Annual Report
Financial Year 2001/2002

(April 1, 2001 through March 31, 2002)

IKB
Deutsche Industriebank

The world of corporate lending is undergoing a period of radical change. This has been triggered not only by the much-discussed reorientation of the banks' lending policy. Companies too are seeking new ways of financing that take into account their changing investment requirements.

One result of this reorientation is the growing significance of equity in the domain of corporate financing. Nevertheless, for the majority of medium-sized companies in this country, the bank loan will continue to be the single most important form of financing. On the whole, corporate lending will be more strongly embedded in the capital market.

In a time of change, IKB is there to ensure that Germany's growth-oriented medium-sized companies are able to invest in the future on a secure financial basis. In the past financial year, too, IKB has made an important contribution to meeting the financing needs of the companies of the German Mittelstand, for which I would like to express my sincere appreciation to the bank's staff.

Dr. Michael Rogowski

President
Federation of German Industry

To our Shareholders

Dear Shareholders,

During the past financial year, by far the most significant decision made by our bank was to enter into a strategic partnership with Kreditanstalt für Wiederaufbau (KfW). By purchasing the shares in the bank previously held by Allianz AG and Munich Re Group, KfW now holds a 34 % stake in the share capital of IKB.

A fundamental objective of closer cooperation between IKB and KfW is to support Germany's *Mittelstand* of small and medium-sized companies. With the financial sector in a process of change both at home and abroad, this is all the more important – after all, the aim is to ensure adequate financing for the investments of *Mittelstand* companies not only now but in the future. In this process – and especially in light of Basle II – the provision of equity is set to play an increasingly central role. Accordingly, within the framework of our strategic partnership – along with our Corporate Financing and Structured Financing Divisions – Private Equity will also be at the forefront of our joint operations.

Together IKB and KfW want to generate an additional EUR 1.2 billion in annual disbursements, divided more or less equally between the two banks.

In the Corporate Finance Division, cooperation will focus on global loans, infrastructure financing and certificates of indebtedness. We see considerable market and income potential in all of these fields.

Structured financing constitutes another major area of cooperation with KfW, principally in the international domain. Specifically, we intend to focus on the fields of direct investment and acquisition financing, as well as export and project financing.

In future, equity financing will be particularly significant. Because we can safely assume that medium-sized companies will continue to find it very hard to accumulate sufficient equity from cash flow, institutional equity financing including mezzanine financing will be crucial. This trend will be reinforced by the more stringent creditworthiness criteria, under which equity will emerge as a matter of strategic significance to companies. Accordingly, in cooperation with KfW we plan to set up a fund for large-scale mezzanine financing.

Moreover, at the end of the period under review, we carried out another CLO transaction using the KfW platform *PROMISE*. In the course of a securitisation transaction, we outplaced EUR 3.65 billion in loan risks. The accompanying gain in the ratio of capital requirement (Principle I) amounts to 1.3 %. Accordingly, at Mach 31, 2002, the Group fulfilled the banking regulatory capital requirement with 12.1 %, comfortably above the minimum ratio of 8 %; the tier 1 capital ratio came to 6.4 % (minimum ratio: 4.0 %). Thus we allowed ourself room for further growth in *Mittelstand* financing.

Our cooperation with KfW has already proved to be exceptionally friendly, efficient and successful. Having joined forces with KfW, we are now in a position to address new target groups at home and abroad and offer new products. Not least on account of this – and despite the difficult underlying economic conditions, which are likely to persist – we expect to see a clear increase in the result from ordinary activities over the next years. Accordingly, the corporate value of the bank will increase, meaning that our shareholders also stand to benefit from our partnership with KfW.

Investment in international loan portfolio structures – our second major strategic step of the year – was also aimed at increasing the corporate value of the bank. This represents a systematic further development of our policy of outplacing risks through CLOs.

In concrete terms this means, that we invested EUR 0.7 billion in primarily international portfolio structures during the last financial year. Here, we prefer to invest in structures with credit ratings from AAA to BBB. With BBB portfolios, for example, margins of 3 % can be attained, while an average margin of 1.5 % can be achieved for the entire basket of AAA to BBB-rated structures. As opposed to our loan operations in Germany, this means the foreign companies are always rated, and that the margin – at comparable levels of risk – is significantly better. Moreover, this is enabling us to optimise our own portfolio structure.

Although we started investing in international loan structures not before autumn 2001, we have already generated EUR 20 million in income this way, a figure which we expect to be even higher this financial year. The reason for this positive development lies not least in the fact that we are represented on both sides of the market. This means that we not only operate on the demand side when it comes to portfolio structures, but – thanks to our CLO operations – we also act in the capacity of suppliers, thus enabling us to take part in highly attractive transactions.

All of this makes one thing clear: Based on its traditional *Mittelstand* financing activities the group through active portfoliostructuring emerges as a manager of national and international loan risks. Consequently we have laid the groundwork for achieving a sustained improvement in the business performance of the bank in coming years.

The Trend in Earnings during the 2001/2002 Financial Year

According to the Association of German Banks, the past year was the most difficult faced by the banking sector in three decades. The decline in economic growth, the sharp fall in share prices, rising unit labour costs and an increasingly rigid labour market have led to a substantial rise in corporate insolvencies in Germany. Against this background, our domestic lending operations underwent a slight decline, while Private Equity actually suffered a substantial loss on account of major value adjustments. Conversely, our Real Estate and Structured Financing Divisions succeeded in further improving their results.

Taken as a whole, Group net interest income rose by 7.4 % to EUR 471 million. The increase in net commission income was even more pronounced, rising by EUR 27 million to EUR 40 million. Administrative expenditure increased as well, rising by 12.7 % to EUR 207 million. The risk provisioning balance declined by EUR 12 million to EUR 175 million. The result from ordinary activities came to EUR 160 million, and was thus 8.3 % below the previous year's figure. The return on equity reached 15.0 % (2000/2001: 16.8 %); the cost/income ratio came to 38.1 % (37.8 %).

For the 2001/2002 financial year, the Board of Managing Directors and the Supervisory Board propose to the General Meeting the payment of a dividend of EUR 0.77 per share, an amount unchanged from the previous year.

Corporate Governance

During the past financial year we focused much attention on the German Corporate Governance Codex developed by a government commission, and have used it as a basis for formulating the corporate principles of our bank. The draft version of the corporate governance principles of IKB will be discussed with the Supervisory Board and decided on this year. Following approval by the Supervisory Board, these principles will be implemented by the bank, and the public informed of them via the Internet.

IKB Shares

During the period under review, IKB shares – like practically all shares – were adversely affected by turmoil in the stock markets. Especially in the wake of September 11, the markets suffered a veritable crash. Both the DAX and the NEMAX hit new lows. In September 2000 IKB shares were trading at an average price of EUR 16.2; a year later, the average price was EUR 13.5.

In the meantime, however, our share price has made a welcome recovery, due not least to buy recommendations for the IKB share from abroad.

You will find more details about the IKB share and our investor relations activities on our homepage (www.ikb.de).

Our General Meeting will take place at 10 o'clock on August 30, 2002 in the Congress Center Düsseldorf Süd, Stockumer Kirchstraße 61, 40474 Düsseldorf. You are cordially invited and we very much look forward to seeing you there.

Dr. Alexander v. Tippelskirch

Chairman of the Board of Managing Directors
IKB Deutsche Industriebank AG

Report of the Supervisory Board

During the 2001/2002 financial year, the Supervisory Board has, in accordance with its duties and responsibilities appointed by law and the articles of association, continuously monitored the business development of the bank and Group. The Supervisory Board had the Board of Managing Directors report regularly on matters of business policy, basic questions concerning the future general management of the bank, as well as on the current status and development of the bank and Group.

During the past financial year, the entire Supervisory Board and its Presiding Committee consisting of the Chairman and two Deputy Chairmen held four regular meetings on June 28/29, September 7, and November 15, 2001, and March 7, 2002. At these meetings all issues and questions of importance were discussed in depth. Furthermore, the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors also conferred on individual matters of current importance at regular working meetings. In the interests of improving the management and control of the bank, at the meeting held on June 29, 2001 the Supervisory Board drew up internal regulations for itself as well as issuing a set of internal regulations for the Board of Managing Directors. In this connection, a Finance and Auditing Committee was established, which, among other things, took over from the Presiding Committee responsibility for auditing the balance sheet. It consists of the members of the Presiding Committee as well as one of the elected staff representatives serving on the Supervisory Board. As part of the preliminary audit of the 2001/2002 annual accounts of the AG and Group, this committee met on June 25, 2002. Every member of the Supervisory Board took part in more than half of all Supervisory Board meetings held during their period of membership.

Important points of consultation included the December 2001 purchase by Kreditanstalt für Wiederaufbau (KfW) of the shares in IKB owned by Allianz AG and the Munich Re group, paving the way for a strategic partnership between IKB and Germany's most important institute for promoting *Mittelstand*. In the process, discussion focused on the business potential of future cooperation as a means of providing optimum support to medium-sized companies in all areas of long-term finance. Also figuring prominently in these discussions were the business development of the bank and its key subsidiaries, together with measures for strengthening its equity position and earnings potential, as well as optimisation of the loan portfolio. In light of the substantially altered market situation, special attention was paid to the future orientation and development of the Private Equity division. Other important topics included the proposals of the Basle Committee on Banking Supervision on the reform of the minimum capital requirements for banks (Basle II), as well as the IKB-internal rating system.

In the Presiding Committee, items of business discussed by the Supervisory Board were dealt with in greater depth. The Presiding Committee prepared the meetings of the Supervisory Board, and handled personnel matters relating to the Board of Managing Directors. In the form of a written statement, the Finance and Auditing Committee gave its approval for the issue of participation certificates within the framework of a corresponding authorisation granted by the General Meeting. It also reviewed all loan transactions requiring its approval under German banking law, and carried out a preliminary audit of the 2001/2002 annual accounts of the AG and Group on behalf of the entire Supervisory Board.

The duly audited annual accounts and consolidated Group accounts, as well as the report on the position of both the AG and the Group, including the accounting practices were audited by the auditors and unreservedly confirmed. The Supervisory Board received the accounting documentation well ahead of the balance sheet meeting, as well as the draft Annual Report and the reports of the auditors. In presence of the Chairman of the Board of Managing Directors, and the member of the Board of Managing Directors responsible for accounting, the Chairman of the Supervisory Board was personally informed concerning the results of the audit by the auditors. The Finance and Auditing Committee carefully studied the reports of the auditors. The auditors also briefed this Committee, discussing the findings and results of the audit. The auditors furnished all the information required. The Finance and Auditing Committee presented the results of the audit to the entire Supervisory Board at the balance sheet meeting. The auditors took part in the meeting, commenting on the results of the audit and answering the questions of individual members of the Supervisory Board. The Supervisory Board took note of the results of the audit, expressing its approval. It examinded the annual accounts, the report on the position of the Bank and the Group, and the proposal of the Board of Managing Directors for the appropriation of profits as appointed by law. Following the final result of this review there are no objections. At today's meeting, the annual accounts at March 31, 2002 have received the approval of the Supervisory Board and, in accordance with Section 172 AktG, are now definite. The Board's of Managing Directors proposal for the appropriation of profits has met with our approval.

On March 31, 2002, Georg-Jesko v. Puttkamer stepped down from the Board of Managing Directors in order to devote himself to other tasks. The Supervisory Board wishes to express its thanks for his many years of meritorious service on behalf of the Group. Dr. Markus Guthoff, a Deputy Member of the Board of Managing Directors since April 1, 2001, was appointed a full Member of the Board of Managing Directors effective April 1, 2002.

At the General Meeting on September 7, 2001, Supervisory Board members Dr. Jürgen Behrend, Herbert Hansmeyer, Dr. h.c. Ulrich Hartmann, Prof. Dr.-Ing. E.h. Hans-Olaf Henkel and Prof. Dr. h.c. Reinhold Würth were reelected to the Supervisory Board, and Gunnar John newly elected. By a decision issued by the Municipal Courts of Düsseldorf and Berlin on March 29 and April 11, 2001 respectively, Gunnar John had already been appointed a member of the Supervisory Board until the General Meeting held on September 7, 2001. At the same point in time, the staff reelected Ulrich Wernecke, as well as electing Jürgen Metzger. At the conclusion of last year's General Meeting, staff representative Thomas Bleher departed the Supervisory Board. We would like to take this opportunity to thank him for his valuable assistance.

Subsequent to the General Meeting on September 7, 2001, the Supervisory Board gathered for its constituent meeting, at which it reelected Dr. h.c. Ulrich Hartmann to the post of Chairman and Prof. Dr.-Ing. E.h. Hans-Olaf Henkel to the post of Deputy Chairman. After Herbert Hansmeyer stepped down as Deputy Chairman effective December 21, 2001, Hans W. Reich was appointed Deputy Chairman of this body in a written decision, effective January 1, 2002. The Supervisory Board wishes to express its appreciation to Herbert Hansmeyer for his more than three years of committed work in the Presiding Committee.

Düsseldorf and Berlin, June 26, 2002

The Supervisory Board

U. Hartmann

Chairman

"IKB is backing
our innovation activities."

IKB and its Customers

Brand name or no-name, concentrate or tabs, functionality or design – today, the marketing and commercial success of a product depends more than ever on obtaining reliable and meaningful information on consumer behaviour and preferences. Armed with such knowledge, companies can make informed market decisions and optimise their business strategies.

The GfK Network: Interactive, networked Market Knowledge on every Continent

Established 68 years ago as the first German market research organization of its kind, GfK specialises in the systematic collation of business and consumer information, which it then analyses and translates into market knowledge. The company uses precision instruments for recording data quickly, as well as a wide variety of sophisticated analysis techniques. GfK has also developed a series of new and efficient forms of co-operation and communication with clients, including services for linking GfK information with information held by its clients. This information is then incorporated into information and knowledge management systems. GfK's business portal provides clients with direct access to databases and data warehouses, enabling them to carry out all types of analysis at all times.

Today, GfK maintains a network of more than 100 subsidiaries, branches and shareholdings in over 50 countries. The Company is the No. 1 market research institute in Germany and currently ranks sixth worldwide. Last year, its 4,750 employees generated sales of EUR 536 million.

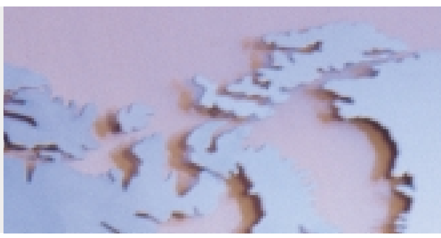
The GfK Offering – four complementary Business Divisions

The GfK Group's information service on consumer goods and services is divided into four categories. In Germany, the best-known GfK activity is TV research, which is carried out by the Group's Media Division. TV ratings are recorded using specially developed electronic metering devices in nearly 6,000 German households. The electronic measurement of radio reach is a new development. IKB supported GfK's pioneering work in this field with an KfW/ERP-innovation loan.

The main focus of GfK's Consumer Tracking and Non-Food Tracking Divisions is on processing information about markets and marketing relating to virtually all fast moving consumer goods, as well as information about the sale of consumer technology goods such as consumer electronics and telecommunications equipment. This data is based on the continuous surveying of purchasing decisions and consumer behaviour.

The Ad Hoc Research Division offers surveys based on tests and studies, that focus on product and pricing policy, distribution and brand management.

GfK AG, Nuremberg
Dr. Klaus L. Wübbenhorst
CEO



Supervisory Board

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

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

Deputy Chairman
Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin
President
Wissenschaftsgemeinschaft
Gottfried Wilhelm Leibniz e.V.

Deputy Chairman
Hans W. Reich, Frankfurt (Main)
Chairman of the Board of Managing Directors
Kreditanstalt für Wiederaufbau

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Managing Partner
Hella KG Hueck & Co.

Jörg Bickenbach, Düsseldorf
Undersecretary of State
North Rhine-Westphalia Ministry of Economics and Medium-Sized Firms, Energy and Transport

Wolfgang Bouché, Düsseldorf *

Hermann Franzen, Düsseldorf
Personally Liable Partner
Porzellanhaus Franzen KG

Herbert Hansmeyer, Munich
Former Member of the Board of Managing Directors
Allianz Aktiengesellschaft

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

Gunnar John, Berlin
Head of Department VII A
Federal Ministry of Finance

Roswitha Loeffler, Berlin *

Wilhelm Lohscheidt, Düsseldorf *

Jürgen Metzger, Hamburg *

Roland Oetker, Düsseldorf
Attorney
Managing Partner
ROI Verwaltungsgesellschaft mbH

Eberhard Reuther, Hamburg
Chairman of the Supervisory Board
Körber Aktiengesellschaft

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

Rita Röbel, Leipzig *

Dr. Carola Steingräber, Berlin *

Dipl.-Ing. Hans Peter Stihl, Waiblingen
Personally Liable Partner and Chairman of the Board of Managing Directors
STIHL AG

Ulrich Wernecke, Düsseldorf *

Prof. Dr. h. c. Reinhold Würth, Künzelsau
Chairman of the Advisory Council
Würth Group

* Elected by the staff

Advisory Board

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Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin
President
Wissenschaftsgemeinschaft
Gottfried Wilhelm Leibniz e.V.

Deputy Chairman

Jürgen R. Thumann, Düsseldorf
Managing Partner
Heitkamp und Thumann GmbH & Co.

Dieter Ammer, Bremen
Chairman of the Managing Directors
Brauerei Beck & Co.

Dr. rer. nat. Peter Barth, Neuwied
Member of the Advisory Council
Lohmann GmbH & Co. KG

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 H. Boquoi, Straelen
Chairman of the Advisory Council
bofrost*Familienunternehmen

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Member of the Boards of Managing Directors
Barmenia Versicherungs-Gesellschaften

Dr. Jürgen Brink, Planegg
Chairman of the Board of Managing Directors
Sanacorp Pharmahandel AG

Dr.-Ing. Dirk Busse, Grefrath
Chairman of the Board of Managing Directors
Girmes GmbH

Dr. Claus-Michael Dill, Cologne
Chairman of the Board of Managing Directors
AXA Colonia Konzern AG

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Managing Partner
Dreier-Werke GmbH + Dreier Immobilien

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

Dr. Nikolaus Fasolt, Bergen
Chairman of the Board of Trustees
Stiftung Industrieforschung

Dr. Peter Fleischer, Bonn
Chairman of the Board of Managing Directors
Deutsche Ausgleichsbank

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

Werner Gegenbauer, Berlin
President
Berlin Chamber of Industry and Commerce

Heinz Greiffenberger, Marktredwitz
Executive Director and Principal Shareholder
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. Thomas Hertz, Berlin
Managing Director
Berlin Chamber of Industry and Commerce

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

Dr. Franz Wilhelm Hopp, Düsseldorf
Member of the Board of Managing Directors
ERGO Versicherungsgruppe AG

Dr. Edgar Jannott, Düsseldorf
Member of the Supervisory Board
ERGO Versicherungsgruppe AG

Dr. Eckart John von Freyend, Bonn (Bad Godesberg)
Chairman of the Board of Managing Directors
IVG Holding AG

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

Dr. Jochen Klein, Darmstadt
Managing Partner
Döhler-Euro Citrus Natural Beverage
Ingredients GmbH

Jan Kleinewefers, Krefeld
Managing Partner
Kleinewefers Beteiligungs-GmbH

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

Dr. Hermut Kormann, Heidenheim
Member of the Board of Managing Directors
J. M. Voith AG

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

Andreas Langenscheidt, Munich
Managing Partner
Langenscheidt Verlagsgruppe KG

Erik Lescar, Paris
Directeur Général Adjoint
Natexis Banques Populaires

Dr. Kurt Merse, Düsseldorf
Member of the Supervisory Board
GARANT SCHUH + MODE AG

Josef Minderjahn, Berlin
Partner
MKF-Folien GmbH Minderjahn + Kiefer

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CNC-The Communication &
Network Consulting AG

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Personally Liable Partner
August Storck KG

Dipl.-Kfm. Jürgen Preiss-Daimler,
Wilsdruff
Managing Partner
P-D Management Consulting GmbH
and Preiss-Daimler Group

Dr. Günther Radtke, Meerbusch
Former Member of the
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AMB Aachener und Münchener
Beteiligungs-Aktiengesellschaft

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Vice-President
European Investment Bank

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

Dr. Eberhard Schwarz, Lahnstein
Managing Director
Zschimmer & Schwarz Chemie GmbH

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

Dr. Alfred Tacke, Berlin
(from June 26, 2002)
Undersecretary of State
Federal Ministry of Economics
and Technology

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

Dr. Karl V. Ullrich, Freiburg i. Br.
Managing Director
WVIB Wirtschaftsverband Industrieller
Unternehmen Baden e. V.

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

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

Dr. Axel Wiesenhütter, Kaiserslautern
Managing Partner
Schuster & Sohn Kommanditgesellschaft

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

Horst R. Wolf, Heidelberg
Member of the Board of Managing Directors
Heidelberger Zement AG

Board of Managing Directors

Dr. Markus Guthoff

Board member since 2001

Date of birth: 1964

Dr. Guthoff is responsible for the Private Equity Division, as well as for the IT and the organisation of the bank.

Claus Momburg

Board member since 1997

Date of birth: 1959

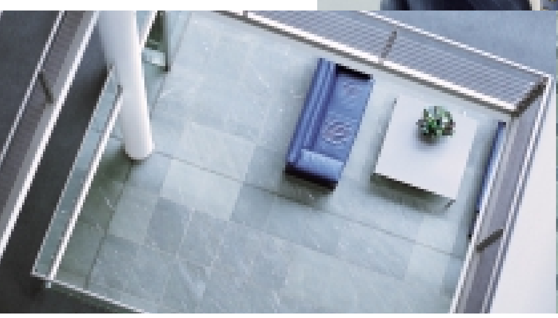
Mr. Momburg’s main area of accountability is the Corporate Lending Division and the Central Division Personnel and Service.

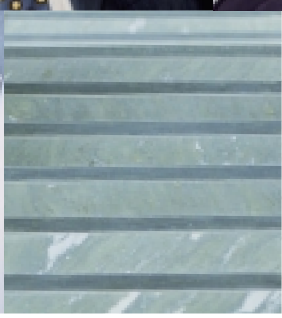
Joachim Neupel

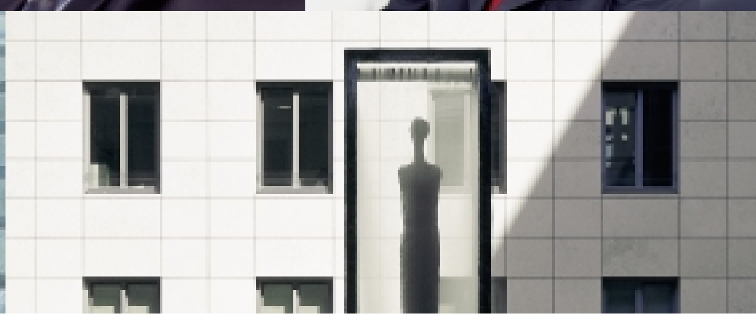
Board member since 1989

Date of birth: 1943

As CFO Mr. Neupel is in charge with Accounting, Taxes, Controlling and Internal Audit. Moreover, he is responsible for the Real Estate Financing Division.







Stefan Ortseifen

Board member since 1994

Date of birth: 1950

The task of Mr. Ortseifen focuses on the bank's national and international activities of the Structured Financing Division, as well as on the bank's funding driven by the Treasury unit, including the development of innovative financial products.

Dr. Alexander v. Tippelskirch

Board member since 1984

Chairman of the board since 1990

Date of birth: 1941

Dr. v. Tippelskirch is especially responsible for Corporate Strategy, Corporate Communication, Risk Management and the Research of the bank.

Market Units and their Heads

Corporate Lending

Leo von Sahr	Berlin-Leipzig
Wolf-Herbert Weiffenbach	
Helmut Laux	Düsseldorf
Jens Werhahn	Frankfurt
Hajo Köhler	Hamburg
Burckhard W. Richers	
Norbert Mathes	Munich
Dr. Klaus Eisele	Stuttgart
Joachim Rostek	

Special Sectors

Willi Rugen	Düsseldorf

Real Estate Financing

Joachim Schwarz	Berlin
Klaus Neumann	Düsseldorf

Private Equity

Rolf Brodbeck	Düsseldorf
Roland Eschmann	
Walter Zickenrott	

Structured Financing

Dr. Frank Schaum	Düsseldorf
Stefan Rensinghoff	Frankfurt

Treasury and Financial Products

Michael Braun	Düsseldorf
Winfried Reinke	

Divisions Co-ordination

Frank Braunsfeld	Düsseldorf
Clemens Jahn	
Paul-Eduard Meyer	

Central Divisions and their Heads

Accounting and Taxes
Jürgen Rauscher

Controlling
Christoph Müller-Masiá

Internal Auditing
Oliver Zakrzewski

Organisation and Information Management
Manfred Knols

Personnel and Service
Martin Verstege

Legal Department and Office of the Board of Managing Directors
Panagiotis Paschalis

Risk Management
Claus-Dieter Wagner

Corporate Development
Frank Schönherr

Economics, Investor Relations and Public Relations
Dr. Kurt Demmer
Dr. Gert Schmidt

Subsidiaries and their Heads

IKB Capital Corporation, New York
David Snyder

IKB International S.A., Luxembourg
Dr. Alfons Schmid
Robert Spliid
Raphael Karl Walisko

IKB Private Equity GmbH, Düsseldorf
Rolf Brodbeck
Roland Eschmann
Walter Zickenrott

IKB Leasing GmbH, Hamburg
Wolfgang Brzuska
Michael Fichter
Wilhelm Lindemann

IKB Immobilien Leasing GmbH, Düsseldorf
Alexander Boye
Norbert W. Porten
Heribert Wicken
Heinz Winkendick

IKB Immobilien Management GmbH, Düsseldorf
Theodor Honrath
Mauritz von Strachwitz
Heribert Wicken

"IKB provides customised financing solutions."

IKB and its Customers

At the time when the American company NILES founded NILES Werke AG in Berlin in 1898, it was the first time that U.S. machine tool manufacturing know-how was successfully transplanted to Europe – reversing the normal flow of customary technology transfer. Nearly a hundred years later, history repeated itself when a second American investment in Germany resulted in the founding of NILES-SIMMONS Industrieanlagen GmbH.

German-American Know-how and Expertise puts the Chemnitz Machine Tools Manufacturer on the cutting Edge

An American investor and experienced machine tools manager, Hans J. Naumann, had already acquired the SIMMONS Machine Tool Corporation in the 1980's; SIMMONS acquired the American NILES in the 1960's; when the Wall fell, Naumann was quick to seek new opportunities in Germany. On account of the NILES name, a Chemnitz-based company caught his eye – a former branch of the German company NILES Werke Berlin, known as "Großdrehmaschinenbau 8. Mai" in the GDR days. By buying the newly revamped plant of NILES Drehmaschinen GmbH from the Treuhandanstalt, he laid the groundwork for a successful new start.

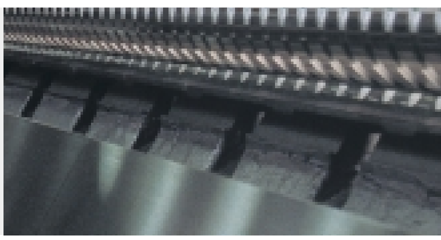
Customised Machine Concepts for five different Industries

Today, the Chemnitz company's innovative solutions enable it to serve a number of niche markets: machines that are specially adapted to meet customer requirements. For instance, NILES Chemnitz developed a CNC turning and milling centre for machining complex components of the machine building industry. Another important focus of the company's machine systems are lathes for processing rotation-symmetrical components as for example crankshafts, camshafts and gearshafts for the automotive industry and large stationary crankshafts for the shipbuilding industry. Furthermore, NILES-SIMMONS has developed CNC milling machines with vertical and horizontal high-speed spindles for the tool and die industry. Finally, the company serves the railway and public transport sectors on account of its developments in the field of underfloor wheel profiling machines for re-profiling wheelsets of rail vehicles.

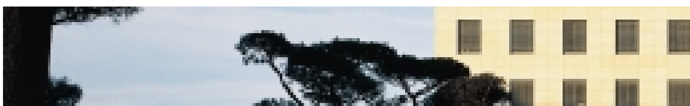
Recognised for Quality worldwide

This sophisticated multi-product-manufacturing structure has made NILES-SIMMONS a desireable partner worldwide. Apart from customers in Hungary and Switzerland, for example, it is mainly the German and American automobile industry who praise the Chemnitz company's expertise.
Last year, the machine tools maker Hegenscheidt MFD joined the NILES-SIMMONS group. This transaction resulted in the creation of an internationally active enterprise with nearly 720 employees and annual sales of around EUR 130 million. The acquisition is already paying off: given the strong position of Hegenscheidt MFD und SIMMONS, USA in the field of automatic wheelshops for railway wheelsets, wheels and axles. The company has now emerged on the world market as the market leader in this field.

NILES-SIMMONS Industrieanlagen GmbH, Chemnitz
Hans J. Naumann
Managing Partner



I. The Performance of the IKB Group and AG in Brief



1. An Overview of the Financial Year

During the period under review, the bank's entry into a partnership with Kreditanstalt für Wiederaufbau (KfW) represents a decision of major strategic importance. By purchasing the shares held by Allianz AG and Munich Re Group, KfW now holds a 34 % stake in the share capital of IKB. This partnership is dedicated to supporting Germany's *Mittelstand* of small and medium-sized companies through long-term lending and equity financing. Because KfW will continue in future to offer its industrial development programmes to all banks and savings banks at the same terms, the partnership will have a neutral impact in terms of competition. Closer cooperation between IKB and KfW will strengthen the competitiveness of the German *Mittelstand* both at home and abroad.

IKB and KfW have a corresponding approach to corporate financing: our target Groups are largely identical, as are the sort of projects we finance; moreover, our product ranges are complementary. Thus, despite the difficult underlying economic conditions, we see in our strategic partnership with KfW considerable potential for growth and value enhancement in coming years. This view is shared by the rating agencies. Accordingly – and contrary to the general trend in the banking sector – Moody's has upgraded our long-term rating from A2 to A1, noting a "positive outlook" in this connection.

We intend to continue and expand our joint operations with our previous cooperation partner, Allianz AG, in the fields of life insurance, company pension schemes and property insurance. In future, we will also cooperate with ERGO-Versicherungsgruppe AG in the domain of asset management. Here, we see considerable business potential in our entrepreneurial client base.

During the 2001/2002 financial year, developments in the IKB Group were dominated by an appreciable rise in net interest and commission income on the one hand, and a clear increase in administrative costs on the other, coupled with high provisions for risk. Furthermore, it should be noted that at the balance sheet date (March 31, 2002) IKB Private Equity GmbH (formerly IKB Beteiligungsgesellschaft mbH) and its subsidiary, IKB Venture Capital GmbH, were fully consolidated for the first time, and the previous year's figures adjusted accordingly.

The fundamental data concerning the IKB Group and the AG for the past financial year are as follows:

- net interest income rose by 7.4 % to EUR 471 million (AG: by 13.4 % to EUR 445 million);
- a EUR 27 million-rise in net commission income to EUR 40 million (AG: EUR 28 million to EUR 54 million);
- a widening of the interest margin on new lendings to 1.44 % (2000/2001: 1.32 %);
- administrative expenditure rose by 12.7 % to EUR 207 million (AG: by 12.2 % to EUR 163 million);
- a EUR 63 million-decline in other operating results to EUR 29 million;
- a reduction of the risk provisioning balance by EUR 12 million to EUR 175 million (AG: by EUR 24 million to EUR 141 million) with an increase in gross risk provisions, as well as an appreciably higher release of former risk provisions and a higher securities trading result.

This led to an 8.3 %-decline in the result of ordinary activities to EUR 160 million; for the AG, the figure was also EUR 160 million, the result of an 11 % decline. The Group's cost/income ratio came to 38.1 % (2000/2001: 37.8 %); the return on equity before tax was 15.0 % (2000/2001: 16.8 %).

The Board of Managing Directors has proposed to the Supervisory Board the payment of an unchanged dividend to shareholders of EUR 0.77 per share for the financial year 2001/2002. To reinforce the bank's equity base, EUR 42 million are transferred to reserves from Group net income for the year (AG: EUR 28 million).

Lending Operations and Asset Items

The volume of new loan accommodations during the period under review, including leasing activities, came to EUR 6.1 billion (2000/2001: EUR 5.4 billion). Disbursements by the AG amounted to EUR 5.1 billion (EUR 4.5 billion). Compared to the corresponding figure for the previous year, Group lending volume at March 31, 2002 had risen by 4.2 % to EUR 28.9 billion. Claims on customers, which account for a good 70 % of the balance sheet total, increased by 1 % to EUR 24.6 billion.

The moderate increase in claims on customers reflects the weakness of the overall economy. Specifically, in 2001 gross domestic product in Germany rose by a mere 0.6 %. The level of corporate investment was 5 % lower than the previous year, with the decline in the last quarter surpassing 10 %. The situation in the stock markets was equally difficult, which – particularly after the terror attacks of September 11 – plummeted to new depths. Conversely, economic growth in certain foreign markets especially relevant to our business, namely France, the UK, Eastern Central Europe, and parts of Asia, was considerably stronger.

Accordingly, the bank's individual business divisions developed along diverse lines; while disbursements by the Corporate Lending Division declined as a result of the weak domestic economy and falling levels of investment in machinery and equipment, Real Estate Financing and – in particular – Structured Financing experienced a considerable rise in earnings. Conversely, our Private Equity Division – as was true of the sector as a whole – generated substantial losses.

In close alignment with our claims on customers, liabilities from guarantees (appearing beneath the balance sheet total) rose by EUR 0.8 billion to EUR 1.7 billion. This increase primarily reflects our involvement in foreign loan portfolio structures. Specifically, during the period under review we invested primarily in international portfolios with AAA to BBB ratings, achieving an average margin of 1.5 %. Our foreign investments are always rated and represent a partial compensation of our risk outplacement.

On account of the balance sheet date, claims on banks doubled by EUR 0.8 billion to EUR 1.6 billion. The increase focused on short- and medium-term maturities, whereas longer-term maturities continued to decline.

IKB Group Credit Volume

	March 31, 2002 in EUR million	March 31, 2001 in EUR million [1]	Change in EUR million	in %
Loans to customers	24 600	24 276	324	1.3
Loans to banks	191	216	–25	–11.6
Leasing items	2 346	2 239	107	4.8
Guarantees	1 748	989	759	76.7
Group credit volume	**28 885**	**27 720**	**1 165**	**4.2**

Summarised IKB Group Balance Sheet

	March 31, 2002 in EUR million	March 31, 2001 in EUR million [1]	Change in EUR million	in %
Assets				
Liquid funds	11	1	10	>100
Claims on banks	1 605	804	801	99.6
Claims on customers	24 600	24 276	324	1.3
Debentures	4 928	3 814	1 114	29.2
Shares and other non-fixed interest securities	38	36	2	5.6
Investments and holdings in associated and subsidiary companies	47	44	3	6.8
Fixed assets	215	212	3	1.4
Leasing items	2 346	2 239	107	4.8
Outstanding capital of minority shareholders	49	49	–	–
Other assets	1 035	965	70	7.3
Total assets	**34 874**	**32 440**	**2 434**	**7.5**
Liabilities				
Liabilities to banks	15 436	15 182	254	1.7
Liabilities to customers	2 250	2 411	–161	–6.7
Securitised liabilities	12 975	10 825	2 150	19.9
Provisions	301	282	19	6.7
Subordinated liabilities	868	803	65	8.1
Participation certificate capital (Genussrechtskapital)	624	439	185	42.1
Fund for general bank risks	80	80	–	–
Participations of minority shareholders	14	27	–13	–48.1
Equity capital	1 281	1 243	38	3.1
Other liabilities	1 045	1 148	–103	–9.0
Total liabilities	**34 874**	**32 440**	**2 434**	**7.5**

[1] Figures since March 31, 2001 adjusted due to the first consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH

We increased our portfolio of debentures by 29 % to EUR 4.9 billion; it consists almost exclusively of top-rated floating bonds. This portfolio serves as security for our tendering operations with the European Central Bank, as well as for our collateral management in future interbank transactions. The volume of our portfolio of leasing items expanded by 5 % to EUR 2.3 billion, reflecting the positive trend in equipment leasing.

The Group balance sheet total increased by 8 % or EUR 2.4 billion to EUR 34.9 billlion; in the AG, the balance sheet total increased by 9 % to EUR 35.1 billion.

Funding

We funded our operations primarily by issuing bearer debentures; accordingly, the item "Securitised liabilities" rose by 20 % to EUR 13.0 billion. Specifically, we placed five tranches worth EUR 2.7 billion, as well as EUR 1.6 billion in tap issues; these were balanced by redemptions amounting to EUR 2.1 billion. The EUR 0.3 billion increase in liabilities to banks reflects the rather modest rise in claims on customers.

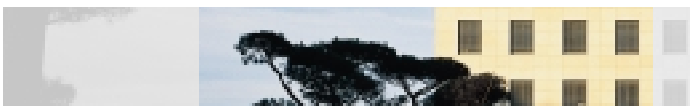
Equity

With respect to equity our objective is to expand our business without increasing the share capital. Instead, the emphasis is on reducing the amount of risk assets. Accordingly, after two CLO transactions in 2000/2001, we outplaced a further EUR 3.65 billion in credit risks during the year under review. Moreover, we increased subordinated liabilities by EUR 65 million to EUR 868 million, and added EUR 185 million in participation rights capital, which rose to EUR 624 million. Additionally, reserves increased by EUR 38 million to EUR 886 million, meaning that equity at March 31, 2002 reached EUR 2.9 billion, up from EUR 2.6 billion the previous year. For the AG, the corresponding figure for the year under review was EUR 2.7 billion (2000/2001: EUR 2.4 billion).

At March 31, 2002, the Group fulfilled the banking regulatory capital requirement (Principle I) with 12.1 % (2000/2001: 10.7 %); the tier 1 capital ratio was 6.4 % (6.1 %). In the AG, the Principle I figure came to 11.9 % (10.7 %); the tier 1 capital ratio amounted to 6.0 % (5.7 %). We thus attained our goal of exceeding the core capital ratio of 6 % in the Group.

Earnings

During the 2001/20002 financial year, net interest income in the Group rose by 7.4 % to EUR 471 million. This positive development was due in large measure to the expanded margin in our domestic and foreign loan operations, as well as to successful interest management. Especially gratifying was the increase in net commission income, which rose by EUR 27 million to EUR 40 million, largely the result of the investments in international loan portfolio structures mentioned above.



IKB Group Total Liable Funds

	March 31, 2002 in EUR million	March 31, 2001 in EUR million	Change in EUR million	in %
Subscribed share capital	225	225	–	–
Silent capital	170	170	–	–
Capital reserves	568	568	–	–
Revenue reserves	318	280	38	13.6
Fund for general bank risks	80	80	–	–
Tier 1 capital	1 361	1 323	38	2.9
Participation certificate capital (Genussrechtskapital)	624	439	185	42.1
Subordinated liabilities	868	803	65	8.1
Total liable funds	**2 853**	**2 565**	**288**	**11.2**

IKB Group Operating Results

	April 1, 2001 to March 31, 2002 in EUR million	April 1, 2000 to March 31, 2001 in EUR million [1]	Change in EUR million	in %
Interest income from loan operations and money market transactions, fixed interest securities and government-inscribed debt, and earnings from leasing operations	3 215.2	3 097.6	117.6	3.8
Earnings from securities and holdings	4.8	2.7	2.1	77.8
Interest expenditure, expenditure and scheduled depreciation relating to leasing operations	2 748.7	2 661.6	87.1	3.3
Net interest income	471.3	438.7	32.6	7.4
Commission income	44.8	18.0	26.8	>100
Commission expenditure	5.3	5.7	–0.4	–7.0
Net commission income	39.5	12.3	27.2	>100
Net result from financial operations	1.9	2.5	–0.6	–24.0
Personnel expenditure	133.4	117.2	16.2	13.8
Salaries and wages	*101.1*	*89.6*	*11.5*	*12.8*
Social security contributions/expenditure for retirement benefits and pensions	*32.3*	*27.6*	*4.7*	*17.0*
Other administrative expenditure	73.1	66.0	7.1	10.8
Administrative expenditure	206.5	183.2	23.3	12.7
Balance of other operating income and expenditure	29.3	91.8	–62.5	–68.1
Provisions für risk	–175.2	–187.2	–12.0	–6.4
Result from ordinary activities	**160.3**	**174.9**	**–14.6**	**–8.3**

[1] Figures since 2000/2001 adjusted due to the first consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH

Despite difficult conditions in the stock markets and capital markets, our net result from financial operations remained more or less constant at EUR 2 million. A slightly negative result in bond trading was offset by positive results from trading in shares and certificates or indebtedness *(Schuldscheindarlehen)*.

Administrative expenses rose by 12.7 % (or EUR 23 million) to EUR 207 million. A good two-thirds of this in crease fall to personnel expenditure, which grew by 13.8 % to EUR 133 million. Three factors contributed to this development: last year's increase in the number of staff by an average of 75 employees, a result of the new Group structure, higher salaries and an above-average rise in social contributions and expenditure on retirement benefits and pensions (+17.0 %). Other operating expenses rose by 10.8 % to EUR 73 million. Figuring prominently here were write-downs on computer hardware and software, higher spending on office space and maintenance, the introduction of a new advertising concept, and higher costs relating to the expansion of our information management and data processing systems.

Other operating income contracted by EUR 63 million to EUR 29 million. The high figure attained the previous year resulted from the sale of our stake in National-Bank AG. During the period under review, other operating income was determined first and foremost by the sale of our former headquarters building in Düsseldorf, as well as value adjustments of the shareholdings of IKB Private Equity GmbH and IKB Venture Capital GmbH.

In the AG, other operating income came to EUR –37 million (EUR 69 million). This dip was due to the afore mentioned sale of our stake in National-Bank, as well as taking over the losses generated by IKB Private Equity GmbH.

Risk Situation

Contrary to our expectations at the beginning of 2001, there was no improvement on the risk front during the period under review. A weak world economy, economic slowdown in Germany, rising unit labour costs and increasingly rigid regulations in the labour market have combined to produce a surge of corporate insolvencies, which rose to 32,000 in 2001, up from 28,000 the year before.

All of these things contributed to making 2001 the most difficult year for the banking sector for the past three decades, according to the Association of German Banks. As a result, charges for bad and doubtful debts last year had to be increased considerably in many cases. In part, this led to a substantial reduction in the results from ordinary activities, as well as declining dividends.

The IKB Group was unable to shield itself completely from these very difficult economic conditions. Thus, gross provisions for risk during the year under review continued to move at a high level, rising by EUR 13 million to EUR 252 million driven above all by write-downs on mezzanine financings. On the other hand, at EUR 48 million, the volume of release of provisions for bad and doubtful debts and payments received on loans written off considerably exceeded the previous year's level (EUR 29 million). Moreover, the securities trading result (EUR 29 million) also surpassed last year's figure.

Accordingly, we succeeded in reducing Group net provisions for risk by EUR 6 million to EUR 204 million (AG: by EUR 17 million to EUR 170 million). The Group's risk provisioning balance declined by EUR 12 million to EUR 175 million (AG: by EUR 24 million to EUR 141 million).

A detailed analysis of our allocations to risk provisions reveals that roughly 45 % of this expenditure – but only 20 % of aggregate exposure – related to corporate and real estate financing in Eastern Germany. At issue here are loans which we made prior to the mid 1990s. With respect to Western Germany, the opposite situation pertains: it accounts for 60 % of loan volume, but only 30 % of write-downs.

Our Structured Finance Division accounted for 10 % of write-downs, and 15 % of aggregate exposure. Private Equity, conversely, had 15 % of the write-downs while accounting for just 1 % of aggregate exposure. This illustrates once again the difficulties experienced by the Private Equity Division during last year's process of restructuring.

At March 31, 2002, Group provisions for specific and general bad and doubtful debts totalled EUR 875 million (2000/2001: EUR 828 million), and in the AG to EUR 788 million (2000/2001: EUR 779 million).

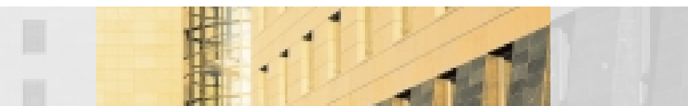
Result from Ordinary Activities

The result from ordinary activities in the Group and the AG came to EUR 160 million, i.e. EUR 15 million or 8.3 % below the previous year's figure (AG: –11 % or EUR –20 million).

Proposal for the Appropriation of Profits

Group net income for the year for the period under review amounted to EUR 83.1 million (EUR 85.9 million). A loss brought forward from the previous year 2000/2001 primarily results from the consolidation of the special purpose entities of IKB Immobilien Leasing GmbH. This result derived from leasing-typical patterns of expenditure and earnings during the early years of these companies. Following the allocation of EUR 42 million to other revenue reserves, unappropriated earnings in the Group came to EUR 29.2 million.

Net income for the year in the AG amounted to EUR 96.1 million (EUR 98.1 million). After the allocation of EUR 28.3 million to other revenue reserves, unappropriated earnings came to EUR 67.8 million. We propose to the General Meeting that this profit be disbursed in the form of an unchanged dividend of EUR 0.77 per share.



2. Risk Report

A. Objectives, Strategies and the Organisation of Risk Management

Objectives and Strategies

With a corporate culture, that is characterised by a conservative risk policy, IKB's risk management is based on fundamental rules defined by the Board of Managing Directors assessing the bank's ability to bear risks. These rules are governed by the principle, that the bank should only take risks in line with the target rating of AA-. Our risk strategy entails the continuous identification, measurement and monitoring of all risks arising from our business activities, and embedding the findings in the bank's risk and profit management.

The successful management of risk is based on achieving an even balance between risk and return. In this process, continuously monitoring and reporting on the risk situation of the bank is particularly important. The overriding objective is to identify and circumscribe potential risks at an early stage. In doing so, we create the scope necessary to secure the bank's existing and the creation of new potential for success.

Risk Organisation

The clearly defined functional organisation of our risk management system guarantees the functionality and effectiveness of the bank's risk management process. The delimitation of tasks and areas of responsibility is documented in a risk management handbook. Embracing all bank-internal and legal requirements, this regulation lays down guidelines, which, in connection with specific organisational directives, establish the principles of the IKB risk management system. Analogously, this applies to all subsidiaries of IKB.

In connection with the concepts of the Basle Committee on Banking Supervision regarding the determination of minimum capital requirements for Banks (Basle II), which is expected to come into force in 2006, principles relating to the management of credit risks were published, a key component of the new regulations. On this basis, the German Federal Financial Supervisory Agency is elaborating Minimum Requirements for Lending by Banks. A central element in these minimum standards is a stricter organisational separation of market and after-market units. In a disciplinary and functional sense, IKB has long kept its risk management specialists separate from its market units. Whereas the customer relationship-officers act as the primary point of contact for our customers on all questions of loan operations, the risk management unit carries out an objective and independent analysis of each individual loan commitment, as well as assessing its creditworthiness.

The organisational separation of customer service elements and credit risk monitoring up to just below Board of Managing Directors' level specified by the minimum requirements, corresponds to the separa-

tion of risk management and risk controlling already defined in the IKB risk management handbook. Different members of the Board of Managing Directors are responsible for each of these. A close intermeshing of the expertise embodied in these departments is guaranteed while at the same time maintaining different points of emphasis regarding the respective tasks. The main areas of the bank's risk management are described in the following:

Board of Managing Directors. The entire Board of Managing Directors is responsible for IKB's risk management, assessing the risk policy in terms of a clear definition of strategy, the types of business, and the acceptable aggregate risk within the framework of the bank's ability to bear risk.

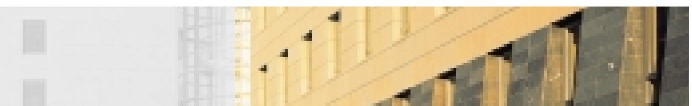
Risk Committees. The setting up of specific committees for combining and monitoring risk-relevant decisions (asset/liability management, investment, credit risk and product committees) supports the risk management activities and decision-making process of the Board of Managing Directors. These committees are responsible both for fundamental questions of policy and decisions on specific transactions, based on the parameters defined by the Board. They are composed of members of the Board and the operational divisions and representatives of the Risk Management and Risk Controlling Departments.

Risk Management. The Risk Management Department is responsible for the implemention and compliance of Group-wide risk standards in the divisions and departments, as well as for loan portfolio management. Among the basic tasks of the Risk Management Department is, in particular, the entire loan granting process, in which it exercises its own loan approval competence. Risk Management is also responsible for calculating and recommending an appropriate risk provision for identified risks.

Risk Controlling. Under the aegis of the bank's central Controlling Department, Risk Controlling is responsible for implementing the risk policy decisions of the Board of Managing Directors, for producing reports on internal and external risk, as well as for the neutral monitoring of loan, market and operational risks. As an instance independent of the market units, Risk Controlling ensures that all measured risks remain within the parameters determined by the Board of Managing Directors. Within the framework of the risk controlling process, the core responsibilities of Controlling include the daily calculation, analysis and reporting of market price risks as well as topical, continuous monitoring of credit risks. A further point of emphasis is the development of guidelines and procedures for handling market, credit and operational risks, as well as methods of calculating them.

Apart from creating this risk transparency and monitoring the aggregate risk of the bank, Controlling is responsible for the ongoing development and implementation of the risk/profits-based overall management of the bank. Within the framework of strategic planning as well as the operational budget process, Controlling supports the Board of Managing Directors in allocating capital to the divisions.

Internal Auditing. The Group's Internal Auditing unit is organised as an autonomous part of the risk management system. It is subordinate to the entire Board of Managing Directors, to which it directly reports. On the basis of process-oriented inspections, all operational and business flows within the Group are examined, whereby, from the standpoint of risk, the emphasis is placed on the qualitative and quantitative processes and methods as well as data processing flows in the bank's lending and trading operations.



Thanks to this systematic division of responsibilities within the framework of operational risk management, the quality standards called for in the Minimum Requirements for Trading Operations by Banks imposed by the regulatory authorities are also met.

Along with the afore mentioned departments, the individual divisions are bound up in the operational risk management structure. They also ensure the management of operational risks in cooperation with the bank's central Controlling, Organisation and Internal Auditing Departments. Risk policy is coordinated at regular meetings of the division heads.

Basle II

The objective of the new Basle Agreement on regulatory capital requirements (Basle II) is to safeguard the stability of the banking system and promote a stronger, quality-oriented bank supervisory system. Basle II rests on three pillars:

1. Risk-adjusted determination of the required capital for credit risks and operational risks
2. Improvement of the risk management procedures used by banks in monitoring and managing risks
3. Improving market transparency through expanded disclosure obligations.

On the whole, IKB sees in the Basle II regulations a confirmation of its policy of risk-categorised examination of its operations and of continuing to develop its recently started portfolio management operations. Last year, a bank-wide Basle II-project was launched in cooperation with all of the divisions and departments to coordinate implementation of the requirements; regular reports will be submitted to a steering committee in which the Board of Managing Directors is represented.

B. Risk Management Process

Customer Default Risk

Regarding the risk of customer default, we differentiate between credit risk and counterparty risk. A credit risk occurs when the failure of a customer prevents a loan from being paid back either fully or in part. Counterparty risk entails the compensation for hedges or reinvestments respectively, or the fact that a profit not yet realised cannot be recovered. On account of the special significance of loan operations as the core business of the bank, credit risk is subject to exceptionally careful scrutiny.

In controlling the risk of customer default, we rely primarily on the following elements: risk policy guidelines governing the acquisition of new business, authorisation of single loans, portfolio monitoring based on comprehensive portfolio analysis, and internal auditing.

Risk Policy Requirements. The point of departure for the risk management process in the lending business is joint planning by the Board of Managing Directors and the divisions, supported by the Corporate Development and Controlling Departments. Based on the bank's ability to bear risk and its growth and earnings targets, risk is explicitly included in the planning process. The objectives derived from this include not only the volume of new business, net interest and commission income and expenditure on material and personnel, but also the costs of risk and equity. In planning the risk costs, the creditworthiness and collateral structure is agreed so as to be able to exercise a sustained influence on the sourcing of new business and the care of existing customers. It is not only

the agreed risk policy objectives which count when acquiring new business, but also the credit calculation of the respective transaction taking into account the directly attributable costs, especially the standard risk costs. The volume, yield and risk figures deriving from new business are compared on a timely basis with the target figures, and form the subject of a monthly report submitted to the Board of Managing Directors and the divisions. It is the task of Controlling in this context to identify, analyse and elucidate any discrepancies.

Loan Approval Process. Of crucial importance in the loan process is the Risk Management Department, which operates independently of the divisions, thereby fulfilling the requirement to keep the acquisition of new business separate from the loan decision-making process. The management of customer default risk is based on a loan approval process which takes into account the financial standing of the individual customer company and the sector it operates in, as well as the appropriateness of the planned volume of business. In the case of company groups also the creditworthiness and the whole loan volume of the group are included into the decision. Also increasingly important within the framework of the loan approval process are portfolio considerations, the aim being to support the divisions in optimising the loan portfolio. Within the framework of a graduated system of decision-making authority categorised by rating and volume, individual loan decisions are made based on the volume of existing group loan exposure (on the basis of the borrower unit as defined in Article 19(2) of the German Banking Act), the creditworthiness of the borrower and collateral, either decentrally by the respective division or centrally by the loan units in the Risk Management Department, or by the Board of Managing Directors. Thus, the principle of dual control is invariably maintained. Likewise, loan and contract processing is taken care of by the bank's legal personnel, who also operate independently of the divisions.

Portfolio Monitoring and Controlling. In monitoring and controlling the existing exposure, having an overview of the bank's entire loan portfolio is of crucial importance. Taking into account the corporate groups to which they belong, all loan risks are regularly collected and portfolio-oriented by country, division, rating class and sector monitored by Risk Controlling. To ensure the early detection of risks, the divisions regularly gather up-to-date information on our customers. This enables timely evaluation by the bank of the creditworthiness of borrowers and hence of the risk structure of our loan portfolio. The study of individual industries and market alterations is conducted by the bank's Economics Department.

The point of departure for determining portfolio factors, which are oriented to the bank's business policy objectives and risk policy guidelines, is a regular inspection of the portfolios by the Risk Management Department. Here, the risk structure of the loan portfolios and their alteration over time, which are pointed out by Risk Controlling, and the sector risks and business cycle influences on individual industries identified by the Economics Department, are transformed at portfolio level into risk-control measures by the Risk Management Department. Discrepancies from the planned portfolio structure or undesired concentrations are thus subject to early detection, allowing countermeasures to be taken. The Board of Managing Directors decides on portfolio limit settings based on proposals made by Risk Management.

Managing High-Risk Loans. The management of high-risk cases – separated into foreign and domestic categories – is performed by special teams. By calling these units in at an early stage and involving loan officers with special expertise, it is aimed to introduce measures capable of preserving a company's status as a going concern or, should these efforts fail, to limit substantially the ensuing degree of economic damage.

Rating Process and Rating Techniques. The central element of the overall loan process is the evaluation of our customers' creditworthiness. As a specialist bank with a strong focus on long-term customer and credit relationships with medium-sized companies, in selecting our business partners we impose exceptionally stringent criteria with regard to the creditworthiness and the recoverability of collaterals of our exposure. In doing so we place particularly great emphasis on a sustained, positive earnings performance on the part of our customers. Corresponding credit guidelines concretise this commitment to quality.

In assessing creditworthiness, we make use of computer-supported rating procedures tailored to the customer's industry and the specific form of financing. The customer's various creditworthiness characteristics are correspondingly weighted and subsequently applied to a 10-point scale ranging in steps of 0.5 from 1.0 (the best rating) to 6.0 (default).

An individual "probability of insolvency" is calculated for each rating level and regularly subjected to back testing. Analysis reveals that our internal rating procedures are an accurate means of classifying risk.

In our corporate lending operations we apply a customer rating scheme, which, based on core financial data derived from past and projected economic data, also takes into account the individual characteristics of the company. Particular aspects of project finance and other special forms of financing are subject to a different rating process in which greater significance is attached to cash flow requirements. The rating system used in the bank's real estate finance operations assesses creditworthiness based on specific property and investor information.

Today, these systems already form the core of our internal, risk-based loan risk management system, and will form the basis of the Basle Accord on risk-based minimum capital requirements for lending by banks, which will probably come into force in 2006.

Quantifying Credit Risk. In recent years, credit risk models have gained new importance in the internal management of risk. Here, loss distribution of the loan portfolio – the central item of concern – is divided into two categories: "expected loss" and "unexpected loss". While the "expected loss", as a statistical expectancy value (standard risk cost), is covered by the risk premium included in the loan calculation, the "unexpected loss" represents the potential risk that, based on a specified confidence interval, could be greater than the "expected loss". The coverage of this risk is backed up by the ability to bear risks and is satisfied by an equity premium, which is calculated within the framework of the credit calculation system. To quantify these risks we use our own credit risk model, which we are continuing to develop, and which will be introduced during the course of 2002. Our calculations show that the risks will be covered even at a confidence interval of 99.95 %.

During the course of regular reports on performance, special attention is paid to the risk situation. This way, in the event of conspicuous changes occurring, adequate countermeasures can be adopted on a timely basis.

Quality Assurance. As a part of a benchmarking project carried out last year, not only the system for assessing creditworthiness was scrutinised, but also the approval, monitoring and control processes of our loan operations. The results obtained form the basis for the ongoing refinement of the loan process, taking into account the afore mentioned Minimum Requirements for Lending by Banks and Basle II.

Internal Auditing. Another important step in safeguarding the quality of our loan portfolio are the regular inspections carried out by the internal auditing unit. These audits focus on examining internal flows and especially on adherence to key guidelines when granting loans, as well as on the standards of quality and security of the loan approval process. Moreover, the financial standing and economic content of the loan portfolio is checked by means of regular and representative random audits of individual loans.

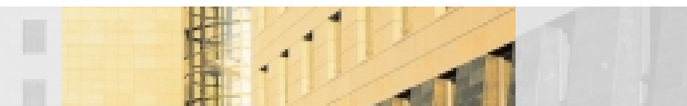
Market Price and Liquidity Risks

The group of market price risks plays a further role. Among others, these include interest rate risks, currency risks, and price change risks for shares and other assets. Management of these risks within the framework of the risk management process conforms to the "Minimum Requirements for Trading Operations".

Liquidity Risk. We define liquidity risk as the risk of present or future payment commitments not being able to be made on time or in full. This liquidity management takes place under adherence of external basic conditions. Treasury conducts regular liquidity analyses and cash flow forecasts in order to guarantee solvency at all times. To ensure adequate liquidity we also hold marketable, floating interest rate securities that can be sold or lent against at any time. This eliminates short-term liquidity risk. Furthermore, it is our policy to avoid maturity-related risks by funding our assets largely at matching maturities.

Limit System. The key element in managing market price risk is a sophisticated limit system, which is primarily focused on a market value-oriented limitation of the price or exchange rate risk of interests, derivatives, shares and currencies and is taking profit and loss targets into account. Based on the ability of the bank to bear risk, the limits are agreed between the Board of Managing Directors and Treasury.

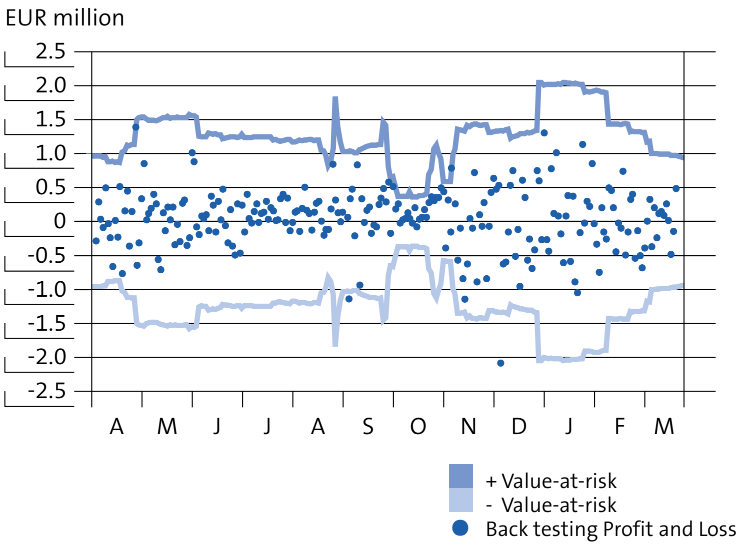
Based on this limit system and taking into account the rules of minimum requirements stated in our own general framework – which include limiting ourselves to permissible products – Treasury implements its market expectations in its investment and funding strategies. IKB differentiates its trading for



own account, equity investment and asset funding. The trading for own account and equity investment positions are evaluated daily. Their risk content is measured by means of a value-at-risk system. Based on this evaluation and the risk ratios, the degree of utilisation of the risk and loss limits is calculated for both normal and worst case scenarios. The normal case scenarios both for cash value- and interest income-oriented risk measurements are determined for a ten-day period and a confidence level of 99 %. On account of the minor significance of share price risk, the standard procedure is applied here in accordance with Principle I of the German Banking Act. The worst case scenarios are calculated based on an historical analysis of the past 20 to 30 years. Our back testing demonstrates that the actual changes in results in both trading for own account and equity investment are accurately revealed by our value-at-risk estimates. The following graph shows that the two divergences observed in our trading for own account operations lie within the permissible fluctuation limits.

Back Testing in the Course of the Financial Year 2001/2002

Interest risks: 99% confidence level, share risks: standard method
1-day holding period



Asset and Liability Management. Other market price risks can arise from mismatched maturities in loan funding operations and equity investments. In order to quantify and limit these risks, IKB utilises its own asset and liability management system. With the help of this system, daily balances of interest fixations are set for asset transactions, including loan approvals and their subsequent funding, as well as for equity investments. Interest free positions are included in line with historical experience. On the basis of these balances of interest fixations, Risk Controlling determines the interest income that can be attained without risk during the current and coming financial years. In addition, an “interest at risk“ for normal and worst case scenarios is calculated. These two factors, the interest income attainable for the various financial years and interest at risk, are set against interest income limits, so that the minimum income requirements of the bank are assured. For the new financial year, a cash value-oriented value-at-risk system is employed for the items relating to loan funding with corresponding limits.

Reporting. In order to monitor market price risks and support the market price risk management, the Managing Directors in charge and Treasury receive comprehensive daily reports on the earnings and risk situation in the afore mentioned portfolios. Once a month, the member of the Board responsible for Controlling reports to the entire Board of Managing Directors on market developments, results and the risk situation of these positions.

Country Risk

The basis for evaluating and managing country risk is our country rating system, which involves six risk categories: (country risk class 1: no recognisable country risk; country risk class 6: high country risk). In assessing individual countries, a wide array of economic, social and political factors are all taken into account. Within the framework of a contemporary reporting system a regular report is made on the utilization of the limits, which are fixed by the board of Managing Directors based on analysis by the Economics Department and the recommendation of the Risk Management Department. At the balance sheet date after deduction of risks covered by credit insurances (i.e. Hermes) only 1 % of the credit volume was allocated to the country risk classes 2 to 5.

Operational Risks

Regulations of Basle II. According to the definition of the Basle Committee for Bank Supervision, "operational risk" refers the danger of losses occurring as a result of inappropriateness or failure of internal procedures, persons and systems, or which arise due to external events.

The new Basle Accord of minimum capital requirements envisages the use of several methods for calculating the capital requirements for operational risks. IKB is already preparing to meet these new standards.

Management of Operational Risks. The divisions, central departments and subsidiaries are responsible for the analysis, evaluation and reporting of operational risks, with the emphasis on regular analysis and identification of shortcomings and ways of optimising all business flows and processes. The operational risks are to be minimised or optimised through continuous improvements of the internal control system, taking into account the economic efficiency or the cost/benefit ratio respectively.

In light of this development, IKB has assigned decentralised risk managers for operational risks. Their task is to identify regularly occurring operational risks in their area of responsibility, and to examine them from the following standpoints:

- possibilities of early recognition,
- measures aimed at minimising the probability of a risk occurring,
- measures aimed at minimising the impact of risk,
- precautions and conduct in emergency situations.

Since the beginning of the current financial year, officers responsible for operational risk have been collecting data relating to cases of damage occurring. These include events relating to

- external criminal activity,
- internal errors (e.g. internal criminal or unauthorised conduct, processing errors and violations of operating, health or safety regulations),
- processing flows,
- damage to property,
- interruption of business operations/system failures, as well as,
- obligingness or legal liability.

The Controlling department coordinates the entire process by entering all cases of damage into a central incident database, which forms the basis for regular evaluations and reports.

Internal Auditing plays a particularly important role in managing operational risks, since within the framework of its process-oriented audits it monitors the internal control system for proper functioning.

Within the framework of risk analysis carried out so far, we have determined that the bank faces no operational risks that pose a threat to its existence. For each of the risks identified, measures for avoidance and possibilities of early recognition of undesirable developments and emergency precautions now exist or have been appropriately insured against.

Legal Risks. In the category of operational risk we also subsume legal risk, i.e. the risk of losses occurring due to the introduction of new legal regulations and of changes and or interpretations to existing laws that are disadvantageous to the bank. Limiting legal risk is the task of the bank’s Legal Department, which – when necessary – also draws on external legal advice from leading law firms. All contracts are continuously monitored to determine if amendments are necessary in order to conform to changes in the law or legal practice.

Strategic Risks and Reputation Risk

Strategic risks relate to the threat posed to the long-term success of the bank. These can take the form of changes in the underlying legal and corporate environment, but can also come from changing market and competition conditions, or from our customers or funding partners. Since there is nothing routine about strategic risks, they are hard to collect using an integrated system. They thus come under the special review of the Board of Managing Directors and selected central departments and are analysed an a regular basis.

This entails a regular review of the divisions’ strategies within the framework of a systematic planning process, as well as the resulting strategic initiatives and investments.

Reputation risks relates to direct and indirect losses due to a deterioration in the image of the bank among shareholders, customers, employees, business partners and the public at large. All measures affecting the bank’s image are carefully identified by the Corporate Development unit, and evaluated in close consultation with the Board of Managing Directors in order to contain the impact of these risks.

C. Risk Reporting and Risk Communication

To enable us to recognise risks at an early stage, and then to analyse and control them, all relevant information from the trading and lending units, as well as the accounting, personnel and other departments, is prepared at least once a month and presented and explained to the Board of Managing Directors and/or the relevant heads of divisions.

During the past financial year, the reporting instruments necessary for managing credit risk were further expanded; they depict the essential control parameters and risk information. In this context, special significance was also attached to loan portfolio reporting. The earnings and risk figures of our loan business, including a comparison with planning and target figures, are regularly and promptly reported to the Board of Managing Directors and the heads of the divisions, enabling divergences to be detected at an early stage and appropriate action to be taken. As a result, the necessary information is made available to the divisions and central departments timely and comprehensively.

In the framework of the reporting on the Minimum Requirements for Trading Operations, Risk Controlling produces a daily report for the Board of Managing Directors, the Treasury and other involved units containing an evaluation of the bank's trading for own account positions, the liquidity status, interest income from the funding of asset operations, and equity investments. This report also features a statement of cash-value risk under normal case and worst case scenarios. In analogous fashion, the risk of change in the bank's net interest income is also reported on in both scenario variants. This report discusses the utilisation of market price limits, as well as containing commentary on special developments.

D. Outlook

The past financial year once again showed that the methods and measuring systems we use in monitoring and managing risk are an adequate mean of depicting the afore mentioned risks, and thus form a solid foundation for the professional risk management engaged in by IKB. In the current financial year, we will focus on the continued expansion of our portfolio-oriented risk and profit management operations. In the process, we will be paying special attention to the development of the banking regulatory requirements in accordance with Basle II as well as the anticipated standards of the Minimum Requirements for Lending by Banks.

3. Performance of the Divisions

During the period under review, the *Corporate Lending Division* disbursed EUR 2.3 billion (see table), a figure below the previous year's EUR 2.6 billion. The main reasons for this were the afore mentioned weakness in corporate investment activities, as well as our approach to risk selection, which remains stringent. Thanks to the improved margin, the division's net interest and commission income, which came to EUR 232 million, actually improved slightly (EUR 231 million). Because the standard risk costs based on the expected loss rose to EUR 65 million from EUR 61 million, the result from ordinary activities declined to EUR 106 million (2000/2001: EUR 109 million). During the period under review, the cost/income ratio came to 26.6 % (26.5 %). The return on equity was 16.7 % (17.7 %).

For the current financial year, we expect the result from ordinary activities of the Corporate Lending Division to be EUR 97 million, once again somewhat below the previous year's figure. This estimate is based on the assumption that, although economic growth in Germany is expected to pick up this year, the volume of investment will decline again. On the other hand, on account of our strategic partnership with KfW, we already expect to see an additional EUR 235 million in new business this year.

In the *Real Estate Financing Division,* net interest and commission income during the period under review rose to EUR 79 million, up from EUR 73 million the year before. Because we were able at the same time to reduce the standard risk costs from EUR 27 million

Segment Report by Business Division for the Financial Year 2001/2002

	Corporate Lending		Real Estate Financing		Structured Financing		Private Equity		Leasing		Head Office		Total	
in EUR million	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01
Net interest and commission income	232.3	230.6	78.5	73.1	101.7	84.8	3.3	8.2	38.1	37.5	56.9	16.8	510.8	451.0
Administrative expenses	61.9	61.1	23.3	22.0	27.6	21.9	7.3	6.6	22.8	19.4	63.6	52.2	206.5	183.2
Personnel expenses	*47.5*	*46.4*	*16.8*	*15.2*	*18.6*	*14.2*	*4.0*	*3.0*	*15.4*	*13.5*	*31.1*	*24.9*	*133.4*	*117.2*
Other administrative expenses	*14.4*	*14.7*	*6.5*	*6.8*	*9.0*	*7.7*	*3.3*	*3.6*	*7.4*	*5.9*	*32.5*	*27.3*	*73.1*	*66.0*
Other operating result [1]	0.0	0.0	–0.6	0.0	0.2	0.0	–14.2	9.2	10.6	–1.0	35.2	86.1	31.2	94.3
Risk provisioning balance	64.5	60.5	22.8	26.6	20.2	14.6	24.7	3.7	2.6	1.1	40.4	80.7	175.2	187.2
Result from ordinary activities	105.9	109.0	31.8	24.5	54.1	48.3	–42.9	7.1	23.3	16.0	–11.9	–30.0	160.3	174.9
Ø Allocated tier 1 capital	636	615	220	196	187	159	24	24	123	116	–118	–67	1 072	1 043
Loan volume at balance sheet date March 31	16 266	16 584	5 355	5 097	4 191	3 978	204	237	2 550	2 398	319	–574	28 885	27 720
Cost/income ratio in %	26.6	26.5	29.9	30.1	27.1	25.8	–	37.9	46.8	53.2			38.1	37.8
Return on equity in %	16.7	17.7	14.5	12.5	28.9	30.4	–	29.6	18.9	13.8			15.0	16.8
Ø Number of staff	325	335	121	113	103	84	44	35	58	57	699	651	1 350	1 275
Volume of new business	2 274	2 621	793	528	1 399	1 182	55	58	710	835	859	170	6 090	5 394

[1] incl. net result from financial operations

to EUR 23 million, the result from ordinary activities increased to EUR 32 million (EUR 25 million). This positive development was made possible above all by the systematic implementation of a marketing strategy developed the year before, which led to an increase in new business volume of EUR 0.8 billion (EUR 0.5 billion). Thanks to this positive trend we succeeded in further improving the cost/income ratio to 29.9 % (30.1 %), while the return on equity rose from 12.5 % to 14.5 %.

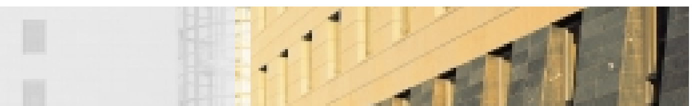
During the current financial year we expect this positive trend to continue. Of course, on account of cyclical and structural problems (e.g. substantial overcapacity in Eastern Germany), the real estate market will develop along divergent lines this year and in the foreseeable future. Even so, given our expanded range of real estate-related services and the reinforced structuring of project developments, including their financing, we expect to be able to increase the result from ordinary activities to EUR 39 million.

For our *Structured Financing Division,* the 2001/2002 financial year proved to be a continuation of a long period of unbroken growth. Specifically, the division succeeded in increasing net interest and commission income to EUR 102 million (EUR 85 million). On the other hand, owing to the dynamic expansion of business volume (disbursements increased from EUR 1.2 billion to EUR 1.4 billion), the standard risk costs rose to EUR 20 million, while an increase in the number of staff resulted in heightened administrative expenditure. This led to an increase in the result from ordinary activities, which rose to EUR 54 million (EUR 48 million). The cost/income ratio came to 27.1 % (25.8 %), the return on equity, to 28.9 % (30.4 %).

The expansion of new business volume and the increase in earnings were mainly due to the Division's success both at home and abroad in surpassing last year's strong performance in the field of acquisition finance. Conversely, business was less dynamic in the project finance sector.

For the 2002/2003 financial year, we expect to see a further increase in the result from ordinary activities to EUR 66 million. This is because we are currently advising a considerable number of promising consultancy clients in the field of international project finance, which will lead to additional structuring commissions in the coming months. Moreover, we are confident of gaining a greater share in the domestic and international market for acquisition financing, which will be a further source of income. Furthermore, our new strategic partnership with KfW will already lead this year to EUR 230 million in additional business.

Our *Private Equity Division* was hit particularly hard by the plunge in share prices and the significant loss of attractiveness of the market for corporate transactions. Already at a low ebb last summer due to the downturn in the world economy, share prices crashed dramatically in the wake of the terror attacks of September 11. Accordingly, none of the companies in our portfolio of participatory investments was able to go through with the initial public offerings originally planned for the period under review. At the same time, corporate buyout plans were delayed in anticipation of the effects of Germany's 2002 tax reform. This led to a decline in the net interest and commission income of our Private Equity Division to EUR 3 million (2000/2001: EUR 8 million).



Besides this decline the fact, that in the course of the crash on the stock markets and economic difficulties quite a number of participations in our Private Equity portfolio had to be written down, had the most profound impact on the division's result. For companies planning an IPO on Germany's *Neuer Markt* it was difficult under these circumstances to get follow-up financing. Provisions for risk in the field of mezzanine finance rose to EUR 25 million (EUR 4 million). In addition, a further EUR 21 million in value adjustments relating to investments in companies are contained in the Private Equity division's other operating results. Accordingly, the result from ordinary activities was a loss of EUR 43 million; the year before the division posted a profit of EUR 7 million.

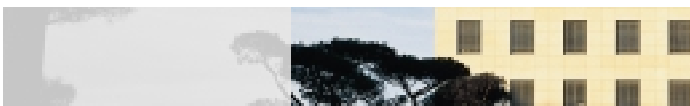
This year, the Private Equity Division finds itself confronted with special challenges. Despite the ongoing weakness of the stock markets, however, it is planned to return the division to break even.

Our *Leasing* activities, which embraces our equipment and real estate leasing operations, once again generated EUR 38 million in net interest and commission income during the period under review. Other operat-ing results amounted to EUR 11 million (EUR –1 million). This improvement in earnings was due to exit income following the termination of leasing contracts. Thus, the result from ordinary activities grew to EUR 23 million, up from EUR 16 million the year before. The cost/income ratio also improved, dropping from last year's 53.2 % to 46.8 %. The return on equity rose to 18.9 % (2000/2001: 13.8 %).

During the period under review, the volume of new business at IKB Leasing came to EUR 410 million, just slightly below the previous year's figure (EUR 414 million). To be sure, this has less to do with the state of the economy as a whole than with the fact that the underlying conditions for leasing in Eastern Germany have worsened. In concrete terms, EU restrictions on granting investment subsidies for hirepurchase investments in this part of Germany have brought this business almost to a standstill.

In the field of real estate leasing, the volume of new business came to EUR 300 million (2000/2001: EUR 421 million). The bulk of our exposure is in production and warehousing facilities, office buildings and commercial properties. The share of new building in the new business amounts to 54 %, a major portion of which materialised with the aid of the expert staff of IKB Immobilien Management GmbH. Moreover, we structured more than EUR 100 million in investments, a welcome source of commission income. The structuring of investments in new building is the core competence of IKB Immobilien Leasing GmbH.

For the 2002/2003 financial year, we expect the Leasing Division again to make a positive contribution to earnings, whose size of course will depend on leasing-specific expenditure and income flows. Our equipment leasing business is set to benefit from the forthcoming implementation of Basle II. In a trend already observable in the year under review, Basle II will encourage companies to finance their equipment investments by leasing rather than by loans.



4. Outlook

For the 2002/2003 financial year – after settlement of the head office costs – we expect the result from ordinary activities in the Group to be EUR 165 million. Contributing decisively here – and this applies to our operations in the Group and AG alike – will be the growth in earnings generated by our Structured Financing and Real Estate Financing Divisions, at least as things stand at present. We are also looking forward to a significant rise in income from activities relating to our investments in and the management of international portfolio structures. Conversely, we expect the Corporate Lending Division to grow at a slower pace for several months to come, the result of lingering economic weakness and the accompanied reluctance of the corporate sector to invest. We also expect to see a return to break even in the Private Equity Division.

We assume that administrative expenditure will rise by 6 %. This increase is substantially lower than that of the previous year, indicting that our recent restructuring of the Group was largely completed by the 2001/2002 financial year.

If we exclude the expected decline in risk provisions in the Private Equity Division, the level of gross risk provisions for the current financial year will probably reach the same level as the figure for the period under review. This development is likely to correspond to the trend throughout the banking sector.

Given the very difficult banking year 2001 IKB came off appreciably better compared to the sector as a whole. We attribute this to our clear strategic focus on the profitable, expansion-oriented and innovative companies of Germany's *Mittelstand*. Furthermore, thanks to our stringent risk selection policy, we also succeeded in further improving the rating structure of our new loan engagements. Whereas in the 2000/2001 financial year, a good two-thirds of our loans fell into the categories of very good to satisfactory, in the year under review it was nearly 70 %. This indicates that our credit evaluation and credit monitoring system, which we have been steadily refining over the years, turns to account to an increasing degree. Particularly gratifying is the fact that we were able to release a substantial volume of provisions.

Against this background, we expect over the next few years to see considerable improvement in the bank's performance. Both at home and abroad, our strategic partnership with KfW is enabling us to reach target groups and offer products that would not have been possible before. On the one hand, this includes gaining large corporations as clients in the domain of international acquisition finance and project finance; on the other, it involves being able to market such attractive products as global loans and certificates of indebtedness *(Schuldscheindarlehen)*. In line with our special strategic position, we thus expect to see double-digit rates of growth in our results from ordinary activities starting in the 2003/2004 financial year.


"IKB gives us the space
we need for new ideas."

IKB and its Customers

Success has a long history at Dreier Immobilien. The Dortmund-based enterprise emerged from a construction and roofing firm, as well as from a window company. Glass roofing, corrosion proofing and façade construction still feature among the activities of the Dreier-Werke, a component of the Dreier group of companies. The postwar German construction boom prompted Erich Dreier Sr. to move into apartment building construction.

Renting, Leasing and Project Development are all Aspects of Dreier Immobilien

Over the course of time, Dreier Immobilien has developed into a multifaceted enterprise whose strategic management is now in the hands of sons Erich and Martin Dreier.

In the domain of renting and leasing, the company manages its own real estate portfolio. The centre of gravity is the German state of North Rhine-Westphalia: from Münster to Hagen and Düsseldorf to Dortmund, Dreier Immobilien is now present in 11 cities. The company is also active in Switzerland, where it owns considerable real estate assets, including residential and office buildings, as well as shopping centres.

In the field of property development and planning, Dreier Immobilien invests some EUR 40 million each year in urban development projects, with the resulting buildings entering its portfolio of real estate assets. It also operates as a project developer on behalf of external clients, preferably in North Rhine-Westpahlia.

The Hansa Carré in Dortmund: an attractive Location with sophisticated Architecture

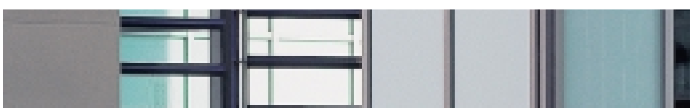
An architectural highlight is currently emerging on property purchased by Dreier Immobilien in the heart of Dortmund, the so-called Hansa Carré. Its steel and glass façades and imposing roof design dominate the external architecture, while the interior offers 15,000 square metres of exclusive space for retailers. From the standpoint of urban planning, the development is expected to enliven the city centre by providing a sophisticated shopping experience.

Economic Success thanks to forward-looking Business Concepts

Long years of experience, an intensive exchange of ideas with municipal authorities and a highly developed eye for market opportunities come together to form a strategic concept that has long been a guarantee of business success. Likewise decisive is the fact that Dreier Immobilien often already owns property in attractive locations, providing an excellent basis for promising, forward-looking projects. Equipped with these market-oriented skills and assets, the company has succeeded for decades in opting for the right projects at the right locations.

Dreier Immobilien, Dortmund
Erich Dreier (left), Martin Dreier
Owners

II. Group Business Trends



1. Underlying Economic Conditions

During the period under review, the underlying conditions for our business operations were particularly difficult. This applies as much to the overall economic situation as to the performance of the stock markets.

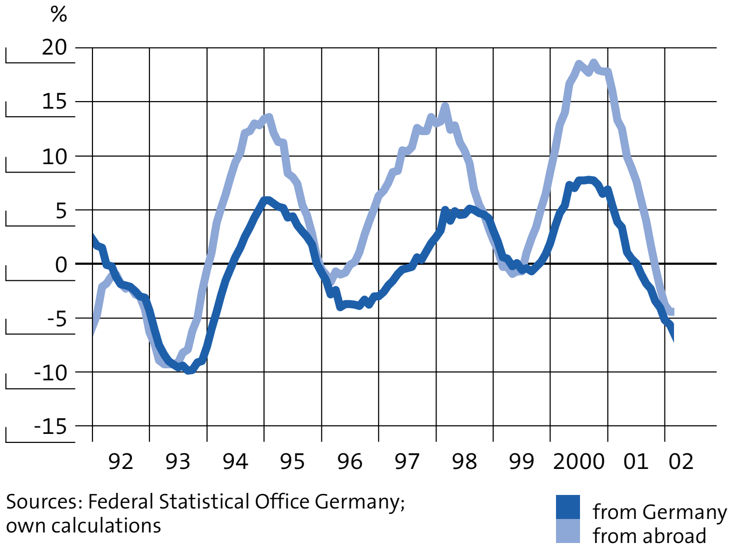
As depicted by the IKB-Barometer, the rate of growth for incoming industrial orders from the home market – but most especially from abroad – suffered a veritable collapse. The two main reasons for this were the slowdown in world trade and the terror attacks in New York and Washington on September 11, 2001. These had a major impact on demand from abroad.

Domestic demand was hobbled by other – homemade – factors.

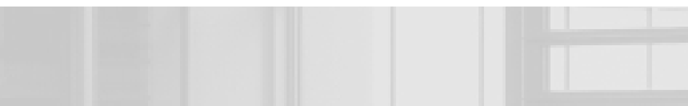
Among these were a tax reform that implies disadvantages for a large part of the *Mittelstand*, namely with respect to partnerships; the failure to reform the health care system (resulting in yet higher ancillary wage costs); and an increasingly inflexible labour market.

IKB-Barometer

Incoming Manufacturing Orders
Sliding 12 month Rate of Real Growth

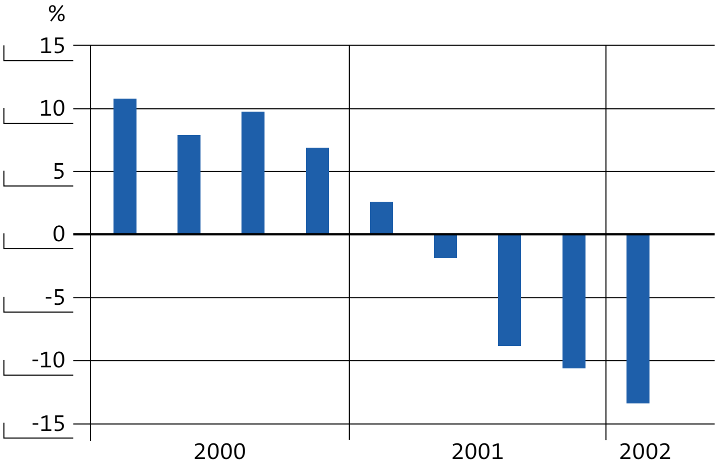


Sources: Federal Statistical Office Germany; own calculations



Corporate Investment in Germany

Real Changes compared to Previous Year's Quarterly Period



Source:
Federal Statistical Office Germany

The last of these in particular caused companies to create fewer jobs than would have been possible under other circumstances.

This resulted in a collapse in corporate investment (see graph), as well as in an only modest increase in private consumption, meaning that gross domestic product in 2001 grew by just 0.6 %. This was the lowest rate of increase since 1993.

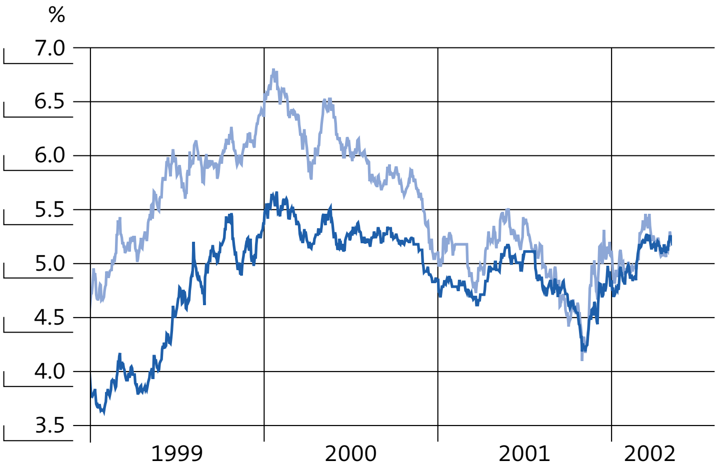
Naturally enough, all of this had a negative impact on our domestic lending activities.

Distinctly more positive were developments in the bond markets (see graph below), where German interest rates continued to depend heavily on American bond yields.

Particularly on account of September 11, there was a sharp decline in capital market rates. However, this did not last long, and by mid October the situation in the bond markets had largely returned to normal.

Toward the end of the period under review, capital market interest rates rose again appreciably. Once again, the reason was to be found primarily in the

Rates of Return Development USA/Germany
Government Bonds with Term of 10 Years



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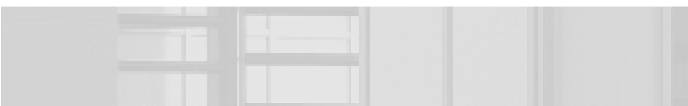
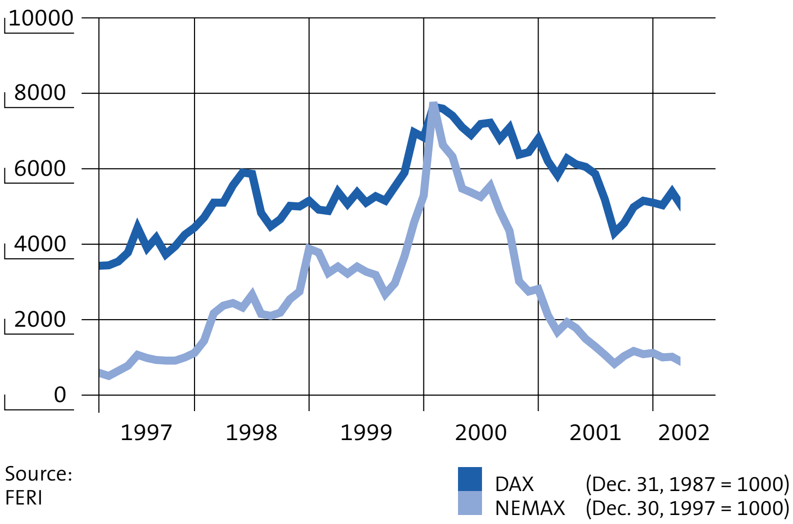


United States. Because the American economy grew faster than Euroland's – for example, US GDP in the fourth quarter of 2001 did not decline as expected, but instead rose by 1.7 % – there was a shift away from bonds to investment in shares, which pulled up US capital market interest rates. The level of German interest rates was also affected by this development.

The situation in the stock markets was difficult (see graph).

As the graph shows, both the DAX and NEMAX remained weak in 2001, a trend which worsened during the weeks following September 11. In light of this situation, it is not surprising that no company in our venture capital portfolio went public during the period under review.

DAX and NEMAX Performance



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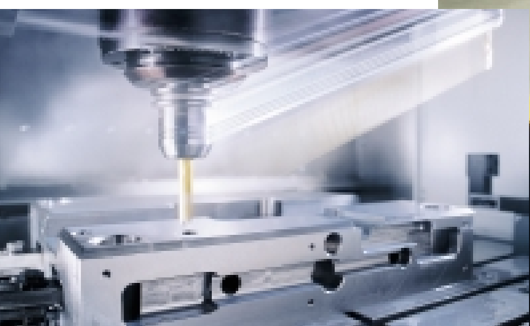
2. Corporate Lending

With a wide range of products and services, Corporate Lending is a strong financing and consulting partner of the Mittelstand



Wilfried Pfeiffer and Susanne Furchner,
Corporate Lending Division
IKB Deutsche Industriebank AG

Decline in new loan accommodations matched by improved credit quality and better interest margins

Owing to the difficult underlying conditions – a strong decline in investment activity – on the one hand, and creditworthiness criteria that remain stringent on the other, the volume of new loan engagements declined during the year under review. In all, we disbursed EUR 2.3 billion (2000/2001: EUR 2.6 billion). In the process, we succeeded in increasing the interest margin on new loan engagements to 1.12 % (1.06 %), as well as the proportion of new loans in creditworthiness categories 1 through 3. The result from ordinary activities came to EUR 106 million (EUR 109 million), the return on equity was 16.7 % (17.7 %), the cost/income ratio, 26.6 % (26.5 %).

Remaining at a high level was the new business generated by the Corporate Lending Division within the framework of the bank's Networked Sales system. (Our customer service officers in the branch offices also act as relationship managers for all Group activities.) Against this backdrop, our Corporate Lending Division succeeded last year in passing on EUR 370 million in new business to other divisions. The primary beneficiaries of this were Structured Financing and Equipment Leasing units.

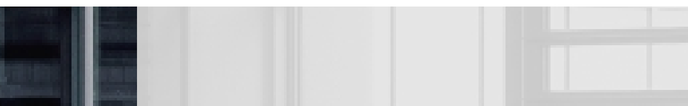
We have invested a great deal of time and effort in gaining an entrée to a large number of our customers for Allianz AG, our former strategic partner. We arranged for 600 such customer visits during the period under review, providing Allianz with an opportunity to present its products, especially its company pension schemes. The first transactions in this area materialised at the end of the financial year.

A move of major importance for the future growth of our domestic lending operations last year was IKB's new strategic partnership with Kreditanstalt für Wiederaufbau (KfW). Together with KfW we are now in a position to offer products and conclude transactions, which expand our opportunities to promote German medium-sized companies as "Partner for the *Mittelstand*".

Other areas of activity last year were the setting up of a "special sectors" sales unit with an industry-specific approach to consulting for selected sectors, as well as the development of a forecasting system for estimating the corporate financing potential. The point of this system is to optimise sales and improve earnings.

Cooperation with KfW, a move of major strategic importance: The focus is on global loans, syndicated financing, infrastructure financing and certificates of indebtedness

For our Corporate Lending division, cooperating with KfW will – along with the use of programme loans – mean greater emphasis on global loans, syndicated financing, infrastructure financing and certificates of indebtedness *(Schuldscheindarlehen)* when financing the *Mittelstand*.



In March 2002, we agreed on a EUR 500 million global loan with KfW for financing medium-sized companies, which represented a new and pioneering departure in the domain of German public programme loans. This global loan can be drawn on for individual loans to medium-sized companies with an annual turnover of up to EUR 500 million.

The novel aspect is that the terms for these loans are not bound by the uniform margin, but instead are risk-adjusted in accordance with the creditworthiness of the customer. This enables the extending bank to lend to companies whose risk calculation-based creditworthiness would have made this impossible with a strictly fixed uniform margin of 1 %.

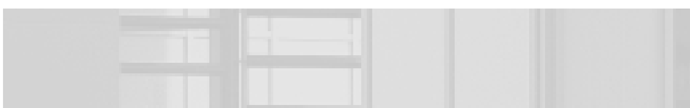
Thus, the new KfW global loan facility takes special account of the conditions of competition in the German credit market, as well as the changing regulations on the minimum capital requirements for banks in the wake of Basle II. In the process, the customer benefits from the favourable funding terms of KfW, which IKB passes on to medium-sized enterprises. Just like IKB, of course, all banks are eligible to conclude global loan facilities with KfW.

In the case of syndicated financing, the focus is first and foremost on companies whose annual sales exceed EUR 500 million, thus making them ineligible for public programme loans. In cooperation with KfW, we intend to offer attractive financings to these companies, partly within the framework of a mutual underwriting transaction.

In the field of infrastructure financing we will concentrate on the energy and environment sectors, as well as transportation and telecommunications. Our newly implemented Special Sectors Department drives these activities. By cooperating with KfW we hope to achieve special synergy effects.

The market for certificates of indebtedness is gaining in importance. Conversely, demand for corporate bonds for the *Mittelstand*, which were the focus of increasing attention during the previous two years, were of limited interest since the required issuance volume of EUR 100 million exceeds the capital needs of most of these companies. An additional challenge is posed by external ratings, which have to be conducted whenever corporate bonds are issued and updated annually.

Accordingly, medium-sized companies with good credit ratings prefer to take up certificates of indebtedness, which can be customised for financing investments ranging in volume from EUR 20 million and EUR 100 million. Together with KfW, we intend to place this attractive financing alternative on a broader basis, thereby enabling us to offer our customers another new and innovative financing product.



Optimised sales through differentiated customer potential analysis

Success in the Corporate Lending division depends on optimised market operations.

Therefore we have conducted a financing potential analysis during the period under review. This analysis gives us a detailed insight in the following aspects:

- Where are open markets for us?
- How large is the corporate investment and financing potential in specific sectors and regions?
- In which categories of creditworthiness are potential customers placed?
- In which areas should we reinforce our sales activities?
- What cost structures will our marketing operations result in?
- Which profit growth rates can we expected to achieve by pursuing certain sales strategies?

During the course of this financial year, we will gear our sales strategy to meeting these requirements. In the process, our goal will be a stricter exploitation of the market potential and, by focusing our sales activities more carefully – especially with respect to non-customers – to improve the earnings performance of the Corporate Lending Division.

▶ *GARANT SCHUH + MODE AG finances its global strategy of growth with innovative financial products*

Founded in 1927 purely as a purchasing cooperative society, today GARANT SCHUH + MODE AG unites more than 4,800 independent European retailers in the shoe, sports and leisure, leather goods and accessories sectors, making it the industry's largest umbrella organisation in Europe. The participating retailers operate around 6,700 outlets in 14 different European countries. Given its fast rate of international growth – in Western Europe in the eighties and Central and Eastern Europe in the nineties – the GARANT group has reached a degree of globalisation which no other German-based group of retailers can match. With annual turnover increasing by about 9 % per year, this SDAX-listed company has since attained consolidated sales of EUR 1.2 billion.

In the past, GARANT had already made use of foreign currency loans from IKB to finance its investments in Swiss francs (CHF). The ten-year interest on CHF fixed-interest credits can be up to 1.5 percentage points less than in the euro capital market. GARANT enjoys even greater flexibility thanks to a recently agreed cross-currency swap. The basis for this is a longterm fixed-interest euro loan from IKB, which the company is using to finance its investments. Concurrently, IKB and GARANT agreed a cross-currency swap in the same amount, under which GARANT pays distinctly lower CHF fixed interest receiving from IKB the higher euro fixed interest payments. This reduces the interest expenditure resulting from the euro loan by the amount of income resulting from the swap, thereby cutting GARANT's financing costs significantly. For GARANT, the advantage of using derivatives is as follows: cross-currency swaps are marketable financial instruments and can be sold at any time without detriment to the loan on which they are based.

Just like cross-currency swaps, pure foreign currency loans expose the customer to risks arising from currency fluctuations if it is unable to draw on foreign currency income generated by international operations. Thus, a basic prerequisite for any foreign currency loan is an estimate of the profit/risk-profile based on a sophisticated analysis of economic growth, interest rates and currency exchange rate movements. On this basis, IKB experts conduct a breakeven analysis on behalf of the customer in order to determine under which circumstances a foreign currency loan would be advantageous. The efficient use of derivatives thus presupposes highly nuanced, intensive consulting on the part of the bank. Not only does IKB offer its customers comprehensive onsite advice involving individually structured loan and interest rate-optimised concepts, but also holds regional workshops on current issues in the field of interest and currency management.

Focused sales: The new Special Sectors Department

The same objective, albeit viewed from a different angle, led us to create the Special Sectors Department, whose raison d'être is to generate business with companies in certain selected industries. Prompting this decision is the fact that the production technologies of these companies are becoming increasingly complex. Furthermore, sector information networks are becoming more and more specialised, while technical progress continues to gather pace, calling for more sophisticated and specialised forms of financial advice.

In response to this situation, during the 2002/2003 financial year we introduced an industry-specific sales unit, whose initial focus will be on the following sectors:

- telecommunications and information technology,
- transportation (infrastructure roads, rail, and air), as well as
- energy and environmental technology (supply/disposal).

By building up greater sector-specific expertise and financing know-how, our aim is to provide excellent advice to our customers (and potential customers), while reducing their financing costs and minimising our loan exposure risks. Because all of the industries mentioned are expanding and thus investing heavily, we expect to see a growing volume of new business in these areas.

Intensive discussion of Basle II – Transformation in the world of bank loan financing

During the year under review, the concerns of our customers remained squarely focused on the planned introduction of Basle II. While it is true that the tighter capital requirements for banks will come into force in 2006 at the earliest, the parties involved are already beginning to think and act along these lines. This is true not just of the banking industry, but of companies too, since it its becoming increasingly clear that bank loan financing in Germany is undergoing a major transformation.

To be sure – and particularly in the field of *Mittelstand* financing – it would be wrong to pretend that these changes were due primarily to the planned introduction of Basle II. In fact, the opportunity/risk profile for banks in the field of long-term corporate lending in the 1990s became increasingly unbalanced. This was mainly because the inadequate equity base of the companies meant that credit capital increasingly took over the role of equity.

However, due to intense competition in the German banking market, the margin on long-term loans averaged no more than 1 %, and the banks also had to take substantial provisions on bad and doubtful debts. As a result, it became increasingly clear that the banks would have to adopt countermeasures. At most, the discussion surrounding Basle II may have helped to accelerate and strengthen this process in specific cases. The fact is that even without Basle II there would have been a thorough and wide-ranging transformation in German loan financing.

This transformation is manifesting itself first and foremost in

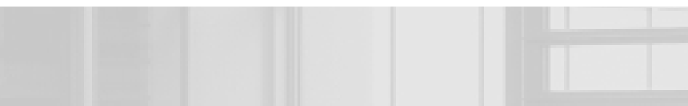
- the increasingly differentiated lending policies of the banks,
- tighter requirements with regard to documentation, planning and the willingness to disclose information,
- as well as in an upward trend in the margins on longterm corporate loans.

Contrary to the suspicions and fears voiced by many (especially medium-sized) companies, we have yet to detect any general move away by banks from corporate lending. What is actually happening is a step-by-step tightening of the creditworthiness criteria. As has always been the case, of course, a worthwhile investment will not fail in future for want of financing.

During the past financial year, we discussed these matters with our customers at a host of events. Among other things, we presented our rating model, pointing out that it is an excellent instrument for analysing strengths and weaknesses. We also assured our customers that long-term corporate lending would remain IKB's single most important financing product – all the more so given the nature of our strategic partnership with KfW. Even so, we have the distinct impression that the *Mittelstand* has been unsettled by the Basle II debate.

Sector Structure: Declining share of disbursements in cyclical-dependent areas of manufacturing industry – Service sector gains added significance

Compared to the 2000/2001 financial year, the centre of gravity of our new disbursements shifted slightly away from manufacturing to the service sector during the period under review. If 73.4 % of disbursements went to manufacturing companies in 2000/2001, during the period under review this figure dropped to 71.1 % (see table on page 58). The share of the service sector moved up from 17.1 % to 19.7 %. At 9.2 %, the retail sector's share of disbursements remained practically constant (2000/2001: 9.5 %).



Changes in the disbursement structure within manufacturing industry were considerably more pronounced. The most obvious change was in the capital goods industry, whose share fell from 33.7 % to 26.6 %. This trend faithfully reflects developments in the economy as a whole, which witnessed a veritable collapse in corporate investment during the period under review. Along with the mechanical engineering sector – now the largest recipient of disbursements – the companies of the automotive sector were particularly hard hit. The decline in new loan engagements going to the latter (from 13.2 % to 7.8 %) was particularly marked, because the investment activity of our customers from the supplier industry is far more dependent on the business cycle than is the case with OEMs.

During the past financial year, a larger share of aggregate disbursements went to the basic and producer goods industry, whose share rose from 24.3 % to 27.0 %. Here, the share of the energy and water resources segments surged to 6.2 %. This should be in the context of market deregulation in the EU, which is leading to the formation of a new supplier structure. Together with the additional investment relating to requirements from the objectives posed by regulations of the climate conference, this will lead in future to higher investment and borrowing needs.

Disbursements going to Germany's export-oriented wood processing and paper industries also rose as companies moved to expand capacity after the bottlenecks experienced during the 2000 boom. Conversely, in the field of iron and steel, foundries failed to maintain their previous share, which – driven by substantial one-off effects – falling from the previous year's 5.7 % to 2.3 %. To a lesser extent, the same applies to the non-metallic minerals sector, which is still suffering from the weak construction sector.

At 17.5 %, the share of disbursements going to the consumer goods industry likewise rose (2000/2001: 15.4 %). Here, it was the comparatively non-cyclical food and beverage industry that put on weight, its

Disbursements of the Corporate Lending Division by Sector

Sectors	Financial year 2001/2002	Financial year 2000/2001
	Shares in %	
Producing Industry	**71.1**	**73.4**
Basic and producer goods industries	**27.0**	**24.3**
Energy, water resources	*6.2*	*4.5*
Construction	*0.8*	*0.0*
Non-metallic minerals	*1.3*	*3.1*
Iron and steel, foundry products	*2.3*	*5.7*
Non ferrous metals and semi-finished metal products	*1.1*	*0.0*
Wire-drawing and cold rolling mills, steel forging, surface treatment	*4.0*	*4.5*
Chemicals and petroleum refining	*4.3*	*3.9*
Wood working; paper & pulp	*6.9*	*2.6*
Other sectors	*0.1*	*0.0*
Capitals goods industries	**26.6**	**33.7**
Steel construction	*0.6*	*0.6*
Mechanical engineering	*9.0*	*11.1*
Automotive industry	*7.8*	*13.2*
Electrical engineering	*5.0*	*4.5*
Metal working	*1.4*	*2.9*
Other sectors	*2.8*	*1.4*
Consumer goods industries	**17.5**	**15.4**
Ceramics and glass	*2.4*	*1.5*
Wood, paper and cardboard processing	*1.9*	*5.0*
Printed materials	*3.1*	*1.9*
Plastic products	*2.0*	*1.8*
Textiles and garments	*1.5*	*0.5*
Food and beverages	*6.5*	*3.9*
Other sectors	*0.1*	*0.8*
Services	**19.7**	**17.1**
Transport	*2.8*	*2.5*
Data processing, media, telecommunications	*2.5*	*3.9*
Waste management	*1.2*	*0.2*
Other services	*9.3*	*9.1*
Financial services	*3.9*	*1.4*
Distributive Trades	**9.2**	**9.5**
Wholesale trade	*4.8*	*4.1*
Retail trade	*4.4*	*5.4*
Total	**100.0**	**100.0**

proportion of new loan engagements increasing from 3.9 % to 6.5 %. Within the sector, it was above all the beverage industry's heavy investment in PET packaging technology that led to the increased need for financing.

The printing industry's increased share of total disbursements was primarily due to the expansion of capacity. The sharp fall in disbursements going to wood and paper processors reflects the difficult situation, which the furniture business (the industry's most important segment) currently finds itself in.

Within the highly diverse service sector, the information technology, media and telecommunications industries failed to maintain their share of new disbursements, which fell from 3.9 % in 2000/2001 to 2.5 %. This reflects the appreciable slowdown in growth experienced by these industries last year, and not just in Germany. Nevertheless, impulses from the introduction of UTMS (for example) and from the expansion of the software and IT service markets should usher in a period of fresh growth.

Also promising are the future prospects of the transport sector, whose share of disbursements rose slightly. Our appraisal of the situation is based on the numerous privatisation schemes now underway, for example in the domain of local rail transport. Here, the responsible local institutions are increasingly inclined to offer open transport contracts also to private sector bidders. Because financing projects of this type entails certain unusual features (e.g. the problem of maturities), at IKB they are handled by the special sales unit mentioned above. The same applies to companies of the waste disposal sector, whose share in disbursements – despite considerable expansion compared to the previous year – is still relatively low at 1.2 %. In future, we expect to see a relative increase in the flow of disbursements going to the wastewater treatment sector (sewage networks/sewage treatment plants), where the many environmental protection regulations being promulgated by the EU will result in heavy investment and financing requirements.

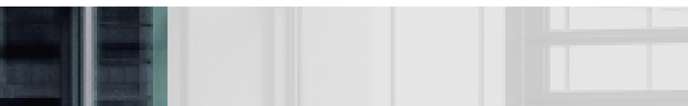
Attractive public programme loans

During the period under review, low-interest funds from the public-sector development banks met with great interest on the part of IKB customers. Following the decline experienced the previous year, overall demand from our customers for public programme loans proved to be comparatively stable. The share of Corporate Lending Division loans disbursed during the 2001/2002 financial year which were funded by public development banks amounted to 44 %. This makes it clear that public programme loans represent an important element in the range of products and services offered by IKB.

Kreditanstalt für Wiederaufbau continues to be the IKB's most important funding partner

During the past financial year, too, Kreditanstalt für Wiederaufbau (KfW) was by far the most important funding partner of IKB. Once again, our customers opted to finance their domestic and foreign investments predominantly with loans from the KfW *Mittelstand* Programme, as well as from the KfW Innovation and the KfW Environment Programme. Moreover, the successful conclusion of the afore mentioned global loan with KfW in March 2002 marked an important milestone.

The utilisation of KfW funding by IKB customers clearly reflects the economic challenges being faced by German medium-sized companies. On the one hand, this relates to the increasingly tough nature of global competition, which is forcing companies to invest in order to innovate. Given today's shorter product and technology cycles, the development of innovative technologies and products has become key. Here, KfW's ERP Innovation Programme makes a major contribution to keeping German companies ahead of the international competition.



On the other hand, companies today find themselves faced with ever tighter environmental regulations; but increasing cost pressure, too, is encouraging companies to seek energy-saving solutions when investing. Examples of this include investment in commercial buildings (e.g. heat insulation, modern climate control technology) or warehouse investment (centralised logistics warehousing or, conversely, decentralised warehousing in order to reduce fuel consumption). By making low-interest long-term funding available, the KfW Environment Programme makes a substantial contribution to safe-guarding the environment.

As in previous years, our working relationship with KfW proved amicable, efficient, successful, and, particularly in light of the strategic partnership entered into by the two banks in November 2001, characterised by a high degree of mutual trust.

Deutsche Ausgleichsbank: Environmental and social programmes popular with IKB customers

Of the various development programmes offered by Deutsche Ausgleichsbank (DtA), it was the DtA environment programmes, which proved most popular among our customers. This demonstrates the effective contribution DtA makes in protecting the environment. Furthermore, there was also a significant rise in demand for funds from the DtA Social Programme.

Cooperation with DtA during the period under review was distinctly partnerlike, confidence inspiring and goal-oriented.

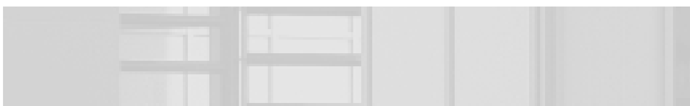
Regional development banks supplement federal-level programmes

For medium-sized enterprises, regional development banks offer a sensible supplement to national development programmes, since they can offer additional interest rate reductions. Among these are Bayerische Landesanstalt für Aufbaufinanzierung, Investitionsbank NRW, Landeskreditbank Baden-Württemberg and Investitionsbank Rheinland-Pfalz. Last year, the regional development banks cooperated more vigorously with DtA to promote business start-ups. In this way, the regional programmes play a critical role in helping young companies to take root and create jobs.

New global loan agreed with the European Investment Bank – A rational supplement to the national development programmes offering flexibility

Just as in previous years, the development funds of the European Investment Bank (EIB) generated much interest among our customers during the period under review. As a result, we agreed a twelfth global loan facility with EIB in August 2001, amounting in this case to EUR 125 million. The brisk demand demonstrated by our customers is reflected not least in the fact that the utilisation periods have dropped from what used to be two years to just 1.5 years.

What makes these global facilities particularly advantageous is that it can be used to supplement national development programmes, and can be very flexibly applied. Thus, EIB global loans cover a broad spectrum of development aims, ranging from the promotion of medium-sized enterprise to environmental protection, technological innovation, education, health and infrastructure measures. The new global facility is specially earmarked for promoting small and medium-sized businesses, which receive low-interest rate loans regardless of the project being financed.



A further special feature of the global loan is the fact that interest rates for individual loans are not bound by uniform terms, thus enabling the interest margin to be set at a level that reflects the creditworthiness of the customer and thus the risk of default. Accordingly, the development programme of the EIB constitutes a sensible supplement to (in particular) the global loan recently agreed with KfW. Against a backdrop of the ongoing change in the banking market, this form of development financing is very important to the medium-sized corporate sector.

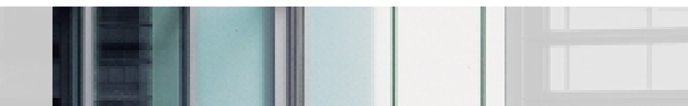
Once again, our working relationship with the European Investment Bank during the past financial year proved to be pleasant, unbureaucratic, and effective.

Development Bank of the Council of Europe: New global loan approved, with the accent on promoting investment in Central European Transition Countries

With an eye to the investment activities of our clients in the Central European Transition Countries, during the period under review we applied for a new global loan totalling EUR 50 million with the Development Bank of the Council of Europe. The responsible committees of the Development Bank have already approved this loan, which will be implemented shortly.

In light of the positive, and in some case highly dynamic growth experienced in the Central European Transition Countries, we view this development programme, which encompasses German corporate investment in Poland, Hungary, the Czech Republic, Slovenia and Slovakia, as a useful adjunct to our range of products and services.

We are thus all the more pleased at the continuation during the year under review of good working relations between IKB and the Development Bank of the Council of Europe.



Modest growth in the equipment leasing market – Volume of new loan accommodations and result of IKB Leasing GmbH remain at the high level of the previous year – Successful market penetration in Poland and Hungary

We have placed our entire equipment leasing operations under the control of IKB Leasing GmbH of Hamburg, and its sister unit, IKB Leasing Berlin GmbH.

The German equipment leasing market in 2001 was characterised by rather restrained growth. The leasing companies in this field invested a total of EUR 39.5 billion in leasing items, thereby achieving growth of 2.7 %. Of this amount, EUR 18.5 billion was generated by manufacturer leasing companies, and EUR 21 billion by institutional leasing units. The leasing ratio, i.e. the share of leasing in total equipment investment continues to rise, reaching 20.4 %.

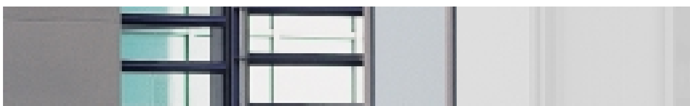
During the period under review, our equipment leasing units invested EUR 410 million (2000/2001: EUR 414 million) in new leasing and hire purchase items. In the light of declining equipment investments this is a very positive development.

Sales revenues reached a volume of EUR 321 million (EUR 307 million). The consolidated balance sheet total grew to EUR 895 million (EUR 804 million). The result of both companies, corresponding to the previous year's figure, came to EUR 14 million. Calculated in terms of initial costs, the portfolio of investment goods came to EUR 1.5 billion (EUR 1.4 billion).

The subsidiaries of our leasing equipment companies in Hungary and Poland are performing above expectation, and have already succeeded in occupying a considerable share of the market in these countries. Along with operations aimed at local markets, cooperation with customers and sales partners from Germany continues to play a very significant role.

3. Real Estate Financing

A complete range of real estate services: from planning and development to implementation and financing – all from a single source



During the period under review, our activities in the field of real estate financing focused first and foremost on

- sharpening the profile of a comprehensive range of real estate-related services, particularly through the January 1, 2001 merger of IKB Immobilien Management GmbH and IKB Baumanagement GmbH to form the new IKB Immobilien Management GmbH, and
- on acquiring new business by systematically implementing the marketing strategy developed the year before.

We stepped up our marketing activities, offering our customers the following financing and consulting products:

- classic real estate financing with the addition of Allianz products,
- the structuring and financing of project development work; including (in some cases) participation in such projects as well as
- classic real estate leasing in combination with construction management and other project-related services.

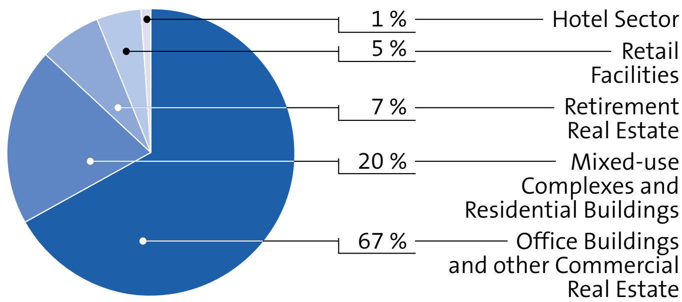
Our comprehensive range of real estate services sets us apart from the bulk of our competitors. Added to this is the fact that we concentrate on selected target groups, and are able to offer investors attractive financing products. Made-to-measure structuring requires a combination of expertise: we achieve this by forming teams of specialists drawn from the domains of real estate leasing, real estate management and real estate financing.

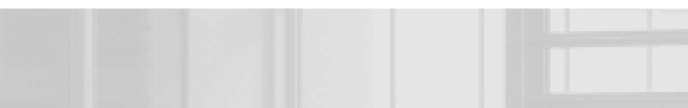
The focus of new loan accommodations: Above-average financial standing and good locations – Office space in top city centre spots especially sought after, as well as logistics real estate

In making new financing engagements, we focused our efforts strictly on property developments with above-average creditworthiness ratings in good locations. The sector structure of this new business is depicted in the figure below. Two-thirds of all dis-

Real Estate Financing Disbursements

Shares by sector in the Financial Year 2001/2002





bursements during the period under review went to finance office buildings and other commercial property developments; mixed-used complexes, including residential buildings, occupied second place, with a share of 20 %. Retirement homes accounted for 7 % of new business, while retail facilities made up a further 5 %. Only 1 % of our disbursements went into the hotel sector. As in the past, we did not engage in dealings with property developers and investors speculating on a profitable dividing up of buildings.

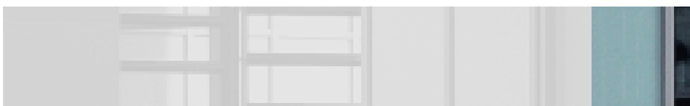
Germany's regional office building markets developed along diverse lines during the year under review. Thus, in locations benefiting from sound economic policies, we noted a lively trend in new business. Declining demand from New Economy companies was largely offset by the need for office space experienced by traditional sectors. Our customers were particularly interested in flexible office space in first-class city centre locations. In light of steadily shortening office life cycles, this trend seems set to continue.

As regards other forms of commercial property, the financing of logistics facilities once again gained in importance. The sector benefited first and foremost from the fact that industrial companies are increasingly outsourcing their logistics operations (transport, warehousing and transshipment) to specialised service providers. For the logistics sector itself, this is resulting in major investment real estate requirements in terms both quality and volume.

Against this backdrop, logistics facilities are increasingly being supplied by specialised investors. In this context, IKB – thanks to its expertise in both fields – functions as a connecting link between the companies of the logistics sector on the one hand, and parties interested in investing in real estate on the other.

Currently, the conditions for investment in the German residential real estate market are more difficult. Here growth has been stunted by government regulations: longer limits on the speculative resale of real estate, declining rates of depreciation, increasingly difficult loss set-offs on various forms of investment, as well as a new law regulating the rent. Furthermore, overcapacity – especially in eastern Germany – is also dampening the willingness to invest in new housing developments. Even so, during the period under review, in major metropolitan areas with strong local economies (Munich, Stuttgart), demand is once again outstripping supply.

Owing to earlier financing commitments, during the period under review disbursements earmarked for the retirement home sector exceeded those of the previous year. Because of demographic developments in Germany, in coming years we expect to see more and more investment in this field. However, this is likely to be accompanied by increasing competitive and cost pressures, as well as an accelerating process of concentration. Given this background, we will be proceeding with great caution in this sector, pursuing a policy of strict selectivity.



New business in the retail real estate sector was down sharply, mirroring weak consumer demand and the gloomy mood of German retailers. Distinctly sluggish growth in the volume of retail space and a very low increase in rents are just two good indicators of market saturation. However, demand in two areas runs counter to this trend: first, top city centre locations in major metropolitan areas, as well as outlying districts with good transport links; second, attractive locations in selected medium-sized cities with large catchment areas.

Intensive risk evaluation and high-quality new business – Syndicated business is gaining in importance – A clear increase in return on equity

During the period under review, a key task – as in previous years – was managing the risk arising from our real estate exposure, especially in Eastern Germany.

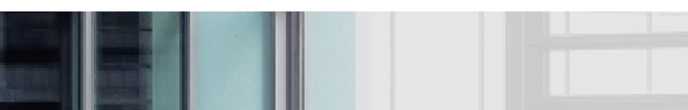
When it comes to assessing new business risk evaluation also plays a critical role. The process begins with observation and analysis of the market. We assume that, on account of cyclical and structural factors, real estate markets in Germany will develop on increasingly divergent lines over the next few years. In our view, growth in the major metropolitan areas is unlikely to be as dynamic as in the past two or three years.

In light of these expectations, we continue to restrict by and large our financing activities to fungible properties in first-class locations with above-average creditworthiness ratings and the capacity to meet principal repayments based on preleasing agreements. In the process, an important objective is to improve still further the quality of our portfolio of new loan engagements: during the past financial year, 86 % of our new loan commitments were in the creditworthiness categories 1.0 to 2.5.

Increasingly important to the success of our Real Estate Financing Division are syndicated operations, which are enabling us to optimise our portfolio.

The structuring and financing of project development work is likewise gaining in importance. Moreover, participating in project development offers us excellent opportunities for improving the opportunity/risk ratio by means of exit-oriented earnings, as well as for increasing our yield returns.

During the year under review, our Real Estate Financing Division succeeded in generating EUR 0.8 billion in new business, up from EUR 0.5 billion the previous year. The cost/income ratio was 29.9 % (2000/2001: 30.1 %); return on equity came to 14.5 % (12.5%).



▶ ***The Deloitte & Touche office complex – sophisticated real estate concepts for a new office world***

On behalf of the tenant Deloitte & Touche – one of the world's Big Five accountancy companies – IKB Immobilien Leasing GmbH, together with IKB Immobilien Management GmbH, is constructing a trend-setting office building in Düsseldorf. Covering a surface measuring 25,000 square metres, an open and flexible club-office concept will feature high-quality, naturally lit workstations. Thanks to the optimum exploitation of daylight and the use of light-guiding glass and intelligent building technology the total energy consumption of the building will be far below the norm. The energy-saving concept was developed by the architects Deilmann & Koch in cooperation with leading experts.

In turning this project into reality, IKB Immobilien Leasing GmbH and IKB Immobilien Management GmbH are working hand in hand as investor and project manager. The development will presumably be finished in July 2003. The current progress of development is shown by webcams in the internet under www.ikb-img.de.

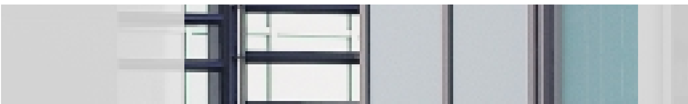
IKB Immobilien Leasing GmbH: Full integration completed – Structuring real estate investment is the core competence

During the 2001/2002 financial year, we completely integrated Immobilien Leasing GmbH into our Real Estate Financing Division after securing 100 % ownership of the company the year before.

The primary mission of Immobilien Leasing is the planning and implementation of projects – from the initial idea through to ultimate completion. Moreover, backed up by expert consulting from IKB Immobilien Management and the financing know-how of our branch office people, IKB Immobilien Leasing is capable of managing highly, complex, large-scale projects, giving it a position of paramount importance in the German market.

In the 2001/2002 financial year, Immobilien Leasing sales volume reached EUR 0.3 billion (2000/2001: EUR 0.4 billion). Moreover, we structured investments with an aggregate value of over EUR 100 million, which made a welcome contribution to commission income.

Not least for this reason, the structuring of investments has emerged as a core competence of IKB Immobilien Leasing GmbH.

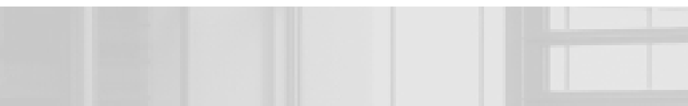


IKB Immobilien Management GmbH: A comprehensive range of real estate-related services, a clear increase in fee income

A key objective in combining IKB Immobilien Management GmbH and IKB Baumanagement GmbH into the new company IKB Immobilien Management GmbH was to be able to offer a comprehensive range of real estate-oriented services as a means of non-equity-dependent income in the form of structuring fees, as well as fees from project development and construction management activities. This strategy has met with considerable success: during the last financial year (January 1, to December 31, 2001), fees increased by 11.9 % to EUR 7.5 million, with two thirds of this amount deriving from external customers.

As a centre competence, the new IKB Immobilien Management GmbH assists our real estate financing activities in evaluating real estate portfolios and assessing the feasibility of new building projects, as well as acting as a partner to project developers and, above all, managing construction projects. This gives us improved evaluation security and better control of risks with regard to the prospects for success of a given real estate investment. Finally, the technical support of our specialists provides additional security with respect to costs, quality and adherence to schedules – particularly when it comes to real estate leasing items.

In order to give our customers and prospective customers an insight into our multifaceted project activities, we have set up an Internet homepage featuring webcams that enable the progress of various building projects to be monitored live. This service can be accessed at www.ikb-img.de.



4. Structured Financing

The business of Germany's Mittelstand spans the globe – We structure financing solutions for investments worldwide

Stefan Degener and Anja Kopka,
Structured Financing Division,
IKB Deutsche Industriebank AG

The operations of our Structured Financing Division embrace three major areas:

- acquisition financing,
- project financing at home and abroad, including Hermes-backed export financing, as well as
- the financing of German direct investment in foreign countries.

Acquisition Financing

European transactions: Increased demand for acquisition financing in Germany – A distinct widening of our share in the market for mid cap transactions in France – More new business in the UK for the bank as participant and co-underwriter in large-scale transactions

Just as in recent years, our European acquisition financing activities centred on Germany, France and Great Britain. Until well into the 1990s, financing continued to focus on national transactions. In recent years, however, cross-border financing has become more and more common – in part a further symptom of globalisation.

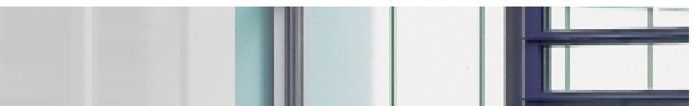
During the period under review, we were offered a large number of attractive mandates for medium-sized, family-owned companies in Germany, not least within the framework of our Networked Sales structure. We attribute this to the fact that, as the economy began to loose steam during the course of 2001, many company owners were eager to sell out at what they hoped would still be an attractive price. However, comparatively few of these transactions came to conclusion.

A countertrend was particularly apparent among strong-earning capital corporations, who waited to sell until the beginning of 2002 in order to take advantage of the new tax reform, i.e. a tax exemption on capital gains.

In Germany, we financed a total of 18 transactions during the period under review, with an aggregate volume of EUR 140 million. In the great majority of cases, we provided advice to the buyer, as well as structuring and arranging the necessary financing. The buyers were either industrial investors or private equity funds.

We are currently working on some sixty financing projects – twice as many as in autumn 2001. During the present financial year, our aim is to structure and – together with KfW – to arrange and finance more of *Mittelstand* transactions. Teamed with KfW, we are now in a position to offer significantly higher loans extended at our own risk; we thus look forward to being able to carrying out larger transactions this financial year than during the period under review.

We are pursuing very much the same kind of strategy in France as in Germany when it comes to acquisition activities. This means that developing, structuring and arranging cross-border financing transactions is also the core competence of our Paris office. Indeed, we have since succeeded in becoming a leading player in France in the field of mid-cap transactions. Specifically, last year we concluded 20 transactions with an aggregate volume of EUR 250 million. Key parts of the deals which we arranged were placed with French banks.



During the current financial year, we intend to continue expanding our position in the French market. Our strategic partnership with KfW will also be of assistance here, having already resulted last year in one extra transaction in Germany, and one in France. Our objective is to reach the same level of medium-sized sector competence in other EU countries that we already enjoy in Germany today.

In the United Kingdom, we participate in large-scale transactions either as co-underwriter or participant. Here we succeeded not only in increasing the volume of new business (24 deals with a final take of EUR 365 million), but also in improving our earnings.

US Transactions: Despite a difficult environment, IKB Capital Corporation succeeds in acquiring new business in LBO financing – Good prospects for an expanding market share and a growing contribution to earnings

Our US subsidiary, IKB Capital Corporation, which has been operating in the New York market for leveraged financing since September 2000, succeeded during the period under review in generating EUR 260 million in new business – the extremely difficult business environment notwithstanding. This result was all the more welcome given that the market for financing in the US contracted by 30 % last year. Moreover, financiers are also facing sharper competition from institutional investors.

Since its foundation, IKB Capital Corporation has succeeded in continuously improving its standing in the US market. Making a decisive contribution here are the quick decision making capability and acknowledged credit analysis competence of our New York subsidiary and the bank as a whole.

We expect to see an appreciable increase in new business volume during current financial year. In part, this view is based on the already observable recovery of the market for leveraged buy-out financing; furthermore, we assume that we will be able to expand our market share through a strategy of well-targeted efforts to secure new business. Because all of our loan customers are rated and the margins of our US engagements are very good, we expect our US subsidiary to make an increasingly large contribution to the success of the bank's Structured Financing Division in coming years.

Project Finance

Difficult underlying conditions for project finance – Distinctly improved prospects for the current financial year, especially in Southeast Asia, Latin America and Europe

The year 2001 proved to be a difficult one for domestic project finance. Since market opportunities in this field very much depend on the trend in investment throughout the economy, it should go almost without saying that the volume of project financing in Germany declined last year. And this applies not least to the activities of medium-sized enterprises and sponsors in this domain.

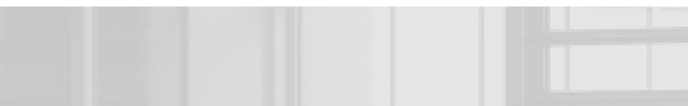
It should in any case be noted that the market for project financing in Germany lacks transparency. By world standards, the number of open syndications on the market is very low; in many cases financing is arranged by means of club deals, i.e. by the integration of banks already familiar with the project or the sponsors.

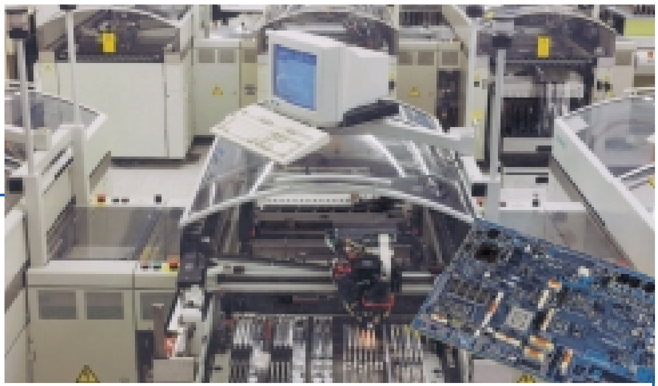
Even so, it should be noted that the *Mittelstand* has become more open-minded in recent years about this form of financing. More and more often, cash flow-based instruments are also being used as a form of corporate lending. Furthermore, the planned introduction of Basle II is causing borrowers and lenders alike to think increasingly in terms of cash flow. But the main reason for the growing importance of project finance is doubtless the fact that investment and financing do not register on the balance sheet. The sole borrower is the special purpose vehicle set up specifically for the project, whereby the economic risk is transferred from the sponsor to the project corporation.

During the period under review, in the realm of international project finance we primarily engaged in power plant construction and telecommunications projects. Together with our export financing activities, the volume of new business came to EUR 275 million. We concentrate on participating in syndicated loans, while a team of specialists focuses on structuring and arranging international project finance transactions. During the 2001/2002 financial year, the regional focus of these transactions was on Southeast Asia, Latin America and Europe.

The market for international project financing contracted last year. The main reason for this was the weak world economy. Added to this is the fact that power plant construction underwent an appreciable decline in the US during the second half of the period under review following the events of September 11.

However, we view this downward trend as a temporary phenomenon, for the number of financing enquiries coming from our customers has risen sharply again in recent months. On the one hand, this has to do with the fact that the market for syndicated loans has since undergone a revival; on the other hand, we have succeeded in reinforcing our market position with a sustainable presence in Asia even during the crisis years, and an unchanged commitment to long-term financing abroad with ECA coverage. We thus expect the volume of new business to be distinctly higher this financial year than for the period under review. As things stand, the regional focus for financing will be on Thailand, Malaysia, the Philippines, Mexico and Brasil, as well as selected countries of Eastern and Western Europe. We also expect to see a revival of activity in Australia, with infrastructure financing taking pride of place.





Zollner group investing in high-tech production in Hungary – financed by long-term loans from IKB

As early as 1988 – even before the demise of the Iron Curtain – the Zollner group had set up a plant in Vác, an industrial town near Budapest, its first Hungarian subsidiary. Founded in 1965, today Zollner produces with roughly 5,000 employees in Germany and Central Europe a wide range of products in the fields of electronics, inductive subassemblies and mechanical systems. The company's research and development activities give it an important know-how edge over its competitors, and are responsible for the high standing it enjoys among it customers – primarily large corporations in the computer, electronics and automotive industries. Even today, some 60 % of the group's production capacity is already located in Hungary.

In mid 2001, the Zollner group decided to build a new plant in Szügy in northern Hungary, not far from the border with Slovakia. This decision was prompted by the ideal Standort conditions as well as by the sustained growth of the Hungarian economy. In future, the new plant will be responsible for the group's complete metalworking operations, enabling expansion of electronics production at the existing Vác site. IKB accompanies this investment of the new subsidiary of the Zollner group in Hungary amounting a volume of EUR 13 million with a long-term loan financing.

International Direct Investment

New business approaches last year's level despite international reluctance to invest – Global economic recovery and cooperation with DEG promise stronger growth

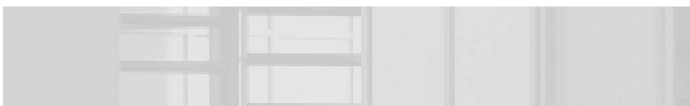
When it comes to financing the direct investments of German medium-sized companies abroad, interest has long since centred on Poland, the Czech Republic and Hungary. Up until the mid 1990s, our customers were predominantly interested in investing in the Czech Republic; in recent years, however, Poland in particular has moved into the foreground, and now accounts for some 50 % of our financing volume.

Although international willingness to invest slumped in 2001, during the period under review we nevertheless managed to attain roughly the same level of disbursements as in the 2000/2001 financial year. In this context, the following factors should be noted:

- We succeeded in implementing a series of transactions in the food & beverage, textile and supplier industries, as well as in the IT sector. However, it is also true that a number of projects in the planning stage were postponed.

- IKB applies the same stringent creditworthiness criteria when financing direct investment abroad as it does in its home market. Our critical evaluation of risks – especially in light of the requirements imposed by Basle II – have led some companies to hold back on investing, especially when this entails long-term financing.

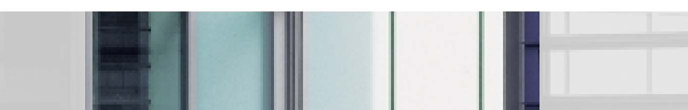
In our experience, as world economic growth begins to gather pace again, the investment activity of German companies in the Central European Transition Countries will also increase. The above-average rates of growth expected in these economies, as well as the concretisation of plans for EU membership, are laying the foundations for future expansion. Looking further afield, Russia is increasingly emerging as an



attractive market for foreign producers; as a major petroleum exporter, the country has benefited more than virtually any other from higher oil prices. Accordingly, Russia's GDP has been growing considerably faster than that of most developed countries.

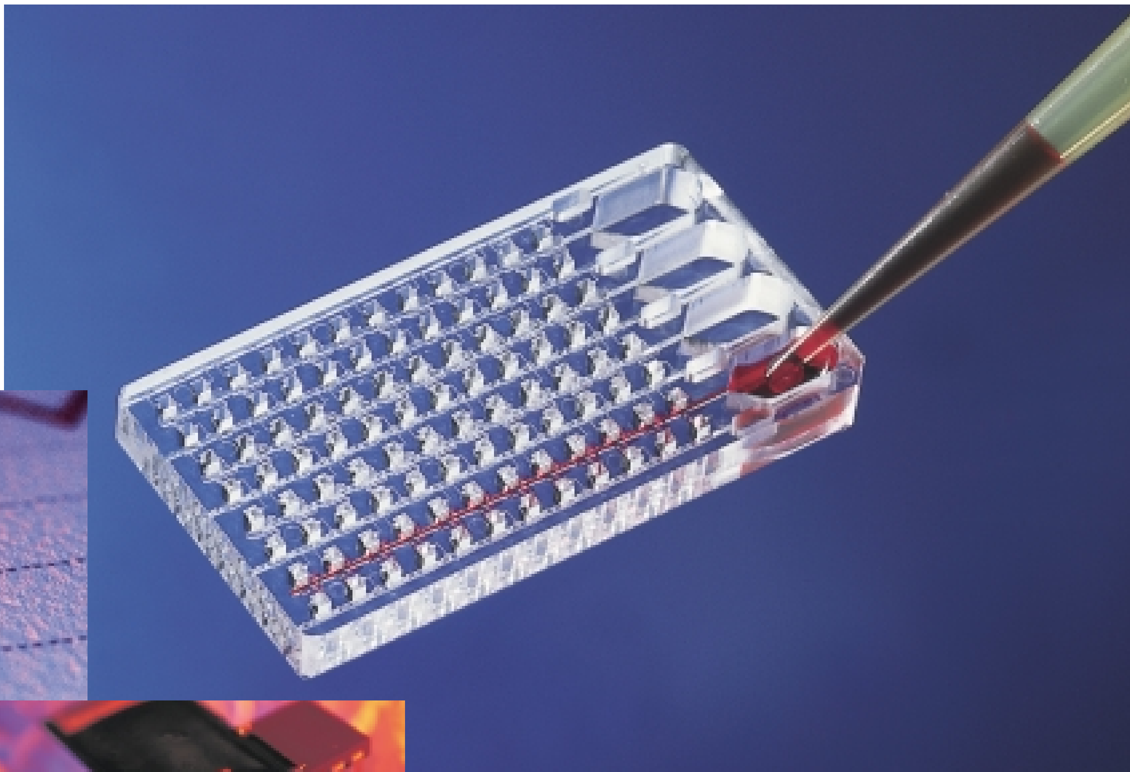
But it is also on account of our cooperative relationship with DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, a subsidiary of KfW, that we expect to see renewed expansion in our volume of financing. Because DEG is extraordinarily well positioned to provide equity and mezzanine capital to German companies investing abroad, and IKB offers the corresponding external financing products, there is abundant opportunity for cooperation between the two organisations in the Central European Transition Countries. Entrepreneurs stand to benefit from a wider range of possibilities for financing their investments; moreover, close cooperation between the two banks means that they are essentially available from a single source.

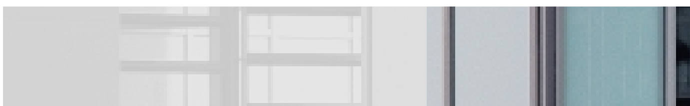
During the period under review, our Structured Financing Division succeeding in prolonging the positive earnings trend of recent years. Thus, the result of ordinary activities came to EUR 54 million (2000/2001: EUR 48 million); the cost/income ratio was 27.1 % (25.8 %), while the return on equity reached 28.9 % (30.4 %).



5. Private Equity

Growth and innovation demand equity – direct participations, mezzanine financing and venture capital





The two main target groups of our Private Equity Division are

- established medium-sized companies, the core target group of the bank, and
- innovative young companies that have already passed through the start-up financing phase.

The Division was renamed after IKB Beteiligungsgesellschaft mbH's name was changed to IKB Private Equity GmbH at the beginning of 2002. In doing so, the aim was to market all of our equity products under a single name, as well as to strengthen the market position of IKB Private Equity GmbH being one of the largest private equity companies in Germany.

Difficult conditions in the private equity market

Throughout the equity financing market, 2001 proved to be an exceptionally difficult year. This was partly due to the weak performance of the stock markets – and especially Germany's *Neuer Markt*; though the slowdown of the overall economy was also partly to blame. This had the following consequences: the stock market, which (along with the trade sale) was the most important exit vehicle until mid 2000, was basically no longer available for IPOs (see graph). This led to a veritable exit bottleneck, which still shows no sign of dis-sipating. Moreover the failure of so many business concepts in the New Economy led to a general scepticism of the financers toward young innovative companies in the expansion phase. As one consequence out of these circumstances, many of such enterprises were unable to obtain much-needed follow-up financing resulting in serious liquidity squeezes. The companies of the private equity sector, forced to take write-downs on their participations, posted significant losses.

Major value adjustments and exit postponements combined to produce a negative result

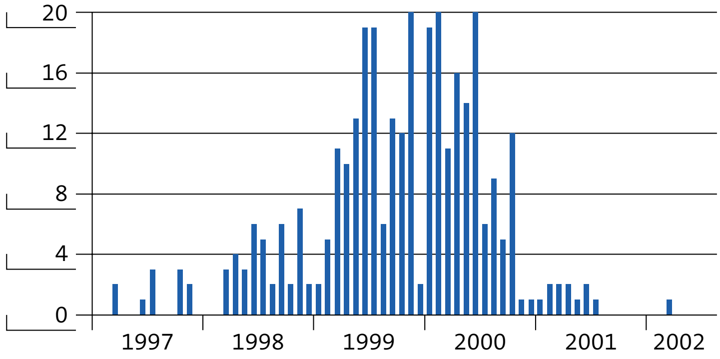
The bank's Private Equity Division was unable to escape this trend. Accordingly, this resulted in major value adjustments of its direct participations and mezzanine financings.

Conversely, we succeeded in only few cases in generating income from the sale of participations. In light of the difficult situation in the stock markets, a series of pending exits had to be postponed. Income from the sale of individual participation, as well as net interest income from mezzanine financing, was insufficient to offset the losses suffered due to write-downs.

For the past financial year, this meant the Private Equity Division's result for ordinary activities was a loss of EUR 42.9 million.

Development of the Exit Vehicle IPO

Number of IPOs at Germany's *Neuer Markt*



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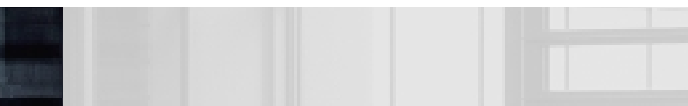
Deutsche Börse AG



Established medium-sized companies: Focus on expansion financing; MBO and MBI financing gaining in importance in the course of the regulation of succession

During the 2001/2002 financial year, the volume of new loans to established medium-sized companies equated roughly to the previous year's level, with direct participatory investments making up the lion's share of total exposure. At the balance sheet date, IKB Private Equity GmbH held stakes in fifty companies, with aggregate volume amounting to EUR 161 million.

Among the reasons for financing, the need to fund expansion was the most prevalent. Here, financing via external equity and mezzanine capital are gaining in significance. On the one hand – in light of ongoing globalisation and rapid technical change – this can be attributed to the fact that investing in growth has become a riskier proposition. But in our view the main reason is that many medium-sized companies have been prompted by Basle II to improve their financial standing and rating by substantially shoring up their equity position. We thus expect in future to see a rise in demand for this kind of equity financing.

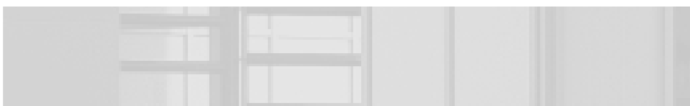
On the other hand, MBO and MBI financing are playing an increasingly significant role in settling questions of succession. We have already been involved in a series of such transactions, and plan to reinforce our activities in this area setting up a dedicated MBO team. Within the German *Mittelstand*, which continues be our primary target group, there are many companies where the question of succession is a matter of concern: in many cases, a MBO is the desired solution, leading us to see considerable market potential for our participatory investment business.

Innovative young companies: Major consolidation in the VC market is dominating the business

At the end of the past financial year, IKB Venture Capital GmbH held stakes in 28 innovative young companies, with volume totalling EUR 43 million.

To a greater degree than the year before, venture capital operations during the period under review were dominated by the poor performance of the *Neuer Markt*. Compounding this was the slowdown in economic growth, which – particularly in the wake of September 11 – left many innovative young companies confronting the fact that the investment projects of their customers had been indefinitely postponed. Thus, many VC-financed companies experience a collapse in sales. Often, companies that are still in the setup phase can quickly run into serious trouble during economic down-turns, be it the result of managerial inexperience or an excessively one-sided business model.

In light of this situation, it comes as no surprise that the market for venture capital underwent a phase of radical consolidation last year. Thus, many planned (and previously postponed) IPOs failed to materialise, which proved problematic for VC borrowers and lenders alike. Given the difficult market situation, the supply of venture capital on offer in the overall market for participation capital experienced a disproportionate decline. Investors have become more circumspect than was previously the case. Nor do we expect to see any sustained improvement in the *Neuer Markt* this year.



IKB's venture capital activities during the period under review with respect to new engagements declined accordingly. True, demand from innovative young companies for VC financing still remains strong. But we are extremely selective in deciding which sectors to focus on and which specific companies to invest in: something we only do when a company's innovative products have demonstrated a clear unique selling position, have already performed a successful market entry and generated initial sales.

Restructuring the Private Equity Division: A sharper sector focus, stepped-up exit management

Against this backdrop of steadily shifting business parameters – but also on account of the rapid expansion of our activities in the field of equity financing in recent years – we restructured the Private Equity Division at the beginning of 2002.

By achieving even greater indepth specialisation in relevant sectors, our objective is to meet the heightened requirements for efficiency and well-founded risk evaluations, drawing on the sector expertise of our employees. Our activities will continue to focus on established medium-sized enterprises and innovative young companies.

Specifically, we will be concentrating on the following sectors, all of which have previously been the focus of our venture capital business:

- information and communication technologies,
- life sciences incl. biotechnology and
- high-tech production technologies (physical sciences).

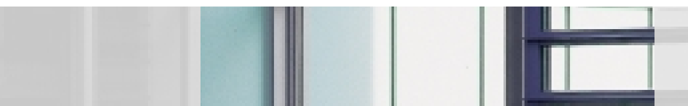
Additional focal points are:

- automotive and producer goods,
- mechanical engineering and electronics and
- the consumer goods industry, including logistics.

IKB Private Equity GmbH now offers our customers in these sectors a full range of direct participation and mezzanine financing from a single source, with the individual product types risk-adjusted with respect to the life phase and size of the company, as well as the individual financing requirements of the entrepreneur.

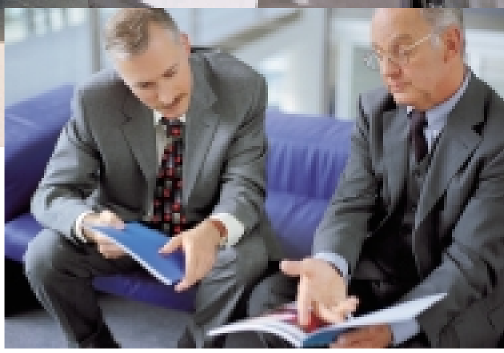
Another important component of the reorientation is stepped up exit management, something we already introduced the previous year. In concrete terms, this means that we only embark on a share investment if a clear exit prospect exists not only for an IPO, but also for a trade sale, which will be contractually agreed with the entrepreneur as a possible option. Sector specialisation forms an essential basis for efficient exit management. This is because sector-oriented specialisation makes it easier accurately to assess the feasibility of exit options, and moreover is also a major aid in identifying potential trade sale customers. Accordingly, we are now working on a number of promising trade sale projects.

We now consider ourselves to be in a good position to deal with the challenges the Private Equity Division is facing. Though we expect the process of consolidation in the sector to continue, we are confident of being able to take the Division back to break even before the end of this financial year.



6. Treasury and Financial Products

The Mittelstand's way to the capital market –
We build the bridges

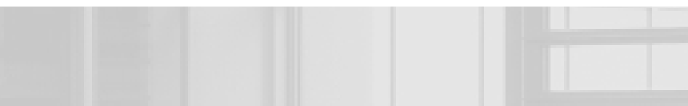


Bernd Honermeyer (l.) and Gerd Neubeck,
Treasury and Financial Products Divison,
IKB Deutsche Industriebank AG

Funding: A product mix comprising resources from national and international development banks, tap issues, syndicated loans and certificates of indebtedness

As in the past, the bulk of our funding came from national and international development banks, as well as from bearer debentures. Thus, during the last financial year, we placed bonds totalling EUR 4.3 billion. With redemptions amounting to EUR 2.1 billion, the volume of securitised liabilities rose compared to the previous balance sheet date by EUR 2.2 billion to EUR 13.0 billion. Of the new volume, tap issues by the bank accounted for EUR 1.6 billion. These debentures continue to form an important foundation for our funding operations. Here, responding flexibly to investor requirements and maintaining a permanent presence in the corresponding secondary market coupled with carefully cultivating the market of these securities to assure liquidity are decisive factors for success. In addition, our Debt Issuance Programme ("DIP"), which makes a simplified and faster issuing procedure possible, and which was at first oriented primarily to smaller structured issues, has now been linked to the overall funding strategy of the bank, thereby responding to the wishes of the market.

Together with EUR 333 million in certificates of indebtedness *(Schuldscheindarlehen)*, which amounted after redemptions to EUR 2.5 billion, we continued to pursue our successful strategy of a product mix consisting of tap issues, syndicated large-scale bonds and certificates of indebtedness, resulting in an adequate level of funding at a reasonable cost. In particular, we succeeded in entering new markets for the placement. For example, we succeeded in winning predominantly French investors for a floating interest rate issue amounting EUR 300 million. We will continue to pursue the strategy of diversifying our circle of investors, the aim being to establish the bank's reputation in selected international markets as a trusted and reliable issuer.



Because they generally offer cost advantages, structured debentures and certificates of indebtedness continue to be interesting to IKB. Thus, transactions featuring various types of termination options were implemented, thereby substantially improving our flexibility in funding.

During the past financial year, too, our funding was again based essentially on matching maturities within the framework of asset/liability management. When necessary, interest derivatives – especially interest swaps – are employed as a means of establishing this congruence.

Securitising of loan risks leads to a better equity ratio (Principle I), creating scope for growth in our lending operations

Following successful outplacements in the both of the past two financial years, the bank continued to pursue this strategy during the period under review. Whereas the first two transactions totalled USD 500 million and EUR 2.5 billion, respectively, the latest securitisation represented a volume of EUR 3.6 billion. Once again, we used KfW's *Promise* platform as a means of outplacing the credit risk from claims on our medium-sized corporate customers – while continuing to carry the claims themselves on our balance sheet.

In line with our strategy, the loan assets of our balance sheet have been qualitatively and structurally arranged so as to enable us at any time to pool loan risks in portfolios and outplace them at a reasonable cost. This capability of optimising the portfolio of claims on customers in accordance with the principles of portfolio theory, while simultaneously maintaining and building on customer loyalty through competent consulting, means that IKB is well-positioned for future success.

Numerous individual loans, none of which account for more than 0.75 % of our total portfolio, and a customer base that embraces all sectors of the German economy, provide the reference portfolio on which the securitisation is based with an exceptionally high degree of diversification, which once again had a very positive impact on the transaction's rating. Thus, all three rating agencies rated 92 % of this transaction as AAA.

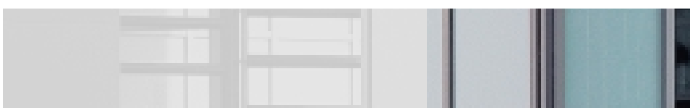
During the first five years of the period, capital redemptions can be steadily replaced with new loans. The debt servicing risks of the reference portfolio were first taken over by KfW via a credit default swap paid for with a standard market risk premium. KfW then placed these risks with international investors. This improved IKB's tier 1 capital ratio by 0.6 percentage points, and the equity ratio by 1.3 percentage points.

With this second *Promise* transaction, and an outplaced volume now totalling EUR 6 billion, IKB is the market leader in this field in Germany. In cooperation with KfW, we have succeeded in pooling non-rated Mittelstand loans in a single large portfolio, and placing them with German and international investors. Owing to the magnitude of this transaction and the accompanying market liquidity of the securitisation, it was possible to attract foreign investors as well. As things stand today, global placements of this type constitute an important element in securing *Mittelstand* financing in Germany.

Asset Management: Investments in international loan portfolios are increasing the degree of diversification of the overall portfolio and are opening up new sources of revenue

In parallel to these global placements, we have begun investing in similar portfolio structures with an international profile, as well as advising third parties when it comes to investments of this type. The background of this concept must be seen in the traditional business structure of IKB. No matter how diversified the bank's loan risks are, the bulk of our risk is concentrated in Germany, linked to correspondingly one-sided revenue flows. And this is true even in consideration of the bank's activities in London, Paris and New York. As a result, building on the bank's longstanding expertise in lending – a special hallmark of IKB – as well as its longstanding international expertise, it is only logical that the bank should apply its credit management capabilities in investing in international portfolios as well. In this way, we achieve a higher degree of diversification in our loan portfolio, and thus a reduction in our aggregate risk; in doing so, we are using new classes of assets, as well as opening new sources of income.

Among other things, we invest in portfolios consisting of corporate bonds, mortgage backed securities, asset backed securities and, increasingly, structured portfolios, which themselves are made up of portfolio investments. All investments, including those we recommend to third parties, must be rated. Here, the bank concentrates exclusively on so-called investment grade investments, i.e. those with AAA to BBB ratings.



Within the scope of our consultancy and credit management activities at the balance sheet date we administered a portfolio volume of EUR 1.7 billion; our own portfolio investments came to EUR 0.7 billion. Net commission income for the period under review came to roughly EUR 27 million.

Equity reinforced through issue of participation rights capital and global placements

During the period under review, we again reinforced our equity base by taking measures in the field of tier 2 capital. This involved issuing EUR 185 million in participation rights capital, as well as subordinated bonds totalling EUR 65 million. In conjunction with global placements totalling EUR 3.6 billion the tier 1 capital ratio at March 31, 2002 came to 6.4 %, while the equity ratio was 12.1 %.

IKB, the Designated Sponsor of IKB shares

As in previous years, on behalf of Deutsche Börse AG, we have performed our task as Designated Sponsor of IKB shares. In this capacity, we assure the marketability and liquidity of our own shares throughout the trading day by quoting bid and offered rates in the electronic trading system *Xetra*. The way in which this task was implemented once again earned the Deutsche Börse AG's highest seal of approval – an AA rating. At the balance sheet date, the bank held none of its own shares.

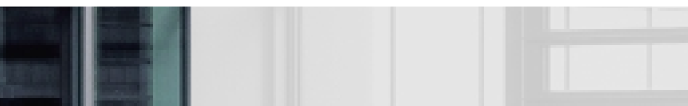
Derivative operations for hedging our own positions

At IKB, financial derivatives continued to play an important role, aiding in the efficient structuring of interest and currency positions, as well as fixed income investments. We use these instruments almost exclusively for hedging purposes, with interest swaps taking pride of place. On the one hand, these are used for hedging interest rates of fixed-rate assets in our loan operations; on the other, within the framework of equity investment, floating interest rate bonds – so-called floaters – are combined with swaps in order to transform floating interest rates into the desired fixed rate. In addition, these swaps can be linked with options as a means of optimising the income from equity investments.

The total reference volumes of the derivatives equated to the previous year's level, just under EUR 26 billion. In terms of loan operations, this corresponds to a risk equivalent EUR 1.4 billion. As in the past, we engaged in derivative operations – to the extent that these were not processed through stock markets in any case – solely with first-class German and international banks.

A positive result in trading operations

Our trading for own account activities have long since focused on the euro interest and euro stock market. Despite difficult conditions again in both areas, which were characterised by highly volatile market movements, we succeeded in obtaining a positive result for the financial year amounting EUR 1.9 million.



Moody's rating review leads to an upgrade of IKB's long-term rating, including a "positive outlook" remark

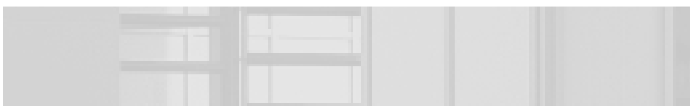
During the year under review, the existing Fitch rating of A+ (long-term) was confirmed along with F1 (short-term), and B/C (financial strength). Previously we had only had an unsolicited rating by Moody's; in the period under review, we cooperated with Moody's in preparing a new rating on a new basis. The review led in January 2002 to an upgrade of the long-term rating from A2 to A1, with the addition of a "positive outlook" remark. Financial Strength was assessed as C+, while the Short Term Deposit Rating was given a Prime 1 evaluation. Given the countervailing trend in the banking industry, we are particularly pleased with this development.

IKB International S.A. and the IKB Luxembourg branch office: Financial derivatives especially sought after by our customers – A clear improvement in results

For both of the bank's Luxembourg units – our branch and our subsidiary IKB International – the focus during the period under review was squarely on structuring made-to-measure loans for companies in Germany and abroad. This goes to show that the financial management of our customer companies is becoming increasingly sophisticated, particularly in their desire to separate the procurement of liquidity from interest rate hedging operations. Accordingly, during the period under review, we continued first and foremost to build up the derivative operations of our customers.

Apart from improving the quality of our consulting (by implementing a computer-supported monitoring system for tracking foreign currency loans and cross currency swaps, for example), the range of products was also expanded. We place special emphasis on providing our customers with individual advice on location. The number of consultancy meetings and workshops on current interest rate and currency management topics increased considerably.

Despite the difficult economic environment during the 2001/2002 financial year, IKB International S.A. succeeded in improving its net income for the year. The result from ordinary activities rose compared to the previous year from EUR 12.8 million to EUR 17.5 million. Net income for the year increased from EUR 9.4 million to EUR 13.6 million, which was allocated to the reserve.



7. Human Resources

Human resources in a time of transformation

During the period under review, IKB once again worked with modern instruments to adapt its personnel policy to the dynamics of the market and thus to prepare its staff for future tasks.

New ways of working, new organisational structures and new markets call for a rethink. Tried and tested processes are being scrutinised and altered in the interest of corporate success. The objective is to encourage the men and women of our staff to accept change and to encourage a flexible attitude.

Investment in the continuing education of our employees, personnel recruitment and professional development measures, together with success- and performance-linked compensation, combined during the period under review to reinforce our status as an attractive employer.

Thanks to a new health programme and support for company sports activities, we are contributing to a positive work-life balance among the members of our staff. Other aspects of this policy are the flexible work times and telecommuting introduced last year, which offer our employees greater control over their time, enabling them to harmonise their professional and private lives.

Our thanks and recognition go to the men and women of our staff, who have demonstrated great commitment; their personal contributions have been decisive in helping to shape and push forward the process of change.

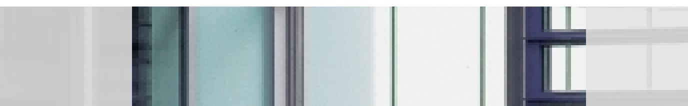
Redesigning our personnel system

During the 2001/2002 financial year, we continued to develop our existing personnel instruments, as well as creating new ones.

By revising our employee counselling session system, we have succeeded in shifting the emphasis toward a form of leadership based on goal setting. Here, the development potential and development opportunities of the employee form the central feature of the evaluation.

We have continued to expand our intranet applications in the sphere of human resources. Thanks to our ESS *(Employee Self-Service)* system, our employees can check their time accounts, change their address and banking details or sign up for staff shares. We plan to expand the application possibilities of this system, thereby achieving more efficient administrative flows.

The new personnel systems introduced last year – telecommuting, flexible worktime, and the modified performance-related compensation – have met with broad acceptance at all levels of the organisation.



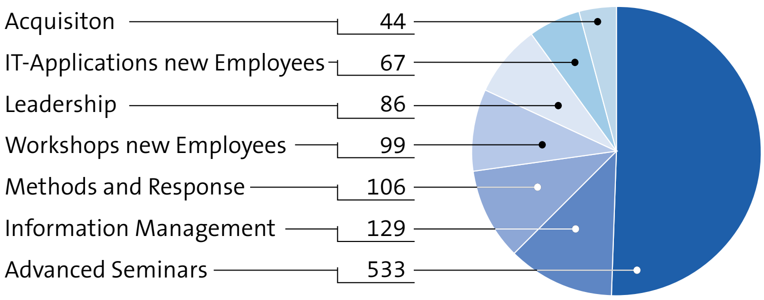
Recruitment and integration

As a communications and contact medium, the Internet gained new significance during the period under review, enabling us to reach highly qualified specialists. We have substantially expanded the information available to potential candidates. For IKB, the Internet is rapidly displacing print media advertisement as an instrument of recruitment. Fast and efficient, the Internet is the natural place to seek the sort of specialists and executive personnel IKB is looking for.

New programmes for the swift, friction-free integration of new employees have been successfully introduced, and now constitute an important component in the process of orienting and familiarising incoming personnel, helping to accustom them to the demanding IKB working environment.

IKB Internal Training Seminars 2001/2002

Number of Participants



Training and continuing education

During the period under review, we added important elements to our array of continuing education programmes. As a result, our special-topic seminars attracted a larger number of participants: (see the graph below).

Great importance is attached to the initial training of bank officers and computer specialists. During the past financial year, too, we were able to offer all apprentices a trainee position following the final technical examinations.

Personnel development

Introduced the previous financial year, our programme for developing junior customer relations staff and executive personnel was successfully continued. New here was a bank-wide measure for training junior customer relations staff. Along with professional competence and conduct, this programme emphasises the importance of the bank's Networked Sales system. The establishment of a personal network and familiarisation with the products of each division creates an important prerequisite for being able to respond effectively to customer requirements.

As a further means of keeping our customer relations staff qualified, in future we will also be expanding the use of special e-learning programmes as a means of preparing for case-oriented classroom training courses. These measures also help to generate new business within the framework Networked Sales system.

Human resources: A few key figures

At the end of the 2001/2002 financial year, the group had 1,429 employees (2000/2001: 1,353). Of these, 569 were assigned to market units, 429 were in the headquarters departments, while 431 worked for subsidiaries.

In the group, 16 trainees were currently undergoing bank officer or computer specialist training.

During the period under review, the IKB group hired 180 new staff; during the same period, 104 employees departed the bank. We are pleased to report that the termination-induced fluctuation rate fell from 5.1 % the previous year to 4.2 %.

Women make up 41 % of the staff. The average age of our employees is 40.9, while length of service averaged 8.8 years.

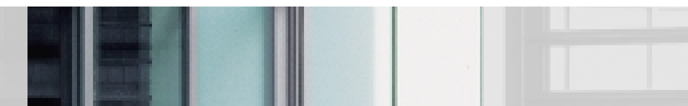
Last year, 66 employees celebrated their tenth anniversary with the bank, nine their 25th anniversary, and three actually managed to limp across the 40-year finish line.

At 72.1 %, the subscription rate for staff shares remained at the high level attained the previous year; the cost to the group came to EUR 142,000.

Cooperation with staff representatives

Particularly in a time when the need for flexibility and swift organisational change is so pronounced, a close and confidence-inspiring relationship with the staff representatives becomes a critical success factor.

We would like to thank the staff representatives for their constructive approach to problem solving and their help in securing the successful implementation of new personnel management instruments.



"IKB is supporting
our strategy of expansion."

IKB and its Customers

Captivated by the gleaming chrome of a modern high-tech truck, most observers barely give them a glance: fifth wheels, kingpins, landing gears, ball bearing turntables – modules for connecting semi-trailers and drawbar trailers, or for supporting decoupled semi-trailers. But insiders know that without them, nothing works: in an emergency, a nondescript component like a kingpin has to support an entire semi-trailer. Here, high-quality materials, precision manufacturing and extreme material security are absolute prerequisites.

From Cottage Industry to Global Player

Headquartered in Neu-Isenburg, Germany, JOST-Werke specialises in producing exactly these kinds of systems and modules for the commercial vehicle industry. It was in Neu-Isenburg that – exactly fifty years ago – production of ball bearing turntables began in a small metalworking shop. Keeping pace with the rapid changes in commercial vehicle engineering, this family-owned enterprise has continued to expand, repeatedly strengthening its market position thanks to a steady stream of innovative products and new services.

In 1998, with the help of IKB, the company succeeded in transforming itself from a family firm to a professionally managed corporation, laying the foundations for the continued growth of the JOST group.

JOST Products enjoy a large Market Share worldwide

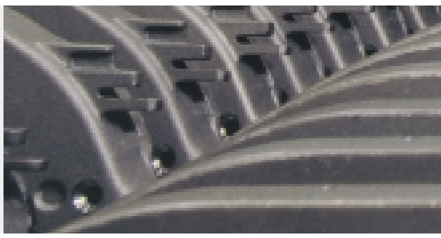
JOST components – particularly the company's fifth wheels, landing gears and ball bearing turntables – today occupy a leading position in the world market. JOST products are developed, manufactured and distributed at 17 locations on every continent.

The company's main production plant, located in Neu-Isenburg in Western Germany, is considered to be one of the most advanced manufacturing facilities worldwide. Here, up to 800 fifth wheels can be manufactured in a single day. A fully automated, computer-controlled high-shelf warehouse assures fast, reliable delivery and excellent service.

Rockinger Buyout reinforces the JOST Group's competitive Position

Since April 2001, Germany's long-established Rockinger company has been a member of the JOST group. This acquisition, structured by IKB, should significantly improve the group's competitiveness. With its high-quality trailer couplings and products for the farming and forestry sectors, the Rockinger range of products represents a logical expansion of the previous JOST assortment. By acquiring Rockinger, which has locations in Munich and Wechmar, JOST has added a further 200 employees to its pervious staff of roughly 1,200. The newly reinforced JOST group had annual sales last year of over EUR 220 million.

JOST-Werke GmbH & Co., Neu-Isenburg
Lars Brorsen
Chairman and CEO



Financial Statements

Consolidated Balance Sheet of IKB Deutsche Industriebank

Assets	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liquid funds				
a) Cash			127	42
b) Balances with the central banks			10 445	810
of which: with the Deutsche Bundesbank	10 225	(12)		
c) Balances on postal giro accounts			7	16
			10 579	**868**
Claims on banks				
a) payable on demand			311 321	247 249
b) other claims			1 293 626	556 873
			1 604 947	**804 122**
Claims on customers			**24 600 308**	**24 276 426**
of which: loans to public authorities	1 799 696	(1 891 272)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
aa) from government issuers			–	–
ab) from other issuers			*4 782 165*	*3 737 924*
			4 782 165	3 737 924
of which: eligible as collateral for advances from the Deutsche Bundesbank	3 710 931	(2 738 485)		
b) own bonds			145 598	75 795
face value	140 225	(74 027)		
			4 927 763	**3 813 719**
Shares and other non-fixed interest securities			**37 691**	**36 139**
Investments			**38 878**	**38 907**
of which: in banks	37 269	(37 269)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			**8 068**	**4 698**
of which: in banks	–	(–)		
of which: in financial services companies	–	(–)		
Trust assets			**6 018**	**6 800**
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Fixed assets			**214 706**	**211 511**
Leasing items			**2 346 384**	**2 239 422**
Outstanding capital of minority shareholders			**48 465**	**49 184**
Treasury shares			**–**	**529**
nominal amount	–	(86)		
Other assets			**891 325**	**803 979**
Deferred items			**138 868**	**153 301**
Total assets			**34 874 000**	**32 439 605**

* in parentheses: Previous year's figures

as at March 31, 2002

Liabilities	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liabilities to banks				
a) payable on demand			754 273	507 708
b) with agreed maturity or period of notice			14 682 012	14 674 054
			15 436 285	**15 181 762**
Liabilities to customers				
Other liabilities				
a) payable on demand			61 014	18 647
b) with agreed maturity or period of notice			2 189 432	2 392 023
			2 250 446	**2 410 670**
Securitised liabilities				
Bonds and notes			**12 975 080**	**10 825 073**
Trust liabilities			**6 018**	**6 800**
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Other liabilities			**531 493**	**567 647**
Deferred items			**469 180**	**514 090**
Provisions				
a) for pensions and similar obligations			123 494	111 012
b) tax provisions			131 644	117 560
c) other provisions			45 517	52 976
			300 655	**281 548**
Special items including reserves			**7 570**	**8 935**
Subordinated liabilities			**868 413**	**803 413**
Participation certificate (Genussschein) capital			**623 759**	**439 259**
of which: with remaining maturities of less than two years	51 129	(–)		
Fund for general banks risks			**80 000**	**80 000**
Participations of minority shareholders			**14 483**	**26 508**
Equity				
a) subscribed capital			225 280	225 280
contingent capital:	22 528	(48 128)		
b) silent capital			170 000	170 000
c) capital reserves			567 416	567 416
d) revenue reserves				
da) statutory reserves			*2 399*	*2 399*
db) reserves for treasury shares			*–*	*529*
dc) other revenue reserves			*316 292*	*277 425*
			318 691	280 353
e) consolidated profit			29 231	50 851
			1 310 618	**1 293 900**
Total liabilities			**34 874 000**	**32 439 605**
Contingent liabilities				
a) contingent liabilities arising from rediscounted bills of exchange			459	396
b) contingent liabilities arising from guarantees and indemnity agreements			1 747 709	988 856
			1 748 168	**989 252**
Other obligations				
Irrevocable loan commitments			**5 800 047**	**2 309 366**

* in parentheses: Previous year's figures

Consolidated Income Statement of IKB Deutsche Industriebank

Expenses	EUR thousand*		2001/2002 EUR thousand	2000/2001 EUR thousand
Interest expenses			**2 424 069**	**2 334 815**
Commission expenses			**5 303**	**5 654**
General operating expenses				
a) Personnel expenses				
aa) Salaries and wages			*101 088*	*89 635*
ab) Social security contributions and employee benefit and pension expenditure			*32 343*	*27 553*
of which: for pensions	*19 509*	*(15 673)*		
			133 431	117 188
b) other administrative expenses			54 889	49 978
			188 320	**167 166**
Depreciation and value adjustments on intangible and fixed assets			**20 214**	**18 242**
Depreciation of leasing items			**312 777**	**312 246**
Rental expenditure on leasing items and other service related expenses			**11 869**	**14 462**
Other operating expenses			**38 494**	**27 787**
Write-downs and value adjustments to claims and securities, plus transfer to provisions for possible loan losses			**175 186**	**187 216**
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments			**–**	**87**
Expenditure for loss takeovers			**–**	**–**
Allocations to special items including reserves			**2 651**	**–**
Transfer to the fund for general bank risks			**–**	**–**
Taxes on income and earnings			**73 508**	**83 209**
Other taxes not entered under “other operating expenses”			**3 681**	**4 292**
Profits transfered on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement			**–**	**–**
Net income for the year			**83 129**	**85 911**
Total expenses			**3 339 201**	**3 241 087**
Net income for the year			**83 129**	**85 911**
Attributable to other partners				
Profit			**–4 360**	**–2 831**
Loss			**9 845**	**17 637**
Loss carried forward from the previous year			**–17 433**	**–10 161**
			71 181	**90 556**
Release of revenue reserves				
of revenues for own shares			**529**	**–**
of other revenue reserves			**–**	
Allocation to revenue reserves				
to revenues for own shares			**–**	**–315**
to other revenue reserves			**–42 479**	**–39 390**
Unappropriated profit			**29 231**	**50 851**

* in parentheses: Previous year’s figure

for the Period April 1, 2001 to March 31, 2002

Income	**2001/2002** EUR thousand	2000/2001 EUR thousand
Interest income from		
a) lending and money market operations	2 541 512	2 487 358
b) fixed interest securities and government-inscribed debt	211 029	178 815
	2 752 541	**2 666 173**
Current income from		
a) shares and other non-fixed interest securities	730	318
b) investments	4 071	1 373
c) holdings in subsidiary companies	–	–
	4 801	**1 691**
Income from profit pooling, profit transfer, and partial profit transfer agreements	**–**	**–**
Income from investments in associated companies	**–**	**987**
Commission income	**44 800**	**17 977**
Net income from finance operations	**1 939**	**2 540**
Earnings from write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	**–**	**8 507**
Income from leasing operations	**462 689**	**431 360**
Earnings from the release of special items including reserves	**283**	**1 118**
Other operating income	**72 148**	**110 734**
Total income	**3 339 201**	**3 241 087**

Balance Sheet of IKB Deutsche Industriebank AG

Assets	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liquid funds				
a) Cash			120	35
b) Balances with central banks			10 338	119
of which: with the Deutsche Bundesbank	10 225	(–)		
c) Balances on postal giro accounts			6	3
			10 464	**157**
Claims on banks				
a) payable on demand			878 219	276 892
b) other claims			5 942 494	4 906 587
			6 820 713	**5 183 479**
Claims on customers			**22 200 570**	**22 238 574**
of which: loans to public authorities	1 799 696	(1 891 272)		
Debentures and other fixed interest securities				
a) Bonds and debentures				
aa) from government issuers			–	–
ab) from other issuers			*4 635 500*	*3 570 639*
			4 635 500	3 570 639
of which: eligible as collateral for advances from the Deutsche Bundesbank	3 608 056	(2 614 081)		
b) own bonds			145 598	75 795
face value	140 225	(74 027)		
			4 781 098	**3 646 434**
Shares and other non-fixed interest securities			**15 411**	**13 477**
Investments			**923**	**1 091**
of which: in banks	294	(294)		
of which: in financial services companies	–	(–)		
Shares in subsidiary companies			**367 915**	**353 786**
of which: in banks	164 839	(164 839)		
of which: in financial services companies	–	(–)		
Trust assets			**6 018**	**6 800**
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Fixed assets			**52 977**	**53 443**
Treasury shares			**–**	**529**
nominal amount	–	(86)		
Other assets			**756 399**	**689 056**
Deferred items			**131 331**	**147 574**
Total assets			**35 143 819**	**32 334 400**

* in parentheses: Previous year's figures

as at March 31, 2002

Liabilities	EUR thousand*		March 31, 2002 EUR thousand	March 31, 2001 EUR thousand
Liabilities to banks				
a) payable on demand			1 299 105	652 355
b) with agreed maturity or period of notice			15 261 825	15 281 457
			16 560 930	**15 933 812**
Liabilities to customers				
Other liabilities				
a) payable on demand			72 580	36 327
b) with agreed maturity or period of notice			2 053 322	2 301 678
			2 125 902	**2 338 005**
Securitised liabilities				
Bonds and notes			**12 919 627**	**10 770 794**
Trust liabilities			**6 018**	**6 800**
of which: loans on a trust basis at third party risk	4 574	(5 308)		
Other liabilities			**399 438**	**435 208**
Deferred items			**131 886**	**153 935**
Provisions				
a) for pensions and similar obligations			108 833	98 147
b) tax provisions			114 853	107 624
c) other provisions			39 073	30 667
			262 759	**236 438**
Subordinated liabilities			**868 413**	**803 413**
Participation certificate (Genussschein) capital			**623 759**	**439 259**
of which: with remaining maturities of less than two years	51 129	(–)		
Fund for general bank risks			**80 000**	**80 000**
Equity				
a) subscribed capital			225 280	225 280
contingent capital:	22 528	(48 128)		
b) capital reserves			567 416	567 416
c) revenue reserves				
ca) statutory reserves			*2 399*	*2 399*
cb) reserves for treasury shares			*–*	*529*
cc) other revenue reserves			*302 232*	*273 352*
			304 631	276 280
d) distributable profit			67 760	67 760
			1 165 087	**1 136 736**
Total liabilities			**35 143 819**	**32 334 400**
Contingent liabilities				
a) contingent liabilities arising from rediscounted bills of exchange			459	396
b) contingent liabilities arising from guarantees and indemnity agreements			4 000 936	2 901 674
			4 001 395	**2 902 070**
Other obligations				
Irrevocable loan commitments			**4 981 719**	**1 704 910**

* in parentheses: Previous year's figures

Income Statement of IKB Deutsche Industriebank AG

Expenses	EUR thousand*		2001/2002 EUR thousand	2000/2001 EUR thousand
Interest expenses			**2 448 583**	**2 380 995**
Commission expenditure			**2 090**	**3 420**
General operating expenses				
a) Personnel expenditure				
aa) Salaries and wages			*73 878*	*67 349*
ab) Social security contributions and employee benefit and pension expenditure			*27 351*	*22 700*
of which: for pensions	*17 997*	*(13 885)*		
			101 229	90 049
b) other administrative expenses			47 618	42 861
			148 847	**132 910**
Depreciation and value adjustments on intangible and fixed assets			**13 865**	**12 125**
Other operating expenses			**10 330**	**12 438**
Write-downs and value adjustments to claims and securities, plus transfers to provisions for possible loan losses			**141 228**	**164 751**
Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments			**–**	**87**
Expenditure for loss takeovers			**42 922**	**9 458**
Taxes on income and earnings			**63 734**	**79 691**
Other taxes not entered under “other operating expenses“			**478**	**958**
Net income for the year			**96 110**	**98 065**
Total expenses			**2 968 187**	**2 894 898**
Net income for the year			**96 110**	**98 065**
Release of revenue reserves of revenues for own shares			**529**	**–**
Allocation to revenue reserves				
to reserves for own shares			**–**	**315**
to other revenues reserves			**28 879**	**29 990**
Unappropriated profit			**67 760**	**67 760**

* in parentheses: Previous year’s figure

for the Period April 1, 2001 to March 31, 2002

Income	**2001/2002** EUR thousand	2000/2001 EUR thousand
Interest income from		
a) lending and money market operations	2 616 921	2 568 269
b) fixed interest securities and government-inscribed debt	203 042	169 270
	2 819 963	**2 737 539**
Current income from		
a) shares and other non-fixed interest securities	730	318
b) investments	52 071	3 109
c) holdings in subsidiary companies	5 323	5 871
	58 124	**9 298**
Income from profit pooling, profit transfer, and partial profit transfer agreements	**15 416**	**26 458**
Commission income	**55 993**	**29 523**
Net income from finance operations	**1 940**	**2 250**
Earnings and write-ups relating to investments, holdings in subsidiary companies, and securities treated as fixed assets	**–**	**8 507**
Other operating income	**16 751**	**81 323**
Total income	**2 968 187**	**2 894 898**

Notes to the Consolidated and the AG's Financial Statements

Legal Basis and Accounting Principles

The consolidated Group accounts and the financial statements of IKB Deutsche Industriebank AG are prepared in accordance with regulations contained in the German Commercial Code (HGB), in conjunction with the accounting regulations for financial institutions *(RechKredV)*, as well as with the relevant provisions of German Company Law. Furthermore the financial statements of the IKB Deutsche Industriebank Group are drawn up in accordance with the Seventh Council Directive of June 13, 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (83/349/EEC) and Council Directive of December 8, 1986 on the annual accounts and consolidated accounts of banks and other financial institutions (86/635/EEC).

The notes to the financial statements of IKB Deutsche Industriebank AG and the Group accounts have been presented together in accordance with Article 298, Section 3, HGB.

Consolidated Companies

Apart from the parent company, twelve domestic and four foreign companies are included in the consolidated financial statements at March 31, 2002. In accordance with Article 285, No. 11 of the German Commercial Code (HGB) and Article 313, Section 2, HGB we have entered the consolidated companies in the List of Investments under "A.", while in accordance with Articles 325 and 287, HGB the list of 417 real estate special purpose entities, as well as 27 corporate participations held by IKB Private Equity GmbH and IKB Venture Capital GmbH respectively will be filed with the Commercial Register in a separate schedule. Partnerships eligible for exemption in accordance with Article 264 b HGB are listed in a separated category.

IKB Private Equity GmbH, as well as it's subsidiary IKB Venture Capital GmbH were included in the Group accounts for the first time. The objective of IKB Private Equity GmbH to acquire, to manage and to sell participations in medium-sized companies *(Mittelstand)*. Moreover these companies are to be supported to gain access to the stock market. The main focus of IKB Venture Capital GmbH is to purchase and to sell shares in primarily innovative, growth-oriented enterprises.

In the interests of comparability, the consolidated figures from the previous year were correspondingly adapted in accordance with Article 294, Section 2, HGB. The most significant changes in the adjusted consolidated accounts from the previous year were the increase in the portfolio of other assets by EUR 75 million and the decline in claims on customers by EUR 56 million. As both subsidiaries are exclusively funded by the parent company, the consolidation of IKB Private Equity GmbH and IKB Venture Capital GmbH caused no significant change in the Group's balance sheet total. Due to existing profit and loss transfer agreements net income for the financial year 2000/2001 didn't change.

Pursuant to Article 296, Section 2, HGB, we have not included other subsidiary companies (List of Investments under "B.") in the consolidated Group accounts due to their minor impact of the Group's assets, liabilities, financial and income position.

Principles of Consolidation

The Group accounts were prepared in strict accordance with IKB Deutsche Industriebank AG accounting and valuation methods contained in the following section. The financial statements of the companies included were adapted to conform with the accounting and valuation regulations of the parent company. The subsidiary IKB Capital Corporation, New York, draws up the balance according to the accounting principles of US-GAAP. As far as substantially necessary we adopted the subsidiary's accounts to HGB-regulations by offsetting and reconciliation.

Capital consolidation was carried out in accordance with the book value method. For Group companies, the cost of investment is set against the Group's share of equity at the date of acquisition or first-time consolidation. Debit differences amounted to EUR 41.6 million, and credit differences EUR 6.3 million. The balance of these differences, which is EUR 35.3 million, were set off with revenue reserves.

The claims and liabilities as well as expenditure and income between consolidated companies, are eliminated on consolidation.

Normally the financial statements of consolidated companies and those of the parent company are drawn up at the same accounting date. Differing from this rule the annual financial statements of the companies listed below are dated December 31, 2001:

- AIVG Allgemeine Verwaltungsgesellschaft mbH
- IKB Capital Corporation
- IKB Financière France S.A.
- IKB Immobilien Leasing GmbH
- IKB Private Equity GmbH
- ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Uerdinger Straße KG.

In the case of IKB Capital Corporation, we prepared interim accounts at March 31, 2002 in accordance with Article 299, Section 3 HGB.

Accounting and Valuation Methods

Claims on banks and customers are shown at their nominal value, less provisions for bad and doubtful debts. Differences between amounts actually paid and nominal values are included in deferred income and credited to the income statement according to plan.

We have provided for potential loan loss risks by building reserves in the form of general provision for bad and doubtful debts. We calculated the general provision for bad and doubtful debts based on our past experience and weighted amounts.

Securities, which are disclosed under the heading “Debentures and other fixed interest securities”, as well as “Shares and other non-fixed interest securities” are valued in accordance with the lower of cost principle applying to current assets, i. e. the purchase price or the lower market price. Pursuant to Article 280 of the German Commercial Code (HGB), we were obliged to write up the value of securities written down in previous years at the current market value, the maximum amount of which is the historical purchase price. Fixed asset securities are not included in the portfolio.

Investments in subsidiary companies and companies in which the bank has a participatory interest are shown at the purchase price currently adjusted.

Fixed assets and leasing items are valued at price of purchase or manufacturing cost, reduced by scheduled depreciation and – as the case may be – (fiscally permissible) special depreciation. When a permanent diminution in value is expected, unscheduled depreciation is applied. Low-value assets are completely written off during the year of purchase.

Liabilities are stated at redemption amount. To the extent that proceeds vary from the redemption amount, the difference is shown on the assets side as a deferred item and charged to income according to plan.

Provisions for pension and similar obligations are computed in accordance with actuarial principles, based on the new *Heubeck* actuarial tables and a 6 % rate of interest and using the German *Teilwert* method for current and ex-employees and the net present value of current pensions. Provisions for taxes and uncertain liabilities are stated at amounts which are likely to be incurred. In accordance with the tax regulations, we discounted provisions for cash payments with 5.5 %.

Derivative transactions (swaps, futures, options) need not be disclosed in the balance sheet. Depending on the purpose trading in derivatives is entered either under trading operations or hedging transactions, whereby positions in trading operations can have hedging functions. If derivative operations are considered trading operations they are then valued in accordance with the imparity and realisation principle. If they are part of a hedging operation, valuation units are formed. Profits and losses resulting from these transactions are offset. Provisions are formed for remaining valuation losses, while remaining valuation profits are not realized.

Currency Conversion

Balance sheet and non-balance sheet amounts denominated in foreign currency are converted in accordance with Article 340 h, HGB. In the case of foreign currency-denominated fixed assets that are not specifically hedged, we have calculated the historic cost of exchange rates.

All other foreign currency-denominated assets, liabilities and other outstanding spot transactions are converted at the reference rate of the ECB at balance sheet date. Premiums or discounts on the spot exchange rate resulting from interest hedging operations on balance sheet items are included in net interest income pro rata temporis. Hedged expenses or profits are converted at the contracted forward rate.

In the income statement only expenses from currency conversion according to Article 340 h, Section 2, HGB are taken into account.

Notes to the Balance Sheet and Income Statement

Breakdown of Maturities of Selected Balance Sheet Items

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Other claims on banks	**1 294**	**557**	**5 942**	**4 907**
with a remaining maturity				
– up to three months	477	101	4 873	4 308
– more than three months up to one year	592	239	798	335
– more than one year up to five years	183	153	248	221
– more than five years	42	64	23	43
Claims on customers	**24 600**	**24 276**	**22 201**	**22 239**
with a remaining maturity				
– up to three months	3 615	3 314	3 444	3 095
– more than three months up to one year	2 587	2 404	2 304	2 306
– more than one year up to five years	11 330	10 878	9 975	9 899
– more than five years	7 068	7 680	6 478	6 939
Liabilities to banks with agreed maturity or period of notice	**14 682**	**14 674**	**15 262**	**15 282**
with a remaining maturity				
– up to three months	4 245	4 051	5 338	5 188
– more than three months up to one year	1 301	1 430	1 273	1 426
– more than one year up to five years	5 138	4 685	5 072	4 628
– more than five years	3 998	4 508	3 579	4 040
Other liabilities to customers with agreed maturity or period of notice	**2 189**	**2 392**	**2 053**	**2 302**
with a remaining maturity				
– up to three months	165	154	151	77
– more than three months up to one year	111	182	84	158
– more than one year up to five years	1 147	1 130	1 078	1 114
– more than five years	766	926	740	953

Of the debentures and other fixed interest securities in the Group EUR 180 million and in the AG EUR 179 million will mature next year. Of the issued debentures included in the balance sheet under securitised liabilities, EUR 2,239 million will come due next year in the Group and in the AG.

Treasury Shares

At the General Meetings held on September 8, 2000 and September 7, 2001, we obtained authorisation to acquire our own shares for the purpose of securities trading (max. 5 % of share capital).

During the 2001/2002 financial year, we purchased 3,841,236 treasury shares. Including the beginning balance of 33,620 shares on April 1, 2001, the average purchasing price was EUR 13.90. A total of 3,874,856 shares were sold at an average price of EUR 14.17. The resulting revenues of EUR 1,080 thousand are included in the net result from financial operations. The highest daily balance of treasury shares amounted to 1.28 % of subscribed capital. Our affiliates did not engage in the sale or purchase of IKB shares. As at the balance sheet date no treasury shares were hold by the bank.

In order to enable our employees to acquire shares under employee purchase schemes during the year under review we purchased 23,527 shares at an average price of EUR 12.04, of which we then sold 17,577 to the employees of the AG at a preferential rate of EUR 6.02. A further 5,950 shares were acquired under the same conditions from employees of the Group.

Fixed Asset Schedule

	Group						
in EUR million	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2002	Net book value March 31, 2001
Tangible fixed assets	346.5	26.2	6.1	151.9	20.2	214.7	211.5
Investments	40.7	0.1	0.2	1.7	–	38.9	38.9
Shares in subsidiary companies	4.7	3.5	–	0.1	–	8.1	4.7
Leasing items	2 965.2	701.5	532.8	787.5	312.8	2 346.4	2 239.4

	AG						
in EUR million	Cost of acquisition	Additions	Disposals	Accumulated depreciation	Depreciation financial year	Net book value March 31, 2002	Net book value March 31, 2001
Tangible fixed assets	127.5	13.4	0.9	87.0	13.9	53.0	53.4
Investments	2.4	0.0	0.2	1.3	–	0.9	1.1
Shares in subsidiary companies	413.0	64.1	50.0	59.2	–	367.9	353.8

On March 31, 2002, the book value of the Group's land and buildings used by the Group amounted to EUR 186.0 million, and those of the AG to EUR 31.1 million. The principle item in the Group was the headquarters building in Düsseldorf.

On the Group balance sheet, equipment and furniture, amount to EUR 24.0 million, and for that of the AG, to EUR 20.6 million. They are included in "Tangible fixed assets".

Negotiable Securities

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

	Group			AG		
in EUR million	Total	Listed	Not Listed	Total	Listed	Not Listed
Debentures and other fixed interest securities	4 907.7	4 823.2	84.5	4 761.0	4 676.5	84.5
Shares and other non-fixed interest securities	0.2	0.2	–	0.2	0.2	–
Investments	37.3	37.3	–	–	–	–
Shares in subsidiary companies	–	–	–	151.9	–	151.9

Receivables and Payables Relating to Subsidiary and Related Companies

	Group		AG	
in EUR million	Subsidiary companies	Related companies	Subsidiary companies	Related companies
Claims on banks	–	45.9	5 432.7	1.2
Claims on customers	82.0	–	2 204.5	–
Debentures and other fixed interest securities	–	1.5	–	1.5
Liabilities to banks	–	6.4	2 035.9	–
Liabilities to customers	0	–	84.4	–

Trust Transactions

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Claims on customers	4.6	5.3	4.6	5.3
Investments	1.4	1.5	1.4	1.5
Trust assets	**6.0**	**6.8**	**6.0**	**6.8**
Liabilities to customers	6.0	6.8	6.0	6.8
Trust liabilities	**6.0**	**6.8**	**6.0**	**6.8**

Subordinated Assets

Subordinated assets are included in the following balance sheet items:

in EUR million	Group	AG
Claims on customers	127.1	8.7
Shares and other non-fixed interest securities	0.5	0.5
Shares in subsidiary companies	–	71.6

Foreign Currency Assets and Liabilities

Currency amounts converted into euro are presented in the following table. The differences between assets and liabilities are covered by currency hedging transactions.

	Group		AG	
in EUR million	March 31, 2002	March 31, 2001	March 31, 2002	March 31, 2001
Assets	5 326	5 055	5 170	4 698
Liabilities	2 420	2 665	2 425	2 620

Other Assets and Other Liabilities

For both the Group and the AG, the largest single item in “Other assets” are amounts due from direct debits totalling EUR 425 million. These direct debits could not be credited to our LZB account, as the balance sheet date (March 31, 2002) was not a workday. A further significant item contained here is the pro rata interest earned on interest rate swap and interest rate and currency swap transactions (Group with EUR 281 million/AG with EUR 284 million). The remaining amount relates besides participations in companies held by IKB Private Equity GmbH and it’s subsidiary primarily to trade receivables and claims for reimbursement.

In both the Group and AG financial statements, the amounts distributed on the participation rights capital for 2001/2002 (EUR 36 million), the pro rata interest for the subordinated liabilities with EUR 18 million, as well as the interest expenditure for the silent capital in the Group with EUR 5 million, are entered under “Other liabilities”. The pro rata interest from interest rate swap agreements constitute the largest item in the Group (EUR 219 million) and AG (EUR 211 million). Other significant items include trade payables, containing EUR 56 million and EUR 3 million respectively.

Accrued and Deferred Income

Prepaid expenses of the Group and AG, amounting to EUR 126 million and EUR 125 million respectively relate to differences pursuant to Article 250, Section 3 of the German Commercial Code and Article 340 e, Section 2, Sentence 3 of the German Commercial Code (Disagios from the nominal value of liabilities reported in the balance sheet).

Deferred income of the Group amounting to EUR 134 million (AG: EUR 125 million) was posted, which show differences pursuant to Article 250, Section 2 of the German Commercial Code and Article 340 e, Section 2, Sentence 2 of the German Commercial Code (Disagios from the nominal value of claims reported in the balance sheet).

Special Items including Reserves

The special items including reserves absorbed by the Group from the special purpose entities of IKB Immobilien Leasing GmbH represent with EUR 1.7 million a reserve in accordance with Article 6b of the German Income Tax Act and with EUR 5.9 million investment grants. Two special purpose entities, which stated special items including reserves at an amount of EUR 3.7 million, have left the company group. This outflow is not included in the item “Earnings from the release of special items including reserves” in the consolidated income statement.

Subordinated Liabilities

The subordinated liabilities qualify under the German Banking Act as liable capital. An early repayment is not possible. In case of bankruptcy or liquidation they will be repaid only after non-subordinated creditors have been satisfied.

Individual items which exceed 10 % of the total amount:

Year of issue	Book value EUR million	Issue Currency	Interest rate in %	Maturity
1992/93	90.8	NLG	8.00	Jan. 08, 2003
1995/96	90.8	NLG	7.75	June 16, 2005
1999/00	125.0	EUR	5.00	Dec. 28, 2007
2000/01	150.0	EUR	6.00	Feb. 27, 2009

Subordinated liabilities in the Group and AG amount to EUR 868.4 million. Interest expense on this amount during the financial year came to EUR 60.6 million (2000/2001: EUR 47.7 million).

Participation Rights Capital

The issued participation rights capital of EUR 623.8 million meets the requirements set out in Article 10, Section 5 of the German Banking Act at an amount of EUR 570.2 million and serve to strengthen the bank's liable capital. The entire amount is liable in the event of a loss. Interest payments are made solely on the basis of unappropriated profits for the year. The claims of holders of participation rights to repayment of the capital are subordinate to those of other creditors. Participation rights capital includes in detail:

Year of issue	Book value EUR million	Issue Currency	Interest rate in %	Maturity
1991/92	51.2	DM	9.10	March 31, 2003
1993/94	92.0	DM	7.30	March 31, 2005
1994/95	92.0	DM	6.45	March 31, 2006
1995/96	81.8	DM	8.40	March 31, 2007
1997/98	102.3	DM	7.05	March 31, 2009
1999/00	20.0	EUR	7.23	March 31, 2010
2001/02	100.0	EUR	6.50	March 31, 2012
2001/02	10.0	EUR	6.62	March 31, 2012
2001/02	74.5	EUR	6.55	March 31, 2012
	623.8			

Payments for the 2001/2002 financial year, amounting to EUR 35.9 million, are contained in interest expense.

Changes in Subscribed, Authorised and Contingent Share Capital

Subscribed share capital amounted to EUR 225,280,000.00 on March 31, 2002 and is divided into 88,000,000 shares.

The company is authorised to issue further share capital amounting to EUR 76.7 million until September 5, 2002.

In order to grant conversion privileges or option rights to the bearers of convertible bonds and warrant-linked bonds with an aggregate nominal value of EUR 300 million issued before September 3, 2004, contingent capital of EUR 22.5 million exists.

Silent participations stated as “Silent capital” in our balance sheet comply with the provisions of Article 10, Section 4 of the German Banking Act, and thus counts as tier 1 capital.

Equity

in EUR million	Group
As at April, 2001	1 293.9
Distribution of unappropriated profits of the AG for the financial year 2000/2001	– 67.8
Transfer to other revenue reserves from the Group's net income for the financial year 2001/2002	42.0
Asset-related differences due to newly consolidated companies	– 3.7
Unappropriated profit of the AG for the financial year 2001/2002	67.8
Unappropriated profits and losses of consolidated subsidiaries (net)	– 21.6
As at March 31, 2002	**1 310.6**

in EUR million	AG
As at April 1, 2001	1 136.7
Distribution of unappropriated profits for the financial year 2000/2001	– 67.8
Transfer to other revenue reserves from net income of the AG for the financial year 2001/2002	28.4
Unappropriated profit for the financial year 2001/2002	67.8
As at March 31, 2002	**1 165.1**

Key Figures relating to Bank Regulatory Requirements

The risk-weighted assets in EUR million, as well as capital and Principle I ratios in the Group, break down as follows at the balance sheet date:

	Attributable amounts in %				
at March 31, 2002 in EUR million	100	50	20	10	Total
Balance sheet transactions	15 447	2 064	503	330	18 344
Non-balance sheet transactions	1 471	640	45		2 156
Derivative transactions in the investment portfolio		42	254		296
Weighted risk assets, total	**16 918**	**2 746**	**802**	**330**	**20 796**
Amount attributable for market risk					350
Total of items obligatory for inclusion					**21 146**
Liable capital [1)]					2 556
Capital eligible for inclusion [1)]					2 559
Tier 1 capital ratio (in %)					6.4
Equity ratio (in %)					12.1

[1)] Following adaption of the annual financial statements

at March 31, 2001 in EUR million	Attributable amounts in % 100	50	20	10	Total
Balance sheet transactions	16 624	2 759	339	233	19 955
Non-balance sheet transactions	837	667	23		1 527
Derivative transactions in the investment portfolio		45	138		183
Weighted risk assets, total	**17 461**	**3 471**	**500**	**233**	**21 665**
Amount attributable for market risk					175
Total of items obligatory for inclusion					**21 840**
Liable capital					2 347
Capital eligible for inclusion					2 347
Tier 1 capital ratio (in %)					6.1
Equity ratio (in %)					10.7

The improvement in the Principle I ratio was due first of all to our CLO transaction, which result in a reduction in risk assets in terms of bank regulatory requirements.

Contingent Liabilities / Other Obligations

Contingent liabilities in EUR million	Group	AG
Guarantees	1 506	3 759
Liabilities from security for third-parties	242	242
Total	**1 748**	**4 001**

Other obligations in EUR million	Group	AG
Loan commitments up to one year	4 578	3 924
Loan commitments more than one year	1 222	1 058
Total	**5 800**	**4 982**

At the balance sheet date our “Contingent liabilities” also comprise credit derivative contracts in the form of a Credit Defoult Swap (guarantors) within the item “Guarantees and indemnity agreements” amounting to EUR 767 million (2000/2001: EUR 117 million). In this context we have taken over credit risks of certain credit portfolios for well-defined incidences within the credit engagements. More than two third of the single portfolios are rated in the best rating classes Aaa to A by the independent rating agency Moody’s.

The item “Other obligations” comprises six loan commitments to special entities at an amount of EUR 3.2 billion, which only take effect in the case of short-term liquidity squeeze.

Notes to the Cash flow Statement

The cash flow statement shows the status and development of the bank’s cash flow. In conformity with its sources, the development of cash flow is divided into three parts: operating activities, investment activities and financing activities. The cash flow from investment activities primarily comprises the revenue from the sale and the payment for financial assets and

Cash flow Statement in EUR million	**2001/2002**	2000/2001
Net income for the year	**83**	**86**
Non-cash items contained in net income for the year and leading into the cash flow from operating activities		
Changes of risk provisioning	227	209
Depreciation of fixed assets, leasing items, and investments	333	331
Profit attributable to other partners	5	15
Changes in other non-cash items (primarily change of provisions)	85	70
Result from the sale of investments and fixed assets	–35	–63
Other adjustments (primarily reallocation of received or paid interest including profits for leasing transactions and paid income tax)	–767	–709
Subtotal	**–69**	**–61**
Changes in assets and liabilities from operating activities after corrections for non-cash components		
Claims		
on banks	–702	912
on customers	–387	–1 745
Debentures and other fixed interest securities	–1 135	–1 164
Shares and other non-fixed interest securities	–3	–23
Leasing items	–301	–384
Other assets from operating activities	60	–265
Liabilities		
to banks	125	1 847
to customers	–160	22
Securitised liabilities	2 150	22
Other liabilities from operating activities	–340	–78
Participations of minority shareholders	–11	–7
Interest and dividends received	3 101	3 037
Interest paid	–2 436	–2 348
Payment of income taxes	– 69	–92
Cash flow from operating activities	**–177**	**–327**
Proceeds from the sale of		
Investments	8	7
Fixed assets	30	35
Payments for the purchase of		
Investments	–3	–16
Fixed assets	–19	–19
Effects of the sale of associated companies	–	86
Effects of the change in the set of companies to be consolidated	–11	–
Cash flow from investment activities	**5**	**93**
Dividend payments	–68	–68
Changes in liquid funds deriving from other financing activities (balance)	250	291
Cash flow from financing activities	**182**	**223**
Balance of liquid funds at the end of the previous period	**1**	**12**
Cash flow from operating activities	–177	–327
Cash flow from investment activities	5	93
Cash flow from financing activities	182	223
Balance of liquid funds at the end of the period	**11**	**1**

tangible fixed assets. Under financial activities all cash flows from transactions relating to equity and silent capital, as well as subordinated and participation rights capital are shown. In accordance with international practice all other cash flows are assigned to the operating activities.

Cash flow status corresponds to the balance sheet item “Liquid funds”, and contains balances held with Central Banks and cash.

Further Information

Other Financial Commitments

Outstanding obligations to pay up share capital, and company investments and investments in related companies amounted on March 31, 2002, to EUR 1.3 thousend for the Group and the AG.

The bank has a pro rata additional funding obligation to Liquiditäts-Konsortialbank GmbH of Frankfurt. In addition, we bear a proportional contingent liability for fulfilling the funding obligations of other partners in the Federation of the Association of German Banks. In addition, pursuant to Article 5, Section 10 of the Statutes for the Deposit Insurance Fund, the bank has committed itself to protect the Association of German Banks from any losses arising due to measures favouring banks in which it owns a majority interest.

At it’s balance sheet date December 31, 2001, the IKB Immobilien Leasing Group had incurred EUR 183 million in financial obligations arising from contracted leases not yet contained in the balance sheet leasing assets.

Declaration of Backing

In accordance with Article 285, No. 11 HGB/Article 313, Section 2 HGB, IKB ensures, excluding political risk, that the wholly-owned subsidiary companies appearing on the list of investments of IKB Deutsche Industriebank AG and marked as covered by the declaration of backing will be able to meet their contractual liabilities. On behalf of its subsidiaries IKB Finanz Leasing AG, Budapest, and IKB Leasing Hungaria GmbH, Budapest, IKB Leasing GmbH of Hamburg issued letters of comfort to Commerzbank Rt., Budapest.

Forward Contracts

While the IKB Group engages in forward contracts (swaps, forward rate agreements, and futures), these are carried out almost exclusively for hedging balance sheet-relevant transactions. Trading volume in these instruments is kept within narrow limits. Operational volume is restricted by the use of overall exposure, contractual and product-related limits, and are subject to permanent monitoring by our risk management.

Breakdown of Product Groups and Remaining Maturities as of March 31, 2002

	Group								
	Nominal amount				Credit equivalent				Credit risk
in EUR million	up to 1 year	1 up to 5 years	longer than 5 years	Total	up to 1 year	1 up to 5 years	longer than 5 years	Total	Total
1. Interest-rate based operations									
Over-the-counter-products (OTCs)									
Forward rate agreements	–	–	–	**–**	–	–	–	**–**	**–**
Interest swaps	1 885	4 367	8 254	**14 506**	11	45	958	**1 014**	**868**
Interest options	61	652	3 951	**4 664**	1	3	61	**65**	**2**
Forward bonds	–	8	211	**219**	–	0	23	**23**	**20**
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 382	11	–	**2 393**	25	1	–	**26**	**2**
Cross-currency-swaps	455	1 648	1 494	**3 597**	27	120	141	**288**	**97**
Currency options	54	–	–	**54**	3	–	–	**3**	**2**
3. Index-based operations									
Over-the-counter-products (OTCs)									
Share index options	2	–	–	**2**	0	–	–	**0**	**0**
Index swaps	–	20	–	**20**	–	2	–	**2**	**0**
Total	**4 839**	**6 706**	**13 910**	**25 455**	**67**	**171**	**1 183**	**1 421**	**991**

	AG								
	Nominal amount				Credit equivalent				Credit risk
in EUR million	up to 1 year	1 up to 5 years	longer than 5 years	Total	up to 1 year	1 up to 5 years	longer than 5 years	Total	Total
1. Interest-rate based operations									
Over-the-counter-products (OTCs)									
Forward rate agreements	–	–	–	**–**	–	–	–	**–**	**–**
Interest swaps	1 915	4 814	8 264	**14 993**	13	83	967	**1 063**	**915**
Interest options	28	454	3 974	**4 456**	0	1	64	**65**	**4**
Forward Bonds	–	8	5	**13**	–	0	0	**0**	**0**
Forward forward deposits	–	121	–	**121**	–	0	–	**0**	**0**
2. Currency-based operations									
Over-the-counter-products (OTCs)									
Currency futures	2 315	13	–	**2 328**	24	1	–	**25**	**1**
Cross-currency-swaps	455	1 465	1 446	**3 366**	27	117	135	**279**	**102**
Currency options	54	–	–	**54**	3	–	–	**3**	**2**
3. Index-based operations									
Over-the-counter-products (OTCs)									
Share index options	2	–	–	**2**	0	–	–	**0**	**0**
Index swaps	–	20	–	**20**	–	2	–	**2**	**–**
Total	**4 769**	**6 895**	**13 689**	**25 353**	**67**	**204**	**1 166**	**1 437**	**1 024**

Some 95 % of the Group and 93 % of the AG derivatives operations are with OECD banks with first-class ratings. The remainder consists essentially of contracts with customer companies. The greater part of the bank‘s derivatives business volume related with an amount of EUR 19.4 billion (AG: EUR 19.6 billion) to interest rate transactions, with interest rate swap transactions forming the dominant product.

In order to illustrate the Group's credit risk, the table shows, in addition to the nominal volumes, the credit-based weightings as credit equivalents and the so-called positive market values (credit risk) of the forward transactions are presented, based on the bank oversight regulations (derived from the figures for Principle I). Defined as the sum of all positive market values, the credit risk amounted to EUR 991 million (AG: EUR 1,024 million) at the balance sheet date, representing 5 % of the nominal value. Existing netting agreements, which, in case of insolvency, enable the setting off of existing claims and liabilities to counterparties, are not taken into account.

Segment Report

The segment report is aligued with the divisions of the bank. These divisions operate at 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 operational divisions are:

- Corporate Lending
- Real Estate Financing
- Structured Financing
- Private Equity (former Equity)
- Leasing.

The basis for the segment reports are the internal, controlling-oriented division accounts, which form part of IKB's management information system. This procedure corresponds to the recommendations of the German Accounting Standards Committee e.V. (DRSC) for banks.

The figures of the Private Equity Division correspond with the statement of the sub-group according to commercial law.

Income and expenses of the other divisions are assigned in accordance with their respective responsibility. The interest income from loan business is posted for the units using the market interest method; it also comprises the investment income from economic capital resources. This investment income is allocated to the respective divisions in line with the assigned average tier 1 capital. In doing so a 4.8 %-tier 1 capital ratio based on the risk assets is allocated to the divisions. The benefits resulting from the CLO transactions are maintained in the Central Division and not assigned to the individual divisions. Whenever they could be assigned on the basis of cousation, personnel and material expenses of the head office were credited to the divisions.

The allocation of loan exposure risk costs to the divisions adheres to the method of standard risk costs using the "Expected loss" technique. The risk costs of the head office derive from the difference between the standard risk costs calculated for the units and the risk provisioning balance from the Group profit and loss accounts.

The result of each segment is shown using the result from ordinary activities for the individual division. Moreover, we measure the results generated by the divisions by means of the return on equity and cost/income ratio figures. The return on equity is based on the ratio of the result from ordinary activities to the average assigned tier 1 capital. We determine the cost/income ratio from the quotient of administrative expenses to earnings.

Segment Report by Business Division for the Financial Year 2001/2002

	Corporate Lending		Real Estate Financing		Structured Financing		Private Equity		Leasing		Head Office		Total	
in EUR million	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01	1.4.01 – 31.3.02	1.4.00 – 31.3.01
Net interest and commission income	232.3	230.6	78.5	73.1	101.7	84.8	3.3	8.2	38.1	37.5	56.9	16.8	510.8	451.0
Administrative expenses	61.9	61.1	23.3	22.0	27.6	21.9	7.3	6.6	22.8	19.4	63.6	52.2	206.5	183.2
Personnel expenses	*47.5*	*46.4*	*16.8*	*15.2*	*18.6*	*14.2*	*4.0*	*3.0*	*15.4*	*13.5*	*31.1*	*24.9*	*133.4*	*117.2*
Other administrative expenses	*14.4*	*14.7*	*6.5*	*6.8*	*9.0*	*7.7*	*3.3*	*3.6*	*7.4*	*5.9*	*32.5*	*27.3*	*73.1*	*66.0*
Other operating result [1)]	0.0	0.0	–0.6	0.0	0.2	0.0	–14.2	9.2	10.6	–1.0	35.2	86.1	31.2	94.3
Risk provisioning balance	64.5	60.5	22.8	26.6	20.2	14.6	24.7	3.7	2.6	1.1	40.4	80.7	175.2	187.2
Result from ordinary activities	105.9	109.0	31.8	24.5	54.1	48.3	–42.9	7.1	23.3	16.0	–11.9	–30.0	160.3	174.9
Ø Allocated tier 1 capital	636	615	220	196	187	159	24	24	123	116	–118	–67	1 072	1 043
Loan volume at balance sheet date March 31	16 266	16 584	5 355	5 097	4 191	3 978	204	237	2 550	2 398	319	–574	28 885	27 720
Cost/income ratio in %	26.6	26.5	29.9	30.1	27.1	25.8	–	37.9	46.8	53.2			38.1	37.8
Return on equity in %	16.7	17.7	14.5	12.5	28.9	30.4	–	29.6	18.9	13.8			15.0	16.8
Ø Number of staff	325	335	121	113	103	84	44	35	58	57	699	651	1 350	1 275
Volume of new business	2 274	2 621	793	528	1 399	1 182	55	58	710	835	859	170	6 090	5 394

1) incl. net result from financial operations

Segment Report by Geographical Region

Assignment of the segments by geographical region occurs in accordance with the respective location of our offices or Group companies.

in EUR million	Germany	Europe, other	America	Head Office	Total
Net interest and commission income	343.8	103.1	7.0	56.9	510.8
Administrative expenses	126.7	12.1	4.1	63.6	206.5
Other operating result [1)]	–4.4	0.3	0.1	35.2	31.2
Risk provisioning balance	140.0	29.4	5.8		175.2
Result from ordinary activities	**72.7**	**61.9**	**–2.8**	**28.5**	**160.3**

1) incl. net result from financial operations

With this presentation we simultaneously fulfil the requirement of EU accounting regulations for banks, which calls for a regional breakdown of earnings.

Allocations/Releases of Risk Provisioning at Group Level

in EUR million	Group 2001/2002	Group 2000/2001
Allocation to specific provisions for bad and doubtful debts/ direct depreciation	248	235
Allocation to general provisions for bad and doubtful debts	4	4
Release of provisions for bad and doubtful debts	48	29
Net risk provision	**204**	**210**
Result from securities in the liquidity reserve	29	23
Risk provisioning balance	**175**	**187**

Risk Provisioning Status at Group Level

	Group				
in EUR million	As at April 1, 2001	Utilisation	Release	Allocation	As at March 31, 2002
Specific provisions for bad and doubtful debts/ provisions for loan operations	793	138	48	229	836
General provisions for bad and doubtful debts	35	–	–	4	39
Total risk provisioning status	**828**	**138**	**48**	**233**	**875**

Administrative Services

We engage in administrative services relating to our loan and deposit operations, the earnings from which are contained in commission income.

Remuneration of the Organs of the Bank and its Advisory Board

in EUR thousand	Group	AG
Members of the Board of Managing Directors	4 728	4 547
Members of the Supervisory Board	878	878
Members of the Advisory Board	710	710
Former Members of the Board of Managing Directors and their surviving dependents	1 949	1 949

An amount of EUR 19.8 million was set aside for pension obligations to former members of the Board of Managing Directors and their surviving dependents.

Loans extended to Members of the Organs

in EUR thousand	Group/AG
Board of Managing Directors	978
Supervisory Board	131

Average Number of Staff during the Financial Year

(calculated on the basis of fulltime workers; previous year's figures adjusted)

	Group		AG	
	2001/2002	2000/2001	2001/2002	2000/2001
Male	797	752	563	548
Female	553	523	392	381
	1 350	**1 275**	**955**	**929**

Supervisory Board

Chairman

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

a) Group mandates persuant to article 100 section 2, sentence 2 of the German Company Act (AktG) are marked with•

E.ON Energie AG• (Chairman)
VEBA Oel AG• (Chairman)
Münchener Rückversicherungs-Gesellschaft (Chairman)
RAG Aktiengesellschaft (Chairman)
Deutsche Lufthansa AG
Hochtief AG

b) Henkel KGaA
ARCELOR

Deputy Chairman (until December 21, 2001)

Herbert Hansmeyer, Munich
Former Member of the Board of Managing Directors
Allianz Aktiengesellschaft

a) Karlsruher Lebensversicherung AG (Vice-Chairman)
Karlsruher Versicherung AG (Vice-Chairman)
Dresdner Bank Lateinamerika AG
VEBA Oel AG

Deputy Chairman

Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin
President
Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz e.V.

a) IBM Deutschland GmbH
econia AG
Continental AG
European Aeronautics and Defense System AG
SMS AG

b) ETF Group
Orange S.A.
Ringier AG

Deputy Chairman (from January 1, 2002)

Hans W. Reich, Frankfurt (Main)
Chairman of the Board of Managing Directors
Kreditanstalt für Wiederaufbau

a) ALSTOM GmbH
DePfa Deutsche Pfandbrief Bank AG
Deutsche Telekom AG
RAG Aktiengesellschaft
Thyssen Krupp Steel AG

b) DePfa Holding plc.
Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a.G.
HUK-COBURG Holding

Dr. Jürgen Behrend, Lippstadt
Managing Partner
Hella KG Hueck & Co.

Jörg Bickenbach, Düsseldorf
Undersecretary of State, North Rhine-Westphalia
Ministry for Economics and Medium-Sized Firms, Energy and Transport

a) Messe Düsseldorf GmbH

b) KölnMesse- und Ausstellungsgesellschaft m. b. H.
Gesellschaft für Wirtschaftsförderung mbH (Chairman)
Japan K.K.
NRW S. E. Asia Pte. Ltd.
ZENIT GmbH

Thomas Bleher, Düsseldorf * (until September 7, 2001)
IKB Deutsche Industriebank AG

Wolfgang Bouché, Düsseldorf *
IKB Deutsche Industriebank AG

Hermann Franzen, Düsseldorf
Personally Liable Partner
Porzellanhaus Franzen KG

a) NOVA Allgemeine Versicherung AG (Vice-Chairman)

b) BBE-Unternehmensberatung GmbH (Chairman)
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe

* Elected by the staff

a) Membership in other legally required supervisory boards

b) Membership in comparable domestic and foreign supervisory bodies

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

a) Group mandates persuant to article 100 section 2, sentence 2 of the German Company Act (AktG) are marked with•

Heraeus Holding GmbH• (Chairman)
Heraeus Tenevo AG• (Chairman)
Messer Griesheim GmbH (Chairman)
Buderus AG
EPCOS AG
Heidelberger Druckmaschinen AG

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

Gunnar John, Berlin
Head of Department VII A
Federal Ministery of Finance

Roswitha Loeffler, Berlin*
IKB Deutsche Industriebank AG

Wilhelm Lohscheidt, Düsseldorf*
IKB Deutsche Industriebank AG

Jürgen Metzger, Hamburg* (from September 7, 2001)
IKB Deutsche Industriebank AG

Roland Oetker, Düsseldorf
Managing Partner
ROI Verwaltungsgesellschaft mbH

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

b) E.ON Venture Partners GmbH
Gamma Holding N.V.
Scottish Widows Pan European Smaller Companies OEIC
Dr. August Oetker-Gruppe

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

a) Körber AG (Chairman)
Hermes Kreditversicherungs-Aktiengesellschaft
Vereins- und Westbank AG

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

a) E.ON Energie AG

Rita Röbel, Leipzig*
IKB Deutsche Industriebank AG

Dr. Carola Steingräber, Berlin*
IKB Deutsche Industriebank AG

Dipl.-Ing. Hans Peter Stihl, Waiblingen
Personally Liable Partner and Chairman of the Board of Managing Directors
STIHL AG

a) Robert Bosch GmbH

b) Robert Bosch Industrietreuhand KG

Ulrich Wernecke, Düsseldorf*
IKB Deutsche Industriebank AG

Prof. Dr. h. c. Reinhold Würth, Künzelsau
Chairman of the Advisory Council
Würth Group

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

b) Robert Bosch Stiftung GmbH
Würth Dänemark A/S
Würth Finance International B. V.
Würth Frankreich S. A.
Würth Italien S. r. l.
Würth Nederland B. V.
Würth Neuseeland Ltd.
Würth Österreich m. b. H.
Würth Schweiz AG
Würth Spanien S. A.
Würth Group of North America Inc.
Würth South Africa
Würth Canada

* Elected by the staff
a) Membership in other legally required supervisory boards
b) Membership in comparable domestic and foreign supervisory bodies

Board of Managing Directors

Dr. Markus Guthoff

a) MetaDesign AG

b) IKB Private Equity GmbH (Chairman)
IKB Venture Capital GmbH (Chairman)

Claus Momburg

b) IKB Immobilien Leasing GmbH (Vice-Chairman)
IKB International S. A.

Joachim Neupel

b) IKB Immobilien Leasing GmbH (Chairman)
IKB Immobilien Management GmbH (Chairman)
IKB Leasing GmbH (Vice-Chairman)
IKB Leasing Berlin GmbH (Vice-Chairman)
IKB International S. A.
IKB Private Equity GmbH
IKB Venture Capital GmbH

Stefan Ortseifen

a) Dura Tufting GmbH

b) IKB International S. A. (Chairman)
IKB Capital Corporation (Chairman)
Lohmann GmbH & Co. KG
Rich. Hengstenberg GmbH & Co.

Georg-Jesko v. Puttkamer (until March 31, 2002)

a) Vivanco Gruppe AG (Vice-Chairman)

b) Honsel Management GmbH

Dr. Alexander v. Tippelskirch

a) Deutsche Gelatine-Fabriken Stoess AG (Chairman)

b) IKB Capital Corporation (Vice-Chairman)
IKB International S. A. (Vice-Chairman)
IKB Leasing GmbH (Chairman)
IKB Leasing Berlin GmbH (Chairman)
IKB Private Equity GmbH (Vice-Chairman)
IKB Venture Capital GmbH (Vice-Chairman)
Johanniter-Krankenhaus Rheinhausen (Chairman)
Hako Holding GmbH & Co. (from April 30, 2002)
Hans Martin Wälzholz-Junius Familienstiftung
Kreditanstalt für Wiederaufbau
nobilia-Werke J. Stickling GmbH & Co.
Wirtschaftsförderung Berlin GmbH

Employees of IKB Deutsche Industriebank AG

Information persuant to article 340 a, section 4, number 1, HGB

Günter Czeczatka
Schöck AG

Klaus Neumann
CURANUM AG

Klaus Reineke
GKD Gebr. Kufferath AG

Claus-Dieter Wagner
Gauss Interprise AG

List of Investments as required by Article 285 No. 11 HGB / Article 313, Section 2, HGB

	Declaration of backing	Share of capital in %	Equity in EUR thousand	Profit/Loss in EUR thousand
A. Consolidated Subsidiaries				
1. Foreign banks				
IKB International S.A., Luxembourg	x	100	300 314 [4]	13 600
2. Other domestic companies				
IKB Facility Management GmbH, Düsseldorf	x	100	1 290	290
IKB Grundstücks GmbH, Düsseldorf	x	100	25	1
IKB Grundstücks GmbH & Co. Objekt Degerloch KG, Düsseldorf	x	100	1 494	–6
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	x	100	–448	–474
IKB Immobilien Leasing GmbH, Düsseldorf	x	100	5 194	– [1]
IKB Leasing GmbH, Hamburg	x	100	10 481	– [1]
IKB Leasing Berlin GmbH, Erkner	x	100	2 031	– [1]
IKB Private Equity GmbH, Düsseldorf	x	100	24 035	– [1]
IKB Venture Capital GmbH, Düsseldorf	x	100	1 000	– [1] [3]
ILF Immobilien-Leasing Fonds Verwaltung GmbH & Co. Objekt Uerdinger Straße KG, Düsseldorf	x	100	56 945	50 139 [5]
MORSUS Immobilien GmbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Düsseldorf	x	100	50 040	–2 277 [5]
AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf	x	100	675	150
3. Other foreign companies				
IKB Financière France S.A., Paris	x	100	72 732	2 046
IKB Finance B.V., Amsterdam	x	100	6 953	205
IKB Capital Corporation, New York		100	17 040	–3 066
B. Other Investments [2]				
1. Domestic				
IKB Projektentwicklung GmbH, Düsseldorf	x	100	522	–146
Linde Leasing GmbH, Wiesbaden		25	2 443	522 [3]
MORSUS Immobilien GmbH, Düsseldorf	x	100	471	3
2. Foreign				
IKB Finanz Leasing AG, Budapest	x	100	452	270 [3]
IKB Leasing Hungaria GmbH, Budapest	x	100	539	–672 [3]
IKB Leasing Polska GmbH, Posen	x	100	723	–829 [3]

[1] Profit and loss transfer agreement exists
[2] Not included in the Group accounts, pursuant Article 296, Section 2, HGB
[3] Indirect holding
[4] Incl. silent capital
[5] Company has shown no Notes to the Financial Statement according to Article 264 b, HGB

In accordance with Articles 325 and 287, HGB, our complete investment portfolio, including the listing by name of the 417 special purpose entities of IKB Immobilien Leasing GmbH and its partnership companies as well as 27 participations of IKB Private Equity GmbH and IKB Venture Capital GmbH, is on file in the commercial registers of the Municipal Courts of Düsseldorf (HRB 1130) and Berlin-Charlottenburg (HRB 8860); if required, we can provide a copy of the list at no charge.

Collateral Items given for Own Liabilities

The following table shows the liabilities of the Group and of the AG, for which assets totaling EUR 8 669,9 million were pledged as security.

in EUR million	
Liabilities to banks	8 652.5
Liabilities to customers	17.4
Total	**8 669.9**

These collateral items relate largely to loans from the Kreditanstalt für Wiederaufbau, as well as to similar institutions, which require these collateral items for the granting of loans.

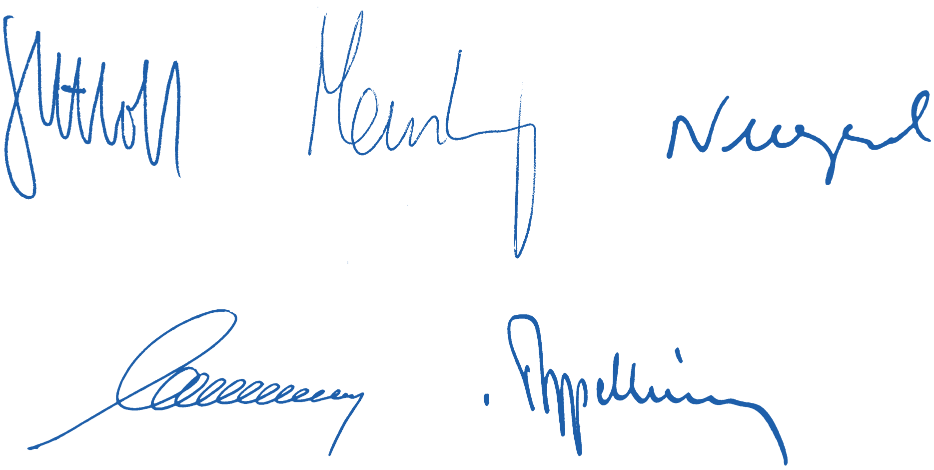
Transfer of Collateral for Own Liabilities (Information pursuant to Article 35, Section 5 of RechKredV)

EUR 3,424 million in fixed interest securities is deposited with the Deutsche Bundesbank to serve as collateral for the tendering operations of the European Central Bank (collateral pool). At the balance sheet date, recourse had been made to credit facilities totalling EUR 1,749 million. For margin obligations within the framework of futures trading on the EUREX Deutschland exchange, securities with a face value of EUR 5 million are pledged to BHF-BANK AG, Frankfurt. For our securities trading operations in Luxembourg, we placed a negotiable instrument with a nominal value of EUR 7 million with Clearstream Banking, Luxembourg to serve as a security deposit.

For a EUR 50 million global loan facility obtained from Bayerische Landesanstalt für Aufbaufinanzierung (LfA), the bank pledged a negotiable instrument with a nominal value of EUR 51.1 million in favour of LfA.

Within the framework of the emission of credit-linked notes with a nominal value of US$ 534 million (before amortisation), we deposited at the balance sheet date securities from Kreditanstalt für Wiederaufbau nominally valued at US$ 240 million with a trustee.

Düsseldorf, May 21, 2002
IKB Deutsche Industriebank AG
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 April 1, 2001 to March 31, 2002. The preparation of these documents in accordance with German commercial law are 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 and the Group are 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, May 28, 2002

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 EUR million	2001/02	2000/01[1]	1999/00[2]	1998/99	1997/98	1996/97	1995/96	1994/95	1993/94	1992/93
Interest Income, Income from leasing operations	3 215.2	3 097.6	2 524.3	2 334.3	2 138.9	2 093.6	2 107.9	2 120.3	2 021.5	1 803.5
Current income form shares, investments etc.	4.8	2.7	36.7	12.9	20.0	11.0	9.4	11.6	11.6	4.9
Interest expenses, Expenditure and depreciation arising from leasing operations	2 748.7	2 661.6	2 141.3	1 953.6	1 793.7	1 753.9	1 780.7	1 818.3	1 748.4	1 552.2
Net interest income	471.3	438.7	419.7	393.6	365.2	350.7	336.6	313.6	284.7	256.2
Net commission income	39.5	12.3	7.7	8.8	7.6	5.6	4.0	6.0	5.5	4.2
Net earnings from financial transactions	1.9	2.5	–2.6	6.6	8.1	4.9	1.9	0.5	3.8	3.0
Personnel expenditure	133.4	117.2	107.2	87.4	82.5	78.6	76.1	73.9	70.5	66.1
Other administrative expenses including depreciation of fixed assets	73.1	66.0	59.1	51.3	49.6	41.4	39.6	36.2	35.0	33.5
Other operating result	29.3	91.8	77.8	–3.5	–8.1	–12.0	2.0	7.0	3.9	5.0
Risk provisioning balance	–175.2	–187.2	–165.5	–88.4	–78.7	–80.6	–78.1	–82.0	–76.2	–60.7
Result from ordinary activities	160.3	174.9	170.8	178.4	162.0	148.6	150.7	135.0	116.2	108.1
Other income/expenditure	–	–1.5	–10.0	–3.1	–7.7	–	–	–	–	–
Taxes	77.2	87.5	85.3	84.3	77.9	74.6	81.2	73.8	58.5	60.6
Net income for the year	83.1	85.9	75.5	91.0	76.4	74.0	69.5	61.2	57.7	47.5

[1] Figures since 2000/01 including IKB Private Equity GmbH and IKB Venture Capital GmbH; therefore previous years' figures are not fully comparable

[2] Figures since 1999/00 including IKB Immobilien Leasing-Group; therefore previous years' figures are not fully comparable

Income Statement and Balance Sheet Trends

Balance Sheet Trends of the IKB Deutsche Industriebank Group

March 31, in EUR million	2002	2001[1]	2000[2]	1999	1998	1997	1996	1995	1994	1993
Liquid funds	11	1	12	171	8	2	14	9	15	32
Claims on banks	1 605	804	1 650	2 273	1 641	1 506	1 915	2 042	1 784	2 004
Claims on customers	24 600	24 276	22 635	22 188	20 771	19 174	18 238	17 213	16 344	14 905
Debentures and other fixed interest securities	4 928	3 814	2 652	1 629	1 364	1 551	1 395	1 528	1 436	1 273
Shares and other non-fixed interest securities	38	36	13	153	139	2	25	24	34	31
Investments and shares in associated and subsidiary companies	47	44	91	176	174	199	211	196	192	43
Fixed assets	215	212	214	223	223	197	137	117	56	33
Leasing items	2 346	2 239	2 114	462	451	447	473	466	514	476
Outstanding capital of minority shareholders	49	49	61	–	–	–	–	–	–	–
Deferred items	139	153	164	158	166	163	161	152	148	163
Other assets	896	812	335	228	232	413	359	192	108	113
Liabilities to banks	15 436	15 182	13 181	13 991	11 876	10 045	10 099	9 777	9 200	9 695
Liabilities to customers	2 250	2 411	2 414	2 501	2 482	2 663	2 703	2 865	3 191	3 200
Securitised liabilities	12 975	10 825	10 803	8 280	8 053	8 333	7 464	6 899	6 213	4 325
Provisions	301	282	266	237	235	242	227	189	164	162
Subordinated liabilities	868	803	582	472	473	473	473	382	382	363
Participation rights capital	624	439	439	419	419	317	317	235	235	51
Fund for general bank risks	80	80	80	77	8	–	–	–	–	–
Participations of minority shareholders	14	27	45	–	–	–	–	–	–	–
Equity	1 281	1 243	1 142	1 049	1 022	1 004	990	971	770	750
Subscribed capital	*225*	*225*	*225*	*225*	*225*	*225*	*225*	*225*	*184*	*184*
Silent capital	*170*	*170*	*100*	–	–	–	–	–	–	–
Capital reserves	*568*	*568*	*568*	*568*	*568*	*568*	*568*	*568*	*420*	*420*
Revenue reserves	*318*	*280*	*249*	*256*	*229*	*211*	*197*	*178*	*166*	*146*
Deferred items	469	514	498	297	299	303	329	332	318	396
Other liabilities	576	634	491	338	302	274	326	289	158	131
Total liabilities	**34 874**	**32 440**	**29 941**	**27 661**	**25 169**	**23 654**	**22 928**	**21 939**	**20 631**	**19 073**

[1] Figures since March 31, 2001 including IKB Private Equity GmbH and IKB Venture Capital GmbH; therefore previous years' figures are not fully comparable

[2] Figures since March 31, 2000 including IKB Immobilien Leasing-Group; therefore previous years' figures are not fully comparable

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Finance Almanac 2002/2003

Quarter of a year figures for the financial year 2002/2003	August 15, 2002
DVFA-Analyses conference	August 27, 2002
General Meeting	August 30, 2002
Half-year figures for the financial year 2002/2003	November 21, 2002
Press conference: 9-months figures for the financial year 2002/2003	February 13, 2003
Preliminary figures for the financial year 2002/2003	May 22, 2003
Press conference: annual accounts for the financial year 2002/2003	July 3, 2003
Quarter of a year figures for the financial year 2003/2004	August 14, 2003
DVFA-Analyses conference	September 2, 2003
General Meeting	September 5, 2003
Half-year figures for the financial year 2003/2004	November 14, 2003

IKB Key Figures

Balance Sheet Figures	March 31, 2002 in EUR million	Change in %
Total assets	34 874	7.5
Claims on customers	24 600	1.3
Liabilities to banks	15 436	1.7
Securitised liabilities	12 975	19.9
Total liable funds	2 853	11.2

Income Statement Figures	March 31, 2002 in EUR million	Change in %
Net interest income	471.3	7.4
General administrative expenses	206.5	12.7
Risk provisioning balance	–175.2	–6.4
Result from ordinary activities	160.3	–8.3
Net income for the year	83.1	–3.3
Net income for the year of the AG	96.1	–2.0
Total dividends	67.8	–

Selected Ratios	March 31, 2002	March 31, 2001
Return on equity	15.0 %	16.8 %
Cost/income ratio	38.1 %	37.8 %
Equity ratio (Principle I)	12.1 %	10.7 %
Tier 1 capital ratio	6.4 %	6.1 %
Number of employees	1 429	1 353

IKB Rating	Long-term	Short-term	Outlook
Moody's	A1	P-1	"positive"
Fitch IBCA	A+	F1	"stable"

Figures concerning the IKB Share	2001/2002	2000/2001
Result per share	EUR 1.82	EUR 1.99
Dividend per share	EUR 0.77	EUR 0.77
Dividend yield as of balance sheet date	5.2 %	4.9 %
Highest share price in the financial year	EUR 16.35	EUR 17.45
Lowest share price in the financial year	EUR 11.95	EUR 15.55
Share price as of balance sheet date	EUR 14.90	EUR 15.85
Number of shares (balance sheet date)	88.0 million	88.0 million
Market capitalisation (balance sheet date)	EUR 1.3 billion	EUR 1.4 billion

IKB Shareholders		
Kreditanstalt für Wiederaufbau	34 %	
Stiftung Industrieforschung	11 %	
Private and institutional shareholders	55 %	

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