3-Month Report 2008/09
1 April – 30 June 2008

IKB Deutsche Industriebank

IKB Key Figures

Income Statement Figures	1 April to 30 June 2008 in € million	Change vs. previous year in %
Net interest income	121.2	–13.9
Provision for possible loan losses	–25.2	7.2
Net interest income (after provision for possible loan losses)	96.0	–18.2
Net fee and commission income	13.9	46.3
Net income from financial instruments at fair value	–468.0	14.3
Income from investment securities	–96.2	>–100.0
Administrative expenses	88.0	14.6
Other operating income	14.8	–
Operating result	–535.6	–7.0
Consolidated loss	–540.4	–7.7

Balance Sheet Figures	30 June 2008 in € million	Change vs. 31 March 2008 in %
Total assets	47 746	–5.0
Loans and advances to customers	28 544	–1.1
Liabilities to banks	18 144	4.0
Securitised liabilities	16 435	–9.6
Total equity	635	–46.4

Selected Ratios	1 April to 30 June 2008	1 April to 30 June 2007
Return on equity	<0	<0
Cost-income ratio	<0	<0
Earnings per share	–5.58 €	–5.71 €

Selected Ratios	30 June 2008	31 March 2008
Capital ratio (Principle I)	9.9%	9.8%
Tier 1 capital ratio	6.0%	6.0%
Number of employees (FTE) as at date above	1 780	1 839

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

Letter to Shareholders

Dear Shareholders,

In the first three months of the 2008/09 financial year, we made further progress in restructuring the Bank. We used the temporary market recovery as an opportunity to sell portfolio investments. The first quarter also saw the crunch time for the sales process. Our customer business developed in line with forecasts, with a new business volume of € 1.6 billion. Operating income in the core segments was positive at € 49 million. However, the Bank's figures for the first three months were significantly impacted by the fair value measurement of liabilities, resulting in a consolidated net loss for the period of € 540 million.

Lone Star becomes new major shareholder

IKB is getting a new major shareholder: the U.S. financial investor Lone Star (LSF6 Europe Financial Holdings L.P.), which will acquire the shares held by KfW. The shares are scheduled to be transferred at the end of October. The Board of Managing Directors welcomes the successful completion of the sales process, as it represents the end of a long period of uncertainty for IKB, its employees and its customers. It is now clear that the Bank will remain an independent entity and that it will continue to trade as IKB. Lone Star has stressed the importance of the Bank's focus on small and medium-sized enterprises, which it intends to expand further.

Successful sale of portfolio investments

As part of the restructuring and concentration of the Bank's core business, we sold portfolio investments with a nominal value of € 2.7 billion between the start of the current financial year and early October 2008. The valuations made as of 31 March 2008 proved to be realistic, allowing us to sell these investments for a total price in excess of their carrying amount.

As a result, the nominal value of the remaining items held in the Portfolio Investments segment as of 30 September 2008 was € 3.1 billion. The majority of these items, corresponding to a nominal value of € 2.5 billion, will be transferred to a special-purpose entity in the third quarter of the current financial year in order to further limit the risk to which IKB is exposed.

Reinforcement of capital base

We see the investment by Lone Star as a clear acknowledgement of IKB's business model. This is further reinforced by the planned contribution of additional regulatory capital. This will strengthen IKB's capital ratios and improve its liquidity, particularly once the capital increase resolved by the Annual General Meeting in March 2008 has been implemented.

As part of the capital increase, KfW has undertaken to subscribe for a number of shares resulting in a total cash inflow of € 1.25 billion for IKB. This undertaking is dependent on the European Commission issuing a binding ruling to the extent that KfW's involvement in the capital increase does not constitute state aid, or approving these measures as state aid with certain conditions and/or requirements.

The European Commission is expected to issue a decision on this matter, as well as the rescue package for the IKB crisis as a whole, by the end of October 2008.

Second chance for IKB

We are aware that the decision by the European Commission could have serious consequences for IKB. Irrespective of this, however, the Bank has succeeded in defending its position as a reliable financing partner for small and medium-sized enterprises in an extremely difficult market environment. This is further evidenced by the unprecedented level of encouragement and loyalty that we have seen from our customers since the outbreak of the crisis.

The stabilisation and successful reorientation of the Bank that we have now achieved will form the basis for IKB's future development. The completion of the sale will give IKB a second chance as a bank for small and medium-sized enterprises in Germany, thereby sending out an important signal to such companies. I am confident that IKB's employees will make the most of this opportunity under the new owner, Lone Star.

However, this will only be possible if the financial crisis eases and the capital markets begin to return to normal over the coming months.

Dr. Günther Bräunig
Chairman of the Board of Managing Directors

Interim Group Management Report

1. General conditions

Business development in the first three months of the 2008/09 financial year was again impacted to a large extent by the crisis affecting the global capital and credit markets.

Economic conditions for domestic and foreign lending deteriorated in the first three months of 2008/09. In the second quarter of the 2008 calendar year, the German economy contracted by 0.5% compared with the previous quarter. In addition to the global economic downturn, a number of factors had an adverse effect: private consumption was held back by rising energy prices, while the level of corporate investment also declined. However, most experts are forecasting a growth rate of just below 2% for the year as a whole.

The economic performance of IKB's foreign markets has also deteriorated. Since the end of 2007, U.S. economic growth has tailed off substantially as a result of rising raw material prices, the crisis affecting the real estate market and the sustained high level of inflation. The EU member states of Western, Central and Eastern Europe that are relevant to IKB's lending business have also suffered from the cost of raw materials and high inflation. The outlook for 2009 remains muted.

2. Significant events in the reporting period

Changes in the Group

Following the introduction of a new shareholder, IKB Credit Asset Management GmbH (IKB CAM) was transformed into a limited partnership (Kommanditgesellschaft) under German law. In a second step involving the withdrawal of the limited partner, it was then merged with IKB Deutsche Industriebank AG (IKB AG) with retrospective effect from 1 April 2008.

Personnel changes

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

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

Sale of portfolio investments begins

In June 2008, IKB started to implement the planned sale of securities from its higher risk sub-portfolio (securities with a particularly high risk of default with an original volume of € 3.3 billion in respect of which KfW undertook to cover initial losses of up to € 1 billion in July 2007 with the support of the banking associations). By 30 June 2008, securities with a nominal value of € 450 million had been sold at a total price in excess of their IFRS carrying amount as of 31 March 2008.

In May 2008, IKB and KfW also entered into an agreement on the early settlement of the risk shield for securities that are essentially in permanent default and that have a carrying amount of zero (settlement amount: US$ 321 million and € 57 million).

In addition, first loss positions (with a nominal volume of € 86 million) based on securitised IKB corporate and real estate loan transactions have been transferred out of the rescue package risk shield, as these transactions relate to IKB's core business.

3. Events after 30 June 2008 (Supplementary report)

Capital increase

On 27 March 2008, the Annual General Meeting of IKB AG for the 2006/07 financial year resolved a cash capital increase with shareholders' subscription rights with a nominal value of up to € 1.49 billion (corresponding to a subscription ratio of 1:6). KfW has entered into a contractual agreement with IKB to subscribe for a number of shares of IKB AG resulting in a total cash inflow from the capital increase of at least € 1.25 billion (before costs). This undertaking is dependent on the European Commission issuing a binding ruling to the extent that KfW's involvement in the capital increase does not constitute state aid, or approving these measures as state aid with certain conditions and/or requirements. The challenges to the resolution on the capital increase on 27 March 2008 were withdrawn following a settlement with the petitioning shareholders. The resolution was entered in the commercial register on 25 July 2008. An application for the admission to trading of the new shares will only be submitted after the implementation of the capital increase is entered in the commercial register in October 2008.

The capital increase would result in KfW's interest in IKB rising from 45.5% to up to 90.8%.

Sale agreement signed

According to the information provided by the parties, the agreement on the sale of the IKB shares held by KfW to LSF6 Europe Financial Holdings L.P., a subsidiary of the U.S. financial investor Lone Star, was signed on 21 August 2008. The agreement also covers the new shares from the capital increase for which KfW has subscribed and the compensation payments arising from the debt waiver by KfW. The sales process, including the selection of the buyer, was managed by KfW.

The Board of Supervisory Directors of KfW approved the transaction on 18 September 2008. The agreement is expected to come into force in October 2008 after the fulfilment of all conditions precedent (decision by the European Commission, entry of the implementation of the capital increase in the commercial register, BaFin approval, etc.).

Additional measures to improve the equity, risk and liquidity situation

Portfolio investments. IKB successfully sold further portfolio investments after 30 June 2008. Between the start of the current financial year and early October 2008, securities with a total nominal value of € 1.0 billion were sold at an average price in excess of their carrying amount. Portfolio investments with a nominal value of € 1.6 billion were also sold to KfW at a price of € 0.6 billion. As a result, the nominal value of the remaining items held in the Portfolio Investments segment as of 30 September 2008 was € 3.1 billion.

The majority of these items, i.e. a nominal value of € 2.5 billion, will be sold to a special-purpose entity in the third quarter of the current financial year. The senior refinancing will be provided by KfW, with a subordinated tranche provided by Lone Star. This transaction will further limit the risk to which IKB is exposed.

The Bank's core segments also had portfolio investments with a nominal volume of € 0.3 billion as of 30 September 2008.

Settlement of risk shielding. On 24 July 2008, IKB AG and KfW entered into an agreement on the early settlement of the remaining risk shield. As a result, the related CDSs and a guarantee that constituted the risk shield were settled and revoked in full. Under the terms of the agreement, KfW made a payment of € 358 million to IKB, while IKB paid KfW a residual fee of € 0.8 million and US$ 4.9 million.

Dissolution of Rhinebridge. The market valuation of the assets of the special-purpose entity Rhinebridge was performed as part of an auction on 31 July 2008. On this basis, all of the entity's assets, which had a nominal volume of US$ 947 million, were sold effective 31 July 2008 at an average price of around 37%. As part of this transaction, IKB AG acquired a proportion of the securities held by Rhinebridge corresponding to its interest in the capital notes, which it subsequently sold to third parties at a profit.

Other projects. In order to diversify its refinancing structure, IKB International S.A. Luxemburg initiated the "Sigismund CBO 2008-1" transaction (securitisation of a corporate bond portfolio), allowing it to raise around € 0.3 billion from the Luxembourg Central Bank/ECB starting from mid-October.

IKB AG has also launched a new Customer Deposits product. These deposits are protected under the statutes of the Deposit Protection Fund of the Association of German Banks. The systematic, active sales process is now being conducted with suitable corporate clients throughout Germany.

IKB has acquired all of the shares of a subsidiary of a corporate client in order to provide support for the structuring of a sales transaction.

Effects of the current banking crisis

IKB responded to the recent intensification of the crisis in the global financial sector at an early stage, resolving to examine its exposure to banks, including credit facilities, in an even more timely manner than previously. These examinations will continue on a rolling basis. IKB also revised its limit system, meaning that it is not directly affected by high-profile bank failures such as Freddie Mac, Fannie Mae, Lehman Brothers and Washington Mutual (i.e. via credit facilities, bonds or equities). Derivative contracts with Lehman Brothers for the hedging of interest rate risk have been settled without significant losses above market value. Appropriate measures were promptly initiated with a view to protecting the value of synthetic CDO transactions with Lehman Brothers as the swap counterparty as part of the transaction documentation process. Among other things, IKB utilised its right of early termination for a number of transactions. As a result, it expects to receive a substantial cash inflow from the sale of the first-class securities pledged as collateral. Here, too, IKB does not expect to incur losses in excess of the valuation allowances already recognised, and some transactions may even allow the reversal of such allowances.

On balance, the impact of the CDOs of corporates held by IKB is slightly negative. The quoted risk premiums for the reference companies have increased significantly, while the liquidity available for our portfolios has declined dramatically. The failures of Fannie Mae, Freddie Mac, Lehman Brothers and Washington Mutual will also reduce the credit enhancement of our transactions, although the remaining subordination will be sufficient to cover further defaults for all transactions. However, the instruments can be expected to be downgraded by several notches as a result of the lower level of subordination. Accordingly, IKB is forecasting single-digit percentage losses in terms of market value.

IKB concluded an index hedge with a nominal volume of € 400 million for its CDOs of corporates at an early stage. In recent weeks, the value of this hedge has risen significantly. These existing hedges in the form of short positions on Itraxx and CDX mean that IKB will also benefit from the compensation payments for Freddie Mac, Fannie Mae and Washington Mutual.

The possibility that the financial crisis will continue to have an adverse effect on the real economy, and hence on the Bank's core business, cannot be ruled out. IKB expects lending practices to be impacted by the strained liquidity situation and the review of business models in the financial sector, at least on a temporary basis. This could result in higher valuation allowances in IKB's lending business. In addition, IKB is currently unable to estimate the extent to which the economic difficulties affecting member banks of the Deposit Protection Fund will trigger payments from the other member banks.

Personnel changes

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

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

Annual General Meeting

The Annual General Meeting for the 2007/08 financial year was held in Düsseldorf on 28 August 2008. The Annual General Meeting adopted all of the resolutions proposed by the Bank's management by a large majority. The results of the individual votes can be found on the Bank's website at www.ikb.de.

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

A reduction in the number of Supervisory Board members from 21 to 15 was also resolved.

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

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

Current rating situation

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

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

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

Business development

Since the start of the crisis more than a year ago, IKB has significant reduced its new business volume in response to the liquidity and equity situation. In the first quarter, new business amounted to € 1.6 billion, down 64.1% on the same period of the previous year.

Earnings performance

The comparative figures for the first quarter of 2007/08 used in the following section are not the same as those published in the report on the first three months of 2007/08, as the new Board of Managing Directors of IKB changed certain accounting decisions with retrospective effect for the 2006/07 financial year based on the results of a special review by PricewaterhouseCoopers. For details of individual items, please refer to the disclosures contained in the interim consolidated financial statements and the interim Group management report for the period ended 30 September 2007.

In the first three months of 2008/09, the IKB Group recorded an operating result of € –536 million after € –501 million in the same period of the previous year. The Bank's earnings performance is still dominated by the crisis situation and the turbulent financial market environment. Whereas the significant losses recorded in the previous year were primarily attributable to fair value losses on the credit derivatives held by the two Havenrock entities and the assets of the Rhineland Funding Capital Corporation (RFCC) conduit, remeasurement losses on liabilities were the main cause of the losses reported in the first quarter of the current financial year. By contrast, the operating result in the Bank's three core segments – Corporate Clients, Real Estate Clients and Structured Finance – declined by a moderate € 2.4 million.

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

1 April 2008 – 30 June 2008 in € million	Fair value result	Net loss from investment securities	Other operating income	Total Q1 2008/09	Total Q1 2007/08	Change
Rhineland Funding				0	–143	143
Havenrock	0			0	–256	256
Portfolio investments	50	–76		–26	–75	49
Market value losses on long-term investments and derivatives and net foreign exchange loss	–95	–20		–115	–77	–38
Change in fair value of liabilities (due to creditworthiness)	–423			–423	0	–423
Measurement of liabilities in accordance with IAS 39 AG 8			12	12	0	12
Other	0	0	3	3	0	3
Sub-total	**–468**	**–96**	**15**	**–549**	**–551**	**2**
Net interest income				121	141	–20
Provision for possible loan losses				25	24	1
Net fee and commission income				14	10	4
Result of investments accounted for at equity				–8	0	–8
Administrative expenses				88	77	11
Sub-total				14	50	–36
Operating result				**–535**	**–501**	**–34**
Tax expense				5	1	4
Consolidated net loss				**–540**	**–502**	**–38**

Some totals may be subject to discrepancies due to rounding differences

The RFCC conduit, which was deconsolidated with effect from 31 July 2007, and the Havenrock entities did not have a significant impact on the Bank's earnings situation in the period under review.

Portfolio investments had an overall effect on the income statement of € -26 million. The fair value result from portfolio investments totalled € 50 million and was composed of gains on the sale of investment securities in the amount of € 47 million and a net remeasurement gain of € 3 million. The net loss from investment securities is primarily attributable to the development of the financial market crisis over recent weeks, as the Bank is required to carry portfolio investments classified as investment securities at amortised cost until the preparation date of the financial statements (adjusting events after the balance sheet date). This resulted in a net loss of € –76 million in the first three months of 2008/09. This figure includes a gain of € 4 million on the sale of investment securities.

The current market environment resulted in a net trading loss of € 95 million on other long-term investments, derivatives and foreign exchange items. The net loss on investment securities in the amount of € 20 million is primarily attributable to a write-down on the equities held by Natixis. By early October, Natixis had recorded further share price losses amounting to € 19 million.

Liability items recognised by IKB at fair value through profit and loss in prior periods resulted in a remeasurement loss of € 423 million. The crisis at IKB led to remeasurement gains of € 1,735 million on these items at the reporting date 31 March 2008, as market indicators suggested that their value had declined significantly. The Group management report for the period ended 31 March 2008 noted that a significant portion of the fair value gains on liabilities reported in the consolidated income statement would result in the recognition of remeasurement losses in future. At 30 June 2008, the measurement of these liability items had improved based on IKB's CDS spreads and other market indicators, resulting in a fair value loss of € 423 million in the first quarter of the 2008/09 financial year. Developments on the capital markets in September 2008 will see a further deterioration in the value of the liability items held by IKB, with a corresponding impact on the income statement for the second quarter of the financial year.

Liabilities measured in accordance with IAS 39 AG8 resulted in other operating income of € 12 million due to a slight change in the estimates relating to expected cash flows.

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

At € 121 million, net interest income was down 13.9% on the same period of the previous year (€ 141 million). This is primarily due to the contribution to prior-period interest income from the RFCC conduit, which is no longer included in the Bank's results following its deconsolidation, as well as the lower level of interest income from portfolio investments and increased refinancing costs.

The provision for possible loan losses remained essentially unchanged year-on-year at € 25 million (previous year: € 24 million), meaning that it was significantly lower than in the other quarters of the previous year.

In the first three months of 2008/09, net interest income after the provision for possible loan losses declined by 18.2% year-on-year to € 96 million.

Net fee and commission income rose by 46.3%, from € 10 million after the first three months of the previous year to € 14 million. This increase of € 4.4 million is primarily attributable to the Structured Finance segment.

The loss of € 8 million on investments accounted for at equity was primarily attributable to the measurement at equity of Movesta Lease and Finance GmbH due to a non-recurring effect arising from the obligation to assume a proportionate share of real estate transfer tax liabilities for property companies.

Administrative expenses increased by 14.6% to € 88 million. Whereas personnel expenses fell by 5.8% to € 42 million, largely as a result of the reduction in the number of employees, other administrative expenses increased by 42.7% to € 46 million. This is due in particular to the sustained high level of external costs for managing the crisis and the sharp rise in deposit insurance premiums for the current and past financial years. The average number of full-time employees in the first three months of 2008/09 was 1,787 (previous year: 1,820).

The deferred taxes recognised on the balance sheet remained essentially unchanged. The balance of deferred taxes was not affected by the high level of remeasurement losses on liabilities, as the decline in deferred tax liabilities meant that deferred tax assets had to be reversed as they could no longer be used in future. These deferred tax assets and liabilities are reported as a net amount on the face of the balance sheet. After income tax expense of € 5 million, which was largely incurred at the Bank's foreign locations, the consolidated net loss for the period amounted to €540 million (previous year: € 502 million).

Earnings per share amounted to € –5.58 in the period under review (previous year: € –5.71). No dilutive measures were implemented in the first three months of the current financial year. Details of the capital increase can be found in the supplementary report.

Segment reporting

There have been changes in IKB's segment reporting compared with the report on the first three months of the previous year (30 June 2007). Details of these changes can be found in the consolidated financial statements for the financial year ended 31 March 2008. They relate in particular to the former "Securitisation" segment, which is now known as "Portfolio Investments", and the "Head Office/Consolidation" segment. The prior-period amounts have been restated accordingly.

In the first three months of the 2008/09 financial year, the *Corporate Clients* segment, which encompasses the Bank's domestic corporate lending, leasing and private equity activities, recorded an operating result of € 23 million (previous year: € 21 million). This increase of 11.0%, which reflects the current market situation, serves to underline the stabilisation of the segment's earnings situation. Net interest income from operating activities remained unchanged as against the previous year. The new business margin declined slightly to 0.97% in the period under review (previous year: 1.02%), largely as a result of higher refinancing costs. The new business volume, which fell to € 0.9 billion (previous year: € 1.2 billion), reflects the selective approach adopted by the Board of Managing Directors and the Bank's focus on small and medium-sized enterprises. Administrative expenses remained essentially unchanged year-on-year at € 35 million.

Having risen sharply in the 2007/08 financial year, the provision for possible loan losses developed encouragingly in the first quarter of 2008/09 and now amounts to only € 4.1 million.

The return on equity was 13.5% (previous year: 12.3%), while the cost/income ratio remained unchanged at 56.2%.

The *Real Estate Clients* segment, which encompasses the Bank's domestic and foreign real estate financing, generated an operating result of € 6 million (previous year: € 9 million). Net interest income declined slightly year-on-year to € 16 million (previous year: € 17 million). At € 176 million, the new business volume was down significantly on the previous year (€ 362 million). The new business margin declined to 0.79% (previous year: 1.42%) as a result of increased refinancing costs, while the high level of staff fluctuation led to a reduction in administrative expenses. At € 4.6 million, the provision for possible loan losses was significantly higher than in the first quarter of the previous year (€ 0.3 million), but down on the proportionate amount for the previous year as a whole (€ 5.8 million).

The segment return on equity was 10.7% (previous year: 17.9%), while the cost/income ratio amounted to 47.9% (previous year: 51.8%).

The *Structured Finance* segment, which encompasses the Bank's domestic and foreign project and acquisition financing and export financing activities, reported an operating result of € 21 million in the first three months of 2008/09 (previous year: € 21 million). At € 0.5 billion, new business declined significantly against the previous year (€ 1.5 billion), while the new business margin rose from 2.05% to 2.33%. Net interest income remained essentially unchanged at € 32 million (previous year: € 33 million), while net fee and commission income increased to € 12 million (previous year: € 7 million). The latter item included administrative fees for true sale securitisations (€ 2 million) and arranger/

participation fees (€ 4 million). In line with the general market trend, valuation allowances totalling € 3 million were recognised for first loss pieces from the structuring of the Bank's own lending. The provision for possible loan losses increased by € 2 million year-on-year to € 5 million, while administrative expenses declined slightly to just under € 16 million.

The segment return on equity was 23.8% (previous year: 22.7%), while the cost/income ratio amounted to 38.4% (previous year: 40.0%).

The *Portfolio Investments* segment reported an operating result of € –6 million (previous year: € –440 million). Broken down into the individual items, the fair value result amounted to € 46 million and was attributable to the gains realised on sales in the first quarter, while the net loss from investment securities amounted to € 76 million, reflecting the negative market development including adjusting events after the balance sheet date. The reduction in the portfolios held by the segment meant that net interest income declined to € 25 million (previous year: € 41 million). Administrative expenses stabilised at just under € 5 million following the increase due to project expenses and costs incurred in respect of the risk shield.

The negative operating result of € 579 million in the Head Office/Consolidation segment is primarily attributable to the fair value measurement of liabilities.

In the first three months of the 2008/09 financial year, all three of the Bank's core segments – Corporate Clients, Real Estate Clients and Structured Finance – made a positive contribution to the operating result.

Net assets

At € 47.7 billion, total assets declined by € 2.5 billion or 5.0% between 31 March and 30 June 2008.

This was primarily attributable to the reduction in investment securities (including portfolio investments) and changes in the measurement of assets and liabilities held for trading, with the latter due in particular to changes in the value of the items held by the Havenrock entities.

Loans and advances to customers decreased by € 0.3 billion to € 28.5 billion compared with 31 March 2008. This development related in particular to items with a maturity of more than four years, thereby reflecting the difficult situation affecting loans financed by the Bank at present.

Loans and advances to banks increased slightly by € 0.2 billion to € 3.0 billion compared with the end of the previous financial year. This was due almost exclusively to short-term interbank lending.

The provision for possible loan losses declined by € 0.1 billion to € 0.8 billion, particularly as a result of utilisations.

Total trading assets fell by € 0.5 billion to € 3.1 billion. This development was driven almost exclusively by the decline in the positive fair values of derivative financial instruments, which was primarily attributable to changes in the value of the credit derivatives concluded by the Havenrock entities for hedging purposes.

Investment securities decreased by a total of € 1.3 billion to € 11.6 billion. This was due to the maturity and sale of financial instruments, as well as further valuation adjustments.

Other assets include the receivables from KfW as a result of risk shielding, which still amount to € 1.3 billion (previous year: € 1.8 billion). The year-on-year reduction in other assets is primarily due to the utilisation of the risk shield and the corresponding settlement payments by KfW.

Securitised liabilities again fell sharply by € 1.8 billion to € 16.4 billion. This was due to maturing bonds that could not be replaced due to the difficult market environment and the IKB crisis. Liabilities to banks increased by € 0.7 billion to € 18.1 billion; this was primarily due to the significant increase in borrowings from the ECB and the higher level of special-purpose refinancing (e.g. KfW).

Reflecting the development of trading assets, liabilities held for trading fell by € 0.6 billion to € 4.8 billion. This was primarily attributable to the hedging positions entered into by the Havenrock entities.

All in all, subordinated capital fell slightly by € 43 million to € 1.7 billion. Whereas profit participation certificates and subordinated liabilities increased following the appreciation of items carried at fair value due to creditworthiness considerations, the carrying amount of silent partnership contributions – and particularly those relating to the IKB Funding companies – declined as a result of market-driven valuation allowances.

Equity fell by € 0.5 billion to € 0.6 billion, largely as a result of the net loss for the period. Following the implementation of the capital increase resolved by the Annual General Meeting and its entry in the commercial register, which is scheduled for the end of October 2008, the Bank's equity will increase by at least € 1.25 billion (before costs).

At 30 June 2008, IKB held no treasury shares.

Financial position

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

Overall assessment

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

5. Risk report

Risk-bearing capacity

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

Regulatory risk capital	30 June 2008 in € million	31 March 2008 in € million
Risk-weighted assets	30 372	30 269
Market risk equivalent	798	795
Operational risk	1 330	1 330
Risk position	**32 500**	**32 394**
Tier I capital	1 967	1 941
Tier II capital	1 204	1 191
Tier III capital	46	45
Deductions	–17	–18
Equity capital	**3 200**	**3 159**
Tier I ratio in %	6.03	5.96
Overall capital ratio in %	9.85	9.75

At 6.03%, the reported Tier I ratio at Group level is higher than the regulatory minimum of 4.0%. Similarly, the reported overall capital ratio of 9.85% is higher than the regulatory minimum overall capital ratio of 8.0%. Taking into account the implementation of the planned capital increase, the Board of Managing Directors expects the Bank to continue to meet these minimum regulatory requirements in future.

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

The following table shows the proportion of economic capital for the individual risk types assuming a confidence level of 99.94% compared with the total available economic capital of € 3.6 billion classified as risk cover from the perspective of a non-subordinated creditor (liquidation approach). Compared with the previous method, which was based solely on stressed variables (particularly higher probabilities of default, forecast losses and assumptions on correlation) as a result of the Bank's crisis, statistical parameters stressed in separate macroeconomic scenarios are now applied in calculating counterparty default risk. Market price risk is calculated as the integrated VaR for interest rate and spread risks assuming a holding period of one year (previous method: 10 days plus a separate fair value performance limit for management interventions). In future, a 20% VaR discount will be applied for management interventions. Operational risk was previously calculated using a simplified basic indicator approach in conjunction with an additional stress factor (+200%). Under the new method, VaR quantification is also performed using a Monte Carlo simulation based on loss allocation. There were no changes to the method applied in calculating business risk.

Economic capital requirements	30 June 2008		31 March 2008			
	New method		New method		Old method	
	in € million	in %	in € million	in %	in € million	in %
Counterparty default risk without portfolio investments	911	44	970	50	1 206	67
Market price risk						
excluding portfolio investment spread risk	480	–	680	36	169	9
including portfolio investment spread risk	882	43	k. A.	–	k. A.	–
Operational risk	120	6	120	6	277	15
Business risk	153	7	156	8	156	9
Total excluding portfolio investment spread risk	1 664		1 926	100	1 808	100
Total including portfolio investment spread risk	2 065	100				

One significant consequence of the crisis has been the revision and expansion of the previous risk capacity concept (macroeconomic stress scenarios; additional analyses with a long-term going concern perspective, applying considerably tighter limits in terms of the risk cover available for economic capital requirements).

The economic capital requirements for these additional macroeconomic stress scenarios (credit crunch and recession), which correspond to the total of the individual risk items before diversification between the various risk types, amount to between €2,600 million and €2,800 million. The two scenarios reflect the impact of potential macroeconomic developments from IKB's perspective, which could take the form of an increased probability of default (credit crunch: +31%; recession: +48%), lower collateral revenue ratios (credit crunch: –11%; recession: –32%) and higher interest rate and spread risks.

In order to reflect the going concern perspective in the risk capacity concept, a significantly reduced level of risk cover is applied on the basis of the minimum capitalisation expected on the part of the capital markets. According to initial calculations as of 30 June 2008, the risks still exceed the available risk cover. However, this assessment does not include the reduction in risk due to the sale of portfolio investments after the balance sheet date and the transactions that are planned for the rest of the financial year.

In order to restore its risk-bearing capacity from a going concern perspective, the Bank plans to significantly reduce the high level of risk arising from its portfolio investments, as well as the substantial volatility affecting its market price risk.

Counterparty default risk. In the first three months of the current financial year, counterparty default risk in the core segments was negligible. The effects of the economic downturn and the financial market crisis will only be felt from 2009 onwards.

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

Credit volume	30 June 2008 in € million	31 March 2008 in € million	Change in € million
Loans to banks	29	30	–1
Loans to customers	26 616	26 844	–228
Portfolio investments, corporate and government bonds	5 459	5 717	–258
Operating and finance leases	1 987	1 951	+36
Contingent liabilities, CDSs and guarantees	2 396	3 100	–704
Total	**36 487**	**37 642**	**–1 155**

The change of € –704 million in contingent liabilities, CDSs and guarantees is primarily attributable to changes in the Bank's holdings of CDSs and guarantees.

Size[1] in € million	30 June 2008 Credit volume*		30 June 2008 Number[1]	31 March 2008 Credit volume*	
Under 5 € million	6 137	17%	19 501	6 059	16%
Between 5 € million and 10 € million	3 881	11%	535	3 840	10%
Between 10 € million € and 20 € million	4 801	13%	355	5 077	13%
Between 20 € million and 50 € million	4 790	13%	166	4 635	12%
Over 50 € million	3 408	9%	33	3 700	10%
Core segments	**23 018**	**63%**	**20 590**	**23 311**	**62%**
Risks transferred to third parties[2]	9 938	27%		9 965	26%
Core segments (total)	**32 956**	**90%**		**33 276**	**88%**
Under 50 € million	2 089	6%		2 198	6%
Between 50 Mio. € and 100 Mio. €	429	1%		594	2%
Over 100 Mio. €	1 014	3%		1 574	4%
Portfolio Investments segment	**3 532**	**10%**		**4 366**	**12%**
Group (total)	**36 487**	**100%**		**37 642**	**100%**

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

Risks transferred to third parties, which totalled € 9.9 billion, include loans for which the default risk has been assumed by banks or public authorities, as well as the synthetic transfer of loan receivables.

The average size of engagements in the "over € 50 million" category is € 103.3 million.

Collateral, risk transfer and securitisation. In its traditional long-term lending business, IKB continues to place a high priority on classic forms of collateral, such as property liens and charges, transfers of ownership and guarantees.

Collateral in € million	30 June 2008 Credit volume*		31 March 2008 Credit volume*	
Property liens and charges	7 976	22%	8 245	22%
Transfers of ownership	2 443	7%	2 460	7%
Other collateral[1]	6 825	19%	6 753	18%
Without collateral	5 773	16%	5 853	16%
Core segments	**23 018**	**63%**	**23 311**	**62%**
Risks transferred to third parties[2]	9 938	27%	9 965	26%
Core segments (total)	**32 956**	**90%**	**33 276**	**88%**
Portfolio Investments segment	**3 532**	**10%**	**4 366**	**12%**
Group (total)	**36 487**	**100%**	**37 642**	**100%**

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

Risk limitation is supported by the collateral provided by portfolio-oriented risk transfer using consortial engagements and risk transfer by securitisation. To date, a total of around € 22 billion has been placed using synthetic securitisation. At the reporting date, the volume of loans and advances placed via securitisation amounted to just under € 7 billion. To this end, IKB has acquired securitisation products with a nominal value of € 15 million, including the first loss risk arising from the underlying engagements.

Geographical structure. The Bank's total lending volume at 30 June 2008 can be broken down by region as follows:

Regions in € million	30 June 2008 Credit volume*		31 March 2008 Credit volume*	
Germany	14 803	41%	15 231	40%
Western Germany	12 255	34%	12 543	33%
Eastern Germany	2 549	7%	2 688	7%
Outside Germany	8 214	23%	8 080	21%
Western Europe	6 235	17%	6 063	16%
North America	1 042	3%	1 098	3%
Other	938	3%	919	2%
Core segments	**23 018**	**63%**	**23 311**	**62%**
Risks transferred to third parties[1]	9 938	27%	9 965	26%
Core segments (total)	**32 956**	**90%**	**33 276**	88%
Portfolio Investments segment	**3 532**	**10%**	**4 366**	**12%**
Group (total)	**36 487**	**100%**	**37 642**	**100%**

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

The following table provides a breakdown of IKB's lending obligations at 30 June 2008 in terms of country credit ratings:

Country credit ratings[1)] in € million	30 June 2008 Credit volume Total	Credit ratings 1–1.5	2–2.5	3–3.5	4–4.5	5–6
Outside Germany	8 214	7 783	330	47	51	3
Western Europe	6 235	6 235	0	0	0	0
North America	1 042	1 042	0	0	0	0
Other	938	506	330	47	51	3

1) Excluding risks transferred to third parties; higher credit ratings reflect higher risk levels

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

Amounts covered by export credit guarantees are deducted from the figures presented above. No other adjustments for collateral are made.

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

Sectors in € million	30 June 2008 Credit volume*		31 March 2008 Credit volume*	
Industrial sector	16 602	46%	16 476	44%
Mechanical engineering	1 247	3%	1 261	3%
Energy supply	1 181	3%	1 086	3%
Retail (excluding motor vehicles)	975	3%	993	3%
Services	933	3%	895	2%
Health and community care	862	2%	729	2%
Metal manufacturing	766	2%	786	2%
Chemical, coal and oil processing	748	2%	750	2%
Transport support services	750	2%	760	2%
Foodstuffs (including tobacco)	729	2%	764	2%
Other (under € 0.7 billion)	8 412	23%	8 453	22%
Real estate	3 543	10%	3 779	10%
Financial sector	910	2%	1 039	3%
Public sector/banks	1 963	5%	2 017	5%
Core segments	**23 018**	**63%**	**23 311**	**62%**
Risks transferred to third parties[1)]	9 938	27%	9 965	26%
Core segments (total)	**32 956**	**90%**	**33 276**	**88%**
Portfolio Investments segment	**3 532**	**10%**	**4 366**	**12%**
Group (total)	**36 487**	**100%**	**37 642**	**100%**

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

Credit rating structure in core lending business. The total lending volume in the Bank's core segments is allocated to its internal rating classes as follows:

Credit rating structure: core segments[1)] in € million	30 June 2008 Credit volume*		31 March 2008 Credit volume*	
1–1.5	5 539	17%	5 633	17%
2–2.5	7 565	23%	7 734	23%
3–3.5	5 538	17%	5 386	16%
Sub-total I	**18 642**	**57%**	**18 753**	**56%**
4–4.5	1 971	6%	2 000	6%
5 and above	912	3%	889	3%
Non-performing loans (total)	1 493	5%	1 669	5%
Sub-total II	**23 018**	**70%**	**23 311**	**70%**
Risks transferred to third parties[2)]	9 938	30%	9 965	30%
Total	**32 956**	**100%**	**33 276**	**100%**

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

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

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

Non-performing loans: core segments	30 June 2008 Credit volume in € million	31 March 2008 Credit volume in € million	Change	
			in € million	in %
Germany	**1 181**	**1 364**	**–183**	**–13%**
Western Germany	646	730	–83	–11%
Eastern Germany	535	635	–100	–16%
Outside Germany	**105**	**107**	**–2**	**–2%**
Impaired (non-performing) loans	**1 286**	**1 471**	**–185**	**–13%**
Securities (impaired financial assets)	**207**	**198**	**9**	**+5%**
Non-performing loans (total)	**1 493**	**1 669**	**–176**	**–11%**
as % of core segment credit volume	**4.5%**	**5.0%**		

The utilisation of provisions for possible loan losses accounted for around € 95 million of the reduction in non-performing loans.

Risk provisions. The Bank's system for determining the required level of risk provisions remained unchanged as against the previous quarter.

	Q1 2008/09 in € million	Q1 2007/08 in € million	Change in %	2007/08 in € million
Additions/releases				
Additions to individual loan loss provisions/accruals	45.8	54.0	–15%	391.5
Direct write-downs	0.4	0.5	–20%	11.5
Receipts from loans written down	–4.3	–1.9	>100%	–6.8
Additions to/releases of portfolio allowances	3.8	–3.1	–	–19.6
Releases of individual loan loss provisions/accruals	–20.5	–26.0	–21%	–121.4
Provision for possible loan losses	**25.2**	**23.5**	+7%	**255.2**
Portfolio development				
Individual loan loss provisions/accruals				
Opening balance	801.5	1 019.3	–21%	1 019.3
Utilisation	–96.6	–51.7	+87%	–453.4
Release	–20.5	–26.0	–21%	–121.4
Reclassification	–	–0.6	–	–0.7
Unwinding	–6.3	–8.8	–28%	–32.9
Additions to individual loan loss provisions/accruals	45.8	54.0	–15%	391.5
Effect of changes in exchange rates	0.2	–	–	–0.9
Total individual loan loss provisions/accruals	**724.1**	**986.2**	**–27%**	**801.5**
Portfolio allowances				
Opening balance	83.0	103.6	–20%	103.6
Addition/release	3.8	–3.1	–	–19.6
Effect of changes in exchange rates	–	–	–	–1.0
Total portfolio allowances	**86.8**	**100.5**	**–14%**	**83.0**
Total risk provisions (including accruals)	**810.9**	**1 086.7**	**–25%**	**884.5**

At € 25 million, the provision for possible loan losses was slightly higher at 30 June 2008 than in the previous year (€ 24 million). Risk provisions for the Bank's traditional lending business, including portfolio allowances, totalled € 811 million at the reporting date. The risk provision cover of loans classified as impaired amounted to 56% (31 March 2008: 54%).

Investments in structured credit products. At 30 June 2008, the IKB Group's investments in structured security portfolios comprised the following:

- investments by IKB AG and IKB subsidiaries with a nominal value of € 5.1 billion;
- the special-purpose entity Rhinebridge plc. with an investment volume of € 0.6 billion, in which IKB had direct investments in the form of capital notes amounting to € 164 million and commercial papers amounting to € 169 million; and
- the protected first loss risk in the Havenrock entities in the amount of € 0.92 billion, of which KfW has assumed a total of around € 0.87 billion. IKB's risk is limited to € 0.05 billion.

IKB Group portfolio investments

Credit rating structure* of IKB's portfolio investments (excl. Rhinebridge and Havenrock)

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

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

Underlying asset structure of IKB's portfolio investments

	30 June 2008		31 March 2008	
Underlying portfolios	Nominal amount in € billion	in %	Nominal amount in € billion	in %
Corporates	2.5	50	2.7	46
ABS	2.2	43	2.3	41
thereof with sub-prime content	1.7	34	1.8	32
ABS/Corporates mixed	0.4	7	0.7	13
thereof with sub-prime content	0.2	4	0.2	4
	5.1	**100**	**5.7**	**100**

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

With respect to the structured securities held by the Bank with a total nominal value of € 5.1 billion as of 30 June 2008, risk shield protection was still provided by KfW with the support of the banking associations for a sub-portfolio with a nominal value of € 2.2 billion (higher risk portfolio) up to a maximum loss originally amounting to € 1 billion, of which around € 0.5 billion was still available at the reporting date. The reduction in the volume of portfolio investments since the start of the financial year is attributable to sales utilising the aforementioned risk shield.

Underlying asset structure of IKB's portfolio investments as of 30 June 2008, broken down into higher risk and unshielded sub-portfolios (excl. Rhinebridge and Havenrock)

	30 June 2008					
Underlying-Portfolien	Nominal amount in € billion Total*		Nominal amount in € billion Higher risk sub-portfolio*		Nominal amount in € billion Unshielded sub-portfolio*	
Corporates	2.5	50%	0.4	19%	2.1	72%
ABS**	2.2	43%	1.8	81%	0.5	16%
thereof with sub-prime content	1.7	34%	1.7	80%	0.0	1%
ABS/Corporates mixed	0.4	7%	–	–	0.4	12%
thereof with sub-prime content	0.2	4%	–	–	0.2	8%
	5.1	**100%**	**2.2**	**100%**	**2.9**	**100%**

* Some totals may be subject to discrepancies due to rounding differences
**e.g. residential mortgage backed securities (RMBS); commercial mortgage backed securities (CMBS); small business loans (SBL)

Credit rating structure of IKB's portfolio investments with underlying corporate assets as of 30 June 2008, broken down into higher risk and unshielded sub-portfolios (excl. Rhinebridge and Havenrock)

	30 June 2008		
Credit rating structure**	Nominal amount in € billion Total*	Nominal amount in € billion Higher risk sub-portfolio*	Nominal amount in € billion Unshielded sub-portfolio*
Aaa	0.6	0.0	0.5
Aa	1.4	0.2	1.3
A	0.3	0.2	0.1
Baa	0.2	0.1	0.0
Ba/B	0.0	0.0	0.0
Sub B	0.1	0.0	0.1
	2.5	**0.4**	**2.1**

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

Of the unshielded corporate investments in the amount of € 2.1 billion, a total of 53% of the underlying companies are domiciled in North America.

Credit rating structure of IKB's portfolio investments with underlying ABS assets as of 30 June 2008, broken down into higher risk and unshielded sub-portfolios (excl. Rhinebridge and Havenrock)

	30 June 2008		
Credit rating structure**	Nominal amount in € billion Total*	Nominal amount in € billion Higher risk sub-portfolio*	Nominal amount in € billion Unshielded sub-portfolio*
Aaa	0.4	0.2	0.2
Aa	0.1	0.1	0.1
A	0.3	0.2	0.1
Baa	0.3	0.2	0.1
Ba/B	0.4	0.4	0.1
Sub B	0.7	0.7	0.0
	2.3	**1.8**	**0.5**

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

Of the Bank's unshielded investments with underlying ABS assets (e.g. mortgage loan finance, credit cards) in the amount of € 0.5 billion, a substantial majority of the underlying assets – 94% – are also located in North America. The external ratings of these assets remain in the higher investment grade classes.

Credit rating structure of IKB's portfolio investments with mixed underlying assets as of 30 June 2008, broken down into higher risk and unshielded sub-portfolios (excl. Rhinebridge and Havenrock)

	30 June 2008		
Credit rating structure**	Nominal amount in € billion Total*	Nominal amount in € billion Higher risk sub-portfolio*	Nominal amount in € billion Unshielded sub-portfolio*
Aaa	0.1	0.0	0.1
Aa	0.1	0.0	0.1
A	0.1	0.0	0.1
Baa	0.0	0.0	0.0
Ba/B	0.0	0.0	0.0
Sub B	0.0	0.0	0.0
	0.4	**0.0**	**0.4**

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

Of the mixed underlying assets in the unshielded sub-portfolio in the amount of € 0.4 billion, 43% relate to North America. As of 30 June 2008, these assets also had external ratings of Aaa to A.

The reduction in the volume of structured securities was largely attributable to the sale of shielded investments.

Rhinebridge portfolio investments. At 30 June 2008, Rhinebridge had a nominal investment volume of € 0.6 billion, of which € 0.4 billion had an external investment grade rating at the reporting date (with € 0.2 billion classified as Aaa); the remaining € 0.2 billion had a non-investment grade rating.

IKB's risk arising from these investments is limited to the commercial papers it holds (30 June 2008: € 169 million). The capital notes held by IKB with a nominal value of € 164 million were settled on 9 May 2008 under the terms of the risk shield.

Havenrock. IKB has assumed 25% of the first loss risk arising from the Havenrock entities' investments in CDSs (with a nominal value of € 4.4 billion). This was almost completely covered by the KfW risk shield at the reporting date, with IKB's risk reduced to € 51 million.

Liquidity and market price risk

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

Since the crisis, the Bank has covered its liquidity requirements through secured and unsecured money market borrowing (cash and term deposits), participation in ECB tenders, the conclusion of securities repurchase agreements with banks, the sale of assets and the acceptance of customer deposits.

In July 2008, KfW granted IKB an additional secured refinancing facility in the amount of € 1.5 billion. The Bank also receives funds from public assistance programmes initiated by KfW and regional development authorities, which it uses to provide financing to its small and medium-sized corporate clients.

In light of the current crisis on the financial markets in particular, these instruments will form the basis for the Bank's refinancing until its ability to obtain unsecured funds is restored in the medium term. The implementation of the proposed capital increase with a volume of € 1.25 billion will also be an important factor.

In addition, the Bank plans to use a significant portion of its portfolio investments to generate liquidity in the 2008/09 financial year. Accordingly, a cash inflow of € 1.1 billion was generated from the sale of portfolio investments by the end of September 2008. The Bank plans to generate up to € 0.8 billion from further sales of portfolio investments by the end of the financial year. The preliminary loss compensation (Havenrock I and II) from the risk shield will also result in a cash inflow of € 0.8 billion. In autumn, the volume of ECB-eligible collateral will increase by around € 1.3 billion as a result of the implementation of three transactions.

Depending on the development of its new business and the level of disbursements under existing loan commitments, the Bank expects its liquidity requirements to amount to € 14-16 billion over the next twelve months. The financing measures required to provide this liquidity have already been partially implemented or initiated. This includes a further reduction in the level of assets or the extent to which they are used in secured refinancing.

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

Interest rate risk. In the first three months of the 2008/09 financial year, the Bank further reduced its interest-induced market price risk by concluding additional interest rate hedges. This is reflected in the reduction in the basis point value (see table below) from € –1.9 million on 31 March 2008 to € –0.9 million on 30 June 2008. In the same period, value at risk (holding period of 10 days, 99.8% confidence level) from interest rate, volatility and foreign currency risk declined from € 143 million to € 102 million.

The VaR figures for interest rate and volatility risk as of 31 March 2008 also included the spread risk arising from corporate bonds and promissory note loans, as well as risk reduction due to the correlation of risk drivers. In the period under review, a new risk controlling system was introduced that allows the integrated measurement and presentation of all market price risks – including liabilities with equity characteristics – and all spread risks, as well as their correlation.

IKB Group interest rate, volatility and foreign currency risk in € million	30 June 2008	31 March 2008
Basis point value*	–0.9	–1.9
Vega**	–20.4	–23.2
VaR Foreign currency	20	14
VaR Interest rate and volatility	74	129
VaR Spread	28	
VaR Correlation effect	–20	
VaR Total	**102**	**143**

* Potential change in the present value of the Bank's portfolio assuming a parallel upward shift of one basis point (0.01%) across all interest rate curves
**Potential change in the present value of the Bank's portfolio assuming a 1% increase in interest rate volatility

Despite all of the measures initiated with a view to reducing interest rate risk, the Bank still has a relatively high exposure to increases in the volatility of interest rates (volatility risk, Vega) due to the optional elements used in proprietary trading (IKB as option issuer). The development of Vega risk since the start of the financial year was not due to changes in the Bank's positions, but rather to changes in the level and volatility of interest rates. The Bank plans to reduce Vega risk by selling structured securities. The implementation of the corresponding measures will begin after the completion of the capital increase.

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

Spread risk is particularly relevant to the Bank's portfolio investments. At the end of the first quarter of the current financial year, CDOs of Corporates and CDOs of CDOs were included in VaR calculations for the first time using historical simulation in order to allow an integrated perspective for the calculation of the overall risk-bearing capacity. As in the 2007/08 financial year, market price risk for CDOs of ABS and plain vanilla ABS bonds was measured using appropriate scenario analyses. For CDOs of ABS, the underlying loss estimates are stressed and the resulting risk calculated on the basis of the difference between the stressed and unstressed market values. For plain vanilla ABS bonds, the rating-based spread volatility of the reference indices (primarily ABX.HE) is calculated. The price sensitivity of the individual bonds and the volatility of the relevant reference index are then used to determine the risk arising from the individual bonds and all bonds on an aggregated basis.

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

Operational risk

Legal risk.

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

As of 1 October 2008, a total of 124 claims for damages have been asserted against the Bank by investors. These claims primarily relate to the alleged incorrect content of the press release issued on 20 July 2007. Certain claims also relate to the alleged incorrect content of the financials press conference held on 28 June 2007 and alleged incorrect capital market information prior to this date. In this context, two court orders to pay have also been issued against the Bank. Objections to these orders were lodged prior to the respective deadlines.

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

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

In the meantime, the first four claims asserted by investors against the Bank have been rejected in the first instance by two civil chambers of the Düsseldorf District Court; in one case, this decision is now legally binding. However, this does not mean that conclusions can be drawn as to the outcome of the other legal proceedings or any decisions by higher courts.

IKB considers the outstanding claims by investors to be unfounded. At the time, IKB did not identify any material risks in relation to the liquidity facility extended to the Rhineland Funding Capital Corporation conduit, as it did not appear feasible that the entire asset-backed commercial paper market would collapse and that refinancing would not be possible in the long term. In its press release issued on 20 July 2007, IKB therefore focused on the risks contained in its own balance sheet at that date.

In addition to the claims detailed above, some shareholders and other investors in IKB securities have approached the Bank with out-of-court claims for damages.

Legal proceedings by FGIC and claims potentially arising from other parties

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

In late August 2008, a separate settlement was agreed between the plaintiff FGIC and the co-defendant Calyon, under the terms of which FGIC is required to pay an amount of US$ 200 million to Calyon. At the same time, the court also informed the parties that it that was considering ordering the initiation of mediation proceedings.

IKB continues to hold the view that the accusations set out in the court submission are unfounded.

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

Investigation by the public prosecutors

The investigation into suspected dishonest dealings and violations of the German Securities Trading Act and the German Stock Corporation Act by (mostly former) senior managers of IKB that was initiated by the Düsseldorf Department of Public Prosecution in early August 2007 is still in progress. The Bank is the potentially aggrieved party in this case. The Board of Managing Directors is supporting the Department of Public Prosecution in its work and cooperating with it in every respect in order to ensure that the matters concerned are resolved in full as soon as possible.

Claims by former members of the Board of Managing Directors

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

State aid proceedings

The German Federal Government has informed the European Commission of the details of the rescue package put together by KfW with the support of the banking associations. The first two support packages were reported to the Commission as a precautionary measure by way of a letter dated 15 January 2008, while the third was reported to the Commission by way of a letter dated 14 March 2008.

On 27 February 2008, the European Commission, in accordance with European Union state support legislation, started an investigation to determine whether the measures constitute state aid and whether they are in contravention of EU legislation on state aid.

In the opinion of the German Federal Government, the measures taken to date do not constitute state aid or aid that cannot be approved in accordance with EU legislation. If the European Commission determines that the measures constitute state aid, it may still approve the measures, particularly if they are deemed to be consistent with legislation providing for the rescue and restructuring of companies in financial difficulties. The Commission will investigate whether the planned restructuring serves to re-establish the long-term profitability of the Bank, whether the measures are limited to the minimum amount necessary to meet their objectives, and whether further measures are necessary to limit any resulting distortion of competition. However, if the Commission determines that the rescue package constitutes state aid that cannot be approved under the relevant EU legislation, it will demand the repayment of the amounts received to date.

Based on the available information on the current status of the proceedings, the Board of Managing Directors believes that the European Commission will consider at least some elements of the rescue package as constituting state aid. In this case, the Bank expects the state aid to be eligible for approval. There is a possibility that the Commission will demand further measures with respect to the Bank's restructuring, including the sale of assets and the sale or discontinuation of branches, subsidiaries or operations.

The Bank expects the European Commission to issue its decision in October 2008.

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

Overall assessment of the risk situation

There is still a great deal of uncertainty with respect to the future development of the values of securitised credit risks. Accordingly, the Bank cannot exclude the possibility that the ongoing financial crisis will result in further valuation losses on structured securities and the recognition of corresponding losses in the income statement. As a result, IKB is seeking to transfer its remaining securities to a special-purpose entity in order to clearly limit the counterparty default risk to which it is exposed. Furthermore, the Bank's risk-bearing capacity is only guaranteed under the assumption that the capital increase will be completed and a cash inflow of at least € 1.25 billion will be received from this measure.

The continued existence of IKB depends on its ability to ensure sufficient access to the money and capital markets in the 2008/09 financial year. In particular, this will require the fulfilment of the following conditions:

- the capital increase resolved by the Bank must be implemented in a timely manner and entered in the commercial register, resulting in the planned cash inflow of € 1.25 billion;

- the proposed measures for liquidity procurement using secured money market refinancing must be implemented, particularly with a view to the procurement of new short-term refinancing and the extension of existing refinancing;

- the sale of a significant portion of the Bank's remaining portfolio investments and additional non-strategic assets must be conducted at adequate prices;

- no legal reservations must be brought against the measures detailed above and the risk shield as a whole, particularly with regard to the EU proceedings; and

- no significant risks must arise from the legal dispute with a credit insurance company.

The Board of Managing Directors expects the planned capital and liquidity procurement measures to be implemented, thereby enabling it to increase its access to the capital markets for unsecured, long-term refinancing in the medium term at the latest. The Board of Managing Directors also expects the EU state aid proceedings to be resolved in IKB's favour in the near future and considers the legal proceedings initiated by the U.S. bond insurer FGIC to be unfounded.

6. Related party disclosures

Transactions with related parties primarily relate to the support measures and refinancing transactions conducted by IKB's major shareholder, KfW Bankengruppe. These are presented in note (35) to the interim consolidated financial statements.

7. Outlook

Opportunities presented by future developments

IKB will continue to further expand its positioning as a leading German specialist bank for the long-term financing of small and medium-sized enterprises, real estate investors, project partners and institutional investors.

This is based on the Bank's specialist approach, the related expertise and the high level of trust that it enjoys among its customers. The majority of customer relationships have been in place for more than ten years.

The Bank's future business model will focus to a larger extent on its core business segments – Corporate Clients, Real Estate Clients and Structured Finance (acquisition, project and export finance) – in order to allow them to achieve further market penetration (increased new customer business and improved leveraging of existing customer relationships), launch and sell new products and significantly expand cross-selling activities, both within the IKB Group and with cooperation partners.

The provision of innovative financial solutions to the Bank's customers will remain an integral part of the business model. Securitisation will be used to increase assets under management and to achieve important management contributions, such as the targeted use of equity and the generation of liquidity and liquidity reserves.

Germany will remain the core market in the *Corporate Clients* segment. The intensity of acquisition will be further increased by the launch of new products, e.g. for customer deposits. The reliable partnership between IKB and its long-standing corporate clients will continue to form the basis for this objective. The Bank intends to improve its market position in the area of equipment leasing, not only in Germany but also in Central and Eastern Europe. This is a response to the fact that many German and Western European companies have now opened branches in these countries and are financing elements of their production capacities on a leasing basis.

The further deterioration in the situation on the capital markets represents a major challenge for the *Real Estate Finance* segment. This applies in particular to long-term real estate finance, where the corresponding refinancing options are almost impossible to find in the current market environment.

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

The Bank intends to press ahead with its securitisation activities in future. The securitisation of the Bank's own lending remains an integral element of its business approach as a European mid-cap financing house.

The volume of business in the *Portfolio Investments* segment will be further reduced. IKB will essentially retain an interest in a special-purpose entity in which the remaining risks are bundled.

IKB will be forced to continue to impose strict limits on new business in its individual segments for as long as the current financial market crisis continues and banks are unable to obtain unsecured finance at appropriate cost and contribution levels. This may include the complete discontinuation of new business in individual segments.

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

Decision by the European Commission in the state aid proceedings

The Board of Managing Directors expects the rescue package provided by KfW and the banking associations to be ruled as not constituting state aid or to be approved as such by the European Commission. Any potential compensation payments imposed by the European Commission for the state aid granted could have a material adverse effect on IKB's future business development and require the implementation of restructuring measures.

Net assets

IKB's net assets and financial position have stabilised as a result of the rescue package put together by the KfW and the banking associations. Once the capital increase has been implemented, the Bank's solvency ratios will improve significantly. In addition, further measures will be taken to ease the asset-side burden on the Bank's risk-bearing capacity. These include further reductions in market price risk and a reduction in the level of risk-weighted assets in its lending business.

Liquidity situation

The Bank's liquidity requirements have also declined as a result of the reduction in its lending business. Sales of assets have contributed to the improvement in the liquidity situation and will continue to do so in future.

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

Earnings performance

Once its restructuring is complete, the Bank expects to have a substantially different earnings structure and a lower level of total earnings. The income generated from portfolio investments in recent years will be reduced significantly. Any compensation measures imposed by the EU could result in one-off implementation costs, as well as having a long-term impact due to the elimination of business opportunities. The 2008/09 financial year will continue to be impacted to a large extent by the consequences of the Bank's crisis, and in particular the limitation on new business since August 2007 and the sharp rise in refinancing costs. As the crisis on the financial markets has intensified after six months of the current financial year, it can also be expected to have a significant impact on earnings in the 2009/2010 financial year, particularly in light of the risk that it will spread to the real economy and hence the business sector.

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

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

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

IKB Deutsche Industriebank AG
Board of Managing Directors

Düsseldorf, 7 October 2008

Interim Consolidated Financial Statements in accordance with International Financial Reporting Standards as of 30 June 2008

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

	Notes	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Net interest income	(1)	**121.2**	**140.8**	**–13.9**
Interest income		761.0	944.3	–19.4
Interest expenses		639.8	803.5	–20.4
Provision for possible loan losses	(2)	**25.2**	**23.5**	**7.2**
Net interest income (after provision for possible loan losses)		**96.0**	**117.3**	**–18.2**
Net fee and commission income	(3)	**13.9**	**9.5**	**46.3**
Fee and commission income		16.0	15.3	4.6
Fee and commission expenses		2.1	5.8	–63.8
Net income from financial instruments at fair value	(4)	**–468.0**	**–546.3**	**14.3**
Income from investment securities	(5)	**–96.2**	**–2.6**	**>–100.0**
Net income from investment accounted for using the equity method	(6)	**–8.1**	**0.1**	
Administrative expenses	(7)	**88.0**	**76.8**	**14.6**
Personnel expenses		41.9	44.5	–5.8
Other administration expenses		46.1	32.3	42.7
Net other operating income	(8)	**14.8**	**–1.9**	
Other operating income		23.3	5.6	>100.0
Other operating expenses		8.5	7.5	13.3
Operating result		**–535.6**	**–500.7**	**–7.0**
Income taxes	(9)	3.3	0.6	>100.0
Other taxes		1.4	0.3	>100.0
Consolidated loss		**–540.3**	**–501.6**	**–7.7**
Minority interests		–0.1	0.0	
Consolidated loss after minority interests		**–540.4**	**–501.6**	**–7.7**

* Prior-period amounts restated (see Accounting policies, c. Adjustments to accounting policies in accordance with IAS 8)

Earnings per share

	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	Change in %
Consolidated loss after minority interest (€ million)	–540.4	–501.6	–7.7
Average number of shares outstanding (million)	96.8	87.9	10.1
Earnings per share (€)	**–5.58**	**–5.71**	**2.3**

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

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

	Notes	30 June 2008 in € million	31 March 2008 in € million	Change in %
Assets				
Cash reserve		82.2	308.8	–73.4
Loans and advances to banks	(10)	3 036.2	2 850.3	6.5
Loans and advances to customers	(11)	28 543.6	28 868.9	–1.1
Provision for possible loan losses	(12)	–794.6	–861.2	–7.7
Assets held for trading	(13)	3 116.8	3 637.7	–14.3
Investment securities	(14)	11 573.5	12 844.5	–9.9
Investments accounted for using the equity method	(15)	11.5	14.7	–21.8
Intangible assets		30.5	32.1	–5.0
Property and equipment	(16)	232.8	218.8	6.4
Current tax assets	(17)	48.1	44.8	7.4
Deferred tax assets	(17)	195.8	174.1	12.5
Other assets	(18)	1 669.4	2 111.1	–20.9
Total		**47 745.8**	**50 244.6**	**–5.0**
Shareholders’ equity and liabilities				
Liabilities to banks	(19)	18 143.5	17 449.3	4.0
Liabilities to customers	(20)	5 492.6	5 751.5	–4.5
Securitised liabilities	(21)	16 434.8	18 184.8	–9.6
Liabilities held for trading	(22)	4 812.3	5 410.9	–11.1
Provisions	(23)	82.2	83.7	–1.8
Current tax liabilities	(24)	89.2	88.1	1.2
Deferred tax liabilities	(24)	159.6	149.2	7.0
Other liabilities	(25)	160.0	163.4	–2.1
Subordinated capital	(26)	1 736.6	1 779.7	–2.4
Total equity	(27)	635.0	1 184.0	–46.4
Subscribed capital		247.8	247.8	–
Capital reserve		597.8	597.8	–
Retained earnings		306.9	333.1	–7.9
Currency translation reserve		6.7	7.0	–4.3
Revaluation reserve		15.7	29.9	–47.5
Minority interests		0.5	0.4	25.0
Consolidated loss		–540.4	–32.0	>100.0
Total		**47 745.8**	**50 244.6**	**–5.0**

Statement of recognised income and expense (SORIE)

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Gains/losses on remeasurement of securities	–2.6	–19.6	–86.7
Unrealised gains/losses from investment securities available for sale	–24.1	–19.7	22.3
Reclassifications to income statement due to investment securities available for sale	21.5	0.1	>100.0
Changes in value from hedging relationships recognised in profit or loss (cash flow hedges)	–18.7	–18.7	–
Currency translation differences	–0.3	0.0	
Changes due to actuarial gains/losses (IAS 19)	8.2	15.2	–46.1
Deferred taxes on changes recognised directly in equity	4.5	14.5	–69.0
Gains/losses recognised directly in equity (net)	**–8.9**	**–8.6**	**3.5**
Consolidated loss	**–540.3**	**–501.6**	**–7.7**
Total recognised gains/losses	**–549.2**	**–510.2**	**–7.6**
Attributable to shareholders of IKB	–549.1	–510.2	–7.6
Attributable to minority interests	–0.1	0.0	

Changes in equity are presented in Note 27.

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

	2008 in € million	2007 in € million	Change in %
Cash and cash equivalents as of 1 April	**308.8**	**28.7**	**>100.0**
Cash flow from operating activities	–1 301.1	732.5	
Cash flow from investing activities	1 074.5	–715.8	
Cash flow from financing activities	0.0	–19.9	
Cash and cash equivalents as of 30 June	**82.2**	**25.5**	**>100.0**

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Principles of Group accounting

The interim consolidated financial statements of IKB as of 30 June 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable at the reporting date on the basis of Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and the related subsequent regulations. This includes the interpretations issued by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretation Committee (IFRIC). The interim consolidated financial statements have been prepared in condensed form in accordance with the requirements on interim financial reporting set out in IAS 34. The domestic requirements set out in section 315a (1) of the German Commercial Code (HGB) were also applied to the extent that they were applicable at the reporting date. In accordance with section 37x (3) in conjunction with section 37y nos. 2 and 3 and section 37w (2) nos. 1 and 2, (3) and (4) of the German Securities Trading Act WpHG, IKB prepares a quarterly report consisting of the present condensed interim consolidated financial statements and an interim Group management report.

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

Accounting policies

a. General

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

b. Scope of consolidation

In addition to the parent company, a total of 28 German companies (31 March 2008: 29; 30 June 2007: 26) and 16 foreign companies (31 March 2008: 16; 30 June 2007: 15) are included in IKB's interim consolidated financial statements in accordance with IAS 27 as of 30 June 2008. IKB Deutsche Industriebank AG (IKB AG) holds the majority of the voting rights in these entities. The consolidated companies are listed in Note (38). The change in the scope of consolidation during the financial year relates to the following company:

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

A total of 4 foreign special-purpose entities have been included in consolidation in accordance with SIC-12 (31 March 2008: 4). In addition to these entities, the companies of the Rhineland Funding Capital Corporation (RFCC) conduit were also included in consolidation as of 30 June 2007. Further details can be found in the consolidated financial statements for the year ended 31 March 2008.

c. Adjustments to accounting policies in accordance with IAS 8

Valuation of CDOs, in particular securities indexed to ABS securities with sub-prime content: A discounted cash flow model is still applied due to the lack of market liquidity. As at the previous reporting date, the fair values calculated on the basis of this model include an allowance for low liquidity that has been adjusted slightly compared with 31 March 2008.

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

Due to the early settlement agreement with KfW Bankengruppe (KfW), the value of the receivables from KfW is no longer calculated using a CDO valuation method, but instead as the present value of the expected payments.

The amounts arising from the amortisation of discontinued hedging relationships in accordance with IFRS 1 IG 60A and IG 60B are now presented in net interest income, as was the case in the consolidated financial statements for the year ended 31 March 2008, rather than in the fair value result. At 30 June 2008, this resulted in a reclassification of € -28.6 million from the fair value result to interest expense and € 18.7 million from the fair value result to interest income.

The result from companies accounted for using the equity method is presented as a separate item on the face of the consolidated income statement. At 30 June 2007, this resulted in a reduction in net interest income and the recognition of a result of € 0.1 million from companies accounted for using the equity method.

Notes to the consolidated income statement

(1) Net interest income

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Interest income from lending and money market transactions and from securities and derivatives	665.5	860.8	–22.7
Amortisation from discontinued hedging relationships IFRS 1 IG 60B	18.7	18.7	–
Income from leasing transactions	71.6	60.4	18.5
Other interest income/income from shares and investments	5.2	4.4	18.2
Total interest income	**761.0**	**944.3**	**–19.4**
Interest expense for securitised liabilities, subordinated capital and other liabilities and for derivatives	573.2	741.4	–22.7
Amortisation from discontinued hedging relationships IFRS 1 IG 60A	28.0	28.6	–2.1
Expenses for leasing transactions	38.6	33.5	15.2
Total interest expense	**639.8**	**803.5**	**–20.4**
Net interest income	**121.2**	**140.8**	**–13.9**

(2) Provision for possible loan losses

	Measured at amortised cost			Measured at fair value	Receivables from finance leasing	Provisions for off-balance-sheet transactions	Total
1 April 2008 – 30 June 2008 in € million	Loans and advances to banks	Loans and advances to customers	Investment securities	Investment securities	Loans and advances to customers		
Additions to specific valuation allowances/provisions	–	45.0	–	–	0.1	0.7	45.8
Direct write-offs	–	0.4	–	–	–	–	0.4
Receipts of loans written down	–	4.3	–	–	–	–	4.3
Additions to/releases of portfolio allowances	–	3.8	–	–	–	–	3.8
Reversal of specific valuation allowances/provisions	–	14.0	–	–	0.4	6.1	20.5
Reclassification	–	–	–	–	–	–	–
Provision for possible loan losses	–	**30.9**	**–**	**–**	**–0.3**	**–5.4**	**25.2**
Additions to/reversal of impairment on investment securities (net income from investment securities)	–	**–**	**79.3**	**20.1**	**–**	**–**	**99.4**
Total	–	**30.9**	**79.3**	**20.1**	**–0.3**	**–5.4**	**124.6**

1 April 2007 – 30 June 2007 in € million	Measured at amortised cost			Measured at fair value	Receivables from finance leasing	Provisions for off-balance-sheet transactions	Total
	Loans and advances to banks	Loans and advances to customers	Investment securities	Investment securities	Loans and advances to customers		
Additions to specific valuation allowances/provisions	–	50.0	–	–	0.6	3.4	54.0
Direct write-offs	–	0.5	–	–	–	–	0.5
Receipts of loans written down	–	1.9	–	–	–	–	1.9
Additions to/releases of portfolio allowances	–	–3.1	–	–	–	–	–3.1
Reversal of specific valuation allowances/provisions	–	20.1	–	–	0.1	5.8	26.0
Reclassification	–	–	–	–	–	–	–
Provision for possible loan losses	**–**	**25.4**	**–**	**–**	**0.5**	**–2.4**	**23.5**
Additions to/reversal of impairment on investment securities (net income from investment securities)	–	–	–	–	–	–	–
Total	**–**	**25.4**	**–**	**–**	**0.5**	**–2.4**	**23.5**

(3) Net fee and commission income

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Net fee and commission income from lending business	13.5	9.2	46.7
Net fee and commission income from securitisation	0.2	0.3	–33.3
Other	0.2	–	
Total	**13.9**	**9.5**	**46.3**

(4) Net income from financial instruments at fair value

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Net trading result	–80.0	–85.2	–6.1
Net result from fair value option	–383.2	–459.2	–16.6
Result from Rhinebridge	–4.0	–0.4	>100.0
Result from hedging relationships	–0.8	–1.5	–46.7
Total	**–468.0**	**–546.3**	**–14.3**

The negative effects in the net trading result primarily relate to valuation losses on the ELAN cells (€ 65.9 million) and the net foreign exchange loss (€ –30.9 million), which are partially offset by the gains on credit derivatives (€ 34.9 million).

The result from the application of the fair value option is due in particular to rating-driven expenses based on the measurement of own liabilities at the reporting date in the amount of € 423.4 million (previous year: 0). The prior-period amount is primarily attributable to write-downs of the portfolio investments of the RFCC conduit.

The result from fair value hedging relationships is composed of the result from underlying transactions (€ –64.9 million) and from hedging derivatives (€ 64.1 million).

(5) Net income from investment securities

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Net loss from securities	–96.0	–0.2	>100.0
Net loss from equity participations and shares in affiliated companies	–0.2	–2.4	–91.7
Total	**–96.2**	**–2.6**	**>100.0**

The net income from securities primarily consists of net valuation losses in the amount of € 79.3 million on securities classified as *Loans and receivables* and € 20.1 million on securities classified as *Financial assets available for sale* in accordance with IAS 39.

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

At 30 June 2008, the net loss from Movesta Lease and Finance GmbH (Movesta) and Linde Leasing GmbH amounted to € –8.1 million (previous year: € 0.1 million).

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

(7) Administrative expenses

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Personnel expenses	41.9	44.5	–5.8
Other administrative expenses	41.0	27.4	49.6
Depreciations and write-downs of operating and office equipment and property, and amortisation and write-downs of intangible assets	5.1	4.9	4.1
Total	**88.0**	**76.8**	**14.6**

The increase in other administrative expenses is attributable to the cost of consultancy and services relating to the management of the crisis (€ 4.5 million) and charges for the Deposit Protection Fund (€ 11.1 million).

(8) Net other operating income

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Other operating income	23.3	5.6	>100.0
Other operating expenses	8.5	7.5	13.3
Total	**14.8**	**–1.9**	

Other operating income relates in particular to gains on the remeasurement of hybrid financial instruments (IAS 39 AG8) in the amount of € 11.7 million.

(9) Income taxes

	1 April 2008 – 30 June 2008 in € million	1 April 2007 – 30 June 2007 in € million	Change in %
Current income taxes	4.9	22.3	–78.0
Deferred taxes	–1.6	–21.7	–92.6
Total	**3.3**	**0.6**	**>100.0**

Notes to the consolidated balance sheet (assets)

(10) Loans and advances to banks

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Loans and advances to banks payable on demand	1 638.5	1 462.0	12.1
Loans and advances to banks (initial maturity < 4 years)	1 109.3	1 126.3	–1.5
Loans and advances to banks (initial maturity ≥ 4 years)	288.4	262.0	10.1
Total	**3 036.2**	**2 850.3**	**6.5**

(11) Loans and advances to customers

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Loans and advances to customers (initial maturity < 4 years)	4 666.0	4 747.8	–1.7
Loans and advances to customers (initial maturity ≥ 4 years)	22 015.4	22 280.5	–1.2
Finance lease receivables	1 862.2	1 840.6	1.2
Total	**28 543.6**	**28 868.9**	**–1.1**

Loans and advances to customers include changes in value of € –103.5 million (31 March 2008: € –11.1 million) on hedged underlyings.

(12) Provision for possible loan losses

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

	Impairment					
	Measured at amortised cost		Receivables from finance leasing			
in € million	Loans and advances to banks	Loans and advances to customers	Loans and advances to customers	Portfolio impairment	Provisions for off-balance-sheet transactions	Total
Opening carrying amount (1 April 2008)	0.0	775.9	2.3	83.0	23.3	884.5
Utilisation	0.0	94.8	0.2	0.0	1.6	96.6
Release	0.0	14.0	0.4	0.4	6.1	20.9
Unwinding	0.0	6.3	0.0	0.0	0.0	6.3
Allocation	0.0	45.0	0.1	4.2	0.7	50.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Effects from foreign exchange rate changes	0.0	0.0	0.2	0.0	0.0	0.2
Closing carrying amount (30 June 2008)	**0.0**	**705.8**	**2.0**	**86.8**	**16.3**	**810.9**
less provisions	–	–	–	–	16.3	16.3
Provisions for possible loan losses reported in the balance sheet as at 30 June 2008	**0.0**	**705.8**	**2.0**	**86.8**	**–**	**794.6**

Provisions for possible loan losses in the form of individual loan loss advances and accruals amounted to € 724.1 million (31 March 2008: € 801.5 million).

(13) Assets held for trading

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Bonds and other fixed-income securities	24.9	33.2	–25.0
Equities and other non-fixed-income securities	0.2	0.1	100.0
Promissory notes carried as trading assets	51.2	67.8	–24.5
Positive fair values of derivative financial instruments	2 954.9	3 502.9	–15.6
Positive fair values of hedging derivatives	85.6	33.7	>100.0
Total	**3 116.8**	**3 637.7**	**–14.3**

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

(14) Investment securities

Investment securities include the following items:

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Bonds and other fixed-income securities	11 331.6	12 585.8	–10.0
Equities and other non-fixed-income securities	11.6	11.5	0.9
Equity investments	230.2	247.1	–6.8
Shares in affiliated companies	0.1	0.1	0.0
Total	**11 573.5**	**12 844.5**	**–9.9**

(15) Companies accounted for using the equity method

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

(16) Property and equipment

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Operating leases	125.0	112.2	11.4
Land and buildings and advance payments and facilities under construction	85.7	83.3	2.9
Operating and office equipment	22.1	23.3	–5.2
Total	**232.8**	**218.8**	**6.4**

(17) Tax assets

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Current income tax assets	48.1	44.8	7.4
Deferred income tax assets	195.8	174.1	12.5
Total	**243.9**	**218.9**	**11.4**

Income tax is calculated in accordance with IAS 34 on the basis of the expected effective tax rate on the Bank's pre-tax profit/loss as of 30 June 2008.

As the forthcoming change in the major shareholder relates to more than 50% of the total share capital, the domestic tax losses carried forward in accordance with section 8c of the German Corporate Income Tax Act (KStG) and section 10a of the German Trade Tax Act (GewStG) will be lost. Accordingly, deferred tax assets relating to domestic loss carryforwards were written off in full the previous year. For this reason, no deferred tax assets have been recognised for the expected losses in the current financial year, meaning that an expected tax rate of 0% is applied within Germany.

A tax rate of 0% is also expected for Luxembourg, as the type of loss carryforwards that will be utilised are those for which no deferred tax assets have been recognised.

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

(18) Other assets

Other assets amounted to € 1,669.4 million (31 March 2008: € 2,111.1 million). This item primarily includes receivables from KfW Bankengruppe in the amount of € 1,337.9 million (31 March 2008: € 1,829.7 million) under the terms of the rescue package.

Notes to the consolidated balance sheet (equity and liabilities)

(19) Liabilities to banks

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Liabilities to banks payable on demand	311.8	107.0	>100.0
Liabilities to banks (initial maturity < 4 years)	7 815.4	7 431.1	5.2
Liabilities to banks (initial maturity ≥ 4 years)	10 016.3	9 911.2	1.1
Total	**18 143.5**	**17 449.3**	**4.0**

In the consolidated financial statements, the loans with debt waiver and compensation from future profits provided by KfW that are included in this item are measured in accordance with the *Other financial liabilities* category set out in IAS 39 AG8. These transactions are reported at their present value on each reporting date, which is calculated by estimating the expected interest and repayment cash flows discounted using the original yield. Unwinding effects resulted in a € 15.7 million increase in the carrying amount to € 703.0 million between 31 March 2008 and 30 June 2008.

(20) Liabilities to customers

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Liabilities to customers payable on demand	55.0	24.7	>100.0
Liabilities to customers (initial maturity < 4 years)	2 054.6	2 710.6	–24.2
Liabilities to customers (initial maturity ≥ 4 years)	3 383.0	3 016.2	12.2
Total	**5 492.6**	**5 751.5**	**–4.5**

(21) Securitised liabilities

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Bonds issued (initial maturity < 4 years)	8 920.3	10 756.0	–17.1
less own bonds (initial maturity < 4 years)	79.2	893.5	–91.1
Subtotal (initial maturity < 4 years)	8 841.1	9 862.5	–10.4
Bonds issued (initial maturity ≥ 4 years)	7 747.4	8 680.3	–10.7
less own bonds (initial maturity ≥ 4 years)	153.7	358.0	–57.1
Subtotal (initial maturity ≥ 4 years)	7 593.7	8 322.3	–8.8
Total	**16 434.8**	**18 184.8**	**–9.6**

New issues of € 0.3 billion were offset by repayments of € 2.0 billion (carrying amounts).

Securitised liabilities include changes in value of € –17.3 million (31 March 2008: € –0.8 million) from hedged underlyings.

(22) Liabilities held for trading

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Derivatives with negative fair values	4 780.3	5 345.3	–10.6
Negative fair values of hedging derivatives	32.0	65.6	–51.2
Total	**4 812.3**	**5 410.9**	**–11.1**

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

(23) Provisions

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Provisions for pensions and similar obligations	3.4	3.5	–2.9
Other provisions	78.8	80.2	–1.7
Total	**82.2**	**83.7**	**–1.8**

(24) Tax liabilities

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Current tax liabilities	89.2	88.1	1.2
Deferred tax liabilities	159.6	149.2	7.0
Total	**248.8**	**237.3**	**4.8**

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

(25) Other liabilities

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Trade payables	123.0	123.1	–0.1
Deferred expenses	14.1	13.9	1.4
Miscellaneous	22.9	26.4	–13.3
Total	**160.0**	**163.4**	**–2.1**

(26) Subordinated capital

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Subordinated liabilities	1 265.3	1 228.5	3.0
Profit participation certificates	224.1	187.5	19.5
Silent partnership contributions/preferred shares	247.2	363.7	–32.0
Total	**1 736.6**	**1 779.7**	**–2.4**

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

30 June 2008 in € million	Unwinding (interest expense)	Net change in present value (other operating income)
Profit participation certificates	1.6	–11.4
Silent partnership contributions/ preferred shares	1.4	–0.2
Total	**3.0**	**–11.6**

The changes in carrying amounts are attributable not only to the effects resulting from the application of IAS 39 AG8, but in particular to rating-driven and interest-driven changes in the fair value of the items recognised using the fair value option (€ –38.5 million). Due to the improvement in the Bank's CDS spreads and other market indicators, the carrying amounts of these items have increased. Whereas measurement as of 31 March 2008 was performed on the basis of valuation models due to the lack of market data, the preferred shares for which market quotations were available at the reporting date reported a significant drop.

Subordinated liabilities

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

Start of term	Nominal amount in € million	Currency	Interest rate in %	Maturity
2000/2001	150.0	EUR	6.00	27 Feb 2009
2003/2004	310.0	EUR	4.50	9 Jul 2013
2006/2007	160.0	EUR	4.64	23 Jan 2017

Profit participation certificates

Profit participation certificates can be broken down as follows:

Year of issue	Nominal amount in € million	Currency	Interest rate in %	Maturity
1997/1998	102.3	DM	7.05	31 Mar 2009
1999/2000	20.0	EUR	7.23	31 Mar 2010
2001/2002	100.0	EUR	6.50	31 Mar 2012
2001/2002	74.5	EUR	6.55	31 Mar 2012
2004/2005	30.0	EUR	4.50	31 Mar 2015
2005/2006	150.0	EUR	3.86	31 Mar 2015
2006/2007	50.0	EUR	4.70	31 Mar 2017
2007/2008	70.0	EUR	5.63	31 Mar 2017

Silent partnership contributions/ preferred shares

At 30 June 2008, the carrying amount of silent partnership contributions/preferred shares was € 247.2 million (31 March 2008: € 363.7 million). This includes preferred shares with a carrying amount of € 122.3 million (31 March 2008: € 208.5 million) that were issued by two U.S. subsidiaries exclusively formed for this purpose, and silent partnership contributions with a carrying amount of € 124.9 million (31 March 2008: € 155.2 million).

(27) Total equity

in € million	Subscribed capital	Capital reserve	Treasury shares	Retained earnings	Currency translation reserve	Revaluation reserve	Minority interests	Consolida-ted profit/loss	Total
Shareholders‘ equity 1 April 2007 after restatements	**225.3**	**568.2**	**–**	**330.6**	**–15.2**	**88.4**	**0.2**	**–**	**1 197.5**
Issue/redemption of shares		–0.1	–2.7						–2.8
Dividends paid									0.0
Changes in the scope of consolidation/ Other				2.1					2.1
Net income for the year from 1 April 2007 to 30 June 2007								–501.6	–501.6
Currency translation differences					0.0				0.0
Change in value in equity				8.5		–17.1			–8.6
Shareholders‘ equity 30 June 2007	**225.3**	**568.1**	**–2.7**	**341.2**	**–15.2**	**71.3**	**0.2**	**–501.6**	**686.6**
Mandatory convertible bonds	22.5	31.8							54.3
Issue/redemption of shares		–2.1	2.7						0.6
Dividends paid									0.0
Changes in the scope of consolidation/ Other									0.0
Net income for the year from 1 July 2007 to 31 March 2008								469.6	469.6
Currency translation differences					22.2				22.2
Change in value in equity				–8.1		–41.4	0.2		–49.3
Shareholders‘ equity 31 March 2008	**247.8**	**597.8**	**–**	**333.1**	**7.0**	**29.9**	**0.4**	**–32.0**	**1 184.0**
Issue/redemption of shares									0.0
Dividends paid									0.0
Changes in the scope of consolidation/ Other				0.3					0.3
Recognition of consolidated loss 1 April 2007 to 31 March				–32.0				32.0	0.0
Net income for the year from 1 April 2008 to 30 June 2008								–540.4	–540.4
Currency translation differences					–0.3				–0.3
Change in value in equity				5.5		–14.2	0.1		–8.6
Shareholders‘ equity 30 June 2008	**247.8**	**597.8**	**–**	**306.9**	**6.7**	**15.7**	**0.5**	**–540.4**	**635.0**

Notes to segment reporting

(28) Segment reporting

1 April 2008 – 30 June 2008

in € million	Corporate Clients		Real Estate Clients		Structured Finance		Portfolio Investments		Head office/ consolidation		Total	
	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007	1 April 2008 – 30 June 2008	1 April 2007 – 30 June 2007
Net interest income	56.1	57.0	16.4	16.6	31.5	32.8	24.5	41.4	–7.3	–7.0	121.2	140.8
Provision for possible loan losses	4.1	6.1	4.6	0.3	4.7	2.8	0.0	0.0	11.8	14.3	25.2	23.5
Net interest income (after provision for possible loan losses)	**52.0**	**50.9**	**11.8**	**16.3**	**26.8**	**30.0**	**24.5**	**41.4**	**–19.1**	**–21.3**	**96.0**	**117.3**
Net fee and commission income	1.4	2.4	1.9	2.1	11.7	6.8	0.0	–1.8	–1.1	0.0	13.9	9.5
Net income from financial instruments at fair value	0.4	0.7	0.7	0.7	0.2	0.4	46.2	–472.7	–515.5	–75.4	–468.0	–546.3
Income from investment securities	0.0	0.0	0.0	0.0	–2.5	0.0	–76.4	–0.8	–17.3	–1.8	–96.2	–2.6
Net income from investment accounted for using the equity method	1.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0	–10.0	0.0	–8.1	0.1
Administrative expenses	35.0	34.6	9.3	10.3	15.7	16.1	4.8	5.0	23.2	10.8	88.0	76.8
Net other operating income	2.5	1.4	0.4	0.5	0.0	0.3	4.6	–0.8	7.3	–3.3	14.8	–1.9
Operating result	**23.2**	**20.9**	**5.5**	**9.3**	**20.5**	**21.4**	**–5.9**	**–439.7**	**–578.9**	**–112.6**	**–535.6**	**–500.7**
Cost/income ratio in %	56.2	56.2	47.9	51.8	38.4	40.0	<0	<0	–	–	<0	<0
Return on equity in %	13.5	12.3	10.7	17.9	23.8	22.7	<0	<0	–	–	<0	<0
Average allocated equity	686	677	206	208	344	377	141	300	–193	–371	1 184	1 191
Credit volume	16 633	16 421	4 641	4 881	7 676	8 365	3 532	22 359	4 005	5 229	36 487	57 255
Volume of new business	944	1 238	176	362	499	1 475	0	217	0	1 215	1 619	4 507

Notes to financial instruments

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

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

IFRS 7 reporting classes for financial instruments	30 June 2008 in € million	31 March 2008 in € million
Assets		
Measured at fair value through profit or loss		
Held for Trading	**3 031.2**	**3 604.0**
Assets held for trading	3 031.2	3 604.0
Fair Value Option	**4 619.4**	**4 803.4**
Loans and advances to banks	116.1	88.8
Loans and advances to customers	0.0	0.0
Investment securities	4 503.3	4 714.6
Receivables KfW Bankengruppe	**1 337.9**	**1 829.7**
Other assets	1337.9	1 829.7
Hedging derivatives		
Assets held for trading	85.6	33.7
Measured at fair value		
Available for sale	**1 670.5**	**1 709.1**
Investment securities	1 670.5	1 709.1
Measured at amortised cost		
Loans and Receivables	**35 001.2**	**36 208.7**
Loans and advances to banks	2 920.1	2 761.5
Loans and advances to customers (including hedge fair value adjustments)	26 681.4	27 026.4
Investment securities	5 399.7	6 420.8
Finance lease receivables		
Loans and advances to customers	1 862.2	1 842.5
Other financial instruments not within the scope of IFRS 7		
Investments accounted for using the equity method	11.5	14.7
Total	**47 619.5**	**50 045.8**

IFRS 7 reporting classes for financial instruments	30 June 2008 in € million	31 March 2008 in € million
Shareholders' equity and liabilities		
Measured at fair value through profit or loss		
Held for Trading	**4 780.3**	**5 345.3**
Liabilities held for trading	4 780.3	5 345.3
Fair Value Option	**5 358.0**	**5 349.6**
Liabilities to banks	637.3	647.1
Liabilities to customers	1 593.9	1 222.9
Securitised liabilities	2 445.8	2 760.1
Subordinated capital	681.0	719.5
Hedging derivatives		
Liabilities held for trading	32.0	65.6
Measured at amortised cost		
Other Financial Liabilities	**36 449.5**	**37 815.7**
Liabilities to banks	17 506.2	16 802.2
Liabilities to customers	3 898.7	4 528.6
Securitised liabilities (including hedge fair value adjustments)	13 989.0	15 424.7
Subordinated capital	1 055.6	1 060.2
Total	46 619.8	48 576.2
Off-balance-sheet transactions		
Contingent liabilities	1 399.1	1 482.5
Other commitments	4 045.5	4 436.0
Total	**5 444.6**	**5 918.5**

(30) Fair value of financial assets and liabilities

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

in € million	Fair value		Carrying amount		Difference	
	30 June 2008	31 March 2008	30 June 2008	31 March 2008	30 June 2008	31 March 2008
Assets						
Loans and receivables	**33 200.7**	**34 426.5**	**34 295.4**	**35 432.8**	**–1 094.7**	**–1 006.3**
Loans and advances to banks	3 005.6	2 767.2	2 920.1	2 761.5	85.5	5.7
Loans and advances to customers (including hedge fair value adjustments)*	25 151.1	25 448.7	25 975.6	26 250.5	–824.5	–801.8
Investment securities	5 044.0	6 210.6	5 399.7	6 420.8	–355.7	–210.2
Finance lease receivables	**1 860.1**	**1 839.0**	**1 860.2**	**1 840.2**	**–0.1**	**–1.2**
Receivables from customers*	1 860.1	1 839.0	1 860.2	1 840.2	–0.1	–1.2
Assets after provision for possible loan losses	**35 060.8**	**36 265.5**	**36 155.6**	**37 273.0**	**–1 094.8**	**–1 007.5**
Shareholders' equity and liabilities						
Other Financial Liabilities	**35 289.6**	**36 392.6**	**36 449.5**	**37 815.7**	**–1 159.9**	**–1 423.1**
Liabilities to banks	17 242.3	16 593.8	17 506.2	16 802.2	–263.9	–208.4
Liabilities to customers	3 682.8	4 192.0	3 898.7	4 528.6	–215.9	–336.6
Securitised liabilities (including hedge fair value adjustments)	13 490.2	14 778.2	13 989.0	15 424.7	–498.8	–646.5
Subordinated capital	874.3	828.6	1 055.6	1 060.2	–181.3	–231.6
Shareholders' equity and liabilities	**35 289.6**	**36 392.6**	**36 449.5**	**37 815.7**	**–1 159.9**	**–1 423.1**

*) The book value of *Receivables from customers* is stated without provision of 707.8 € million (Previous Year: 778.2 € million).

(31) Derivatives

	Nominal amount			Fair value						
				Positive		Negative		Total		
	30 June 2008 in € million	31 March 2008 in € million	Change in %	30 June 2008 in € million	31 March 2008 in € million	30 June 2008 in € million	31 March 2008 in € million	30 June 2008 in € million	31 March 2008 in € million	Change in %
Interest-rate derivatives	45 703.9	46 973.8	–2.7	568.2	301.8	1 288.9	1 106.9	–720.7	–805.1	–10.5
Credit derivatives	9 278.9	9 323.8	–0.5	2 320.0	2 926.5	3 329.1	4 083.7	–1 009.1	–1 157.2	–12.8
Currency derivatives	6 892.6	7 551.2	–8.7	151.7	307.8	194.3	220.3	–42.6	87.5	<–100.0
Equity derivatives	–	–	0.0	0.6	0.5	–	–	0.6	0.5	20.0
Total	**61 875.4**	**63 848.8**	**–3.1**	**3 040.5**	**3 536.6**	**4 812.3**	**5 410.9**	**–1 771.8**	**–1 874.3**	**–5.5**

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

Other disclosures

(32) Contingent assets/liabilities and other commitments

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

	30 June 2008 in € million	31 March 2008 in € million	Change in %
Contingent liabilities	1 399.1	1 482.5	–5.6
Guarantees, warranties, other	1 105.6	1 329.1	–16.8
Assumptions of liability	293.5	153.4	91.3
Other commitments	4 045.5	4 436.0	–8.8
Up to 1 year	1 922.7	2 161.0	–11.0
1 year or more	2 122.8	2 275.0	–6.7
Total	**5 444.6**	**5 918.5**	**–8.0**

Contingent liabilities are generally matched by contingent assets in the same amount. At 30 June 2008, contingent liabilities included assumptions of liability totalling around € 150 million that were previously recognised under „Guarantees, warranties, other" as of 31 March 2008.

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

(33) Other financial liabilities

There is a proportionate obligation to make additional contributions with respect to Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, in accordance with section 26 of the German Limited Liability Companies Act (GmbHG). The Bank also has a proportionate contingent liability for the fulfilment of the obligation to make contributions of other members of the Association of German Banks. In accordance with section 5 (10) of the by-laws of the Deposit Protection Fund, IKB AG is required to indemnify the Association of German Banks from any losses incurred by banks in its majority ownership. For further details, please refer to the annual financial statements and management report of IKB Deutsche Industriebank for the year ended 31 March 2008.

(34) Average number of employees

	30 June 2008	31 March 2008	Change in %
Men	1 091	1 139	–4.2
Women	696	713	–2.4
Total	**1 787**	**1 852**	**–3.5**

(35) Related party disclosures

Liabilities from related party transactions primarily relate to refinancing transactions conducted by IKB AG and its subsidiaries with KfW Bankengruppe in the amount of € 8.2 billion, while receivables include assets from the rescue package provided by IKB's majority shareholder, KfW Bankengruppe, in the amount of € 1.3 billion.

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

(36) Events after 30 June 2008

For details of events after the reporting date 30 June 2008, please refer to the supplementary report contained in the interim Group management report.

(37) Executive bodies

Board of Managing Directors

Dr. Günther Bräunig
(Chairman of the Board of Managing Directors)
Dr. Dieter Glüder
Dr. Reinhard Grzesik
Dr. Andreas Leimbach (from 1 April 2008)
Claus Momburg

Supervisory Board

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

*Employee representative

(38) Basis of consolidation as of 30 June 2008

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

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

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

[1)] Indirect interest

Düsseldorf, 7 October 2008

IKB Deutsche Industriebank AG

Board of Managing Directors

Dr. Günther Bräunig

Dr. Dieter Glüder

Dr. Reinhard Grzesik

Dr. Andreas Leimbach

Claus Momburg

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

Review Report

To IKB Deutsche Industriebank AG, Düsseldorf

We have reviewed the condensed consolidated interim financial statements – comprising the condensed balance sheet, condensed income statement, condensed cash flow statement, statement of recognised income and expense and selected explanatory notes – and the interim group management report of IKB Deutsche Industriebank AG, Düsseldorf, for the period from April 1, 2008, to June 30, 2008, which are part of the quarterly financial report pursuant to § (Article) 37x Abs. (paragraph) 3 WpHG („Wertpapierhandelsgesetz“: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company‘s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

According to our duties, we refer to the fact that the Company's ability to continue as a going concern is threatened by risks which are described in the section "Overall view of the risk situation" of the interim group management report. In this section it is stated that the IKB Deutsche Industriebank AG's ability to continue as a going concern depends on its ability to ensure sufficient access to the money- and capital market in the business year 2008/09. For this purpose, it is particularly necessary that

- the approved capital increase is carried out on a timely basis, the execution is entered in the Commercial Register and therefore, the capital inflow of € 1.25 bn becomes effective,
- the measures planned to generate liquidity, especially entering into new and extending existing secured money market refinancing as necessary on a short term basis, are implemented,
- a significant portion of remaining portfolio investments and further non-strategic assets are disposed of at sufficient prices,
- no legal action is taken against the measures set out above, or against the entire risk shield, particularly action taken by the EU, and
- no significant risks arise out of the legal dispute with a credit insurer.

Düsseldorf, October 7, 2008

PricewaterhouseCoopers Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Financial Calendar

6-month figures for the financial year 2008/2009 (Conference call)	13 November 2008
9-month figures for the financial year 2008/2009	12 February 2009
Preliminary figures for the financial year 2008/2009 (Conference call)	14 May 2009
3-month figures for the financial year 2009/2010	13 August 2009
General Meeting for the financial year 2008/2009	27 August 2009
6-month figures for the financial year 2009/2010	12 November 2009

Disclaimer

This interim report contains forward-looking statements that are based on the development of macro-economic indicators, and on IKB Deutsche Industriebank's financial position and performance. At the time of preparing this report, these forward-looking statements were based on the current assessments of renowned economic research institutes and of IKB. Owing to the risks and elements of uncertainty that are contained in the forward-looking statements, actual results may deviate significantly from the forecasts. IKB assumes no responsibility with regard to providing updates to the statements in response to the emergence of new information or the occurrence of unexpected events.

If you have questions please contact:

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