provisions for off-balance-sheet lending business	21.1	35.2
Other provisions	67.2	78.0
Total	**132.4**	**137.1**

The increase in provisions for pensions and similar obligations is primarily attributable to the change in the discount rate for the calculation of pension provisions from 5.75% to 5.50%, as well as the reduction in the plan assets offset against the corresponding obligation.

(24) Tax liabilities

in € million	30 Sep 2011	31 Mar 2011
Current tax liabilities	104.9	107.0
Deferred tax liabilities	31.2	30.3
Total	**136.1**	**137.3**

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

(25) Other liabilities

in € million	30 Sep 2011	31 Mar 2011
Accounts payables	97.6	128.6
Deferred items	75.4	30.9
Restructuring liabilities	1.4	1.0
Other liabilities	308.2	307.6
Total	**482.6**	**468.1**

Other liabilities include an ABS transaction under which lease receivables were sold to an unconsolidated special purpose entity. The ABS transaction did not result in derecognition, meaning that IKB still reports lease receivables of € 278.5 million (31 March 2011: € 278.5 million) and another liability to the buyer.

(26) Subordinated capital

in € million	30 Sep 2011	31 Mar 2011
Subordinated liabilities	891.5	889.4
Profit participation certificates	54.3	65.7
Silent partnership contributions/preferred shares	108.8	189.3
Total	**1,054.6**	**1,144.4**

Subordinated capital includes holdings measured using the fair value option or assigned to the “Other financial liabilities” category at amortised cost in accordance with IAS 39 AG 8. The changes in the carrying amounts of the holdings measured at fair value are largely attributable to changes in credit ratings and interest rates. With respect to the revised expectations of future cash flows from liabilities carried at amortised cost, the new present value is calculated using the original effective interest rate. As in the previous year, the difference between the new present value and the existing carrying amount was recognised directly in profit or loss. The effects are summarised in the following table:

in € million	Unwinding (interest expense)	Changes in present value (other operating income)	Unwinding (interest expense)	Changes in present value (other operating income)
	1 Apr 2011 - 30 Sep 2011		1 Apr 2010 - 30 Sep 2010	
Subordinated liabilities	-	-	-1.7	-6.6
Profit participation certificates	-0.7	2.9	-0.8	-2.0
Silent partnership contributions/preferred shares	-0.8	1.4	-1.4	-8.2
Total	**-1.5**	**4.3**	**-3.9**	**-16.8**

Expenses are shown with a minus sign.

Besides the effects of the application of IAS 39 AG 8, the changes in the carrying amounts are primarily due to rating- and interest-driven changes in the fair values of holdings measured using the fair value option.

Subordinated liabilities

As of 30 September 2011, there were the following significant subordinated liabilities in excess of € 100.0 million:

Start of term	Original nominal amount in € million	Currency	Interest rate in %	Maturity
2003/2004	310.0	EUR	4.50	9 July 1013
2006/2007	128.6	EUR	2.56	23 Jan 2017
2008/2009	101.5	EUR	12.00	27 Nov 2018

Profit participation certificates

The profit participation capital is composed as follows:

Year of issue	Original nominal amount in € million	Currency	Interest rate in %	Maturity
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

The carrying amount of silent partnership contributions/preferred shares was € 108.8 million as of 30 September 2011 (31 March 2011: € 189.3 million). This includes preferred shares with a carrying amount of € 76.9 million (31 March 2011: € 128.7 million) that were issued by two US subsidiaries formed for this purpose, as well as silent partnership contributions with a carrying amount of € 31.9 million (31 March 2011: € 60.6 million).

Notes on segment reporting

(27) Segment reporting

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

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

Segments

Reporting within the Group is based on the bank products as broken down by the following segments:

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

The **Credit Products segment** contains the earnings components and asset items from the Bank's lending business. This includes loans of own funds and public programme loans, transactions of the IKB Leasing Group and the mezzanine financing for companies by the subsidiary IKB Private Equity GmbH. Hedging results, which relate in particular to synthetic securitisation as part of the PROMISE transactions, are also allocated to this segment.

The **Advisory and Capital Markets segment** represents IKB's new product range. It comprises the Bank's advisory activities in the areas of M&A, structuring, restructuring and structure/income optimisation, as well as capital market solutions for equity and debt capital, risk management for customer derivatives, the management of deposits from institutional and private investors, and consulting and structuring for own securitisation transactions.

The **Treasury and Investments segment** contains the earnings components resulting from Treasury's investment decisions within the scope of asset-liability management. The segment also includes structured investments such as bonds and promissory note loans, the Bank's portfolio investments, which represent the Bank's investments in securitisation products including first loss pieces, particularly from own securitisation transactions, and the Bank's proprietary trading activities. Credit exposures that are no longer included in the strategic portfolio and assets of the Bank not related to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios are intended to be reduced while protecting equity.

Segment results and key figures

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

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

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

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

Segment reporting

in € million	Credit Products		Advisory and Capital Markets		Treasury and Investments		Head Office/ Consolidation		Total	
	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*
Net interest income	100.8	101.4	0.9	0.2	-13.5	34.7	-12.4	-66.5	75.8	69.8
Provisions for possible loan losses	-11.3	15.4	0.0	0.0	-18.7	22.3	-0.4	0.0	-30.4	37.7
Net interest income after provision for possible loan losses	**112.1**	**86.0**	**0.9**	**0.2**	**5.2**	**12.4**	**-12.0**	**-66.5**	**106.2**	**32.1**
Net fee and commission income	6.1	12.6	16.6	4.0	-54.5	-62.2	1.0	1.1	-30.8	-44.5
Net income from financial instruments at fair value	0.5	-2.6	3.3	7.5	-344.4	-256.8	68.0	182.5	-272.6	-69.4
Net income from investment securities	0.0	0.0	0.0	0.0	-10.4	37.2	0.7	0.0	-9.7	37.2
Net income from investments accounted for using the equity method	1.3	0.0	0.0	0,0	0.0	0.0	0.0	0.0	1.3	0.0
Administrative expenses	55.7	57.4	33.5	34.3	28.5	26.9	30.5	27.2	148.2	145.8
Other operating result	4.9	4.6	1.3	1.4	2.2	-46.6	33.6	-23.3	42.0	-63.9
Operating result	**69.2**	**43.2**	**-11.4**	**-21.2**	**-430.4**	**-342.9**	**60.8**	**66.6**	**-311.8**	**-254.3**
Cost/income ratio in %	49.0	49.5	151.6	261.1	-6.8	-9.2	-	-	-76.4	-205.9
Return on equity in %	25.3	15.4	0.0	0.0	-154.8	-100.7	-	-	-66.1	-54.2
Average allocated equity	548	562	0	0	556	681	-161	-304	943	939
Credit volume*	14,714	16,054	0	0	17,123	20,097	169	297	32,006	36,448
Volume of new business*	1,577	1,547	0	0	33	66	0	0	1,610	1,613

* Figures adjusted

Head Office/Consolidation reconciliation

Within the reconciliation, the earnings and assets allocated to the segments on the basis of the internal reporting systems are reconciled to the consolidated financial statements. IKB's earnings are influenced by extraordinary factors that cannot be controlled by the operating units and for which they cannot be held responsible. In particular, these extraordinary factors include the accounting effects from the measurement of liabilities at amortised cost in accordance with IAS 39 AG 8 and at fair value.

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

in € million	Other		Consolidation		Head Office/ Consolidation	
	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*
Net interest income	-20.2	-51.6	7.8	-14.9	-12.4	-66.5
Provisions for possible loan losses	-0.4	0.0	0.0	0.0	-0.4	0.0
Net interest income after provision for possible loan losses	**-19.8**	**-51.6**	**7.8**	**-14.9**	**-12.0**	**-66.5**
Net fee and commission income	0.6	0.8	0.4	0.3	1.0	1.1
Net income from financial instruments at fair value	71.3	189.3	-3.3	-6.8	68.0	182.5
Net income from investment securities	0.7	0.0	0.0	0.0	0.7	0.0
Net income from investments accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	0.0
Administrative expenses	30.5	27.2	0.0	0.0	30.5	27.2
Other operating result	33.3	-23.0	0.3	-0.3	33.6	-23.3
Operating result	**55.6**	**88.3**	**5.2**	**-21.7**	**60.8**	**66.6**
Credit volume	169	297	0	0	169	297

* Figures adjusted

Results by geographical market

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

in € million	Germany		Rest of Europe		Americas		Total	
	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010	1 Apr - 30 Sep 2011	1 Apr - 30 Sep 2010*
Net interest income	23.3	-11.6	44.1	81.7	8.4	-0.3	75.8	69.8
Provisions for possible loan losses	-40.8	23.3	10.4	14.4	0.0	0.0	-30.4	37.7
Net interest income after provision for possible loan losses	**64.1**	**-34.9**	**33.7**	**67.3**	**8.4**	**-0.3**	**106.2**	**32.1**
Net fee and commission income	-35.9	-49.9	5.1	5.4	0.0	0.0	-30.8	-44.5
Net income from financial instruments at fair value	-328.2	-108.4	4.6	22.8	51.0	16.2	-272.6	-69.4
Net income from investment securities	0.4	0.2	-10.1	37.0	0.0	0.0	-9.7	37.2
Net income from investment accounted for using the equity method	1.3	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Administrative expenses	129.3	124.8	18.9	21.0	0.0	0.0	148.2	145.8
Other operating result	41.5	-61.8	-0.9	6.0	1.4	-8.1	42.0	-63.9
Operating result	**-386.1**	**-379.6**	**13.5**	**117.5**	**60.8**	**7.8**	**-311.8**	**-254.3**
Credit volume	27,146	29,915	4,844	6,529	16	4	32,006	36,448

* Figures adjusted

Notes on financial instruments

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

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

The cash reserve is presented on the balance sheet and hence is not included in the following IFRS 7 disclosures.

IFRS 7 reporting categories for financial instruments in € million	30 Sep 2011	31 Mar 2011*
Assets		
Fair value through profit or loss		
Held for trading	**2,264.2**	**787.7**
Assets held for trading	2,006.9	630.2
Derivatives with positive fair values offset by non-derivative financial instruments carried at fair value	257.3	157.5
Fair value option	**2,001.3**	**2,291.2**
Loans and advances to customers	10.0	-
Investment securities	1,991.3	2,291.2
Hedging derivatives		
Assets held for trading	19.6	27.8
Fair value in equity		
Available for Sale	**2,769.7**	**2,746.4**
Investment securities	2,769.7	2,746.4
Carried at amortised cost		
Loans and Receivables	**22,379.8**	**23,612.1**
Loans and advances to banks	2,733.1	2,316.2
Loans and advances to customers (including hedge fair value adjustments)	16,620.2	18,441.2
Investment securities	3,026.5	2,854.7
Receivables from finance leases		
Loans and advances to customers	1,945.8	1,889.7
Other financial instruments not covered by IFRS 7		
Investments accounted for using the equity method	11.8	10.8
Total	**31,392.2**	**31,365.7**
Equity and liabilities		
Fair value through profit or loss		
Held for trading	**3,414.4**	**1,890.8**
Assets held for trading	2,983.8	1,593.4
Derivatives with negative fair values offset by non-derivative financial instruments carried at fair value	430.6	297.4
Fair value option	**7,308.0**	**9,495.0**
Liabilities to banks	676.1	653.0
*Liabilities to customers**	1,795.1	1,625.5
Securitised liabilities	4,599.5	6,896.5
Subordinated capital	237.3	320.0
Hedging derivatives		
Liabilities held for trading	254.0	112.8
Carried at amortised cost		
Other Financial Liabilities	**19,391.6**	**18,247.2**
Liabilities to banks	11,164.7	10,540.6
Liabilities to customers	6,888.0	6,068.2
*Securitised liabilities**	521.6	814.0
Subordinated capital	817.3	824.4
Total	**30,368.0**	**29,745.8**
Off-balance sheet transactions		
Contingent liabilities	365.3	496.5
Other obligations	1,760.9	1,664.2
Total	**2,126.2**	**2,160.7**

* Figures adjusted

(29) Fair value of financial assets and liabilities

Comparison of fair values and the corresponding carrying amounts

in € million	Fair value		Carrying amount		Difference	
	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011*	30 Sep 2011	31 Mar 2011*
Assets						
Loans and Receivables	**21,473.9**	**22,417.1**	**21,925.0**	**22,913.5**	**-451.1**	**-496.4**
Loans and advances to banks	2,733.7	2,316.1	2,733.1	2,316.2	0.6	-0.1
Loans and advances to customers (including hedge fair value adjustments)	15,791.7	17,412.1	16,165.4	17,742.6	-373.7	-330.5
Investment securities	2,948.5	2,688.9	3,026.5	2,854.7	-78.0	-165.8
Finance lease receivables	**1,939.8**	**1,882.1**	**1,939.8**	**1,882.1**	**0.0**	**0.0**
Loans and advances to customers	1,939.8	1,882.1	1,939.8	1,882.1	0.0	0.0
Assets after provision for possible loan losses	**23,413.7**	**24,299.2**	**23,864.8**	**24,795.6**	**-451.1**	**-496.4**
Equity and liabilities						
Other Financial Liabilities	**19,773.9**	**18,352.2**	**19,391.6**	**18,247.2**	**382.3**	**105.0**
Liabilities to banks	11,363.6	10,585.2	11,164.7	10,540.6	198.9	44.6
Liabilities to customers	7,335.1	6,337.1	6,888.0	6,068.2	447.1	268.9
Securitised liabilities (including hedge fair value adjustments)	493.7	780.8	521.6	814,0	-27.9	-33.2
Subordinated capital	581.5	649.1	817.3	824.4	-235.8	-175.3
Equity and liabilities	**19,773.9**	**18,352.2**	**19,391.6**	**18,247.2**	**382.3**	**105.0**

* Figures adjusted

The carrying amount of loans and advances to customers is reduced by specific valuation allow ance in the amount of € 460.8 million (31 March 2011: € 706.2 million).

Level classification

IFRS 7 “Enhanced Disclosures on Financial Instruments” defines a three-level hierarchy (Levels 1 to 3) for the measurement methods used to determine fair value. The following section discusses the fundamental criteria for distinguishing between the individual level hierarchies to which financial instruments at fair value are allocated:

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

A financial instrument is regarded as quoted on an active market if quoted prices are easily and regularly available from an exchange, dealer, broker, industry group, pricing service or a regulatory agency and these prices reflect current and regularly occurring market transactions at arm’s length conditions.

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

At IKB, the Level 1 hierarchy is primarily used to report corporate and government bonds. The assessment as to whether securities are traded on an active market is performed on a daily basis using a statistical analysis of prices obtained from various market participants. Instruments whose price information is provided by selected pricing services are also allocated to Level 1.

Level 2. Level 2 includes all financial instruments whose fair values can be derived from similar financial instruments on active markets, either directly or directly, or which are measured using valuation models whose input parameters are significant and are taken from active markets. Fair values calculated using DCF procedures or option models whose input parameters are derived from active markets are also reported in Level 2. At IKB, Level 2 includes all instruments that cannot be allocated to Level 1 or Level 3.

Level 3. Financial instruments for which no fair values can be observed on active markets are measured using valuation models. If measurement parameters have a significant influence on determining the fair value and these input factors cannot be observed, the fair values of these instruments are allocated to Level 3. The fair value must be determined from the perspective of knowledgeable, willing and independent market participants, meaning that significant unobservable input parameters must reflect the assumptions made by market participants in pricing, including risk assumptions.

For all instruments for which unobservable market data is applied in measurement, the significance of the influence of the unobservable market data in relation to observable market data is examined (IFRS 7 27A (c)). The key decision-making criterion with respect to significance is the sensitivity of the fair value to changes in unobservable input parameters in relation to its sensitivity to changes in observable input parameters. This procedure serves to fulfil the requirement that instruments are only classified as Level 3 when unobservable parameters have a significant influence on measurement.

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

in € million	Level 1		Level 2		Level 3		Total	
	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011*	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011*
Assets								
Fair value through profit or loss								
Held for Trading	**27.8**	**-**	**1,870.2**	**554.8**	**366.2**	**232.9**	**2,264.2**	**787.7**
Assets held for trading	27.8	-	1,870.2	554.8	366.2	232.9	2,264.2	787.7
Fair value option	**1,240.8**	**1,401.2**	**610.1**	**677.9**	**150.4**	**212.1**	**2,001.3**	**2,291.2**
Loans and advantages to customers	1.6	-	8.4	-	-	-	10.0	-
Investment securities	1,239.2	1,401.2	601.7	677.9	150.4	212.1	1,991.3	2,291.2
Hedging derivatives								
Assets held for trading	-	-	19.6	27.8	-	-	19.6	27.8
Fair value in equity								
Available for sale	**2,647.6**	**2,303.4**	**106.1**	**427.0**	**-**	**-**	**2,753.7**	**2,730.4**
Investment securities	2,647.6	2,303.4	106.1	427.0	-	-	2,753.7	2,730.4
Total	**3,916.2**	**3,704.6**	**2,606.0**	**1,687.5**	**516.6**	**445.0**	**7,038.8**	**5,837.1**
Equity and liabilities								
Fair value through profit or loss								
Held for trading	**-**	**-**	**3,353.5**	**1,808.6**	**60.9**	**82.2**	**3,414.4**	**1,890.8**
Liabilities held for trading	-	-	3,353.5	1,808.6	60.9	82.2	3,414.4	1,890.8
Fair value option	**4,377.8**	**6,643.2**	**2,908.9**	**2,828.2**	**21.3**	**23.6**	**7,308.0**	**9,495.0**
Liabilities to banks	-	-	676.1	653.0	-	-	676.1	653.0
*Liabilities to customers**	-	-	1,773.8	1,601.9	21.3	23.6	1,795.1	1,625.5
Securitised liabilities	4,343.9	6,604.3	255.6	292.2	-	-	4,599.5	6,896.5
Subordinated capital	33.9	38.9	203.4	281.1	-	-	237.3	320.0
Hedging derivatives								
Liabilities held for trading	-	-	254.0	112.8	-	-	254.0	112.8
Total	**4,377.8**	**6,643.2**	**6,516.4**	**4,749.6**	**82.2**	**105.8**	**10,976.4**	**11,498.6**

* Figures adjusted

Investments in equity instruments with no quoted market price on an active market are deducted from investment securities reported at fair value directly in equity.

Information on level transfers within the fair value hierarchy

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

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

30 Sep 2011 in € million	Addition Level 1				Addition Level 2				Addition Level 3			
	Disposal Level 2		Disposal Level 3		Disposal Level 1		Disposal Level 3		Disposal Level 1		Disposal Level 2	
	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011
Assets												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5.8**	**380.8**
Assets held for trading	-	-	-	-	-	-	-	-	-	-	5.8	380.8
Fair value option	**-**	**42.9**	**-**	**5.0**	**30.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment securities	-	42.9	-	5.0	30.3	-	-	-	-	-	-	-
Fair value in equity												
Available for sale	**50.0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment securities	50.0	-	-	-	-	-	-	-	-	-	-	-
Total	**50.0**	**42.9**	**-**	**5.0**	**30.3**	**-**	**-**	**-**	**-**	**-**	**5.8**	**380.8**
Equity and liabilities												
Fair value through profit or loss												
Held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.7**	**111.7**
Liabilities held for trading	-	-	-	-	-	-	-	-	-	-	3.7	111.7
Fair value option	**-**	**32.7**	**-**	**-**	**-**	**60.6**	**-**	**-**	**-**	**-**	**-**	**-**
Subordinated capital	-	32.7	-	-	-	60.6	-	-	-	-	-	-
Total	**-**	**32.7**	**-**	**-**	**-**	**60.6**	**-**	**-**	**-**	**-**	**3.7**	**111.7**

(30) Derivatives

The following table shows a breakdown of derivatives:

in € million	Nominal amount		Fair value					
			Positive		Negative		Total	
	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011
Interest rate derivatives	72,865.7	57,353.7	2,099.8	673.3	3,485.3	1,881.0	-1,385.5	-1,207.7
Credit derivatives	357.2	194.1	2.8	0.2	27.3	8.5	-24.5	-8.3
Currency derivatives	2,810.5	2,190.8	144.3	109.9	155.8	114.1	-11.5	-4.2
Total	**76,033.4**	**59,738.6**	**2,246.9**	**783.4**	**3,668.4**	**2,003.6**	**-1,421.5**	**-1,220.2**

Other disclosures

(31) Income taxes in other comprehensive income

in € million	Balance as of 1 Apr 2011	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 30 Sep 2011	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 30 Sep 2011
Financial assets available for sale	**-35.0**	-7.6	3.6	**-39.1**	2.4	-1.1	**-37.8**
Derivatives hedging fluctuations in future cash flows	**-1.5**	-4.3	-	**-5.8**	1.4	-	**-4.4**
Currency translation reserve	**-17.5**	0.8	-	**-16.7**	-	-	**-16.7**
Actuarial gains/losses (IAS 19)	**-24.6**	-20.3	-	**-44.9**	6.4	-	**-38.5**
Total comprehensive income	**-78.6**	**-31.5**	**3.6**	**-106.5**	**10.2**	**-1.1**	**-97.4**

in € million	Balance as of 1 Apr 2010	Changes recognised directly in equity	Changes recognised in profit or loss	Balance before income tax effects as of 30 Sep 2010	Income tax effects on changes recognised directly in equity	Income tax effects on changes recognised in profit or loss	Balance after income tax effects as of 30 Sep 2010
Financial assets available for sale	**0.9**	-6.3	-11.7	**-17.1**	1.8	3.5	**-11.8**
Derivatives hedging fluctuations in future cash flows	**-7.8**	1.9	-	**-5.9**	-0.6	-	**-6.5**
Currency translation reserve	**-17.2**	-0.4	-	**-17.6**	-	-	**-17.6**
Actuarial gains/losses (IAS 19)	**-33.8**	-22.7	-	**-56.5**	7.1	-	**-49.4**
Total comprehensive income	**-57.9**	**-27.5**	**-11.7**	**-97.1**	**8.3**	**3.5**	**-85.3**

(32) Contingent assets/liabilities and other commitments

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

in € million	30 Sep 2011	31 Mar 2011
Contingent liabilities	**365.3**	**496.5**
Other obligations	**1,760.9**	**1,664.2**
Commitments up to one year	1,130.7	834.3
Commitments of more than one year	630.2	829.9
Total	**2,126.2**	**2,160.7**

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

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

As part of the sale of its 50% interest in Movesta, IKB AG assumed joint responsibility for guarantees and indemnification obligations with IKB Beteiligungen. This includes the transferred GmbH shares and the proper settlement and fulfilment of past obligations (e.g. the submission of tax declarations and notifications).

(33) Other financial obligations

As of the balance sheet date, the Group’s payment obligations from equities not fully paid in, investments in GmbHs, investments in affiliated companies, the interests held by IKB Private Equity GmbH and subordinated loans amounted to € 2.7 million (31 March 2011: € 9.2 million).

Other financial obligations for rental agreements, leases and other agreements totalled € 279.8 million as of 30 September 2011 (31 March 2011: € 302.1 million).

There is a proportionate obligation to make additional contributions with respect to Liquiditäts-Konsortialbank GmbH, Frankfurt/Main, in accordance with section 26 of the German Limited Liability Companies Act *(Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG*). IKB also has a proportionate contingent liability for the fulfilment of the obligation to meet the contributions of other members of the Association of German Banks. Based on the current market situation, charges resulting from these items are not foreseeable.

(34) Disclosures on collateral

Disclosures on collateral provided for own liabilities and contingent liabilities

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

in € million	Assets provided as collateral	
	30 Sep 2011	31 Mar 2011
Assets		
Fair value through profit or loss		
Held for trading	**12.6**	**13.7**
Assets held for trading	12.6	13.7
Fair value option	**1,049.5**	**820.7**
Investment securities	1,049.5	820.7
Fair value in equity		
Available for sale	**758.6**	**670.9**
Investment securities	758.6	670.9
Carried at amortised cost		
Loans and receivables	**11,322.5**	**11,097.9**
Loans and advances to banks	1.5	1.6
Loans and advances to customers	9,790.6	10,320.4
Investment securities	1,530.4	775.9
Total	**13,143.2**	**12,603.2**

As of the balance sheet date, there were cash collateral payments amounting to € 1.8 million (31 March 2011: € 2.2 million) in connection with lending business.

Cash collateral in the amount of € 1,827.7 million (31 March 2011: € 1,479.7 million) was assigned for OTC derivatives as part of collateral management.

Securities with a nominal value of € 197.0 million (31 March 2011: € 197.0 million) have been lodged with Clearstream Banking AG, Frankfurt/Main, for compliance with payment obligations in securities transactions; a security with a nominal value of € 7.0 million (31 March 2011: € 7.0 million) has been deposited as collateral at Clearstream Banking S.A., Luxembourg. In trading on EUREX Germany, securities for margin obligations have been lodged with Barclays, London, with a nominal value of € 22.0 million (31 March 2011: € 22.0 million).

Securities in the amount of € 417.4 million (31 March 2011: € 87.4 million) have been pledged to KfW, Frankfurt/Main, to help hedge joint business concepts and cash collateral of € 230.0 million (31 March 2011: € 230.0 million) has been provided. € 30.0 million (31 March 2011: € 40.0 million) has been pledged as cash collateral at other banks. Additional securities totalling € 167.0 million (31 March 2011: € 141.0 million) were pledged as collateral to various banks to secure global loans.

A total of € 1.1 billion (previous year: € 2.0 billion) was provided as security at the European Central Bank as part of the tender and loan application process.

(35) Securities repurchase agreements

As a provider, IKB transferred investment securities with a carrying amount of € 1,621.5 million (repo agreements) as of the reporting date (31 March 2011: € 954.4 million). These assets included collateral that can be resold or re-pledged. The repurchase agreements resulted in liabilities to banks of € 1,508.6 million (31 March 2011: € 894.1 million).

in € million	Repurchase agreements		Corresponding purchase price liabilities (liabilities to banks or customers)	
	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011
Assets				
Fair value through profit or loss				
Fair value option	**258.1**	**169.8**	**245.7**	**165.6**
Investment securities	258.1	169.8	245.7	165.6
Fair value in equity				
Available for sale	**0.0**	**174.7**	**0.0**	**174.7**
Investment securities	0.0	174.7	0.0	174.7
Carried at amortised cost				
Loans and receivables	**1,363.4**	**609.9**	**1,262.9**	**553.8**
Investment securities	1,363.4	609.9	1,262.9	553.8
Total	**1,621.5**	**954.4**	**1,508.6**	**894.1**

IKB no longer holds any government bonds with an option for resale or reassignment as a borrower (fair value at 31 March 2011: € 151.7 million; reverse repo transactions). At 31 March 2011, this resulted in loans and advances to banks with a carrying amount of € 151.4 million. In line with the usual conditions for repo agreements, there is a return obligation in the same amount for the government bonds received.

(36) Average number of employees

	30 Sep 2011	31 Mar 2011
Men	974	957
Women	581	577
Total	**1,555**	**1,534**

(37) Related party disclosures

Receivables from and liabilities to subsidiaries and associates

Related party transactions primarily relate to refinancing and capital strengthening by the parent of IKB's main shareholder LSF6 Europe Financial Holdings, L.P. and companies assigned to it. Loans and advances from customers primarily relate to loans issued to associated companies and subsidiaries that are not required to be included in consolidation.

The following table shows the related parties in accordance with IAS 24.9:

in € million	Companies allocated to the parent company		Subsidiaries		Associates		Total	
	30 Sep 2011	31 Mar 2011*	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011	30 Sep 2011	31 Mar 2011*
Receivables								
Loans and advances to banks	5.8	3.6	-	-	-	-	5.8	3.6
Loans and advances to customers	-	-	31.5	60.0	46.8	73.9	78.3	133.9
Assets held for trading	-	-	2.5	1.4	2.9	1.8	5.4	3.2
Bonds and other fixed-income securities	-	-	0.5	0.5	2.4	2.4	2.9	2.9
Equities and other non-fixed-income securities	-	-	-	-	10.2	10.2	10.2	10.2
Total	**5.8**	**3.6**	**34.5**	**61.9**	**62.3**	**88.3**	**102.6**	**153.8**
Liabilities								
Liabilities to customers	327.3	343.7	0.5	1.2	0.4	1.0	328.2	345.9
Liabilities held for trading	6.4	3.3	-	-	-	0.7	6.4	4.0
Total	**333.7**	**347.0**	**0.5**	**1.2**	**0.4**	**1.7**	**334.6**	**349.9**

* Figures adjusted

The prior-period figures incorrectly included subordinated liabilities in the amount of € 13.4 million under "Companies allocated to the parent". Following a corresponding adjustment, this item is no longer recognised.

There are no significant changes in the net assets, financial position and results of operations due to related party transactions as compared to 31 March 2011.

Letter of comfort

IKB undertakes to ensure that its subsidiaries indicated in the scope of consolidation (note (40)) as protected by the letter of comfort are able to meet their contractual obligations with the exception of the event of political risk.

IKB Projektentwicklung GmbH & Co. KG has issued a letter of comfort in the amount of € 340 thousand (31 March 2011: € 340 thousand) for ilmenau center GmbH & Co. KG. IKB Projektentwicklung GmbH & Co. KG has also issued a letter of comfort to Lixxus Projektentwicklung GmbH & Co. KG in the amount of up to € 3.1 million in order to enable the latter company to meet its obligations arising from legal proceedings.

IKB Private Equity GmbH has issued a letter of comfort for IKB Equity Capital Fund I GmbH & Co. KG (now IKB Equity Capital Fund GmbH) in order to enable the latter company to meet its obligations arising from the loan and warranty agreements transferred to it under the terms of spin-off and acquisition agreements, including the reimbursement of legislative process and other legal fees.

In addition to the existing letter of comfort, IKB issued a commitment to provide sufficient capital and liquidity for IKB Projektentwicklung GmbH & Co. KG in the 2010/11 financial year.

(38) Events after 30 September 2011

The following developments have arisen since 30 September 2011.

Changes in the Group

In early October 2011, IKB AG made an initial investment of € 50 million in Partner Fonds European Government & Covered Select, Luxembourg. This new fund will be consolidated in future.

IKB Projektentwicklung GmbH & Co. KG, Düsseldorf, and IKB Projektentwicklungsverwaltungsgesellschaft mbH, Düsseldorf, expired with effect from 30 September 2011. Restruktur 3 GmbH, Düsseldorf, was appointed as the liquidator effective 1 October 2011. The transaction was entered in the commercial register on 26 October 2011.

(39) Executive bodies

Board of Managing Directors

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

Supervisory Board

Bruno Scherrer (Chairman)
Dr. Karsten von Köller (Deputy Chairman)
Stefan A. Baustert
Olivier Brahin
Dr. Lutz-Christian Funke
Ulrich Grillo
Arndt G. Kirchhoff
Bernd Klein*
Dr. Claus Nolting
Dr. Thomas Rabe
Nicole Riggers* (since 7 September 2011)
Dr. Carola Steingräber*
Carmen Teufel*
Dr. Andreas Tuczka
Ulrich Wernecke*
Andreas Wittmann* (until 7 September 2011)

* elected as employee representatives

(40) Scope of consolidation as of 30 September 2011

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

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation

	Letter of comfort	Share of capital in %
3. Other foreign companies		
IKB Capital Corporation, New York[3]		100
IKB Finance B.V., Amsterdam	x	100
IKB Funding LLC II, Wilmington	x[2]	100
IKB Funding LLC I, Wilmington	x[2]	100
IKB Leasing Austria GmbH, Vienna	x	100[1]
IKB Leasing CR s.r.o., Prague 9	x	100[1]
IKB Leasing Finance IFN SA, Bucharest	x	100[1]
IKB Leasing France S.A.R.L., Marne La Vallée Cedex 4	x	100[1]
IKB Leasing Korlátolt Felelösségü Társaság, Budapest	x	100[1]
IKB Leasing Polska Sp.z.o.o, Poznan (Posen)	x	100[1]
IKB Leasing SR, s.r.o, Bratislava	x	100[1]
IKB Leasing S.R.L. , Bucharest/Sector 1	x	100[1]
IKB Lux Beteiligungen S.à.r.l, Luxembourg	x	100
IKB Pénzügyi Lízing zártkörüen müködö Részvénytársaság, Budapest	x	100[1]
STILL LOCATION S.à.r.l., Marne La Vallee Cedex 4	x	100[1]
IKB Leasing geschlossene Aktiengesellschaft, Moscow	x	100[1]
B. Joint ventures/associates		
Linde Leasing GmbH, Wiesbaden		30[1]
MD Capital Beteiligungsgesellschaft mbH, Düsseldorf		50[1]
C. Special purpose entities in accordance with SIC-12		
Bacchus 2008-1 Plc, Dublin		
Bacchus 2008-2 Plc, Dublin		
IKB Partner Fonds, Luxembourg		
Partner Fonds Europa Renten Teilfonds II, Luxembourg		
Partner Fonds Europa Renten Teilfonds I, Luxembourg		
Partner Fonds Eurobonds (Teilfonds I), Luxembourg		
Rio Debt Holdings Ltd., Dublin		

1) Indirect interest
2) Subordinated letter of comfort
3) In liquidation

Düsseldorf, 21 November 2011

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler

Dr. Dieter Glüder

Claus Momburg

Dr. Michael H. Wiedmann

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

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim 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.

Düsseldorf, 21 November 2011

IKB Deutsche Industriebank AG
The Board of Managing Directors

Hans Jörg Schüttler	Dr. Dieter Glüder
Claus Momburg	Dr. Michael H. Wiedmann

Information on forward-looking statements

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

Forward-looking statements naturally include risks and uncertainties. A large number of material factors can contribute towards actual results deviating considerably from forward-looking statements. Such factors include (but are not limited to) the condition and development of the financial markets in Germany, Europe, the US and other places where we generate a substantial portion of our income from securities trading, the possible default of borrowers or counterparties in trades, the implementation of our management agenda, the reliability of our risk management policies, procedures and methods and the liquidity situation.

Only the German version of this report is legally binding.

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