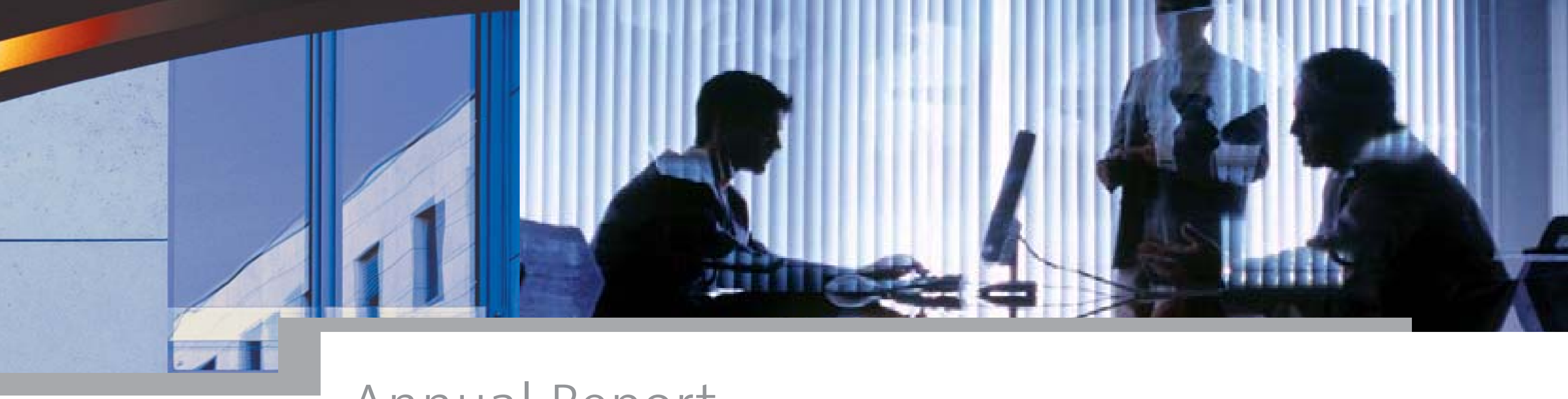


Annual Report 2004/2005

IKB Deutsche Industriebank

IKB Key Figures

Balance Sheet Figures	**31 March 2005 € million**	Change %
Total assets	38 303	3.6
Loans and advances to customers	24 354	1.0
Liabilities to banks	12 088	–20.0
Securitised liabilities	18 914	28.4
Total equity	4 127	13.1

Income Statement Figures	**31 March 2005 € million**	Change %
Net interest income	529.1	0.7
Administrative expenses	245.7	5.8
Risk provisioning balance	–203.8	–3.7
Result from ordinary activities	201.5	11.6
Net income for the year	142.6	36.1
Net income for the year of IKB AG	125.1	26.3
Total dividends	70.4	–

Selected Ratios	**31 March 2005**	31 March 2004
Return on equity	16.8 %	15.6 %
Cost/income ratio	37.1 %	37.2 %
Capital ratio (Principle I)	13.1 %	12.8 %
Tier 1 capital ratio	8.0 %	7.4 %
Number of employees	1 512	1 526

IKB Rating	Long-term	Short-term	Outlook
Moody's	Aa3	P-1	"stable"
Fitch IBCA	A+	F1	"stable"

Figures concerning the IKB Share	**2004/2005**	2003/2004
DVFA-Result per share	€ 1.47	€ 1.22
Dividend per share	€ 0.80	€ 0.80
Dividend yield as of balance sheet date	3.9 %	4.1 %
Highest share price in the financial year	€ 22.71	€ 20.47
Lowest share price in the financial year	€ 18.49	€ 11.97
Share price as of balance sheet date	€ 20.73	€ 19.75
Number of shares (balance sheet date)	88.0 million	88.0 million
Market capitalisation (balance sheet date)	€ 1.82 billion	€ 1.74 billion

IKB Shareholders		
KfW Bankengruppe	38 %	
Stiftung Industrieforschung	12 %	
Institutional and private shareholders	50 %	

Officially quoted at the Stock Exchanges in Berlin, Düsseldorf, Frankfurt, Hamburg, Munich, and Stuttgart.

Financial Calendar 2005/2006

3-months figures for the financial year 2005/2006	16 August 2005
DVFA-Analysts' conference	6 September 2005
General Meeting	9 September 2005
Dividend payments	12 September 2005
6-months figures for the financial year 2005/2006 (Conference call)	11 November 2005
9-months figures for the financial year 2005/2006 (Press conference and conference call)	16 February 2006
Preliminary figures for the financial year 2005/2006 (Conference call)	18 May 2006
Press conference: annual acounts for the financial year 2005/2006	29 June 2006
3-months figures for the financial year 2006/2007	17 August 2006
DVFA-Analysts' conference	28 August 2006
General Meeting	31 August 2006
Dividend payments	1 September 2006
6-months figures for the financial year 2006/2007 (Conference call)	16 November 2006

If you have questions please contact:

IKB Deutsche Industriebank AG
Investor Relations and Press Office
Wilhelm-Bötzkes-Straße 1
D-40474 Düsseldorf
Telephone ++49-2 11-82 21-45 11
Telefax ++49-2 11-82 21-25 11
e-mail: investor.relations@ikb.de

Photos

Title and cover
Thomas Riehle, Cologne (IKB headquarter building)

Page 66
GILDEMEISTER AG, Bielefeld (large photo)
Siemens-pressphoto, Benteler AG, Paderborn,
ACO Severin Ahlmann GmbH & Co. KG, Rendsburg (small photos)

Page 69
WaveLight Laser Technologie AG, Erlangen

Page 74
HANSA-Carrée, Bremen, Thomas Walten, VULKAN.Cologne (small photos)

Page 76
Fränkel AG, Friedrichshafen

Page 80
Stahl-Zentrum, Düsseldorf (large photo)
Siemens pressphoto, SolarWorld AG, Bonn, Düsseldorf (small photos)

Page 83
Bhushan Ltd/India

Page 86
Infineon Technologies AG, Munich
EMAG Maschinenfabrik GmbH, Salach (small photos)

Page 89
DNSint. com AG, Fürstenfeldbruck

Page 93
Witzenmann GmbH, Pforzheim

Michael Dannenmann, Düsseldorf (Portraits of our customers, IKB employees and Board of Managing Directors)

The photo on the cover page shows the windows of the IKB headquarter building in Düsseldorf.

The Annual Report ist also available in German. The German version of this Report is the original and authoritative version.

Graphic design:	Tillmanns, Ogilvy & Mather GmbH & Co. KG, Düsseldorf
Type and lithography:	HTR MedienService GmbH, Bochum
Charts:	m^2 dialog, Viersen
Printing:	Margreff Druck GmbH, Essen

The globalisation process holds attractive long-term growth and employment opportunities for Germany – provided, of course, that Germany's strengths are used in the best possible way. This is the essence of IKB's analysis, which the bank routinely contributes as a preface to the review of its business development.

As the bank observed, its medium-sized corporate clients still seek to leverage Germany's closely-networked industrial know-how and vast innovation potential to boost their competitive edge – regardless of increasing globalisation. In doing so, however, they often face restrictions due to the prevailing legal and regulatory framework. IKB thus sees an urgent need for government action that will allow companies to better exploit Germany's local strengths. Only then will the German economy be able to turn the growth momentum inherent in globalisation into broad-based value and jobs creation.

The strong commitment of medium-sized enterprises to the German economy is also reflected in IKB's business results. During the financial year under review, the bank once again supported its clients in realising numerous investment projects. In fulfilling this role, IKB is thus making a significant contribution to secure Germany's economy future, and on behalf of German business associations, I would like to thank the bank's Board of Managing Directors and staff.

Jürgen R. Thumann

President of the Federation of German Industries
(Bundesverband der Deutschen Industrie e.V.)

To our Shareholders

Dear Shareholders,

We are pleased to present a result for the financial year 2004/2005 that marks a continuation of the consistent performance improvements seen over recent years.

Specifically, the result from ordinary activities rose by 11.6 %, to € 202 million, while consolidated profit improved by 36.1 % to € 143 million. Return on equity before taxes improved in the period under review, by 1.2 percentage points, to 16.8 % whilst at 37.1 %, the cost/income ratio remained in line with last year's low level. Furthermore, revenue reserves increased by € 100 million, and an additional € 50 million was transferred to reserves for general banking risk, pursuant to section 340f of the German Commercial Code. The Board of Managing Directors and the Supervisory Board propose to the Annual General Meeting to pay an unchanged dividend of € 0.80 per unit share, following last year's dividend increase.

The main contributors to this positive development were the bank's pronounced strategic focus, the high degree of continuity in its business activities, and the strong trust placed in us by our clients and market partners.

We have put in place a number of measures designed to safeguard the bank's continued growth and profitability during the financial year under review. This includes strengthening our cooperation with KfW Bankengruppe, who acquired a 50 % stake in IKB Immobilien Leasing GmbH on behalf of its future subsidiary KfW IPEX Bank. The extension of our core target client group, to include companies with minimum annual revenues of € 10 million, plus the realignment of our domestic sales force to cover all product areas, are measures designed to sustain our market leadership in providing long-term finance to German corporate clients. At the same time, we are growing our European acquisition finance franchise – including the establishment of a representative office in Spain – and continue to make significant progress with our activities in securitisation and portfolio management.

The strong commitment of our staff, combined with their vast expertise in managing loans and loan portfolios, is crucial for IKB's strong competitive position and its continued positive outlook. In addition, the bank's continued earnings growth and the sustained improvement of return on equity in its business divisions both rely on IKB's strong ratings, on its impeccable reputation on the capital markets, and on the stable shareholder structure.

Sound loan management

During the financial year under review, IKB succeeded in growing its loan portfolio and boosting margins – yet at the same time, the bank improved the structural credit quality in the new business generated.

This success is attributable to a combination of increased efforts to acquire new clients and generate business, and sound credit expertise. Thanks to IKB's specialist focus, and the vast experience and solid training of its staff, the bank is in an excellent position to assess the credit quality of lending exposures, both in the German market and beyond. Our internal rating system, which we have refined to comply with all requirements under Basel II, provides very valuable support in evaluating credit risk.

The efficiency of process flows is just as important as a reliable credit analysis. We continuously analyse and optimise our processes to ensure best practice throughout. Significant investments have been made to improve our processes and workflows, and to enhance our IT environment. This has boosted quality as well as productivity – which is reflected in the fact that IKB's cost/income ratio remains at a low level.

We have employed a refined process in loan management, combined with ongoing securitisation and investments in international loan portfolios, to transform IKB from a pure lender into a successful loan portfolio manager.

During the course of the last five years, we have placed credit risks in an aggregate amount of more than € 11 billion in the market. This has not only provided relief in terms of capital adequacy, but has provided new scope to grow our lending business and our investments in international loan portfolios. In this way, we have improved the granularity, diversification and profitability of our overall loan portfolio.

Strong reputation

Our clients' continued high esteem for IKB, and the trust they place in us, are not least attributable to the fact that the bank has remained a reliable partner for German small and medium-sized enterprises, despite the economic challenges during recent years.

At the same time, IKB's standing on the international capital markets has also improved over the last few years, thanks to our continued earnings growth and the strong Aa3 rating issued by Moody's. This has improved our funding costs and boosted our competitiveness. We were also able to extend the range of international capital market counterparties.

Stable shareholder structure

IKB's shareholder structure reflects its dedication to medium-sized companies, and supports the bank's focus on providing long-term finance to enterprises and entrepreneurs. We benefit from a long-term strategic cooperation with KfW Bankengruppe, our major shareholder with a stake of approx. 38 % in IKB's issued share capital. Stiftung Industrieforschung holds just under 12 %. The foundation uses the dividends distributed to support research and development projects for medium-sized enterprises: in this way, a portion of our net income is returned – albeit indirectly – to our clients and the medium-sized corporate sector in general. A good 50 % of the bank's issued share capital is held by institutional and private investors and partners, of whom we know that they follow and support the bank's progress and strategy in the same way. For us, this shareholder structure is crucially important. It is the prerequisite for the continued development of IKB's focus and clear strategic position, which allow us to create sustainable value for our clients, staff and shareholders.

The bank has extensive capital resources, with own funds totalling € 4.1 billion. Accordingly, its capital ratio according to the German Banking Act (Grundsatz I) is 13.1 %, and its tier 1 ratio 8.0 %. This achievement is all the more remarkable, as the bank has not conducted any share capital increase since 1994 – instead, own funds were boosted by the allocation of reserves, and via hybrid and tier 2 issues. Together with extensive securitisation, we managed to boost lending volume by 75 % since that time, whilst avoiding the dilution effects of a share capital increase.

All told, it is apparent that IKB has improved its market position and strongly boosted its earnings over recent years, despite a challenging macro-economic environment. Our objective is to continue with this development in the years to come.

Annual General Meeting

This year's Annual General Meeting will be held at 10:00 a.m. on 9 September 2005, at the CCD Congress-Center Düsseldorf, Stockumer Kirchstr. 61, 40474 Dusseldorf. We request the pleasure of your company, and look forward to seeing you in Dusseldorf on this date. Alternatively, you can follow a live broadcast of our Annual General Meeting on the internet.

Stefan Ortseifen
Chairman of the Board of Managing Directors of
IKB Deutsche Industriebank AG

Performance of the IKB share price

The IKB share price maintained its uptrend throughout the 2004/2005 financial year. As illustrated in the chart, the share outperformed both the German blue-chip index DAX and Deutsche Börse's Prime Banks Index, the benchmark index for listed German banks.

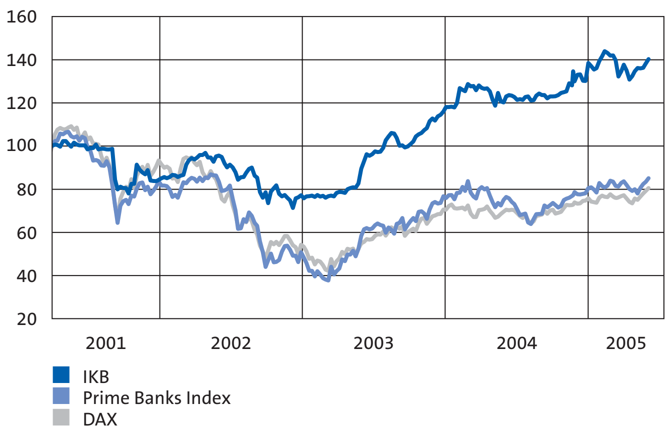
As in the previous year, this was due to strong institutional demand for the shares – from Germany, but also and more especially from foreign investors. We know from numerous discussions with analysts and investors that IKB's focused strategy and continuous earnings growth have made the shares a particularly attractive investment.

This is based on the fact that IKB has maintained a clear focus on medium-sized enterprises for several years now, whilst transforming its business model from that of a pure lender to a loan portfolio manager. As a consequence, the bank has demonstrated a consistent improvement in its result from ordinary activities over recent years, as illustrated in the following chart:

This earnings momentum is reflected in the return on equity, which stood at 16.8 % for the period under review (2003/2004: 15.6 %). We aim to further boost return on equity for the financial year 2005/2006.

IKB Share performance

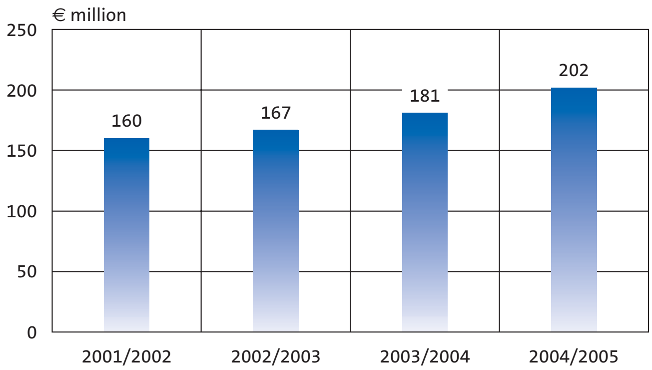
April 2001 to June 2005



Source: Bloomberg

Favourable operating profits

Result from ordinary activities

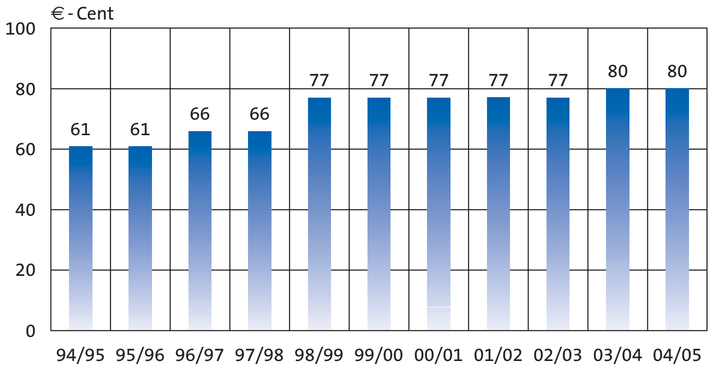


Attractive dividend

IKB's dividend policy is characterised by consistently increasing distributions. The following chart illustrates the development of dividends over the last eleven years – during this period, the dividend yield ranged between 4 % and 6 %. IKB shares are thus particularly attractive for long-term investors.

It is also important to note that IKB has distributed dividends for each financial year since the bank's listing in 1952, and that there has never been a dividend cut to date. IKB's dividend policy is very much in line with shareholder interests. This is evident in the fact that historically, the bank has distributed around two-thirds of net income to shareholders. We intend to adhere to this policy for the years to come, thus permitting shareholders a significant participation in the bank's performance.

Attractive dividends



Report of the Supervisory Board

During the year under review, the Supervisory Board fulfilled the obligations incumbent upon it, in accordance with the law, the Memorandum and Articles of Association, and the bank's Corporate Governance Principles. The Supervisory Board advised the Board of Managing Directors, and continuously monitored its management of the Company. The Board of Managing Directors, in turn, has informed the Supervisory Board regularly, without delay and comprehensively, of all issues important to the development of IKB and the IKB Group.

Focus of discussions of the Supervisory Board

Discussions during the four scheduled Supervisory Board meetings focused on the business development of the IKB Group, its divisions and major subsidiaries, as well as on the risk exposure over time and on risk management. This also included a review of securitisation transactions used to place credit risks with third parties, and of investments in international loan portfolios. On the basis of comprehensive reports submitted by the Board of Managing Directors, the Supervisory Board discussed the Group's medium-term planning up to the financial year 2006/2007, and the Group's strategic position and development. The Supervisory Board also concerned itself with IKB's business cooperations; with KfW Banking Group, Frankfurt/Main; Natexis Banques Populaires, Paris; Bankhaus Sal. Oppenheim jr. & Cie. KGaA, Cologne; and with UniCredito, Milan. In this context, the Supervisory Board also deliberated on the expanded business opportunities arising from the acquisition of a 50 percent stake in IKB Immobilien Leasing GmbH by KfW on 1 January 2005, on behalf of IPEX Bank, which will be established as a KfW subsidiary.

Furthermore the Supervisory Board was kept informed on the bank's credit risk strategy, compiled in line with regulatory requirements set out in the Minimum Requirements for the Credit Business of Credit Institutions; on the current status regarding the recommendations of the Basel Committee on Banking Supervision ("Basel II") and their impact on the bank; as well as on important results of regular checks carried out by Group Audit. Furthermore, the Supervisory Board discussed the results of the client satisfaction and image analysis survey conducted during the financial year under review. The Board of Managing Directors also informed the Supervisory Board on human resources planning and human resources development measures in the IKB Group, as well as on the results of a staff survey conducted during November 2004, and action taken as a result.

Outside the meetings of the Supervisory Board and its Committees, the Chairman of the Supervisory Board held regular business discussions with the Chairman of the Board of Managing Directors, during which they discussed all material topics and issues.

Corporate Governance

The Supervisory Board assigned particular importance to IKB's Corporate Governance regime: in particular, this included amendments to IKB's Corporate Governance Principles, and the adoption of the Declaration of Compliance on 1 July 2004. The Supervisory Board also dealt with new regulations governing the compensation of its members, discussed the disclosure of compensation levels for the members of the Board of Managing Directors and the Supervisory Board (in line with the recommendations of the German Corporate Governance Code), and reviewed the structure of compensation for the Board of Managing Directors. IKB will disclose the remuneration paid to the Chairman of the Board of Managing Directors and to the Chairman of the Supervisory Board for the financial year under review, on an individual basis. The remuneration of other members of the Board of Managing Directors and the Supervisory Board is broken down by fixed and variable components; it is not disclosed on an individual basis. For further details on these issues, please refer to the section on Corporate Governance .

Supervisory Board Committees

The Supervisory Board constituted two committees from amongst its members. The Executive Committee, comprising the Chairman of the Supervisory Board and the two Deputy Chairmen, met on four occasions. The Finance and Audit Committee, consisting of the members of the Executive Committee and one employee representative, met once. This was to prepare the Supervisory Board meeting to discuss the financial statements.

The Executive Committee has dealt with issues discussed in the Supervisory Board in more detail; in particular, it prepared the Supervisory Board meetings, and dealt with personnel matters pertaining to the Board of Managing Directors. Special emphasis was placed on discussions concerning the bank's strategic orientation, new regulations governing the compensation of Supervisory Board members, and the disclosure of compensation for the members of the Board of Managing Directors and the Supervisory Board. The Executive Committee also approved loans subject to approval requirements by way of circulation. The activities of the Finance and Audit Committee included, in particular, a detailed preliminary check of the financial statements, consolidated financial statements and subordinate status report for the financial year 2003/2004, as well as accounting and risk management issues, including the cooperation with the external auditors. The Committee also obtained the statement of independence from the external auditors (in accordance with Section 7.2.1 of the German Corporate Governance Code), and commissioned the external auditors to carry out the audit. This included agreeing on points of focus for the audit, and concluding an agreement on the audit fee. The plenary meeting of the Supervisory Board was given a detailed account of the work in the Supervisory Board Committees.

Examination and approval of the financial statements, consolidated financial statements and subordinate status report for the financial year 2004/2005

The accounts, the financial statements and consolidated financial statements, and the joint management report for IKB AG and the IKB Group have been examined and certified without qualification by the external auditors. The Board of Managing Directors has prepared and submitted the mandatory report on business relationships with affiliated companies during the financial year 2004/2005; this report has been examined and certified without qualification by the external auditors, as follows: "Having duly examined and assessed this report in accordance with professional standards, we confirm that the report is free from factual misrepresentations, and that the company did not pay any excessive consideration with regard to the transactions identified in the report."

The Supervisory Board received the documentation for the financial statements, the subordinate status report, and the reports issued by the external auditors, in good time to discuss the financial statements before the meeting. Having analysed these documents in detail, the Finance and Audit Committee inquired with the external auditors regarding the conduct and results of the audit, and discussed their findings with them. The Finance and Audit Committee duly presented the results of its examination to the plenary Supervisory Board meeting to discuss the financial statements, and proposed to approve the financial statements, the consolidated financial statements and the subordinate status report. The external auditors participated in this meeting, presenting the material results of the audit and providing additional information.

The Supervisory Board has examined the financial statements, the joint management report, as well as the proposal of the Board of Managing Directors regarding the appropriation of net retained profit. There were no objections, and the Supervisory Board therefore approved the audit results, as well as the financial statements and consolidated financial statements prepared by the Board of Managing Directors. The financial statements are thus confirmed. We approve the proposal of the Board of Managing Directors regarding the appropriation of net retained profit. There were also no objections following examination of the subordinate status report, and the concluding declaration by the Board of Managing Directors in this report. The Supervisory Board duly noted and approved the external auditors' report.

Personnel matters

Mr. Frank Schönherr, Head of Corporate Development for IKB, was appointed a member of the Board of Managing Directors with effect from 1 April 2004. Dr. Alexander v. Tippelskirch, Chairman of the Board of Managing Directors, retired from his office at the close of the Annual General Meeting held on 9 September 2004. The Board of Managing Directors thus nominated Mr. Stefan Ortseifen, from amongst its members, as the designated Chairman to take office after the Annual General Meeting. The Supervisory Board approved this nomination. The Annual General Meeting 2004 thanked Dr. Alexander v. Tippelskirch for his outstanding contribution to the IKB Group.

Following the retirement of Prof. Hans-Olaf Henkel, Deputy Chairman of the Supervisory Board, from his office on 10 May 2004, we elected Mr. Herbert Hansmeyer as a new Deputy Chairman of the Supervisory Board, with effect from 7 June 2004 and until the Annual General Meeting that took place on 9 September 2004. In the course of this General Meeting, Dr. Jürgend Behrend and Dr. h.c. Ulrich Hartmann were re-elected, and Messrs. Dieter Ammer, Dr.-Ing. Mathias Kammüller, Dr. Alexander v. Tippelskirch and Dr. Norbert Walter-Borjans were newly elected as members of the Supervisory Board. On the same date, Messrs. Jürgen Metzger and Ulrich Wernecke were re-elected as staff representatives. At the end of the Annual General Meeting 2004, Messrs. Jörg Bickenbach, Herbert Hansmeyer and Prof. Reinhold Würth retired from the Supervisory Board. The Supervisory Board thanks those members who retired from the Supervisory Board for the many years of trusting cooperation.

Following the Annual General Meeting on 9 September 2004, the Supervisory Board and the Finance and Audit Committee held their constituting meetings. Dr. h.c. Ulrich Hartmann was re-elected as Chairman of the Supervisory Board; Dr. Alexander v. Tippelskirch was newly elected as a Deputy Chairman; and Mr. Hans W. Reich was newly elected as the Chairman of the Finance and Audit Committee.

We would like to thank the Board of Managing Directors and all staff members of the bank and its affiliated companies for their commitment and contribution.

Düsseldorf and Berlin, 29 June 2005

The Supervisory Board

Dr. h.c. Ulrich Hartmann, Chairman

Corporate Governance

Joint Corporate Governance report by the Board of Managing Directors and Supervisory Board of IKB Deutsche Industriebank AG

Applying best practice in Corporate Governance is crucially important for responsible and value-oriented corporate management. This is why we welcomed the adoption of uniform Corporate Governance standards in Germany. We see this as a major milestone in the process of enhancing management and control practices in German enterprises.

IKB's Corporate Governance Principles and Corporate Governance Officer

The Board of Managing Directors and Supervisory Board of IKB adopted the bank's own Corporate Governance Principles in November 2002. Based on the German Corporate Governance Code, these were tailored to IKB's specific characteristics, and the bank regularly amends them in line with changing requirements. IKB's Corporate Governance Principles have been published on the bank's website, (http://www.ikb.de) and a hard copy can be obtained free of charge upon request.

In agreement with the Supervisory Board, the Board of Managing Directors appointed Mr. Joachim Neupel, member of the Board of Managing Directors, as Corporate Governance Officer. He therefore holds responsibility for monitoring compliance with the German Corporate Governance Code, and with IKB's own Corporate Governance Principles. The Supervisory Board duly noted and approved the report on the implementation of, and compliance with the Principles, as presented by the Corporate Governance Officer during the Supervisory Board meeting on 29 June 2005.

Declaration of Compliance

The Board of Managing Directors and Supervisory Board issued a Declaration of Compliance in accordance with section 161 of the German Public Limited Companies Act (*Aktiengesetz – AktG*) on 1 July 2004. According to this declaration, IKB complied with the recommendations of the German Corporate Governance Code, as amended on 21 May 2003, subject to five exceptions duly identified. One of these exceptions refers to the separate compensation of Supervisory Board members for the performance of duties as Chairman or member of Supervisory Board committees, as recommended by the Code. To date, there has been no additional remuneration for members of the two Supervisory Board committees (except for the employee representative who is a member of the Finance and Audit Committee), nor for the Chairmen of the two committees. The Board of Managing Directors and the Supervisory Board intend to propose a new remuneration system for the Supervisory Board to the Annual General Meeting on 9 September 2005. This will also provide for compensation for membership in Supervisory Board committees. Subject to approval of said new system, four exceptions to the recommendations of the Code will remain. We identified and substantiated those exceptions in the Declaration of Compliance issued on 29 June 2005; this is included at the end of the annual report, and has also been published on the IKB website (http://www.ikb.de).

We comply with almost all recommendations set out in the Code, with few exceptions. One of these is the fact that the representatives appointed by IKB for the purpose of exercising shareholders' rights, in accordance with instructions, can only be contacted during the Annual General Meeting by shareholders present.

Shareholders who do not participate in the Annual General Meeting in person still have the option, however, to authorise these representatives prior to the Annual General Meeting. Furthermore, the variable components of the compensation package for the Board of Managing Directors do not include long-term incentives such as equity options, as recommended by the Code. The Supervisory Board complied with the Code's recommendation that the Chairman of the Supervisory Board should not concurrently serve as the Chairman of the Audit Committee, by separating these two functions with effect from 9 September 2004. The proposal to the Annual General Meeting on 9 September 2005 to adopt a new compensation system for the Supervisory Board, which comprises variable remuneration components based on the long-term performance of the enterprise, is designed to comply with another recommendation of the Code.

Corporate management and control exercised by the Board of Managing Directors and the Supervisory Board

The Board of Managing Directors of IKB is responsible for managing the enterprise. In doing so, it is bound to the enterprise's best interests, as well as to the principles of the business policy adopted, and undertakes to increase the sustainable value of the enterprise. The Board of Managing Directors manages the company's business in accordance with the law, IKB's Memorandum and Articles of Association, and the service contracts entered into with each member of the Board. The Board of Managing Directors cooperates on the basis of trust with IKB's other executive bodies, and with employee representatives.

The Supervisory Board supervises and advises the Board of Managing Directors in its management of IKB and its Group subsidiaries. It conducts its business in accordance with the law, with IKB's Memorandum and Articles of Association, and with the bank's internal rules of procedure; furthermore, it also cooperates on the basis of trust with the Board of Managing Directors.

The Supervisory Board constituted two committees in order to enhance the efficiency of its work: the Executive Committee *(Aufsichtsratspräsidium)* and the Finance and Audit Committee *(Finanz- und Prüfungsausschuss)*. The Supervisory Board provides information on the composition of these committees, and details of its own activities, in its report to the Annual General Meeting.

During the financial year under review, the Supervisory Board approved two loans extended to Supervisory Board members, or to related parties, respectively. No consulting agreements or other contracts for services or work, which required Supervisory Board approval, were entered into by any member of the Supervisory Board with IKB or its subsidiaries. There were no conflicts of interest affecting members of the Board of Managing Directors or the Supervisory Board in their dealings with the company.

Managing risks

Good corporate governance includes the responsible management of risks. Responsibility for IKB risk management lies with the entire Board of Managing Directors; it determines the risk policy in the form of a clearly formulated business and risk strategy, including the types of business conducted, as well as defining the reasonable overall risk within the scope of the bank's risk-bearing capacity. IKB's risk management system is undergoing continuous development to adapt to a changing environment; the system is also verified by the external auditors. For details, please refer to the Risk Report, which forms part of the Management Report and the Group Management Report.

Annual General Meeting

IKB's shareholders exercise their rights and cast their votes at the General Meeting. Important company events are regularly communicated to shareholders via a financial calendar published in the bank's annual report, in quarterly reports, and on the IKB website (http://www.ikb.de).

Shareholders can either exercise their voting rights at General Meetings themselves, via a proxy of their own choice, or via a proxy appointed by the company and bound to vote in accordance with their instructions.

Transparency and information

Transparency of information is of great importance to us. In this context, we strictly observe the principle of equality – meaning that all information must be made available to all those interested at the same time. Current developments within the IKB Group are published on the IKB website (http://www.ikb.de). This information, which is fully accessible to private investors, includes ad-hoc disclosures required under the German Securities Trading Act, the calendar of regular financial disclosures, as well as other material events disclosed by way of press releases.

Pursuant to section 15a of the German Securities Trading Act, persons exercising management functions – in particular, the members of IKB's Board of Managing Directors and Supervisory Board – and their related parties, are obliged to disclose transactions involving IKB shares (or financial instruments based thereon). No such transactions were disclosed during the financial year under review. As at 31 March 2005 there were no shareholdings subject to a reporting requirement within the meaning of Section 6.6 of the German Corporate Governance Code.

To receive information without delay, interested parties can subscribe to IKB's electronic newsletter, which contains current financial reports, ad-hoc disclosures and press releases.

Accounting and audit of the financial statements

The financial statements of IKB and the consolidated financial statements of the IKB Group are prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*) and the German Accounting Directive for Banks (*Verordnung über die Rechnungslegung der Kreditinstitute – RechKredV*), taking into account the supplementary regulations of the *AktG*. Further details are set out in the Notes to the Financial Statements and Consolidated Financial Statements 2004/2005. The changeover of IKB's accounting to comply with International Financial Reporting Standards (IFRS) is planned for the financial year 2005/2006.

In accordance with the provisions of the AktG, the external auditors are appointed by shareholders at the Annual General Meeting. The Finance and Audit Committee has prepared the proposal of the Supervisory Board to the Annual General Meeting regarding the appointment of external auditors for the financial year 2004/2005. In accordance with the recommendation of the German Corporate Governance Code, the Committee has obtained the auditors' declaration regarding any reasons for exclusion, or for disqualification on the grounds of bias, and has entered into all agreements required in the course of instructing the auditors.

Declaration of Compliance within the meaning of section 161 of the German Public Limited Companies Act

The Board of Managing Directors and the Supervisory Board of IKB Deutsche Industriebank AG declare that the company has complied with the recommendations of the Government commission 'German Corporate Governance Code', as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*), since the last declaration issued on 1 July 2004, and will continue to comply in the future, subject to the following exceptions:

- *Section 3.8 of the German Corporate Governance Code recommends that a suitable deductible be agreed where the company takes out a D&O (directors and officers' liability insurance) policy for members of the Board of Managing Directors and Supervisory Board.*

  IKB has taken out a D & O liability insurance policy chosen that does not provide for a deductible. Our view remains unchanged: that such a deductible would not boost the motivation of the members of the company's executive bodies, nor would it enhance their sense of responsibility in carrying out their duties and functions.

- *Sections 4.2.4 and 5.4.5 of the German Corporate Governance Code recommend that the compensation of the members of the Board of Managing Directors and the Supervisory Board be disclosed on an individual basis in the Notes to the Consolidated Financial Statements.*

  IKB will disclose the remuneration paid to the Chairman of the Board of Managing Directors and to the Chairman of the Supervisory Board, on an individual basis, in the Notes to the Financial Statements and Consolidated Financial Statements 2004/2005. As before, the remuneration of other members of the Board of Managing Directors and the Supervisory Board will be disclosed as a total amount, broken down by fixed and variable components. We believe that the information given is sufficient to assess whether the compensation paid is appropriate. In addition, the main components of the compensation system for the Board of Managing Directors and the Supervisory Board are published on IKB's website, and in the Notes to the Financial Statements and Consolidated Financial Statements 2004/2005.

- *Section 5.4.5 of the Code recommends that the performance of the duties as Chairman or member of Supervisory Board committees shall also be taken into consideration when determining the compensation of members of the Supervisory Board.*

  There is no additional remuneration for members of the two Supervisory Board committees (except for the employee representative who is a member of the Finance and Audit Committee), nor for the Chairmen of the two committees. A proposal to implement a new remuneration system for the Supervisory Board will be submitted to the Annual General Meeting on 9 September 2005. This will also provide for compensation for membership in Supervisory Board committees. Subject to approval by the Annual General Meeting, the company will comply with this recommendation of the Code in future.

- *Section 7.1.1 of the Code recommends that the consolidated financial statements and interim reports be prepared in compliance with internationally recognised accounting principles.*

  The changeover of IKB's accounting to comply with International Financial Reporting Standards is planned for the financial year 2005/2006. The obligation for exchange-listed companies to prepare financial statements in accordance with internationally recognised accounting principles only applies to financial years commencing on or after 1 January 2005. We will comply with this deadline.

Düsseldorf, 29 June 2005

IKB Deutsche Industriebank AG

Dr. h.c. Ulrich Hartmann	Stefan Ortseifen
For the Supervisory Board	For the Board of Managing Directors

”IKB is the same wavelength as us: entrepreneurial and receptive to new ideas”

Heinz Fiege, Dr. Hugo Fiege (r.)
Managing Partners

FIEGE Group, Greven

The FIEGE Group, which is headquartered in Greven, Westphalia, is a long-standing logistics company, whose origins date back to the 19th century. Founded in 1873, the service company is Europe's leading privately-owned provider of integrated logistics systems. With more than 11,000 employees, FIEGE manages some 1.9 million m^2 warehousing and logistics space. It deals in goods valued at around € 48 billion every year. The progressive change from a freight forwarder to a logistics services company (initiated 25 years ago), as well as the gradual expansion into international markets, which Heinz Fiege and Dr. Hugo Fiege – in the fourth generation – pursued at an early stage, form the basis for the company's successful development over the years. FIEGE has also forged a long-standing relationship with IKB, which has supported the company over many years with innovative financial solutions.

High-tech logistics offered at 154 locations

Today, the FIEGE Group's expertise covers the development, implementation and management of optimum logistics solutions tailored to meet the individual requirements of its customers. This extends from location planning, developing IT structures, building and material flow planning, to daily logistics management. FIEGE can count more than 2,500 renowned companies as its business partners. The European reference list includes the tyre manufacturer Bridgestone, the Esprit fashion group, and the Robert Bosch Group.

The series of FIEGE milestones in Germany began with the opening of the 145,000 m^2 Mega Center in Ibbenbüren in 1992. This allowed the company to extend its service range to include logistics for the retail sector, and it was Europe's first logistics centre of this magnitude to be set up and privately managed by a service provider.

The most recent example of the realisation of a global logistics concept is the new Mega Center in Worms, which warehouses 16,000 different Bosch products. Refined distribution of products to Europe and general distribution worldwide to all Bosch regional warehouses is carried out from here. FIEGE controls the entire warehousing and management of the goods. IKB is currently involved with the company in setting up the central European warehouse for FujitsuSiemens Computers, in a second facility in Worms.

FIEGE Engineering, one of FIEGE Germany's subsidiaries, is responsible for choosing the site, the building and material flow planning, and the IT development in creating a turnkey warehouse. The central European location and excellent road and rail links tipped the scales in favour of Worms. At the end of the final extension stage, the two Mega Centers will employ around 850 people.

Supervisory Board

Honoray Chairman
Prof. Dr. Dr.-Ing. E. h. Dieter Spethmann, Düsseldorf
Attorney

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

Deputy Chairman
Hans W. Reich, Frankfurt (Main)
Chairman of the Board of Managing Directors
KfW Bankengruppe

Deputy Chairman
Dr. Alexander v. Tippelskirch, Düsseldorf
Deputy Chairman of the Supervisory Board
IKB Deutsche Industriebank AG

Dieter Ammer, Hamburg
Chairman of the Board of Managing Directors
Tchibo Holding AG

Jörg Asmussen, Berlin
Ministerial Director
Federal Ministry of Finance

Dr. Jürgen Behrend, Lippstadt
Managing Personally Liable Partner
Hella KGaA Hueck & Co.

Wolfgang Bouché, Düsseldorf *

Hermann Franzen, Düsseldorf
Personally Liable Partner
Porzellanhaus Franzen KG

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

Dr.-Ing. Mathias Kammüller, Ditzingen
Chairman of the Board of Managing Directors
TRUMPF Werkzeugmaschinen GmbH + Co. KG

Roswitha Loeffler, Berlin *

Wilhelm Lohscheidt, Düsseldorf *

Jürgen Metzger, Hamburg *

Roland Oetker, Düsseldorf
Attorney
Managing Partner
ROI Verwaltungsgesellschaft mbH

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

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

Rita Röbel, Leipzig *

Dr. Michael Rogowski, Heidenheim
Chairman of the Supervisory Board
Voith AG

Dr. Carola Steingräber, Berlin *

Dr. Norbert Walter-Borjans, Düsseldorf
Undersecretary of State
North-Rhine-Westphalia Ministry of
Economics and Labour

Ulrich Wernecke, Düsseldorf *

* Elected by the staff

Committees of the Supervisory Board

Executive Committee

Chairman
Dr. h.c. Ulrich Hartmann

Hans W. Reich

Dr. Alexander v. Tippelskirch

Finance and Audit Committee

Chairman
Hans W. Reich

Dr. h.c. Ulrich Hartmann

Dr. Carola Steingräber

Dr. Alexander v. Tippelskirch

Advisory Board

Chairman
Jürgen R. Thumann, Berlin
President
Federation of German Industries

Deputy Chairman
Dr. Hermut Kormann, Heidenheim
Chairman of the Board of Managing Directors
Voith AG

Dipl.-Ing. Norbert Basler, Großhansdorf
Deputy Chairman of the Supervisory Board
Basler AG

Prof. Dipl.-Kfm. Thomas Bauer, Schrobenhausen
Chairman of the Board of Managing Directors
BAUER Aktiengesellschaft

Josef Beutelmann, Wuppertal
Chairman of the Board of Managing Directors
Barmenia Versicherungs-Gesellschaften

Dipl.-Ing. Jan-Frederic Bierbaum, Borken
Managing Partner
Bierbaum Unternehmensgruppe GmbH & Co. KG

Dr. Walter Botermann, Cologne
Member of the Board of Managing Directors
Gerling Lebensversicherungs-AG

Dipl.-Kfm. Martin Dreier, Dortmund
Managing Partner
Dreier-Werke GmbH + Dreier Immobilien

Prof. Dr. phil. Hans-Heinrich Driftmann, Elmshorn
Managing Partner
Peter Kölln KGaA

Hans-Michael Gallenkamp, Osnabrück
Managing Partner
Felix Schoeller Holding GmbH & Co. KG

Heinz Greiffenberger, Augsburg
Chairman of the Supervisory Board
Greiffenberger AG

Wolfgang Gutberlet, Fulda
Chairman of the Board of Managing Directors
tegut ... Gutberlet Stiftung & Co.

Dipl.-Kfm. Dietmar Harting, Espelkamp
Personally Liable Partner
Harting KGaA

Dr. Hannes Hesse, Frankfurt (Main)
Managing Director
Verband Deutscher Maschinen-
und Anlagenbau e. V.

Dr. Stephan J. Holthoff-Pförtner, Essen
Attorney and Notary

Dr. Eckart John von Freyend, Bonn
Chairman of the Board of Managing Directors
IVG Immobilien AG

Martin Kannegiesser, Vlotho
Managing Partner
Herbert Kannegiesser GmbH & Co.

Dipl.-Wirtsch.-Ing. Arndt G. Kirchhoff, Attendorn
Managing Partner
Kirchhoff-Kutsch GmbH

Dr. Jochen Klein, Darmstadt
Managing Partner
Döhler GmbH

Caio K. Koch-Weser, Berlin
Undersecretary of State
Federal Ministry of Finance

Prof. Dr.-Ing. Eckart Kottkamp, Bad Oldesloe
Managing Director
Hako Holding GmbH & Co.

Matthias Graf von Krockow, Cologne
Chairman of the Personally Liable Partners
Bankhaus Sal. Oppenheim jr. & Cie. KGaA

Andreas Langenscheidt, Munich
Managing Partner
Langenscheidt Verlagsgruppe KG

Josef Minderjahn, Berlin
Managing Partner
MKF Holding GmbH

Siegmar Mosdorf, Berlin
Member of the Board of Managing Directors
CNC-The Communication &
Network Consulting AG

Klaus Oberwelland, Berlin
(died 23.4.2005)
Personally Liable Partner
August Storck KG

Paola Pierri, Milan
General Manager
UniCredit Banca Mobiliare

Dipl.-Kfm. Jürgen Preiss-Daimler,
Wilsdruff
Managing Partner
P-D Gruppe

Wolfgang Roth, Luxembourg
Vice-President
Europäische Investitionsbank

Olivier Schatz, Paris
Senior Executive Vice President
Natexis Banques Populaires

Dr. Ingeborg von Schubert, Bielefeld
Chairman of the Advisory Council
E. Gundlach GmbH & Co. KG

Dr. Eric Schweitzer, Velten/Berlin
Member of the Board of Managing Directors
ALBA AG

Dr.-Ing. Hans-Jochem Steim, Schramberg
Managing Partner
Hugo Kern und Liebers GmbH & Co.

Dr. Alfred Tacke, Essen
Chairman of the Board of Managing Directors
STEAG AG

Dipl.-Kfm. Rainer Thiele, Halle/Saale
Managing Partner
KATHI Rainer Thiele GmbH

Torsten Toeller, Krefeld
Chairman of the Board of Managing Directors
Fressnapf Tiernahrungs GmbH

Dr. Martin Wansleben, Berlin
Managing Director
German Association of Chambers of
Industry and Commerce (DIHK)

Dr. Ludolf v. Wartenberg, Berlin
Managing Director
Federation of German Industries

Clemens Freiherr von Weichs, Paris
Président du Directoire
EULER

Dipl.-Ing. Albrecht Woeste, Velbert
Owner
R. Woeste & Co. GmbH & Co. KG

Board of Managing Directors

Claus Momburg, Board member since 1997. Date of birth: 1959. Mr. Momburg's main area of accountability is domestic Corporate Lending and Sales Controlling, as well as the central division Personnel and Service.

Dr. Markus Guthoff, Board member since 2001. Date of birth: 1964. Dr. Guthoff is responsible for the Private Equity Division, as well as for Organisation and Information Management, Risk Management and Credit Risk Controlling.

Joachim Neupel, CFO. Board member since 1989. Date of birth: 1943. As CFO Mr. Neupel is in charge with Accounting, Controlling, Taxes and Internal Auditing. Moreover, he is responsible for the Real Estate Finance Division.

Stefan Ortseifen, Chairman of the Board since 9 September 2004. Board member since 1994. Date of birth: 1950. Mr. Ortseifen is responsible for the Treasury and Financial Markets Division, the Corporate Development and Communication unit as well as the Legal Department.

Dr. Alexander v. Tippelskirch, Chairman of the Board until 9 September 2004. Since 9 September 2004 Deputy Chairman of the Supervisory Board.

Frank Schönherr, Board member since April 2004. Date of birth: 1962. Mr. Schönherr is in charge with the bank’s national and international business of the Structured Finance Division as well as with the Economics unit.

Market Units and their Heads

Domestic Corporate Lending

Leo von Sahr	Berlin-Leipzig
Wolf-Herbert Weiffenbach	
Maximilian Knappertsbusch	Düsseldorf
Helmut Laux	
Udo Belz	Frankfurt
Hajo Köhler	Hamburg
Burckhard W. Richers	
Norbert Mathes	Munich
Dr. Klaus Eisele	Stuttgart
Dr. Reiner Dietrich	
Norwin Graf Leutrum von Ertingen	

Domestic Sales Controlling

Helmut Laux — Düsseldorf

Corporate Loans

Clemens Jahn — Düsseldorf

Real Estate Finance

Klaus Neumann — Düsseldorf

Private Equity

Rolf Brodbeck — Düsseldorf
Roland Eschmann

Structured Finance

Dr. Frank Schaum — Düsseldorf
Hubert Störbrock

London Branch

Friedrich Frickenhaus

Paris Branch

Eric Schaefer

Treasury and Financial Markets

Michael Braun — Düsseldorf
Winfried Reinke
Dirk Röthig

Central Divisions and their Heads

Accounting, Controlling and Taxes
Andreas Kandel
Christoph Müller-Masiá
Jürgen Rauscher

Internal Audit
Oliver Zakrzewski

Credit Risk Controlling
Christoph Müller-Masiá

Organisation and Information Management
Manfred Knols

Personnel and Service
Martin Verstege

Legal Department and Contracts
Panagiotis Paschalis

Risk Management
Frank Braunsfeld
Dr. Volker Doberanzke
Claus-Dieter Wagner

Corporate Development and Communication
Klaus Frick
Dr. Gert Schmidt

Economics
Dr. Kurt Demmer

Data Quality Management
Paul-Eduard Meyer

Subsidiaries and their Heads

IKB Capital Corporation, New York
David Snyder

IKB International S.A., Luxembourg
Wolfgang Güth
Robert Spliid

IKB Financial Products S.A., Luxembourg
Wolfgang Güth
Robert Spliid

IKB Private Equity GmbH, Düsseldorf
Rolf Brodbeck
Roland Eschmann

IKB Leasing GmbH, Hamburg
Michael Fichter
Wilhelm Lindemann
Joachim Mertzenich

IKB Immobilien Leasing GmbH, Düsseldorf
Dr. Christian Staab
Heribert Wicken

IKB Immobilien Management GmbH, Düsseldorf
Thomas Binder
Mauritz Freiherr von Strachwitz
Heribert Wicken

IKB Facility-Management GmbH, Düsseldorf
Thomas Damrosch

IKB Data GmbH, Düsseldorf
Jürgen Venhofen

”I am going for expansion – with IKB as our business partner and capital provider.”

Robert Schrödel
Chairman of the Board

Vanguard AG, Berlin

Berlin-Friedrichstrasse; the historical significance of this address is equally as impressive as the relatively short history of the company headquartered here – Vanguard AG, Germany's largest processor of medical devices. Founded in 1998 with 16 staff, the company has expanded to such an extent in only seven years, that it now employs a workforce of 780. Vanguard supplies around 510 hospitals in Germany, and is currently vigorously expanding its presence in other European countries. To date, the company has invested more than € 50 million in developing processes and machines – supported by IKB as its business partner and provider of capital. The driving force behind this success story is Robert Schrödel, who not only mastered massive technical challenges, but also had to fight out the various conflicts that arose with the established companies operating in the medical industry. Schrödel commented; "Too many instruments were, and still are, declared as so-called single-use medical devices, without considering the possibility of re-use." Hence, Vanguard develops methods and equipment for reprocessing complex and very expensive medical products and devices.

Quality assured through validated methods

The breakthrough was achieved in 2002 with the amendment to the German Medical Devices Act, which stated that single-use products could be reprocessed for further use, provided that the use of validated processes can be shown and proven. Vanguard now has methods at its disposal that are certified according to the RKI Guideline (recommendation on the hygiene requirements for reprocessing medical devices from the Robert Koch Institute) for some 2,500 different medical products and devices. The product range ranges from catheters for diagnostic and therapeutic applications used in cardiology and endoscopy, to devices used in minimally invasive surgery.

These complex medical devices can only be reprocessed using highly-specialised technical equipment, such as that which Vanguard has set up in Berlin-Mahlsdorf, where the medical devices are cleaned, disinfected, coded, tested, packaged and sterilised before being delivered to the hospitals' respective specialist departments. Despite the extensive methods used, cost savings of up to 50 % can be achieved on the new price.

Vanguard meanwhile not only deals with highly complex medical devices, but has evolved to become a full-service provider related to the supply of medical devices and innovative medical technology. For example, more than 82 million standard instruments are reprocessed annually in the central sterilisation departments set up and operated by Vanguard. The trend towards larger hospital groups invariably leads to larger distribution centres that supply more than one hospital with reprocessed devices. Vanguard has developed an innovative instrument management system based on an in-house software system and specific identification technology.

However, Vanguard is not a pure service company. A large proportion of its employees are still working in R&D to develop solutions that will further improve procedures and processes. It cooperates, for example, with the manufacturers in developing re-usable devices for which re-use is limited to a certain number of usage cycles. Products can thus be modified at the design stage, to allow simpler and more cost-effective reprocessing in production and use.

I. Management Report and Group Management Report

1. An Overview of the Financial Year

A successful financial year 2004/2005

IKB enjoyed a very successful financial year during 2004/2005. The result from ordinary activities increased by 11.6 % over the previous year, rising to € 202 million and significantly exceeding the target of € 190 – 195 million. Profit after taxes rose by 36.1 %, to € 143 million.

This positive increase in earnings is attributable above all to the rise in net interest and net commission income, as well as to the reduction in the risk provisioning balance. Furthermore, net other operating income and expenditure posted strong growth, climbing by € 65 million to € 77 million. We used this latter improvement specifically to transfer € 50 million to reserves for general banking risk, pursuant to section 340f of the German Commercial Code (*Handelsgesetzbuch – HGB*).

The sharp increase in net other operating income and expenditure was attributable to the following factors:

- the effect of deconsolidating our subsidiary IKB Immobilien Leasing GmbH, after selling a 50 % stake to the KfW Bankengruppe at the turn of the year 2004/2005. This deconsolidation effect reflects losses due to the accrual of income and expenses over time which is typical for the leasing business, which were assumed in previous years from special-purpose entities and incurred by the IKB Immobilien Leasing GmbH sub-group. These losses were derecognised within the scope of the deconsolidation, and accordingly generated income of € 39 million (please refer to the Notes for more details);

- the selling price achieved on this transaction, which exceeded the book value of the participating interest; and

- considerably higher exit earnings realised by the bank, as part of the operating income generated in its Private Equity Division.

In IKB AG, the result from ordinary activities rose by 8.5 % to € 176 million, while profit after taxes improved by 26.3 % to € 125 million. Net other operating income and expenditure amounted to € 24 million, after € –2 million in the 2003/2004 financial year.

Competitive position

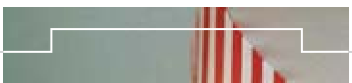
IKB maintained its market position in long-term domestic corporate lending in the financial year under review. This is particularly evident in our high market share (IKB's loan volume relative to the total market for corporate lending) of 12 %, which makes us market leader in this segment in Germany.

We have also established a strong competitive position in Real Estate Finance and Structured Finance. We ascribe this achievement in particular to

- our convincing strategic focus;

- our customer relationships that are based on trust and continuity; and

- a highly-motivated and committed workforce.



IKB's strategic position is characterised by the following three pillars:

- We want to be the best on the market.
- We want to be the most efficient bank.
- We will consistently pursue our progress from risk-taker to risk manager.

To support this objective, we introduced the balanced scorecard ('BSC') concept as a management tool throughout the Group in the course of the financial year under review. The core idea behind the BSC concept is that although a company's success can ultimately be measured by financial ratios, this can only be achieved by virtue of clearly-defined and balanced company goals.

The influencing factors associated with these goals can be assigned to different levels: clients/market, finance, processes and employees. We deliberately expanded this standard model to include portfolio investment, in order to document IKB's progress from risk-taker to risk manager. All told, this means the BSC will support IKB in converting its vision and strategy into concrete objectives, metrics and measures in order to achieve these aims.

One of the core elements of the our strategy is to be a reliable and comprehensible partner for our clients and other market participants at all times.

This is also made clear by an image analysis, which we carried out in autumn of last year. This involved carrying out a survey of 370 clients and 340 non-clients on the bank's public profile, its range of products and services, and its competence. A key conclusion that can be drawn from this survey is that our clients associate the following attributes with our corporate advisors: credibility, reliability, professionalism, service orientation and competence. We also particularly welcome the fact that our clients would recommend IKB to others as a competent and reliable bank.

Cooperations

We also stepped up cooperation with our partners during the financial year 2004/2005.

We rank the cooperation with our strategic partner, the KfW Group, very highly indeed. Our cooperation continued to focus on Structured Finance and Lending during the financial year under review. All told, we jointly realised financing volumes of € 1.3 billion, which both partners accounted for almost equally.

KfW acquired a 50 % stake in IKB Immobilien Leasing GmbH for its future subsidiary KfW IPEX Bank, with a view to further strengthening the cooperation between the IKB and KfW Groups. This joint venture provides KfW IPEX Bank with the opportunity to enter into active property lending and structured big-ticket equipment leasing. Our joint subsidiary is thus in a position to explore new client groups, offer new products (leasing structures for means of transport) and further expedite the internationalisation of the business.

We also intensified our cooperation with Bankhaus Sal. Oppenheim, the German private bank. This link allows us to offer our clients all those financing tools – beyond our own product range – required by both entrepreneurs personally and their enterprise. Accordingly, the product range extends from asset management, through to providing a solution to the challenges posed by succession problems, to structuring of M&A transactions. Since our cooperation was launched in April 2003, both institutions have established contact with 400 companies; transactions have meanwhile been concluded with 50, and another 150 are currently being processed. These figures underline the commitment of both banks to the cooperation.

The cooperation with our French partner Natexis Banques Populaires continued to develop well. Refinancing and ABS transactions were the focal points during the period under review.

Luxembourg-based IKB CorporateLab – a joint venture of IKB and UBM, a subsidiary of Italian UniCredit – is a specialist entity through which we offer derivative instruments within the scope of financial risk management solutions to our clients. Although our clients' response to this offer has been increasingly positive, the preferences of German and Italian corporates have shown a growing divergence. Therefore, IKB and UBM have agreed that in future, IKB will offer these derivative solutions exclusively to its German clientele. Consequently, IKB has acquired UBM's stake in IKB CorporateLab. Our cooperation agreement with the UniCredit Group covering other business segments remains unaffected. In particular, we have been very successful in our cooperation with UniCredit regarding funding activities on the Italian market.

Strengthening IKB's equity

Further increasing our equity capital continued to be of paramount importance to us during the year under review. Besides appropriating € 100 million to revenue reserves, we also raised € 225 million in hybrid funds for the purpose of strengthening our tier 1 capital. New silent partnership contributions of € 400 million were offset by a € 175 million partial repurchase of a previously-issued security. Taking the entire hybrid capital of € 1 billion into account, Group tier 1 capital stood at € 2.4 billion.

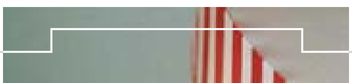
We also raised net € 0.1 billion in subordinated liabilities during the period under review, bringing the total amount outstanding to € 1.1 billion at the end of the financial year. Taking into account profit-participation certificates of € 0.6 billion, tier 2 capital totalled € 1.7 billion. Consolidated own funds therefore amounted to € 4.1 billion.

In order to provide additional scope for further growth in business, we carried out two securitisation transactions at the end of the period under review. The first transaction, with a volume of € 650 million, was based on a European portfolio from IKB's acquisition finance activities; these are principally

IKB Consolidated Equity

	31 March 2005 € million	31 March 2004 € million	Change € million	%
Subscribed capital	225	225	–	–
Hybrid capital	1 045	820	225	27.4
Capital reserves	568	568	–	–
Revenue reserves	451	351	100	28.5
Fund for general banking risks	80	80	–	–
Tier 1 capital (subtotal)	2 369	2 044	325	15.9
Profit-participation certificates	593	563	30	5.3
Subordinated liabilities	1 165	1 042	123	11.8
Total equity *)	**4 127**	**3 649**	**478**	**13.1**

*) Reported equity is not identical to regulatory capital.



commitments that our London and Paris branches had entered into in recent years. A pool of domestic loans granted to our mid-sized clients was the basis for the second securitised deal, which has a volume of € 650 million to date. The primary objective of this transaction was to provide relief regarding risk exposure in our domestic lending operations. On an aggregate level, both securitisations have provided capital adequacy relief to the tune of 0.4 percentage points for the capital ratio.

The ratio as defined by Liquidity Principle I of the German Banking Act was 13.1 % at the balance sheet date. The tier 1 capital ratio was 8.0 %. The corresponding figures for IKB AG were 10.9 % and 6.3 %.

Key figures

The economic performance of IKB Group for the financial year 2004/2005 can be summarised as follows (the figures in brackets relate to IKB AG):

- Increase of 0.7 % in net interest income to € 529 million (decline of 1.4 % to € 425 million)

- 11.5 % rise in net commission income to € 94 million (+5.0 % to € 106 million)

- Administrative expenses up 5.8 % to € 246 million (+11.7 % to € 208 million)

- Net other operating income and expenditure up € 65 million to € 77 million (from € –2 million to € 24 million)

- Appropriation of € 50 million to reserves for general banking risks (under section 340f of the *HGB*)

- Reducing the risk provisioning balance by € 8 million to € 204 million (€ 13 million to € 172 million). While net loan loss provisions increased by € 9 million to € 293 million, the result from securities held as liquidity reserve rose from € 72 million to € 89 million.

With the consolidated result from ordinary activities up 11.6 % to € 202 million, we significantly exceeded the target profit of between € 190 million and € 195 million that we stated a year ago. Profit after taxes rose by 36.1 %, to € 143 million. This significant increase is attributable to the improvement in the bank's earnings strength, as well as to a significant reduction in the tax rate, which was accounted for mainly by the tax-free income achieved on the sale of the participating interest in IKB Immobilien Leasing GmbH, the deconsolidation of this company, and exit returns generated by the Private Equity Division.

Return on equity before taxes improved in the period under review to 16.8 % (2003/2004: 15.6 %) whilst at 37.1 %, the cost/income ratio – excluding the profit from deconsolidation – remained in line with last year's low level (37.2 %). DVFA earnings per unit share reached € 1.47 (2003/2004: € 1.22). No dilution effects occurred in the period under review.

The Board of Managing Directors proposes to the Supervisory Board to pay an unchanged dividend of € 0.80 per unit share, following last year's dividend increase. € 72 million will be allocated from consolidated net income to the consolidated reserves, for the purpose of strengthening the Group's equity capital base. Additionally, the deconsolidation of IKB Immobilien Leasing generated an increase of € 28 million in the reserves. This amount had been set off, upon first-time consolidation of this sub-group, against reserves recognised for losses carried forward by special purpose entities. The total amount attributed to reserves therefore amounted to € 100 million.

Subordinate Status Report

We have prepared a subordinate status report for the financial year under review in accordance with section 312 of the German Stock Corporation Act (Aktiengesetz – "AktG"); please refer to our explanations in the Notes. According to the final declaration of the Board of Managing Directors within the subordinate status report, "IKB received appropriate consideration for transactions identified in the report entered into with affiliated companies. This assessment is based on the conditions known to us at the time of the events subject to a reporting requirement. No measures subject to reporting requirements within the meaning of section 312 of the AktG were carried out or omitted."

Lending business and assets

Volume of new business

The volume of new business in the IKB Group increased by € 0.6 billion during the period under review to a new high of € 8.8 billion. We posted significant growth rates, especially in our new international business. In this respect, the structure of the volume of loans disbursed reflects to a great extent the difference in economic momentum between Germany and other industrialised nations – especially the US, UK and France.

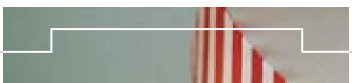
The volume of loans disbursed in the Corporate Lending Division was € 2.9 billion (2003/2004: € 3.1 billion). This slight decline reflects the cautious stance adopted by our mid-sized clients regarding investment on the one hand, and a rebound in competitive pressures in Germany on the other. Additionally, we were not prepared to enter into low-margin business. Bearing in mind this environment, we successfully held our own in the German lending business.

Our Real Estate Finance Division was also affected by the stagnating domestic economy. In this context, we regard the achievement of € 752 million in new business (2003/2004: € 792 million) to be a considerable success. We managed to leverage diverging trends in different market segments: in contrast to weakness affecting office property, logistics property showed strong momentum, primarily as a reflection of Germany's growing role as a hub for European goods transport, within the scope of EU extension.

The Structured Finance Division – which comprises mainly our national and international acquisitions and project finance businesses – increased its volume of new business to € 2.3 billion (2003/2004: € 1.6 billion). This increase was made possible not only by stronger economic momentum abroad, but also by the excellent market successes achieved by our London and Paris branches.

With a new business volume of € 100 million, our Private Equity Division slightly exceeded the strong result of € 97 million seen in 2003/2004.

The previous year's figures for the Leasing segment included the volume of loans disbursed by IKB Immobilien Leasing GmbH. In contrast, the € 491 million in loans disbursed during the financial year 2004/2005 relates to the volume of the IKB Mobilien Leasing Group. Overall, this favourable new business development allowed us to reinforce our position further in the market for equipment leasing.



We extended our exposure to international loan portfolios considerably, to € 2.2 billion (€ 1.3 billion). This business is very profitable.

Loan volume at the end of the financial year

Consolidated loan volume at the end of the financial year (31 March 2005) was € 32.5 billion (31 March 2004: € 31.2 billion). This figure contains loans and advances to customers, loans and advances to banks, securitised lending business in the form of bonds, leased assets and guarantees. In contrast to last year's financial statements (31 March 2004) – due to the aforementioned deconsolidation – leased assets now relate solely to IKB Mobilien Leasing Group.

The individual components of the loan volume at the end of the financial year developed as follows: loans and advances to customers rose by 1 % to € 24.4 billion and now account for 64 % (65 %) of total assets. For IKB AG, the portfolio of loans and advances was € 20.8 billion (€ 21.2 billion), accounting for 52 % (56 %) of total assets. The securitised lending business amounted to € 4.7 billion (€ 2.9 billion).

IKB Consolidated Balance Sheet

	31 March 2005 € million	31 March 2004 € million	Change € million	%
Assets				
Cash reserve	33	34	–1	–2.9
Loans and advances to banks	1 389	1 238	151	12.2
Loans and advances to customers	24 354	24 116	238	1.0
Bonds, notes and other fixed-income securities	10 468	8 211	2 257	27.5
Equities and other non-fixed income securities	23	87	–64	–73.6
Investments, Interests in affiliated companies	78	78	–	–
Tangible fixed assets	252	262	–10	–3.8
Leased assets	927	2 231	–1 304	–58.4
Unpaid contributions by minority shareholders	–	27	–27	–100
Other assets	779	672	107	15.9
Total assets	**38 303**	**36 956**	**1 347**	**3.6**
Liabilities				
Liabilities to banks	12 088	15 112	–3 024	–20.0
Liabilities to customers	1 988	2 228	–240	–10.8
Securitised liabilities	18 914	14 734	4 180	28.4
Provisions	367	310	57	18.4
Subordinated liabilities	1 165	1 042	123	11.8
Profit-participation certificates	593	563	30	5.3
Fund for general banking risks	80	80	–	–
Equity	2 359	2 032	327	16.1
Other liabilities	749	855	–106	–12.4
Total liabilities	**38 303**	**36 956**	**1 347**	**3.6**

The Corporate Lending Division reported a decline of € 0.4 billion to € 15 billion in the volume of lending at the end of the financial year, because of a high level of unscheduled redemptions. These in turn were due partly to the high cash flow of many companies, and partly to consistent efforts to consolidate debt. The volume of lending in the Real Estate Finance Division was virtually unchanged at € 5.4 billion (2003/2004: € 5.5 billion). The Structured Finance Division on the other hand, expanded its loan portfolio to € 4.3 billion (€ 3.8 billion), not least because of the high volume of new business generated.

Deconsolidation resulted in lower loan volume of € 1.1 billion in the Leasing segment, after € 2.4 billion reported in 2003/2004. Adjusted for the deconsolidation effect, the 2003/2004 figure would have been € 1.0 billion.

Liabilities from guarantees rose by € 0.6 billion to € 2.5 billion (IKB AG: up € 1.2 billion to € 5.2 billion). This balance sheet item contains € 1.3 billion in credit default swaps that we entered into within the scope of our exposure to international loan portfolios.

Loans and advances to banks were up € 0.2 billion, to € 1.4 billion. The increase is accounted for mainly by medium-term lifetimes; we have reduced the volume of short- and long-term exposures. The figure for IKB AG is € 7.9 billion (2003/2004: € 8.0 billion); the significant difference to consolidated figures is due to high intra-group loans and advances.

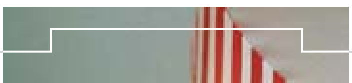
We further increased the volume of bonds held in the financial year 2004/2005; it amounted to € 10.5 billion (2003/2004: € 8.2 billion) as at the balance sheet date, corresponding to more than one-quarter of total assets. The portfolio contains the securitised lending business of € 4.7 billion (€ 2.9 billion). € 5.0 billion (€ 4.6 billion) is accounted for by Pfandbriefe (mortgage bonds and public-sector covered securities) from top-rated issuers, that serve as collateral for our securities repurchase transactions entered into with Deutsche Bundesbank. Bonds, notes and other fixed-income securities held by IKB AG amounted to € 9.8 billion (€ 7.7 billion).

Total assets have therefore risen by 4 % or € 1.4 billion, to € 38.3 billion; total assets for IKB AG stood at € 39.7 billion (€ 38.0 billion).

Funding

We expanded our business activities primarily through issuing bonds; at € 18.9 billion, they represent the most important funding source by far. We issued securities totalling € 11.7 billion in the financial year 2004/2005, which were offset by redemptions of € 7.5 billion.

Liabilities to banks declined to € 12.1 billion as at 31 March 2005 (31 March 2004: € 15.1 billion). While the increase in the liabilities payable on demand is above was predominantly due to fluctuations around the reporting date, the decline in term deposits and long-term maturities (4 years and more) represents a trend that has prevailed for quite some time. Long-term borrowing has been down already for quite some time, due to moderate lending activities and unscheduled redemption of subsidised loans. This trend will not reverse until we see a recovery in corporate investment, and hence increasing demand by mid-sized companies in loans under public-sector subsidy programmes.



IKB Consolidated Income Statement

	2004/2005 € million	2003/2004 € million	Change € million	%
Interest income from lending business and money market transactions, fixed-income securities and debt register claims, and income from leasing transactions	4 205.1	3 251.6	953.5	29.3
Income from securities and investments	13.5	2.0	11.5	>100
Interest expenses, expenses and scheduled depreciation/amortisation from leasing transactions	3 689.5	2 728.2	961.3	35.2
Net interest income	529.1	525.4	3.7	0.7
Commission income	106.6	94.1	12.5	13.3
Commission expenses	12.2	9.4	2.8	29.8
Net commission income	94.4	84.7	9.7	11.5
Net result from financial operations	1.0	3.2	–2.2	–68.8
Personnel expenses	150.3	146.8	3.5	2.4
Wages and salaries	*119.5*	*116.5*	*3.0*	*2.6*
Compulsory social security contributions and expenses for pensions and other employee benefits	*30.8*	*30.3*	*0.5*	*1.7*
Other administrative expenses	95.4	85.4	10.0	11.7
Administrative expenses	245.7	232.2	13.5	5.8
Other operating income/expenses	76.5	11.2	65.3	>100
Risk provisioning balance	–203.8	–211.7	–7.9	–3.7
Addition to reserves for general banking risks under section 340f of the German Commercial Code	–50.0	–	50.0	–
Result from ordinary activities	**201.5**	**180.6**	**20.9**	**11.6**

Earnings development

Consolidated net interest income – contributed by the business divisions and asset/liability management – increased by 0.7 % to € 529 million in the period under review. While the business divisions achieved a € 31 million rise in net interest income, the persistent low interest rate environment resulted in a € 27 million decline in the result from asset/liability management compared with the previous financial year. However, one must take into consideration that the result from securities held as liquidity reserve also constitutes a part of asset/liability management. This result increased by € 17 million to € 89 million, which allowed us to reduce the risk provisioning balance by € 8 million, to € 204 million.

Net commission income was up 11.5 % to € 94 million, with the Securitisation segment accounting for two-thirds and the Corporate Lending, Real Estate Finance and Structured Finance Divisions for one-third.

Administrative expenses rose by 5.8 %, to € 246 million. The deconsolidation of IKB Immobilien Leasing GmbH led to a decline in average staffing levels in the IKB Group to 1,438 – based on full-time employees – in the financial year 2004/2005 (2003/2004: 1,469). Especially against this background, personnel expenses in the Group rose by only 2.4 % to € 150 million. As at 31 March 2005, 1,512 persons were employed in the Group (31 March 2004: 1,526).

Other administrative expenditure increased by 11.7 % to € 95 million, as expenditure within the Group remained high, above all for regulatory projects (such as Basel II, the Minimum Requirements for the Credit Business, and the changeover in accounting to IFRS) . In addition, we saw an increase in the depreciation of buildings used for banking purposes, as well as in depreciation of hardware and amortisation of software – not least due to the expansion of our IT systems environment.

Net other operating income and expenses rose by € 65 million to € 77 million. This development has already been explained above.

Risk situation

2004 once again proved to be a difficult year for the German economy. Despite an increase of over 8 % in exports, a closer analysis shows that the inferred distinction of “world export master” is not particularly meaningful. In fact, the scenario whereby more and more German companies – and this applies increasingly to mid-sized companies – have used foreign locations as attractive bases for production was one of the conditions for this high growth in exports in the first place.

These products were subsequently delivered to Germany, and integrated in the domestic value-added chain. Taking auto manufacturers as an example, 40 % of upstream work is now performed abroad, particularly in Central and Eastern Europe. Accordingly, new jobs were created there and not in Germany, and the strong export growth failed to stimulate domestic demand.

This unsatisfactory development is attributable to two major problem areas peculiar to Germany that have not yet been resolved, one being the extremely rigid labour market and the other being high company taxation. Both aspects constitute part of economic policy, and the government is under pressure on both fronts. Hence, we welcome the fact that a more decisive approach is now being taken to tackle the problem of company taxation.

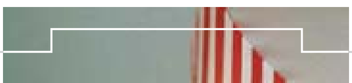
The drastic rise in world commodity prices – some of which almost doubled in 2004 – is another factor urdening many companies. This was partly due to the economic boom in East Asia, and partly to the difficulties in extending extraction and production capacity for raw materials in the short term.

German mid-sized companies are affected to a great extent by this economic climate. However, they have reacted resolutely by adopting the following strategic measures:

- reducing the domestic cost base;
- expanding new product capacity, above all in Central and Eastern Europe; and
- introducing a range of innovative measures.

Accordingly, a large number of IKB clients generated favourable operating results in 2004 as well. However, this was generally based on a high export rate. However, the scenario was less favourable for all those companies that depend mainly or solely on domestic demand. This is also evident in the insolvency ratio among mid-sized companies, which remains high.

We have therefore increased our net loan loss provisions by € 9 million to € 293 million (IKB AG: up € 4 million to € 262 million). Thanks to a substantial increase in the securities trading result to € 89 million (2003/2004: € 72 million) the risk provisioning



balance was reduced by € 8 million to € 204 million (IKB AG: minus € 13 million to € 172 million).

Despite the high level of new loan loss provisions recognised in previous years for exposures entered into in former East Germany during the 1990s, the relatively high share of risk provisioning for loans in this part of Germany has meanwhile fallen considerably. Nonetheless, it is still disproportionate relative to the exposure. A positive factor that must be considered in this context is that new business has resulted in a disproportionately low transfer to provisions since the end of the 90s, thus reflecting our conservative lending policy with a strict focus on credit quality.

The volume of consolidated specific and general loan loss provisions amounted to € 1,034 million as at 31 March 2005 (2003/2004: € 1,005 million). On a Group level, we transferred an additional € 50 million to the reserves for general banking risks (section 340f of the *HGB*). For IKB AG, total loan loss provisions were € 906 million (2003/2004: € 883 million).

Proposal on the appropriation of profits

Consolidated results from ordinary activities were up 11.6 %, to € 202 million (IKB AG: up 8.5 % to € 176 million).

Consolidated profit for the financial year 2004/2005 was € 142.6 million (IKB AG: € 125.1 million). After transfer of € 72.2 million (IKB AG: € 54.7 million) to revenue reserves, net retained profit for both the Group and IKB AG amounted to € 70.4 million. The Board of Managing Directors and the Supervisory Board will propose an unchanged dividend of € 0.80 per unit share.

2. Risk Report

Risk management – objectives, strategies and organisation

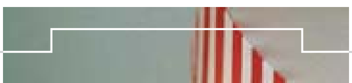
Objectives and strategies

IKB's risk culture is characterised by a conservative approach to the risks inherent in banking, with the bank's ability to carry and sustain risk providing a solid foundation. This culture is reflected in IKB's business and risk strategies, as well as in the risk ceilings and limits derived on that basis. IKB's risk-bearing capacity is oriented on the bank's current Aa3 rating (Moody's) and therefore implies a conservative attitude. The cornerstones of our risk strategy are the extensive and continuous identification, measurement and monitoring of all risk exposures incurred within the scope of the corporate process, and the integration of these findings in the risk/return management of the bank.

Risk organisation

The risk management system, which is designed in terms of function and organisation to meet IKB's legal requirements and business model, forms the basis for the proper operation and effectiveness of the overall risk management process. A risk management manual, continuously updated, documents the delimitation of the roles and areas of responsibility. Taking into account all legal and internal requirements, this guideline sets out the principles of IKB's risk management system in conjunction with the credit risk strategy and on the basis of specific organisational instructions.

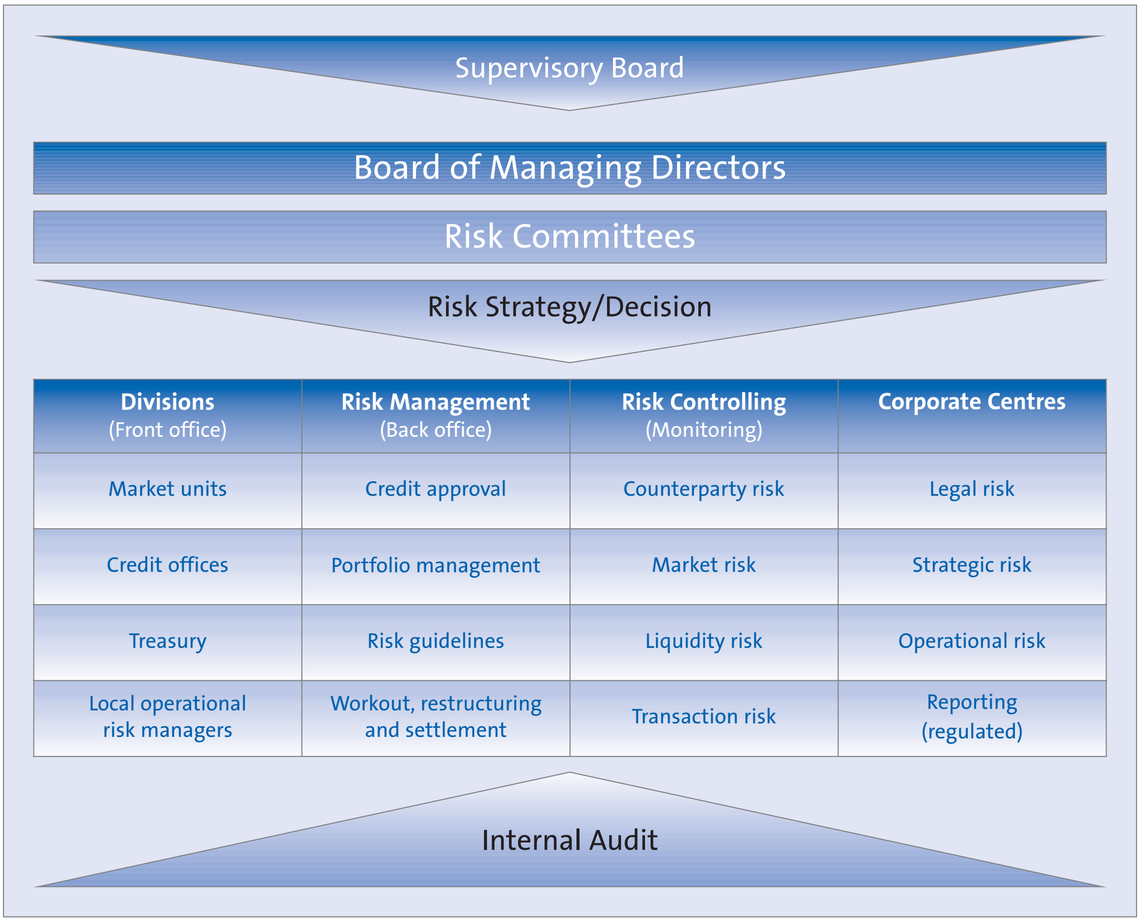
Rules for the management of banking risks were formulated to define the qualitative standards in line with the organisation of risk management. These are based on the considerations of the Basel Committee



on Banking Supervision on capital adequacy requirements for banks (commonly referred to as the "Basel II Accord"), and on various standards published by the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) – specifically, the Minimum Requirements for the Credit Business of Credit Institutions (*Mindestanforderungen an das Kreditgeschäft – MaK*), the Minimum Requirements for the Conduct of Trading Activities of Credit Institutions (*Mindestanforderungen für das Betreiben von Handelsgeschäften – MaH*), and the Minimum Requirements for the Internal Audit Function of Credit Institutions (*Mindestanforderungen an die Ausgestaltung der internen Revision – MaIR*)

Central elements of MaK and MaH are the strict organisational segregation of front office (market) and back-office (settlement) units, together with provisions on structuring processes and reporting systems. In its lending business, IKB's risk management has always separated back-office and front office units, from both a disciplinary and functional perspective. While the Risk Management unit conducts an independent analysis of all individual exposures and assesses their credit quality, our staff with market responsibility are our customers' primary contact for all lending-related issues.

By separating Risk Management and Risk Controlling, we have put in place additional precautionary measures within the scope of monitoring risk. The two units are still closely linked in terms of their professional expertise, but with different responsibilities.



Supervisory Board The Supervisory Board assumes a central role in the risk monitoring process encompassing the bank in its entirety. Hence, the Board of Managing Directors provides detailed information on the risk situation and on risk management in the course of Supervisory Board meetings.

Board of Managing Directors Responsibility for IKB risk management lies with the Board of Managing Directors; it determines the risk policy in the form of a clearly formulated business and risk strategy, including the types of business conducted, as well as defining the reasonable overall risk within the scope of the bank's risk-bearing capacity.

Risk committees. Specific committees (Interest Rate Risk Policy Committee, Credit Risk Committee, Limit Committee) manage and monitor decisions that are relevant to risk, supporting the Board of Managing Directors in its risk management operations and decision-making. These committees are responsible for fundamental issues, as well as for decision-making in relation to individual transactions on the basis of the framework laid down by the Board of Managing Directors. They are made up of members of the Board of Managing Directors, and representatives from operative business divisions and the responsible corporate centres.

Risk Management. The Risk Management unit is responsible for implementing and maintaining standards for the lending business, and for loan portfolio management throughout the Group. Besides formulating the guidelines for credit analysis and decision-making, Risk Management's main duties lie with the entire credit approval process, where it exercises its own credit approval authority. Risk Management is therefore classified as a back-office unit in accordance with *MaK*.

Credit offices (which are classified as front-office units) provide support to Risk Management in managing credit risk within the relevant business divisions. With the exception of minor decisions admissible by MaK, credit approvals are made by the back-office unit, as long as they are outside the remit of the Board of Managing Directors.

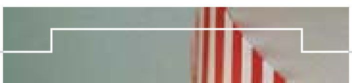
Controlling. Controlling is responsible for monitoring the risk policy specified by the Board of Managing Directors, internal and external risk reporting, and for neutral monitoring of credit, market, liquidity and business risks. The unit has been subdivided into Credit Risk Controlling, Market Risk Controlling and Results Controlling units.

Monitoring of credit risks is allocated to the member of the Board of Managing Directors responsible for Risk Management, and monitoring of business, market and liquidity risks to the member responsible for Finance, Controlling and Taxation.

As organisational units independent of the market units and Risk Management, these teams ensure that all measured risks remain within the limits specified by the Board of Managing Directors.

The core functions of Market Risk Controlling comprise the daily calculation, analysis and reporting of market risks; verifying the models and procedures used to value financial instruments; and the monitoring of, and reporting on, asset/liability management throughout the bank.

In addition to near real-time monitoring, analysis and reporting of credit risks on a portfolio level, Credit Risk Controlling is responsible for the on-going development and validation of models used for quantifying risks, assessing credit quality and pricing; monitoring the bank's risk-bearing capacity is an additional focal point.



Results Controlling ensures the on-going monitoring of IKB's results of operations, by way of monthly performance analyses of existing and new business.

Operational Risk Management. Operational Risk Management is responsible for the monitoring of operational risk throughout the IKB Group. This includes identifying, analysing, and reporting on operational risk, plus responsibility for measures to safeguard the quality of data, and business continuity management. Operational Risk Management is supported by a network of decentralised Operational Risk Managers in business divisions, subsidiaries and corporate centres. The unit reports to the member of the Board of Managing Directors responsible for risk management.

Regulatory reporting. Finance, Controlling and Taxation is responsible for regulatory reporting. This includes the preparation of reports on compliance with the capital and liquidity ratios according to the German Banking Act *(Grundsatz I/II)*, on large exposures and *Millionenkredite* (loans to one borrower of € 1.5 million or more), and regarding all other required banking statistics.

Internal Audit. Group Audit is organised as an independent part of the risk management system, in accordance with the MaIR. It reports directly to the Board of Managing Directors. Using process-oriented checks, all operational and business procedures are examined across the entire Group, with an emphasis on the qualitative processes, quantitative methods and the IT procedures within the lending and trading businesses, in line with the severity of the risk. These checks are accompanied by functional tests. Group Audit is also responsible for conducting credit and business checks on individual exposures. Internal Audit submits an annual report to the Board of Managing Directors, in addition to individual audit reports comprising material audit findings and their current status. In turn, the member of the Board of Managing Directors responsible for audit regularly informs the Supervisory Board on current results and developments.

Risk management process

Risk-bearing capacity

IKB’s risk management process is based on the bank’s risk-bearing capacity; the use of our capital resources is assessed in terms of achieving an adequate risk/return ratio. We not only calculate regulatory capital on a regular basis, but measure the economic capital for the individual types of risk as well.

Regulatory capital. The regulatory capital commitment of the individual business divisions is calculated on the basis of the tied-up tier 1 and tier 2 capital in accordance with current regulatory provisions. We focus our management of regulatory capital for the bank as a whole on two key indicators:

- the tier 1 ratio (tier 1 capital to risk-weighted assets); and
- the total capital ratio (total capital/”own funds” to risk-weighted assets).

Regulatory risk capital

	31 March 2005 € million	31 March 2004 € million	Change € million	%
Risk-weighted assets	29 003	26 315	+2 688	+10.2
Market risk equivalent	325	313	+12	+3.8
Risk exposure	**29 328**	**26 628**	**+2 700**	**+10.1**
Tier 1 capital	2 338	1 976	+362	+18.3
Tier 2 capital	1 490	1 435	+55	+3.8
Capital	**3 828**	**3 411**	**+417**	**+12.2**
Tier 1 ratio (%)	8.0	7.4	+0.6	
Total capital ratio (%)	13.1	12.8	+0.3	

The table provides an overview of risk exposure for regulatory purposes, capitalisation and capital ratios:

With ratios of 8.0 % and 13.1 %, respectively (including the proposed attribution to reserves), IKB clearly exceeds the minimum regulatory capital requirements of 4 % (tier 1 ratio) and 8 % (total capital ratio).

To ensure adequate regulatory capital resources, actual ratios are regularly checked against target ratios projected on the basis of the bank’s long-term planning. The Board of Managing Directors decides upon measures to be taken in the event of any deviations.

Economic capital. We regularly calculate economic capital for the purpose of covering extreme and unanticipated risks. This is calculated across all types of risk, and taking into account risk diversification measures and portfolio effects, using statistical simulations and scenario analyses. Our risk provisioning budget, plus the annual additions to risk provisions, cover “anticipated risk” incurred in our business operations.

Using the bank's internal models, we quantify credit risk, market risk and general business risk, and calculate the economic capital required. Operational risk is quantified using a simplified procedure. Liquidity and strategic risks are also monitored and checked continuously. They are not managed through risk capital, but by means of other management tools (as detailed below).

Economic capital tied up by the individual types of risk is determined within the scope of an annual planning process, and in the course of the on-going monitoring and reporting to the Board of Managing Directors and the Supervisory Board; it is taken into account in the bank’s management and reporting tools, applying the limits approved by the Board of

Tied-up economic capital

	31 March 2005 € million	%	31 March 2004 € million	%
Credit risk	379	67	431	53
Market risk	53	10	243	30
General business risk	97	17	111	14
Operational risk	33	6	31	3
Total	**562**	**100**	**816**	**100**

Managing Directors. We continuously enhance the allocation of economic capital by refining the measurement methodology used.

The graph on page 42 shows the percentage share of tied-up economic capital (excluding diversification benefits) across all types of risk:

The reduction in economic capital allocated for market risk is primarily due to changes in the way or own funds are invested. At the same time, we have refined the models to quantify market risk in order to more precisely reflect correlation effects within the portfolio. One of the major factors contributing to the reduction in economic capital for credit risk was the continued structural improvement in the credit quality of our loan portfolio.

Analysing the bank's risk-bearing capacity. Our analysis of risk-bearing capacity compares the economic risk capital required with the aggregate risk cover available. The aggregate risk cover comprises mainly capital components, hidden reserves and the long-term sustained level of results from ordinary activities, and thus forms the basis for the limitations applied to the individual types of risk. Using stress tests incorporating worst-case parameters, we ensure that we are in a position to manage even the most extreme levels of unexpected risk.

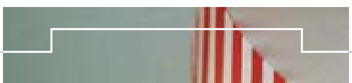
Counterparty and credit risk

A distinction is made between credit risk and counterparty risk. The concept of credit risk defines the risk that a loan cannot be repaid at all, or can only be partially repaid (in line with contractual agreement), in the case of default by a contractual partner. IKB is exposed to counterparty risk as a consequence of potential replacement risks related to interest rate and currency derivatives, which may be incurred in the event of counterparty default. The significance of lending in the bank's core business leads us to focus our attention on credit risk.

We rely mainly on the following processes for managing counterparty risk:

- risk policy provisions for acquiring new business;
- procedures for approval and monitoring of loans on an individual basis;
- portfolio monitoring, management and limitation on the basis of extensive portfolio analyses; and
- regular checks conducted by Internal Audit.

Risk policy. The starting point for risk management in the lending business is a joint planning process involving the Board of Managing Directors and the business divisions, supported by Corporate Development, Risk Management, and Finance, Controlling and Taxation. The risk-bearing capacity, together with the growth and earnings targets, provide the basis for explicitly including risk in the planning process. The resulting target figures not only comprise the volume of new business, interest and commission income, administrative and personnel costs, but the cost of risk and equity as well. Risk cost planning also determines the credit quality and collateralisation structure: this has a significant impact on new business, portfolio management and the portfolio structure. Another key element is imposing limitations by type of business and product, by sector, as well as regard-



ing exposure to international borrowers, to individual counterparties, or to corporate groups. We use 'Portfolio Advisor', a proprietary analysis tool, to facilitate decision-making processes within the scope of operational portfolio management. The software is used to determine an exposure-specific and a borrower-specific risk factor on the basis of rating grade, sector, loan term, collateralisation and portfolio indicators. These risk factors are crucially important in generating new business; they also control the applicable lending authority.

Credit approval process and monitoring of individual exposures. Credit analysis by the independent Risk Management unit is vitally important to the lending process, not least because it separates loan approval from business development (in other words, front-office from back-office functions).

Except for minor decisions, credit approval is conducted either centrally, by duly authorised persons in the Risk Management unit, or by the Board of Managing Directors, within the scope of the regulation of approval powers; the required approval depends on the size of the Group's existing credit exposure (on the basis of the primary obligor group pursuant to section 19 (2) of the *KWG*), the borrower's credit quality, the collateral provided and the risk factor. The principle of dual control is always observed. Legally-trained staff members of market units, who are not directly involved in business development or acquisition, carry out the subsequent loan disbursement and contract implementation.

Every credit approval is based on a detailed credit analysis which outlines and assesses all information pertaining to the decision, subsequently documenting it clearly and straightforwardly in a decision proposal. Portfolio issues have become increasingly important within the credit approval process, with a view to optimising the loan portfolios. Existing credit exposures are treated similarly to new credit approvals; the associated processes and approval procedures are applied every twelve months and decisions are reviewed. Besides the reasons for presenting the decision, a decision proposal always also includes information on existing and (if necessary) new loans to be extended, an explanation on the development to date of the internal rating of the borrower and borrower group, important financial data and a well-founded credit risk assessment.

Rating process and procedures. Assessing the credit quality of our clients and investments is a key element of the entire credit process. We demand above-average credit quality and substantial collateralisation of our exposure when selecting our business partners and investments. This requirement is implemented via corresponding lending guidelines.

IKB employs a computerised rating system for assessing credit quality, designed specifically for the corresponding client segment or specific type of financing solution. The corresponding model-specific risk parameters are grouped in each procedure and each customer is assigned a rating class within a 11-level internal scale ranging from 1 (best rating) in increments of 0.5 to 6.0. This rating scale is calibrated by the probability of default, on the basis of a statistical analysis of historical defaults.

In Corporate Lending, we continuously develop our concept of rating medium-sized enterprises – known as *Mittelstandsrating*, and also apply it, where appropriate, in other businesses. This model allows us to adopt a twofold approach: firstly, an assessment of the known financial indicators pertaining to the borrower's current and future economic situation, which is (secondly) then combined with an examination of specific features regarding individual customers and the relevant industry secotr. This uses an expert system that employs mathematical and statistical procedures. The entire approach ensures a high degree of rating quality and precision.

A special rating procedure takes into account the particular features of *project finance and special finance*, emphasising the extent and sustainability of available cash flow to meet the interest and principal payments arising during the lifetime of the project. We employ quantitative models to assess each exposure using various scenarios and simulations; the results are complemented by qualitative criteria on sponsors, operators, sales and procurement markets, and the specifications of the transaction concerned.

The real estate ratings that we use as part of our commercial *Real Estate Finance* business assess credit quality by means of a multitude of specific property data and investor information. This not only includes detailed information on each property's location and condition, but also explicit details about the tenant structure and quality, individual credit quality assessment of the investors in relation to assets and liquidity, and the property's ability to cover interest and principal payments from cash flows generated.

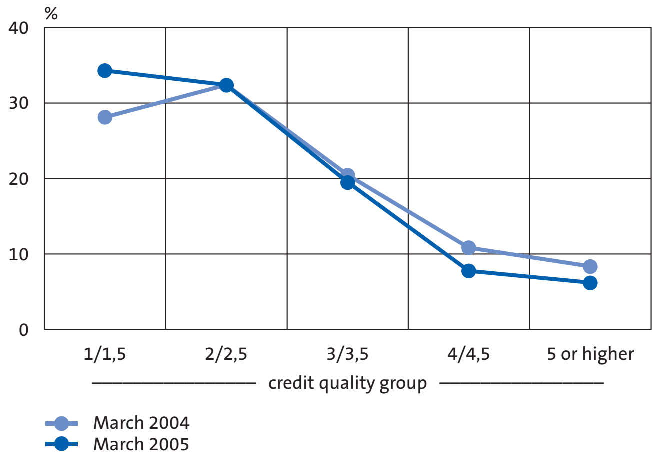
A *country rating* is determined using economic performance indicators, plus the liquidity situation, in conjunction with a qualitative assessment of the country's political and social situation. We obtain our information from various regular publications, plus international databases, country reports and other external sources. Country risk is also expressed by eleven risk classes (country risk class 1.0 = no identifiable country risk; country risk 6.0 = high country risk; increments of 0.5).

Sector risk is incorporated using a rating process which IKB carries out on a regular basis for around 370 different industry sectors. The rating process is based on an econometric model incorporating domestic and international macro-economic trends as well as cross-sectoral relationships. We leverage the vast knowledge of sector experts in our Economics department.

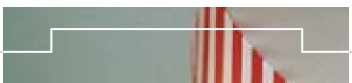
These systems represent the core of our internal credit risk management and also form the basis of our preparations for implementing the Basel II accord.

Portfolio monitoring and management. Portfolio monitoring focuses on the loan portfolio as a whole. Consequently, we employ a set of management tools which regularly monitor all credit risks, taking into consideration any association within corporate groups. The portfolio is oriented by country, business division, rating class and industry, collateral, and product.

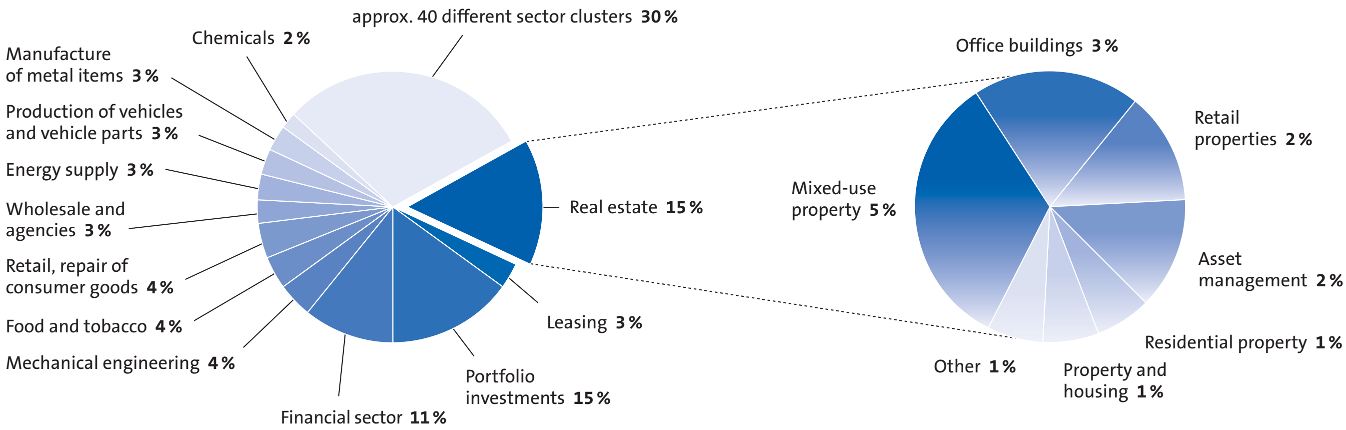
Breakdown of IKB's loan portfolio by credit quality *)
(excluding non performing loans)



*) Consolidated figures considering risk placements



Sector breakdown of IKB's loan portfolio *)



*) Consolidated figures considering risk placements

IKB's Economics department is responsible for the timely monitoring of sectors and market changes. Our experts' extensive sector know-how is a core element of cluster analyses carried out as part of the bank's risk management process. The purpose of such analyses – which incorporate our expectations – is to identify and contain sector risks as early as possible.

Regular portfolio monitoring by the Limit Committee (comprising representatives of Risk Management, the Economics department, Credit Risk Controlling, and the business divisions) is the starting point for determining portfolio variables, which are oriented on the target figures set by our business strategy, as well as by risk policy guidelines. The risk structures of the loan portfolio and their changes over time, as indicated by Credit Risk Controlling and Risk Management, as well as sector-specific risks and the impact of economic trends identified by the economists, form the basis of operative limitation and provide management input. Thus, deviations from the target portfolio structure or unwanted risk concentrations are recognised in good time; relevant countermeasures can then be introduced and implemented.

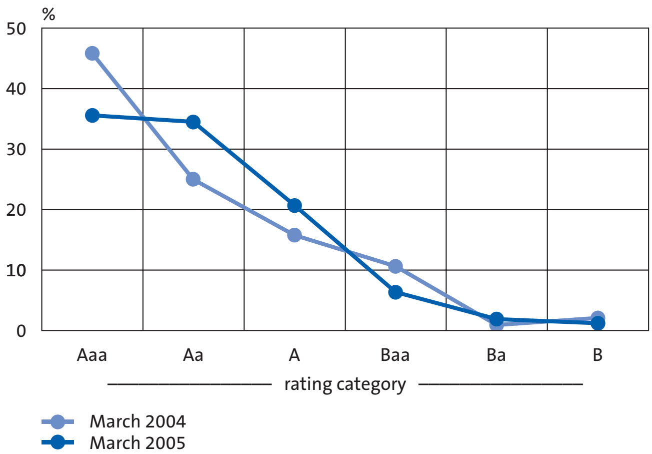
Placement of risk with third parties and securitisation. Besides placement of risks by syndicating loans to other banks, the concept of securitisation is constantly gaining in importance for the management of counterparty risk. IKB is one of the leading issuers in securitisations of loans and advances to small and medium-sized enterprises, using the PROMISE platform provided by KfW. The bank securitised a European structured finance portfolio (SEAS 2005-1) for the first time during the financial year 2004/2005, and successfully placed the transaction in the capital market. We have successfully applied securitisations to place a total of € 11 billion with third parties over recent years, using individual placements and securitised transactions within the scope of targeted portfolio management. This is designed to avoid a clustering of risks and to optimise the use of regulatory capital. The total volume of placed loans and advances amounted to € 6.7 billion at the balance sheet date.

In addition to its lending business, IKB invests in securitised international loan portfolios, in order to further enhance the diversification of its loan assets and the profitability of its portfolio. Leveraging our experts' extensive experience, we have built a very strong franchise in this sector: in addition to managing our own investments, we are now also mandated by portfolio investment managers to advise them on investing in securitised credit portfolios. We have € 6.6 billion in funds under management through such advisory mandates. We also provide liquidity lines to these entities individually, in addition to funding provided by third-party banks.

As at 31 March 2005, our on-balance sheet investments in broadly-diversified and securitised international loan portfolios – covering a variety of asset classes – amounted to some € 5 billion. 97 % of these investments are investment-grade. Just under three-quarters of these investment-grade assets have a triple-A/double-A rating.

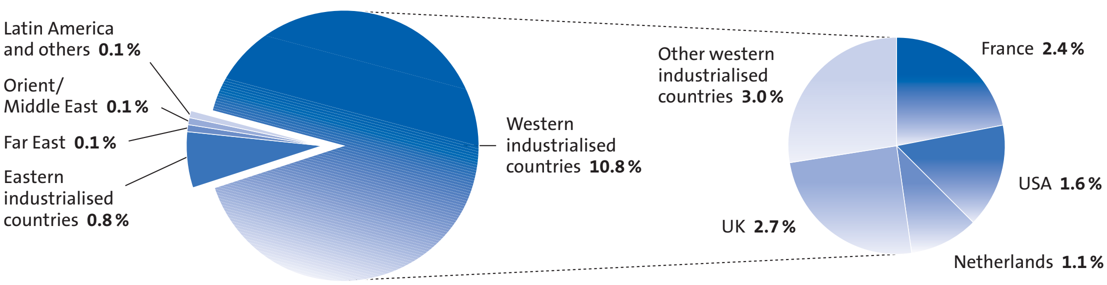
To avoid a clustering of risks, we prefer portfolios containing small-sized receivables, focusing on regional diversification as well as a most broadly-diversified sector mix.

Rating structure of IKB's portfolio investments



Country risk. The country rating is the key concept employed to assess and manage country risk. Our country risk exposure is managed using limits, which – in line with country ratings – are reviewed at least once a year. Utilisation of these limits is monitored in near-real time, using a reporting system which provides information on a regular basis.

Regional breakdown of IKB's international loan portfolio
(excluding securitisation)



European countries (excluding Germany) and non-European countries accounted for 12 % of gross loans[1)] at the balance sheet date. After deduction of exposures covered by credit insurance (such as *Hermes*) and placements with third parties, less than 99.6 % of gross loans were classified in country risk classes 1 to 1.5.

Identification and specific handling of exposures subject to higher risks. All loan exposures are subject to constant monitoring. Within the scope of early recognition of risk, the business divisions procure up-to-date information on our customers. This allows the bank to draw up a current evaluation of the borrower's credit quality, and therefore to assess the risk structure of the loan portfolio. We have enhanced our computerised system to deliberately facilitate early risk recognition, in order to implement suitable measures even earlier, on the basis of risk indicators identified by experts using sample patterns.

We focus in particular on so-called non-performing loans: exposures where interest and/or principal payments are 3 months or more in arrears. The structure of our business requires that the majority of these loans is secured by collateral.

The following table provides an overview of the loans that are classified as non-performing:

Special management units are responsible for managing higher-risk exposures. By implementing acceptable solutions at an early stage, this special management facility aims to preserve the company's ability to continue trading; or, should these efforts fail, substantially reduce the financial fallout.

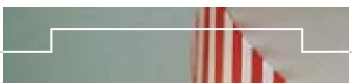
Risk provisioning. Specific provisions must be recognised for all those loans where the bank, following a detailed assessment, no longer deems the receipt of all due payments of interest and principal, in line with contractually agreed loan terms, to be probable. The corresponding value adjustments – which are determined by Risk Management – take into account both expected future cash flow and the value of collateral available.

The table on page 49 illustrates the current level of loan loss provisions, and their development over time:

Non-performing loans

	31 March 2005 € million	31 March 2004 € million	Change € million	 %
Domestic customers	2 271	2 260	+11	+0.5
West Germany	*1 257*	*1 285*	*–28*	*–2.2*
East Germany	*1 014*	*975*	*+39*	*+4.0*
International customers	59	103	–44	–42.7
Total	**2 330**	**2 363**	**–33**	**–1.4**
% of gross loans [1)]	6.9	7.3		

[1)] Gross loans consist of loans and advances to customers, loans and advances to banks (each excluding loans loss provisions), securitised loans and advances, contingent liabilities and leased assets.



Consolidated loan loss provisions

Additions to/reversals of loan loss provisions	1 April 2004/2005 € million	1 April 2003/2004 € million
Additions to specific loan loss provisions, direct write-downs less recoveries on loans previously written off	305	308
Addition to general loan loss provisions	5	4
Reversal of loan loss provisions	–17	–28
Net loan loss provisions	**293**	**284**
Result from securities held as liquidity reserve	–89	–72
Risk provisioning balance	**204**	**212**
Specific loan loss provisions		
Balance as at 1 April 2004	958	910
Utilisation	–258	–208
Amounts released	–17	–28
Addition incl. deconsolidation	299	284
Balance as at 31 March 2005	**982**	**958**
General loan loss provisions		
Balance as at 1 April 2004	47	43
Addition	5	4
Balance as at 31 March 2005	**52**	**47**
Reserves for general banking risks (section 340f of the German Commercial Code)		
Balance as at 1 April 2004	–	–
Addition	50	–
Balance as at 31 March 2005	**50**	–
Total risk provisions	**1 084**	**1 005**

Quantification of credit risk. In recent years, credit risk models have become increasingly important to internal risk management in the lending business. The distribution of losses on the loan portfolio – the focus of the observation – is subdivided into ‘expected losses’ and ‘unexpected losses’. While expected loss is a statistically anticipated value (which is also referred to as ‘standard risk costs’), which is covered by the calculated risk premium, unexpected loss (also known as ‘credit value at risk’) reflects the potential risk that may exceed the expected loss over the next twelve months, based on a defined confidence interval (which is generally based on the bank's rating). This risk must be covered by the economic risk capital allocated within the scope of the bank’s risk-bearing capacity.

To quantify this risk, we have developed a proprietary model designed to meet the specific requirements of the IKB portfolio. In addition to information on each individual borrower (loan amount, collateralisation, term, sector affiliation, group affiliation, rating), the parameters for this model include a variety of statistical variables, such as probabilities of default, collateral realisation proceeds and sector correlations. These variables are derived from the bank’s own data history, or based on external reference data.

Quality assurance. Regular validation and benchmarking processes are applied to the systems for assessing credit ratings, as well as to the approval, monitoring and management processes within the lending business. The ensuing results not only serve as the basis for developing the credit processes, taking the aforementioned regulatory requirements (*MaK* and Basel II) into consideration. We also use them for optimisation according to our own requirements.

Not least with an eye upon the new Basel II capital adequacy requirements, the parameters used to determine credit quality will be stored for all rating procedures, making them available for the necessary simulation calculations and validations. Validation tests carried out using available data show that our internal rating procedures classify the risks appropriately.

The regular checks conducted by Internal Audit constitute an additional major step in ensuring the quality of our loan portfolio. In addition to monitoring compliance of quality standards and security of the credit approval process, Internal Audit also reviews the credit quality and economic substance of the loan portfolio by conducting regular, representative sample checks on individual exposures.

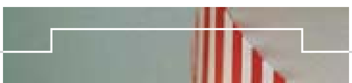
Market and liquidity risks

We understand market risk as the interest rate, currency and price risks to which equities and other assets are exposed. We manage these risks as part of a risk management process that conforms with the Minimum Requirements for the Conduct of Trading Activities of Credit Institutions (*MaH*).

Liquidity risk. The bank distinguishes two types of liquidity risk: the risk that current or future payment obligations cannot be met on time, or in full; and the risk that required funding can only be obtained at unfavourable market conditions.

Regular liquidity analyses and cash flow forecasts – as part of professional liquidity management – ensure sufficient liquidity is available at all times. Furthermore, to ensure adequate liquidity over and above that required for our business operations, we hold negotiable, variable-rate securities that can be sold or used as collateral at any time, thus eliminating short-term liquidity risks. The regulatory requirements (as defined by the liquidity ratio according to the German Banking Act – *Grundsatz II*) form the external framework for liquidity management. To minimise any maturity mismatch exposure, our assets are refinanced mainly with matched-maturity funds.

Our long-term refinancing requirements are determined jointly by Treasury and Finance, Controlling and Taxation, on the basis of anticipated business development; they are also updated regularly. The funding requirements derived from this process are met in a way to ensure that a balanced maturity structure is maintained between our assets and liabilities. Our broad refinancing base and placement power on the capital market ensures our entire lending business is appropriately refinanced in terms of the necessary maturities and conditions, even in difficult markets.



Limit system. The daily reporting to the Board of Managing Directors is a cornerstone of managing market risk, backed by a differentiated limit system that is geared primarily towards a market value-oriented limitation of interest rate, option, equity and exchange rate risks. The Board of Managing Directors sets limits for the Treasury division, on the basis of the bank's risk-bearing capacity. Using this limit system (and taking into consideration the rules determined according to the regulatory framework) Treasury translates its market expectations into investment and refinancing strategies.

IKB differentiates the portfolios by proprietary trading, proprietary investment, and refinancing of lending operations. These portfolios are valued daily in relation to market risks. Their risk content is measured using a value-at-risk (VaR) system based on present values, which forms the basis for limiting market risks. The limit system combines performance and VaR limits, and is strictly governed by the bank's risk-bearing capacity. Backtesting shows that our value-at-risk projections accurately forecast the daily profit fluctuations, in proprietary trading, proprietary investment, and lending refinancing.

Asset/liability management. IKB uses an asset/liability management system to quantify and limit the potential exposure of its profitability arising from maturity mismatches. This system is used to produce daily interest rate gap analyses for the lending business and the corresponding refinancing, as well as for proprietary investments. Items without explicit interest agreement are included on the basis of empirical data and experience. Risk Controlling uses these gap analyses to calculate the risk-free net interest income that can be achieved in the current financial year and in the financial years ahead. In addition, 'interest at risk' is calculated for both a base case and a stress scenario. These variables, including net interest income achievable in the various financial years analysed and interest at risk, are compared against minimum net interest income requirements. The purpose of this check is to ensure that the bank's minimum profitability requirements are secured, as a major proviso in risk management.

Quantification of market risk. IKB employs various mathematical models to quantify market risk. These models use historical simulation in order to determine the risk exposure inherent in the bank's major positions. To ensure that the characteristics of each product are properly taken into account, this historical simulation also incorporates a revaluation of instruments, using observed yield curve data, and incorporating all correlation effects.

Quality assurance. We regularly conduct backtesting in order to verify the accuracy of projections made by our models. Backtesting results, which are reported to the Board of Managing Directors, demonstrate that our risk assessment regarding market risk is also conservative.

Reporting. To monitor market risk and to support Market Risk Management, detailed information on the results of operations and risk exposure of the above-mentioned portfolios are submitted to the responsible members of the Board of Managing Directors and Treasury on a daily basis. Once a month, the member of the Board of Managing Directors responsible for Finance, Controlling and Taxation reports to the entire Board on market developments, results and risk situation of these positions. In this context, the fundamental framework and interest rate assessment presented by our economists are reported and their potential impact analysed jointly with representatives from Treasury and from Finance, Controlling and Taxation.

Operational risks

Regulations as defined by Basel II. The Basel Committee on Banking Supervision defines operational risk as the threat of loss resulting from inadequate or failed internal processes or systems, from human error, or from external events or disasters.

Management of operational risks. The demands placed on operational risk/business continuity planning have mounted steadily in recent years. Ultimately, the objective is to minimise operational risks by continuously improving internal control systems, whilst preserving profitability. For this purpose, the bank appointed (amongst other measures taken) decentralised Operational Risk Managers in business divisions, subsidiaries and corporate centres, whose role it is to regularly identify operational risks within their respective area of responsibility, and review the situation according to the following aspects:

- how to ascertain early recognition of such risks;
- measures to minimise the probability of such risks occurring;
- measures to minimise the effects of such risks; and
- emergency procedures/business continuity planning, and conduct thereof in practice.

The individual business divisions, corporate centres and subsidiaries all carry responsibility for the management of operational risks. In this context, the emphasis is not only on regular analysis and identification of deficiencies, and on approaches for optimising all business procedures and processes, but also on the development of the bank's security organisation and on adapting the underlying processes. This ongoing development takes into account the increasingly international and networked nature of IKB's business. It is coordinated and monitored by Operational Risk Management, which reports directly to the member of the Board of Managing Directors responsible for risk management.

Since the beginning of the financial year 2001/2002, each business unit has been obliged to record all losses that have been incurred (or almost incurred) as a result of operational risk, and to report them to Operational Risk Management, where they are kept in a central loss database. The bank has thus established a foundation for targeted and detailed analysis of operational risks, and created a framework for managing them.

Operational Risk Management is also responsible for business continuity planning throughout the IKB Group, which is regularly kept updated by analysing the business impact of risk. To guarantee transparency throughout the Group, all emergency plans are detailed in the bank's intranet, and in printed form in the Business Continuity Planning manuals. Emergency tests ensure the adequacy of the plans.

Within the scope of risk inventories conducted to date, we ascertained that the bank is not exposed to the threat of excessive operational risk. Measures have been implemented to avoid all identified risks, and opportunities for early recognition of negative developments and the relevant emergency precautions have been recognised. Insurance policies have been put in place where required.

Legal risk. We also include legal risk under operational risks; this is defined as the risk of loss incurred through new legal regulations and changes to (or interpretations of) existing legal regulations that are disadvantageous to the bank. The responsibility for limiting legal risks lies with the Legal Department, which in turn relies on the support of renowned law firms where necessary. All sample contracts are reviewed continuously for necessary changes brought about by amendments in legislation or jurisdiction.

IT risks. IT risks focus on the measures required to develop our business continuity planning, as well as on the security of the bank's IT systems and of its data inventory. Measures taken in this context have included the implementation of a uniform safety standard (ISO 17799 "Code of practice for information security management"); the roll-out of new technologies to avert external threats (such as viruses, spam or hackers), in order to enhance the bank's network security and to comply with increasing requirements regarding the mobility and availability of IT systems; as well as the extension of backup systems which allow to further reduce operational risk exposure of the bank's communications, IT and settlement systems. At the same time, our IT employees undergo continuous training, in order to be prepared for every eventuality. All these measures are supported by regular reviews and emergency exercises. With the measures taken, we have accounted for all material risks.

General business risk

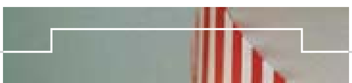
We define general business risk as unexpected negative changes in profitability as a result of a deteriorating market environment, changes in the bank's competitive position or client behaviour, or of changes to the legal framework.

Each business division, corporate centre and subsidiary is responsible to manage general business risk on an operative level, within their respective area of control. The Results Controlling unit, part of Finance, Controlling and Taxation, monitors earnings and cost developments during the course of a financial year, via on-going target/actual comparison, and reports its results to the Board of Managing Directors on a monthly basis.

General business risk is quantified by way of statistical analyses, using volatility data for earnings and costs. The economic capital tied up as a result is taken into account for the regular analysis of the bank's risk-bearing capacity.

Strategic risks and reputational risk

Strategic risks. Strategic risks are defined as potential threats to the bank's long-term profitability. These can be triggered not only by changes in the legal or social environment, but by the market or competitive environment, our customers, or our refinancing partners. Since there is no regularity to strategic risks, they are difficult to quantify as special risks in an integrated system. They are therefore specially monitored by the Board of Managing Directors and Corporate Development, and are subject to constant analysis. This includes regular checking of business division strategies within the framework of a systematic planning process, and of the resulting strategic initiatives and investment.



IKB has successfully implemented its strategy as a long-term provider of finance to established medium-sized enterprises, and as an active portfolio manager. This is reflected in the bank's market standing and credit rating. At present, we do not envisage any material risks resulting from the current competitive environment, or from the legal, statutory or tax framework.

Regular client satisfaction surveys indicate a high level of appreciation and satisfaction with our services. What's more, IKB has also benefited from a significant increase in its profile regarding products beyond traditional lending and subsidised loans – in particular, with leasing, equity and mezzanine financing solutions. At the same time, we have been able to expand our business in Structured Financing, Real Estate Financing, as well as in capital market-oriented products, such as promissory note loans and asset-backed securities. We therefore believe that the bank is well-positioned vis-à-vis its competitors.

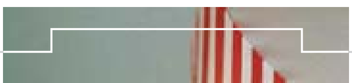
Reputational risks. Reputational risks concern direct or indirect losses incurred as a result of damage to the bank's reputation amongst shareholders, customers, employees, business partners and the general public. All measures affecting the bank's reputation are identified in Corporate Development and Communication, and evaluated in close cooperation with the Board of Managing Directors.

Risk reporting and communication

For the purpose of early risk identification, analysis and control, we process and examine all relevant information compiled from the trading and credit businesses, from Risk Management, from Finance, Controlling and Taxation, and from Personnel. This is then presented and explained to the Board of Managing Directors, and to the heads of business divisions. In addition, a comprehensive risk report is submitted to the Supervisory Board at least on a quarterly basis.

We regularly match the risk/return figures of the lending business with up-to-date planning and target figures, and report the results to the Board of Managing Directors and to the heads of business divisions. This allows us to counter deviations at an early stage. All business divisions and corporate centres therefore have access to extensive, necessary and up-to-date information.

Within the scope of market risk reporting, Risk Controlling prepares a daily briefing for the responsible members of the Board of Managing Directors, Treasury and other units involved. This includes marking the bank's positions to market, together with accrued and risk-free net interest income generated from the bank's refinancing activities and proprietary investments. This briefing also includes a statement of the present value exposure under normal and stress scenarios. Similarly, risks arising from a change in net interest income are reported for both scenarios. Finally, it also includes the utilisation of market limits, as well as comments on any special developments.



Summary and outlook

The financial year under review has once again demonstrated that the methodology, measurement systems and processes implemented within IKB's framework of risk monitoring are suitable for early identification and adequate capture of risk. Accordingly, they provide a fundamental basis for IKB's professional risk management. Within the scope of calculating the Group's risk-bearing capacity, we compile and quantify risks, using clearly-defined risk types, in order to compare them with the risk cover framework defined by the Board of Managing Directors. This ensures a reliable base for further progress. The results show that the bank can weather even worst-case scenarios, with extremely rare loss occurrences.

In the current financial year, we plan to continue our intensive project activities to implement the new Basel II Accord, as well as the conversion of IKB's accounting to IFRSs, thus guaranteeing completion in due time. The Minimum Requirements for the Credit Business of Credit Institutions were implemented in full during the financial year under review.

Within the scope of our risk management, we will remain focused on enhancing the management of risks and returns from a portfolio perspective. We will continue to strongly emphasise the securitisation of loans, consistently pursuing our role as a portfolio manager.

3. Performance of the Divisions

The *Corporate Lending Division* increased its result from ordinary activities to € 119 million (2003/2004: € 111 million) during the period under review. This is all the more encouraging, given that at € 2.9 billion, the volume of new business fell short of last year's figure (€ 3.1 billion). Furthermore, high levels of unscheduled redemptions meant that loan volume (as at the reporting date) of € 15.0 billion failed to reach the level of € 15.5 billion seen in the financial year 2003/2004. On the other hand, the gross margin of 1.36 % achieved in new business was in line the with last financial year, despite the falling market trend. Net commission income rose substantially, while the good credit quality in new business observed during recent years led to a reduction in standard risk costs.

The rise in administrative expenditure was primarily attributable to the fact that overhead charges incurred at head office – mainly project and IT costs – were allocated to the individual business divisions to a greater extent for the 2004/2005 financial year. Hence, the cost/income ratio rose slightly to 28.7 % (2003: 28.3 %); the return on equity however increased to 20.2 % (18.3 %), on the back of the good performance in the result from ordinary activities.

The Real Estate Finance Division, which similarly faced high levels of redemption payments, posted a result from ordinary activities of € 43 million, which is in line with 2003/2004. This also applied to the volume of loans disbursed and to the margin. The improved credit quality of new business also led to a reduction in the standard risk costs. The rise in the cost/income ratio to 30.0 % (27.7 %) was principally because of the aforementioned higher allocation of overhead charges; the return on equity of 18.1 % was virtually unchanged from last year (18.4 %).

The *Structured Finance Division* was able to repeat its solid performance of previous years, with a rise to € 70 million (€ 66 million) in the result from ordinary activities. Significant increases were reported, in both new business (€ 2.3 billion vs. € 1.6 billion) and in the volume of lending as at the reporting date (€ 4.3 billion vs. € 3.8 billion). At 2.43 %, the gross margin was also almost unchanged from last year's high level of 2.50 %. Improved credit quality of new business drove down the standard risk costs, while administrative expenditure continued to increase – principally due to the aforementioned reasons. The cost/income ratio therefore rose to 29.9 % (28.6 %), while at 36.3 % (37.9 %), the return on equity remained very high indeed.

The result from ordinary activities of € 5.6 million (€ 0.3 million) in the *Private Equity Division* confirmed the turnaround achieved a year ago. This was mainly attributable to income generated within the scope of exits – posted in net other operating income and expenditure – and to a decline in administrative expenditure. Risk provisioning on the other hand, rose to € 7 million (€ 3 million). The return on equity reached 8.0 % (0.4 %) and the cost/income ratio was halved to 32.3 % (65.0 %).

Following the deconsolidation of IKB Immobilien Leasing GmbH, the *Leasing* segment solely reports the activities of IKB Mobilien Leasing Group, our equipment leasing subsidiary. Accordingly, personnel and administrative expenditure were lower. The volume of lending as at the reporting date was also

Segment Report

in € million
Net interest income
Net commission income
Net interest and commission income
Administrative expenses
Personnel expenses
Other administrative expenses
Other operating income/expenses*)
Risk provisioning balance
Addition to reserves for general banking risks (sect. § 340f HGB)
Result from ordinary activities
Ø Allocated tier 1 capital
Loan volume at 31 March**)
Cost/income ratio in %
Return on equity in %
Ø Number of staff
New business volume

lower, at € 1.1 billion (€ 2.4 billion). As a result, net interest income, as well as net other operating income and expenses, declined significantly. The result from ordinary activities fell to € 17 million (€ 24 million). Hence, the return on equity dropped to 34.4 % (46.3 %), while the cost/income ratio was practically unchanged at 50.1 % (50.2 %).

The *Securitisation* segment accounts for expenditure incurred in placing the bank's credit risks on the market and for income derived from our investments in international loan portfolios. At the balance sheet date, we held € 5.1 billion in these investments in our own accounts. We also assumed an advisory mandate for a conduit managing a € 6.6 billion portfolio; this means we submit investment proposals to the investment committee, support the structuring process, and carry out performance monitoring. At the same time, we provide liquidity facilities to the conduit – together with other banks.

Our good market standing and high level of expertise allowed us to use these newly-acquired investments in order to further enhance the quality, risk diversification and profitability of this segment. Consequently, the result from ordinary activities rose to € 90 million (€ 76 million) during the period under review.

by Divisions 2004/2005

Corporate Lending		Real Estate Finance		Structured Finance		Private Equity		Leasing		Securitisation		Head Office/ Consolidation		Total	
1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04
231.0	230.5	86.4	84.0	101.7	99.3	8.9	10.1	37.4	44.6	41.9	29.3	21.8	27.6	529.1	525.4
10.6	6.4	8.7	9.3	15.6	15.5	–0.4	–0.3	–1.2	–4.7	62.7	58.4	–1.6	0.1	94.4	84.7
241.6	236.9	95.1	93.3	117.3	114.8	8.5	9.8	36.2	39.9	104.6	87.7	20.2	27.7	623.5	610.1
69.4	67.1	28.5	25.8	35.8	32.9	6.1	6.7	19.4	26.9	10.5	8.8	76.0	64.0	245.7	232.2
50.3	*50.3*	*19.0*	*18.1*	*23.9*	*22.2*	*3.9*	*4.6*	*12.4*	*17.5*	*4.4*	*3.4*	*36.4*	*30.7*	*150.3*	*146.8*
19.1	*16.8*	*9.5*	*7.7*	*11.9*	*10.7*	*2.2*	*2.1*	*7.0*	*9.4*	*6.1*	*5.4*	*39.6*	*33.3*	*95.4*	*85.4*
0.0	0.0	0.0	0.0	2.3	0.3	10.4	0.5	2.5	13.7	2.0	0.0	60.3	–0.1	77.5	14.4
52.8	59.1	23.7	24.9	14.1	15.8	7.2	3.3	2.1	3.1	6.0	3.2	97.9	102.3	203.8	211.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	50.0	0.0
119.4	110.7	42.9	42.6	69.7	66.4	5.6	0.3	17.2	23.6	90.1	75.7	–143.4	–138.7	201.5	180.6
590	606	237	232	192	175	70	70	50	51	–38	–107	100	128	1 201	1 155
15 036	15 467	5 438	5 509	4 343	3 833	304	265	1 126	2 418	5 142	3 216	1 159	494	32 548	31 202
28.7	28.3	30.0	27.7	29.9	28.6	32.3	65.0	50.1	50.2	9.8	10.0			37.1	37.2
20.2	18.3	18.1	18.4	36.3	37.9	8.0	0.4	34.4	46.3	–	–			16.8	15.6
293	296	128	128	131	130	38	43	87	127	15	14	746	731	1 438	1 469
2 873	3 118	752	792	2 264	1 601	100	97	491	960	2 173	1 327	185	303	8 838	8 198

*) incl. net result from financial operations

**) incl. corporate bonds/credit linked notes

4. Outlook

We are forecasting a result from ordinary activities of € 215 million for the financial year 2005/2006 according to the German Commercial Code (*HGB*); the changeover in accounting to IFRS will take place as from 31 March 2006. The projected result corresponds to a rise of almost 7 % compared with the financial year 2004/2005, to which we attribute as follows:

- Although we anticipate only moderate economic improvement in Germany in 2005, we still believe that our excellent market reputation and innovative financing products will allow us to further expand our domestic activities.

- Our international activities will also continue to grow in the 2005/2006 financial year. Not only will the global economy expand to a greater extent than in Germany: we have boosted our profile in European acquisition finance to an extent that the market views IKB as a highly-competent partner in this business.

- Our Securitisation segment will continue to grow – not least due to the still-attractive net margin and comparatively low risk.

Bearing in mind the strong cash flows of our clients, our *Corporate Lending Division* – and this applies to our entire domestic lending operations – will again be faced with high levels of unscheduled redemption during this coming financial year. If we nevertheless assume that the volume of new business, as well as lending, will exceed that of the previous year, three core operative measures that we will implement in 2005/2006 will be relevant in this context. Firstly, we will increase our focus on companies with annual turnover of between € 10 million and € 50 million. Secondly, the Corporate Lending and Structured Finance Divisions will establish a dual market presence with those companies for which project and acquisition finance are particularly important. Thirdly, as part of our Networked Distribution approach incorporating the product specialists in our Private Equity Division, we will intensify our offer of special profit-participation certificates (referred to as "equiNotes"), as an attractive product that is in line with capital market requirements. Against this background, we forecast a result from ordinary activities of € 122 million (2004/2005: € 119 million) in the current financial year for the Corporate Lending Division.

The difficult economic situation in Germany impacts to a greater extent on the *Real Estate Finance Division* than on the other units in IKB Group. This effect is most pronounced in the office property segment. With high vacancies in this market (particularly in the large cities), low demand for office space, depressed new rental volumes and a virtual collapse of construction activities, the number of feasible financing cases is naturally down. Although we continue to adhere to our cautious lending policy, do not relax our risk criteria, and refuse to make concessions with regard to margins, we believe our favourable position in the market will facilitate an increase in the results from ordinary activities to € 46 million (€ 43 million). Further contributory factors are the anticipated continued strength in demand for retail and logistics properties, and the potential for the Real Estate Finance and Structured Finance Divisions in supporting interesting property investments in London and Paris in the future.

Business in the *Structured Finance Division* is also expected to perform well during the current financial year. Despite the significant increase posted last year, we plan a further increase in the volume of new business and net commission income. On the other hand, the continued allocation of overheads by head office, together with investment in personnel, will bring about further increases in administrative expenditure. Overall, we expect the result from ordinary activities for this division of € 71 million (€ 70 million).

We should be able to achieve this mainly from the arrangement of acquisition and project finance. We therefore want to further expand our market share in the segment for mid-sized transactions, thus securing the sustained growth of this division through the resulting fee income. As we consider the German market to still offer growth potential, we will focus our activities there. This also applies to France, albeit with lower growth expectations. In view of the intensified competitive environment and accompanying margin pressure, we will concentrate on structuring transactions ourselves, rather than participating in deals arranged by third parties.

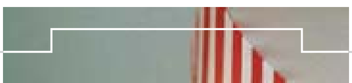
We also expect the favourable performance of last year to continue in London, where we participated in major transactions. Business development should improve in New York as well, since we assume the decline in margins to have stopped.

The *Private Equity Division* will further reinforce the position it has meanwhile achieved in the market. Our new "equiNotes" profit-participation certificates will contribute to this success. With our Corporate Lending Division, and in cooperation with Deutsche Bank, we have been marketing this product since the beginning of 2005 to German, Austrian and Swiss mid-sized companies with annual turnover in excess of € 50 million. Exit earnings will once again play a decisive role. All told, the result from ordinary activities should increase slightly this year.

We are aiming for a result of € 17 million in the *Leasing* segment; unchanged from the last financial year. Although we can expect little economic stimulus for our business in Germany, the implications of the Basel II accord will once again mean that numerous companies will prioritise leasing finance over borrowing.

We will continue to expand our *investments in international loan portfolios,* for which two securitised deals totalling € 1.3 billion executed at the end of the financial year 2004/2005 are a prerequisite. We will use the equity released as a result of these deals for our domestic and international lending business, as well as for new commitments in international loan portfolios. We will continue to pursue our strategy of investing mainly in portfolios comprising AAA- to A-rated exposures. We therefore forecast a result from ordinary activities in the Securitisation segment to the tune of € 105 million (€ 90 million) for the financial year 2005/2006.

The risk situation should ease slightly. Given the unchanged difficult economic environment in Germany and the fact that we are still a long way off any sustained recovery in Germany, we do not expect any radical improvement. On the other hand, our conservative and cautious lending policy of recent years has led to continuous improvement in the credit quality of our new business; this is increasingly obvious in the risk provisioning allowance. Bearing this in mind, we expect a decline in net loan loss provisions this financial year. This development, coupled with our expectations that we will succeed in increasing income in practically all business divisions, inspires our confidence in achieving our earnings target of € 215 million.



"Our partnership with IKB is based on strength and mutual trust."

Heinz E. Lohmann
Founder and Partner

HLG Projekt Management GmbH & Co. KG, Münster

The HLG Group can boast a long list of successes in its developments. After all, the company founder Heinz E. Lohmann has more than 25 years of experience in judicious and professional property development. With approx. 120,000 square meters gross floor space, ”A10”, located at the gates of Berlin, is one of the largest shopping centres developed by HLG. At the other end of the development scope, there is the small but refined renovation of a historical traditional office building – preserving the original details- in the company’s home town of Münster.

HLG develops property projects predominantly for retail, services and leisure purposes. Architecturally sophisticated retail and service centres have been, and are being established throughout Germany, taking into consideration municipal planning objectives and existing structures.

One of Heinz Lohmann’s particular interests is to incorporate the local economy, in particular the local trades, in the realisation of a building project. His investments create and retain jobs in the region. Since 2001, he has been mainly occupied with the strategic orientation of HLG. His daughter, Patricia Lohmann, manages the family-owned company as Managing Partner, while the other Managing Partners Christian Diesen and Dirk Brockmann are responsible for new project development. The Managing Director, Peter P. Czysch, is responsible for market and location analysis, a position he has held for many years.

Large-scale project – Tempelhof Harbour, Berlin

One of the many projects HLG Project Development is currently focusing on in Berlin is the impressive 100-year old grain store at Tempelhof Harbour. Following HLG’s acquisition of the site in June 2004, development planning is now in full swing. HLG will invest around € 85 million in this project, supported by IKB. It plans to construct a multi-purpose leisure centre, with a 250-bed hotel targeting young people, and a shopping centre with approx. 80 shops as a market place and focal point. A multi-storey car park with 700 parking places is also proposed. Display and event venues, as well as a swimming pool within the harbour basin, are intended to further enliven the area. A bridge over the Teltow canal will provide a link to the Berlin Fashion Centre.

With the listed former grain store incorporated homogeneously into the overall concept, the outcome will undoubtedly be a unique mixture of historical ambience coupled with modern architecture.

The renowned Berlin architect Reinhard Müller, who was responsible amongst other things for restoring the Brandenburg Gate, will design the project. Trendy cafes, restaurants, cosy beer gardens and a harbour stage are also envisaged, all providing for the sorely-needed revitalisation of the harbour area. At present, waste and derelict land still define the atmosphere on an industrial site that has no significant economic value at present. However, according to Christian Diesen, the project should be ready for development by mid 2006, and should be completed within a year and a half after that. Tempelhof Harbour could therefore be deemed an example of successful restructuring of inner-city industrial wasteland as early as 2007.

II. Business Development of the IKB Group

1. Economic Environment

2004 proved to be another challenging year for the German economy. Although Germany achieved 1.6 % growth in GDP – supported mainly by a strong global economy – the domestic economy was still a long way off a tenable recovery.

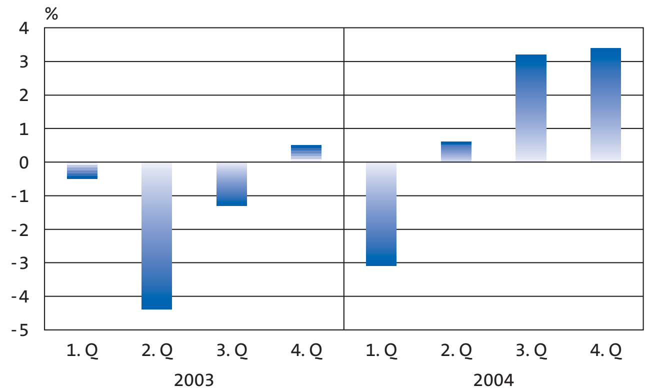
Instead, the country experienced a two-pronged economic development with high export growth on the one hand and unchanged weak domestic demand on the other. The scenario was such that in 2004 the country was saved from economic stagnation almost solely by a strong 8 % growth in exports. Demand for German exports from China, Central/Eastern Europe – and to a lesser extent – the Eurozone, was particularly dynamic. The more attractive economic and political environment in each of these regions allowed them to achieve considerably higher growth than in Germany.

Nevertheless, German corporate investments in machinery and equipment picked up to a certain extent from mid-2004. Extrapolated for the full year however, this amounts to no more than 1.2 % growth, which was too little for net new job creation. On the contrary: unemployment continued to rise, rising to over 5 million in early 2005.

This negative trend on the job market impacted in particular on private consumption which – burdened by sustained uncertainty amongst the consumers – declined for the third year running.

Corporate investment in Germany

Compared to the same quarter of previous year



Source: Federal Statistical Office

Euro vs. US-Dollar exchange rate

1 € = ... US-Dollar

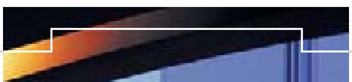
Source: IKB

The successes achieved on international markets are particularly encouraging, as the weak US dollar once again became a burden during 2004. However, despite more expensive German products in the dollar universe this currency development also had its positive aspects. The strength of the euro significantly alleviated the effects of drastic oil price increases for companies and households during the period under review.

At the same time, German industry was burdened on the commodities front, not least by the doubling in steel and metal prices. Nevertheless, many market experts now believe the potential for further price increases is limited, in most commodity segments.

Within this scenario, German exports will continue to enjoy success on international markets, while the domestic economy will continue to be restrained. In detail, we are forecasting exports to increase by 6 % during 2005, while private consumption will tread water. The only slight improvement in Germany is expected in investment in machinery and equipment. At the same time however, many companies are expected to step up their investments abroad, so that this should at least trigger a certain rise in the demand for investment and credit.

Accordingly, above-average performance was posted only by those industry sectors with international interests, such as the capital goods industry – in other words, mechanical engineering, electrical engineering, the chemical industry –and to a lesser extent the automotive sector. These core sectors of German industry increased production by between 2.5 % and 6.5 % during the period under review.



The money and capital markets are not expected to restrict corporate investment activity in 2005. No fundamental change in the current historically low level of interest rates is expected in the Eurozone; we are forecasting a slight upside trend only in long-term interest rates.

We believe the widened spread between US and euro yields (which has developed since autumn 2004) is set to stay. There are at least two reasons for this: firstly, the American economy will continue to progress more dynamically than in Europe. The US Federal Reserve will take into consideration the economy and inflation, and will continue to hike key interest rates, whilst there are still no grounds for the European Central Bank to do so. Secondly, the weak US dollar should continue to fuel the greater inflow of investment into the Eurozone. This development was already the key reason behind the zone's low interest rate environment during the period under review.

Longterm interest US and Germany

10-year Government bonds

Source: Global Insight

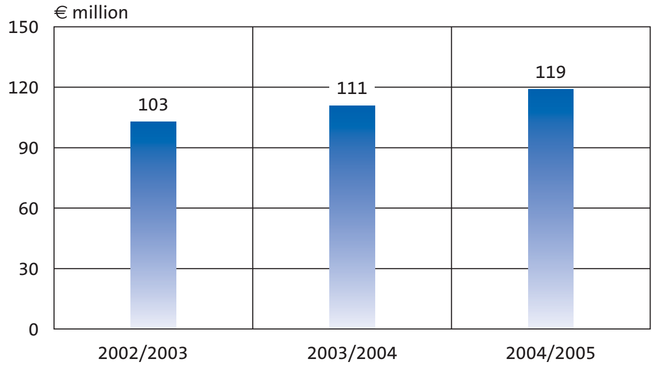
2. Corporate Lending

Rising income – high market penetration – outstanding quality of advice – innovative financing offers

Corina Tietze and Bodo Rambaum
Business division: Corporate Lending
IKB Deutsche Industriebank AG

Our Corporate Lending Division improved its result from ordinary activities to € 119 million (2003/2004: € 111 million) during the period under review. This welcome trend was supported above all by a considerable increase in net commission income as well as by a reduction in standard risk costs. With € 2.9 billion in loans disbursed, 2004/2005 was the Corporate Lending Division's second-best year, in terms of new business generated, since it was established (2003/2004: € 3.1 billion).

Result from ordinary activities
Business division: Corporate Lending



Three factors in particular enabled this positive result in the financial year under review: high market penetration within our target client segment, high-quality advice offered by our client advisors and a broad range of innovative financing solutions designed specifically to meet the individual needs of medium-sized companies.

Once again, a high degree of efficiency during the period under review defined our intensive market activities within our client segment – which comprises around 25,000 companies, including the equipment leasing segment. A comprehensive regional market analysis, differentiated by sector, allowed our six branch offices to selectively and successfully focus their acquisition efforts on untapped business potential. We also welcome the fact that the average credit quality of our new business has further improved on the high level already achieved during 2003/2004.

The balanced score card (BSC) management concept provides us with concrete objectives, metrics and measures for our market activities. This planning and management tool allows us to formulate a consistent market strategy – taking into account numerous individual factors.

We integrated our numerous marketing activities in this overall strategy; this included product-specific workshops (for example) on derivatives, as well as our long-standing campaign to advance innovation. During the period under review, this sector-specific sales approach focused on the mechanical engineering sector, which already includes many of IKB's medium-sized clients. We therefore not only targeted our activities at the acquisition of new clients, but also at profiling the bank as a competent financing partner.

The primary contacts were the advisors of the Corporate Lending Division, which continues to represent not only the strategic cornerstone of new client acquisition but also the centre for continuous communication with IKB's long-standing clients. We believe that this style of intensive relationship banking, based upon mutual trust, is one of IKB's key competitive advantages.

The high-quality advisory service offered by our client account executives – which was clearly confirmed in last year's customer satisfaction analysis – also comes to the fore when discussing the results of IKB's internal rating system for small and medium-sized enterprises – openly and in a target-oriented manner – with our corporate clients.

Using this approach, we can derive a specific overall financing strategy based on an extensive survey of our clients' requirements, which can be integrated when restructuring a company's liabilities. Our syndication desk becomes involved at an early stage in large-scale lending projects, in order to structure possible loan syndicates. All of these advisory and financial services activities contributed to the positive development in commission income during the period under review.

New borrowing options – innovative financing solutions for medium-sized enterprises

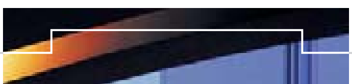
We launched IKB Flex loans – a new and flexible type of borrowing – in the financial year under review, which was met with great demand from medium-sized enterprises. This type of financing solution offers companies with good credit quality a credit line that can be drawn upon between € 1 million and € 2.5 million during a fixed three-year term, subject to a defined minimum utilisation. IKB Flex facilities are uncollateralised.

IKB Flex offers planning certainty and at the same time, flexibility to medium-sized enterprises – for example, to cover higher funding requirements for current assets in a growth phase. This new type of loan facility is an innovative standardised product that takes into account the specific needs and characteristics of medium-sized companies. IKB Flex has enabled us to acquire of a series of new corporate clients for the bank.

Our derivatives activities continued to develop successfully in the financial year under review. This enabled us to significantly expand the group of medium-sized clients who use derivative instruments to gain additional flexibility and hedge their risks as an integral part of their long-term borrowing strategy. Accordingly, we further increased the number of new transactions from the high levels already recorded last year.

The growth momentum in our securitisation activities, in the form of asset backed securities (ABS), was unchanged. Thanks to this technique, we are able to improve the balance sheet ratios of our corporate clients, combined with enhancing their liquidity and financing scope. The rationale behind such securitised transactions is that a company's non-marketable client receivables are repackaged as tradable securities on a revolving basis. These securities are then sold on the capital market.

We also expanded the disbursed volume of promissory note loans in the financial year under review. This instrument has established itself in recent years as an alternative to the classic long-term loan for larger, well-rated medium-sized enterprises. Our clients appreciate the opportunity to obtain finance of such magnitude (from around € 20 million) at prevailing capital market terms, thus allowing them to diversify their creditor structure. The high level of acceptance of this financing option is also reflected in the fact that a number of our corporate clients have already reappointed us to issue additional promissory note loans.



The IKB partnership model – which facilitates tailor-made investment outsourcing solutions to realise the very high development costs faced by automotive suppliers – continued to be met with tremendous interest during the period under review. We succeeded in increasing the realised project volume to € 270 million as at the balance sheet date, of which the largest share was realised jointly with KfW. We are confident that the partnership model will also facilitate interesting financing solutions in the future.

Sector breakdown of new loan disbursements – the capital and consumer goods sectors increase their share, along with the services and trade sectors

The structure of our new business in the Corporate Lending Division during the period under review was as follows: the manufacturing sector still accounted for the largest share of disbursements, although at 66.0 %, the figure was down slightly on the previous year (69.7 %). In contrast, the services sector's share increased slightly to 19.9 % (2003/2004: 18.4 %) as did trade, which rose to 14.1 % (2003/2004: 11.9 %).

The decline in the share attributable to the manufacturing sector is attributable solely to the fall in new disbursements to the primary and capital equipment industries. Once again, the energy and water segments featured strongly – accounting again for a high share of loan disbursements – although they were actually down on last year's figure, which had been due in particular to large-volume individual loans.

▶ *Better vision: IKB finances WaveLight Laser Technologie AG's medical laser systems*

Demand for medical laser systems continues to grow. The compound annual growth rate for these systems used in correcting visual defects is roughly 10 percent – with laser systems in aesthetic applications expected to post an increase of over 15 percent.

WaveLight Laser Technologie AG, which is based in Erlangen, Bavaria, develops, produces and markets laser systems for ophthalmology, aesthetics, urology as well as for industrial application. The company was founded in 1996 and now employs a team of 250 specialists. It has an export ratio of around 80 %, and is traded on Deutsche Börse's Prime Standard segment.

WaveLight has put in place the parameters for future growth. The medical technology company has repeatedly demonstrated its technological leadership worldwide in the field of laser systems used in the treatment of visual defects. The company is the only European manufacturer to date whose eye laser has been approved by the US healthcare authorities; approval was granted at the end of 2003. Furthermore, WaveLight is the first provider worldwide to develop and launch a 500Hz laser. The company is using the proceeds generated by a capital increase, conducted in autumn 2004, to expand its core areas of expertise.

Consistent market penetration worldwide has boosted the customer base and hence the number and extent of receivables, especially with longer payment terms. An ABS transaction structured and placed by IKB will allow WaveLight to sell receivables on a five-year revolving basis, which will have the effect of relieving the balance sheet. The structure complies with IFRS recognition requirements. The transaction will be refinanced on the capital market at terms commensurate with a triple-A rating.

Additionally, WaveLight has developed a business model, together with IKB, whereby the company will rent out its laser systems, initially to doctors and medical centres. Customers who are convinced of the advantages of the WaveLight treatment system (such as offering the highest quality in terms of treatment and safety, as well as optimal ergonomics) will be given the opportunity to subsequently buy the system. IKB Leasing GmbH refinances this sale-and-lease back transaction, thus providing WaveLight with a new marketing tool giving additional sales potential. This off-balance sheet structure also conforms with IFRS standards.

Disbursements of the Corporate Lending Division by sector

Sectors	Financial year 2004/2005	Financial year 2003/2004
	Disbursements in %	
Manufacturing sector	**66.0**	**69.7**
Primary and intermediate goods industries	**22.6**	**29.1**
Energy, water	*9.2*	*14.3*
Construction	*1.4*	*0.4*
Mining, non metallic minerals	*0.8*	*1.8*
Iron and steel, foundries	*1.0*	*1.1*
Non-ferrous metals and semifinished metal products	*0.5*	*1.4*
Wire-drawing plants, cold rolling mills, steel forming, surface finishing	*2.6*	*2.4*
Chemicals, petroleum products	*4.4*	*6.2*
Wood working, paper production	*1.7*	*0.6*
Other sectors	*1.0*	*0.9*
Capital goods industry	**25.3**	**24.4**
Steel construction	*1.2*	*1.0*
Mechanical engineering	*9.3*	*6.2*
Automotive industry	*7.4*	*10.3*
Electrical engineering	*3.9*	*2.8*
Iron and metal products	*2.0*	*2.8*
Other sectors	*1.5*	*1.3*
Consumer goods industry	**18.1**	**16.2**
Wood and paper processing	*2.1*	*1.6*
Printing products	*1.7*	*0.9*
Plastic products	*3.9*	*3.3*
Textiles and clothing	*2.8*	*1.5*
Food products and beverages	*7.5*	*8.6*
Other sectors	*0.1*	*0.3*
Services	**19.9**	**18.4**
Transport	*3.3*	*2.7*
IT, media, telecommunications	*0.7*	*3.8*
Waste disposal	*0.9*	*0.5*
Other services	*10.1*	*6.0*
Financial services	*4.9*	*5.4*
Trade	**14.1**	**11.9**
Wholesale trade	*6.3*	*6.2*
Retail trade	*7.8*	*5.7*
Total	**100.0**	**100.0**

On the other hand, at 25.3 % (24.4 %) the capital goods industry accounted for a slightly higher share of our disbursement portfolio. Although the still very cautious corporate investment activity in Germany offered hardly any momentum to this sector, it enjoyed more success on international markets. This applies in particular to mechanical and electrical engineering, whose share of the overall disbursement of loans – which were also used to finance capacity expansion – increased.

At 18.1 %, companies operating in the consumer goods industry also accounted for a larger share of our new business than one year ago (16.2 %). In this context, the plastics industry and the printing sector, benefiting in both cases from the trend for new materials and packaging in the consumer industry, increased their share. The largest segment once again was the foodstuffs industry, which invested heavily in quality assurance and logistics.

These last developments, as well as the growing trend towards outsourcing of packaging and cleaning services, provided momentum to the very broadly-diversified services sector during the period under review. Other segments, such as for example, exhibitions and conventions, invested increasingly in establishing a market presence throughout Europe. This is increasingly becoming a factor to the success of the wholesale and retail sector.

Attractive promotional loans – interest rate spreads in line with risk exposure – new challenges

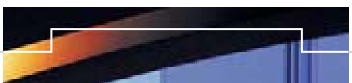
During the period under review, loans at subsidised rates made available by public development banks again played an important role for many of our clients in realising their medium-and long-term financing projects. IKB – and our Corporate Lending Division in particular – once again applied its outstanding expertise in this area to support many interesting projects and offer tailor-made financing solutions at attractive terms. At 33 %, the share of our new capital investment loans – refinanced through subsidised funds – granted during the financial year under review, matched last year's level.

The various development banks further enhanced the attractiveness and efficiency of the programmes. As a core measure in this context, the terms of promotional loans have been adapted to match the risk involved. This has been applied to many of KfW's and the state development banks' commercial loan programmes since 1 April 2005. This new margin grid enables IKB, as the bank extending the loans under public development / subsidised lending schemes, to grant promotional loans flexibly, i.e. at risk-adjusted margins. We consider this an important step in ensuring that German medium-sized companies will continue to have comprehensive access to subsidised loan products, even against the background of structural shifts in financing.

KfW remains IKB's principal refinancing partner – entrepreneur loan programme *(Unternehmerkredit)* and global loans are key financing tools for German medium-sized companies.

In the financial year under review, KfW continued to be IKB's most important refinancing partner by a wide margin. The significance of KfW's *Unternehmerkredit*, which takes particular account of the long-term financing needs of medium-sized companies, increased further. This also applies to KfW's *entrepreneur capital* scheme, a combination of debt and subordinated loans that can be structured very flexibly to suit the specific phases in a company's development. IKB's market share in innovative financing solutions, and in environmental protection programmes, remained high – albeit with a considerable reduction in the volume of loans granted.

KfW-IKB global loans remained an attractive source of funds for our clients. The third tranche, in the amount of € 500 million, was launched at the end of the financial year under review. This boost in volume was possible, because *Unternehmerkredit* and our own global loans for medium-sized clients comple-



ment each other perfectly. The former is primarily used to fund long-term investments in Germany and abroad. The global loan on the other hand, with lifetimes ranging between 3 and 7 years, is essentially designed for the medium term – primarily for engineering investment – and therefore represents an appropriate tool for corporate balance-sheet structure and liquidity management.

Our joint development and financing activities benefited from a reorganisation of subsidised lending programmes within Germany, whereby transparency and efficiency were ensured by clearly defining and differentiating the market presence of *KfW Förderbank* from that of *KfW Mittelstandsbank*. This progress also impacts on the actual processing of development loans, whereby we introduced a remote data transfer system in order to promote quicker settlement.

As in previous years, our cooperation and strategic partnership with KfW in promoting our target group – commercial medium-sized companies – was characterised by friendship, efficiency, success and (last but not least) a high level of mutual trust.

Diverse cooperation with the development banks of the individual German states – global loans gaining in importance

During the period under review, we enhanced our long-term cooperation with selected development banks of the individual German states. A good example of this is the global loan granted by the Bavarian-based LfA-Förderbank to medium-sized companies that are located or have investments in Bavaria. At the time of writing, this € 400 million global loan is almost fully allocated. Negotiations are currently being held regarding the issue of a new tranche.

L-Bank in Baden-Württemberg also offers our clients an attractive promotional loan programme. The financing activities here concentrate on the so-called set-up and growth loans (*Gründungs- und Wachstumsdarlehen – GuW*), where the state offers an additional interest rate subsidy.

Given the increasing importance of the state development banks, we will actively establish relationships with other banks of this type. We have already entered into promising discussions with two East German state development banks, on the issue of global loans.

European Investment Bank (EIB) – tried and tested relationship in the provision of innovative financing solutions for medium-sized enterprises

We have cooperated closely for many years with the European Investment Bank (EIB). It was the first development bank to offer global loans as a highly flexible alternative to national promotional programmes. At present, funds are being furnished from the 13th such loan tranche. Talks have already began on the launch of a new global loan.

EIB also plans to offer further promotional programmes for innovative financing solutions to medium-sized enterprises. We will continue our cooperation with EIB based upon mutual trust, and characterised by the pleasant, unbureaucratic manner of our relations to date.

Equipment leasing – expansion of international activities – ground-breaking strategic orientation

The IKB Mobilien Leasing Group focuses on machinery and equipment leasing. With a market share of almost 10 % in this segment, it is one of Germany's largest providers. At € 491 million, our new business in the financial year under review for this segment matched the high level enjoyed the year before.

IKB's leasing activities meanwhile extend far beyond the domestic market. Besides three German entities, our leasing group includes seven foreign companies that operate in five European countries – France, Poland, Slovakia, the Czech Republic and Hungary.

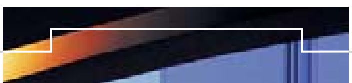
We embarked on activities outside of Germany last year, mainly because of our interest in supporting the foreign investments of our medium-sized clients, by offering them attractive leasing products. The reasons for developing a business internationally are several: on the one hand, this offers benefits in terms of cost advantages, while on the other, many investments serve to develop new markets and therefore expand sales potential. We have also been fortunate enough to acquire new clients in these countries.

Besides these activities, so-called distribution leasing, i.e. the provision of sales financing to industrial manufacturers, has gained significantly in importance. Thanks to this instrument, we were able to acquire several thousand new clients and forge closer ties with the manufacturers. Medium-sized companies located both in Germany and abroad thus have access to the same instruments used by large international groups, without having to incur liquidity and credit risks.

During the period under review, vehicle leasing also made an important contribution to revenues within the scope of our overall leasing activities. Many companies welcome the fact that we provide a leasing facility for their equipment as well as for their vehicle fleet, and – unlike most specialist providers – do not tie them to specific manufacturers or brands.

Overall, the strategic orientation of our leasing activities is set for future growth, and ideally complements IKB's banking business. This attractive and modern financing solution opens up new possibilities for our clients to realise their growth plans. As part of our own expansion, we will develop our leasing commitments to other European countries and integrate the country-specific types of leasing into our services range. Our leasing subsidiaries already set the standard as far as their international expertise is concerned: their range of services comprises finance leases under German law as well as operate leases compliant with IFRS or US GAAP requirements. Lease-purchase agreements and short-term rentals – where required, together with comprehensive related services – complement our service offer.

The IKB Mobilien Leasing group also offers this comprehensive know-how to other partners, where it develops the sales leasing facility within the scope of an agency contract for manufacturers with whom it has a good working relationship. State-of-the-art, intelligent software solutions that can be used in international markets enable us to attract third-party leasing companies in Germany and abroad as clients. A number of renowned manufacturers are already availing themselves of this comprehensive range of services. This allows them to enjoy the benefits of distribution leasing – at fixed, projectable costs – without having to employ their own resources. These kinds of management activity open up further interesting earnings potential for our leasing subsidiaries.



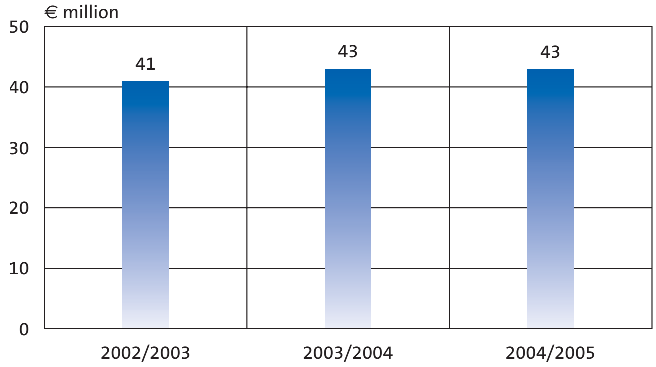
3. Real Estate Finance

Satisfactory result, despite the difficult environment for real estate markets

f.l.t.r.: Ingo Albert, Stefanie Drewitz Rivera, Marina Irmler, Martin Hoffmann
Business division: Real Estate Finance
IKB Deutsche Industriebank AG

Despite the difficult market environment, the volume of loans disbursed by the Real Estate Finance Division during the period under review was a satisfactory € 752 million (2003/2004: € 792 million). With the increase in net interest income and commission income on the one hand being offset by higher administrative expenses on the other, the result from ordinary activities was unchanged from last year, at € 43 million.

Result from ordinary activities
Business division: Real Estate Finance



Our comprehensive service offer, covering all issues related to commercial real estate finance, undoubtedly represents the most important basis for this stable development. We offer our clients financing solutions designed to meet their requirements, as well as the entire range of real-estate-related services – starting with the planning of a project, these extend from developing and realising through to subsequent marketing. The experts in our Real Estate Finance, Real Estate Leasing and Real Estate Management units operate very closely together.

Activities focused on project development – joint ventures gaining in importance

IKB can leverage all these strengths in complex project development, which has become a particular focus of our activities in recent years. In fact, during the period under review, we were involved in a number of very interesting new projects.

We increasingly adopt the approach of entering into joint ventures on proposed projects, where the volumes involved exceed the potential of a medium-sized developer. This close integration with the project developer is established against the background of general structural shifts in financing which involve new challenges for both parties, given increased capital adequacy requirements for the provision of finance.

Such joint ventures are usually realised by establishing a special purpose entity, capitalised by both parties, following an extensive analysis of the risk/return profile. The special-purpose entity is then financed mainly through loans provided by IKB, which also participates in the project, and in the construction and commercial project management through IMG, the bank's real-estate management unit.

Thumbs up for Germany: IKB puts together an individual financing concept for the construction of a development centre and office building for Conti Temic microelectronic GmbH

After a construction period of only 14 months, a new development centre and office building was opened in Markdorf, near Lake Constance. The unusual architectural concept has met with broad approval.

Two curved office blocks encircle a rectangular core, like eyelids around the pupil. The area between is open, allowing sunlight to penetrate the glass roof structure and illuminate the gallery halls. Pathways that converge centrally, via footbridges and galleries to the stairs and lifts at the core of the building, meet the tenant's brief, which was to reach all areas of activity by the shortest way possible. The metal-coloured aluminium exterior facade highlights the technical orientation of the five-storey building and its users, as well as providing a contrast to the bordering natural landscape of the region around Lake Constance. The new construction, which measures roughly 85 metres wide, 42 metres deep and 23 metres high, was designed by the architectural firm DRP Duelli, Ruess and Partner and provides some 11,000 square metres of floor space, for up to 500 employees.

The building's tenant is Conti Temic microelectronic GmbH, a wholly-owned subsidiary of Continental AG, Hanover. By locating 250 jobs in Markdorf, the company is also signalling its commitment to Germany as a base for its operations.

Fränkel AG was commissioned with overseeing the completion of the construction process, and with building management. The Friedrichshafen-based company successfully fought off competition across Germany to win the project tendered by Continental.

However, the user did not just require a property that was tailored to meet its requirements; an individual and optimal financing package was equally important. Conti Temic required a solution that was more cost-effective than a direct investment.

IKB was delighted to provide this solution. By incorporating low-interest rate, subsidised loans provided by the KfW Banking Group, and innovative interest rate hedging instruments from IKB CorporateLab, our Real Estate Financing Division structured and successfully implemented a financing concept that was specifically designed to align with the future rental income.

Overall, this broad range of services related to project development activities has established IKB as a competent and reliable partner in this area. This was also facilitated by our extensive marketing activities; for example, at Europe's largest real estate exhibition "Expo Real" held in Munich, where our client account executives not only established many new contacts but were also able to conclude a number of concrete transactions. Our comprehensive analysis "Facets of Project Development", which was presented at the IKB stand at the exhibition, was met with great interest.

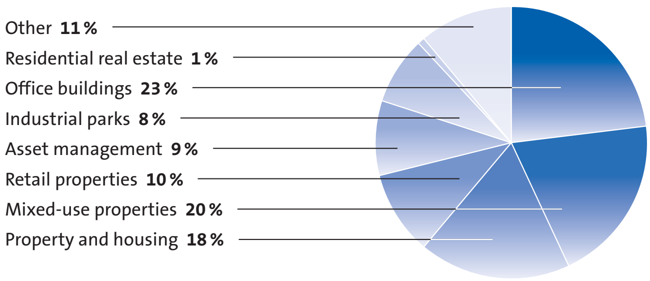
New real estate financing business: focus on fungible commercial properties in prime locations

In terms of new business, we continued to concentrate solely on the financing of first-class, fungible commercial real estate during the financial year under review. Additionally, the criteria whereby a pre-letting agreement must cover interest and principal payments due – if possible in conjunction with an attractive anchor tenant – is becoming increasingly important within our risk benchmarking process.

We further intensified our relationships with cooperation partners within the scope of our financing activities. For this purpose, we utilised the opportunities offered by KfW's global loans equally as much as those offered by the broad range of derivatives solutions provided by IKB CorporateLab, in which our clients have shown great interest. We established a very positive relationship with Bankhaus Sal. Oppenheim – a renowned partner in real estate – with whom we are working intensively on new financing models for project development. All of these activities contributed to our success in further enhancing our competitive position in commercial real estate financing in the 2004/2005 financial year.

In detail, our new business is broken down as follows (cf. figure): office real estate and mixed-used real estate were the strongest segments in terms of disbursement, at 23 % and 20 % respectively. The provision of funds to project developers of land and housing accounted for a further 18 % of new loans. This is followed by commercial buildings (10 %) and asset management, which also includes the provision of finance for holding structures (9 %). Financing of industrial estates accounted for 8 % of our disbursements.

Real Estate Finance Disbursement
Sector breakdown in the financial year 2004/2005



Once again, we have concentrated new business regarding office buildings almost exclusively on pre-let properties in Western Germany, with an emphasis on modern office premises offering design flexibility and located in regions having growth potential. We find it necessary to adopt this selective approach against the background of the anticipated market development: we do not foresee a substantial trend recovery in office real estate, at least not in the short term. Capacity utilisation remains low: accordingly, vacancies in many regions are high. Nonetheless, we look forward to providing finance for further attractive profitable projects in the future.

The same applies to the mixed-used properties segment where, given the significant excess capacity in some areas, we paid particular attention the location and high pre-letting ratio of these projects.

IKB-financed project developers in the land and housing segments are focusing increasingly on the rejuvenation of inner-city wastelands. The complexity of these structuring and financing processes requires close cooperation between our Corporate Financing and Real Estate Finance divisions – including our real estate management unit IMG – and the project developers.

Development vis-á-vis commercial buildings, which was defined by strong predatory competition, varied greatly in the financial year under review. The clear winners were the shopping centres, where we became increasingly involved during the period under review and where selected locations also offer future growth potential.

The issue of the optimum location is also closely related to the development of industrial estates. The key to our involvement in such projects is an excellent transport infrastructure, as well as a high degree of flexibility in usage. These criteria – including efficient technical resources – also apply to the logistics real estate segment. During the reporting period, we participated in a number of interesting projects that precisely fulfilled these criteria.

IKB Immobilien Management: stable income in an unfavourable economic environment

IKB Immobilien Management GmbH (IMG) is the bank's centre of expertise for the planning, development, realisation and marketing of commercial real estate.

Despite the difficult economic environment, the company reported revenues of € 8.9 million, achieved in cooperation with IKB Immobilien Leasing and the Real Estate Finance Division, a level that was virtually unchanged from last year (€ 9 million). 77 % (70 %) of these revenues were achieved with business partners outside the IKB Group. As in previous years, most of this income resulted from project development, construction management and appraisal work. In the financial year under review, these activities focused on the commercial and industrial real estate sectors, as well as on commercial and logistics real estate.

The optimisation options are greatest for an investor when IMG's experts – engineers, architects, layout planners – are engaged from the earliest stage possible. Our experience shows that this not only facilitates integrated planning – from the initial concept to handing over the keys – but that costs can also be reduced considerably.

The following developments defined the market environment for IMG last year: on the one hand, the decline in the number of new construction projects in Germany led to increased competition amongst the project management companies. On the other hand, IMG benefited from the withdrawal of some banks entirely from this business in recent years.

Furthermore, this shrinking market means that the domestic project management companies are under increased pressure to acquire mandates for managing investment projects. Accordingly, we are currently reviewing to what extent the French and Polish markets may be of interest to us. We are not only involved in expansive development in real estate management. A growing number of German companies are setting up production facilities in Poland and require the relevant professional support, especially from project managers.

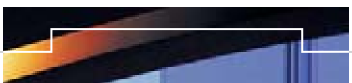
Since IMG is a one-stop shop for the entire value-added chain, we predict our subsidiary will also expand in the years ahead, albeit at a lower level than that achieved to date.

IKB Immobilien Leasing GmbH: declining business in a weak market

The real estate leasing sector recorded a noticeable drop in new business last year. This was mainly due to significant over-capacity in office and administrative real estate, with vacancies of almost 8 % in Germany. Furthermore, willingness to invest in office, commercial and logistics real estate, and in new production plants, is increasingly tempered by longer start-up and decision-making phases. Our experience also shows that the growing need to comply with IFRS or US-GAAP accounting policies leads to time-consuming coordination meetings between investors and auditors. This results in increasingly longer conception phases.

Against this background, the structuring volume of IKB Immobilien Leasing (€ 0.2 billion) in the financial year under review was down considerably on the previous year. Income fell accordingly.

At the turn of the year 2004/2005, KfW banking group took a 50 % stake in IKB Immobilien Leasing GmbH on behalf of its subsidiary KfW IPEX Bank. This presents our former subsidiary with an opportunity to explore new target client segments, to offer new products, and to further expedite the internationalisation of the business. Within this context, we will focus on our current real estate leasing business, innovative outsourcing solutions and large-scale equipment leasing. Accordingly, we assume that we will be in a position to gradually increase both the volume of investment, as well as income, in the years ahead.



4. Structured Finance

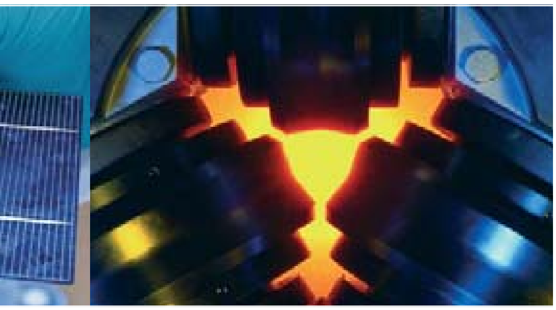
High disbursement levels – growing income

f.l.t.r.: Carsten Röth, Gernot Beger and Esther Birr
Business division: Structured Finance
IKB Deutsche Industriebank AG

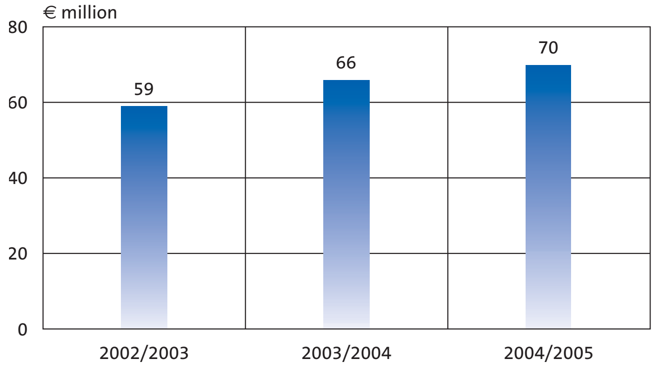
The Structured Finance Division increased the volume of loans disbursed by 40 % during the financial year under review, to € 2.3 billion. Acquisition and project finance, which are grouped in this division, recorded high growth. A key factor in the positive business development was foreign demand, which accounted for two-thirds of loan volume.

This positive business development drove up the result from ordinary activities to € 70 million. The dynamic growth in profit achieved by the Structured Finance Division in previous years was thus sustained.

All activities in this business are strongly focused on cash flows: it is essential that the cash flow from each financed transaction is sufficient to cover interest and repayments. Accordingly, the auditing and advisory support of client projects is of utmost importance. Against this background, advisory fees such as we receive in structuring the project are becoming increasingly important and impact positively on the development of commission income.



Result from ordinary activities
Business division: Structured Finance



Acquisition finance

Our European acquisition financing franchise – the financing of company acquisitions, either through strategic trade investors or through financial investors in conjunction with the management team, in the form of buyouts – operates from Frankfurt, London, Paris and (as of summer 2005) from our Madrid representative office. IKB has positioned itself in this market as a leading provider for medium-sized transactions.

The market for acquisition finance in Europe grew substantially in 2004. This is due to increasing interest from American and European Private Equity investors active throughout Europe. Recapitalisation and secondary buyouts contributed greatly to the increase. Rather than selling through the stock exchange or to a strategic investor, the company is sold to another financial investor at the end of these so-called secondary buyouts; the new owners in turn develop the company further under the existing management.

IKB's activities in European acquisition finance are based on its established competence in long-term financing, in conjunction with excellent industry expertise. We also have a high degree of structuring competence. Another factor for our success in this area is our regional focus at all of our locations. Mid-cap transactions, for example, are largely conducted on a national level. Local presence and the quality of our staff in the relevant markets are therefore crucial to our success.

All Private Equity funds active in Germany are covered by our Frankfurt office. Due to our extensive market penetration amongst German medium-sized companies, strategic investors are also becoming increasingly important for our domestic acquisition finance activities. We have participated successfully on this market for many years, despite the fact that, due to the absence of growth momentum, Germany lagged behind the progress made by the European market as a whole.

Our London office can report an increase in the quality of UK and Continental European transactions. The size of London as a financial marketplace, and its role as a pan-European platform, draws together borrowers and lenders from across Europe. IKB's branch office, with its effective team, enjoys an excellent position in this international market and has generated attractive interest and commission income for many years for the bank.

We arrange and structure medium-sized transactions ranging between € 50 million to € 250 million for medium-sized companies in France through our Paris office. This also generates attractive interest and commission income. In recent years, IKB has established itself as a leading player in this competitive market. Based on the number of structured mandates achieved, we are amongst the five leading banking houses in France. We strengthened this position further during the period under review.

We plan to continue pursuing this successful route; not least via the opening of our representative office in Madrid in summer 2005. The dynamic growth of the Spanish economy, and important similarities between the industry structure there and in Germany, spurred us on to this international expansion.

Furthermore, transaction management has become strategically important to the development of the business division. This comprises the credit and risk-related systematic support on the one hand, and the active management of our portfolio of mandates, but also involves the opportunities of the developing secondary market in Europe on the other. For the first time, we securitised a € 650 million portfolio from our European acquisition finance activities – as part of IKB's securitisation strategy – in the first quarter of 2005.

IKB Capital Corporation

Our subsidiary IKB Capital Corporation participates in large-scale transactions in the US. The volume of loans disbursed during the period under review amounted to € 500 million. This is even more remarkable, bearing in mind the increasingly competitive environment we are seeing in New York, brought about by the increased presence of institutional investors in our target segment. Although the high level of liquidity on the market has placed the good margins traditionally achieved in the US market under pressure, the risk/return profile in leveraged loans remains very interesting by international standards. As soon as alternative investments, in particular equities and bonds, become interesting again, we expect investors to reallocate their portfolios, with the effect that margins will rise again.

Project finance

Project finance comprises the arranging and structuring of financing solutions for national and international projects. We also finance capital goods exports (ECA-covered export finance) and assist medium-sized companies that are setting up new (or adding to existing) production capacity within the course of their internationalisation strategies.

German companies have significantly expanded exports during the period under review. They have also expanded internationally, by setting up foreign production plants. The financing of these activities is subject to intensive international competition. The fact that the financing markets are already well developed in most target regions also plays a role.

During the period under review, we were able to structure and finance many interesting projects, such as for example, two major plants in India, in the steel and textile sectors. Similarly in Asia (Taiwan), we structured the financing of a wind park for energy generation, together with KfW and DEG. This financing solution, secured by Euler-Hermes cover, incorporated collateral denominated in a local currency for the first time.

Self-reliance is the key: IKB's structured, long-term export financing facility makes it possible for an integrated steel plant in India to expand operations.

As the owner of Bhushan Ltd., the Singal family's experience in the steel industry dates back over 30 years. The Indian manufacturer of cold-rolled steel has an annual capacity of approx. 600,000 tonnes. It has specialised in ultra-thin galvanised steel products, used for example in packaging or in roofing. The product range also extends from cold-rolled coils to the precision tubes used in the automotive industry and in bicycle manufacturing.

The raw materials consist mainly of hot-rolled coils and zinc. To date, Bhushan has purchased these materials on the market, so that the company's profitability is highly dependant on availability and price development factors.

In order to reduce this dependency (and hence, to be more self-reliant) Bhushan has invested more than € 290 million in building a steel plant in the Indian state of Orissa. The new plant integrates raw material extraction and production on the basis of own extraction rights for coal and iron ore. This backward integration project does not involve additional marketing risk, as existing production already caters for the current distribution market.

Various German companies – SMS Demag AG, Dusseldorf (a single-coil continuous cast and rolling mill), Siemens AG, Erlangen (electrics), Waldrich Siegen Werkzeugmaschinen GmbH, Burbach (roll grinder) and Techint Italimpianti Deutschland GmbH, Dusseldorf (a roller hearth furnace) – are supplying the main components for the new steel plant. The German shipment volume amounts to € 86 million.

Within the scope of these exports, IKB took on the structuring of a long-term buyer loan in February 2004, incorporating a financial loan security from Euler Hermes Kreditversicherungs-AG, as a government proxy. The constructive cooperation between IKB as lead manager of a banking syndicate, the exporters and the borrowers, allowed the financing facility to be agreed within a short space of time.

In London, together with our project finance team, we concentrated on infrastructure finance on the basis of the private finance initiative (PFI) model. This is the British version of the European PPP (public private partnership) models. Private operators are planning public-sector infrastructure projects in healthcare, schools, law enforcement, road construction etc., which will be operated and financed for the public sector over a 30-year licence period. It also includes a number of projects based on the PFI model in other European states such as Ireland, Portugal, Norway and the Netherlands. IKB London now has a portfolio of almost 40 such projects (UK and continental Europe) and was able to increase its new business by a welcome 53 % during the period under review, contrary to the current market trend.

France and Spain offer good perspectives in Western Europe. The PPP market in particular has developed sharply in these markets. Further potential undoubtedly exists, since Spain represents the second-largest European market at present, even ahead of France and Italy.

Central Eastern Europe is still of major importance, and increasingly, Russia. EU accession of a number of Central Eastern European countries as at 1 May 2004 provided new momentum for this issue. This has now brought about additional legal security that makes investments in these countries interesting for German companies that have not been active there to date. Countries that are located further east, in particular Russia and the neighbouring countries, are interesting to those German medium-sized companies that already have many years' positive experience in Central/Eastern Europe. These countries offer dynamic growth rates and corresponding market potential.

Expanding our German activities

We successfully demonstrated our structuring competence during the reporting period in our German local market as well. We arranged the funding of a major investment that incorporated a guarantee extended by a German federal state for renewable energies. We also achieved good success in outsourcing projects in the energy sector.

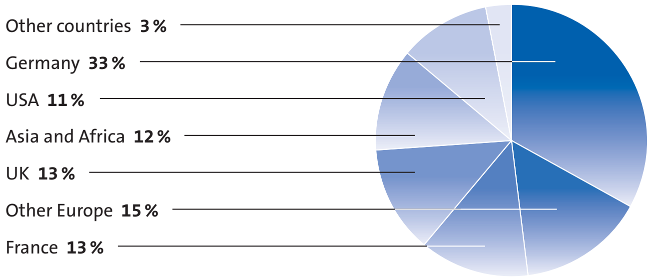
In this context, we are aiming for even greater market penetration in Germany. We developed a new market presence concept together with the Corporate Lending Division, which should also allow us to realise disproportionately high growth potential in Germany in the future.

Traditionally, companies with high capital requirements or complex business models show very high demand for project finance or off – balance sheet solutions. Against this background, we developed a marketing approach that both business segments will pursue for this client segment.

Our target clientele selection identified a pool of several hundred clients and non-clients. An integrated planning approach, backed by sales management including domestic branches, was established for coverage of these companies. The objective is to also establish regular direct client contact for the Structured Finance Division, in order to position its products optimally.

We are therefore taking into account the complexity of the products we offer. Additionally, we will establish a communications platform for this marketing approach, in order to guarantee transparency of the distribution process. Our aim is to achieve a scenario whereby the activities for both divisions are transparent, thus securing an optimum client service.

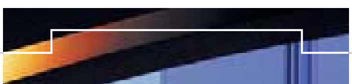
Regional breakdown of IKB's loan portfolio



Client focus and coverage outside of Germany

In order to pursue this route as efficiently, and in as much of a client-oriented manner as possible, we decided to organise the project finance activities (located in Dusseldorf) by sector, so as to take into account the size of our clients and the complexity of their business models. As experienced partners for our clients, we understand their business models and are therefore in a position to work out the corresponding solutions. The aim here is to achieve better positioning of all the elements of Structured Finance with our domestic clients, thus generating added value for both parties.

The Structured Financing Division is characterised by comparatively high profitability, not least due to its strong international orientation. IKB's activities in countries where economic growth is much more dynamic than in Germany will also contribute significantly to the bank's results in the future.



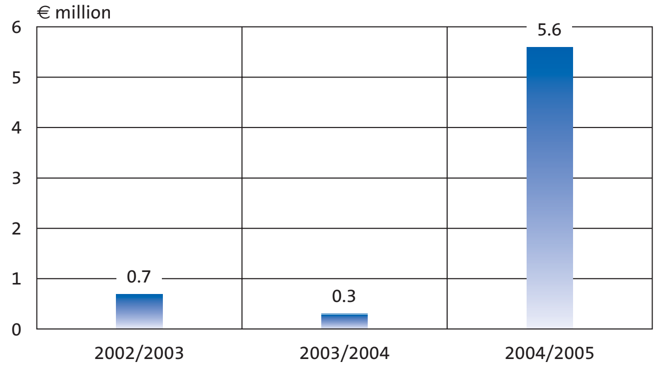
5. Private Equity

Successful business development – new products launched

Alice Dörrenberg and Frank Krämer
IKB Private Equity GmbH

The volume of new business generated by the Private Equity Division in the reporting period ensured a continuation of last year's positive development. Disbursements of € 100 million slightly exceeded last year's volume. The result from ordinary activities climbed to € 5.6 million (cf. figure).

Result from ordinary activities
Business division: Private Equity



Interesting market

2004 showed that the consolidation of the Private Equity segment is complete, and that the market is moving forward again. According to the German Venture Capital Association (*Bundesverband Deutscher Kapitalbeteiligungsgesellschaften – BVK*), new investment in 2004 amounted to € 3.8 billion. This corresponds to a rise of 56 % compared with the previous year. Once again, new investments focused on buyouts; at € 2.7 billion, these accounted for more than 70 percent of all investments. Furthermore, leveraged buyouts represented almost three-quarters of all buyout transactions. However the much broader range of the offers, and various programmes for securitising subordinated loans and profit-participating certificates, place considerable pressure on the terms and conditions of mezzanine facilities.

Focus on direct investments and mezzanine facilities

The Private Equity Division has established a clear position for itself in the market. It provides finance for established medium-sized companies. In this target group, IKB has established long-term, trusted client relationships as market leader and can also contribute its high degree of industry expertise. Within the scope of the networked distribution concept, clients that potentially want to back their growth with additional equity capital are introduced to the Private Equity Division.

We mainly support companies via the use of mezzanine capital and direct investments. We stopped providing finance for start-ups back in 2003 – in other words, the granting of venture capital in the narrower sense. Existing commitments in this area will be reduced.

Successful fund structures

Fund structures realised together with renowned partners are becoming increasingly important in the Private Equity Division.

The IKB/KfW Mezzanine Fund, which was launched together with the KfW Banking Group, only enters into atypical silent partnerships and currently has € 40 million invested. The Argantis fund, in which our cooperation partner Sal. Oppenheim has invested, concentrates on financing management buyouts (MBOs) and spin-offs. The fund, which also acquires majority holdings, had a good start on the market and has already realised two buyouts.

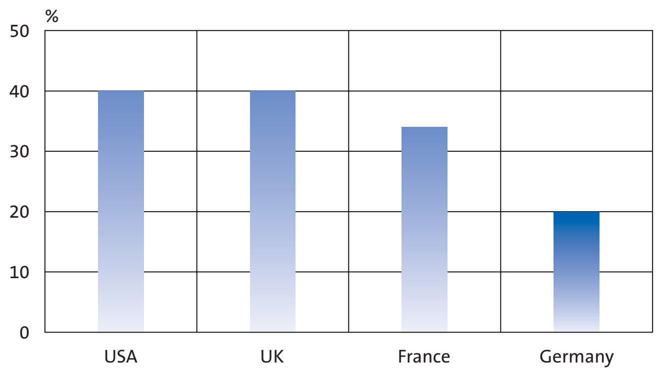
Two additional funds are being established at present; IKB is launching the profit-participating certificate fund equiNotes, together with Deutsche Bank. Companies receive mezzanine capital in the form of profit-participation certificates; these form part of economic equity capital. Two different equiNotes structures are available, to comply with accounting policies under the German Commercial Code or IFRS, respectively. Both alternatives qualify as mezzanine capital, and are recognised as a capital proxy, both in substance and from an accounting perspective. Nevertheless, interest payments for equiNotes remain tax-deductible. These issues have met with strong demand from our clients.

A fund is expected to be launched in 2005 in conjunction with Euromezzanine Conseil (a subsidiary of our French partner Natexis) to provide mezzanine finance for buyout transactions. It should be capitalised at between € 80 million to € 100 million.

Outlook – further profitable growth

Our Private Equity Division intends to further reinforce its market position. The key approach here lies in the still-inadequate capitalisation of German medium-sized enterprises, and in the many instances of unsolved successor problems. By international standards, the equity ratio of 20 % for German companies is only half that of medium-sized companies in the UK or US. Even in France, where the average equity ratio is 34 %, company capitalisation is considerably higher than their German competitors.

Equity ratio of midsized companies (International comparison)



We can see that many medium-sized companies are nowadays faced with a challenging situation. Heavy investment is required to retain their competitive edge on domestic and international markets; major investment is often the only option to secure or extend their competitive position on a global level. These investments require a sustained capital backing. A recent survey carried out by the Partnership of Independent Companies (*Arbeitsgemeinschaft Selbstständiger Unternehmer*) showed that more than half (53 %) of those polled classify "strengthening the capital backing" as "very important" and a further 32 % as "important".

IKB provides all kinds of equity capital through its Private Equity Division, backed up by a high degree of expertise and industry expertise. We concentrate on established medium-sized companies. The targeted exposure volume ranges from € 3 million to € 15 million.

DNSint.com AG – Set to expand with IKB Private Equity GmbH

IT architecture is becoming increasingly complex. But what is the point of expensive investments, if the dimensioning is wrong, or the equipment is incompatible? This is exactly where the business concept of DNSint.com AG gets going. The company is not only a wholesaler of hardware and software for end-customers of systems houses and service providers. It also offers the supplementary services, such as advisory, training, data integration, financing, marketing and distribution. DNS, which was founded in 1988 in Olching, near Munich, is now headquartered in Fürstenfeldbruck. The company achieved € 276 million in sales in the 2004 financial year. It employees around 300 staff and has distribution subsidiaries in nine European countries.

IKB Private Equity took the opportunity presented by a portfolio restructuring conducted by UBS at the beginning of 2004 to enter into a strategic partnership with DNS, investing some € 9 million in DNS. The package to finance DNS' further expansion comprised an equity component as well as a mezzanine facility. The company's structural maturity was of major importance to IKB Private Equity. Furthermore, DNS Group offered IKB the opportunity to participate in a company serving a broad base of mid-sized corporate customers. Further important criteria for IKB Private Equity's involvement included the experienced management team and a tried-and-tested controlling process. The company's founders have over 20 years' experience in IT, and are still active within the company.

The outlook for the DNS Group substantiates IKB Private Equity's commitment. The group expanded the volume of business by 23 % in 2004 and is forecasting similar growth rates for the year 2005. The Security division is expected to yield the highest growth levels in percentage terms: 60 % sales growth is anticipated here. The DNS Group also wants to extend its operations further in regional terms, and plans to establish subsidiaries in the Balkans and other Eastern European countries.

This expansion should secure high growth rates and strong earnings potential. IKB Private Equity will continue to offer its guidance and support to DNS as a reliable partner.

6. Treasury and Financial Markets

Expansion of securitisation activities – growing proportion of funding in the international capital markets – strong earnings momentum

Julia van Herweghe and Christian Becker
Business division: Treasury and Financial Markets
IKB Deutsche Industriebank AG

Refinancing: international positioning further strengthened

During the year under review, the bank further strengthened its international position in the placement of debt securities – the most important tool in refinancing. Of the two € 1.5 billion and € 1 billion Jumbo issues launched in the financial year under review, more than 60 % was taken up by foreign investors from Europe and Asia. The same applies to the bank's first larger US-Dollar issue, in an amount of US-Dollar 0.5 billion. Together with a series of Swiss franc bonds totalling CHF 0.8 billion, we were able to efficiently structure the financing of the relevant assets in foreign currencies. Furthermore we also heavily used domestic tap issues in our funding, with a volume of € 3.1 billion in the financial year under review.

Our long-standing strategy of structuring issues with embedded interest rate and other derivatives to meet the special market expectations of investors led to welcome progress in the diversification of our refinancing activities. We significantly expanded the range of derivative structures used, by linking issues, for example, to inflation, exchange rates or yield curves. With the help of UniCredito Italiano, we also succeeded in refinancing a considerable part of our business on the Italian market. The commercial paper programme launched during the financial year under review was well received on the market. With an average volume of currently € 1 billion, it makes a positive contribution to diversifying our refinancing activities on the money market.

In addition to our excellent rating, a prerequisite for the bank's excellent standing on domestic and international capital markets is a high degree of reliability and predictability of the bank's results performance. This also applies to our behaviour on capital markets towards our syndicate partners and investors.

Securitisation and investments in international loan portfolios

Originated securitisation. Since the late 1990s, IKB has continuously developed the concept of placing the risk exposure associated with balance sheet assets with third parties on an aggregate portfolio basis. To date, we have focused on synthetic securitisation structures. At the time of writing, risk-weighted assets having an aggregate total volume of € 11 billion have been securitised and placed with third parties in this manner. This sum includes an amount of € 3.6 billion incorporated in securitisation transactions in the form of periodic replenishments of loan repayments. The volume of loans placed with third parties currently stands at € 6.7 billion.

In the financial year under review, we securitised two transactions with an aggregate volume of € 1.4 billion, which we successfully placed with investors in conjunction with KfW.

The bank placed a € 650 million portion of its European acquisition finance portfolio with third parties though the SEAS (Structured European Asset Securitisation) transaction. Redemption payments can be replenished up to this maximum sum over the next three years. The high quality of this portfolio facilitated a very favourable tranche structure for this type of loan: 89 % of the overall volume received a triple-A rating by the agencies. The loans in the portfolio placed with third parties concern financings extended in Western Europe – mainly in Germany, France and the UK. This transaction had the effect of also convincing capital market investors of our long-term experience in the structuring of international loans in cash flow lending.

The second securitisation transaction during the reporting period continued our tradition of placing the credit risk of medium-sized companies with third parties through the PROMISE platform. The contracted volume of the transaction amounts to € 750 million. The high degree of granularity in the underlying receivables, a favourable capital market environment for securitisation, and the convincing performance of our existing issues comprising similar loan portfolios contributed to the extraordinarily cost-effective execution of this placement with third parties. The triple-A-rated share of the entire structure was just under 95 %, on account of the even higher degree of collateralisation compared to SEAS.

The motive behind these securitisations is to manage risk rather than taking it entirely on our own books. We consistently apply our concept to limit risks related to both individual borrowers and to industry sectors. As a consequence, the risk exposure of loan portfolios must be placed on the capital market as soon as these limits are reached. Besides traditional syndication techniques, specific portfolio creation is the most important instrument that allows the bank to expand its volume of business despite the existing limits imposed. Securitisation is thus a key element of our growth strategy.

The last two transactions led to a 0.4 percentage point increase in the Group's capital ratio according to the German Banking Act (*Grundsatz I*), as well as providing risk relief.

We will continue to pursue our strategy of securitising risk assets and thus creating scope for new business activities.

Investments in international loan portfolios. Risk diversification is the second most important component of the bank's credit risk management strategy. Since the late 1970s, we have been operating successfully in the international lending business. IKB has taken advantage of this core competence in recent years to become increasingly involved in international loan portfolios.

These investments have a crucial advantage for the bank's risk profile. Loan portfolios which are spread across various asset classes and rating levels, as well as different geographical regions, attract relatively low additional risk exposure for the overall portfolio due to their high degree of granularity and diversification.

Our investments concentrate in particular on highly diversified portfolios, such as credit card receivables, a variety of mortgage loan receivables, and car loans. In addition, we also invest in corporate loans and so-called structured portfolios. These investments are predominantly undertaken in the form of bonds, but also via credit default swaps, where risk is being assumed by way of a default guarantee.

The bank has defined a process for the implementation of these investments, based on a clear separation between business acquisition and execution, risk decision, business operations and ongoing risk monitoring. As at the balance sheet date, the volume of our investment totalled € 5.1 billion, 36 % of which was rated AAA. The investment grade share is 97 %. North American investments account for roughly two-thirds of the portfolio and Europe for one-third. Despite the very difficult economic environment at times in recent years, our portfolios continued to perform very well.

Our overall portfolio strategy involves diversifying our loan book by investing in portfolio risk, but also to diversify by type of income flow. To this extent, we employ our extensive lending and portfolio expertise and have been acting as an advisor to the Rhineland Funding Capital Corporation LLC, Delaware and Jersey (“RFCC”) conduit for the last three years.

We concentrate our activities here – for a relevant advisory fee that forms part of the commission income – on making recommendations to the investment committee, which in turn advises RFCC. As at the balance sheet date, these recommendations have resulted in a portfolio amounting to € 6.6 billion. The share of investment-grade exposure is also very high here at 98 %, and is commensurate with our general strategy. RFCC has also taken our recommendations on board, opting for highly granular investments. The development of risk and returns has been excellent in recent years.

From pioneer to market leader – ABS transaction equips Witzenmann GmbH for further progress

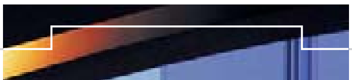
When Heinrich Witzenmann founded his jewellery manufacturer some 150 years ago in Pforzheim, Southern Germany, he could never have foreseen its expansion into a highly-innovative automotive supplier and European market leader. The key to this success was the metal hose, which Witzenmann invented at that time together with Eugène Levavasseur.

Based on this technology, today Witzenmann GmbH is a pioneer in the market for flexible metal elements. The company can produce the suitable product for virtually every application, whether for the wide scale of applications in the manufacturing industry, for technical building equipment, or even for the aerospace industry. Witzenmann is particularly successful in the automotive industry. Virtually all the big names in the manufacture of cars and heavy good vehicles rely on Witzenmann’s flexible automotive components.

With subsidiaries in more than 20 locations throughout Europe, the US and Asia, Witzenmann has meanwhile become a global player with annual turnover of € 240 million, 60 % of which is achieved abroad. However, the Pforzheim corporate headquarters, which employs 1,300 of the company’s total workforce of 2,300, is its competence centre and innovative driver. This is where highly-qualified engineers come up with sometimes unusual ideas – similar to the metal hose at the time – which form the basis for progress and the commercial success of tomorrow.

However, an adequate financing base is required in order to progress. This is one of the reasons why Witzenmann opted for an ABS programme, arranged through IKB. First experiences since the start of the securitisation transaction are particularly positive, also with regard to the day-to-day settlement. Outstanding receivables from German, French and Spanish customers are submitted to an IT system that was specially implemented for this purpose. Following further checks and data preparation, these are then placed on a revolving basis, up to a total volume of € 35 million.

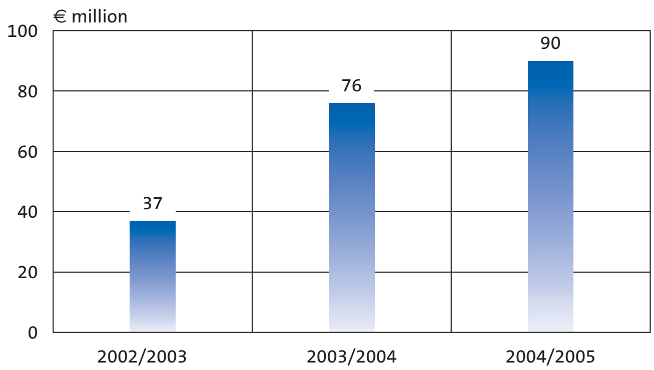
This transaction thus allows Witzenmann GmbH to boost its liquidity, and has the additional effect of relieving the balance sheet. The positive effect of both factors on the company’s credit quality was such that its rating profile with the banks was enhanced after the ABS programme was launched. This in turn provided Witzenmann with the financing scope it requires to remain at the forefront of technological development in the future.



RFCC issued asset-backed commercial paper (ABCP) to finance its investments. It is standard practice in this market for most banks to provide backup facilities to cover the event of short-term market friction, and to safeguard liquidity during temporary market disruptions. We offer such credit lines to Rhineland Funding, together with other banks.

The result from ordinary activities in the Securitisation segment saw another significant increase during the year under review:

Result from ordinary activities
Business division: Treasury and Financial Markets



Capital market products for clients

Promissory notes. Our larger-sized corporate clients are increasingly benefiting from the bank's extensive experience in promissory note loans. Promissory note loans are an ideal tool for larger companies with good credit standing to raise funds from € 20 million – € 100 million, in line with prevailing capital market terms, but without being subject to greater disclosure requirements.

In the financial year under review, the bank arranged promissory note loans in a total amount of € 300 million for a series of companies. The bank was able to considerably broaden its network of candidates for third party placement, using its excellent relationships to domestic and international investors. High-quality research is an important prerequisite for successful placement, and we expanded this area further during the year under review. Our research team not only carries out an initial analysis for new cases; it also continuously supports the placement portfolio by means of updated reports.

Asset-backed securities. The bank has been using its extensive know-how in this area for the last two years to advise companies on mobilising their client receivables for the purpose of securitisation and refinancing. ABS transactions are used to group these positions in a pool of receivables, which is subsequently placed on the capital market. From a company's perspective, the securitisation of client receivables can therefore be used in a similar fashion to promissory note loans, in order to diversify funding sources.

We target in particular companies with an adequately diversified portfolio of receivables of at least € 15 million – € 20 million. The securitisation of receivables is one of the balance sheet management tools a company can use to provide relief for balance sheet ratios and reduce borrowing requirements. To date, we have securitised and placed company receivables of just under € 1 billion with third parties.

Our finance experts are currently developing a standardised ABS product which will allow us to securitise portfolios of € 3 million – € 5 million for our clients. Against this background we are confident of being able to continuously increase the number of ABS transactions conducted on behalf of our clients.

Fixed income

We invest the bank's economic capital, and manage our interest rate and liquidity portfolio within the scope of our fixed income activities. Our objective here is to realise stable net interest income on our economic capital investment. Cash is invested in low-risk and highly liquid securities, such as for example, variable-rate Pfandbriefe. We employ derivatives – mainly interest rate swaps in conjunction with option structures – to optimise interest income. This allowed us to achieve a return over and above traditional government bonds during the financial year under review. Our investments were carried out within defined limits, and were revalued on a daily basis.

IKB as a Designated Sponsor

Assuming the role of Designated Sponsor – licensed by the Frankfurt Stock Exchange – for our own share is particularly important to us. Quoting regular bid and ask prices in the Xetra electronic trading platform safeguards the marketability and liquidity of the share throughout the entire trading day. Once again we received the Exchange's highest seal of quality – an 'AA' rating – for our performance as a Designated Sponsor. The bank did not hold any treasury shares as at the balance sheet date.

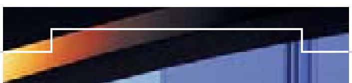
IKB International

The core business of Luxembourg-based IKB International S.A. centres around lending to mainly medium-sized German companies and commercial real estate investors in conjunction with the use of financial derivatives for managing interest rate and currency exposure. In addition, we provide finance for structured international investment projects. As a rule, the loans are backed by collateral.

Within the Group, IKB International fulfils the function of a competence centre for foreign currency loans and financial risk management for corporate clients. It is also the service centre for our foreign branch offices.

IKB CorporateLab S.A., which is also located in Luxembourg, markets derivative financial instruments as part of a financial risk management service offered to our medium-sized clients. We are therefore in a position to offer a comprehensive range of derivative instruments from Luxembourg. Our one-stop financial risk advisory service is of tremendous value to clients. Nevertheless, experience shows how the trend differs between the products preferred by German and Italian companies. We therefore reached a unanimous agreement with our cooperation partner UniCredit Banca Mobiliare (UBM) to acquire their stake in IKB CorporateLab.

At € 600 million, the securities holdings of our Corporate Bonds business segment have increased by almost a quarter compared to the previous year. We aim to further extend the portfolio of bonds from European investment-grade issuers.



7. Our Employees

We would like to extend our thanks and acknowledgement for the great commitment and initiative shown by employees towards IKB's success in the financial year under review.

From a human resources perspective, the financial year 2004/2005 was defined by dynamic development in the business divisions. This required the timely implementation and further development of our human resources initiatives. The promotion of trainees, the employee survey, the expansion of our training programmes, being able to attract and integrate qualified employees, encouraging measures for cohesive family and working life, as well as the use of a preventative healthcare programme were amongst the features at the forefront of our activities in this context.

Employee survey

Our employee survey from 2002 formed the basis for a brand-new survey, covering the bank's entire workforce, during the period under review. For the first time, we had the opportunity to present the teams and management with comparative figures on the various survey categories. We were particularly interested in analysing the extent to which extent suggestions produced by the last survey had been acted upon.

A returns ratio of 83 % within the current survey exceeded 2002's participation rate. This positive feedback showed that the employee survey is accepted as a strategic management tool, and enjoys a high level of trust amongst our workforce.

Unlike the previous employee survey, better results were achieved in all evaluation categories. IKB significantly exceeds the peer-group average values, which the survey institution has identified in many such exercises for banks and insurance companies, with one exception. Top marks were even achieved in some categories such as "Identifying with IKB as a company" and "Satisfaction with management". When looking at the bank's strategic orientation, IKB scored the highest mark ever achieved in that category in a survey conducted by the institution commissioned. These results confirm our positive company development, and a clear focus on employees. We will therefore continue to use the employee survey as a strategic management tool in the future.

Training

The qualification of our staff continues to be of paramount importance. A large number of seminars on specialist topics and distribution were attended. All sales staff in the Corporate Lending Division were also made familiar with the distribution tool used in the client requirements analysis, which was designed specifically to cover our target clients.

In the financial year under review, our staff took many of the opportunities available to them to enhance their knowledge through e-learning courses. The 333 certificates of completion issued from the courses are clear evidence of their suitability, plus the level of interest and commitment from participants.

A new e-learning proposal on project development was drawn up in the Real Estate Financing Division, where an animated web-based film on the basic knowledge was combined with learning modules for a more detailed introduction to the material. Test questions for staff to check their success are available for self-review and certification. In addition, the reciprocal exchange of e-learning courses during the reporting period facilitated an intensive knowledge transfer with our cooperation partner Sal. Oppenheim.

Health promotion

In operating our health control policy, we prefer to prevent ailments rather than curing them. IKB promotes the health of its staff by offering flu vaccinations and preventative measures, such as physiotherapy and in-house sports. 188 employees participated in the healthcare preventative measures in the financial year under review.

Family-oriented human resources policies

A family-oriented human resources policy not only promotes motivation amongst our staff; it also helps to keep a close link to the bank during family-related times of absence. Flexible working hours and teleworking offer the employees more freedom in terms of their time, for better coordination between working and private life. Since August 2004 we have offered staff a child-minding service at our offices in Dusseldorf, in cooperation with another company. As demographic developments in society will raise the importance of family-oriented human resources policies, we will continue to emphasise this in the future.

Key human resources indicators

The deconsolidation of IKB Immobilien Leasing GmbH led to a reduction of 85 in the number of employees during the financial year 2004/2005. The number of staff employed in the Group as at 31 March 2005 (1,512) was accordingly lower than in the previous financial year (1,526). Of these, 499 were employed by front-office units, 593 in the Corporate Centre units, and 420 by our subsidiaries.

During the period under review, 141 staff joined the IKB Group, while 70 left the company. Our staff fluctuation rate of 1.9 % was virtually unchanged from the previous financial year (1.7 %).

We employ six vocational trainees within the Group, who are training to become either bank officers or IT specialists. During 2003/2004 we had initiated a training programme leading to a BA in Business Management, in the form of an integrated vocational study course. Furthermore, we have started a training programme to prepare young university graduates specifically for the assumption of qualified duties.

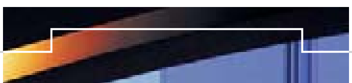
Women account for 40 % of the workforce. The average staff age of 41 remains unchanged; and the average period of employment is nine years.

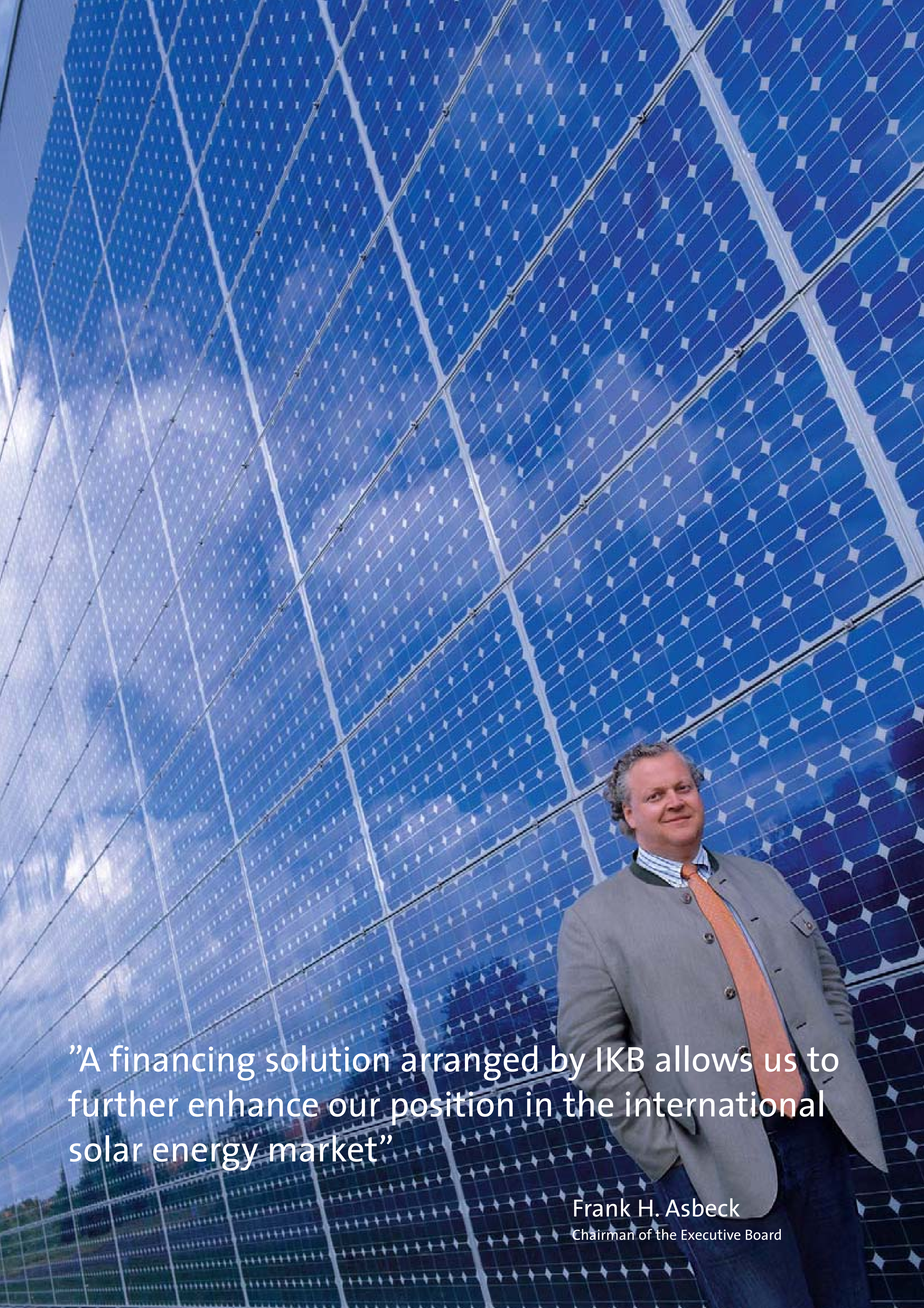
During the past year, 49 staff members celebrated an anniversary jubilee: 30 staff members marked their tenth year with the company and 19 marked their 25th year.

The subscription rate for employee shares improved to 79.2 %, with consolidated expenses associated with these programmes totalling € 156,000.

Cooperation with employee representatives

To the employee representatives who committed themselves to the interests of their fellow employees, we would like to extend our thanks for their trusting and constructive cooperation.





"A financing solution arranged by IKB allows us to further enhance our position in the international solar energy market"

Frank H. Asbeck
Chairman of the Executive Board

SolarWorld AG, Bonn

In 1905, Albert Einstein's pioneering explanation of the photoelectric effect laid the foundation for the understanding of the theory of photovoltaic solar energy. A century later, solar energy technology is a booming economic sector, and 2004 has been one of the most successful years in the history of solar power. Never before have so many solar modules been installed worldwide in a single year.

Benefiting from this development, the progress made by SolarWorld in 2004 can clearly be regarded as rapid and possibly record-breaking. In the space of only five years, the company has developed from a solar products trading company with around 12 employees to become a worldwide leader in solar technology, producing all its products in-house, from solar silicon to the solar energy module. Today, the workforce of over 600 in Bonn, Freiberg/Saxony, and in Sweden, defines the innovative strength of a company with sales of currently € 200 million and record profits of € 18 million.

The success of this expansion strategy can be attributed to the Chairman of the Executive Board, Frank H. Asbeck, who recognised at an early stage the potential of renewable energy generation. He founded the company in 1998 and listed it successfully on the stock exchange a year later.

Freiberg – state-of-the-art location

The Freiberg manufacturing plant in the state of Saxony is the heart of the "solar group". It was considered the centre of the silicon industry even under the former East German regime. SolarWorld transformed the former mining city into one of the world's most modern integrated solar locations, now known as "Silicon Saxony". This is where the company provides the entire solar value chain: the Solar Materials business unit is responsible for securing the raw material supply through processing and recycling solar silicon. The solar group has also set up a joint venture with Degussa AG - Joint Solar Silicon GmbH and Co. KG – for the innovative production of silicon from silane. The group subsidiary Deutsche Solar AG produces the so-called wafers from pure silicon, which are turned into solar cells (Deutsche Cell GmbH), and in turn placed into solar energy modules (Solar Factory GmbH).

The intensive in-house research activities along the entire manufacturing chain are critical to the company's strategy. At the beginning of February 2005, a new technology centre for semiconductors was founded, in which SolarWorld, together with two Freiberg-based industrial partners, two institutions of the Fraunhofer Gesellschaft, and the Bergakademie Freiberg technical university are involved.

SolarWorld is set to grow further. Frank Asbeck points out that by 2007, cell manufacturing at the Freiberg plant should be quadrupled from currently 30 megawatts. The production of solar wafers will be expanded from 120 to 220 megawatts. IKB acted as lead arranger of a banking syndicate that provided financing of € 55 million for this expansion.

Financial Statements

Consolidated Balance Sheet of IKB Deutsche Industriebank

Assets	€ thousand*		31 March 2005 € thousand	31 March 2004 € thousand
Cash reserve				
a) Cash on hand			47	88
b) Balances with central banks			33 224	33 688
thereof: with Deutsche Bundesbank	33 135	(33 574)		
c) Balances in postal giro accounts			91	198
			33 362	**33 974**
Loans and advances to banks				
a) payable on demand			784 380	1 070 176
b) Other placements, loans and advances			604 308	168 225
			1 388 688	**1 238 401**
Loans and advances to customers			**24 354 085**	**24 115 962**
thereof: Loans to local authorities	1 556 688	(1 361 019)		
Bonds and notes and other fixed-income securities				
a) Bonds and notes				
aa) public-sector issuers			–	–
ab) other issuers			*10 427 380*	*8 171 336*
			10 427 380	8 171 336
thereof: securities eligible as collateral with Deutsche Bundesbank	5 204 662	(4 836 910)		
b) own bonds issued			40 662	40 035
nominal amount	38 890	(37 962)		
			10 468 042	**8 211 371**
Equities and other non-fixed income securities			**22 580**	**86 514**
Investments			**39 559**	**40 082**
thereof: in banks	37 055	(37 055)		
thereof: in financial services providers	–	(–)		
Investments in associated companies			**7 026**	**5 313**
thereof: in banks	–	(–)		
thereof: in financial services providers	7 026	(5 313)		
Interests in affiliated companies			**31 528**	**32 539**
thereof: in banks	–	(–)		
thereof: in financial services providers	–	(–)		
Trust assets			**3 997**	**5 041**
thereof: Trustee loans	3 152	(3 629)		
Intangible assets			**2 709**	**2 329**
Tangible fixed assets			**251 526**	**262 417**
Leased assets			**926 529**	**2 230 731**
Unpaid contributions by minority shareholders			**–**	**27 404**
Other assets			**660 872**	**555 757**
Deferred items			**112 055**	**108 438**
Total assets			**38 302 558**	**36 956 273**

* in parentheses: Previous year's figures

as at 31 March 2005

Liabilities	€ thousand*		31 March 2005 € thousand	31 March 2004 € thousand
Liabilities to banks				
a) payable on demand			1 424 075	989 391
b) with agreed term or period of notice			10 663 520	14 122 818
			12 087 595	**15 112 209**
Liabilities to customers				
Other liabilities				
a) payable on demand			75 191	52 210
b) with agreed term or period of notice			1 912 372	2 176 077
			1 987 563	**2 228 287**
Securitised liabilities				
Bonds issued			**18 914 013**	**14 733 551**
Trust liabilities			**3 997**	**5 041**
thereof: Trustee loans	3 152	(3 629)		
Other liabilities			**478 621**	**531 303**
Deferred items			**266 051**	**315 947**
Provisions				
a) provisions for pensions and similar obligations			141 080	135 675
b) provisions for taxes			158 548	110 203
c) other provisions			67 587	64 253
			367 215	**310 131**
Special tax-allowable reserves			**–**	**3 576**
Subordinated liabilities			**1 165 308**	**1 041 756**
Profit-participation certificates (Genussscheinkapital)			**592 630**	**562 630**
thereof: Maturing within two years	184 065	(92 033)		
Fund for general banking risks			**80 000**	**80 000**
Minority interest			**142**	**–2 421**
Equity				
a) subscribed capital			225 280	225 280
conditional capital:	22 528	(22 528)		
b) hybrid capital				
ba) silent partnership contributions			*570 000*	*570 000*
bb) preferred shares			*475 069*	*250 000*
			1 045 069	820 000
c) capital reserves			567 416	567 416
d) revenue reserves				
da) legal reserves			*2 399*	*2 399*
db) reserves for treasury shares			*–*	*–*
dc) other revenue reserves			*448 859*	*348 768*
			451 258	351 167
e) consolidated profit			70 400	70 400
			2 359 423	**2 034 263**
Total liabilities			**38 302 558**	**36 956 273**
Contingent liabilities				
a) contingent liabilities from discounted forwarded bills			1 209	1 538
b) liabilities from guarantees and indemnity agreements			2 486 275	1 873 977
			2 487 484	**1 875 515**
Other obligations				
Irrevocable loan commitments			**9 298 625**	**8 720 136**

* in parentheses: Previous year's figures

Consolidated Income Statement of IKB Deutsche Industriebank

Expenses	€ thousand*		2004/2005 € thousand	2003/2004 € thousand
Interest expenses			**3 353 939**	**2 359 906**
Commission expenses			**12 171**	**9 480**
Net expenditure on financial operations			**–**	**–**
General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries			*119 527*	*116 504*
ab) Compulsory social security contributions and expenses for pensions and other employee benefits			*30 837*	*30 302*
thereof: Pension expenses	*15 251*	*(14 486)*		
			150 364	146 806
b) other administrative expenses			74 393	65 424
			224 757	**212 230**
Amortisation/depreciation and write-downs of intangible and tangible fixed assets			**23 564**	**22 982**
Amortisation/depreciation of leased assets			**316 547**	**343 324**
Rent for leased assets and other performance-related expenses			**19 049**	**24 996**
Other operating expenses			**21 796**	**30 694**
Amortisation and write-downs of receivables and specific securities, as well as additions to loan loss provisions			**203 832**	**211 741**
Amortisation and write-downs of investments, interests in affiliated companies, and investment securities			**475**	**180**
Addition to reserves for general banking risks under section 340f of the German Commercial Code (HGB)			**50 000**	**–**
Income taxes			**60 538**	**69 329**
Other taxes not disclosed under “other operating expenses”			**–1 651**	**6 420**
Net income			**142 575**	**104 827**
Total expenses			**4 427 592**	**3 396 109**
Net income			**142 575**	**104 827**
Minority interest ...				
Profits			**–**	**–5 488**
Losses			**–**	**7 913**
			142 575	**107 252**
Allocation to revenue reserves to other revenue reserves			**–72 175**	**–36 852**
Consolidated profit			**70 400**	**70 400**

* in parentheses: Previous year’s figure

for the Period from 1 April 2004 to 31 March 2005

Income	2004/2005 € thousand	2003/2004 € thousand
Interest income from		
a) lending and money market operations	3 525 997	2 505 708
b) fixed-income securities and debt register claims	269 955	221 620
	3 795 952	**2 727 328**
Current income from		
a) equities and other non-fixed income securities	2 255	1 024
b) investments	6 029	687
c) interests in affiliated companies	700	–
	8 984	**1 711**
Income from profit-pooling, profit transfer, and partial profit transfer agreements	**2 842**	**–**
Income from investments in associated companies	**1 713**	**313**
Commission income	**106 611**	**94 136**
Net result from financial operations	**950**	**3 249**
Income from leasing transactions	**409 136**	**524 229**
Income from the reversal of special tax-allowable reserves	**–**	**306**
Other operating income	**101 404**	**44 837**
Total income	**4 427 592**	**3 396 109**

Balance Sheet of IKB Deutsche Industriebank AG

Assets	€ thousand*		31 March 2005 € thousand	31 March 2004 € thousand
Cash reserves				
a) Cash on hand			42	76
b) Balances with central banks			33 191	33 645
thereof: with Deutsche Bundesbank	33 135	(33 574)		
c) Balances in postal giro accounts			51	105
			33 284	**33 826**
Loans and advances to banks				
a) payable on demand			1 794 314	1 897 630
b) Other placements, loans and advances			6 057 630	6 054 493
			7 851 944	**7 952 123**
Loans and advances to customers			**20 852 007**	**21 218 781**
thereof: Loans to local authorities	1 556 688	(1 361 019)		
Bonds and notes and other fixed-income securities				
a) Bonds and notes				
aa) public-sector issuers			–	–
ab) other issuers			*9 808 355*	*7 658 603*
			9 808 355	7 658 603
thereof: securities eligible as collateral with Deutsche Bundesbank	5 204 662	(4 759 579)		
b) own bonds issued			40 661	40 035
nominal amount	38 890	(37 962)		
			9 849 016	**7 698 638**
Equities and other non-fixed income securities			**1 880**	**11 351**
Investments			**10 666**	**916**
thereof: in banks	263	(263)		
Interests in affiliated companies			**500 414**	**509 160**
thereof: in banks	164 839	(164 839)		
Trust assets			**3 997**	**5 041**
thereof: Trustee loans	3 152	(3 629)		
Tangible fixed assets			**54 515**	**65 305**
Other assets			**474 828**	**399 637**
Deferred items			**107 341**	**109 573**
Total assets			**39 739 892**	**38 004 351**

* in parentheses: Previous year's figures

as at 31 March 2005

Liabilities	€ thousand*		31 March 2005 € thousand	31 March 2004 € thousand
Liabilities to banks				
a) payable on demand			1 379 589	893 303
b) with agreed term or period of notice			12 639 545	15 871 335
			14 019 134	**16 764 638**
Liabilities to customers				
Other liabilities				
a) payable on demand			66 954	49 418
b) with agreed term or period of notice			2 163 859	2 124 167
			2 230 813	**2 173 585**
Securitised liabilities				
Bonds issued			**18 613 664**	**14 722 996**
Trust liabilities			**3 997**	**5 041**
thereof: Trustee loans	3 152	(3 629)		
Other liabilities			**421 229**	**385 053**
Deferred items			**103 254**	**100 849**
Provisions				
a) provisions for pensions and similar obligations			124 142	119 044
b) provisions for taxes			151 919	98 035
c) other provisions			65 095	61 772
			341 156	**278 851**
Subordinated liabilities			**1 640 428**	**1 291 781**
Profit-participation certificates (Genussscheinkapital)			**592 630**	**562 630**
thereof: maturing within two years	184 065	(92 033)		
Fund for general banking risks			**80 000**	**80 000**
Equity				
a) subscribed capital			225 280	225 280
conditional capital:	22 528	(22 528)		
b) silent partnership constributions			400 000	400 000
c) capital reserves			567 416	567 416
d) revenue reserves				
da) legal reserves			*2 399*	*2 399*
db) other revenue reserves			*428 092*	*373 432*
			430 491	375 831
e) distributable profit			70 400	70 400
			1 693 587	**1 638 927**
Total liabilities			**39 739 892**	**38 004 351**
Contingent liabilities				
a) contingent liabilities from discounted forwarded bills			1 209	1 537
b) liabilities from guarantees and indemnity agreements			5 151 355	3 992 411
			5 152 564	**3 993 948**
Other obligations				
Irrevocable loan commitments			**8 951 047**	**8 332 036**

* in parentheses: Previous year's figures

Income Statement of IKB Deutsche Industriebank AG

Expenses	€ thousand*		2004/2005 € thousand	2003/2004 € thousand
Interest expenses			**3 101 364**	**2 262 719**
Commission expenses			**8 600**	**6 179**
Net expenditure on financial operations			**381**	**–**
General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries			*91 934*	*86 232*
ab) Compulsory social security contributions and expenses for pensions and other employee benefits			*25 132*	*24 441*
thereof: Pensions expenses	*13 459*	*(12 865)*		
			117 066	110 673
b) other administrative expenses			82 400	61 311
			199 466	**171 984**
Amortisation/depreciation and write-downs of intangible and tangible fixed assets			**8 434**	**14 098**
Other operating expenses			**18 756**	**13 681**
Amortisation and write-downs of receivables and specific securities, as well as additions to loan loss provisions			**171 867**	**185 276**
Amortisation and write-downs of investments, interests in affiliated companies, and investment securities			**–**	**31**
Income taxes			**52 602**	**61 689**
Other taxes not disclosed under “other operating expenses”			**–2 046**	**1 151**
Net income			**125 060**	**99 000**
Total expenses			**3 684 484**	**2 815 808**
Net income			**125 060**	**99 000**
Allocation to revenue reserves				
to other revenues reserves			**–54 660**	**–28 600**
Distributable profit			**70 400**	**70 400**

* in parentheses: Previous year’s figure

for the Period from 1 April 2004 to 31 March 2005

Income	**2004/2005** € thousand	2003/2004 € thousand
Interest income from		
a) lending and money market operations	3 254 023	2 458 890
b) fixed-income securities and debt register claims	239 825	203 222
	3 493 848	**2 662 112**
Current income from		
a) equities and other non-fixed income securities	864	974
b) investments	39	40
c) interests in affiliated companies	6 446	7 506
	7 349	**8 520**
Income from profit-pooling, profit transfer, and partial profit transfer agreements	**25 179**	**23 047**
Commission income	**114 907**	**107 347**
Net result from financial operations	**–**	**3 246**
Other operating income	**43 201**	**11 536**
Total income	**3 684 484**	**2 815 808**

Notes to the single-entity and consolidated financial statements

Notes to the single-entity and consolidated financial statements

The consolidated and single-entity financial statements of IKB Deutsche Industriebank AG are prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch – HGB*), in conjunction with the German Accounting Directive for Banks (*Verordnung über die Rechnungslegung der Kreditinstitute – RechKredV*) as well as with the relevant provisions of the German Public Limited Companies Act (*Aktiengesetz – AktG*). They also comply with the standards adopted by the German Accounting Standards Board (*Deutscher Standardisierungsrat-DSR*), and published by the German Ministry of Justice, pursuant to section 342 (2) of the HGB. In addition, the consolidated financial statements are prepared in accordance with the European Consolidated Accounts Directive (83/349/EEC) and Bank Accounts Directive (86/635/EEC), plus transparency requirements laid down by the European Union.

The notes to the financial statements of IKB Deutsche Industriebank AG and the notes to the consolidated financial statements have been presented together in accordance with section 298 (3) of the *HGB*.

Group of consolidated companies

In addition to the parent company, 17 German and 6 foreign companies are included in the consolidated financial statements at 31 March 2005. The consolidated companies are listed by name under the list of shareholdings in section A in line with section 285 No. 11 of the *HGB* and section 313 (2) of the *HGB*. In accordance with section 325 of the *HGB* in conjunction with section 287 of the *HGB*, we will submit to the Commercial Register a separate list of the participating interests in 44 companies held via other subsidiaries. Partnerships eligible for exemption in accordance with section 264 b of the *HGB* are listed separately in this list.

During the financial year under review, a 50 % stake in IKB Immobilien Leasing GmbH was sold to Kreditanstalt für Wiederaufbau ("KfW"), Frankfurt/Main. We therefore deconsolidated IKB Immobilien Leasing Group, comprising IKB Immobilien Leasing GmbH plus 351 special purpose entities and general partnerships. This joint venture is now carried and valued at equity, as an associated enterprise. The company is included in the list of investments under Point B.

These deconsolidations have the following major effects on the consolidated balance sheet and income statement:

On the assets side, leased assets fell by € 1,409 million, and unpaid contributions by minority shareholders by € 27 million. On the other hand, loans and advances to customers increased by € 841 million. On the equity and liabilities side, liabilities to banks have fell by € 425 million, other liabilities were down € 76 million, and deferred income was down € 113 million. Minority interest was reduced by € 2 million, with only € 0.1 million remaining; this residual amount is attributable to minority shareholders in IKB Immobilien Management GmbH (IMG).

Given the IKB Group's policy of amortising assets and liabilities of IKB Immobilien Leasing Group, the deconsolidation resulted in € 39 million income. This amount, which is reported under other operating income, reverses start-up losses incurred in previous years, as part of the typical expenditure and earnings pattern in the leasing business.

Moreover, Group reserves increased by € 28 million (also refer to the Statement of Changes in Consolidated Equity), reflecting the diminution of revenue reserves at the time of first-time consolidation.

IMG, which IKB had previously held indirectly, as a subsidiary of IKB Immobilien Leasing GmbH, remains within the group of consolidated companies. IMG's activities are focused on real estate development, support and development for construction projects, and the surveying of properties. The previous direct stake of 9.7 % was increased to 75 % concurrently with the disposal of a stake in IKB Immobilien Leasing GmbH, which continues to hold the remaining 25 % in IMG.

Pursuant to section 296 (2) of the *HGB*, we have not included the other affiliated companies (list of investments under "C.") in the consolidated financial statements due to their minor importance for the presentation of the group's financial position and results of operations.

As a rule the financial statements of consolidated companies are prepared on the parent company's balance sheet date. In the case of IKB Capital Corporation, we arranged for the preparation of interim financial statements at 31 March 2005 in accordance with section 299 (3) of the *HGB*.

A different treatment was applied to the following companies, which were consolidated on the basis of their financial statements as at 31 December 2004:

- AIVG Allgemeine Verwaltungsgesellschaft mbH;
- IKB CorporateLab S.A.[1];
- IKB Facility-Management GmbH;
- IKB FINANCIERE FRANCE S.A.;
- IKB Grundstücks GmbH and its special purpose entities;
- IKB Immobilien Leasing GmbH[1];
- IKB Immobilien Management GmbH; and
- IKB Private Equity GmbH and its subsidiaries.

[1)] Associated enterprise

Principles of consolidation

The consolidated financial statements were prepared in strict accordance with IKB Deutsche Industriebank AG's accounting and valuation methods detailed in the following section. The financial statements of the companies included were – if necessary – adapted to conform with the accounting and valuation regulations of the parent company. US subsidiaries prepare their accounts according to US GAAP. As far as materially necessary we adapted the subsidiaries' financial statements to *HGB* regulations by way of reconciliation.

Capital was consolidated at book value. For fully consolidated companies, the acquisition costs are offset against the equity on the date of acquisition or initial consolidation. There is goodwill totalling € 3.6 million and negative goodwill (badwill) totalling € 5.3 million. The balance of € 1.7 million was offset against revenue reserves.

The receivables and liabilities as well as income and expenses between consolidated companies are offset.

Accounting policies

Loans and advances

Loans and advances to banks and customers are disclosed at their nominal value, less specific and general loan loss provisions. Differences between repayment amounts and nominal values are included in deferred income reversed on schedule.

We have formed a general loan loss provision to cover expected loan losses which have been incurred but not identified as such at the balance sheet date. We calculated the general loan loss provision based on our past experience and weightings.

Securities

Securities are disclosed under the heading "Bonds, notes and other fixed-income securities", as well as "Equities and other non-fixed income securities", are valued at the lower of cost or market as applies to current assets, i.e. at their costs of purchase or the lower market price. Pursuant to section 280 of the HGB, we were obliged to write up the value of securities that had been written down in previous years to their current market value (2004/05: € 1.6 million), to a maximum amount of their historical costs of purchase. We also reduced the amounts recognised pursuant to section 340f of the *HGB* by € 50 million.

Individual securities holdings, together with allocated interest rate hedges (interest rate swaps) form a valuation unit (micro hedge) under the provisions applicable to valuation. In these cases, as a result of the interest rate hedges, it is permitted to waive securities write-downs if these are based on changes in market interest rates; if the issuer's credit quality is sustainably impaired, partial write-downs are made.

Long-term investment securities exclusively comprise issues from international industrial companies (corporate bonds and credit-linked notes), which we purchased intending to hold them up to the final maturity.

Investments in associates/tangible assets

Interests in affiliated companies and enterprises with a participatory interest, as well as in associated enterprises, are carried at amortised cost.

Given start-up losses which are typical for the structure of the leasing business, IKB Immobilien Leasing Group reports negative equity which, pursuant to section 312 of the HGB in conjunction with GAS 8.27, must not be recognised when accounting at equity. We therefore valued our consolidated interest held in IKB Immobilien Leasing Group at € nil, carrying the group's equity forward in an auxiliary ledger.

Tangible assets and leased items are valued at their costs of purchase or historical cost, less scheduled depreciation. In the case of sustained impairment, the assets are subject to unscheduled write-downs. Low-value assets are written off in full during their year of purchase.

Leased assets are depreciated in line with the contractual agreements for the leasing transactions.

Liabilities

Liabilities are carried at their repayment amount. Any difference between the repayment amount and the amount received is carried as prepaid expenses and reversed according to schedule.

Provisions

Provisions for pensions and similar obligations are carried as a liability in accordance with actuarial principles, based on Heubeck's mortality tables and a 6 % rate of interest, and using the cost (German *Teilwert*) method for pension expectancies and the net present value of current pensions.

We form provisions for taxes and uncertain liabilities in the amount in which these are likely to be incurred. We have discounted provisions for anniversary bonus commitments – to the extent needed – in accordance with the tax regulations at 5.5 %.

Derivatives transactions

Derivative transactions (swaps, futures/forwards, options) are pending items and are not subject to a compulsory disclosure requirement on the balance sheet. They are allocated to the banking or trading book when they are concluded, in line with their purpose. To the extent that derivative financial transactions are to be allocated to the trading book, these are valued in line with the principle of imparity and realisation based on their current market values. In order to hedge and manage interest rate and market risks for the banking book, together with financial transactions recognised on the balance sheet, derivative financial transactions implemented are subject to uniform control and evaluation of the risk of interest rate changes. Changes to the market value of these transactions are thus not subject to monitoring on an individual basis.

Currency translation

On and off-balance sheet transactions denominated in foreign currency are translated in accordance with the principles of section 340h of the *HGB*. Fixed assets denominated in foreign currency that are not specifically hedged have been translated at their historic exchange rates at the time of their acquisition.

All other assets, liabilities and other outstanding spot transactions denominated in foreign currency are valued at the reference rate of the European Central Bank (ECB) on the balance sheet date. If foreign exchange forwards are concluded to hedge interest-bearing items on the balance sheet, premiums and discounts on the spot rate are offset against the net interest income on a pro-rata basis. Hedged income or expenses are translated at the contracted forward rate. Since the implementation of Head Office applications in foreign branch offices, interest income and expenditure denominated in foreign currency have been reported on a gross basis as from the 2004/05 financial year.

In the income statement only expenses from currency translation according to section 340h (2) of the *HGB* are taken into account.

Notes on the balance sheet and income statement

Maturities of selected balance sheet items by residual terms

	IKB Group		IKB AG	
€ million	31 Mar 2005	31 Mar 2004	31 Mar 2005	31 Mar 2004
Other loans and advances to banks	**604**	**168**	**6 058**	**6 054**
with a residual term of				
– up to three months	267	45	3 472	3 963
– more than three months to one year	278	28	2 269	1 816
– more than one year up to five years	48	76	119	145
– more than five years	11	19	198	130
Loans and advances to customers	**24 354**	**24 116**	**20 852**	**21 219**
with a residual term of				
– up to three months	3 687	3 969	3 293	3 231
– more than three months to one year	2 627	2 950	2 395	2 560
– more than one year up to five years	11 564	11 028	9 788	9 753
– more than five years	6 476	6 169	5 376	5 675
Liabilities to banks with agreed term or period of notice	**10 664**	**14 123**	**12 640**	**15 871**
with a residual term of				
– up to three months	2 857	5 110	2 974	5 536
– more than three months to one year	1 477	1 893	3 343	3 647
– more than one year up to five years	3 824	3 813	3 817	3 733
– more than five years	2 506	3 307	2 506	2 955
Other liabilities to customers with agreed term or period of notice	**1 912**	**2 176**	**2 164**	**2 124**
with a residual term of				
– up to three months	129	188	93	219
– more than three months to one year	291	131	298	96
– more than one year up to five years	589	866	870	830
– more than five years	903	991	903	979

Of the bonds, notes and other fixed-income securities, € 979 million (2003/2004: € 972 million) in the Group and € 962 million (2003/2004: € 967 million) in IKB Deutsche Industriebank AG will mature in the next financial year. Of the bonds issued carried on the balance sheet under securitised liabilities, € 3.8 billion (2003/2004: € 4.6 billion) are due next year for the Group and for IKB Deutsche Industriebank AG.

Treasury shares

The General Meetings held on 5 September 2003 and 9 September 2004 authorised the bank to acquire its own shares for the purpose of securities trading.

During the 2004/2005 financial year, we purchased a total of 5,214,309 treasury shares at an average price of € 19.36 and sold the same quantity at an average price of € 19.47 per unit share. The net gains from these transactions totaling € 558 thousand are included in the net result from financial operations. The largest amount of treasury shares held on any one day totalled 1.82 % of the share capital with a maximum threshold of 5 %. Our affiliated companies did not engage in the sale or purchase of IKB shares. As at the balance sheet date no treasury shares were held by the bank.

In order to allow our employees to purchase employee shares, we purchased 16,642 unit shares at an average price of € 18.95. 12,019 unit shares were resold to employees of IKB Deutsche Industriebank AG at a preferred price of € 9.57. This preferred price was equivalent to 50 % of the prevailing market price on the award date. A further 4,623 shares were acquired at the same conditions by employees of the Group. The resulting charges in the group totalled € 156 thousand (IKB Deutsche Industriebank AG: € 113 thousand) and are included in personnel expenses.

Statement of changes in fixed assets

	IKB Group						
€ million	Cost of purchase/ historical costs	Additions	Disposals	Depreciation and amortisation accumulated	Depreciation and amortisation financial year	Net book values 31 March 2005	Net book values 31 March 2004
Intangible assets	2.4	1.0	–	0.7	0.6	2.7	2.3
Tangible assets	406.9	19.5	14.1	160.8	23.0	251.5	262.4
Investments	42.0	1.7	2.2	1.9	–	39.6	40.1
Investments in associated companies	5.3	1.7	–	–	–	7.0	5.3
Interests in affiliated companies	32.5	15.1	16.1	–	–	31.5	32.5
Leased assets	3 082.2	531.7	2 140.3	547.1	316.5	926.5	2 230.7
Equities and fixed-income securities	2 309.5	2 109.7	426.8	0.6	0.5	3 991.8	2 309.5

	IKB Deutsche Industriebank AG						
€ million	Cost of purchase/ historical costs	Additions	Disposals	Depreciation and amortisation accumulated	Depreciation and amortisation financial year	Net book values 31 March 2005	Net book values 31 March 2004
Tangible assets	131.6	10.1	26.0	61.2	8.4	54.5	65.3
Investments	2.3	9.8	–	1.4	–	10.7	0.9
Interests in affiliated companies	568.3	10.7	19.5	59.1	–	500.4	509.2
Equities and fixed-income securities	2 276.7	2 104.8	398.9	–	–	3 982.6	2 276.7

Given start-up losses which are typical for the structure of the leasing business, IKB Immobilien Leasing Group reports negative equity which, pursuant to GAS 8.27, must not be recognised when accounting at equity. We therefore valued our consolidated interest held in IKB Immobilien Leasing Group at € nil.

Tangible fixed assets include bonds, notes and other fixed-income securities, plus equities of € 4.0 billion (2003/2004: € 2.3 billion), both for the Group and IKB Deutsche Industriebank AG. These are mostly issues by international industrial companies (corporate bonds and credit-linked notes) which we have acquired as part of our credit business. As we intend to hold these until maturity, we treat these holdings in line with loans. At the balance sheet date, there were net hidden reserves on these securities holdings.

On 31 March 2005, the book value of the Group's land and buildings used by the bank amounted to € 194.7 million, and those of IKB Deutsche Industriebank AG to € 18.1 million. The principal item in the Group was the headquarters building in Dusseldorf.

Operating and office equipment is included under the fixed assets item, and totals € 34.9 million for the Group and € 20.5 million for IKB Deutsche Industriebank AG.

Securities negotiable at a stock exchange

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

	IKB Group			IKB AG		
€ million	Total	listed	not listed	Total	listed	not listed
Bonds, notes and other fixed-income securities	10 517.4	10 444.2	73.2	9 849.0	9 786.8	62.2
Equities and other non-fixed income securities	12.3	12.3	–	0.2	0.2	–
Investments	36.8	36.8	–	–	–	–
Interests in affiliated companies	–	–	–	151.9	–	151.9

Loans and advances, and liabilities to affiliated companies and investments

	IKB Group		IKB AG	
€ million	Affiliated companies	Investments	Affiliated companies	Investments
Loans and advances to banks	–	9.1	6 508.9	8.4
Loans and advances to customers	137.4	37.0	1 200.6	37.0
Liabilities to banks	0.2	5 465.6	2 163.4	5 450.7
Liabilities to customers	0.8	17.5	306.6	–

Trustee business

€ million	IKB Group		IKB AG	
	31 Mar 2005	31 Mar 2004	31 Mar 2005	31 Mar 2004
Loans and advances to customers	3.2	3.6	3.2	3.6
Investments	0.8	1.4	0.8	1.4
Trust assets	**4.0**	**5.0**	**4.0**	**5.0**
Liabilities to customers	4.0	5.0	4.0	5.0
Trust liabilities	**4.0**	**5.0**	**4.0**	**5.0**

Subordinated assets

Subordinated assets are included in the following balance sheet asset items:

€ million	IKB Group	IKB AG
Loans and advances to banks	–	100.0
Loans and advances to customers	175.5	17.4
Equities and other non-fixed income securities	9.2	–
Interests in affiliated companies	–	71.6

Foreign currency assets and liabilities

The following table shows currency amounts translated into euros. The differences between assets and liabilities are mostly covered by currency hedging transactions.

€ million	IKB Group		IKB AG	
	31 Mar 2005	31 Mar 2004	31 Mar 2005	31 Mar 2004
Assets	4 232	4 680	4 288	4 745
Liabilities	4 632	2 804	4 247	3 156

Other assets and other liabilities

For both the Group and IKB Deutsche Industriebank AG, the largest single item in Other assets constitutes proportionate interest from interest rate swaps and cross-currency-swaps totalling € 404 million in the Group and € 384 million in the single-entity financial statements. In addition, this item is also used to disclose the equity interests held by IKB Private Equity GmbH (Group: € 127 million). Tax refund claims were recognised in the amount of € 40 million for the Group, and € 28 million for IKB Deutsche Industriebank AG. The remaining amount disclosed on both the consolidated and single-entity balance sheets under this item mostly relates to payment receivables and trade accounts receivable.

In both the consolidated and single-entity financial statements, the amounts distributed on profit-participation certificates (*Genussscheine*) for 2004/2005 (€ 38 million) and the pro rata interest for subordinated liabilities and silent partnership contributions (consolidated: € 62 million; single-entity: € 64 million) are carried under Other liabilities. At € 276 million (Group) and € 233 million (IKB Deutsche Industriebank AG), pro rata interest on interest rate swaps accounted for the largest single item of Other liabilities. The remaining amount disclosed on both the consolidated and single-entity balance sheets under this item mostly relates to trade liabilities.

Deferred items

Consolidated prepaid expenses include € 80 million (single-entity: € 77 million) in differences pursuant to section 250 (3) of the *HGB* and section 340e (2) sentence 3 of the *HGB* (discounts from liabilities carried at their nominal value).

Consolidated deferred income include € 58 million (single-entity: € 55 million) in differences pursuant to section 250 (2) of the *HGB* and section 340e (2) sentence 2 of the *HGB* (discounts from loans and advances carried at their nominal value).

Subordinated liabilities

Subordinated liabilities are eligible as equity within the meaning of the German Banking Act (*Kreditwesengesetz – KWG*) and thus qualify as liable capital. There is no early repayment commitment. In the event of bankruptcy proceedings or liquidation, they may not be redeemed until all unsubordinated creditors have been satisfied.

Subordinated liabilities total € 1.2 billion in the consolidated statements and € 1.6 billion in the single-entity statements. Interest expenses during the financial year in this regard totalled € 58.9 million in the consolidated statements (2003/2004: € 50.6 million) and € 83.1 million in the single entity statements (2003/2004: € 61.4 million).

Individual items which exceed 10 % of the total amount:

Year of issue	Book value € million	Issue currency	Interest rate %	Due date for redemption
2004/2005	400.0	€	6.41	29.07.2033
2003/2004	300.0	€	4.50	09.07.2013

Profit-participation certificates

Profit-participation certificates totalling € 592.6 million meet the requirements set out in section 10 (5) of the KWG in the amount of € 406.2 million and thus qualify for inclusion in the bank's liable capital. The total amount of these certificates may be used to cover losses. Interest payments are made solely on the basis of any net retained profits. The redemption rights of the profit-participation certificate holders are subordinated to the entitlements of other creditors.

The profit-participation certificates are broken down as follows:

Year of issue	Book value € million	Issue currency	Interest rate %	Due date for redemption
1993/94	92.0	DM	7.30	31.03.2005
1994/95	92.0	DM	6.45	31.03.2006
1995/96	81.8	DM	8.40	31.03.2007
1997/98	102.3	DM	7.05	31.03.2009
1999/00	20.0	€	7.23	31.03.2010
2001/02	100.0	€	6.50	31.03.2012
2001/02	74.5	€	6.55	31.03.2012
2004/05	30.0	€	4.50	31.03.2015
	592.6			

Interest payments for the profit-participation certificates for the 2004/2005 financial year were incurred in the amount of € 39.7 million (2003/2004: € 41.2 million). This is carried under interest expenses.

The Board of Managing Directors is authorised to issue profit-participation certificates – also with embedded conversion or option rights – on one or several occasions until 30 August 2007 with a total nominal amount of up to € 300 million and with a maximum maturity of 15 years. This authority was exercised during the 2004/2005 financial year, with a € 30 million issue. Conversion and option rights can be granted to the bearers of these profit-participation certificates with an interest in the share capital of up to € 22.5 million. No use has been made of this authorisation to date.

Changes in capitalisation

Shareholders' equity

Subscribed share capital amounted to € 225,280,000.00 on the balance sheet date and comprises 88,000,000 notional no-par value bearer shares ("bearer unit shares").

There is conditional capital totalling € 22.5 million to grant conversion or option rights to the bearers of convertible bonds and bonds with warrants, with an aggregate nominal value of € 300 million to be issued by 8 September 2009. Furthermore, authorised capital totalling € 76.8 million was authorised. This authorisation is limited to 30 August 2007.

None of these authorisations has been exercised to date.

Hybrid capital

At 31 March 2005, hybrid tier 1 capital in the Group amounted to € 1,045 million (2003/2004: € 820 million) and to € 400 million in IKB Deutsche Industriebank AG (2003/2004: € 400 million). This capital complies with the requirements of section 10 (4) of the *KWG* and is therefore attributed to our tier 1 capital for regulatory purposes.

Hybrid capital instruments comprise issues in the form of silent participations or preferred securities, the latter being issued by two US subsidiaries formed exclusively for this purpose. In contrast to preferred shares pursuant to German company law, the preferred securities under US law do not grant any share in the liquidation proceeds of the issuing entities. In contrast to tier 2 capital these instruments are subject to stricter maturity requirements. In the case of silent participations – basically issued as perpetuals – only the issuer is allowed to terminate the contract after 10 years at the earliest; in the case of preferred securities an unlimited maturity for the investor is agreed.

Moreover, in the case of insolvency hybrid capital instruments are subordinated to all subordinated liabilities and profit-participation certificate issues.

Interest expenses for hybrid capital amounted to € 52 million (2003/2004: € 40 million) in the consolidated statements and € 30 million in the single-entity statement (2003/2004: € 17 million).

Consolidated net retained profit

Consolidated net retained profit is disclosed in the consolidated financial statements in the amount of the total dividends intended for disbursement. The additions made to revenue reserves in the financial statements of the companies included in consolidation will not be included in the appropriation of profits in the consolidated income statement. The addition to the consolidated reserves results from the consolidated net income less or plus the profits or losses due to minority interests and less the intended total dividend distribution.

Changes in consolidated equity € million	Balance as at 31 Mar 2004	Issue/ return of interests	Dividends paid	Changes to the group of consolidated companies	Other changes: Net income	Other changes: other consolidated earnings	Balance as at 31 Mar 2005
Parent company							
Share capital	225.3						225.3
Hybrid capital	820.0	225.0	0.0	0.0	0.0	0.0	1 045.0
Silent partnership contributions	570.0						570.0
Preferred shares	250.0	225.0					475.0
Capital reserves	567.4						567.4
Consolidated equity generated	421.6	0.0	–70.4	27.9	142.6	0.0	521.7
Legal reserves	2.4						2.4
Other revenue reserves	348.8			27.9	72.2		448.9
Consolidated profit	70.4		–70.4		70.4		70.4
Accumulated other consolidated earnings	0.0						0.0
Equity	2 034.3	225.0	–70.4	27.9	142.6	0.0	2 359.4
Minority shareholders							
Equity	–2.4	0.0	0.0	2.5	0.0	0.0	0.1
Consolidated equity	**2 031.9**	**225.0**	**–70.4**	**30.4**	**142.6**	**0.0**	**2 359.5**

Statement of changes in IKB Deutsche Industriebank AG's equity

€ million	2005	2004
Balance at 1 April of previous year	1 638.9	1 407.7
Disbursement of distributable profit from previous year	–70.4	–67.8
Appropriation to other revenue reserves from net income	54.7	28.6
Addition to hybrid capital	0.0	200.0
Distributable profit as at 31 March	70.4	70.4
Balance at 31 March	**1 693.6**	**1 638.9**

Regulatory indicators

The risk-weighted assets (in € million), as well as capital ratios in the Group (including the capital ratio according to the German Banking Act), are broken down as follows on the balance sheet date:

Attributable amounts in %	100	50	20	10	31 Mar 2005 Total € million	31 Mar 2004 Total € million
Balance-sheet transactions	24 567	2	305	500	25 374	23 138
Off-balance sheet transactions	2 354	981	4		3 339	2 698
Derivative transactions in the banking book		78	212		290	479
Total risk-weighted assets	**26 921**	**1 061**	**521**	**500**	**29 003**	**26 315**
Amount attributable for market risk					325	313
Aggregate items for mandatory inclusion					**29 328**	**26 628**
Liable capital [1)]					3 828	3 411
Capital elegible for inclusion [1)]					3 828	3 411
Tier 1 capital ratio (in %)					8.0	7.4
Capital ratio (in %)					13.1	12.8

[1)] After adaption of the annual financial statements

Contingent liabilities and other commitments

Contingent liabilities (31 March 2005)

€ million	IKB Group	IKB AG
Guarantees, indemnity agreements, other	2 278	4 944
Assumptions of liability	209	209
Total	**2 487**	**5 153**

Other commitments (31 March 2005)

€ million	IKB Group	IKB AG
Loan commitments up to one year	7 797	7 756
Loan commitments more than one year	1 502	1 195
Total	**9 299**	**8 951**

At the balance sheet date our Contingent liabilities also comprise credit default swaps (where IKB has assumed the position of protection seller) within the item Guarantees and indemnity agreements amounting to € 1.3 billion (2003/2004: € 1.1 billion). As seller of protection we have assumed the risk of counterparty default for certain credit portfolios, given the occurrence of pre-defined credit events. More than two-thirds of the individual portfolios are rated in the best rating classes Aaa to A by the independent external rating agency Moody's.

The item Other commitments comprises 19 loan commitments to special entities for a total of € 7.0 billion, which only take effect in the case of short-term liquidity bottlenecks.

Notes to the cash flow statement

The cash flow statement complies with the accounting requirements of the German Accounting Standards Committee (as defined in GAS 2-10) and shows the balance as well as the changes of the Group's cash and cash equivalents.

Changes to the cash and cash equivalents are broken down in line with their cause into operating activities, investment activities, and financing activities. The cash flow from investment activities primarily comprises revenues from the sale and payments for the purchase of financial assets and tangible fixed assets. The cash flow from financing activities includes all cash flows from transactions relating to equity and hybrid capital instruments as well as subordinated equity and profit-participation certificates. In accordance with international practice for banks, all other cash flows are assigned to operating activities.

The balance of cash and cash equivalents corresponds to the balance sheet item Cash reserve, and primarily contains balances held with central banks and cash in hand.

Cash flow statement € million	**2004/2005**	2003/2004
Consolidated net income for the year	**143**	**105**
Non-cash items in net income and reconciliation to the cash flow from operating activities		
Direct write-downs, additions to/reversal of loan loss provisions, additions to/reversal of provisions for lending business	296	293
Depreciation/amortisation of tangible fixed assets, leased assets and financial assets	340	366
Minority interest income/losses on balance	–	2
Changes in other non-cash items (mostly changes in provisions and in the result from securities)	115	34
Earnings from the disposal of financial assets and tangible fixed assets	–24	–
Other adjustments (predominantly reclassification of interest paid and received incl. earnings from leasing transactions and income taxes paid)	–799	–809
Subtotal	**71**	**–9**
Changes in assets and liabilities from operating activities after adjustment for non-cash items		
Loans and advances		
to banks	–148	954
to customers	379	495
Bonds, notes and other fixed-income securities	–2 309	–2 290
Equities and other non-fixed income securities	63	–50
Leased assets	–239	–466
Proceeds from sale	293	172
Payments for acquisition	–532	–638
Other assets from operating activities	–344	62
Liabilities		
to banks	–2 680	–872
to customers	–238	216
Securitised liabilities	4 180	1 034
Other liabilities from operating activities	221	–167
Received interest and dividends	4 034	3 188
Interest paid	–3 373	–2 385
Income tax payments	–30	–108
Cash flow from operating activities	**–413**	**–398**
Proceeds from the sale of		
financial assets	22	–
tangible assets	3	1
Payments for the acquisition of		
financial assets	–17	–33
tangible assets	–20	–43
Impact of the sale of associated companies	–	–
Impact of changes to the group of consolidated companies	116	3
Cash flow from investing activities	**104**	**–72**
Dividends paid	–70	–68
Changes in funds from other financing activities on balance (revenue reserves, minority interest etc.)	378	545
Cash flow from financing activities	**308**	**477**
Cash and cash equivalents at end of previous period	**34**	**27**
Cash flow from operating activities	–413	–398
Cash flow from investing activities	104	–72
Cash flow from financing activities	308	477
Cash and cash equivalents at the end of period	**33**	**34**

Other information

Other financial commitments

On the balance sheet date, funding commitments from shares, interests in German limited liability companies (GmbHs), and interests in associated companies which have not been fully paid up, as well as shares held by IKB Private Equity and the subordinate loans totalled € 43 million in the consolidated statements, and € 1,3 thousand for IKB Deutsche Industriebank AG.

The bank has a pro rata additional funding obligation to Liquiditäts-Konsortialbank GmbH, Frankfurt/Main, Germany. In addition, we bear a proportional contingent liability for fulfilling the funding obligations of other partners in the Association of German Banks (Bundesverband deutscher Banken e.V.). In addition, pursuant to section 5 (10) of the Statutes for the Joint Fund for Securing Customer Deposits (*Statut für den Einlagensicherungsfonds*), the bank has committed itself to indemnify the Association of German Banks from any losses arising due to measures in favour of banks in which it owns a majority interest.

IKB Leasing GmbH, Hamburg, has commitments from sale and leaseback transactions totalling € 33 million. The commitments are offset with corresponding claims against lessees.

Letters of comfort

In accordance with sections 285 No. 11 and 313 (2) of the *HGB*, IKB ensures, excluding political risk, that entities carried in the list of investments of IKB Deutsche Industriebank AG and marked as being covered by the letter of comfort, will be able to meet their contractual liabilities.

IKB Leasing GmbH, Hamburg, has issued letters of comfort to Commerzbank Rt., Budapest, on behalf of the subsidiaries IKB Finanz Leasing AG, Budapest, and IKB Leasing Hungaria GmbH, Budapest. In addition there are letters of comfort for IKB Leasing CR, Prague, and IKB Leasing Polska GmbH, Poznan, as collateral for credit lines with Commerzbank AG, Prague branch, and with Bre Bank Spolka Akcyjna, Warsaw. These letters of comfort are each limited to a specified amount.

Since IKB Immobilien Leasing GmbH is no longer wholly-owned by IKB Deutsche Industriebank AG, IKB's letter of comfort is no longer applicable.

Collateral for own liabilities

The Group and IKB Deutsche Industriebank AG have assigned assets and pledged collateral totalling € 5,631 million for the liabilities listed below.

€ million	
Liabilities to banks	5 603
Liabilities to customers	28
Total	**5 631**

We provide collateral above all for loans issued by Kreditanstalt für Wiederaufbau and other development banks. These institutes have linked the issue of loans to the provision of collateral.

Assets pledged as collateral for own liabilities

(Information as defined in section 35 (5) of the RechKredV)

Fixed-income securities totalling € 5.1 billion have been pledged with Deutsche Bundesbank as collateral for the European Central Bank's repurchase agreement process (collateral pool). On the balance sheet date, credit facilities totalling € 2.2 billion had been drawn upon.

We have provided cash collateral with the following banks in connection with credit derivative transactions:

- JP Morgan Chase Bank, London — € 290 million
- Wachovia Bank N.A., Charlotte/California — € 250 million

We have pledged the following cash collateral for interest-rate derivatives as part of collateral management:

- Citibank N.A., New York — € 5 million
- Credit Suisse First Boston Int'l., London — € 9 million
- Dresdner Bank AG, Frankfurt — € 43 million
- Hypo- und Vereinsbank AG, Munich — € 21 million
- JP Morgan Chase Bank N.A., New York — € 34 million
- Royal Bank of Scotland, Edinburgh — € 16 million
- UBS Ltd., London — € 13 million
- WestLB AG, Dusseldorf — € 8 million.

Securities with a market value of € 3.5 million have been pledged with Clearstream Banking AG, Frankfurt to uphold payment commitments for securities transactions. As part of futures trading at Eurex Deutschland, securities with a nominal value of € 5 million have been pledged with BHF-BANK AG, Frankfurt, to cover margin requirements. A security with a market value of € 6.9 million has been deposited as collateral with Clearstream Banking, Luxembourg, for securities trading in Luxembourg.

In addition, securities with a nominal value of USD 67 million were pledged with WestLB AG, London branch, as collateral within the scope of an issue.

Forward transactions/market value of derivatives/interest rate risks

The IKB Group and IKB Deutsche Industriebank AG engage in forward transactions (swaps, forward rate agreements, and futures), these are predominantly used to hedge interest rate risks. Trading in these instruments is limited. The bank's interest rate risk exposure is restricted by a limit system adopted by the Board of Managing Directors, and is constantly monitored by our Risk Management unit. In addition, counterparty limits apply to the volume of forward and derivative transactions.

Interest rate risks predominantly relate to the loan refinancing portfolio, the liquidity reserve, and investments of the bank's equity.

The loan refinancing portfolio is used to manage interest rate risk exposure on loans granted, and on the corresponding refinancing. For this purpose, the (predominantly) long-term loans are largely refinanced on a matched-maturity basis. Derivatives are used to neutralise or reduce maturity mismatches, and interest rate or currency risks.

The liquidity reserve and equity investments largely comprises liquid securities, most of which are eligible as collateral for transactions with ECB (such as repo tenders). The portfolio comprises almost exclusively floating-rate notes, which offer price stability due to regular coupon resets. Derivatives are used to optimise the interest return on these FRNs, with the objective of achieving maximum stability in the interest income on own funds invested.

Market values of derivatives	IKB AG			IKB Group		
€ million	Nominal amount	Positive market value	Negative market value	Nominal amount	Positive market value	Negative market value
1. Interest-based transactions/loan derivatives						
OTC products						
Forward rate agreements	100	0	0	100	0	0
Swaps (same currency)	24 186	576	679	27 005	568	819
Interest rate options (Caps, Collars, Floors, Swaptions)	652	0	73	814	0	73
Forward bonds	146	2	0	216	2	0
2. Currency-based transactions						
OTC products						
Foreign exchange forwards	978	2	1	1 132	6	3
Cross-currency swaps	3 489	68	122	3 535	70	126
Currency options	95	0	1	95	0	1
3. Equity/index-based transactions						
Exchange-traded products						
Equity options	0	1	0	0	1	0
Total	**29 646**	**649**	**876**	**32 897**	**647**	**1 022**

Negative market values are incurred on interest rate derivatives in the loan refinancing portfolio where the bank is a net interest payer, and the market level of interest rates has fallen between the trade date and the balance sheet date (as the bank would otherwise have been able to enter into a similar transaction on the balance sheet date, at more favourable terms). Negative market values in the bank's own investments are incurred in a similar way, however, these derivatives are used to hedge interest income rather than expenditure. As explained above, these derivatives are generally used to manage interest rate risks. Expenditure incurred on the derivatives are balanced by income from loans and fixed-income securities, in a similar amount. Hence, negative market values of derivatives are offset by positive valuation results on fixed-rate loans and fixed-income securities, in approximately the same amount. Given the bank's intention to hold the derivatives until maturity, such negative market values are not recognised in income.

Positive or negative market values are calculated on the basis of stock exchange prices. Where no stock exchange prices are available, fair values are determined using the discounted cash flow method, based on a comparison with similar market transactions, or using other valuation models. The discounted cash flow method is based on estimated future cash flows and corresponding discount rates. The valuation models include parameters such as yield curve data, time values and volatility factors. Reported market values are inclusive of accrued interest to be amortised (Group: € 120 million / IKB Deutsche Industriebank AG: € 153 million), in line with market practice.

Segment reporting

Segment reporting is based on the internal divisional accounting system, which is focused on financial control, and forms part of IKB's management information system. This approach corresponds to the recommendations for banks of the German Accounting Standards Committee (*Deutsches Rechnungslegungs Standards Committee e.V. – DRSC*).

Segment reporting is geared towards the bank's divisions. These divisions operate on the market as independent units. Segment information is presented to show the divisions as independent enterprises responsible for their own earnings and costs, and with their own capital resources. The operating divisions are:

- Corporate Lending (CL);
- Real Estate Finance (REF);
- Structured Finance (SF);
- Private Equity (PE);
- Leasing; and
- Securitisation.

The Leasing segment comprises the activities of our equipment leasing subsidiaries (IKB Leasing GmbH, IKB Leasing Berlin GmbH, and IKB Autoleasing GmbH). In the previous financial year, the Leasing segment comprised the business activities of IKB Immobilien Leasing. Following the disposal of a 50 % stake, these were no longer included.

Results shown for the Securitisation segment comprise the earnings resulting from the bank's activities in the fields of investments in international loan portfolios, advisory services to special investment funds and the securitisation and outplacement of credit risks.

Segment Report

in € million
Net interest income
Net commission income
Net interest and commission income
Administrative expenses
Personnel expenses
Other administrative expenses
Other operating income/expenses*)
Risk provisioning balance
Addition to reserves for general banking risks (section 340f *HGB*)
Result from ordinary activities
∅ Allocated tier 1 capital
Loan volume at 31 March**)
Cost/income ratio in %
Return on equity in %
∅ Number of staff
New business volume

The figures of the Private Equity Division correspond with the disclosure under commercial law of the sub-group IKB Private Equity. Income and expenses are assigned to the other divisions in accordance with their respective responsibility. Net interest income from lending is calculated using the market interest method; it also comprises the investment income from economic capital. This investment income is allocated to the respective divisions in line with the average risk assets (in line with the capital ratio in accordance with the *KWG*). In doing so a 4.8 % tier 1 capital ratio based on the risk-weighted assets is allocated to the divisions. The disclosure of the average allocated negative tier 1 capital in the Securitisation segment results from capital relief caused by CLO transactions including the offsetting against tier 1 capital used for investments in international loan portfolios. Whenever they could be assigned to the divisions responsible, head office personnel and material costs were allocated to the divisions. Project costs are allocated to the divisions to the extent that the projects were directly attributable to them.

The allocation of loan exposure risk costs to the divisions is in line with standard risk costs methodology. The risk costs of the head office result from the difference between the standard risk costs calculated for the segments and net loan loss provisions as reported in the consolidated income statement.

Each segment's earnings are shown using the result from ordinary activities for the individual division. In addition, we measure the results recorded by the divisions using their return on equity and cost/income ratio. The return on equity is the ratio of the result from ordinary activities to the average assigned tier 1 capital. The cost/income ratio is the ratio of administrative expenses to income.

by Divisions 2004/2005

Corporate Lending		Real Estate Finance		Structured Finance		Private Equity		Leasing		Securitisation		Head Office/ Consolidation		Total	
1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04	1.4.04 – 31.3.05	1.4.03 – 31.3.04
231.0	230.5	86.4	84.0	101.7	99.3	8.9	10.1	37.4	44.6	41.9	29.3	21.8	27.6	529.1	525.4
10.6	6.4	8.7	9.3	15.6	15.5	–0.4	–0.3	–1.2	–4.7	62.7	58.4	–1.6	0.1	94.4	84.7
241.6	236.9	95.1	93.3	117.3	114.8	8.5	9.8	36.2	39.9	104.6	87.7	20.2	27.7	623.5	610.1
69.4	67.1	28.5	25.8	35.8	32.9	6.1	6.7	19.4	26.9	10.5	8.8	76.0	64.0	245.7	232.2
50.3	*50.3*	*19.0*	*18.1*	*23.9*	*22.2*	*3.9*	*4.6*	*12.4*	*17.5*	*4.4*	*3.4*	*36.4*	*30.7*	*150.3*	*146.8*
19.1	*16.8*	*9.5*	*7.7*	*11.9*	*10.7*	*2.2*	*2.1*	*7.0*	*9.4*	*6.1*	*5.4*	*39.6*	*33.3*	*95.4*	*85.4*
0.0	0.0	0.0	0.0	2.3	0.3	10.4	0.5	2.5	13.7	2.0	0.0	60.3	–0.1	77.5	14.4
52.8	59.1	23.7	24.9	14.1	15.8	7.2	3.3	2.1	3.1	6.0	3.2	97.9	102.3	203.8	211.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	50.0	0.0
119.4	110.7	42.9	42.6	69.7	66.4	5.6	0.3	17.2	23.6	90.1	75.7	–143.4	–138.7	201.5	180.6
590	606	237	232	192	175	70	70	50	51	–38	–107	100	128	1 201	1 155
15 036	15 467	5 438	5 509	4 343	3 833	304	265	1 126	2 418	5 142	3 216	1 159	494	32 548	31 202
28.7	28.3	30.0	27.7	29.9	28.6	32.3	65.0	50.1	50.2	9.8	10.0			37.1	37.2
20.2	18.3	18.1	18.4	36.3	37.9	8.0	0.4	34.4	46.3	–	–			16.8	15.6
293	296	128	128	131	130	38	43	87	127	15	14	746	731	1 438	1 469
2 873	3 118	752	792	2 264	1 601	100	97	491	960	2 173	1 327	185	303	8 838	8 198

*) incl. net result from financial operations

**) incl. corporate bonds/credit linked notes

Segment report by geographic regions

€ million	Germany 1.4.04 – 31.3.05	Germany 1.4.03 – 31.3.04	Other Europe 1.4.04 – 31.3.05	Other Europe 1.4.03 – 31.3.04	America 1.4.04 – 31.3.05	America 1.4.03 – 31.3.04	Head Office/ Consolidation 1.4.04 – 31.3.05	Head Office/ Consolidation 1.4.03 – 31.3.04	Total 1.4.04 – 31.3.05	Total 1.4.03 – 31.3.04
Net interest income	367.1	346.6	129.3	136.6	10.9	14.6	21.8	27.6	529.1	525.4
Net commission income	82.8	75.9	13.1	9.0	0.1	–0.3	–1.6	0.1	94.4	84.7
Net interest and commission income	449.9	422.5	142.4	145.6	11.0	14.3	20.2	27.7	623.5	610.1
Administrative expenses	150.5	150.8	15.7	14.0	3.5	3.4	76.0	64.0	245.7	232.2
Other operating income/expenses*)	12.5	14.0	4.5	0.2	0.2	0.3	60.3	–0.1	77.5	14.4
Risk provisioning balance	75.8	77.4	28.5	31.0	1.6	1.0	97.9	102.3	203.8	211.7
Addition to reserves for general banking risks (section 340f of *HGB*)	–	–	–	–	–	–	50.0	–	50.0	–
Result from ordinary activities	**236.1**	**208.3**	**102.7**	**100.8**	**6.1**	**10.2**	**–143.4**	**–138.7**	**201.5**	**180.6**

*) incl. net result from financial operations

We allocate the segments to geographic regions according to the respective location of our offices or Group companies.

This presentation simultaneously fulfills the requirements of EU Bank Accounts Directive, which calls for a regional breakdown of income items.

Additions to/reversals of loan loss provisions in the Group

€ million	IKB Group 2004/2005	IKB Group 2003/2004
Additions to specific loan loss provisions Direct write-downs less recoveries on loans previously written off	305	308
Addition to general loan loss provisions	5	4
Reversal of loan loss provisions	17	28
Net loan loss provisions	**293**	**284**
Result from securities held as liquidity reserve	89	72
Risk provisioning balance	**204**	**212**

In addition, we transferred € 50 million to general risk provisions pursuant to section 340f of the *HGB*.

Group loan loss provisions

€ million	IKB Group: Balance as at 1 April 2004	Utilisation	Amounts released	Additions*)	Balance as at 31 Mar 2005
Specific loan loss provisions/ provisions for lending business	958	258	17	299	982
General loan loss provisions	47	–	–	5	52
Total loan loss provisions	1 005	258	17	304	1 034
Reserves for general banking risks under section 340f of the German Commercial Code (*HGB*)	–	–	–	50	50
Total risk provisions	**1 005**	**258**	**17**	**354**	**1 084**

*) incl. deconsolidation

Management services

We provide management services for lending and custodial accounts, in particular for guarantees. The income from these services is included under commission income.

Remuneration of executive bodies and advisors

2004/2005	IKB Group € thousand		IKB AG € thousand	
		Total		Total
Chairman of the Board of Managing Directors				
Dr. Alexander v. Tippelskirch (from 1.4. to 9.9.2004)				
Fixed remuneration	330		285	
Variable remuneration	350	680	350	635
Stefan Ortseifen (from 9.9.2004 to 31.3.2005)				
Fixed remuneration	298		282	
Variable remuneration	500	798	500	782
Other members of the Board of Managing Directors				
Fixed remuneration	1 749		1 615	
Variable remuneration	2 650	4 399	2 650	4 265
Chairman of the Supervisory Board				
Fixed remuneration	8		8	
Variable remuneration	72	80	72	80
Other members of the Supervisory Board				
Fixed remuneration	93		93	
Variable remuneration	753	846	753	846
Travel expenses/VAT of the members of the Supervisory Board		138		138
Members of the Advisory Board (including VAT)		344		344
Former members of the Board of Managing Directors and their surviving dependants		2 599		2 599

€ 25.7 million has been set aside as provisions for pension liabilities to former members of the Board of Managing Directors and their surviving dependants.

Main components of the compensation system

Remuneration of the Board of Managing Directors

The members of the Board of Managing Directors currently receive remuneration comprising

- fixed annual basic remuneration, which is paid in monthly instalments; and
- variable remuneration components (which constituted approx. 60 % of total compensation during the financial year under review).

The amount of the variable remuneration is determined by a target agreement system: for the 2004/2005 financial year, this included targets that depend on the success of the company (65 %) and individual targets (35 %). The targets depending on the success of the company relate to the result from ordinary activities, the cost/income ratio and the return on equity. The individual targets include divisional, function and project-related targets. The first step in this process is to determine a target bonus. The bonuses earned are then determined according to the extent to which the targets have been reached, with the minimum bonus being 30 % of the target and the maximum amount being twice the amount of the target bonus. The variable remuneration components are determined each year after the single-entity and consolidated financial statements are available. In this connection, a review is also conducted to ensure that the respective total remuneration is reasonable in view of the annual results. Any remuneration from offices held within the Group is taken into account for this purpose. The bank does not offer any stock option plans or similar schemes.

In accordance with the recommendations of the German Corporate Governance Code, the Board of Managing Directors' total remuneration thus comprises fixed and variable components including Group remuneration. The criteria for the amount of remuneration are, in particular, the tasks of the respective member of the Board of Managing Directors, their personal performance, the performance of the Board of Managing Directors as a whole as well as the economic situation, the performance and outlook of the enterprise, taking into account its peer companies. The bonus system is risk-based, as it does not constitute guaranteed remuneration. As a rule it is not possible to change the agreed performance targets retroactively.

Decisions regarding the compensation of the Board of Managing Directors are taken by the Executive Committee of the Supervisory Board. The Supervisory Board last discussed the compensation system for the Board of Managing Directors during its meeting held on 15 February 2005.

Remuneration of the Supervisory Board

The compensation of the Supervisory Board is specified in the Memorandum and Articles of Association of IKB. Accordingly, the members of the Supervisory Board receive reimbursement of their cash outlays and the VAT incurred on their remuneration, as well as fixed remuneration per financial year. This fixed annual remuneration totals € 4,000 for each individual member, twice this amount for the Chairman and one and a half times this amount for each Deputy Chairman. In addition, each member of the Supervisory Board receives remuneration based on the company's earnings. This variable component totals € 15,000 for each cent of the dividend per share in excess of € 0.25 per share. The resulting total amount of the variable compensation (€ 825,000) is distributed using the same system as the fixed remuneration. The member of the Finance and Audit Committee who is not a member of the Executive Committee receives additional fixed remuneration totalling € 10,000 per financial year. Remuneration is paid on a pro rata basis if members join or leave the Supervisory Board during the current year.

Loans to members of executive bodies, and of the Advisory Board (pursuant to section 285 (9) of the HGB)

Loans to members of executive bodies, and of the Advisory Board were granted in an aggregate amount of € 1.7 million.

Average number of employees for the financial year

(based on full-time employees)	IKB Group		IKB AG	
	2004/2005	2003/2004	2004/2005	2003/2004
Male	884	892	637	636
Female	554	577	397	397
Total	**1 438**	**1 469**	**1 034**	**1 033**

The lower staff numbers in the IKB Group were due to the deconsolidation of the IKB Immobilien Leasing Group (refer to the section on the "Group of consolidated companies").

Corporate Governance

Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 of the AktG

On 1 July 2004, the Board of Managing Directors and the Supervisory Board issued the annual Declaration of Compliance within the meaning of section 161 of the AktG and published this permanently on the company's website.

Directors' Dealings within the meaning of section 15a of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*)

No transactions were reported in the reporting period.

As at 31 March 2005 there were no shareholdings with a reporting requirement within the meaning of Section 6.6 (2) sentences 2 and 3 of the German Corporate Governance Code.

Related Party Disclosures

In line with GAS 11 and section 285 (9) of the *HGB*, we also disclose our relationships with related parties.

The following shareholders hold larger interests in IKB Deutsche Industriebank AG (IKB):

- KfW Beteiligungsholding GmbH 37.8 %
- Stiftung zur Förderung der Forschung für die gewerbliche Wirtschaft 11.7 %.

The remaining shares are held in free float.

KfW Beteiligungsholding GmbH is a wholly-owned subsidiary of Kreditanstalt für Wiederaufbau (KfW). KfW is a corporation under public law, in which the Federal Republic of Germany (German Government) holds an 80 % interest, and the Federal States hold a 20 % interest. According to section 12 (1) sentence 1 of the Act on the Kreditanstalt für Wiederaufbau (Gesetz über die Kreditanstalt für Wiederaufbau), KfW is subject to supervision by the Federal Government.

With regard to the presence of voting capital at IKB's General Meetings, KfW held the majority of voting rights at the last two years' General Meetings, with more than 50 % of votes.

The German Government can exercise a controlling influence over KfW. The Federal Government holds an 80 % interest in KfW. In addition, it has a significant influence on the composition of the KfW's Board of Supervisory Directors (*Verwaltungsrat*). The shares of IKB held by KfW are thus deemed to belong to the Federal Government within the meaning of section 16 (4) of the AktG. As a result, IKB is dependent on the Federal Government.

IKB has prepared a subordinate status report within the meaning of section 312 of the AktG, which was audited in accordance with section 313 of the AktG; however, this report is not published.

The following table offers an overview of such relationships for loans and advances to customers:

Parties	Lending volume (amount drawn or amount of commitment) € thousand 31 Mar 2005	31 Mar 2004	Average remaining term years 31 Mar 2005	31 Mar 2004	Average interest rate % 31 Mar 2005	31 Mar 2004
Board of Managing Directors	–	–				
Executive staff	76	80	9.4	7.3	4.6	4.6
Employee representatives on the Supervisory Board	57	91	5.8	6.8	4.0	4.4
Shareholder representatives on the Supervisory Board	900	1 100	3.3	4.2	3.7	3.7
Companies controlled by shareholders' representatives	137 359	71 898	6.5	2.8	4.6	6.5
Total	**138 392**	**73 169**	**6.5**	**2.8**	**4.6**	**6.5**

All of these loans were granted at terms in line with prevailing market conditions and based on IKB's standard principles of business, and are secured with land rights and other collateral. These loans represent 0.4 % (2003/2004: 0.3 %) of the Group's total loan volume.

The following table illustrates other business relationships (excluding loans and advances to customers), which were also entered into at prevailing market conditions.

Parties	Transaction type	Volume € thousand 31 Mar 2005	31 Mar 2004	Average remaining term years 31 Mar 2005	31 Mar 2004	Average interest rate % 31 Mar 2005	31 Mar 2004
Companies controlled by shareholders' representatives	Securities holding by IKB	26 900	15 000	4.1	4.4	6.0	4.4
Companies controlled by shareholders' representatives	Interest swaps	1 000	–	2.6	–	pays variable: EURIBOR3M receives fix: 3.68	–

Executive Bodies (updated: 31 March 2005)

The following list of members of the Supervisory Board and Board of Managing Directors shows:

a) their membership in other statutory Supervisory Boards; and

b) similar offices held in comparable governing bodies of German and foreign companies.

Supervisory Board

Chairman

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

E.ON AG

a) E.ON AG (Chairman)
Deutsche Bank AG
Deutsche Lufthansa AG
Hochtief AG
Münchener Rückversicherungs-Gesellschaft AG

b) Henkel KGaA
Arcelor S. A.

Deputy Chairman

Herbert Hansmeyer, Munich
(from 7 June 2004 to 9 Sep 2004)
Member of the Management Board (rt'd.)
Allianz Aktiengesellschaft

Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin
(until 10 May 2004)
President of Wissenschaftsgemeinschaft
Gottfried Wilhelm Leibniz e.V.

a) Bayer AG
Continental AG
DaimlerChrysler Aerospace AG
SMS AG

b) Brambles Industries Ltd.
Orange S.A.
Ringier AG

Hans W. Reich, Frankfurt (Main)
Chairman of the Board of Managing
Directors of KfW Banking Group

a) Aareal Bank AG (Chairman)
Deutsche Post AG
Deutsche Telekom AG
HUK-COBURG Haftpflicht-Unterstützungs-Kasse
kraftfahrender Beamter Deutschlands a. G.
HUK-COBURG-Holding AG
Thyssen Krupp Steel AG

b) DePfa Bank plc.

Dr. Alexander v. Tippelskirch, Düsseldorf
(from 9 Sep 2004)
Chairman of the Board of Managing Directors (ret'd.) of
IKB Deutsche Industriebank AG

a) Deutsche Gelantine-Fabriken Stoess AG (Chairman)
P-D INTERGLAS TECHNOLOGIES AG
(Deputy Chairman)

b) Johanniter-Krankenhaus Rheinhausen (Chairman)
IKB Facility-Management GmbH (Deputy Chairman)
Hako-Holding GmbH & Co
Hako-Werke Beteiligungsgesellschaft mbH
Hans-Martin Wälzholz-Junius Familienstiftung
Krono-Holding AG
nobilia-Werke J. Stickling GmbH & Co.

Members

Dieter Ammer, Hamburg
(from 9 Sep 2004)
Chairman of the Management Board of
Tchibo Holding AG

a) Beiersdorf AG (Chairman)
Conergy AG (Chairman)
mg technologies ag

b) Sparkasse in Bremen Finanzholding
(Deputy Chairman) (until 24 May 2005)

Jörg Asmussen, Berlin
Ministry Director in the
German Federal Ministry of Finance

a) Euler Hermes Kreditversicherungs-AG

Dr. Jürgen Behrend, Lippstadt
Managing and General Partner of
Hella KGaA Hueck & Co.

a) Leoni AG

Jörg Bickenbach, Düsseldorf
(until 9 Sep 2004)
State secretary (ret'd.) in the Ministry for the Economy and
Labour in the State of North-Rhine Westphalia

Wolfgang Bouché, Düsseldorf
Employee representative

Hermann Franzen, Düsseldorf
General Partner of
Porzellanhaus Franzen KG

a) NOVA Allgemeine Versicherung AG
(Deputy Chairman)
IDUNA Vereinigte Lebensversicherung aG

b) BBE-Unternehmensberatung GmbH (Chairman)

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

a) Heraeus Holding GmbH (Chairman)
Messer Group GmbH (Chairman)
mg technologies ag (Chairman)
Teutonia Zementwerk AG (Chairman)
Heidelberger Druckmaschinen AG
EPCOS AG

b) Argor-Heraeus S.A. (Chairman)

Dr.-Ing. Mathias Kammüller, Ditzingen
(from 9 Sep 2004)
Chairman of the Management of
TRUMPF Werkzeugmaschinen GmbH + Co. KG

a) IWKA AG

b) Alfred H. Schütte GmbH & Co. KG
AQS Automations- und Qualitäts-Systeme AG
Bürkert GmbH & Co.
HUBER VERPACKUNGEN GmbH & Co. KG

Roswitha Loeffler, Berlin
Employee representative

Wilhelm Lohscheidt, Düsseldorf
Employee representative

Jürgen Metzger, Hamburg
Employee representative

Roland Oetker, Düsseldorf
Managing Partner
ROI Verwaltungsgesellschaft mbH

a) Mulligan BioCapital AG (Chairman)
Degussa AG
Deutsche Post AG
Volkswagen AG

b) Dr. August Oetker-Gruppe
Scottish Widows Pan European
Smaller Companies OEIC

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

a) Körber AG (Chairman)

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

a) Rodenstock GmbH (Chairman)
E.ON Energie AG

Rita Röbel, Leipzig
Employee representative

Dr. Michael Rogowski, Heidenheim
Chairman of the Supervisory Board of
Voith AG

a) Voith AG (Chairman)
Carl Zeiss AG
Deutsche Messe AG
HDI Haftpflichtverband der Deutschen Industrie V.a.G.
KSB AG
Talanx AG

b) European Aeronautic, Defense and Space
Company EADS N.V.

Dr. Carola Steingräber, Berlin
Employee representative

Dr. Norbert Walter-Borjans, Düsseldorf
(from 9 Sep 2004)
State secretary in the Ministry for the Economy and
Labour in the State of North-Rhine Westphalia

a) Messe Düsseldorf GmbH

b) Gesellschaft für Wirtschaftsförderung mbH (Chairman)
Japan K. K.
ZENIT GmbH

Ulrich Wernecke, Düsseldorf
Employee representative

Prof. Dr. h. c. Reinhold Würth, Künzelsau
(until 9 Sep 2004)
Chairman of the Advisory Board of
Würth Gruppe

a) Würth Gruppe (Chairman)
Waldenburger Versicherung AG (Chairman)

b) Robert Bosch Stiftung GmbH
Würth S.r.l. (President)
Würth Danmark A/S
Würth Finance International B. V.
Würth France S. A.
Würth Ltd.
Würth Nederland B. V.
Würth New Zealand Ltd.
Würth Handelsges. m. b. H.
Würth AG
Würth España S. A.
Würth Group of North America Inc.
Würth South Africa Co. (Pty) Ltd.
Würth Canada Ltd.
Würth Otomotiv ve Montaj San. Ürün. Paz. Ltd. St.
Reca Danmark A/S

Board of Managing Directors

Dr. Markus Guthoff

a) Carl Zeiss Meditec AG
MetaDesign AG

b) IKB Data GmbH (Chairman)
IKB Private Equity GmbH (Chairman)
Argantis GmbH
Firmengruppe Poppe & Potthoff
IKB Capital Corporation

Claus Momburg

b) IKB Autoleasing GmbH (Chairman)
IKB Leasing GmbH (Chairman)
IKB Leasing Berlin GmbH (Chairman)
IKB Immobilien Leasing GmbH
IKB CorporateLab S. A.
IKB International S. A.

Joachim Neupel

b) IKB Facility-Management GmbH (Chairman)
IKB Immobilien Leasing GmbH (Chairman)
IKB Immobilien Management GmbH (Chairman)
IKB International S. A. (Deputy Chairman)
IKB Autoleasing GmbH
IKB Leasing GmbH
IKB Leasing Berlin GmbH
IKB Private Equity GmbH

Stefan Ortseifen

a) Allgemeine Kredit Coface Holding AG
Allgemeine Kreditversicherung Coface AG

b) IKB International S. A. (Chairman)
IKB Capital Corporation (Vice Chairmann)
IKB CorporateLab S. A. (Vice Chairman)
DEG – Deutsche Investitions- und
Entwicklungsgesellschaft mbH (Deputy Chairman)
IKB Autoleasing GmbH (Deputy Chairman)
IKB Leasing GmbH (Deputy Chairman)
IKB Leasing Berlin GmbH (Deputy Chairman)
IKB Private Equity GmbH (Deputy Chairman)
Kreditanstalt für Wiederaufbau

Frank Schönherr

b) IKB Capital Corporation (Chairman)
IKB FINANCIERE FRANCE S. A. (Président Directeur Général)

Offices held by employees of IKB Deutsche Industriebank AG

Information within the meaning of section 340a (4) no. 1 of the *HGB*

Klaus Reineke
GKD Gebr. Kufferath AG

Shareholdings within the meaning of sections 285 No. 11/313 (2) of the HGB

	Letter of comfort	Equity interest %	Shareholders' equity € thousand	Earnings € thousand
A. Consolidated subsidiaries				
1. Foreign banks				
IKB International S.A., Luxemburg	x	100	323 217 4)	11 750
2. Other German companies				
IKB Autoleasing GmbH, Hamburg	x	100	4 000	– 1)
IKB Data GmbH, Düsseldorf	x	100	15 000	– 1)
IKB Facility-Management GmbH, Düsseldorf	x	100	1 340	340
IKB Grundstücks GmbH, Düsseldorf	x	100	59	12
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	x	100	6 492	101 5)
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100	8 990	440 5)
IKB Grundstücks GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	x	100	8 858	188 5)
IKB Grundstücks GmbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Düsseldorf	x	100	63 039	4 147 5)
IKB Immobilien Management GmbH, Düsseldorf	x	75	863	1 159
IKB Leasing GmbH, Hamburg	x	100	30 000	– 1)
IKB Leasing Berlin GmbH, Erkner	x	100	8 000	– 1)
IKB Mezzanine Verwaltungs GmbH, Düsseldorf	x	100	21	1 3)
IKB Mezzanine GmbH & Co. KG, Düsseldorf	x	100	–2 073	–2 080 3) 5)
IKB Private Equity GmbH, Düsseldorf	x	100	70 000	– 1)
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	x	100	5 114	233
IMAS Grundstücks-Vermietungsges. mbH, Düsseldorf	x	100	2 236	1 973
ISTOS Beteiligungs- und Grundstücks-Vermietungsges. mbH, Düsseldorf	x	100	29	–1
3. Other foreign companies				
IKB Capital Corporation, New York		100	36 455	3 929
IKB Finance B.V., Amsterdam	x	100	8 066	509
IKB FINANCIERE FRANCE S.A., Paris	x	100	76 126	2 277
IKB Funding LLC I, Wilmington, Delaware	x 6)	100	75 151 4)	58
IKB Funding LLC II, Wilmington, Delaware	x 6)	100	400 087 4)	35
B. Associated companies				
IKB CorporateLab S. A., Luxemburg		50	14 052	3 425 3)
IKB Immobilien Leasing GmbH, Düsseldorf		50	5 194	3 745
C. Non-consolidated companies 2)				
1. German companies				
IKB Projektentwicklung GmbH, Düsseldorf	x	100	8 587	22
Linde Leasing GmbH, Wiesbaden		30	13 270	5 493 3)
2. Foreign companies				
IKB Finanz Leasing AG, Budapest	x	100	575	74 3)
IKB Funding Trust I, Wilmington, Delaware		100	75 068	3
IKB Funding Trust II, Wilmington, Delaware		100	400 001	0
IKB Leasing France S. A. R. L., Marne	x	100	300	0 3)
IKB Leasing Hungaria GmbH, Budapest	x	100	1 503	840 3)
IKB Leasing Polska GmbH, Posen	x	100	1 019	–357 3)
IKB Leasing SR s.r.o., Bratislava	x	100	809	0 3)
IKB Leasing Tschechien GmbH, Prag	x	100	1 554	–586 3)
Still Location S. A. R. L., Marne	x	100	2 799	–2 293 3)

1) There is a profit and loss transfer agreement
2) Not included in the consolidated financial statements within the meaning of section 296 (2) of the HGB
3) Indirect interest
4) incl. silent partnership contributions/preferred shares
5) Section 264 b is used for the company (own Notes are not prepared)
6) Subordinated declaration of backing

A full list of our shareholdings, which also includes the names of 44 companies of IKB's subsidiaries, is deposited with the Commercial Registers of the Local Courts in Düsseldorf (*HRB* 1130) and Berlin-Charlottenburg (*HRB* 8860) in line with section 325 of the *HGB* in connection with section 287 of the *HGB*; it can be requested from our offices free of charge.

Düsseldorf, 10 May 2005

IKB Deutsche Industriebank AG

Düsseldorf and Berlin

The Board of Managing Directors

Auditors’ Report

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

We have audited the annual financial statements, together with the bookkeeping system, of IKB Deutsche Industriebank Aktiengesellschaft as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the business year from 1 April 2004 to 31 March 2005. The preparation of these documents in accordance with German commercial law is the responsibility of the company‘s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements and the report on the position of the Company and the Group based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 *HGB* (*Handelsgesetzbuch*/German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the German *Institut der Wirtschaftsprüfer* (*IDW*). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements in accordance with German principles of proper accounting and in the report on the position of the Company is detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group, respectively, in accordance with German principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company‘s and the Group‘s position and suitably presents the risks of future development.

Düsseldorf, 31 May 2005

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wohlmannstetter	Pukropski
German Public Auditor	German Public Auditor

Income Statement and Balance Sheet Trends

Income Statement Trends of the IKB Deutsche Industriebank Group

in € million	2004/05[2]	2003/04	2002/03	2001/02	2000/01	1999/00[1]	1998/99	1997/98	1996/97	1995/96
Interest income, income from leasing transactions	4 205.1	3 251.6	3 223.2	3 215.2	3 097.6	2 524.3	2 334.3	2 138.9	2 093.6	2 107.9
Current income from securities, investments and profit transfer agreements	13.5	2.0	1.8	4.8	2.7	36.7	12.9	20.0	11.0	9.4
Interest expenses, expenses and scheduled depreciation from leasing transactions	3 689.5	2 728.2	2 740.0	2 748.7	2 661.6	2 141.3	1 953.6	1 793.7	1 753.9	1 780.7
Net interest income	529.1	525.4	485.0	471.3	438.7	419.7	393.6	365.2	350.7	336.6
Net commission income	94.4	84.7	64.1	39.5	12.3	7.7	8.8	7.6	5.6	4.0
Net result from financial operations	1.0	3.2	0.8	1.9	2.5	–2.6	6.6	8.1	4.9	1.9
Personnel expenses	150.3	146.8	137.8	133.4	117.2	107.2	87.4	82.5	78.6	76.1
Other administrative expenses including depreciation of tangible fixed assets	95.4	85.4	82.1	73.1	66.0	59.1	51.3	49.6	41.4	39.6
Other operating income/expenses	76.5	11.2	20.2	29.3	91.8	77.8	–3.5	–8.1	–12.0	2.0
Risk provisioning balance	–203.8	–211.7	–183.4	–175.2	–187.2	–165.5	–88.4	–78.7	–80.6	–78.1
Addition to reserves for general banking risks (section 340f *HGB*)	–50.0	–	–	–	–	–	–	–	–	–
Result from ordinary activities	201.5	180.6	166.8	160.3	174.9	170.8	178.4	162.0	148.6	150.7
Other income/expenses	–	–	–	–	–1.5	–10.0	–3.1	–7.7	–	–
Taxes	58.9	75.8	81.0	77.2	87.5	85.3	84.3	77.9	74.6	81.2
Net income	142.6	104.8	85.8	83.1	85.9	75.5	91.0	76.4	74.0	69.5
Net income per share	1.62	1.19	0.98	0.94	0.98	0.86	1.03	0.87	0.84	0.79

[1] Figures since 1999/2000 including IKB Immobilien Leasing Group
[2] Figures since 2004/2005 without IKB Immobilien Leasing Group

Balance Sheet Trends of the IKB Deutsche Industriebank Group

31 March in € million	2005[2]	2004	2003	2002	2001	2000[1]	1999	1998	1997	1996
Loans and advances to banks	1 389	1 238	2 140	1 605	804	1 650	2 273	1 641	1 506	1 915
Loans and advances to customers	24 354	24 116	24 803	24 600	24 276	22 635	22 188	20 771	19 174	18 238
Bonds, notes and other fixed-income securities	10 468	8 211	5 927	4 928	3 814	2 652	1 629	1 364	1 551	1 395
Equities and other non-fixed income securities	23	87	38	38	36	13	153	139	2	25
Investments, interests in affiliated companies	78	78	45	47	44	91	176	174	199	211
Tangible fixed assets	252	262	245	215	212	214	223	223	197	137
Leased assets	927	2 231	2 466	2 346	2 239	2 114	462	451	447	473
Deferred items	112	108	136	139	153	164	158	166	163	161
Other assets including cash reserve	700	625	610	956	862	408	399	240	415	373
Liabilities to banks	12 088	15 112	16 223	15 436	15 182	13 181	13 991	11 876	10 045	10 099
Liabilities to customers	1 988	2 228	2 019	2 250	2 411	2 414	2 501	2 482	2 663	2 703
Securitised liabilities	18 914	14 734	13 700	12 975	10 825	10 803	8 280	8 053	8 333	7 464
Provisions	367	310	337	301	282	266	237	235	242	227
Subordinated liabilities	1 165	1 042	632	868	803	582	472	473	473	473
Profit-participation certificates	593	563	614	624	439	439	419	419	317	317
Fund for general banking risks	80	80	80	80	80	80	77	8	–	–
Equity	2 289	1 962	1 729	1 296	1 270	1 187	1 049	1 022	1 004	990
Subscribed equity	*225*	*225*	*225*	*225*	*225*	*225*	*225*	*225*	*225*	*225*
Hybrid capital	*1 045*	*820*	*620*	*170*	*170*	*100*	–	–	–	–
Reserves	*1 019*	*919*	*873*	*887*	*848*	*817*	*824*	*797*	*779*	*765*
Minority interest	–	*–2*	*11*	*14*	*27*	*45*	–	–	–	–
Deferred items	266	316	456	469	514	498	297	299	303	329
Other liabilities including consolidated profit	553	609	620	575	634	491	338	302	274	326
Total liabilities	**38 303**	**36 956**	**36 410**	**34 874**	**32 440**	**29 941**	**27 661**	**25 169**	**23 654**	**22 928**

[1] Figures since 1999/2000 including IKB Immobilien Leasing Group

[2] Figures since 2004/2005 without IKB Immobilien Leasing Group

Points of Contact of IKB Deutsche Industriebank AG

Düsseldorf
Wilhelm-Bötzkes-Straße 1 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-0
Telefax ++49-2 11-82 21-39 59
www.ikb.de
E-Mail: info@ikb.de

Berlin
Markgrafenstraße 47 · D-10117 Berlin
Postfach 11 04 69 · D-10834 Berlin
Telephone ++49-30-3 10 09-0
Telefax ++49-30-3 10 09-38 00

Frankfurt
Eschersheimer Landstraße 121 · D-60322 Frankfurt (Main)
Postfach 50 07 41 · D-60395 Frankfurt (Main)
Telephone ++49-69-7 95 99-0
Telefax ++49-69-7 95 99-38 60

Hamburg
Heidenkampsweg 79 · D-20097 Hamburg
Postfach 10 32 66 · D-20022 Hamburg
Telephone ++49-40-2 36 17-0
Telefax ++49-40-2 36 17-38 20

Leipzig
Käthe-Kollwitz-Straße 84 · D-04109 Leipzig
Postfach 31 03 15 · D-04162 Leipzig
Telephone ++49-3 41-4 84 08-0
Telefax ++49-3 41-4 84 08-38 30

Munich
Seidlstraße 27 · D-80335 München
Postfach 20 06 61 · D-80006 München
Telephone ++49-89-5 45 12-0
Telefax ++49-89-5 45 12-38 84

Stuttgart
Löffelstraße 24 · D-70597 Stuttgart
Postfach 70 04 62 · D-70574 Stuttgart
Telephone ++49-7 11-2 23 05-0
Telefax ++49-7 11-2 23 05-38 70

London
80 Cannon Street · GB-London EC4N 6HL
Telephone ++44 20-70 90 72 00
Telefax ++44 20-70 90 72 72

Luxembourg
12, rue Erasme · L-1468 Luxembourg
Telephone ++3 52-42 37 77-0
Telefax ++3 52-42 06 03

from 1 August 2005:

Madrid
Palazzo Reale
Paseo de la Castellana 9-11 · E-28046 Madrid

Paris
7, Place Vendôme · F-75001 Paris
Telephone ++33 1-53 45 95-60
Telefax ++33 1-53 45 95-70

Subsidiaries and Related Companies

IKB Capital Corporation
555 Madison Avenue
New York, NY 10022 / USA
Telephone ++12 12-4 85-36 00
Telefax ++12 12-5 83-88 00

IKB International
12, rue Erasme · L-1468 Luxembourg
Telephone ++3 52-42 37 77-0
Telefax ++3 52-42 06 03

IKB Financial Products S. A.
12, rue Erasme · L-1468 Luxembourg
Telephone ++3 52-4 23 78-70
Telefax ++3 52-4 23 78-75 99
www.ikb-fp.de

IKB Finance B.V.
Strawinskylaan 3111,
"Atrium" 6th Floor
NL-1077 ZX Amsterdam
P.O. Box 1469
NL-1000 BL Amsterdam
Telephone ++31 20-4 42 02 95
Telefax ++31 20-4 42 02 95

IKB Private Equity GmbH
Wilhelm-Bötzkes-Straße 1 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-14
Telefax ++49-2 11-82 21-39 49
www.ikb-pe.de

IKB Leasing GmbH
Heidenkampsweg 79 · D-20097 Hamburg
Postfach 10 32 05 · D-20022 Hamburg
Telephone ++49-40-2 36 26-0
Telefax ++49-40-2 36 26-52 78
www.ikb-leasing.com

IKB Leasing Berlin GmbH
„Seepassage" Friedrichstraße 1-3 · D-15537 Erkner
Telephone ++49-33 62-58 24-0
Telefax ++49-33 62-58 24-38 19

IKB Immobilien Leasing GmbH
Uerdinger Straße 90 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-10
Telefax ++49-2 11-82 21-23 75
www.ikb-il.de

IKB Immobilien Management GmbH
Uerdinger Straße 90 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-11
Telefax ++49-2 11-82 21-39 11
www.ikb-img.de

IKB Structured Assets GmbH
Uerdinger Straße 90 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-41 56
Telefax ++49-2 11-82 21-21 56

IKB Facility-Management GmbH
Uerdinger Straße 90 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-15
Telefax ++49-2 11-82 21-39 24
www.ikb-fm.de

IKB Data GmbH
Wilhelm-Bötzkes-Straße 1 · D-40474 Düsseldorf
Postfach 10 11 18 · D-40002 Düsseldorf
Telephone ++49-2 11-82 21-16
Telefax ++49-2 11-82 21-39 55
www.ikb-data.de