# IKB Deutsche Industriebank

**Up to € 250,000,000 Noncumulative Trust Preferred Securities**
**(Liquidation Preference Amount of € 100 per Trust Preferred Security)**

## IKB Funding Trust I

**Wilmington, Delaware, USA**

**(an indirect and wholly-owned subsidiary of IKB Deutsche Industriebank Aktiengesellschaft, Düsseldorf and Berlin, Germany)**

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The noncumulative Trust Preferred Securities, liquidation preference amount € 100 per security (the "Liquidation Preference Amount") (the "Trust Preferred Securities"), offered hereby (the "Offering") represent preferred undivided beneficial ownership interests in the assets of IKB Funding Trust I, a statutory business trust created under the laws of the State of Delaware, United States of America (the "Trust"). One common security of the Trust (the "Trust Common Security" and, together with the Trust Preferred Securities, the "Trust Securities") will be owned by IKB Deutsche Industriebank Aktiengesellschaft (the "Bank"), a branch of the Bank or a wholly-owned subsidiary of the Bank (such owner, an "IKB Group Company"). The terms of the Trust Preferred Securities will be substantially identical to the terms of the noncumulative Class B Preferred Securities (the "Class B Preferred Securites") issued by IKB Funding LLC I (the "Company"). The Company will invest the proceeds from the sale of the Class B Preferred Securities in subordinated debt obligations issued by IKB Finance B.V.

The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the holder thereof. Capital Payments (as defined herein) will accrue on the Trust Preferred Security at a rate equal to 3-month €uribor plus 1.50 %, subject to certain conditions, including that the Bank has an amount of Distributable Profits (as defined herein) for the preceeding fiscal year at least equal to the Capital Payments. See "Prospectus Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Accrual of Capital Payments".

The Trust Preferred Securities will be initially evidenced by one or more temporary global certificates, interests in which will be exchangeable for interests in one or more permanent global certificates not earlier than 40 days after the issue date upon certification of non-U.S. beneficial ownership by or on behalf of the holders of such interests. These global certificates will be deposited with Clearstream Banking AG ("Clearstream AG").

The Trust Preferred Securities are expected, on issue, to be assigned an "A3" rating by Moody's Investors Service Ltd., and an "A" rating by Fitch Ratings Ltd. A rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency.

**An investment in the Trust Preferred Securities involves certain risks. See "Investment Considerations".**

Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange. Application also has been made to list the Trust Preferred Securities on the Vienna Stock Exchange. This Sales Prospectus constitutes a prospectus for the purposes of the listing and issuing rules of the Frankfurt Stock Exchange and the Vienna Stock Exchange.

**Offering Price: € 100 per Trust Preferred Security.**

**THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES OF AMERICA TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S").**

HVB

CORPORATES & MARKETS

**SOLE LEADMANAGER** | **SOLE BOOKRUNNER** | **SOLE STRUCTURING ADVISOR**

Sales Prospectus dated June 11, 2002

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**THIS DOCUMENT IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) TO INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2001 (THE "ORDER") OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE TRUST PREFERRED SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH TRUST PREFERRED SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY UPON THIS DOCUMENT OR ANY OF ITS CONTENTS.**

**IN CONNECTION WITH THIS OFFERING, BAYERISCHE HYPO- UND VEREINSBANK AG OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICES OF THE TRUST PREFERRED SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED TIME AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON BAYERISCHE HYPO- UND VEREINSBANK AG OR ANY AGENT OF IT TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

## GLOSSARY

**"1940 Act"** means the U.S. Investment Company Act of 1940, as amended.

**"Additional Amounts"** means any additional amounts payable by the Company or the Trust pursuant to the terms of Class B Preferred Securities and the Trust Preferred Securities as a result of deduction or withholding on payments or on repayment upon redemption thereof.

**"Additional Interest Amounts"** means any additional interest amounts payable by IKBF or another obligor pursuant to the terms of the Initial Debt Securities as a result of deduction or withholding upon payment of interest on the Initial Debt Securities or repayment upon redemption thereof.

**"Administrative Action"** means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt certain procedures or regulations) by any legislative body, court, governmental authority or regulatory body.

**"Austria Paying Agent"** means Bank Austria AG.

**"Bank"** means IKB Deutsche Industriebank Aktiengesellschaft.

**"Board of Directors"** means the board of directors of the Company.

**"BAFin"** means the German Federal Agency for Financial Services Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*); the BAFin is the principal German banking regulator.

**"Business Day"** means a day (other than Saturday, Sunday or a day on which banking institutions in New York City, Düsseldorf and Frankfurt are authorized or required by law or order to remain closed for business) on which Clearstream AG settles payments and all relevant parts of TARGET are operational.

**"Bylaws"** means the by-laws of the Company.

**"Calculation Agent"** means Citibank.

**"Capital Payments"** means the periodic distributions on the Trust Preferred Securities and the Class B Preferred Securities.

**"Citibank"** means Citibank, N.A., London.

**"Class A Preferred Security"** means the noncumulative Class A Preferred Security representing an ownership interest in the Company.

**"Class B Preferred Securities"** means the noncumulative Class B Preferred Securities evidencing preferred ownership interests in the Company.

**"Clearstream"** means Clearstream Banking, société anonyme, Luxembourg.

**"Clearstream AG"** means Clearstream Banking AG, Frankfurt am Main, Germany.

**"Code"** means the United States Internal Revenue Code of 1986, as amended.

**"Company"** means IKB Funding LLC I, a Delaware limited liability company.

**"Company Common Security"** means the voting common security representing an ownership interest in the Company.

**"Company Preferred Securities"** means the Class A Preferred Security and the Class B Preferred Securities.

**"Company Securities"** means the Company Common Security and the Company Preferred Securities.

**"Company Special Redemption Event"** means (i) a Regulatory Event, (ii) a Tax Event or (iii) an Investment Company Act Event with respect to the Company.

**"Debt Redemption Date"** means any Interest Payment Date on or after the Initial Debt Redemption Date.

**"Debt Securities"** means the Initial Debt Securities and the Substitute Debt Securities.

**"Delaware Trustee"** means The Bank of New York (Delaware).

**"Distributable Profits"** of the Bank for any fiscal year is the balance sheet profit (*Bilanzgewinn*) as of the end of such fiscal year, as shown in the audited unconsolidated balance sheet of the Bank as of the end of such fiscal year. Such balance sheet profit includes the annual surplus or loss (*Jahresüberschuss/Jahresfehlbetrag*), plus any profit carried forward from previous years, minus any loss carried forward from previous years, plus transfers from capital reserves and earnings reserves, minus allocations to earnings reserves, all as determined in accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*) and accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

**"€uribor"** for each Interest Payment Period (the first day of such Interest Payment Period being a "Reset Date") means the offered rate for deposits in Euro having a term of three months which appears on the Bridge/Telerate Monitor Service ("Telerate") on the display designated as page 248 (or such other page or service as may replace it for purposes of displaying Euro-zone offered rates of major banks for Euro deposits) as at 11:00 a.m., Central European time, on the second TARGET Day preceding such Reset Date; provided, that if the rate so appearing is replaced by the corresponding rates of more than one bank, €uribor will be the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent with 0.000005 per cent being rounded upwards) of the rates which so appear, as determined by the Calculation Agent. If for any reason such rate does not so appear, or if the relevant page is unavailable, the rate for such Interest Payment Period means the rates at which deposits in Euro are offered to leading banks in the Euro-zone for a period of three months commencing on such Reset Date by the banks whose offered rates would have been used for purposes of the relevant page if the event leading to the application of this sentence had not happened (or any duly appointed substitute reference bank), acting in each case through its principal Euro-zone office (the "Reference Banks") as at approximately 11:00 a.m., Central European time, on the second TARGET Day preceding such Reset Date, all as determined by the Calculation Agent.

The Calculation Agent or its agents will request the principal Euro-zone office of each of the Reference Banks to provide a quotation of such rate. If at least two such quotations are provided, the rate for such Reset Date will be the arithmetic mean of the quotations (rounded as provided above). If fewer than two quotations are provided as requested, the rate for such Reset Date shall, subject as provided below, be whichever is the higher of:

(x) €uribor determined as aforesaid and as in effect for the last preceding Interest Payment Period to which the preceding paragraph shall have applied; and

(y) the rate per annum which the Calculation Agent determines to be either (aa) the arithmetic mean (rounded, if necessary, up to the nearest 0.00001 per cent with 0.000005 per cent being rounded upwards) of the Euro lending rates which Euro-zone banks selected by the Calculation Agent are quoting, for the period of three months commencing on such Reset Date to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Calculation Agent, being so made, or (bb) if the Calculation Agent can determine no such arithmetic mean, the lowest Euro lending rate which major Euro-zone banks selected by the Calculation Agent are quoting to leading European banks for the period of three months commencing on such Reset Date except that, if the banks so selected by the Calculation Agent are not quoting as mentioned above, €uribor shall be determined in accordance with and as specified in (x) above.

**"Euro"** or *"€" means the lawful currency of the member states of the European Union (including the Federal Republic of Germany) that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union (the "Maastricht Treaty").*

**"Euroclear"** means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

**"Fitch"** means Fitch Rating Ltd.

**"Global Certificates"** means the Permanent Global Certificates together with the Temporary Global Certificates.

**"Global Securities"** means one or more global certificates representing the Class B Preferred Securities which the Company will use reasonable efforts to have issued registered in the name of the depositary or its nominee if the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust.

**"IKB"** means IKB Deutsche Industriebank Aktiengesellschaft.

**"IKBF"** means IKB Finance B. V.

**"IKB Group"** *means the Bank and its consolidated subsidiaries.*

**"IKB Group Company"** means the Bank, a branch of the Bank or a wholly-owned subsidiary of the Bank.

**"Independent Enforcement Director"** means the independent member of the Board of Directors elected by the holders of the Class B Preferred Securities under specified circumstances.

**"Initial Debt Redemption Date"** means December 31, 2008, the first day on which the Initial Debt Securities will be redeemable by the Bank other than upon the occurrence of a Company Special Redemption Event or in the event of replacement with Substitute Debt Securities.

**"Initial Debt Securities"** means subordinated notes of IKBF.

**"Initial Guarantee"** means the Bank's subordinated guarantee of payment of the principal of and interest on the Initial Debt Securities.

**"Initial Redemption Date"** means December 31, 2008, the first day on which the Class B Preferred Securities are redeemable at the option of the Company other than upon the occurrence of a Company Special Redemption Event, in whole or in part.

**"Interest Payment Date"** means June 30, September 30, December 31 and March 31 of each fiscal year of the Bank, commencing September 30, 2002.

**"Interest Payment Period"** means the period from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the Issue Date) to but excluding the relevant Interest Payment Date.

**"Investment Company"** means an investment company within the meaning of the 1940 Act.

**"Investment Company Act Event"** means the request and receipt by the Bank of an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an "investment company" *within the meaning of the 1940 ACT as a result of any judicial decision, pronouncement or interpreta*tion (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the date of the issuance of the Company Securities and the Trust Securities.

**"IRS"** means the United States Internal Revenue Service.

**"Issue Date"** means the date of issue of the Trust Preferred Securities.

**"Junior Distributions"** means any dividend declared or paid or any other payments or distributions on Junior Securities.

**"Junior Securities"** means (i) common stock of the Bank, (ii) each class of preference shares of the Bank ranking junior to Parity Securities of the Bank, if any, and any other instrument of the Bank ranking *pari passu* therewith or junior thereto and (iii) preference shares or any other instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking junior to the obligations of the Bank under the Support Undertaking.

**"Lead Manager"** means Bayerische Hypo- und Vereinsbank AG.

**"Liquidation Preference Amount"** means the Liquidation Preference Amount of € 100 per Trust Preferred Security.

**"LLC Act"** means the Delaware Limited Liability Company Act, as amended.

**"LLC Agreement"** means the amended and restated limited liability company agreement of the Company.

**"Maastricht Treaty"** means the Treaty on European Union that amended the Treaty establishing the European Community.

**"Maturity Date"** means December 31, 2031.

**"Moody's"** means Moody's Investors Service, Inc.

**"Offering"** means the offering by IKB Funding Trust I of the Trust Preferred Securities.

**"Offering Price"** means the initial offering price of € 100 per Trust Preferred Security.

**"Operating Profits"** of the Company for any Interest Payment Period means the excess of the amounts payable (whether or not paid) on the Debt Securities or, after the Maturity Date, on the Permitted Investments that the Company may then hold in accordance with the LLC Agreement during such Interest Payment Period, over any operating expenses of the Company not paid or reimbursed by the Bank or one of its branches or affiliates during such Interest Payment Period, plus any reserves.

**"Original Trust Preferred Securityholder"** means a person that acquires Trust Preferred Securities on their original issue at their original offering price.

**"Paying Agent"** means Citibank.

**"Parity Securities"** means each class of the most senior ranking preference shares, if any, or other instruments of the Bank qualifying as Tier 1 regulatory capital, and Parity Subsidiary Securities.

**"Parity Subsidiary Securities"** means preference shares or other instrument qualifying as Tier 1 regulatory capital or any other instrument of any subsidiary of the Bank subject to any guarantee or support agreement of the Bank ranking *pari passu* with the obligations of the Bank under the Support Undertaking.

**"Permanent Global Certificates"** means permanent global certificates representing the Trust Preferred Securities.

**"Permitted Investments"** means investments by the Company in debt obligations of one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank (which may act through a non-German branch) on a subordinated basis at least equal to the ranking of the Initial Guarantee or, in the event such an investment is not available, in U.S. Treasury securities; provided, in each case, that such investment does not result in a Company Special Redemption Event.

**"Potential Securityholder"** means the Bank or a majority-owned subsidiary of the Bank.

**"Preferred Securities"** means the Class B Preferred Securities and the Class A Preferred Security.

**"Principal Amount"** means up to € 250,000,300 (equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus the aggregate amounts contributed by the IKB Group Company for the Class A Preferred Security and the Company Common Security).

**"Property Account"** means a segregated non-interest bearing trust account maintained by the Property Trustee.

**"Property Trustee"** means The Bank of New York.

**"Proposed EU Savings Tax Directive"** means the proposal currently under consideration by the European Union that would, if enacted in its current form, require each EU member state, beginning in 2003, to impose an obligation on "paying agents" (within the meaning given to this term in the proposal) established on its territory to either (i) withhold tax on the payment of interest, discount or premium to an individual who is a resident of another EU member state at a rate of 15% (20% after 2005) or (ii) report the payment to the tax authorities of the recipient's state of residence.

**"Redemption Date"** means the date of redemption of the Class B Preferred Securities.

**"Redemption Notice"** means notice of any redemption of the Class B Preferred Securities.

**"Regular Trustees"** means two of the Trustees who are employees or officers of, or who are affiliated with, the Bank or one of its affiliates.

**"Regulation S"** means Regulation S under the Securities Act.

**"Regulatory Event"** means a determination by the Bank that it may not treat the Class B Preferred Securities as core capital or Tier I regulatory capital for capital adequacy purposes on a consolidated basis.

**"Relevant Jurisdiction"** means the United States of America, Germany, Austria, the Netherlands or the jurisdiction of residence of any obligor on the Debt Securities or any jurisdiction from which payments are made.

**"Reset Date"** means the first day of each Interest Payment Period.

**"Restricted Period"** means the 40th day after the later of the Issue Date and the completion of the distribution of the Trust Preferred Securities.

**"Securities Act"** means the United States Securities Act of 1933, as amended.

**"Servicer"** means Wilmington Trust Corp.

**"Services Agreement"** means the services agreement among the Trust, the Company and the Servicer.

**"Stated Rate"** means, with respect to an Interest Payment Period, a rate per annum equal to 3-month €uribor for such Interest Payment Period, plus 1.50%.

**"Substitute Debt Securities"** means any debt securities issued in substitution of the Initial Debt Securities.

**"Successor Securities"** means other securities having substantially the same terms as the Trust Securities.

**"Support Undertaking"** means the support agreement between the Bank and the Company as set forth in Appendix A.

**"TARGET"** means the Trans-European Automated Real-time Gross Settlement Transfer system.

**"TARGET Day"** means a day on which all relevant parts of TARGET are operational.

**"Tax Event"** means the request and receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an "Administrative Action") or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or an obligor on the Debt Securities would be obligated to pay Additional Amounts or Additional Interest Amounts.

**"Temporary Global Certificates"** means temporary global certificates representing the Trust Preferred Securities.

**"Trust"** means IKB Funding Trust I, a statutory business trust created under the laws of the State of Delaware, United States of America.

**"Trust Act"** means the Delaware Business Trust Act.

**"Trust Agreement"** means the trust agreement among the Trustees, the Sponsor and the Original Trust Preferred Securityholders, as amended and restated.

**"Trust Common Security"** means one common security of the Trust.

**"Trust Enforcement Event"** under the Trust Agreement with respect to the Trust Securities means the occurrence, at any time, of (i) non-payment of Capital Payments (plus any Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full, for two consecutive Interest Payment Periods or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking, provided, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Security until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated.

**"Trust Preferred Securities"** means € 250,000,000 noncumlative Trust Preferred Securities offered in the Offering.

**"Trust Securities"** means the Trust Common Security together with the Trust Preferred Securities.

**"Trust Special Redemption Event"** means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

**"Trustees"** means the trustees of the Trust, pursuant to the Trust Agreement.

**"Withholding Taxes"** means any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the United States of America, Germany, the Netherlands, Austria, or the jurisdiction of residence of any obligor on the Debt Securities (or any jurisdiction from which payments are made), or any political subdivision or authority therein or thereof having the power to tax, by way of withholding from the payment of interest, dividends or other fixed or determinable annual or periodical profits and income.

# GENERAL INFORMATION

**Subject of this Sales Prospectus**

Subject of this Sales Prospectus (the "Sales Prospectus") are the noncumulative Trust Preferred Securities, Liquidation Preference Amount € 100 per security, which represent the undivided beneficial ownership interests in the assets of IKB Funding Trust I, a statutory business trust created under the laws of the State of Delaware, United States of America.

**Use of Proceeds**

The Trust will use the gross proceeds from the Trust Preferred Securities to acquire the Class B Preferred Securities from the Company, which will in turn use the gross proceeds of the Class B Preferred Securities to acquire the Initial Debt Securities. IKBF intends to use the gross proceeds from the sale of the Initial Debt Securities for general corporate purposes, including on-lending to affiliates. The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital.

**Responsibility for the Contents of this Sales Prospectus**

The Trust as issuer of the Trust Preferred Securities, the Company and the Bank assume responsibility for the contents of this Sales Prospectus in accordance with § 13 German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) in conjunction with § 45 German Stock Exchange Act (*Börsengesetz*) and declare that to the best of their knowledge all information herein contained is accurate and that there are no other facts the omission of which would, in the context of the offering of the Trust Preferred Securities, make any statement in this Sales Prospectus misleading in any material respect.

**Clearing Codes**

ISIN: DE0008592759
Common Code: 014973982
German Security Code (*Wertpapier-Kenn-Nummer*): 859275

**Availability of Documents**

As long as any of the Trust Preferred Securities are outstanding, copies of the following documents may be inspected during usual business hours at the office of the paying agent in Germany at Neue Mainzer Strasse 75, 60311 Frankfurt am Main, at the office of Bank Austria AG in Austria at Vordere Zollamtstrasse 13, A-1030 Wien, Austria, or at the office of the Bank at IKB Deutsche Industriebank Aktiengesellschaft, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf, Germany:

- the articles of association of the Bank
- the Amended and Restated Limited Liability Company Agreement and Certificate of Formation of the Company
- the Amended and Restated Trust Agreement and Certificate of Trust of the Trust
- the form of the Initial Debt Securities
- the Support Undertaking

Copies of the financial statements and interim financial statements of the Bank will be available in the English and German language free of charge at (1) the specified office of the paying agent in Frankfurt so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, (2) the specified office of the paying agent in Austria as long as the Trust Preferred Securities are listed on the Vienna Stock Exchange and (3) at the office of the Bank.

## Notices

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in the German Federal Gazette (*Bundesanzeiger*), and in at least one daily newspaper having general circulation in Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*).

For so long as the Notes are listed on the Vienna Stock Exchange, all notices concerning the Notes will be published in the *Amtsblatt zur Wiener Zeitung,* a newspaper admitted to carry stock exchange announcements.

## Subscription and Sale

Subject to the terms and conditions set forth in the Purchase Agreement among the Bank, the Company, the Trust and Bayerische Hypo- und Vereinsbank AG (the "Lead Manager"), the Trust has agreed to sell to the Lead Manager and the Lead Manager has agreed to purchase the Trust Preferred Securities at a price of € 100 per Trust Preferred Security.

The Purchase Agreement provides that the Company will (i) pay the Lead Manager a combined management, underwriting and selling commission of 2% of the aggregate liquidation preference amount of the Trust Preferred Securities and (ii) reimburse the Lead Manager for certain expenses of the Offering and indemnify it against certain liabilities. The Lead Manager may earn additional compensation by selling the Trust Preferred Securities to investors at prices that exceed the price paid to the Trust.

The Trust Preferred Securities are a new issue of securities with no established trading market. The Bank and the Company have been advised by the Lead Manager that it currently intends to make a market in the Trust Preferred Securities. However, the Lead Manager is not obligated to do so and any such market making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice.

In connection with the Offering, the Lead Manager or any person acting for it may engage in transactions that stabilize, maintain or otherwise affect the price of the Trust Preferred Securities. These transactions may include over-allotment and stabilizing transactions and purchases to cover short positions created by the Lead Manager or any person acting for it, and the imposition of a penalty bid, in connection with the Offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Trust Preferred Securities; and short positions created by the Lead Manager or any person acting for it involve the sale by the Lead Manager or any person acting for it of a greater number of the Trust Preferred Securities than they are required to purchase from the Trust in the Offering. The Lead Manager or any person acting for it also may impose a penalty bid, whereby selling concessions allowed to broker-dealers in respect of the Trust Preferred Securities sold in the offering may be reclaimed by the Lead Manager or any person acting for it if such Trust Preferred Securities are repurchased by the Lead Manager or any person acting for it in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Trust Preferred Securities, which may be higher than the price that might otherwise prevail in an independent market. These activities, if commenced, may be discontinued at any time.

The Lead Manager and its affiliates have provided from time to time, and expect to provide in the future, investment services to the Bank and its affiliates, for which the Lead Manager or its affiliates has received or will receive customary fees and commissions.

## Selling Restrictions

***United States of America***

The Lead Manager has agreed that it will offer Trust Preferred Securities on behalf of the Trust only in offshore transactions in reliance on Regulation S and each purchaser of Trust Preferred Securities offered hereby will be deemed to have represented and agreed that such purchaser understands that the Trust Preferred Securities have not been registered under the Securities Act and may not be offered, sold or delivered in the United States of America or to, or for the account of, any U.S. Person, unless an exemption from the registration requirements of the Securities Act is available, and the Trust Preferred Securities will bear a legend to this effect (terms used above that are defined in Regulation S are used above as therein defined).

***United Kingdom***

The Lead Manager has represented, warranted and agreed that:

(i) it has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any Trust Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Trust Preferred Securities in circumstances in which section 21(1) of the FSMA does not apply to the Trust or the Company; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Trust Preferred Securities in, from or otherwise involving the United Kingdom. As used herein, "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

***General***

In addition to the specific restrictions set out above the Lead Manager agrees that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Trust Preferred Securities or distribute any offering material.

# PROSPECTUS SUMMARY

*This section contains a summary of the Company, the Trust, the terms of the Trust Preferred Securities and the Class B Preferred Securities, as well as information relating to this Offering. For a more complete description of the terms of the Trust Preferred Securities, the Class B Preferred Securities, the Initial Debt Securities and the Support Undertaking, see "Description of the Trust Securities", "Description of the Company Securities", "Description of the Initial Debt Securities" and "Description of the Support Undertaking", as well as "Distributable Profits of the Bank". For a description of the Trust, the LLC and the Bank, see "IKB Funding Trust I", "IKB Funding LLC" and "IKB Group".*

*The following summary is qualified in its entirety by the detailed information and financial data presented elsewhere in this Sales Prospectus.*

## The Trust

The Trust is a statutory business trust formed under the Delaware Business Trust Act, as amended (the "Trust Act"), pursuant to a trust agreement executed by the Company, as sponsor, The Bank of New York, as trustee (the "Property Trustee"), and The Bank of New York (Delaware), as Delaware trustee (the "Delaware Trustee"), and the filing of a certificate of trust with the Secretary of State of the State of Delaware on May 21, 2002. Such trust agreement will be amended and restated in its entirety (as so amended and restated, the "Trust Agreement") prior to the issuance of the Trust Preferred Securities. An IKB Group Company will own one Trust Common Security representing a capital contribution in respect thereof equal to € 100. The Trust Common Security will rank *pari passu,* and payments thereon will be made *pro rata,* with the Trust Preferred Securities, except that upon liquidation of the Trust and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security", the rights of the holder of the Trust Common Security to Capital Payments and other payments in respect of the Class B Preferred Securities will be subordinated to the rights of the holders of the Trust Preferred Securities.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of a segregated non-interest bearing trust account (the "Property Account") to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities.

The Trust will use the gross proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists exclusively for the purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the assets of the Trust, (ii) investing the gross proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities to the public provided it receives from the Company an equal number of additional Class B Preferred Securities.

## The Company

The Company is a limited liability company formed under the Delaware Limited Liability Company Act, as amended (the "LLC Act"), on May 20, 2002, pursuant to a limited liability company agreement of the Company and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Such limited liability company agreement of the Company will be amended and restated in its entirety (as so amended and restated, the "LLC Agreement") prior to the issuance of the Trust Preferred Securities. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of a common security representing limited liability company interests in the Company, the Company Common Security. An IKB Group Company will hold the Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the gross proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (acting directly or through a branch) or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto. The Company may also, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

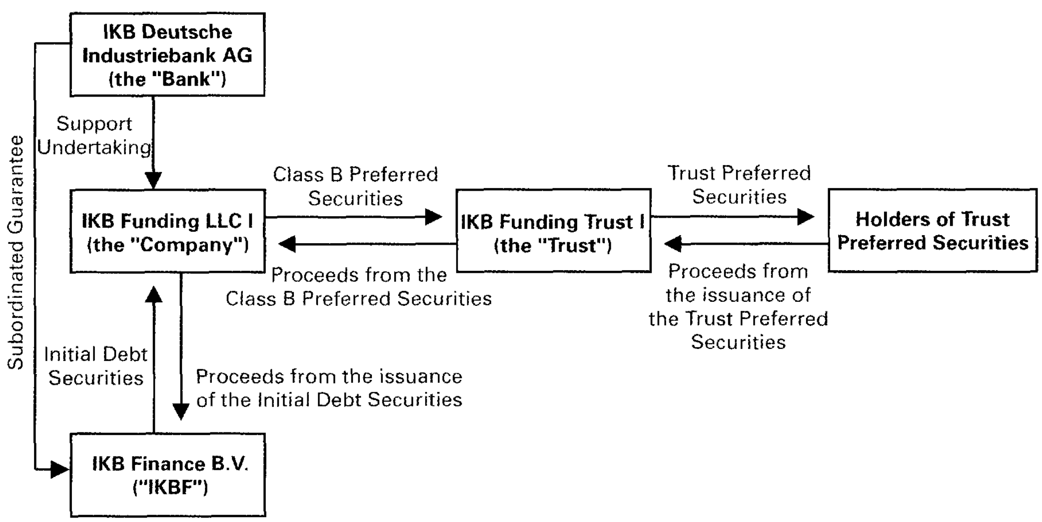
**The Formation of the Trust and the Company**

Prior to or simultaneously with the completion of the Offering, the Company, the Trust and the Bank will engage in the following transactions: (i) the Company will issue to an IKB Group Company the Company Common Security; (ii) the Company will issue to an IKB Group Company the Class A Preferred Security; (iii) the Trust will issue to an IKB Group Company the Trust Common Security; (iv) the Trust will issue the Trust Preferred Securities to the Managers, who will sell the Trust Preferred Securities to investors; (v) the Company will issue to the Trust the Class B Preferred Securities; and (vi) the Company will acquire the Initial Debt Securities.

In addition, the Bank will enter into the Support Undertaking with the Company. The Servicer will enter into a Services Agreement with the Company and the Trust. An IKB Group Company, as the holder of the Company Common Security, will elect the Board of Directors of the Company (the "Board of Directors"), which initially will consist of four directors.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking.

The following diagram outlines the relationship among the Company, the Trust and the Bank following completion of the Offering.



## The Offering

*The Trust*.......... IKB Funding Trust I is a Delaware statutory business trust formed for the purpose of holding the Class B Preferred Securities, the Capital Payments and redemption payments from which will be passed through to holders of the Trust Securities.

*The Company* ..... IKB Funding LLC I, a Delaware limited liability company, is a wholly-owned subsidiary of the Bank which will be consolidated with the Bank for German bank regulatory purposes. The sole assets of the Company will be the Debt Securities and Permitted Investments.

*Securities Offered* .. The Trust will offer up to € 250,000,000 Trust Preferred Securities with a Liquidation Preference Amount of € 100 per Trust Preferred Security. The terms of the Trust Preferred Securities will be substantially identical to the terms of the Class B Preferred Securities.

*Use of Proceeds*.... The gross proceeds from the sale of the Trust Securities will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by an IKB Group Company in return for the Class A Preferred Security and by such or another IKB Group Company in return for the Company Common Security, to make an investment in the Initial Debt Securities. IKBF intends to use the gross proceeds from the sale of the Initial Debt Securities for general corporate purposes, including on-lending to affiliates. The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital.

*Bank's Support Undertaking* ....... The Bank will execute a Support Undertaking with the Company for the benefit of the Company and the holders of the Class B Preferred Securities under which it will agree that

(i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities and

(ii) in liquidation, the Company will have sufficient funds to pay the Liquidation Preference Amounts of the Class B Preferred Securities, plus accrued and unpaid Capital Payments for the then current Interest Payment Period to but excluding the date of liquidation, and Additional Amounts, if any.

*The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.*

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank *pari passu* with each class of the most senior ranking preference shares, if any, and other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of the Bank. The holders of the Class B Preferred Securities will be third party beneficiaries of the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Class B Preferred Securities will have the right to elect the Independent Enforcement Director (as defined and described herein) who will be required to enforce the rights of the Company under the Support Undertaking without prejudice to the rights of the holders of the Class B Preferred Securities thereunder.

The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement. The Bank's obligations under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 Capital Contribution Certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, rank *pari passu* with the Bank's obligations under the Support Undertaking.

**Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities**

*Maturity* .......... The Trust Preferred Securities and the Class B Preferred Securities will not have a maturity date and will not be redeemable at any time at the option of the holders thereof. The Company may, under certain circumstances, redeem the Class B Preferred Securities. See "Redemption".

*Accrual of Capital Payments* ......... For each Interest Payment Period, Capital Payments will accrue on the respective liquidation preference amounts of € 100 per Trust Preferred Security (the "Liquidation Preference Amounts") and € 100 per Class B Preferred Security at a rate per annum equal to 3-month €uribor for the relevant Interest Payment Period, plus 1.50%, payable quarterly in arrears on June 30, September 30, December 31 and March 31 of each year, commencing September 30, 2002. Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 360 days (actual/360), and will accrue from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the Issue Date) to but excluding the relevant Interest Payment Date.

*Declaration of Capital Payments* .. Capital Payments on the Class B Preferred Securities are expected to be paid out of payments with respect to interest received by the Company on the Debt Securities or Permitted Investments held by the Company from time to time.

**If the Company does not declare (and is not deemed to have declared) a Capital Payment in respect of any Interest Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Interest Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Interest Payment Period, whether or not Capital Payments on the Class B Preferred Securities are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Interest Payment Period.**

Capital Payments on the Class B Preferred Securities are authorized to be declared and paid on any Interest Payment Date to the extent that

(i) the Company has an amount of Operating Profits for the Interest Payment Period ending on the day immediately preceding such Interest Payment Date at least equal to the amount of such Capital Payments, and

(ii) the Bank has an amount of Distributable Profits for the preceding fiscal year at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments or dividends or other distributions or payments on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

*Deemed Declaration of Capital Payments.* Notwithstanding the foregoing, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Securities (excluding payments by subsidiaries of the Bank exclusively to the Bank). If the dividend or other payment or distribution on Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Interest Payment Date, Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Interest Payment Date. If the dividend or other payment or distribution on Parity Securities was only a partial payment of the amount so owing, the amounts of the Capital Payments deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on Junior Securities, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for a number of Interest Payment Dates that varies according to how often the relevant Junior Securities pay dividends or make any other payment.

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the first four Interest Payment Dates falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions semi-annually, the Capital Payments will be deemed declared for payment in full on the first two Interest Payment Dates falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions quarterly, the Capital Payments will be deemed declared for payment on the first Interest Payment Date falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.

If the Bank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of the Bank and subject to certain exceptions set forth in "Description of the Company Securities – Class B Preferred Securities – Capital Payments", the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the first four Interest Payment Dates following the date on which such redemption, repurchase or other acquisition occurred.

*Prohibition of Capital Payments ..* Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Interest Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the Federal Agency for Financial Services Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (the "BAFin") (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits.

*Payments of Additional Amounts.* All payments on the Class B Preferred Securities and the Trust Preferred Securities, as the case may be, and any repayment upon redemption thereof, will be made without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of the United States of America, Germany, the Netherlands or the jurisdiction of residence of any obligor on the Debt Securities (or any jurisdiction from which payments are made) (each, a "Relevant Jurisdiction") or by or on behalf of any political subdivision or authority therein or thereof having the power to tax (collectively, "Withholding Taxes"), unless such deduction or withholding is required by law. In such event, the Company or the Trust, as the case may be, will pay, as additional Capital Payments, such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after such deduction or withholding, will equal the amounts that would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Class B Preferred Securities and the Trust Preferred Securities:

- if and to the extent that the Company is unable to pay such Additional Amounts because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and dividends or other distributions or payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Class B Preferred Securities or the Trust Preferred Securities; or
- with respect to any Withholding Taxes imposed in consequence of the implementation of the Proposed EU Savings Tax Directive that would, if enacted in its current form, require each EU member state, beginning in 2003, to impose an obligation on "paying agents" (within the meaning given to this term in the proposal) established on its territory to either (i) withhold tax on the payment of interest, discount or premium to an individual who is a resident of another EU member state at a rate of 15% (20% after 2005) or (ii) report the payment to the tax authorities of the recipient's state of residence. The current proposal further provides that all EU member states will be required to impose reporting obligations (in lieu of withholding obligations) after 2009. The implementation of the proposal is subject to certain conditions and it is therefore not possible to predict whether, when, or in what form the proposal will ultimately be adopted; or
- with respect to any taxes imposed on account on any inheritance, thrift, estate, personal property, sales or transfer taxes, or on account of any taxes that are payable otherwise than by withholding from payments in respect of the Class B Preferred Shares or the Trust Preferred Securities; or
- where such deduction or withholding can be avoided if the holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority of the Relevant Jurisdiction or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority of the Relevant Jurisdiction.

*Redemption* ....... If the Company redeems Class B Preferred Securities, the Trust must redeem a corresponding number of Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on the Initial Redemption Date and on each Interest Payment Date thereafter. The Company will also have the right, at any time prior to the Initial Redemption Date, to redeem the Class B Preferred Securities in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a Redemption Price equal to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed plus any accrued and unpaid Capital Payments for the then current Interest Payment Period to but excluding the Redemption Date, plus Additional Amounts, if any. The Company may exercise its right to redeem the Class B Preferred Securities only if it has

(i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Initial Redemption Date,

(ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed and

(iii) obtained any required regulatory approvals. See "Description of the Company Securities – Redemption of the Class B Preferred Securities".

No redemption of any Class B Preferred Securities for any reason may take place unless on the Redemption Date:

- the Company has sufficient funds (by reason of payments on the Debt Securities, Permitted Investments or pursuant to the Support Undertaking) to pay the Redemption Price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any;
- the Bank has an amount of Distributable Profits for the preceding fiscal year at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and
- no order of the BAFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Securities, if any).

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary dissolution, liquidation, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities. See "Description of the Trust Securities – Redemption".

**The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. See "Description of the Trust Securities – Redemption" for definitions of "Company Special Redemption Event" and "Trust Special Redemption Event".**

*Liquidation* . . . . . . . . In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

Upon liquidation of the Company, the holder of the Class A Preferred Security will receive the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon) as its liquidation distribution. Each holder of the Class B Preferred Securities will be entitled to receive the Liquidation Preference Amount of such Class B Preferred Securities, plus accrued and unpaid Capital Payments in respect of the current Interest Payment Period up to but excluding the date of liquidation and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Bank under the Support Undertaking. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

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| *Ranking of Trust Securities* ......... | Payment of Capital Payments and other distributions and amounts on redemption of the Trust Securities will be made *pro rata* among the Trust Common Security and the Trust Preferred Securities based on the liquidation preferences thereof; provided, however, that upon the occurrence and during the continuance of a default under the Initial Debt Securities or the Support Undertaking, no payment of Capital Payments or any other distributions or amounts on redemption will be made to the holder of the Trust Common Security, unless payment in full in cash of all accumulated and unpaid Capital Payments on, and amounts on redemption of, the Trust Preferred Securities have been made or provided for, and all funds immediately available to the Property Trustee will first be applied to payment in full in cash of all Capital Payments or other amounts on redemption of, the Trust Preferred Securities then due and payable before any such funds are applied to any payment on the Trust Common Security. |
| *Ranking of Company Securities*. | In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; provided that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities.<br><br>So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66⅔% in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, or (ii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the provisions of the LLC Agreement. For a description of these provisions set forth in the LLC Agreement, see "Description of the Company Securities – Mergers, Consolidations and Sales". |
| *Further Issues* ..... | The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company; provided, however, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the date of issue, the date as of which Capital Payments accrue, the issue price, and any other deviations required for compliance with law) so as to form a single series with the Class B Preferred Securities. |
| *Enforcement Rights* ............ | If (i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for four consecutive Interest Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform |

any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given, then the holders of the Class B Preferred Securities will have the right to appoint one independent member of the Board of Directors (the "Independent Enforcement Director"). Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination: (i) Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for four consecutive Interest Payment Periods and (ii) the Bank is in compliance with its obligations under the Support Undertaking.

*Form and Denomination* ..... The Trust Preferred Securities will be issued in book-entry form only, in denominations of € 100 Liquidation Preference Amount and will be evidenced by global certificates deposited with Clearstream AG (except for special circumstances, in which definitive securities will be issued; see "Description of the Trust Securities – Transfer").

*Listing* ........... Application has been made to list the Trust Preferred Securities on the Frankfurt Stock Exchange. Application has also been made to list the Trust Preferred Securities on the Vienna Stock Exchange.

*Clearing and Settlement* ........ Delivery of the Trust Preferred Securities will be made on or about July 19, 2002. The Trust Preferred Securities will be credited to accountholders with Clearstream AG on the settlement date against payment in Euro in same-day funds.

*Principal Paying Agent/Calculation Agent*............. Citibank, N.A., London

*Frankfurt Paying Agent*............. Citibank AG, Frankfurt

*Austria Paying Agent*............. Bank Austria AG, Vienna

*Notices* ........... For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange, all notices concerning the Trust Preferred Securities will be published in the German Federal Gazette (*Bundesanzeiger*) and in at least one daily newspaper having general circulation in Germany and admitted to carry stock exchange announcements (expected to be the *Börsen-Zeitung*).

For so long as the Trust Preferred Securities are listed on the Vienna Stock Exchange, all notices concerning the Trust Preferred Securities will be published in the *Amtsblatt* zur *Wiener Zeitung*, a newspaper admitted to carry stock exchange announcements.

*Governing Law* .... The LLC Agreement, including the terms of the Class A Preferred Security and the Class B Preferred Securities, and the Trust Agreement, including the terms of the Trust Securities, will be governed by Delaware law. The Support Undertaking will be governed by German law.

**Summary of the Terms of the Class A Preferred Security**

*Class A Preferred Security*........... The Class A Preferred Security is expected to receive capital payments only to the extent that (i) Capital Payments are not permitted to be paid on the Class B

Preferred Securities in full on any Interest Payment Date due to insufficient Distributable Profits of the Bank or an order of the BAFin (or any other relevant regulatory authority) prohibiting the Bank from making any distributions of profits (as described above), and (ii) the Company has sufficient Operating Profits.

**Summary of the Terms of the Initial Debt Securities**

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| *Maturity* .......... | December 31, 2031. |
| *Principal Amount* .. | Up to € 250,000,300 (equal to the gross proceeds from the offer and sale of the Trust Securities and the resulting issuance of the Class B Preferred Securities plus the aggregate amounts contributed by the IKB Group Company for the Class A Preferred Security and the Company Common Security) (as the same may be reduced by redemptions from time to time, the "Principal Amount") of an issue of subordinated notes of IKB Finance B.V. ("IKBF") guaranteed on a subordinated basis by the Bank. |
| *Interest Payments* .. | Interest will accrue on the Principal Amount at a rate per annum equal to 3-month €uribor for the relevant Interest Payment Period, plus at least 1.50%, payable quarterly in arrears on June 30, September 30, December 31 and March 31 of each year, commencing September 30, 2002. Interest will be calculated on the basis of the actual number of days elapsed in a year of 360 days (actual/360) and will accrue from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the date of issue) to but excluding the relevant Interest Payment Date. |
| *Payment of Additional Amounts* | Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof will be made without deduction or withholding for Withholding Taxes imposed by the Netherlands or any political subdivision thereof or any other jurisdiction from which such payment is made unless such deduction or withholding is required by law. In such event, IKBF (or the Bank as guarantor) will pay as additional interest such amounts ("Additional Interest Amounts") as may be necessary in order that the net amounts received by the Company, after such deduction or withholding, will equal the amounts that would have been received had no such withholding or deduction been required; provided, that the obligation of IKBF (or the Bank as guarantor) to pay the Additional Interest Amounts will not apply to:<br>(i) any tax which is imposed on account of any inheritance, thrift, estate, personal property, sales or transfer taxes, or any tax which is payable otherwise than by deduction or withholding;<br>(ii) any tax imposed on the net income of the holder of the Initial Debt Securities or that is payable by reason of the holder having some connection with the jurisdiction imposing such tax that is payable by reason of a holder of the Initial Debt Securities having some connection with such jurisdiction other than by reason only of the mere holding of the Initial Debt Securities; or<br>(iii) any tax which can be avoided if the holder or beneficial owner of the Initial Debt Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority; or<br>(iv) any Withholding Taxes imposed in consequence of the implementation of the Proposed EU Savings Tax Directive. |

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| *Ranking* . . . . . . . . . . | The obligations under the Initial Debt Securities will constitute direct, unconditional, unsecured and subordinated obligations of IKBF ranking *pari passu* with all other subordinated obligations of IKBF. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, IKBF, and the Bank, respectively, such obligations will be subordinated to the claims of all unsubordinated creditors of IKBF so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of IKBF, and the Bank, respectively, shall have been satisfied in full. |
| *Initial Guarantee* . . . | The Bank will guarantee payment of the principal of and interest on the Initial Debt Securities, provided that upon liquidation of the Bank, the obligations of the Bank under the Initial Guarantee:<br>(i) will be subordinated to all debt obligations of the Bank that are not subordinated;<br>(ii) will rank at least *pari passu* with other subordinated debt obligations or any other instruments; and<br>(iii) will be senior to all junior subordinated debt obligations and to preference shares of the Bank, if any, and the common shares of the Bank. |
| *Redemption* . . . . . . | The Initial Debt Securities will not be redeemable prior to December 31, 2008, (the "Initial Debt Redemption Date"), except upon the occurrence of a Company Special Redemption Event (and the redemption of the Class B Preferred Securities) or in the event of the replacement of the Initial Debt Securities with Substitute Debt Securities. Except as set forth under "– Substitution" below, the Initial Debt Securities may not be redeemed for any reason unless the Company has the right to, and has given notice that it will, redeem Class B Preferred Securities in an aggregate Liquidation Preference Amount equal to the aggregate Principal Amount of Initial Debt Securities to be redeemed or, in the case of a Company Special Redemption Event, in an amount equal to the Principal Amount to be redeemed, plus accrued and unpaid interest up to but excluding the Redemption Date, and Additional Interest Amounts, if any. |
| *Substitution* . . . . . . | At any time, the Bank will have the right to (i) substitute as obligor on the Debt Securities any other office of the Bank (including the head office and any branch) or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes, or (ii) replace the Debt Securities with Substitute Debt Securities; provided, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank (if it is not itself the new obligor) guarantees on a subordinated basis, at least equal to the ranking of the Initial Debt Securities, the obligations of any such majority-owned subsidiary. |
| *Reinvestment* . . . . . | The LLC Agreement provides that after the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in debt obligations of one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank on a subordinated basis at least equal to the ranking of the Initial Guarantee or, in the event such an investment is not available, in U.S. Treasury securities (together, "Permitted Investments"); provided, in each case, that such investment does not result in a Company Special Redemption Event. |
| *Governing Law* . . . . | The Initial Debt Securities and the Initial Guarantee will be governed by the laws of Germany. |

# TAXATION

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE GERMAN, AUSTRIAN AND UNITED STATES INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF TRUST PREFERRED SECURITIES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.**

## German Taxation

The following is a discussion of certain German tax considerations that may be relevant to a holder of Trust Preferred Securities that is a resident of Germany or for which income in respect of the Trust Preferred Securities is regarded as income from German sources, e.g., because such Trust Preferred Securities form part of the business property of a permanent establishment or fixed base maintained in Germany (a "German Holder"). The information contained in this summary is not to be construed as tax advice. It is based on an interpretation of the German tax laws as of the date hereof and is subject to change. Any such change may be applied retroactively and may adversely affect the tax consequences described herein. This summary does not purport to deal with all aspects of taxation that may be relevant to investors in the light of their individual circumstances. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences of purchasing, holding, redeeming or disposing of Trust Preferred Securities.

### *Income Taxation*

Capital Payments received by or, in specific cases, owed to a German Holder with respect to the Trust Preferred Securities will be subject to German personal or corporate income tax (plus a "solidarity surcharge" thereon, which is currently levied at 5.5%), and, in the case of a German Holder who is an individual, may be subject to church tax. Upon the sale or redemption of the Trust Preferred Securities, a German Holder will also be required to include in its taxable income the difference between the amount realized on such sale or redemption and the cost of acquisition (or adjusted tax base) of the Trust Preferred Securities. Income derived from the Trust Preferred Securities will also be subject to German municipal trade tax on income (*Gewerbeertragsteuer*) if the Trust Preferred Securities form part of the property of a German business establishment for trade tax purposes or are held by a German corporate investor.

A German Holder who is an individual and does not hold the Trust Preferred Securities as a business asset will be entitled to a standard deduction (*Werbungskosten-Pauschbetrag*) of € 51 in computing his or her investment income (including income derived from the Trust Preferred Securities) if no higher expenses are evidenced as well as an exemption (*Sparer-Freibetrag*) of € 1,550 with respect to such investment income. These amounts are doubled for couples filing a joint tax return.

### *German Withholding Tax*

If the Trust Preferred Securities are kept in a custodial account maintained by a German Holder with a German bank or a German financial services institution, each as defined in the German Banking Act (*Kreditwesengesetz*) (including a German branch of a foreign bank or a foreign financial services institution, but excluding a foreign branch of a German bank or German financial services institution) (a "German Disbursing Agent"), the German Disbursing Agent will generally be required to withhold tax (*Zinsabschlagsteuer*) at a rate of 30% (plus solidarity surcharge thereon at a rate of 5.5%, resulting in an aggregate withholding rate of 31.65%) of the gross amount paid as income with respect to the Trust Preferred Securities. Upon the sale or redemption of the Trust Preferred Securities, a German Disbursing Agent will generally be required to withhold tax at an aggregate rate of 31.65% on:

(i) the excess of the sale or redemption proceeds of the Trust Preferred Securities over the holder's acquisition cost, if the Trust Preferred Securities have been acquired through or purchased from and have since been held in custody with such German Disbursing Agent, or

(ii) an amount equal to 30% of the sale or redemption proceeds of the Trust Preferred Securities, if the Trust Preferred Securities have not been so held with such German Disbursing Agent.

Tax withheld by the German Disbursing Agent will be credited against the German Holder's final liability for personal or corporate income tax or refunded if in excess of such final tax liability.

*Gift and Inheritance Taxation*

The gratuitous transfer of the Trust Preferred Securities by a holder as a gift or by reason of death is subject to German gift or inheritance tax, based on the market value of the Trust Preferred Securities at the time of the transfer, if the holder of the Trust Preferred Securities or the recipient is a resident, or deemed to be a resident, of Germany under German gift and inheritance tax law at the time of the transfer. If neither the holder of the Trust Preferred Securities nor the recipient is a resident, or deemed to be a resident, of Germany at the time of the transfer, no German gift or inheritance tax is levied unless the Trust Preferred Securities form part of the property of a permanent establishment or a fixed base maintained by the holder of the Trust Preferred Securities in Germany.

*Other German Taxes*

There are no German transfer, stamp or other similar taxes which would apply to the sale or transfer of the Trust Preferred Securities. Net-worth tax (*Vermögensteuer*) ceased to be levied by Germany on January 1, 1997 and trade tax on capital (*Gewerbekapitalsteuer*) ceased to be levied by Germany on January 1, 1998.

**Capital Gains Tax in Austria**

Income tax is levied on capital gains earned in Austria from the Trust Preferred Securities (capital gains tax) by being withheld pursuant to Section 93(3) of the Income Tax Act (*Einkommenssteuergesetz: EStG*). This also applies to any capital gains earned in Austria under Section 93(2) of the Income Tax Act.

The capital gains tax on capital gains from the Trust Preferred Securities is currently 25%.

Capital gains tax is owed by and withheld from the recipient of the capital gains. Private individuals may deduct this tax from income and inheritance tax. If the Trust Preferred Securities are held by a foreigner, upon providing proof of citizenship no capital gains tax will be withheld. If the Trust Preferred Securities form part of the assets and liabilities of a legal entity, no capital gains tax will be withheld provided that a declaration of exemption is filed pursuant to Section 94 Z 5 of the Income Tax Act.

**Proposed EU Directive on the Taxation of Savings Income**

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that member states of the European Union (the "First Member State") will be required to provide to the tax authorities of another member state of the European Union (the "Second Member State") details of payments of interest or other similar income paid by a person in the First Member State to an individual resident in the Second Member State, subject to the right of certain member states of the European Union to opt instead for a withholding system for a transitional period in relation to such payments.

**Taxation in the United States**

The following is a summary of the principal U.S. federal income tax consequences relating to an investment in the Trust Preferred Securities by an investor that is a Non-U.S. Holder (as defined below). This summary does not address any U.S. tax consequences to a person who is a U.S. Holder (as defined below) or is subject to U.S. federal income tax on a net income basis. For purposes of this summary, a "Non-U.S. Holder" is a beneficial owner of Trust Preferred Securities other than a U.S. Holder. A "U.S. Holder" is a beneficial owner of Trust Preferred Securities that for U.S. federal income tax purposes is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a U.S. court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

This summary addresses the tax consequences to a Non-U.S. Holder that acquires Trust Preferred Securities on their original issue at their original offering price (an "Original Trust Preferred Securityholder"). This summary does not address all tax consequences that may be applicable to a beneficial owner of the Trust Preferred Securities and does not address the tax consequences to a Non-U.S. Holder in special circumstances (for example, the summary does not address a Non-U.S. Holder subject to U.S. federal income tax on a net income basis). This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, Internal Revenue Service rulings and pronouncements and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect).

Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to the tax treatment of the Trust Preferred Securities and no assurance can be given that the IRS will not take contrary positions. Moreover, no assurance can be given that the tax consequences described herein will not be challenged by the IRS or, if challenged, that such a challenge would not be successful.

Prospective investors are urged to consult with their tax advisors as to the U.S. federal income tax consequences of the purchase, ownership and disposition of trust preferred securities, as well as the effect of any state, local or foreign tax laws.

*Tax Treatment of the Trust*

The Bank intends to treat the Trust as a grantor trust for United States federal income tax purposes. Assuming full compliance with the terms of the Trust Agreement, the Trust will not be an association taxable as a corporation.

*Tax Treatment of the Company*

In purchasing the Trust Preferred Securities, each Original Trust Preferred Securityholder agrees with the Bank, the Company and the Trustee that the Bank, the Company, the Trustee and the Original Preferred Securityholders will treat Original Trust Preferred Securityholders for all purposes as holders of an undivided interest in Trust assets, including the Class B Preferred Securities, and not as holders of a direct interest in the Bank or in any other person, and the following discussion is based on the assumption that such treatment will apply for U.S. federal income tax purposes. Assuming full compliance with the LLC Agreement, the Company will not be taxable as a corporation and will not itself be subject to U.S. federal income tax. The Bank intends to treat the Company as a partnership for U.S. federal income tax purposes.

*Income and Withholding Tax*

The Company intends to operate so that it will not be treated as engaged in the conduct of a U.S. trade or business. Moreover, the Company intends to invest in securities that will be exempt from withholding of U.S. federal income tax when income attributable to such securities is distributed or allocated to beneficial holders of Class B Preferred Securities.

Accordingly, a Non-U.S. Holder will not be subject to withholding of U.S. federal income tax on payments in respect of the Trust Preferred Securities. A Non-U.S. Holder also will not be subject to U.S. federal income tax on its allocable share of the Company's income unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States of America.

A Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Trust Preferred Securities, unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States of America or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States of America for 183 days or more in the taxable year of the sale and certain other conditions are met.

*Federal Estate Taxes*

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Trust Preferred Securities will be required to include at least a portion, and possibly all, of the value thereof in his or her gross estate for U.S. federal estate tax purposes if, at the time of death, income with respect to such Trust Preferred Securities would have been effectively connected with the conduct by such individual of a U.S. trade or business. It is unclear whether an individual Non-U.S. Holder, not described in the preceding sentence, who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Trust Preferred Securities will be required to include the value thereof in his or her gross estate for U.S. federal estate tax purposes. Any Trust Preferred Securities so included may be subject to U.S. federal estate tax unless an applicable estate tax treaty otherwise applies. The United States of America and Germany have entered into an estate tax treaty.

*Information Reporting and Backup Withholding*

It is expected that the foreign source income on the Trust Preferred Securities will be reported to the Original Trust Preferred Securityholders by U.S. financial institutions that hold the Trust Preferred Securities on behalf of such Original Trust Preferred Securityholders on an IRS Form 1099, which form should be mailed to Original Trust Preferred Securityholders by January 31 following each calendar year.

In general, a Non-U.S. Holder who holds Trust Preferred Securities through a non-United States Bank or other non-United States financial institution that is a participant in Euroclear or Clearstream will not be required to provide certification of non-U.S. status for U.S. withholding purposes and will not be subject to the information reporting rules described above. In other contexts, however, Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting requirements and backup withholding tax.

## INVESTMENT CONSIDERATIONS

*An investment in the Trust Preferred Securities involves certain risks. An investor should carefully consider the following discussion, in conjunction with the other information contained in this Sales Prospectus, before deciding whether an investment in the Trust Preferred Securities is suitable.*

### Risks associated with the financial condition of the Bank and its affiliates

If the financial condition of the Bank or its affiliates were to deteriorate, then it could result in: (i) the Bank having insufficient Distributable Profits for the Company to declare and pay Capital Payments on the Class B Preferred Securities at the Stated Rate in full, or (ii) the Company receiving reduced payments from the Bank under the Support Undertaking. This could reduce the amounts received by the Trust in respect of the Class B Preferred Securities, which, in turn, would reduce the amounts available to the Trust for periodic distributions to holders of the Trust Preferred Securities. In addition, if a voluntary or involuntary liquidation, dissolution or winding up of the Bank were to occur, holders of the Trust Securities may lose part or all of their investment.

### The Company is not required to make Capital Payments

The declaration of Capital Payments by the Company on the Class B Preferred Securities (and, accordingly, the payment of Capital Payments on the Trust Preferred Securities by the Trust) is limited by the terms of the LLC Agreement. Although it is the policy of the Company to distribute the full amount of Operating Profits for each Interest Payment Period as Capital Payments to the holders of the Class B Preferred Securities, the Board of Directors of the Company has discretion in declaring and making Capital Payments (except with respect to deemed declarations which are mandatory). Notwithstanding the foregoing, however, the Company will be deemed to have authorized Capital Payments on the Class B Preferred Securities under certain circumstances involving payments made in respect of Parity Securities or Junior Securities. See "Description of Company Securities – Class B Preferred Securities – Capital Payments."

In addition, even if the Bank has sufficient Distributable Profits, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Interest Payment Date if on such date there is in effect an order of the BAFin or any other relevant regulatory authority prohibiting the Bank from making any distributions of profits. To the extent the Company is not permitted to make Capital Payments on the Class B Preferred Securities on any Interest Payment Date, this will reduce the amount available to the Trust to make Capital Payments on the Trust Preferred Securities. See "Description of the Company Securities – Class B Preferred Securities – Capital Payments" and "Description of the Trust Securities."

### Capital Payments are noncumulative

The Capital Payments are discretionary and noncumulative. The LLC Agreement provides that it is the policy of the Company to distribute all of its Operating Profits; however, even if the Distributable Profits test has been met by the Bank, holders of the Trust Preferred Securities will have no right to receive any Capital Payments in respect of such Interest Payment Period unless the Board of Directors declares (or is deemed to have declared) Capital Payments on the Class B Preferred Securities for such Interest Payment Period. See "Description of the Company Securities – Class B Preferred Securities – Capital Payments."

### No voting rights; relationships with the Bank and its affiliates; certain conflicts of interest

The Bank will control the Company through the IKB Group Company's power to elect a majority of the Board of Directors as holder of the Company Common Security. Generally, the Trust, to the extent that it is the holder of the Class B Preferred Securities, will have no right to vote to elect members of the Board of Directors. The only exception is that it will have the right to elect one independent member to the Board of Directors, the Independent Enforcement Director, if: (i) the Company fails to make Capital Payments (and any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full for two consecutive Interest Payment Periods, or (ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given.

**Special redemption risk**

*Redemption upon occurrence of a Company Special Redemption Event.* The Class B Preferred Securities (and, consequently, the Trust Preferred Securities) will be redeemable at any time at the option of the Company, in whole but not in part, upon the occurrence of a Company Special Redemption Event. A Company Special Redemption Event will arise if, as a result of certain changes in law, there are: changes in the tax status of the Company; Additional Amounts become applicable to payments on the Class B Preferred Securities, the Trust Securities or the Debt Securities; the Bank is not permitted to treat the Class B Preferred Securities as Tier I regulatory capital on a consolidated basis; or the Company will be considered an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended. See "Description of the Trust Securities – Redemption".

*Liquidation of the Trust upon occurrence of a Trust Special Redemption Event.* If there has occurred a Tax Event or an Investment Company Act Event (in each case, as defined herein), each solely with respect to the Trust, then the Trust will be dissolved and liquidated. Upon such dissolution and liquidation of the Trust, each holder of the Trust Preferred Securities would receive as its liquidation distribution a corresponding number of the Class B Preferred Securities. Upon such distribution, the Class B Preferred Securities might not be listed on any securities exchange or eligible for trading through Euroclear or Clearstream, and holders of the Class B Preferred Securities and their nominees would become subject to Form K-1 and nominee reporting requirements under the U.S. Internal Revenue Code of 1986, as amended. Accordingly, the Class B Preferred Securities which an investor may subsequently receive on dissolution and liquidation of the Trust may trade at a discount to the price of the Trust Preferred Securities for which they were exchanged.

**The Support Undertaking is not a guarantee**

The Bank and the Company have entered into the Support Undertaking for the benefit of the Company and the holders of the Class B Preferred Securities. However, the Support Undertaking does not represent a guarantee (*Garantie*) from the Bank that the Company will be authorized to declare and make a Capital Payment for any Interest Payment Period. Furthermore, the obligations of the Bank under the Support Undertaking rank junior to all indebtedness of the Bank with the effect that, if the Bank (and therefore the Company) were liquidated, holders of the Trust Preferred Securities would have the right to receive, if any, payments equal to the Liquidation Preference Amount, plus any accrued and unpaid Capital Payments for the then current Interest Payment Period to but excluding the date of liquidation, and Additional Amounts, if any, pursuant to the Support Undertaking *pari passu* with amounts payable to the holders of the most senior preference shares of the Bank. See "Description of the Support Undertaking."

**No prior public market**

There was no prior public market for the Trust Preferred Securities. Application has been made to admit the Trust Preferred Securities to trading and official quotation on the Frankfurt Stock Exchange, and on the Vienna Stock Exchange. Listing of the Trust Preferred Securities on the Frankfurt Stock Exchange and on the Vienna Stock Exchange is expected to occur shortly after closing. The Trust Preferred Securities may trade at a discount to the price that the investor paid to purchase the Trust Preferred Securities. There can be no assurance that an active secondary market for the Trust Preferred Securities will develop. The liquidity and the market prices for the Trust Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the secondary market prices of securities. Such fluctuations may significantly affect liquidity and market prices for the Trust Preferred Securities.

**Regulatory restrictions on the Company's operations**

Because the Company is a subsidiary of the Bank, German bank regulatory authorities could make determinations in the future with respect to the Bank that could adversely affect the Company's ability to make Capital Payments in respect of the Class B Preferred Securities. In addition, United States federal or state regulatory authorities, as well as German and European Union regulatory authorities and regulatory authorities in other countries, have regulatory authority over the Bank and/or the Bank's subsidiaries. Under certain circumstances, any of such regulatory authorities could make determinations or take decisions in the future with respect to the Bank and/or any of the Bank's subsidiaries or a portion of their respective operations or assets that could adversely affect the ability of any of them to, among other things, make distributions to their respective securityholders, engage in transactions with affiliates, purchase or transfer assets, pay their respective obligations or make any redemption or liquidation payments to their securityholders.

## CAPITALIZATION OF THE COMPANY AND THE TRUST

The following tables set forth the capitalization of the Company and the Trust, in each case as of June 10, 2002 and as adjusted to reflect the consummation of the sale of € 250,000,000 Trust Preferred Securities and the use of the gross proceeds therefrom as described under "Use of Proceeds".

**Capitalization of the Company**

| | June 10, 2002 | |
|---|---|---|
| | Actual | As Adjusted |
| | (Euro in thousands) | |
| **Debt** | | |
| Total long-term debt | 0 | 0 |
| **Securityholders' Equity** | | |
| Class B Preferred Securities; none issued and outstanding, actual; and 2,500,001 Class B Preferred Securities authorized, 2,500,001 Class B Preferred Securities issued and outstanding, as adjusted | 0 | 250,000.1 |
| Class A Preferred Securities; none issued and outstanding, actual; and 1 Class A Preferred Security authorized, 1 Class A Preferred Security issued and outstanding, as adjusted | 0 | 0.1 |
| Company Common Security, none issued and outstanding, actual; and 1 Company Common Security authorized, 1 Company Common Security issued and outstanding, as adjusted | 0 | 0.1 |
| Total securityholders' interests | 0 | 250,000.3 |
| **Total Capitalization (1)** | 0 | 250,000.3 |

**Capitalization of the Trust**

| | June 10, 2002 | |
|---|---|---|
| | Actual | As Adjusted |
| | (Euro in thousands) | |
| **Debt** | | |
| Total debt | 0 | 0 |
| **Securityholders' Interests** | | |
| Trust Preferred Securities; none issued and outstanding, actual; and 2,500,000 securities authorized, 2,500,000 securities issued and outstanding; as adjusted | 0 | 250,000 |
| Trust Common Security; none issued and outstanding, actual; and 1 Trust Common Security authorized, 1 Trust Common Security issued and outstanding, as adjusted | 0 | 0.1 |
| Total securityholders' interests | 0 | 250,000.1 |
| **Total Capitalization (2)** | 0 | 250,000.1 |

(1) There has been no material change in the capitalization of the LLC since its formation, except as disclosed in the above table.

(2) There has been no material change in the capitalization of the Trust since its creation, except as disclosed in the above table.

# IKB FUNDING TRUST I

The Trust is a statutory business trust formed under the Trust Act, pursuant to the trust agreement executed by the Company, as sponsor, the Property Trustee and the Delaware Trustee, and the filing of a certificate of trust with the Secretary of State of the State of Delaware on May 21, 2002. Such trust agreement will be amended and restated in its entirety prior to the issuance of the Trust Preferred Securities to reflect the terms of the Trust Preferred Securities (as so amended and restated, the "Trust Agreement"). The Trust Common Security will rank *pari passu,* and payments thereon will be made *pro rata,* with the Trust Preferred Securities, except that in liquidation and in certain circumstances described under "Description of the Trust Securities – Subordination of the Trust Common Security," the rights of the holder of such Trust Common Security to periodic distributions and to payments and distributions upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of such Trust Preferred Securities.

The Trust will use the gross proceeds derived from the issuance of the Trust Securities to purchase the Class B Preferred Securities from the Company, and, accordingly, the assets of the Trust will consist solely of the Class B Preferred Securities. The Trust exists for the sole purposes of (i) issuing the Trust Securities representing undivided beneficial ownership interests in the Class B Preferred Securities, (ii) investing the gross proceeds from the issuance of the Trust Securities in the Class B Preferred Securities, and (iii) engaging in those other activities necessary or incidental thereto. The Trust may also, from time to time, issue additional Trust Preferred Securities in consideration for an equal number of additional Class B Preferred Securities.

Pursuant to the Trust Agreement, there will be five trustees (the "Trustees") of the Trust. Three of the Trustees will be individuals who are employees or officers of, or who are affiliated with, the Bank or one of its affiliates (the "Regular Trustees"). The fourth Trustee, the Property Trustee, will be a financial institution that is unaffiliated with the Bank. The fifth Trustee will be the "Delaware Trustee". Initially, The Bank of New York will act as Property Trustee, and The Bank of New York (Delaware), a Delaware banking corporation, will act as Delaware Trustee, until, in each case, removed or replaced by the holder of the Trust Common Security.

The Property Trustee will hold title to the Class B Preferred Securities for the benefit of the holders of the Trust Securities, and the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the LLC Agreement. In addition, the Property Trustee will maintain exclusive control of the Property Account to hold all payments made in respect of the Class B Preferred Securities for the benefit of the holders of the Trust Securities. The IKB Group Company, as the holder of the Trust Common Security, will have the right to appoint, remove or replace any of the Trustees and to increase or decrease the number of Trustees, provided that at least one Trustee will be the Delaware Trustee, at least one Trustee will be the Property Trustee and at least one Trustee will be a Regular Trustee.

For so long as the Trust Preferred Securities remain outstanding, the Bank will covenant (i) that the Trust Common Security will be held by the Bank or by any one or more subsidiaries of the Bank, (ii) to cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up, liquidate or be terminated, except as permitted by the Trust Agreement and (iii) to use its commercially reasonable efforts to ensure that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes.

The rights of the holders of the Trust Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement and the Trust Act. See "Description of the Trust Securities".

Under the services agreement among the Trust, the Company and the Servicer (the "Services Agreement"), the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

IKB Funding Trust I is not currently the subject of any legal proceedings, which might have an impact on the financial situation for the future.

The location of the principal executive office of the Trust is RL&F Service Corp., One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, New Castle County, Delaware 19801, United States of America.

## IKB FUNDING LLC I

The Company is a limited liability company that was formed under the LLC Act on May 20, 2002 pursuant to an initial limited liability company agreement (as subsequently amended and restated, the "LLC Agreement") and the filing of a certificate of formation of the Company with the Secretary of State of the State of Delaware. Pursuant to the LLC Agreement, the Company will issue two classes of preferred securities representing limited liability company interests in the Company, the Class A Preferred Security and the Class B Preferred Securities, and one class of common security representing limited liability company interests in the Company, the Company Common Security. The Property Trustee will initially hold 100% of the issued and outstanding Class B Preferred Securities. An IKB Group Company will hold the issued and outstanding Company Common Security and the Class A Preferred Security.

The sole purposes of the Company are (i) to issue the Class A Preferred Security, the Class B Preferred Securities and the Company Common Security, (ii) to invest the gross proceeds thereof in the Initial Debt Securities, (iii) upon any redemption of the Initial Debt Securities prior to the Maturity Date, which does not involve a redemption of the Class B Preferred Securities, to reinvest the proceeds in Substitute Debt Securities issued by the Bank (acting directly or through a branch) or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes in replacement for the Initial Debt Securities, so long as any such reinvestment does not result in a Company Special Redemption Event, (iv) in the event of any default on the Debt Securities, to enforce its rights for payment of any overdue amounts, (v) after the Maturity Date, if the Class B Preferred Securities have not been redeemed, to invest in Permitted Investments, (vi) to enter into and, in certain circumstances, to enforce the Support Undertaking for the sole benefit of the holders of the Class B Preferred Securities, and (vii) to engage in those other activities necessary or incidental thereto.

The Company may also, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

For so long as the Class B Preferred Securities remain outstanding, the LLC Agreement provides that: (i) the Company will remain a limited liability company and, to the fullest extent permitted by law, will not voluntarily or involuntarily liquidate, dissolve, wind up or be terminated, except as permitted by the LLC Agreement; (ii) the Bank and the Company will use their commercially reasonable efforts to ensure that the Company will not be an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes; (iii) the Bank undertakes that the Bank or one or more other majority-owned subsidiaries of the Bank will maintain sole ownership of the Company Common Security and the Class A Preferred Security; and (iv) the Bank or a majority-owned subsidiary (each, a "Potential Securityholder") may transfer the Company Common Security or the Class A Preferred Security to other Potential Securityholders, provided that prior to such transfer it has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that: (A) the Company will continue to be treated as a partnership, and not as an association or publicly traded partnership taxable as a corporation, for United States federal income tax purposes, (B) such transfer will not cause the Company to be required to register under the 1940 Act, and (C) such transfer will not adversely affect the limited liability of the holders of the Class B Preferred Securities.

The rights of the holders of the Class B Preferred Securities, including economic rights, rights to information and voting rights, are set forth in the LLC Agreement and the LLC Act. See "Description of the Company Securities – Class B Preferred Securities".

The Company's business and affairs will be conducted by its Board of Directors, which initially will consist of four members, elected by the IKB Group Company as initial holder of the Company Common Security. However, in the event that:

- the Company fails to pay Capital Payments (including any Additional Amounts thereon) on the Class B Preferred Securities at the Stated Rate in full for four consecutive Interest Payment Periods; or

- a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of the Class B Preferred Securities will have the right to appoint the Independent Enforcement Director. The Independent Enforcement Director's term will end if, in such Independent Enforcement Director's sole determination, Capital Payments have been made on the Class B Preferred Securities at the Stated Rate in full for four consecutive Interest Payment Periods and the Bank is in compliance with its obligations under the Support Undertaking.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the vote of the holders of at least 66⅔% in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), (i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, or (ii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under "Description of the Company Securities – Mergers, Consolidations and Sales".

The Company will not, without the consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company, provided, however, that the Company may, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will select for purchase Permitted Investments in the following order of priority and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments, any Additional Amounts and the Redemption Price of the Class B Preferred Securities:

- first, debt obligations of one or more majority-owned subsidiaries of the Bank, unconditionally guaranteed by the Bank on a subordinated basis that ranks at least *pari passu* with the Initial Debt Securities, or
- second, in the event such an investment is not available, in United States Treasury securities.

The Company will also enter into the Services Agreement with the Trust and the Servicer, under which the Servicer will be obligated, among other things, to provide tax and other administrative services to the Company and the Trust. The fees and expenses of the Trust and the Company, including any taxes, duties, assessments or governmental charges of whatever nature (other than Withholding Taxes) imposed by Germany, the United States of America or any other taxing authority upon the Company or the Trust, the fees and expenses of the Servicer, and all other obligations of the Company and the Trust (other than with respect to the Trust Securities or the Company Securities) will be paid by the Servicer pursuant to Services Agreement. See "Description of the Services Agreement".

The holders of the Class B Preferred Securities are third-party beneficiaries of the Support Undertaking between the Bank and the Company. See "Description of the Support Undertaking".

IKB Funding LLC I is not currently the subject of any legal proceedings, which might have an impact on the financial situation for the future.

The location of the principal executive offices of the Company is RL&F Service Corp., One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, New Castle County, Delaware 19801, United States of America.

## USE OF PROCEEDS

The gross proceeds from the sale of the Trust Securities (aggregating € 250,000,100 including the Trust Common Security) will be invested by the Trust in the Class B Preferred Securities. The Company will use the funds from the sale of the Class B Preferred Securities, together with funds contributed by the IKB Group Company in return for the Class A Preferred Security and the Company Common Security, to make an investment in the Initial Debt Securities. IKBF intends to use the gross proceeds from the sale of the Initial Debt Securities for general corporate purposes. The Bank intends to treat the Class B Preferred Securities as consolidated Tier I regulatory capital. The Company will pay certain commissions to the Lead Manager and reimburse the Lead Manager for certain expenses in connection with the Offering. See "General Information – Subscription and Sale".

## TIER I CAPITAL AND CAPITAL ADEQUACY

The Bank expects to treat the Class B Preferred Securities as consolidated Tier I regulatory capital for purposes of measuring regulatory capital adequacy.

Regulatory capital adequacy is monitored by the IKB Group on the basis of the guidelines set forth by directives of the Bank for International Settlements (the "BIS") and of the European Council, as implemented by the German Banking Act (*Kreditwesengesetz*) and the principles on regulatory banking capital issued thereunder.

The BIS capital ratio is the principal measure of capital adequacy for international banks. Both the BIS capital ratio and the capital ratios under the German Banking Act (*Kreditwesengesetz*) compare a bank's regulatory capital with its counterparty and market risk. Counterparty risk is measured by assets and off-balance sheet exposures weighted according to broad categories of relative credit risk. The counterparty risk of derivatives is marked to market daily. The IKB Group's market risk is a multiple of its value-at-risk figure, which may be calculated for regulatory purposes based on the IKB Group's internal model.

A bank's regulatory capital is divided into three tiers (core or Tier I capital, supplementary or Tier II capital, and Tier III capital). Core or Tier I capital consists primarily of share capital and reserves; supplementary or Tier II capital consists primarily of participatory capital, long-term subordinated liabilities and revaluation reserves for listed securities, and Tier III capital is made up mainly of short-term, subordinated liabilities. The minimum BIS total capital ratio (Tier I + Tier II + Tier III) is 8% of the risk position, and the minimum BIS core (Tier I) capital ratio is 4% of the risk position. Under the BIS guidelines, the amount of subordinated debt that may be included as Tier II capital is limited to 50% of Tier I capital and total Tier II capital is limited to 100% of Tier I capital.

## DISTRIBUTABLE PROFITS OF THE BANK

The Company's authority to declare Capital Payments on the Class B Preferred Securities for any Interest Payment Period depends, among other things, on the Distributable Profits of the Bank for the preceding fiscal years. For the definition of Distributable Profits, see "Prospecus Summary – Summary of the Terms of the Trust Preferred Securities and the Class B Preferred Securities – Declaration of Capital Payments". Distributable Profits are determined on the basis of the Bank's audited unconsolidated financial statements prepared, as required by the German Stock Corporation Act (*Aktiengesetz*), in accordance with accounting principles generally accepted in the Federal Republic of Germany as described in the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law then in effect.

Distributable Profits in respect of any preceding fiscal years includes, in addition to annual profit, transfers made by the Bank, in its discretion, of amounts carried on its balance sheet as Other Retained Earnings. In addition, in determining Distributable Profits for any fiscal year, the amounts shown below as Additional Paid-in Capital and Legal Reserve available to offset a loss may be transferred in the Bank's discretion to offset any losses which may be incurred by the Bank; such amounts may not otherwise be used to make Capital Payments.

The following table sets forth, as of March 31, 2001 and 2000, the items derived from the bank's audited unconsolidated balance sheet that affect the calculation of the Bank's Distributable Profits:

| | Fiscal Year ended March 31 | |
|---|---|---|
| | 2001 | 2000 |
| | (Euro in millions) | |
| Annual Profit After Allocations to Retained Earnings | 67.8 | 67.8 |
| Other Retained Earnings | – | – |
| | 67.8 | 67.8 |
| Additional Paid-in Capital and Legal Reserve available to offset a loss | – | – |

The Bank has achieved Distributable Profits in respect of each of its past 50 fiscal years.

The Bank paid total dividends on its ordinary and preferred shares of € 67.8 million and € 67.8 million in respect of the years ended March 31, 2001 and 2000, respectively.

# DESCRIPTION OF THE TRUST SECURITIES

The Trust Securities will be issued pursuant to the terms of the Trust Agreement. The following summary sets forth the material terms and provisions of the Trust Securities. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Trust Agreement and the Trust Act.

## General

The Trust Securities will be issued in fully registered form without coupons. The Trust Securities will not be issued in bearer form.

The Trust Agreement authorizes the Regular Trustees of the Trust to issue the Trust Securities, which represent undivided beneficial ownership interests in the Class B Preferred Securities. Title to the Class B Preferred Securities will be held by the Property Trustee for the benefit of the holders of the Trust Securities. The Trust Agreement does not permit the Trust to acquire any assets other than the Class B Preferred Securities, issue any securities other than the Trust Securities or incur any indebtedness, provided that, as the Company may, from time to time and without the consent of the Trust as the holder of the Class B Preferred Securities, issue additional Class B Preferred Securities having substantially the same terms as the Class B Preferred Securities so as to form a single series with the Class B Preferred Securities, the Trust, accordingly, may also, from time to time and without the consent of the holders of the Trust Preferred Securities, issue additional Trust Preferred Securities having the same terms and conditions as the Trust Preferred Securities (or in all respects except for the issue date, the date as of which Capital Payments accrue on the Trust Preferred Securities, the issue price, and any other deviations required for compliance with applicable law) so as to form a single series with the Trust Preferred Securities.

## Capital Payments

For each Interest Payment Period, Capital Payments will accrue on the respective liquidation preference amounts of € 100 per Trust Preferred Security (the "Liquidation Preference Amount") (the "Trust Preferred Securities") and € 100 per Class B Preferred Security at a rate per annum equal to 3-month €uribor (as defined herein) for such Interest Payment Period (as defined herein), plus 1.50 %, payable quarterly in arrears on June 30, September 30, December 31 and March 31 of each fiscal year of the Bank, commencing September 30, 2002, (each such date, an "Interest Payment Date"). Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 360 days (actual/360), and will accrue from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the date of issue) to but excluding the relevant Interest Payment Date (each such period, an "Interest Payment Period").

"Business Day" means a day (other than Saturday, Sunday or a day on which banking institutions in New York City, Düsseldorf and Frankfurt are authorized or required by law or order to remain closed for business) on which Clearstream AG settles payments and all relevant parts of the Trans-European Automated Real-time Gross Settlement Transfer system (TARGET) are operational.

If any Interest Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day, unless that day falls in the next calendar month, in which case such payment will be due on the first preceding Business Day, in each case without adjustment, interest or further payment as a result thereof.

Capital Payments on the Trust Securities are expected to be paid out of Capital Payments received by the Trust from the Company with respect to the Class B Preferred Securities. See "Description of the Company Securities – Class B Preferred Securities – Capital Payments". If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Interest Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Interest Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred

Securities in respect of such Interest Payment Period, whether or not Capital Payments are declared and paid on the Class B Preferred Securities in respect of any future Interest Payment Period. In such a case, no Capital Payments will be made on the Trust Securities in respect of such Interest Payment Period.

Each declared Capital Payment will be payable to the holders of record of the Trust Securities as they appear on the books and records of the Trust at the close of business on the corresponding record date. The record dates for the Trust Securities will be (i) so long as the Trust Securities remain in book-entry form, one Business Day prior to the relevant Interest Payment Date, and (ii) in all other cases, the 15th day of the month in which the relevant Interest Payment Date occurs.

Such Capital Payments will be paid through the Property Trustee who will hold amounts received in respect of the Class B Preferred Securities in the Property Account for the benefit of the holders of the Trust Securities, subject to any applicable laws and regulations and the provisions of the Trust Agreement.

The right of the holders of the Trust Securities to receive Capital Payments is noncumulative. Accordingly, if the Trust does not have funds available for payment of a Capital Payment in respect of any Interest Payment Period, the holders will have no right to receive a Capital Payment in respect of such Interest Payment Period, and the Trust will have no obligation to pay a Capital Payment in respect of such Interest Payment Period, whether or not Capital Payments are paid in respect of any future Interest Payment Period.

Except as described under "– Subordination of Trust Common Security" below, all Capital Payments and other payments to holders of the Trust Securities will be distributed among holders of record *pro rata,* based on the proportion that the aggregate Liquidation Preference Amount of the Trust Securities held by each holder bears to the aggregate Liquidation Preference Amount of all Trust Securities.

**Payments of Additional Amounts**

All payments on the Trust Securities by the Trust, and any repayment upon redemption thereof, will be made without withholding or deduction for or on account of Withholding Taxes unless such deduction or withholding is required by law. In such event, the Trust will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Trust Preferred Securities will equal the amounts that would have been received had no such deduction or withholding been required. However, no such Additional Amounts will be payable in respect of the Trust Securities:

- if and to the extent that the Company is unable to pay corresponding amounts in respect of the Class B Preferred Securities because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of the Capital Payments on the Class B Preferred Securities and dividends or other distributions or payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable);
- with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Trust Securities having some connection with any Relevant Jurisdiction other than by reason only of the mere holding of the Trust Securities;
- with respect to any Withholding Taxes imposed in consequence of the implementation of the Proposed EU Savings Tax Directive; or
- where such deduction or withholding can be avoided if the holder or beneficial owner of the Trust Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority.

**Trust Enforcement Events**

The occurrence, at any time, of (i) non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Trust Preferred Securities or the Class B Preferred Securities at the Stated Rate in full, for four consecutive Interest Payment Periods or (ii) a default by the Bank in respect of any of its obligations under the Support Undertaking will constitute an enforcement event under the Trust Agreement with respect to the Trust Securities (a "Trust Enforcement Event"); provided, that, pursuant to the Trust Agreement, the holder of the Trust Common Security will be deemed to have waived any Trust Enforcement Event with respect to the Trust Common Security until all Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until such Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the holders of the Trust Preferred Securities and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee with respect to certain matters under the Trust Agreement. In the case of non-payment of Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities referred to in clause (i) above or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Class B Preferred Securities, holders of the Trust Preferred Securities will have the right to appoint the Independent Enforcement Director. See "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights".

Upon the occurrence of a Trust Enforcement Event, the Property Trustee will have the right to enforce the rights of the holders of the Class B Preferred Securities, including: (i) claims to receive Capital Payments (only if and to the extent declared or deemed to have been declared) on the Class B Preferred Securities; (ii) appointment of the Independent Enforcement Director (to the extent that such Trust Enforcement Event results from non-payment of Capital Payments on the Class B Preferred Securities for four consecutive Interest Payment Periods or the continuation of a failure by the Bank to perform any obligation under the Support Undertaking for a period of 60 days after notice thereof has been given to the Company by the Property Trustee or any holder of the Class B Preferred Securities); and (iii) assertion of the rights under the Support Undertaking as it relates thereto.

If the Property Trustee fails to enforce its rights under the Class B Preferred Securities after a holder of the Trust Preferred Securities has made a written request, such holder of record of the Trust Preferred Securities may directly institute a legal proceeding against the Company to enforce the Property Trustee's rights under the Class B Preferred Securities without first instituting any legal proceeding against the Property Trustee, the Trust or any other person or entity.

**Redemption**

If the Company redeems Class B Preferred Securities, the Trust must redeem a corresponding number of Trust Securities. The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on any Interest Payment Date falling on or after the Initial Redemption Date. The Company will also have the right at any time prior to the Initial Redemption Date to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a Redemption Price equal to the liquidation preference amount of the Class B Preferred Securities being redeemed plus any accrued and unpaid Capital Payments for the then current Interest Payment Period up to but excluding the Redemption Date, plus Additional Amounts, if any.

The Company may exercise its right to redeem the Class B Preferred Securities only if it has (i) given at least 30 days' prior notice (or such longer period as required by the relevant regulatory authorities) to the holders of the Class B Preferred Securities of its intention to redeem the Class B Preferred Securities on the Redemption Date, (ii) simultaneously therewith received notice from the issuer of the Debt Securities of the redemption of an aggregate principal amount of Debt Securities equivalent to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed and (iii) obtained any required regulatory approvals. The Trust Agreement will provide that the Property Trustee will promptly give notice to the holders of the Trust Securities of the Company's intention to redeem the Class B Preferred Securities on the Redemption Date. Notice of any redemption shall be given to holders of the Trust Preferred Securities in the manner described below under "– Notices."

A "Company Special Redemption Event" means (i) a Regulatory Event, (ii) a Tax Event with respect to the Company or (iii) an Investment Company Act Event with respect to the Company.

The Class B Preferred Securities and the Trust Preferred Securities will not have any scheduled maturity date and will not be redeemable at any time at the option of the holders thereof. Upon any redemption of the Class B Preferred Securities, the proceeds of such redemption will simultaneously be applied to redeem a corresponding amount of the Trust Securities. Any Class B Preferred Securities or Trust Securities that are redeemed will be canceled, and not reissued, following their redemption.

Upon the occurrence of a Trust Special Redemption Event or in the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, holders of Trust Securities will be entitled to receive a corresponding number of the Class B Preferred Securities, but the holder of the Trust Common Security will agree that its rights under the Class B Preferred Securities will be subordinated to rights of the other holders of the Class B Preferred Securities.

If, at any time, a Trust Special Redemption Event occurs and is continuing, the Regular Trustees will, within 90 days following the occurrence of such Trust Special Redemption Event, dissolve the Trust upon not less than 30 nor more than 60 days' notice to the holders of the Trust Securities and upon not less than 30 nor more than 60 days' notice to, and consultation with the Principal Paying Agent, Registrar, Property Trustee and Euroclear and Clearstream, with the result that, after satisfaction of the claims of creditors of the Trust, if any, Class B Preferred Securities would be distributed on a *pro rata* basis to the holders of the Trust Preferred Securities and the holder of the Trust Common Security in liquidation of such holders' interest in the Trust, provided, however, that, if, at such time, the Trust has the opportunity to eliminate, within such 90-day period, the Trust Special Redemption Event by taking some ministerial action, such as filing a form or making an election, or some other similar reasonable measures, which in the sole judgment of the Bank will cause no adverse effect on the Company, the Trust, the Bank or the holders of the Trust Securities and will involve no material costs, then the Trust will pursue any such measure in lieu of dissolution.

A "Trust Special Redemption Event" means (i) a Tax Event solely with respect to the Trust, but not with respect to the Company, or (ii) an Investment Company Act Event solely with respect to the Trust, but not with respect to the Company.

A "Tax Event" means the request and receipt by the Bank of an opinion of a nationally recognized law firm or other tax adviser in a Relevant Jurisdiction, experienced in such matters, to the effect that, as a result of (i) any amendment to, or clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations promulgated thereunder) of the Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (an "Administrative Action") or (iii) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, after the date of issuance of the Company Securities and the Trust Securities, there is more than an insubstantial risk that (a) the Trust or the Company is or will be subject to more than a *de minimis* amount of taxes, duties or other governmental charges, or (b) the Trust, the Company or an obligor on the Debt Securities would be obligated to pay Additional Amounts or Additional Interest Amounts.

"Regulatory Event" means that the Bank determines that it may not treat the Class B Preferred Securities as core capital or Tier 1 regulatory capital for capital adequacy purposes on a consolidated basis.

An "Investment Company Act Event" means that the Bank will have requested and received an opinion of a nationally recognized U.S. law firm experienced in such matters to the effect that there is more than an insubstantial risk that the Company or the Trust is or will be considered an "investment company" within the meaning of the 1940 Act as a result of any judicial decision, pronouncement or interpretation (irrespective of the manner made known), the adoption or amendment of any law, rule or regulation, or any notice or announcement (including any notice or announcement of intent to adopt such law, rule or regulation) by any U.S. legislative body, court, governmental agency, or regulatory authority, in each case after the date of the issuance of the Company Securities and the Trust Securities.

On the date fixed for any distribution of the Class B Preferred Securities, upon dissolution of the Trust, (i) the Trust Securities will no longer be deemed to be outstanding and (ii) certificates representing Trust Securities will be deemed to represent the Class B Preferred Securities having a Liquidation Preference Amount equal to the Liquidation Preference Amount of the Trust Preferred Securities and the Liquidation Preference Amount of the Trust Common Security until such certificates are presented to the Company or its agent for transfer or reissuance.

If the Class B Preferred Securities are distributed to the holders of the Trust Preferred Securities, the Bank will use its commercially reasonable efforts to cause the Class B Preferred Securities to be eligible for clearing and settlement through Euroclear or Clearstream or a successor clearing agent.

### Notice of Call or Redemption

On the date specified for redemption of any Trust Preferred Securities in a notice of redemption issued by the Trust in respect of any Trust Securities (which notice will be irrevocable and given at least 30 calendar days prior to the Redemption Date), if the Company has paid to the Property Trustee a sufficient amount of cash in connection with the related redemption of the Class B Preferred Securities, then, by 9:00 a.m., Central European time, on the date specified for redemption, the Trust will irrevocably deposit with the Principal Paying Agent funds sufficient to pay the amount payable on redemption of the Trust Preferred Securities called for redemption. If notice of redemption will have been given and funds are deposited as required, then upon the date of such deposit, all rights of holders of such Trust Securities so called for redemption will cease, except the right of the holders of such Trust Preferred Securities to receive the redemption price, but without interest on such redemption price. In the event that fewer than all of the outstanding Trust Preferred Securities are to be redeemed, the Trust Preferred Securities will be redeemed *pro rata* in accordance with the procedures of Euroclear and Clearstream.

### Purchases of the Trust Preferred Securities

Subject to the foregoing redemption provisions and procedures and applicable law (including, without limitation, U.S. federal securities laws), the Bank or its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the secondary market or by private agreement.

### Subordination of the Trust Common Security

Payment of Capital Payments and other distributions on, and amounts on redemption of, the Trust Securities will generally be made *pro rata* based on the Liquidation Preference Amount of the Trust Securities. However, upon the liquidation of the Trust and during the continuance of a default under the Debt Securities or a failure by the Bank to perform any obligation under the Support Undertaking, holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to payments of Capital Payments and other distributions and amounts upon redemption or liquidation of the Trust.

In the case of any Trust Enforcement Event, the holder of the Trust Common Security will be deemed to have waived any such Trust Enforcement Event until all such Trust Enforcement Events with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated. Until all Trust Enforcement Events with respect to the Trust Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee will act solely on behalf of the holders of the Trust Preferred Securities and not on behalf of the holder of the Trust Common Security, and only the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

### Liquidation Distribution upon Dissolution

Pursuant to the Trust Agreement, the Trust will dissolve (i) upon the bankruptcy, insolvency or dissolution of the Bank, (ii) upon the consent of at least a majority of the outstanding Trust Securities, voting together as a single class, to dissolve the Trust, (iii) upon the distribution of all of the Class B Preferred Securities upon the occurrence of a Trust Special Redemption Event, (iv) upon the entry of a decree of a judicial dissolution of the Company or the Trust, or (v) upon the redemption of all of the Trust Securities.

In the event of any voluntary or involuntary liquidation, dissolution, winding up or termination of the Trust, the holders of the Trust Securities will be entitled to receive, after payment of Trust liabilities, a corresponding amount of the Class B Preferred Securities. The holders of the Trust Preferred Securities will effectively have a preference over the holder of the Trust Common Security with respect to distributions upon liquidation of the Trust.

### Voting and Enforcement Rights

Except as expressly required by applicable law, or except as provided for in the Trust Agreement, the holders of the Trust Preferred Securities will not be entitled to vote on the affairs of the Trust or the Company. So long as the Trust holds any Class B Preferred Securities, the holders of the Trust Preferred Securities will have the right to direct the Property Trustee to enforce the voting rights attributable to such Class B Preferred Securities. These voting rights may be waived by the holders of the Trust Preferred Securities by written notice to the Property Trustee and in accordance with applicable laws.

Subject to the requirement of the Property Trustee obtaining a tax opinion as set forth in the last sentence of this paragraph, the holders of a majority of the outstanding Trust Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, and to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee, as holder of the Class B Preferred Securities, to (i) exercise the remedies available to it under the LLC Agreement as a holder of the Class B Preferred Securities, and (ii) consent to any amendment, modification or termination of the LLC Agreement or the Class B Preferred Securities where such consent will be required; provided, however, that, where a consent or action under the LLC Agreement would require the consent or act of the holders of more than a majority of the Class B Preferred Securities affected thereby, only the holders of the percentage of the aggregate number of the Trust Securities outstanding which is at least equal to the percentage of the Class B Preferred Securities required to so consent or act under the LLC Agreement, may direct the Property Trustee to give such consent or take such action on behalf of the Trust. See "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights." Except with respect to directing the time, method and place of conducting a proceeding for a remedy as described above, the Property Trustee will be under no obligation to take any of the actions described in clause (i) or (ii) above unless the Property Trustee has obtained an opinion of independent tax counsel to the effect that as a result of such action, the Trust will not fail to be classified as a grantor trust for U.S. federal income tax purposes and that after such action each holder of the Trust Securities will continue to be treated as owning an undivided beneficial ownership interest in the Class B Preferred Securities.

Any required approval or direction of holders of the Trust Preferred Securities may be given at a separate meeting of holders of the Trust Preferred Securities convened for such purpose, at a meeting of all of the holders of the Trust Securities or pursuant to a written consent. The Regular Trustees will cause a notice of any meeting at which holders of the Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be made in the manner described below under "– Notices." Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought; and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of the Trust Preferred Securities will be required for the Trust to redeem and cancel Trust Preferred Securities or distribute Class B Preferred Securities in accordance with the Trust Agreement.

Notwithstanding that holders of the Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are beneficially owned at such time by the Bank or any entity directly or indirectly controlled by, or under direct or indirect common control with, the Bank, will not be entitled to vote or consent and will, for purposes of such vote or consent, be treated as if such Trust Preferred Securities were not outstanding, except for the Trust Preferred Securities purchased or acquired by the Bank or its affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its affiliates or in connection with trading or market-making activities in connection with such Trust Preferred Securities in the ordinary course of business; provided, however, that persons (other than affiliates of the Bank) to whom the Bank or any of its affiliates have pledged Trust Preferred Securities may vote or consent with respect to such pledged Trust Preferred Securities to the extent provided in such pledge.

Holders of the Trust Preferred Securities will have no rights to appoint or remove the Regular Trustees, who may be appointed, removed or replaced solely by the IKB Group Company, as the holder of the Trust Common Security.

**Merger, Consolidation or Amalgamation of the Trust**

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other entity, except as described below. The Trust may, with the consent of a majority of the Regular Trustees and without the consent of the holders of the Trust Securities, the Property Trustee or the Delaware Trustee, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any State of the United States of America; provided, that (i) if the Trust is not the survivor, such successor entity either (x) expressly assumes all of the obligations of the Trust to the holders of the Trust Securities or (y) substitutes for the Trust Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities"), so long as the Successor Securities rank the same as the Trust Securities rank with respect to Capital Payments, distributions and rights upon liquidation, redemption or otherwise, (ii) the Company expressly acknowledges a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Class B Preferred Securities, (iii) such merger, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including the Successor Securities) to be downgraded by any statistical rating organization nationally recognized in the United States of America, (iv) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including any Successor Securities) in any material respect, (v) such successor entity has purposes substantially identical to that of the Trust, (vi) the obligations of the Bank pursuant to the Support Undertaking will continue in full force and effect, and (vii) prior to such merger, consolidation, amalgamation or replacement, the Bank has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that: (A) such merger, consolidation, amalgamation or replacement will not adversely affect the rights, preferences and privileges of the holders of the Trust Preferred Securities (including the Successor Securities) in any material respect, (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register under the 1940 Act, (C) following such merger, consolidation, amalgamation or replacement, the Trust (or such successor trust) will be classified as a grantor trust for U. S. federal income tax purposes and (D) following such merger, consolidation, amalgamation or replacement, the Company will not be classified as an association or a publicly traded partnership taxable as a corporation for United States federal income tax purposes. Notwithstanding the foregoing, the Trust will not, except with the consent of holders of 100% of the outstanding Trust Preferred Securities (excluding Trust Preferred Securities held by the Bank and its affiliates), consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity not to be classified as a grantor trust for United States federal income tax purposes.

**Modification of the Trust Agreement**

The Trust Agreement may be modified and amended if approved by a majority of the Regular Trustees (and in certain circumstances the Property Trustee and the Delaware Trustee), provided, that, if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Trust Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding up or termination of the Trust other than pursuant to the terms of the Trust Agreement, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of at least a majority of the outstanding Trust Securities affected thereby; provided, further that, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or the Trust Common Security, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal will not be effective except with the approval of a majority of such class of the Trust Securities outstanding.

The Trust Agreement may be amended without the consent of the holders of the Trust Securities to (i) cure any ambiguity, (ii) correct or supplement any provision in the Trust Agreement that may be defective or inconsistent with any other provision of the Trust Agreement, (iii) add to the covenants, restrictions or obligations of the Bank, (iv) conform to any change in the 1940 Act or the rules or regulations thereunder, (v) modify, eliminate and add to any provision of the Trust Agreement to such extent as may be necessary or desirable; provided, that, no such amendment will have a material adverse effect on the rights, preferences or privileges of the holders of the Trust Securities or (vi) accomplish the issuance, from time to time, of additional Trust Preferred Securities in consideration for the receipt of an equal number of additional Class B Preferred Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Trust Agreement if such amendment or modification would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) cause the Company to be classified as an association or publicly traded partnership taxable as a corporation for such purposes, (iii) reduce or otherwise adversely affect the powers of the Property Trustee or (iv) cause the Trust or the Company to be required to register under the 1940 Act.

**Form, Clearing and Settlement; Certifications by Holders**

The Trust Preferred Securities will be initially evidenced by a Temporary Global Certificate, in fully registered form, interests in which will be exchangeable for interests in the Permanent Global Certificate upon the 40th day after the later of the closing date and the completion of the distribution of the Trust Preferred Securities (the "Restricted Period"). The Global Certificates will be deposited upon issuance with, and registered in the name of Clearstream AG for credit to accountholders of Clearstream AG, Clearstream and Euroclear. Definitive certificates representing individual Trust Preferred Securities and coupons shall not be issued. Copies of the Temporary Global Certificate and the Permanent Global Certificate are available free of charge at the specified offices of the Paying Agents. Beneficial interests in the Global Certificates may not be exchanged for Trust Preferred Securities in certificated form except as set forth below.

On or after the expiration of the Restricted Period, a certificate must be provided by or on behalf of each holder of a beneficial interest in a Temporary Global Certificate to the Paying Agent, certifying that the beneficial owner of the interest in such Temporary Global Certificate is not a U.S. Person. Unless such certificate is provided, (i) the holder of such beneficial interest will not receive any payments of dividends, redemption price or any other payment with respect to such holder's beneficial interest in the Temporary Global Certificate, (ii) such beneficial interest may not be exchanged for a beneficial interest in a Permanent Global Certificate, and (iii) settlement of trades with respect to such beneficial interest will be suspended. In the event that any holder of a beneficial interest in such Temporary Global Certificate fails to provide such certification, exchanges of interests in the Temporary Global Certificate for interests in the Permanent Global Certificate and settlements of trades of all beneficial interests in such Temporary Global Certificate may be temporarily suspended.

**Transfer**

Beneficial interests in the Trust Preferred Securities will be shown only on, and transfers thereof will be effected only through, book-entry records maintained by Clearstream AG and, except in the limited circumstances described below, Trust Preferred Securities in certificated form will not be issued. Holders of beneficial interests in the Global Certificates must rely upon the procedures of Clearstream AG, Euroclear and Clearstream and (if applicable) their respective participants to exercise any rights of a holder under the Global Certificates. Transfers and payments in respect of the Trust Preferred Securities may be effected through the Paying Agent in Frankfurt subject to the terms of the Trust Preferred Securities and the operating procedures of Clearstream AG. In the case of transfers between Clearsteam participants, between Euroclear participants and between Clearstream participants on the one hand and Euroclear participants on the other hand shall be effected in accordance with procedures established for these purposes by Clearstream and Euroclear, respectively. None of the Bank, the Company and the Trust will have any responsibility or liability for any aspect of the records relating to the payments made on account of beneficial interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

A Permanent Global Certificate will cease to represent the Trust Preferred Securities, and Trust Preferred Securities in definitive registered form will be exchangeable therefor only if (i) Clearstream AG notifies the Company that it is unwilling or unable to continue as depositary for such Permanent Global Certificate and no successor depositary shall have been appointed or (ii) the Company determines in its sole discretion that such Permanent Global Certificate shall be so exchangeable. Such definitive Trust Preferred Securities will be in denominations of € 100 and will be registered in such names as Clearstream AG shall direct and payments with respect thereto will be made at the offices described below. In addition, in all cases where the Trust Preferred Securities are issued in definitive form, the record dates for Capital Payments thereon will be 15 days prior to the relevant Payment Date (whether or not such date is a Business Day). Except as set forth in this paragraph, no definitive securities will be issued.

**Payment**

Payments in respect of the Trust Preferred Securities will be made to or as directed by Clearstream AG as the registered holder of the Global Certificate representing the Trust Preferred Securities. Payments made to Clearstream AG shall be made by wire transfer, and Clearstream AG, Euroclear or Clearstream, as applicable, will credit the relevant accounts of their participants on the applicable dates.

**Transfer Agent and Paying Agent**

Citibank N. A., London will act as principal transfer agent (the "Transfer Agent") and principal paying agent (the "Principal Paying Agent"). Registration of transfers of the Trust Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the Transfer Agent may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Trust Preferred Securities have been called for redemption, the Transfer Agent will not be required to register or cause to be registered the transfer of the Trust Preferred Securities.

For so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of the Frankfurt Stock Exchange so require, the Company will maintain a paying agent and transfer agent in Frankfurt (the "Frankfurt Paying and Transfer Agent"). The initial Frankfurt paying and transfer agent will be Citibank AG.

For as long as the Trust Preferred Securities are listed on the Vienna Stock Exchange and the rules of the Vienna Stock Exchange so require, the Company will maintain a paying agent in Austria. The initial paying agent in Austria will be Bank Austria AG (the "Austria Paying Agent").

**Information Conceming the Property Trustee**

The Property Trustee, prior to the occurrence of a Trust Enforcement Event, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after such default, will exercise the same degree of care as a prudent person would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of the Trust Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The holders of the Trust Preferred Securities will not be required to offer such indemnity in the event such holders, by exercising their rights, direct the Property Trustee to take any action following a Trust Enforcement Event.

**Notices**

Notices to the holders of the Trust Preferred Securities will be given by delivery of the relevant notice to Euroclear, Clearstream and any other relevant securities clearing system for communication by each of them to entitled participants, and so long as the Trust Preferred Securities are listed on the Frankfurt Stock Exchange and the rules of such stock exchange so require, all notices to holders of the Trust Preferred Securities will also be published in the German Federal Gazette (*Bundesanzeiger*) and in English in at least one newspaper having general circulation in Frankfurt and admitted to carry stock exchange announcements (which is expected to be the *Börsen-Zeitung*) or, if such Frankfurt publication is not practicable, in one other leading English language newspaper being published on each day in morning editions whether or not it shall be published on Saturday, Sunday or holidays. Such notices will be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

For so long as the Trust Preferred Securities are listed on the Vienna Stock Exchange and the rules of such stock exchange so require, all notices to holders of the Trust Preferred Securities will also be published in the *Amtsblatt zur Wiener Zeitung,* an Austrian newspaper admitted to carry stock exchange announcements. Such notices will be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication.

**Governing law**

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the laws of the State of Delaware.

**Miscellaneous**

The Regular Trustees are authorized and directed to conduct the affairs of and to operate the Trust in such a way that the Trust will not be required to register under the 1940 Act and will not be characterized as other than a grantor trust for United States federal income tax purposes.

## DESCRIPTION OF THE COMPANY SECURITIES

The following summary sets forth the material terms and provisions of the limited liability company interests of the Company, including the Class B Preferred Securities. This summary is qualified in its entirety by reference to the terms and provisions of the LLC Agreement.

Upon the execution of the LLC Agreement, the Company will issue limited liability company interests consisting of the Company Common Security, the Class A Preferred Security and the Class B Preferred Securities. The Company Common Security and the Class A Preferred Security will each be owned directly by an IKB Group Company. All of the Class B Preferred Securities will be owned by the Trust. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

### Company Common Security

Subject to the rights of the holders of the Class B Preferred Securities to appoint the Independent Enforcement Director, all voting rights are vested in the Company Common Security. The Company Common Security is entitled to one vote per security. The Company Common Security, upon consummation of the Offering, will be held by an IKB Group Company.

Capital Payments may be declared and paid on the Company Common Security only if all Capital Payments on the Class B Preferred Securities, if any, in respect of the relevant Interest Payment Period have been declared and paid. The Company does not expect to pay dividends on the Company Common Security.

In the event of the voluntary or involuntary liquidation, dissolution, termination or winding up of the Company, after the payment of all debts and liabilities and after there have been paid or set aside for the holders of all the Company Preferred Securities the full preferential amounts to which such holders are entitled, the holder of the Company Common Security will be entitled to share equally and *pro rata* in any remaining assets.

### Class A Preferred Security

The Class A Preferred Security of the Company is non-voting. Capital payments on the Class A Preferred Security will be payable when, as and if declared by the Board of Directors; such a declaration will occur only to the extent the Board of Directors does not declare Capital Payments on the Class B Preferred Securities at the Stated Rate in full on any Interest Payment Date. It is expected that the holder of the Class A Preferred Security will receive capital payments only to the extent that

(i) Capital Payments are not permitted to be declared on the Class B Preferred Securities on any Interest Payment Date at the Stated Rate in full due to insufficient Distributable Profits of the Bank for the fiscal year preceding such Interest Payment Period or an order of the BAFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution, and

(ii) the Company has sufficient Operating Profits. The Company currently does not intend to pay capital payments on the Class A Preferred Security. The payment of capital payments on the Class A Preferred Security is not a condition to the payment of Capital Payments on the Class B Preferred Securities.

In the event of any voluntary or involuntary liquidation, dissolution or winding up or termination of the Company, the Class B Preferred Securities will rank junior to the Class A Preferred Security, and the Class B Preferred Securities will rank senior to the Company Common Security; provided, that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. Accordingly, upon any liquidation, the holder of the Class A Preferred Security will be entitled to receive a liquidation distribution of the Debt Securities or Permitted Investments (including accrued and unpaid interest thereon). In the event of the liquidation of the Company, the Independent Enforcement Director will enforce the Support Undertaking solely for the benefit of the holders of the Class B Preferred Securities and, with respect to the Company's rights under the Support Undertaking, the Class B Preferred Securities will rank senior to the Class A Preferred Security and payments thereunder will be distributed by the Company solely to the holders of the Class B Preferred Securities. For a description of the circumstances under which an Independent Enforcement Director may be elected, see "Description of the Company Securities – Class B Preferred Securities – Voting and Enforcement Rights."

**Class B Preferred Securities**

*General*

When issued, the Class B Preferred Securities will be validly issued, fully paid and non-assessable. The holders of the Class B Preferred Securities will have no pre-emptive rights with respect to any other securities of the Company. The Class B Preferred Securities will not have any scheduled maturity date, will not be redeemable at any time at the option of the holders thereof, will not be convertible into any other securities of the Company and will not be subject to any sinking fund or other obligation of the Company for their repurchase or redemption. The LLC Agreement prohibits the Company, without the consent of all holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), from issuing any debt securities or any further class or series of securities ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights upon liquidation or dissolution of the Company, provided, however, that the Company may, from time to time, and without the consent of the holders of the Class B Preferred Securities, issue further Class B Preferred Securities having the same terms and conditions as the Class B Preferred Securities (or in all respects except for the issue date, the date as of which Capital Payments accrue, the issue price, and any other deviations required for compliance with law) so as to form a single series with the Class B Preferred Securities.

*Capital Payments*

For each Interest Payment Period, Capital Payments will accrue on the respective Liquidation Preference Amounts of the Trust Preferred Securities and the Class B Preferred Securities at a rate per annum equal to 3-month €uribor (as defined herein) for such Interest Payment Period, plus 1.50%, payable quarterly in arrears on June 30, September 30, December 31 and March 31 of each fiscal year of the Bank, commencing September 30, 2002, (each such date, an "Interest Payment Date"). Capital Payments will be calculated on the basis of the actual number of days elapsed in a year of 360 days (actual/360), and will accrue from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the date of issue) to but excluding the relevant Interest Payment Date (each such period, an "Interest Payment Period").

If any Interest Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day, unless that day falls in the next calendar month, in which case such payment will be due on the first preceding Business Day, in each case without adjustment, interest or further payment as a result thereof.

Capital Payments on the Class B Preferred Securities are expected to be paid out of amounts received by the Company on the Debt Securities or Permitted Investments held by the Company from time to time. If the Company does not declare (and is not deemed to have declared) a Capital Payment on the Class B Preferred Securities in respect of any Interest Payment Period, holders of the Class B Preferred Securities will have no right to receive a Capital Payment on the Class B Preferred Securities in respect of such Interest Payment Period, and the Company will have no obligation to pay a Capital Payment on the Class B Preferred Securities in respect of such Interest Payment Period, whether or not Capital Payments are declared (or deemed to have been declared) and paid on the Class B Preferred Securities in respect of any future Interest Payment Period.

Capital Payments on the Class B Preferred Securities are authorized to be declared and paid on any Interest Payment Date to the extent that

(i) the Company has an amount of Operating Profits for the Interest Payment Period ending on the day immediately preceding such Interest Payment Date at least equal to the amount of such Capital Payments, and

(ii) the Bank has an amount of Distributable Profits for the preceding fiscal year at least equal to the aggregate amount of such Capital Payments on the Class B Preferred Securities and capital payments or dividends on Parity Securities, if any, *pro rata* on the basis of Distributable Profits for such preceding fiscal year.

Notwithstanding the foregoing, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities if the Bank or any of its subsidiaries declares or pays any dividends or makes any other payment or other distribution on any Parity Securities (excluding payments by subsidiaries of the Bank exclusively to the Bank). If the dividend or other payment or distribution on Parity Securities was in the full stated amount payable on such Parity Securities in the then current fiscal year through the Interest Payment Date, Capital Payments will be deemed declared at the Stated Rate in full for the then current fiscal year through such Interest Payment Date. If the dividend or other payment or distribution on Parity Securities was only a partial payment of the amount so owing, the amount of the Capital Payment deemed declared on the Class B Preferred Securities will be adjusted proportionally.

Further, notwithstanding the foregoing, if the Bank or any of its subsidiaries declares or pays any dividend or makes any other payment or distribution on Junior Securities ("Junior Distributions"), the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities for payment in an amount, or in full for a number of Interest Payment Dates, that varies according to how often the relevant Junior Securities pay dividends or make any other payment or whether Interest Payment Dates are annual or quarterly.

- If such Junior Securities pay Junior Distributions annually, the Capital Payments will be deemed declared for payment at the Stated Rate in full on the four Payment Dates falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions semi-annually, the Capital Payments will be deemed declared for payment in full on the two Interest Payment Dates following contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.
- If such Junior Securities pay Junior Distributions quarterly, the Capital Payments will be deemed declared for payment on the first Interest Payment Date falling contemporaneously with and/or immediately following the date on which such dividend was declared or other payment made.

If the Bank or any of its subsidiaries redeems, repurchases or otherwise acquires any Parity Securities or Junior Securities for any consideration except by conversion into or exchange for shares of common stock of the Bank and subject to certain exceptions set forth in this section, the Company will be deemed to have declared Capital Payments on the Class B Preferred Securities at the Stated Rate in full for the first four Interest Payment Dates falling contemporaneously with and/or immediately following the date on which such redemption, repurchase or other acquisition occurred.

Despite sufficient Operating Profits of the Company and sufficient Distributable Profits of the Bank, the Company will not be permitted to make Capital Payments on the Class B Preferred Securities on any Interest Payment Date (or a date set for redemption or liquidation) if on such date there is in effect an order of the BAFin (or any other relevant regulatory authority) prohibiting the Bank from making any distribution. The Company will have no obligation to make up, at any time, any Capital Payments not paid in full by the Company as a result of insufficient Operating Profits of the Company, insufficient Distributable Profits of the Bank or an order of the BAFin.

In determining the availability of sufficient Distributable Profits of the Bank related to any fiscal year to permit Capital Payments to be declared with respect to the Class B Preferred Securities, any Capital Payments already paid on the Class B Preferred Securities and any capital payments or dividends already paid on Parity Securities, if any, on the basis of such Distributable Profits for such fiscal year will be deducted from such Distributable Profits.

Each declared Capital Payment will be payable to the holders of record as they appear on the securities register of the Company at the close of business on the corresponding record date. The record dates for the Class B Preferred Securities will be:

- for those Class B Preferred Securities held by the Property Trustee, so long as the Trust Preferred Securities remain in book-entry form, and for Class B Preferred Securities held in book-entry form, one Business Day prior to the relevant Interest Payment Date, and
- in all other cases, the 15th day of the month in which the relevant Interest Payment Date occurs.

*Payments of Additional Amounts*

All payments on the Class B Preferred Securities, and any repayment upon redemption thereof, will be made without any deduction or withholding for or on account of Withholding Taxes, unless such deduction or withholding is required by law. The Company will pay, as additional Capital Payments, such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Class B Preferred Securities and the Trust Preferred Securities, after any deduction or withholding for or on account of Withholding Taxes, will equal the amounts that would otherwise have been received in respect of the Class B Preferred Securities and the Trust Preferred Securities, respectively, in the absence of such withholding or deduction.

No such Additional Amounts, however, will be payable in respect of the Class B Preferred Securities and the Trust Preferred Securities: (i) if and to the extent that the Company is unable to pay because such payment would exceed the Distributable Profits of the Bank for the preceding fiscal year (after subtracting from such Distributable Profits the amount of Capital Payments on the Class B Preferred Securities and any payments on Parity Securities, if any, already paid on the basis of such Distributable Profits on or prior to the date on which such Additional Amounts will be payable); (ii) with respect to any Withholding Taxes that are payable by reason of a holder or beneficial owner of the Class B Preferred Securities (other than the Trust) or Trust Preferred Securities having some connection with the Relevant Jurisdiction other than by reason only of the mere holding of the Trust Preferred Securities; (iii) with respect to any Withholding Taxes imposed in consequence of the implementation of the Proposed EU Savings Tax Directive; or (iv) where such deduction or withholding can be avoided if the holder or beneficial owner of the Trust Preferred Securities makes a declaration of non-residence or other similar claim for exemption to the relevant tax authority or complies with any reasonable certification, documentation, information or other reporting requirement imposed by the relevant tax authority.

*Voting and Enforcement Rights*

The Class B Preferred Securities will have no voting rights except as expressly required by applicable law or except as indicated below. In the event the holders of the Class B Preferred Securities are entitled to vote as indicated below, each Class B Preferred Security will be entitled to one vote on matters on which holders of the Class B Preferred Securities are entitled to vote. In the event that

(i) the Company fails to pay Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities at the Stated Rate in full for four consecutive Interest Payment Periods or

(ii) a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking and such failure continues for 60 days after such notice is given,

then the holders of the Class B Preferred Securities will have the right to appoint the Independent Enforcement Director. The Independent Enforcement Director will be appointed by resolution passed by a majority of the holders of the Class B Preferred Securities entitled to vote thereon, as described in the LLC Agreement, present in person or by proxy at a separate general meeting of the holders of the Class B Preferred Securities convened for that purpose (which will be called at the request of any holder of a Class B Preferred Security entitled to vote thereon) or by a consent in writing adopted by a majority of the holders of the Class B Preferred Securities entitled to vote thereon. Any Independent Enforcement Director so appointed will vacate office if, in such Independent Enforcement Director's sole determination:

(i) the Capital Payments (plus Additional Amounts thereon, if any) on the Class B Preferred Securities have been made on the Class B Preferred Securities at the Stated Rate in full by the Company for four consecutive Interest Payment Periods and

(ii) the Bank is in compliance with its obligations under the Support Undertaking.

Any such Independent Enforcement Director may be removed at any time, with or without cause by (and will not be removed except by) the vote of a majority of the holders of the outstanding Class B Preferred Securities entitled to vote, at a meeting of the Company's securityholders, or of holders of the Class B Preferred Securities entitled to vote thereon, called for that purpose. If the office of Independent Enforcement Director becomes vacant at any time during which the holders of the Class B Preferred Securities are entitled to appoint an Independent Enforcement Director, the holders of the Class B Preferred Securities will appoint an Independent Enforcement Director as provided above.

The Independent Enforcement Director will be an additional member of the Board of Directors referred to above and will have the sole authority, right and power to enforce and settle any claim of the Company under the Support Undertaking. However, the Independent Enforcement Director will have no right, power or authority to participate in the management of the business and affairs of the Company by the Board of Directors except for:

- actions related to the enforcement of the Support Undertaking on behalf of the holders of the Class B Preferred Securities, and
- the distribution of amounts paid pursuant to the Support Undertaking to the holders of the Class B Preferred Securities.

So long as any Class B Preferred Securities are outstanding, the Company will not, without the affirmative vote of the holders of at least 66⅔% in aggregate Liquidation Preference Amount of the Class B Preferred Securities, voting separately as a class (excluding any Class B Preferred Securities held by the Bank or any of its affiliates),

(i) amend, alter, repeal or change any provision of the LLC Agreement (including the terms of the Class B Preferred Securities) if such amendment, alteration, repeal or change would materially adversely affect the rights, preferences, powers or privileges of the Class B Preferred Securities, or

(ii) effect any merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company, provided, that any such merger, consolidation, or business combination involving the Company, or any sale of all or substantially all of the assets of the Company also must comply with the requirements set forth under "– Mergers, Consolidations and Sales".

The Company will not, without the unanimous consent of all the holders of the Class B Preferred Securities (excluding any Class B Preferred Securities held by the Bank or any of its affiliates), issue any additional securities of the Company ranking prior to or *pari passu* with the Class B Preferred Securities as to periodic distribution rights or rights on liquidation or dissolution of the Company provided, however, that the Company may, from time to time, issue additional Class B Preferred Securities in consideration for Debt Securities of a principal amount equal to the aggregate Liquidation Preference Amount of such additional Class B Preferred Securities.

Notwithstanding that holders of the Class A Preferred Security or Class B Preferred Securities may become entitled to vote or consent under any of the circumstances described in the LLC Agreement or in the by-laws of the Company (the "Bylaws"), any Class A Preferred Security or any of the Class B Preferred Securities that are owned by the Bank, the Company or any of their respective affiliates (other than the Trust), either directly or indirectly, will in such case not be entitled to vote or consent and will, for the purposes of such vote or consent, be treated as if they were not outstanding, except for a Class A Preferred Security or Class B Preferred Securities purchased or acquired by the Bank or its subsidiaries or affiliates in connection with transactions effected by or for the account of customers of the Bank or any of its subsidiaries or affiliates or in connection with the distribution or trading of or market-making in connection with such Class A Preferred Security or Class B Preferred Securities in the ordinary course of business. However, certain persons (other than subsidiaries or affiliates of the Bank), excluding the Trust, to whom the Bank or any of its subsidiaries or affiliates have pledged a Class A Preferred Security or Class B Preferred Securities may vote or consent with respect to such pledged Class A Preferred Security or Class B Preferred Securities to the extent permitted by the terms of such pledge.

**Redemption of the Class B Preferred Securities**

The Class B Preferred Securities are redeemable at the option of the Company, in whole or in part, on any Interest Payment Date falling on or after the Initial Redemption Date, at a redemption price per Class B Preferred Security equal to the Liquidation Preference Amount thereof, plus any accrued and unpaid Capital Payments for the then current Interest Payment Period up to but excluding the Redemption Date, plus Additional Amounts, if any.

The Company will also have the right, at any time prior to the Initial Redemption Date, to redeem the Class B Preferred Securities, in whole but not in part, upon the occurrence of a Company Special Redemption Event. Any such redemption will be at a Redemption Price equal to (i) in the case of a redemption on or after the Initial Redemption Date, the liquidation preference amount of the Class B Preferred Securities being redeemed and (ii) in the case of a redemption prior to the Initial Redemption Date, the liquidation preference amount of the Class B Preferred Securities, in each case plus any accrued and unpaid Capital Payments for the then current Interest Payment Period up to but excluding the Redemption Date, plus Additional Amount, if any.

No redemption of any Class B Preferred Securities for any reason may take place unless on the Redemption Date:

(i) the Company has sufficient funds (by reason of the Debt Securities, Permitted Investments or the Support Undertaking) to pay the redemption price and to pay in full an amount corresponding to the Capital Payments accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and on the Redemption Date the Debt Securities have been redeemed in an aggregate principal amount equivalent to the Liquidation Preference Amount of the Class B Preferred Securities being redeemed;

(ii) the Bank has an amount of Distributable Profits at least equal to the Capital Payments on the Class B Preferred Securities accrued and unpaid as of the Redemption Date, plus Additional Amounts, if any; and

(iii) no order of the BAFin (or any other relevant regulatory authority) is in effect prohibiting the Bank from making any distributions (including to the holders of Parity Securities, if any).

If the outstanding Class B Preferred Securities are to be redeemed in part, then the amount of the Class B Preferred Securities to be redeemed will be determined by the Board of Directors, and the securities will be redeemed by lot or *pro rata* as may be determined by the Board of Directors in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which the Class B Preferred Securities may then be listed, and any rules of a relevant clearing corporation. In the case of a partial redemption, the Company will promptly notify the registrar and the transfer agent for the Class B Preferred Securities in writing of the Class B Preferred Securities selected for partial redemption and the Liquidation Preference Amount of the Class B Preferred Securities thereof to be redeemed.

In the event that payment of the Redemption Price in respect of any Class B Preferred Securities, is improperly withheld or refused and not paid, Capital Payments on such Class B Preferred Securities will continue to accrue from the Redemption Date to the date of actual payment of such Redemption Price.

Any redemption of the Class B Preferred Securities, whether on an Interest Payment Date on or after the Initial Redemption Date or upon the occurrence of a Company Special Redemption Event, will not require the vote or consent of any of the holders of the Class B Preferred Securities.

*Redemption Procedures*

Notice of any redemption of the Class B Preferred Securities (a "Redemption Notice") will be given by the Board of Directors on behalf of the Company by mail to the record holder of each Class B Preferred Security to be redeemed not fewer than 30 days before the date fixed for redemption, or such other time period as may be required by the relevant regulatory authorities. For purposes of the calculation of the Redemption Date and the dates on which notices are given pursuant to the LLC Agreement, a Redemption Notice will be deemed to be given on the day such notice is first mailed, by first-class mail, postage prepaid, to holders of the Class B Preferred Securities. Each Redemption Notice will be addressed to the holders of the Class B Preferred Securities at the address of each such holder appearing in the books and records of the Company. No defect in the Redemption Notice or in the mailing thereof with respect to any holder will affect the validity of the redemption proceedings with respect to any other holder.

If the Company has given a Redemption Notice (which notice will be irrevocable) on the Redemption Date, the Company will deposit irrevocably with the Paying Agent funds sufficient to pay the Redemption Price and will give to the Paying Agent irrevocable instructions and authority to pay such amounts to the holders of the Class B Preferred Securities to be redeemed.

However, for so long as the Property Trustee holds the Class B Preferred Securities, payment will be made by wire in same day funds to the holder of the Class B Preferred Securities by 12:00 noon, Central European time, on the Redemption Date. Upon satisfaction of the foregoing conditions, then immediately prior to the close of business on the date of payment, all rights of the holders of the Class B Preferred Securities so called for redemption will cease, except the right of the holders to receive the Redemption Price, but without interest on the Redemption Price, and from and after the date fixed for redemption, such Class B Preferred Securities will not accrue Capital Payments or bear interest.

### Liquidation Distribution

Upon liquidation of the Company, the holder of the Class A Preferred Security has a claim senior to that of the holders of the Class B Preferred Securities, and the holders of the Class B Preferred Securities have a claim senior to that of the holder of the Company Common Security; provided that any payments made by the Bank pursuant to the Support Undertaking will be payable by the Company solely to the holders of the Class B Preferred Securities. The holder of the Class A Preferred Security will be entitled to receive the Debt Securities (including accrued and unpaid interest thereon) as its liquidation distribution.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of the Class B Preferred Securities will, subject to the limitations described below, be entitled to receive the Liquidation Preference Amount of such Class B Preferred Securities, plus, in each case, accrued and unpaid Capital Payments in respect of the current Interest Payment Period and Additional Amounts, if any. The Company expects that the liquidation distribution to the holders of the Class B Preferred Securities will be paid out of funds received from the Support Undertaking. The holders of the Class B Preferred Securities will be entitled to receive their liquidation distribution before any distribution of assets is made to the holder of the Company Common Security. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Company will not be dissolved until all obligations under the Support Undertaking have been paid in full pursuant to its terms.

### Mergers, Consolidations and Sales

The Company may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Company may, with the consent of the holders of the Class B Preferred Securities, consolidate, amalgamate, merge with or into, or be replaced by a limited partnership, limited liability company or trust organized as such under the laws of any state of the United States of America, provided, that:

- such successor entity either expressly assumes all of the obligations of the Company under the Class B Preferred Securities or substitutes for the Class B Preferred Securities other securities having substantially the same terms as the Class B Preferred Securities (the "Company Successor Securities") so long as the Company Successor Securities are not junior to any equity securities of the successor entity, with respect to participation in the profits, distributions and assets of the successor entity, except that they may rank junior to the Class A Preferred Security or any successor Class A Preferred Security to the same extent that the Class B Preferred Securities rank junior to the Class A Preferred Security;

- the Bank expressly acknowledges such successor entity as the holder of the Debt Securities and holds, directly or indirectly, all of the voting securities (within the meaning of Rule 3a-5 under the 1940 Act) of such successor entity;
- such consolidation, amalgamation, merger or replacement does not adversely affect the powers, preferences and other special rights of the holders of the Trust Preferred Securities or Class B Preferred Securities (including any Company Successor Securities) in any material respect;
- such successor entity has a purpose substantially identical to that of the Company;
- prior to such consolidation, amalgamation, merger or replacement, the Company has received an opinion of a nationally recognized law firm in the United States of America experienced in such matters to the effect that:
  - such successor entity will be treated as a partnership, and will not be classified as an association or a publicly traded partnership taxable as a corporation, for United States federal income tax purposes,
  - such consolidation, amalgamation, merger or replacement would not cause the Trust to be classified as other than a grantor trust for United States federal income tax purposes,
  - following such consolidation, amalgamation, merger or replacement, such successor entity will not be required to register under the 1940 Act, and
  - such consolidation, amalgamation, merger or replacement will not adversely affect the limited liability of the holders of the Class B Preferred Securities;
- the Bank provides an undertaking to the successor entity under the Company Successor Securities equivalent to that provided by the Support Undertaking with respect to the Class B Preferred Securities.

**Book-entry and Settlement**

If the Class B Preferred Securities are distributed to holders of the Trust Preferred Securities in connection with the involuntary or voluntary liquidation, dissolution, winding up or termination of the Trust, the Company will use reasonable efforts to arrange for the Class B Preferred Securities to be issued in the form of one or more global certificates (each a "Global Security") registered in the name of Clearstream AG. As of the date of this Sales Prospectus, the description herein of Clearstream AG's book-entry system and practices as they relate to purchases, transfers, notices and payments with respect to the Trust Preferred Securities will apply in all material respects to any Class B Preferred Securities represented by one or more Global Securities.

**Registrar and Transfer Agent**

The Bank will also act as the registrar and transfer agent for the Class B Preferred Securities. Registration of transfers of the Class B Preferred Securities will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the transfer agent for the Class B Preferred Securities may require) in respect of any tax or other governmental charges that may be imposed in relation to it. After such Class B Preferred Securities have been called for redemption, the transfer agent for the Class B Preferred Securities will not be required to register or cause to be registered the transfer of the Class B Preferred Securities.

**Miscellaneous**

The Board of Directors is authorized and directed to conduct the affairs of the Company in such a way that (i) the Company will not be deemed to be required to register under the 1940 Act, (ii) the Company will not be treated as an association or as a "publicly traded partnership" (within the meaning of Section 7704 of the Code) taxable as a corporation for United States federal income tax purposes and (iii) the Company will not be treated as engaged in the conduct of a U.S. trade or business. In this connection, the Board of Directors is authorized to take any action, not inconsistent with applicable law or the LLC Agreement, that the Board of Directors determines in its discretion to be necessary or desirable for such purposes, so long as such action does not adversely affect the interests of the holders of the Class B Preferred Securities.

## DESCRIPTION OF THE SUPPORT UNDERTAKING

The following summary sets forth the material terms and provisions of the Support Undertaking. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

The Bank and the Company will enter into the Support Undertaking prior to the issuance of the Class B Preferred Securities, pursuant to which the Bank will undertake that (i) the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including Capital Payments declared (or deemed declared) on the Class B Preferred Securities (plus Additional Amounts thereon, if any), and (ii) in liquidation, the Company will have sufficient funds to pay the Liquidation Preference Amounts of the Class B Preferred Securities, plus any accrued and unpaid Capital Payments for the then current Interest Payment Period up to but excluding the date of liquidation and Additional Amounts, if any. The Bank will also undertake not to give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support of, any other preference shares or similar securities of any other affiliated entity that would rank senior in any regard to the Support Undertaking, unless the Support Undertaking is amended so that it ranks at least *pari passu* with and contains substantially equivalent rights of priority as to payment as any such other guarantee or other support agreement. The Bank's obligations under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 Capital Contribution Certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, rank *pari passu* with the Bank's obligations under the Support Undertaking. So long as any Class B Preferred Securities remain outstanding, the Support Undertaking may not be modified or terminated without the consent of the holders of the Class B Preferred Securities except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities. The Support Undertaking is not a guarantee of any kind that the Company will at any time have sufficient assets to declare a Capital Payment or other distribution.

The Bank's obligations under the Support Undertaking will be subordinated to all senior and subordinated debt obligations of the Bank, will rank *pari passu* with each class of the most senior ranking preference shares, if any, and other instruments of the Bank qualifying as Tier 1 regulatory capital, and will rank senior to any other preference shares and the common shares of the Bank.

The holders of the Class B Preferred Securities will be third-party beneficiaries of the Support Undertaking. As titleholder of the Class B Preferred Securities for the benefit of the holders of the Trust Securities, the Property Trustee will have the power to exercise all rights, powers and privileges with respect to the Class B Preferred Securities under the Support Undertaking. If a holder of the Class B Preferred Securities has notified the Company that the Bank has failed to perform any obligation under the Support Undertaking, and such failure continues for 60 days or more after such notice is given, the holders of the Class B Preferred Securities (and the Trust Preferred Securities representing Class B Preferred Securities) will have the right to appoint the Independent Enforcement Director, who will be required to enforce the rights of the Company under the Support Undertaking.

All payments under the Support Undertaking will be distributed by the Company *pro rata* to holders of the Class B Preferred Securities until the holders of the Class B Preferred Securities receive the full amount payable under the Support Undertaking. So long as the Trust holds Class B Preferred Securities, the Property Trustee will distribute such payments received by the Trust to the holders of the Trust Preferred Securities *pro rata.*

The Support Undertaking will be governed by, and construed in accordance with, German law.

## DESCRIPTION OF THE SERVICES AGREEMENT

The following summary sets forth the material terms and provisions of the Services Agreement. This summary is qualified in its entirety by reference to the terms and provisions of such agreement.

Under the Services Agreement, the Servicer will be obligated, among other things, to provide tax and other administrative services to the Trust and the Company.

The Services Agreement will terminate upon at least ten 10 days written notice of termination from either the Trust or Servicer to the other; provided, however, that the Servicer has nominated, and the Trust has approved such nomination of, a successor manager to assume all of the rights and obligations of the Servicer hereunder.

The Services Agreement will be governed by, and construed in accordance with, the laws of the State of New York.

# DESCRIPTION OF THE INITIAL DEBT SECURITIES

The following summary sets forth the material terms and provisions of the Initial Debt Securities. This summary is qualified in its entirety by reference to the terms and provisions of the Initial Debt Securities.

**General**

The Principal Amount of the Initial Debt Securities will be up to € 250,000,300 and will be equal to the sum of the aggregate Liquidation Preference Amount of the Class B Preferred Securities plus the aggregate amounts contributed by an IKB Group Company in return for the Class A Preferred Security and the Company Common Security. The gross proceeds from the issuance of the Class B Preferred Securities, together with the funds contributed by such IKB Group Company in return for the Class A Preferred Security and the Company Common Security, will be used by the Company to purchase the Initial Debt Securities. The purchase of the Initial Debt Securities will occur contemporaneously with the issuance of the Class B Preferred Securities.

The Initial Debt Securities will consist of an issue of subordinated notes issued by IKB Finance B.V. ("IKBF") and guaranteed on a subordinated basis by the Bank, which will mature on December 31, 2031, the Maturity Date.

Interest will accrue on the Principal Amount at a rate per annum equal to 3-month €uribor plus at least 1.50% for each Interest Payment Period.

Interest will be payable by IKBF in Euro on the Principal Amount quarterly in arrears on June 30, September 30, December 31 and March 31 of each year, commencing September 30, 2002, (each, an "Interest Payment Date"), and will accrue from and including the immediately preceding Interest Payment Date (or, in the case of the first Interest Payment Date, the date of issue), up to but excluding the relevant Interest Payment Date (each such period, an "Interest Payment Period"). Interest payable on each Interest Payment Date will be calculated on the basis of the actual number of days elapsed in a year of 360 days (actual/360).

If any Interest Payment Date or any Redemption Date falls on a day that is not a Business Day, the relevant payment will be payable on the first following Business Day, unless that day falls in the next calendar month, in which case such payment will be due on the first preceding Business Day, in each case without adjustment, interest or further payment as a result thereof.

Payment of interest on the Initial Debt Securities and any repayment upon redemption thereof, will be made without deduction or withholding for Withholding Taxes imposed by Germany, the Netherlands or any political subdivision thereof or any other jurisdiction from which such payment is made unless such deduction or withholding is required by law. In such event, IKBF or other obligor will pay as Additional Interest Amounts such amounts as may be necessary in order that the net amounts received by the Company, after such deduction or withholding, will equal the amounts that would have been received had no such withholding or deduction been required; provided, that the obligation of IKBF or such obligor to pay Additional Interest Amounts will not apply to: (i) any tax which is payable otherwise than by deduction or withholding or (ii) any tax imposed on the net income of the holder of the Initial Debt Securities or that is payable by reason of the holder having some connection with the jurisdiction imposing such tax that is payable by reason of a holder of the Initial Debt Securities having some connection with such jurisdiction other than by reason only of the mere holding of the Initial Debt Securities; (iii) any Withholding Taxes to the extent the same would not have been so imposed but for the presentation of such Initial Debt Securities for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later; or (iv) any Withholding Taxes imposed in consequence of the implementation of the Proposed EU Savings Tax Directive.

The Initial Debt Securities will not be redeemable prior to December 31, 2008 except as set forth below. Subject to having obtained any required regulatory approvals, IKBF may cause the redemption of the Initial Debt Securities in whole but not in part prior to December 31, 2008, upon: (i) the occurrence of a Company Special Redemption Event and the election of the Company to redeem the Class B Preferred Securities and (ii) at least 30 days' prior notice, at a redemption price equal to the Principal Amount plus accrued and unpaid interest and Additional Interest Amounts, if any.

Subject to having obtained any required regulatory approvals, IKBF may also, at its option, redeem the Initial Debt Securities, in whole or in part, on any Interest Payment Date on or after the Initial Debt Redemption Date (each a "Debt Redemption Date"), upon at least 30 days' prior notice, provided that the Company is permitted and has elected to redeem an equivalent amount of the Class B Preferred Securities.

Any redemption will be at a redemption price equal to the Principal Amount to be redeemed plus accrued and unpaid interest thereon, and Additional Interest Amounts, if any.

In the event of any default on the Debt Securities, the Company will enforce its rights for payment of any overdue amounts, but will not be able to accelerate the maturity of the Initial Debt Securities.

**Subordination**

The Initial Debt Securities constitute direct, unconditional, unsecured and subordinated obligations of IKBF ranking *pari passu* with all other subordinated obligations of IKBF. In the event of dissolution, liquidation, bankruptcy, composition or other proceedings for the avoidance of bankruptcy of, or against, IKBF, such obligations will be subordinated to the claims of all unsubordinated creditors of IKBF so that in any event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Bank shall have been satisfied in full.

The Company, as the holder of the Initial Debt Securities, will also agree by its acceptance thereof that it waives any rights it may have to set off claims under the Initial Debt Securities against claims IKBF or the Bank may have against it. Pursuant to § 10, subparagraph (5a) of the German Banking Act (*Kreditwesengesetz*), if IKBF or the Bank redeems, repurchases or repays the Initial Debt Securities prior to a date on which such redemption or repayment is permitted under the terms thereof, notwithstanding any agreements to the contrary, any amounts so paid to a holder of the Initial Debt Securities must be returned to IKBF unless a statutory exemption (including dissolution of IKBF or replacement of the Principal Amount with at least equivalent own funds or prior approval of the BAFin) applies.

The obligations of IKBF or the Bank under the Initial Debt Securities and the guarantee thereof may not be secured by any lien, security interest or other encumbrance on any property of IKBF or the Bank or any other person and, except as permitted by applicable law, neither IKBF nor the Bank will not, directly or indirectly, acquire for its own account, finance for the account of any other person the acquisition of, or accept as security for any obligation owed to it, any of the Initial Debt Securities. IKBF is also prohibited from amending the terms of the Initial Debt Securities to limit the subordination provisions or change the Initial Redemption Date to an earlier date.

**Substitution**

At any time, IKBF will have the right to (i) substitute as obligor on the Debt Securities any other office of the Bank (including the head office and any branch) or a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes, or (ii) replace the Debt Securities with Substitute Debt Securities issued by the Bank (acting directly or through a branch) or by a majority-owned subsidiary that is consolidated with the Bank for German bank regulatory purposes with identical terms to those of the Initial Debt Securities; provided, in each case, that (a) such substitution or replacement does not result in a Company Special Redemption Event and (b) the Bank, unless it itself is the substitute obligor, guarantees on a subordinated basis, at least equal to the ranking of the Initial Guarantee, the obligations of the substitute obligor.

**Redemption and Reinvesting of Proceeds**

After the Maturity Date, if the Class B Preferred Securities have not been redeemed, the Company will invest in Permitted Investments. The Company will attempt to purchase Permitted Investments in the following order of priority, to the extent the same are available (and within each category on terms that are the best available in relation to providing funds for the payment of Capital Payments and the redemption of the Class B Preferred Securities):

- first, debt obligations of one or more majority-owned subsidiaries of the Bank (other than IKBF), unconditionally guaranteed by the Bank on a basis that ranks at least *pari passu* with the Initial Debt Securities or
- second, in the event such an investment is not available, in United States Treasury securities.

**Initial Guarantee**

Pursuant to the Initial Guarantee, the Bank will guarantee the principal of and interest on the Initial Debt Securities. The obligations of the Bank under the Initial Guarantee will be subordinated in the event of liquidation of the Bank to all obligations of the Bank that are not subordinated.

All payments by the Bank under the Initial Guarantee will be made by the Bank without deduction or withholding for Withholding Taxes imposed by Germany or any political subdivision thereof or any other jurisdiction from which such payment is made unless the Bank is required by law to make such deduction or withholding. In such event, the Bank will pay Additional Interest Amounts as may be necessary in order that the net amounts received by the Company, after such deduction or withholding, will equal the amounts that would have been received had no such withholding or deduction been required; provided, that the obligation of the Bank to pay such Additional Interest Amounts shall not apply to:

(i) any tax which is payable otherwise than by deduction or withholding;

(ii) any tax imposed on the net income of the holder of the Initial Debt Securities or that is payable by reason of the holder having some connection with the jurisdiction imposing such tax that is payable by reason of a holder of the Initial Debt Securities having some connection with such jurisdiction other than by reason only of the mere holding of the Initial Debt Securities; or

(iii) any tax to the extent the same would not have been so imposed but for the presentation of any Initial Debt Securities for payment on a date more than 15 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later; or

(iv) any tax imposed in consequence of the implementation of the Proposed EU Savings Tax Directive.

**Governing Law**

The Initial Debt Securities will be governed by the laws of Germany.

# IKB GROUP

## Incorporation, Seat and Objects

IKB is a private German bank. Its activities date back to September 30, 1924 when IKB was first incorporated in Berlin as *Bank für deutsche Industrieobligationen* to manage the reparation payments owed by German companies pursuant to the Treaty of Versailles. In 1931, IKB moved on to provide trade and long-term fixed rate investment financing, initially to the agricultural sector and later to medium-sized companies. Although a private bank, IKB performs important functions as leading arranger of public programme loans funded by government promotion agencies. On March 29, 1949 IKB was incorporated in Düsseldorf and is registered today in Düsseldorf and Berlin for an indefinite period of time as a stock corporation under the laws of the Federal Republic of Germany. IKB is registered in the commercial registers of the local court of Düsseldorf under no. HRB 1130 and of the local court of Berlin-Charlottenburg under no. HRB 8860.

IKB has its registered offices at Wilhelm-Bötzkes-Strasse 1, D-40474 Düsseldorf, and at Bismarckstrasse 105, D-10625 Berlin.

In accordance with its Articles of Association (*Satzung*), IKB engages in the promotion of industry and commerce, in particular by the provision of medium- and long-term loans, equity and real estate finance and structured finance to medium-sized businesses. Leasing services are also provided. Within this framework, IKB primarily targets companies (usually family-owned) with an annual turnover of between EUR 10 million and EUR 500 million, i. e. the so-called German *Mittelstand*.

## Branches, Subsidiaries and Major Shareholdings

IKB Group's business is conducted primarily in Germany but also includes activities elsewhere. Apart from its operations in Düsseldorf and Berlin, IKB maintains registered branches in Frankfurt am Main, Hamburg, Munich, Stuttgart and in Luxembourg. IKB further maintains branches in London and Paris and a representative of office in Hong Kong.

The Bank has a banking subsidiary in Luxembourg (IKB International S.A.) and finance subsidiaries in New York, Paris and Amsterdam (IKB Capital Corporation, IKB Financière France S.A. and IKB Finance B.V.). Through its consolidated subsidiary IKB Private Equity GmbH, Düsseldorf, the Bank provides private equity and mezzanine instruments to medium-and small-sized companies, to the latter generally in co-operation with *Kreditanstalt für Wiederaufbau.* The consolidated subsidiaries of IKB further include IKB Immobilien Leasing GmbH, Düsseldorf, a property leasing company, IKB Leasing GmbH, Hamburg, and IKB Leasing Berlin GmbH, Berlin, which concentrate on equipment and machinery leasing, ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Uerdinger Strasse KG, Düsseldorf, IKB Immobilien Management GmbH, Düsseldorf, a property consultancy company, MORSUS Immobilien GmbH & Co. Objekt Wilhelm-Bötzkes-Strasse KG, Düsseldorf and AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf. In accordance with German law and generally accepted accounting principles, the Bank does not consolidate a number of its subsidiaries.

## Share Capital and Ownership

The issued and fully paid share capital of IKB presently amounts to EUR 225,280,000 divided into 88 million bearer shares of no par value (*Stückaktien*), each of which confers one vote. Pursuant to the Bank's Articles of Association, the Board of Directors (*Vorstand*), with the approval of the Supervisory Board (*Aufsichtsrat*), is authorized to increase the share capital by up to EUR 76,693,782.18 until September 5, 2002. In addition, the shareholders of the Bank voted at the Annual General Meeting on September 3, 1999 to increase the conditional capital of the Bank, the aggregate amount of such conditional capital depending upon the exercise of conversion or option rights. This increase resulted in the conditional capital amounting to up to EUR 22,528,000 divided into up to 8,800,000 shares. This increase is relevant only for conversion or option rights issued by the Bank prior to September 3, 2004. These shareholder resolutions took effect upon entry in the commercial register, which was undertaken with the registrations referred to above.

In addition, as of March 31, 2002, IKB had outstanding EUR 623.8 million fully paid non-voting profit participation certificates (*Genussscheine*). Profit participation certificates are issued in bearer form and participate in profits and losses of IKB.

After purchasing a 34.1% stake in IKB Kreditanstalt für Wiederaufbau (KfW), the public-owned German promotional bank, is now the largest single shareholder. Other major shareholders currently include the German Trust for Industry Research (*Stiftung Industrieforschung*) (11.66%). The remaining shares are widely distributed among institutional and private shareholders. The shares of the Bank have been admitted for trading and official quotation on the stock exchanges of Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart and through the XETRA-Trading-System.

**Supervision**

In common with all other enterprises that are engaged in one or more of the financial activities defined in the German Banking Act (*Gesetz über das Kreditwesen, KWG*) as "banking business ", IKB is subject to the licensing requirements and other provisions of the KWG. Notably, IKB is subject to supervision by the German Federal Agency for Financial Services Supervision (*Bundesanstalt für Finanzdienstleistungsaufsicht*). Such supervision is carried out in close co-operation with the German central bank (Deutsche Bundesbank) and ensures that IKB conducts its business in accordance with the provisions of the KWG and other applicable German laws and requirements.

**Capital Adequacy**

German capital adequacy rules provide for capital adequacy requirements dealing with counterparty risk and market risk. In relation to the former, each bank must maintain a ratio (its "solvency" ratio) of regulatory banking capital to risk-adjusted assets of at least eight per cent. The risk-adjusted assets of a bank (the sum of which is the denominator of the solvency ratio) is computed as follows: Assets are assigned to one of five basic categories of relative credit risk (0%, 10%, 20%, 50% and 100%) depending on the debtor or the type of collateral, if any, securing the respective assets. The balance sheet value of each asset item is multiplied by the percentage weight applicable to its risk category to arrive at the risk-adjusted value. Off-balance sheet items, such as financial guarantees, letters of credit, swaps and other financial derivatives, are subject to a two-tier adjustment. First their value (in the case of guarantees and letters of credit, their amount, and in each case of swaps and other derivatives, their value computed on a market or time basis) is adjusted according to their risk classification (20%, 50% and 100%) depending on the type of instrument. Then the off-balance sheet items are assigned, like balance sheet assets, to the credit risk categories depending on the type of the counterparty or the debtor or the type of collateral, if any, securing the respective assets and multiplied by the applicable percentage weight.

The market risk positions of a bank are comprised of (i) its foreign exchange position; (ii) its commodities position; (iii) its trading book positions, including some positions involving counterparty risk, as well as interest rate and equity market risk; and (iv) its options transactions position. The market risk positions are net positions, risk-adjusted in accordance with detailed rules. As of the close of each business day, the sum of the net risk-adjusted market risk positions of a bank must not exceed the sum of (i) the difference between its regulatory banking capital and 8% of its aggregate amount of risk-adjusted risk assets and (ii) its Tier 3 capital. (Tier 3 capital) consists of (i) net profits, i.e., the proportionate profit of a bank which would result from closing all trading book positions at the end of given day, less (a) all foreseeable expenses and distributions and (b) losses arising from the banking book which are likely to arise upon a liquidation of the bank and (ii) short-term subordinated debt meeting certain requirements.

**Fiscal Year**

The fiscal year of IKB runs from April 1 of each year to March 31 of the following year.

**Business Activities**

The IKB Group offers a selected range of commercial and investment banking services to its

customers with the specific exception of deposit taking. The Bank has reorganized its business activities in five divisions:

- Corporate Lending
- Structured Finance
- Equity Finance
- Real Estate Finance
- Treasury

*Domestic Corporate Lending*

The Bank's core competence is the extension of medium and long-term loans to a diverse range of companies in all industry sectors with an annual turnover of between EUR 10 million and EUR 500 million (typically independent and individually or family-owned and managed), i.e. the so-called German *Mittelstand.* The *Mittelstand* represents the backbone of the German economy and includes a number of world market leaders in specialist niche products, with export ratios of up to 80%. Loans are generally extended at fixed interest rates with maturities of up to 10 years. 90% of the Bank's lending is secured by collateral, usually mortgages on land and buildings and/or the transfer of equipment for security purposes.

The IKB Group offers advisory and consultancy services to its customers, in particular in the areas of structuring investments and identifying relevant public program loans funded by *Kreditanstalt für Wiederaufbau, Deutsche Ausgleichsbank, Bayerische Landesanstalt für Aufbaufinanzierung* and *European Investment Bank* and others through instrumentalities serving public policy objectives. IKB matches such subsidised public program loans with its own debt financing products in order to offer tailor-made financing solutions for its customers.

As at March 31, 2001, over 85% of the IKB's lending was domestic with around half to manufacturing companies and around a third to companies in the service sector. Lending was split between over 9,000 customers with an average loan size of EUR 2.5 million.

*Structured Finance*

The structured finance division covers domestic project finance as well as all international activities, i.e. international investment finance, Hermes-covered export finance, international project finance and participation in syndicated loans at international financial centres (London, Paris, New York).

*Equity Finance*

The equity finance division comprises acquisition finance as well as the provision of senior loans, mezzanine and equity capital to established companies. Moreover, the Bank finances innovative technology-oriented companies, especially in the sectors of biotechnology, telecommunications and data processing.

*Real Estate Finance*

The real estate finance division contains cash-flow oriented long-term financing of commercial property, closed-end real estate funds or structured projects by means of loans; leasing is also available. Moreover IKB provides consulting services as well as assistance in realizing real estate projects.

*Treasury*

The treasury division comprises the areas of funding and liquidity management, fixed income, asset and liability management of the loan portfolio and proprietary trading.

**Funding and Liquidity Management**

In accordance with its Articles of Association, IKB does not take deposits. IKB funds its activities primarily through the issuance of medium and long-term bearer bonds, the granting of loans evidenced by transferable certificates of indebtedness (*Schuldscheindarlehen*) and borrowings from other banks, in part in combination with interest rate and/or exchange rate hedging via long-term swaps with top-rated German and foreign banks. The core of interbank funding is provided to IKB on a loan by loan basis by instrumentalities serving public policy objectives such as *Kreditanstalt für Wiederaufbau, Deutsche Ausgleichsbank, Bayerische Landesanstalt für Aufbaufinanzierung* and *European Investment Bank* under their respective programs. The funds thus received by IKB are at preferential rates and are on-lent to its customers within the framework of such programs.

**Fixed Income**

Fixed income management focuses on the stabilization of interest surplus emanating from the position of the liquidity book as well as on the long term creation of evaluation reserves.

Generally the Bank invests in top rated bonds, especially in floating rate notes, which with the use of swaps are being transformed into fixed interest rates. Occasionally various optional elements are embedded for further improvement of interest rate cash flows.

Risk management fully complies with the relevant requirements. The fixed income portfolio is permanently evaluated on a mark to market basis. Risk is also measured by using a value-at risk approach.

**Asset and Liability Management of the Loan Book**

It is the Bank's policy to match assets and liabilities to a fairly high degree. The funds borrowed from government promotion agencies are automatically matched with the loans provided to the customers. Loans funded in the capital markets are steered accordingly. The mismatch limits in place are tight. Foreign currency exposure emanating from international loan business are hedged to a large extent.

**Proprietary Trading**

The Bank is active in interest rate and stock market trading. Although proprietary trading is not of strategic relevance to the Bank's earnings, it is run as a profit centre and has produced stable profits over the years.

Risk is monitored online on a mark to market basis. A value at risk approach is also applied.

**Certain Subsidiaries**

*IKB Private Equity GmbH,* 100% owned by the Bank and *IKB Venture Capital GmbH,* 100% owned by *IKB Private Equity GmbH,* both with registered offices at Wilhelm-Bötzkes-Strasse 1, D-40474 Düsseldorf, are active in providing senior loans, mezzanine and equity capital to established companies as well as in financing innovative technology-oriented companies with silent participations or subordinated capital (especially in the sectors of biotechnology, telecommunications and data processing).

*IKB Leasing GmbH,* with its registered office at Heidenkampsweg 79, D-20097 Hamburg, and *IKB Leasing Berlin GmbH,* with its registered office at Friedrichstrasse 1–3, D-15537 Erkner, both 100% owned by the Bank, focus on equipment leasing operations; their leasing portfolios being dominated by printing machines, machine tools, injection molding machines, processing centers and industrial lorries and cars.

*IKB Immobilien Leasing GmbH,* with its registered office at Uerdinger Strasse 90, D-40474 Düsseldorf, 100% owned by the Bank, is active in real estate leasing. Operations focus primarily on production facilities, office buildings and commercial property. Real estate and large-scale plant leasing funds are launched by *IKB Fonds GmbH.*

*IKB Immobilien Management GmbH,* with its registered office at Wilhelm-Bötzkes-Strasse 1, D-40474 Düsseldorf, owned by *IKB Immobilien Leasing GmbH,* is focused on real estate consulting, real estate valuation, property development, project development and project management, sales co-ordination and corporate real estate services.

## Credit Policies and Procedures

IKB has established detailed credit policies and lending guidelines applicable to all of the Bank's financing activities. The entire loan approval process is supported by sophisticated IT-systems. The Bank uses a scoring system, which incorporates quantitative and qualitative information derived from the Bank's thorough knowledge of its core customer group, which has proven accurate over a number of years. The Bank has a sophisticated monitoring system for following the loans from the application process through to repayment, which allows for continuous oversight of individual loans and the identification of potential problem loans by a number of key indicators, extracted from an extensive database.

## Problem and Non-Performing Loans

Problem and non-performing loans are tracked in a standardized process with automated procedures by a centralized loan recovery department. They are subject to timely provisioning at a conservative and prudent level. Recoveries from collateral have historically been good. A somewhat different procedure is followed for syndicated loans.

## Employees and Labour Relations

At March 31, 2001, IKB's total number of employees in the group was 1,314. Management considers relations with its employees to be good. There has been no material disruption of work as a result of labour unrest in recent years.

## Management

### *Supervisory Board and Board of Directors*

Like all German stock corporations, the Bank has a two-tier board system. The Board of Directors (*Vorstand*) is responsible for the management of the Bank and the representation of the Bank with respect to third parties, while the Supervisory Board (*Aufsichtsrat*) appoints and removes the members of the Board of Directors and supervises the activities of the Board of Directors. The Supervisory Board may not make management decisions, but under the Articles of Association (*Satzung*) of the Bank, the Board of Directors must obtain the approval of the Supervisory Board for certain actions. In addition, the Bank maintains an Advisory Board and an Advisory Council. The Advisory Board is appointed by the Board of Directors with consent of the Supervisory Board, the Advisory Council is nominated by the Board of Directors and appointed by the Supervisory Board, to enhance contacts with industry and commerce. The members of the Advisory Board and the Advisory Council assist the Bank's Management by providing consultancy support.

In accordance with the German Works Constitution Act of 1952 (*Betriebsverfassungsgesetz 1952*), two thirds of the Bank's Supervisory Board consist of representatives elected by the shareholders and one third consists of representatives elected by the employees. Members are elected for three-year terms, and re-election is possible. The members of the Supervisory Board elect the chairman and the deputy chairman of the Supervisory Board. The chairman, who is typically a representative of the shareholders, has the deciding vote in the event of a deadlock. The current composition of the Supervisory Board and the Board of Directors of IKB is as follows:

*Supervisory Board*

Ulrich Hartmann
Düsseldorf
Chairman of the Management Board
of E. ON AG
*Chairman of the Board*

Hans W. Reich
*Frankfurt am Main*
Speaker of the Management Board
of Kreditanstalt für Wiederaufbau
*Deputy Chairman of the Board*

Prof. Dr.-Ing. E. h. Hans-Olaf Henkel
Berlin
Deputy Chairman of the Board
Executive Director of WGL Wissenschafts-gemeinschaft Gottfried Wilhelm Leibnitz e.V.

Dr. Jürgen Behrend
Lippstadt
Managing director of Hella KG Hueck &Co

Jörg Bickenbach
Düsseldorf
State Secretary of the Ministry of Economy, Medium-Sized Businesses and Technology of Nordrhein-Westfalen

Hermann Franzen
Düsseldorf
President, Hauptverband des Deutschen Einzelhandels e.V.

Herbert Hansmeyer
München
Member of the Management Board
of Allianz Aktiengesellschaft

Dr. Jügen Heraeus
Hanau
Chairman of the Management Board
of Heraeus Holding GmbH

Gunnar John
Berlin
Departmental Manager
of Ministry of Finance

Lawyer
Roland Oetker
Düsseldorf
Managing Partner
of ROI Verwaltungsgesellschaft mbH

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

Randolf Rodenstock
München
Managing Partner of Optische Werke
G. Rodenstock KG

Dipl.-Ing. Hans Peter Stihl
Waiblingen
Shareholder and Chairman of the STIHL AG

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

*Employees' Representatives on the Supervisory Board*

Wolfgang Bouche
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

Roswitha Loeffler
Berlin
IKB Deutsche Industriebank Aktiengesellschaft

Wilhelm Lohscheidt
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

Jürgen Metzger
Hamburg
IKB Deutsche Industriebank Aktiengesellschaft

Rita Röbel
Leipzig
IKB Deutsche Industriebank Aktiengesellschaft

Dr. Carola Steingräber
Berlin
IKB Deutsche Industriebank
Aktiengesellschaft

Ulrich Wernecke
Düsseldorf
IKB Deutsche Industriebank Aktiengesellschaft

*Board of Directors*

| | Date Appointed | Current Term Expires |
|---|---|---|
| Dr. Markus Guthoff | April 1, 2001 | March 31, 2004 |
| Claus Momburg | November 12, 1997 | November 11, 2005 |
| Joachim Neupel | July 1, 1989 | June 30, 2004 |
| Stefan Ortseifen | November 1, 1997 | October 31, 2002 |
| Dr. Alexander v. Tippelskirch | April 1, 1984 | March 31, 2004 |

**Introduction of the Euro**

For its financial year 1999/00, the IKB Group has converted its base currency to euro.

**Rating**

The long-term unsecured senior debt of the Bank has been assigned a rating of A+ by Fitch and A1 by Moody's.

**Litigation**

No legal, arbitration, administrative or other proceedings which could have a significant effect on the business or financial position of the Bank, or had such an effect in the last two years, have been pending, nor is the Bank aware, to the best of its knowledge, of any such proceedings now pending or threatened.

**Recent Developments and Outlook**

Due to our strategic alliance with KfW we see a large potential of joint business in particular in the fields of Corporate Lending, Structured Financing and Private Equity. Not least because of the resultant positive effects within the scope of the co-operation with KfW Moody's has upgraded our long term rating -against the general trend in the banking sector from A2 to A1and has also linked this with a "positive outlook". Furthermore we benefit from our decision to invest in international loan portfolio structures. This is in line and consistent with the further development of our policy of credit risk management activities (CLO).

At its meeting on June 26, 2002, the Board of Directors of IKB will propose to the Supervisory Board an unchanged dividend of € 0.77 per share for the financial year 2001/2002. Measured against the share price at the balance sheet date (March 31, 2001) this corresponds to a dividend yield of 5.2%.

In the financial year 2001/2002, net interest income rose by 7.4% to € 471 million and net commission income, rose by € 27 million to € 40 million. As planned, the administrative expenditure increased by 12.7% to € 207 million. Due to the unfavorable macroeconomic conditions – economic downturn, stock market crash – gross provisioning had to be raised by € 13 million to € 252 million. The decline of risk provisioning balance by € 12 million to € 175 million resulted from a high release of provisions (€ 48 million) and an improvement of the result from securities in the liquidity reserve (€ 29 million). (1)

(1) The information contained in this paragraph and the following paragraph are provisional in nature, as the annual accounts are subject to the final approval by the Supervisory Board.

For the result from ordinary activities this means a decrease by 8.3% to € 160 million. The cost-income ratio came to 38.1% (previous year: 37.8%); the return on equity reached 15.0% (16.8%). Through a further outplacement of loan charge-off risks IKB achieved an improvement of the Group's equity ratio to 12.1% with a tier 1 capital ratio of 6.4%.

With respect to the general economic development in Germany, it is expected that the difficult situation will improve in the second half of 2002 with a positive impact on IKB's domestic lending business. Furthermore, IKB's lending policy of a strictly risk-adjusted credit pricing continues to be successful with an increase of the overall average margin in the new business generated. With the background of these strategic measures and economic trends IKB's results for the financial year 2002/2003 are expected to be again satisfactory.

**Auditors**

The auditors of IKB are KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Am Bonneshof 35, D-40474 Düsseldorf. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft has audited the financial statements of IKB for the fiscal years ended March 31, 1997, 1998, 1999, 2000 and 2001 and in each case awarded unqualified opinions (*Bestätigungsvermerk*).

# APPENDIX A: SUPPORT UNDERTAKING

This Agreement (the **"Agreement"**), dated July [ ], 2002, is entered into between IKB Deutsche Industriebank Aktiengesellschaft, a German stock corporation, (the **"Bank"**) and IKB Funding LLC I, a Delaware limited liability company (the **"Company"**).

WITNESSETH:

WHEREAS, the Bank owns the Common Security of the Company;

WHEREAS, pursuant to the LLC Agreement, the Company will issue the Class A Preferred Security to the Bank, and the Class B Preferred Securities to the Trust (as defined below);

WHEREAS, pursuant to the Trust Agreement, the Trust will issue the Trust Preferred Securities with the same terms as, and representing corresponding amounts of, the Class B Preferred Securities;

WHEREAS, the Company intends to use the gross proceeds from the issuance of the Class B Preferred Securities to purchase subordinated notes of IKB Finance B. V.;

WHEREAS, the Company may from time to time declare capital payments on the Class B Preferred Securities pursuant to and in accordance with the LLC Agreement; and

WHEREAS, the Bank wishes to undertake for the benefit of the Company and the holders of the Class B Preferred Securities that (i) the Bank will maintain direct or indirect ownership of the Class A Preferred Security and the Common Security, (ii) the Company will at all times be in a position to meet its obligations, including its obligation to pay Capital Payments, including Additional Amounts thereon, if any, and (iii) in liquidation or dissolution, the Company will have sufficient funds to pay the Liquidation Preference Amounts.

NOW, THEREFORE, the parties agree as follows:

Section 1. Certain Definitions.

**"Additional Amounts"** has the meaning specified in the LLC Agreement.

**"Agreement"** has the meaning specified in the preamble.

**"Bank"** has the meaning specified in the preamble.

**"Capital Payments"** mean any capital payments or other distributions at any time after the date hereof declared by the Board of Directors of the Company (or deemed declared in accordance with the LLC Agreement), but not yet paid, on the Class B Preferred Securities.

**"Class A Preferred Security"** means the class of preferred limited liability company interests in the Company designated as Class A.

**"Class B Preferred Securities"** mean the class of preferred limited liability company interests in the Company designated as Class B, with a Liquidation Preference Amount of € 100 per security.

**"Common Security"** means the common limited liability company interest, without par value, of the Company.

**"Company"** has the meaning specified in the preamble.

**"Independent Enforcement Director"** means the independent member of the board of directors of the Company elected by the holders of the Class B Preferred Securities upon the occurrence of certain events in accordance with, and under the terms set forth in, the LLC Agreement.

**"Liquidation Preference Amount"** means the stated Liquidation Preference Amount of the Class B Preferred Securities and any other amounts due and payable under the LLC Agreement upon the voluntary or involuntary liquidation, dissolution, winding up or termination of the Company to the holders of the Class B Preferred Securities.

**"LLC Agreement"** means the limited liability company agreement of the Company dated as of May 20, 2002 as expected to be amended and restated as of July 15, 2002 and as the same may be further amended from time to time in accordance with its terms.

**"Interest Payment Period"** has the meaning set forth in the LLC Agreement.

**"Person"** means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company, or other legal entity or organization.

**"Preferred Securities"** mean the Class A Preferred Security and the Class B Preferred Securities, collectively.

**"Trust"** *means* IKB *Funding Trust* I, *a Delaware statutory business trust established pursuant to a* Trust Agreement dated as of May 21, 2002, as expected to be amended and restated as of July 15, 2002 and as the same may be further amended from time to time in accordance with its terms (the "Trust Agreement").

**"Trust Preferred Securities"** means the Noncumulative Trust Preferred Securities issued by the Trust.

Section 2. Support Undertaking.

(a) The Bank undertakes to ensure that the Company will at all times be in a position to meet its obligations if and when such obligations are due and payable, including its obligations to pay Capital Payments, including Additional Amounts thereon, if any.

(b) The Bank undertakes to ensure that in the event of any liquidation of the Company, the Company will have sufficient funds to pay the Liquidation Preference Amount (including accrued and unpaid Capital Payments for the then current Interest Payment Period to but excluding the date of liquidation and Additional Amounts, if any).

(c) The obligations of the Bank under this Section 2 will be subordinated to all senior and subordinated debt obligations of the Bank, and will rank *pari passu* with the most senior ranking preference shares of the Bank, if any, and will rank senior to any other preference shares and the common shares of the Bank.

(d) This Agreement shall not constitute a guarantee or undertaking of any kind that the Company will at any time have sufficient assets, or be authorized pursuant to the LLC Agreement, to declare a Capital Payment or other distribution.

Section 3. Third Party Beneficiaries and Enforcement of Rights.

(a) The parties hereto agree that this Agreement is entered into for the benefit of the Company and all current and future holders of the Class B Preferred Securities and that the Company and any holder of any such Class B Preferred Securities may severally enforce the obligations of the Bank under Section 2.

(b) The parties hereto acknowledge that, as provided in the LLC Agreement, if a holder of Class B Preferred Securities has notified the Company that the Bank has failed to pay any amount then due hereunder, and such failure continues for sixty (60) days or more after such notice is given, the holders of the Class B Preferred Securities shall have the right to elect the Independent Enforcement Director who will be required to enforce the rights of the Company under this Agreement.

Section 4. No Exercise of Rights. The Bank will not exercise any right of set-off, counterclaim or subrogation that it may have against the Company as long as any Class B Preferred Securities are outstanding.

Section 5. Burden of Proof. Any failure of the Company to pay Capital Payments, or Liquidation Preference Amounts (or any part thereof), plus, in either case, Additional Amounts, if any, shall constitute prima facie evidence of a breach by the Bank of its obligations hereunder. The Bank shall have the burden of proof that the occurrence of such breach results neither from its negligent nor its intentional misconduct.

Section 6. No Senior Support to Other Subsidiaries. The Bank undertakes that it shall not give any guarantee or similar undertaking with respect to, or enter into any other agreement relating to the support or payment of any amounts in respect of any other preference shares (or instruments ranking *pari passu* with or junior to preference shares) of any other affiliated entity that would in any regard rank senior in right of payment to the Bank's obligations under this Agreement, unless the parties hereto modify this Agreement such that the Bank's obligations under this Agreement rank at least *pari passu* with, and contain substantially equivalent rights of priority as to payment as, such guarantee or support agreement. The Bank's obligations under the subordinated undertakings entered into by the Bank on November 8, 1999 and on November 17, 2000 in respect of € 100,000,000 and € 70,000,000 Capital Contribution Certificates issued by IKB International Société Anonyme, the Bank's banking subsidiary in Luxembourg, rank *pari passu* with the Bank's obligations under the Support Undertaking.

Section 7. Continued Ownership of the Class A Preferred Security and the Company Common Security. The Bank undertakes to maintain direct or indirect ownership of the Class A Preferred Security and the Company Common Security so long as any Class B Preferred Securities remain outstanding.

Section 8. No dissolution of the Company. Under the terms of the LLC Agreement and to the fullest extent permitted by law, the Bank shall not permit the Company to be dissolved until all obligations under this Agreement have been paid in full pursuant to its terms.

Section 9. Modification and Termination. So long as any Class B Preferred Securities remain outstanding, this Agreement may not be modified or terminated without the consent of 100% of the holders of the Class B Preferred Securities as provided in the LLC Agreement, except for such modifications that are not adverse to the interests of the holders of the Class B Preferred Securities.

Section 10. No Assignment. So long as any Class B Preferred Securities remain outstanding, the Bank shall not assign its rights or obligations under this Agreement to any Person without the consent of the holders of such Class B Preferred Securities.

Section 11. Successors. This Agreement will be binding upon successors to the parties.

Section 12. Severability. Should any provision of this Agreement be found invalid, illegal or unenforceable for any reason, it is to be deemed replaced by the valid, legal and enforceable provision most closely approximating the intent of the parties, as expressed in such provision, and the validity, legality and enforceability of the remainder of this Agreement will in no way be affected or impaired thereby.

Section 13. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with, the laws of the Federal Republic of Germany and the parties irrevocably submit to the non-exclusive jurisdiction of such German courts as have jurisdiction over civil matters arising in Düsseldorf.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the date first written above.

**IKB DEUTSCHE INDUSTRIEBANK AKTIENGESELLSCHAFT**

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

**IKB FUNDING LLC I**

By: ______________________
Name:
Title:

By: ______________________
Name:
Title:

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Report of the Board of Managing Directors

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

During the 2000/2001 financial year, we systematically expanded the new divisional structure introduced the previous year. In introducing this structure, we have succeeded in broadening still further the product range of our core business, namely long-term corporate financing. Our traditional mainstay of long-term lending, which also embraces real estate financing, has now been augmented by structured financing and, most especially, by equity financing.

At the balance sheet date, for the first time we fully consolidated the company IKB Immobilien Leasing GmbH, a wholly owned subsidiary of the bank. Specifically, this entailed the inclusion of over 400 special purpose entities. The major changes are explained in the notes to the financial statement. In this context, we adjusted the previous year's annual accounts and profit and loss figures accordingly. In a further modification, instead of the operating result we now show the result from ordinary activities. This presentation will serve as the basis for future IAS financial statement.

The key performance data of the IKB Group for the past financial year are as follows:

- net interest and commission income rose by 5.5 % to EUR 451 million;
- the interest margin – based on average risk assets – improved from 1.90 % to 1.96 %;
- as planned, administrative expenditure rose by 6.2 % to EUR 177 million;
- the result from ordinary activities rose by 2.4 % to EUR 175 million;
- the cost-income ratio came to 37.2 % (previous year: 39.2 %);
- the return on equity reached 16.8 % (previous year: 16.4 %).

In light of these developments, the Board of Managing Directors has proposed a dividend payment of EUR 0.77 per share, in line with the figure for the previous year.

Loan Volume and Asset Items

At March 31, 2001, Group loan volume amounted to EUR 27.8 billion, representing an increase of 7 % or EUR 1.9 billion compared to the year before. Claims on customers accounted for the bulk of this growth, expanding by 7 % or EUR 1.7 billion to EUR 24.3 billion. Contributing to this increase was a EUR 0.7 billion change in the statement of exemptions from liability on loans from Kreditanstalt für Wiederaufbau (KfW) and Deutsche Ausgleichsbank (DtA). In these accounts such loans are shown in gross terms, i.e. including the part of the loan exempt from liability. Once again, claims on banks contracted, principally due to a smaller volume of money dealing transactions at the balance sheet date.

Debentures rose by 44 % or just under EUR 1.2 billion to EUR 3.8 billion. On the one hand, this resulted from the purchase of securities at the beginning of the financial year amounting to EUR 0.6 billion in connection with our US CLO transaction. These securities largely served as secondary collateral for subscribers of bonds issued by the bank. We also purchased EUR 0.5 billion in floaters to serve as security for our tendering operations with the European Central Bank.

The decline in investments and shares in associated and subsidiary companies mainly had to do with the sale of our stake in National-Bank AG. This was offset by a write-up of EUR 9 million made on our participation in Natexis Banques Populaires in compliance with German Statutory requirements. New in this year's balance sheet is the item "Outstanding capital of minority shareholders". This refers to outstanding capital contributions from minority shareholders (concerning votes) in special purpose entities belonging to IKB Immobilien Leasing, which have not yet been called up.

The Group balance sheet total grew by 8 % or EUR 2.5 billion to EUR 32.4 billion (AG: +10 % or EUR 2.8 billion to EUR 32.3 billion).

Funding

We funded our business operations predominantly by drawing on long-term funds from public-sector development banks, especially KfW and DtA. The stated EUR 2 billion-increase in liabilities to banks resulted partly from the aforementioned altered method of showing the liability exemption of these institutions, which amounted to EUR 0.7 billion. Two items, "Liabilities to customers" and "Securitised liabilities", remained virtually unchanged. In the case of the latter, repayments of EUR 2.1 billion were balanced by new issues of equal amount. Appearing for the first time in the consolidated financial statements of the IKB Group is the item "Participations of minority shareholders", i.e. the participation of non-Group shareholders in special purpose entities of IKB Immobilien Leasing.

Equity

During the period under review, we further strengthened Group equity. With respect to tier 1 capital, in November 2000 we augmented silent

**IKB Group Credit Volume**

| | March 31, 2001 in EUR million | March 31, 2000 in EUR million | Change in EUR million | Change in % |
|---|---|---|---|---|
| Loans to customers | 24 332 | 22 635 | 1 697 | 7.5 |
| Loans to banks | 216 | 317 | –101 | –31.9 |
| Leasing items | 2 239 | 2 114 | 125 | 5.9 |
| Guarantees | 989 | 803 | 186 | 23.2 |
| **Group credit volume** | **27 776** | **25 869** | **1 907** | **7.4** |

**Summarised IKB Group Balance Sheet**

| | March 31, 2001 in EUR million | March 31, 2000 in EUR million | Change in EUR million | Change in % |
|---|---|---|---|---|
| **Assets** | | | | |
| Liquid funds | 1 | 12 | – 11 | –91.7 |
| Claims on banks | 802 | 1 650 | –848 | –51.4 |
| Claims on customers | 24 332 | 22 635 | 1 697 | 7.5 |
| Debentures | 3 814 | 2 652 | 1 162 | 43.8 |
| Shares and other non-fixed interest securities | 36 | 13 | 23 | >100 |
| Investments and holdings in associated and subsidiary companies | 68 | 91 | –23 | –25.3 |
| Fixed assets | 212 | 214 | – 2 | – 0.9 |
| Leasing items | 2 239 | 2 114 | 125 | 5.9 |
| Outstanding capital of minority shareholders | 49 | 61 | –12 | –19.7 |
| Other assets | 889 | 499 | 390 | 78.2 |
| **Total assets** | **32 442** | **29 941** | **2 501** | **8.4** |
| **Liabilities** | | | | |
| Liabilities to banks | 15 176 | 13 181 | 1 995 | 15.1 |
| Liabilities to customers | 2 436 | 2 414 | 22 | 0.9 |
| Securitised liabilities | 10 825 | 10 803 | 22 | 0.2 |
| Provisions | 269 | 266 | 3 | 1.1 |
| Subordinated liabilities | 803 | 582 | 221 | 38.0 |
| Participation certificate capital (Genussrechtskapital) | 439 | 439 | – | – |
| Fund for general bank risks | 80 | 80 | – | – |
| Participations of minority shareholders | 27 | 45 | –18 | –40.0 |
| Equity capital | 1 243 | 1 142 | 101 | 8.8 |
| Other liabilities | 1 144 | 989 | 155 | 15.7 |
| **Total liabilities** | **32 442** | **29 941** | **2 501** | **8.4** |

capital by EUR 70 million to EUR 170 million via our Luxembourg subsidiary, IKB International. In addition to this, we allocated an amount of EUR 31 million to the revenue reserves. Totalling the tier 1 capital came to EUR 1.3 billion within the Group and EUR 1.1 billion for the AG. Furthermore, subordinated loans were increased by EUR 221 million to EUR 803 million.

At March 31, 2001, the Group fulfilled the Principle I criteria with an overall capital ratio of 10.7 % (9.8 %); the tier 1 capital ratio was 6.1 % (5.5 %). The improvement in capital ratios resulted primarily from the two successful CLO transactions, so that despite the 8 % increase in the balance sheet total, risk assets declined by EUR 1.1 billion to EUR 21.8 billion. Within the AG the overall figure also totalled by 10.7 % (9.7 %); the tier 1 capital ratio came to 5.7 % (5.1 %).

### The Trend in Earnings

Group net interest and commission income rose by 5.5 % to EUR 451 million. This was due in part to growth in our loan business; moreover net commission income also increased by more than EUR 5 million to EUR 13 million. The principle sources of commission income were our Corporate Lending, Real Estate Financing and Structured Financing Divisions.

Compared with the previous year, income from securities and participatory investments declined by EUR 27 million to EUR 10 million, largely due to a significantly lower payout by IKB Beteiligungsgesellschaft (–EUR 20 million). In contrast to the 1999/2000 financial year, in which we benefited greatly from the initial public offerings of young companies in our participation portfolio, the difficult situation in the stock markets during the period under review – especially in the *Neue Markt* – meant that we were unable to reproduce these results.

Moreover, in the previous financial year we still had significant dividend income from our former holdings in BHF-BANK AG and National-Bank AG.

Net result from finance operations moved smartly back into positive territory, rising by EUR 5 million to EUR 2.5 million. Both share and bond trading contributed to this improved performance.

### Administrative Expenditure

As planned, administrative expenditure grew by 6.2 % or EUR 10 million to EUR 177 million. Two-thirds of this increase (EUR 7 million) related to personnel costs, which rose by 6.5 % to EUR 114 million. This trend resulted both from the increase in staff during the previous financial year (+100 employees), whose impact on salary costs did not appear in full measure until the period under review, and to the hiring of a further 64 employees during the 2000/2001 financial year.

Other administrative expenses increased by 5.6 % to EUR 62 million. This was essentially due to higher depreciations on office equipment and fixtures relating in particular to investments in IT made necessary by the transition to the EURO, as well as for averting potential Y2K problems. Added to this were increased consultant costs for projects aimed at increasing the efficiency of bank-internal processing flows, as well as for our CLO transactions.

The balance of other operating income and expenditure rose by EUR 4 million to EUR 82 million. Contained in this item are above all the profit from the sale of our investment in National-Bank AG, as well as from the write-up on the book value of our participation in Natexis Banques Populaires resulting from the *Wertaufholungsgebot*, i.e. the requirement to reverse write-downs where the reasons for them no longer exist.

### The Risk Situation

The economic climate during the year under report was largely favourable. In particular, the high demand for exports resulted in additional incoming orders for many companies. Nevertheless, there were 28,000 corporate bankruptcies, an appreciable increase on the previous year's figure of 26,400. The reason for this seemingly surprising development is that many companies at the

### IKB Group Total Liable Funds

| | March 31, 2001 in EUR million | March 31, 2000 in EUR million | Change in EUR million | in % |
|---|---|---|---|---|
| Subscribed share capital | 225 | 225 | – | – |
| Silent capital | 170 | 100 | 70 | 70.0 |
| Capital reserves | 568 | 568 | – | – |
| Revenue reserves | 280 | 249 | 31 | 12.4 |
| Fund for general bank risks | 80 | 80 | – | – |
| Tier 1 capital | 1 323 | 1 222 | 101 | 8.3 |
| Participation certificate capital (Genussrechtskapital) | 439 | 439 | – | – |
| Subordinated liabilities | 803 | 582 | 221 | 38.0 |
| **Total liable funds** | **2 565** | **2 243** | **322** | **14.4** |

### IKB Group Operating Results

| | April 1, 2000 to March 31, 2001 in EUR million | April 1, 1999 to March 31, 2000 in EUR million | Change in EUR million | in % |
|---|---|---|---|---|
| Interest income from loan operations and money market transactions, fixed interest securities and government-inscribed debt | 2 656.3 | 2 108.0 | 548.3 | 26.0 |
| Earnings from securities and holdings | 9.8 | 36.7 | –26.9 | –73.3 |
| Earnings from leasing operations | 432.5 | 416.3 | 16.2 | 3.9 |
| Interest expenditure | 2 333.9 | 1 831.4 | 502.5 | 27.4 |
| Expenditure and scheduled depreciation relating to leasing operations | 326.7 | 309.9 | 16.8 | 5.4 |
| Net interest income | 438.0 | 419.7 | 18.3 | 4.4 |
| Commission income | 17.9 | 13.1 | 4.8 | 36.6 |
| Commission expenditure | 4.9 | 5.4 | –0.5 | –9.3 |
| Net commission income | 13.0 | 7.7 | 5.3 | 68.8 |
| Net result from financial operations | 2.5 | –2.6 | 5.1 | > 100.0 |
| Personnel expenditure | 114.2 | 107.2 | 7.0 | 6.5 |
| *Salaries and wages* | *87.1* | *83.2* | *3.9* | *4.7* |
| *Social security contributions/ expenditure for retirement benefits and pensions* | *27.1* | *24.0* | *3.1* | *12.9* |
| Other administrative expenditure | 62.4 | 59.1 | 3.3 | 5.6 |
| Administrative expenditure | 176.6 | 166.3 | 10.3 | 6.2 |
| Balance of other operating income and expenditure | 81.5 | 77.8 | 3.7 | 4.8 |
| Provisions for risk | –183.5 | –165.5 | 18.0 | 10.9 |
| **Result from ordinary activities** | **174.9** | **170.8** | **4.1** | **2.4** |

beginning of an economic upswing have to finance the bulk of their activities in advance, i.e. increased inventories, new machinery and production. On the other hand – and this trend is confirmed by last year's figures – the level of receivables increases as customers attempt to take full advantage of long payment terms and even go beyond them. This results in a higher liquidity requirement, which frequently leads to liquidity bottlenecks or even liquidity crises. Many companies – already undercapitalised in any case – are unable to cope with this situation.

With this situation in mind, we nevertheless reduced our net provisioning by 4.7 % to EUR 206 million (AG: 10.3 % to EUR 187 million). At EUR 29 million (AG: EUR 27 million), the release of provisions during the period under review was slightly lower than in the previous financial year. We transferred EUR 4 million (AG: EUR 3 million) to general provision for bad and doubtful debts. Because revenue from securities in the liquidity reserve was EUR 28 million (same figure for the AG) lower than last year, the risk provisioning balance increased by 10.9 % to EUR 183 million (AG: +4 % to EUR 165 million). We have thus taken adequate account of all recognisable risks arising from our business operations.

A detailed analysis of allocations for specific bad and doubtful debts reveals that more than half of these resulted from real estate and corporate loans in eastern Germany and Berlin. The bulk of these loans were made in the first half of the 1990s. They represent just around 20 % of our total exposure in this sector. With regard to corporate lending to our medium-sized customers in western Germany, the opposite situation pertains. Although these loans make up nearly 50 % of our portfolio, provisions against bad and doubtful debts comprise only a quarter of the total amount.

In the Group as a whole, specific and general charges for bad and doubtful debts amounted at March 31, 2001 to EUR 825 million (EUR 759 million); in the AG, to EUR 779 million (EUR 711 million).

We expect provisions for risk to decline appreciably during the 2001/2002 financial year. This view is based on the fact that the credit quality of our loan portfolio has steadily and significantly improved since 1996. We are pleased to note the continuation of this trend during the period under review.

### The Result from Ordinary Activities

The result from ordinary activities came to EUR 175 million (AG: EUR 180 million), some 2.4 % or EUR 4 million (AG: +9 % or EUR 15 million) above the previous year's figure. After debiting the payment of EUR 1.5 million to the *Stiftungsinitiative der deutschen Wirtschaft*, profit before tax amounts to EUR 173 million (AG: EUR 179 million), an increase of 1.5 % (AG: +1,8 %) compared to the 1999/2000 financial year.

### Proposal for the Appropriation of Profits

For the year under review, Group net income for the year was EUR 85.9 million (EUR 75.5 million). An accumulated deficit brought forward from the 1999/2000 financial year was the result of consolidating IKB Immobilien Leasing and its special purpose companies. The results of these special purpose companies are characterised by leasing-type cost and earnings flows in the initial years, and were attributable to a substantial degree to the non-IKB Group shareholders of these companies. After a transfer to other revenue reserves, unappropriated Group profit amounted to EUR 50.9 million.

For the AG, net income for the year amounted to EUR 98.1 million (EUR 88.1 million). After a transfer of EUR 30.3 million to other revenue reserves, unappropriated profit amounted to EUR 67.8 million. We propose to disburse this profit in the form of a dividend of EUR 0.77 per share. Including the corporation tax credit, eligible shareholders will receive a gross dividend of EUR 1.10 per share. Based on the bank's share price at the balance sheet date, this corresponds to a dividend yield of 6.9 %.

## Objectives and Strategies

Risk management has always been a matter of central concern at IKB. It embraces the entire corporate process, and has the objective of optimising the yield-to-risk ratio and hence the bank's ability to bear risk. It is founded on the ability of the bank to bear risk as defined by the Board of Managing Directors, whose fundamental principle is never to take a risk that could endanger the payment of a dividend by the bank.

Handling risk successfully requires timely monitoring, professional management and a careful consideration of all aspects of risk. It is thus imperative that risk management encompass not only risk controlling but also operational risk management. The central objective is to recognise and limit potential risks at an early stage. This creates freedom of action, forming the basis for the long-term safeguarding of existing and future potential for success.

## Risk Organisation

The IKB risk management system is based on a functional approach, thus ensuring the effectiveness and efficiency of the risk control process.

### The Board of Managing Directors

Responsibility for risk management rests with the entire Board of Managing Directors, which sets risk policy in the form of a clear definition of strategy, of business categories and of acceptable and unacceptable risks, as well as defining the permissible level of overall risk within the framework of the bank's ability to bear risk.

The implementation of risk policy and risk management – in a continuation of the bank's traditional principle of dual control – is performed by separate Risk Controlling and Risk Management units, responsible to different members of the Board of Managing Directors. Though closely interconnected in technical terms, the units nevertheless have distinct tasks.

### Risk Committees

Risk committees determine the risk profile for individual types of risks within the framework established by the Board of Managing Directors. The risk committees are composed of members of the Board of Directors and representatives of the central Risk Controlling and Risk Management Departments.

### Risk Management

By consolidating its Risk Decision, Central Customer Processing and Risk Control units to form a new "Risk Management" Department, IKB has further optimised its operational risk management and, in particular, the accompanying transfer of knowledge. Risk Management is responsible for implementing and maintaining standardised risk criteria throughout the Group. Along with guidelines for lending decisions, these include the entire credit approval process and – together with the Risk Controlling unit – the sharing out of the risk limits promulgated by the Board of Managing Directors within the bank's business units.

The management of customer default risk is based on a credit approval process that features an assessment of the financial standing of the individual customer and the specific industry, as well as an evaluation of the appropriateness of the planned volume of business.

In the process, the evaluation of risk regularly takes into account the overall financial commitments of the borrower. If the company belongs to a group, the financial standing and total exposure of the bank are included in the decision. Within the framework of the credit decision-making process, portfolio considerations have gained significance, and now flow into our decisions as well.

As a means of controlling lending risk, a senior lending officer supports Risk Management in the respective divisions. This ensures that loan decisions made at division level are in conformity with IKB standards.

**Risk Controlling**

Risk Controlling, a component of the central division Controlling, is responsible for implementing the risk policy of the Board of Managing Directors, as well as for internal and external risk reporting and the neutral monitoring of country, market, liquidity and operational risks. As an independent entity, the Risk Controlling unit ensures that all measured risks remain within the limits defined by the Board of Managing Directors. In the process, the unit's reporting also focuses on risk factors too minor to pose a serious threat to the bank.

In the strategic planning and the operational budget process, Controlling supports the Board of Managing Directors when it comes to allocating capital to the divisions.

In addition, Risk Controlling is materially involved in preparing concepts for the continued development and implementation of the value-oriented strategic management of the bank. In concert with the Risk Management unit, appropriate methods are specified for measuring risk and performance. A further task carried out in close co-operation with Risk Management is the expansion of technical infrastructure for measuring risk and the integration of core risk data into the management and information systems of the bank.

**Internal Audit**

As an independent unit, Internal Audit monitors the operational and business activities of all organisational units subject to risk management. Internal Audit acts on behalf of the Board of Managing Directors, to which it directly reports. However, in preparing its reports and evaluating its findings, it acts independently. Beside the credit control, the bank's data processing flows, as well as the qualitative and quantitative methods and processes are also subject to permanent review.

This systematic division of responsibilities within the framework of operational risk management has of course been structured to exceed the standards of quality for commercial banking operations as defined by the relevant regulatory authorities. This applies equally to the provisions of Germany's Corporate Control and Transparency Act (*KonTraG*), which came into force on May 1, 1998.

Along with the aforementioned departments, the individual divisions are likewise embedded in the operational risk management structure. In co-operation with the central divisions Organisation and Internal Audit, they are responsible for the management of operational risks. Risk policy is co-ordinated at regular division-level meetings.

The tasks and responsibilities of all participants are described in detail in a risk management handbook, which also sets out the framework for identifying, quantifying and controlling risks. The handbook not only documents the IKB risk management process, it also serves as a vehicle for presenting and maintaining Group-wide standards for an integrated system of risk management that encompasses all risks in conformity with the legal requirements.

The Risk Management Process

IKB's risk management process draws together the bank's full range of activities, ensuring a systematic approach to risk throughout the Group. This is a continuous process, beginning with the identification of risks. Here, all areas of activity are regularly examined, with all risks being identified and structured according to the highest original risk potential. Once risks are identified they are subjected to a qualitative evaluation. As far as possible, the risks are quantified and expressed in such risk measurement terms as "expected loss" or "value at risk". This process is based on recognised mathematical and statistical procedures that enable the loss potential of business transactions to be evaluated. Crucially important in this context are sensitivity and scenario analyses, which enable the impact of market changes to be depicted. The quantification of market price and customer insolvency risks is a vital prerequisite for being able to compare total risk with the risk-bearing ability of the bank.

The individual evaluations and measurement results form the basis for controlling risk, the process by which the identified risk positions are actively influenced and limited. Such control measures are designed to reduce the likelihood of risks occurring in the first place, as well as to limit the impact of those risks that do occur. This is done for example through organisational measures such as the separation of new business acquisition from decision-making, through risk limitation, the exclusion of certain creditworthiness categories, or through risk mitigation, e.g. in the form of insurance. The measures listed here are designed to help the bank steer clear of unacceptable risks, and to reduce the number of unavoidable risks to a minimum.

The final stage in the risk management process is risk monitoring, which ensures that the risk situation of the bank at no time exceeds the established upper limits for risk. It is based on the timely, continuous, comprehensive reporting of the results of risk analysis and the exploitation of the limits determined by risk controlling. Continuous performance checks by means of actual/budget comparisons ensure the smooth operation and functionality of the risk management process. Furthermore, the risk monitoring also allows the bank to keep track of changes in risk pattern over time. Permanent checks help in the early detection of unexpected developments, as well as in identifying the emergence of new risks.

The supervision and ongoing development of the risk management system is a central task of the Board of Managing Directors, and the responsibility of all of the bank‘s senior executives.

**Customer Default Risk**

In discussing 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 hedge or re-investment respectively, or the fact that a profit not yet realised cannot be recovered. On account of the special significance of loan operations as a core competence of the bank, credit risk is subjected 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, individual transaction limits, portfolio monitoring based on comprehensive portfolio analysis, and internal auditing.

The point of departure for the risk management process 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 operating and personnel costs, 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 way in which existing business is managed.

It is, however, not only the agreed risk policy objectives which count when acquiring new business, but also the credit calculation of the respective transaction on a net present value basis taking into account the directly attributable costs, and 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 the Controlling Department in this context to identify, analyse and elucidate any discrepancies.

Of crucial importance in the lending process is the credit analysis by 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. Within the framework of a graduated system of decision-making authority, individual lending transactions are approved, either within the divisions, or centrally by the loan units in the Risk Management Central Division, or by the Board of Managing Directors on the basis of volume, the financial standing of the borrower, and collateral. The principle of dual control is invariably maintained. Likewise, loan and contract processing is handled by the bank's legal personnel, who operate independently of the divisions which have acquired the business.

In monitoring and managing existing business, having an overview of the bank's entire loan portfolio is of crucial importance. By regularly gathering and analysing current information on our customers, the divisions ensure the timely evaluation of the creditworthiness of borrowers and hence of the risk structure of our lending portfolio as a whole. Whenever necessary, the value of collateral is also updated. The study of individual industries and market changes is conducted by the bank's Economics Department. The point of departure for determining portfolio factors, which are oriented to the bank's strategic objectives and risk policy guidelines, is a regular review of the various portfolios by the Risk Management Division. Here, the risk structure of the portfolios and their change over time are analysed on the basis of various dimensions, including creditworthiness classes, payment delays and maturities, but also with regard to quantitative risk sizes (e.g. expected loss). Sector risks and general economic factors affecting individual industries are identified on a timely basis by the Economics Department and analysed at portfolio level by the Risk Management Division and, if necessary, transformed into risk control measures. Variances from the planned portfolio structure or undesired concentrations are thus subject to early detection, allowing countermeasures to be taken. Portfolio limit settings are decided on by the Board of Managing Directors based on proposals made by Risk Management. The Board establishes the guidelines, principles, methods and standards for the bank's lending operations.

The management of high-risk loans is performed by a special team. By calling these units in at an early stage and involving loan officers with special expertise, it is possible 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.

A further important measure for ensuring the quality of our loan portfolio consists of regular internal audits. Above all, these audits focus on adherence to the bank's loan extension guidelines, as well as on the quality standards of the entire loan approval process.

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 business and credit relationships with medium-sized companies, we impose exceptionally stringent criteria with regard to the credit quality and the potential recovery of collateral when selecting our business partners. In so doing we place particularly great emphasis on a sustained, positive earnings performance on the part of our customers. Corresponding credit guidelines make this commitment to quality an operational reality.

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

In our corporate lending operations we apply a corporate customer rating scheme, which, based on core financial data derived from past and projected economic data, also takes into account the customer's individual characteristics. Particular aspects of project financing 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 lending risk management system, and will form the basis for the implementation of the Basle Accord on minimum capital requirements, which comes into force in 2004.

An individual "probability of insolvency" is calculated for each creditworthiness level and regularly subjected to backtesting. Taking into account collateral proceeds, we calculate the "expected loss".

As a part of normal reporting procedures on earnings trends, special attention is paid to the risk situation, thereby enabling appropriate measures to be taken in the event of conspicuous changes.

Taking adequate account of risk when pricing new business ensures that when the terms of a transaction are fixed, the expected losses from loan and (where relevant) transfer risks are considered, as is the corresponding rate of return on the equity to be maintained.

**Market Price and Liquidity Risks**

Also relevant are the various types of market price risks. Among others, these include interest rate risks, currency risks, and price change risks for shares and other assets, which can have an impact on net present value risk or net interest income risk.

We define liquidity risk as the risk that the bank will not be able to meet its payment obligations in full when they fall due. 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, variable interest rate securities that can be sold or lent against at any time. This eliminates short-term liquidity risk.

Management of liquidity takes place in adherence to external factors. Furthermore, it is our policy to avoid maturity-related risks by funding our assets largely at matching maturities.

Management of these risks within the framework of the bank's risk management process conforms to the "Minimum Standards for Commercial Transactions", which has been adopted by IKB as a basic regulatory framework.

The key element in managing market price risk is a sophisticated limit system, which – based on planned price gains or interest income – limits possible undershooting of the plan. Based on the ability of the bank to bear risk, the aforementioned planning dimensions are agreed between the Board of Managing Directors and Treasury.

Based on this limit system and taking into account our own rules in conformity with the minimum regulatory requirements – which include limiting ourselves to permissible products – Treasury implements its market expectations in its investment and funding strategies. IKB keeps separate its trading for own account, investment of own funds, and asset funding portfolios.

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 oriented to net present value. Based on this evaluation and the risk ratios, the degree of utilisation of the risk and loss limits is calculated daily for both normal and worst-case scenarios. Our backtesting demonstrates that the actual changes in results in both trading for own account and investments of own funds are accurately revealed by our value-at-risk estimates.

Other market price risks can arise from mismatched maturities in loan funding operations and investments of own funds. In order to quantify and limit these risks, IKB utilises its own asset and liability management system. With the help of this system, interest rate spreads are set for asset transactions, including loan approvals and their subsequent funding as well as for investments of own funds, including the funds themselves. Interest-free positions are included in line with historical experience. On the basis of these interest fixation account, Risk Controlling determines the interest income that can be attained without risk during the current and coming financial year. 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.

The normal case scenarios both for net present value- and interest income-oriented risk measurements are determined for a ten-day period and a confidence ratio of 99 %. The worst case scenarios are calculated based on an historical analysis of the past 20 to 30 years.

In order to monitor market price risks and support the risk management process, the Board of Managing Directors and Treasury receive comprehensive daily reports on the earnings and risk situation in the aforementioned 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.

**Operational Risks**

We define operational risks as the potential occurrence of losses due to unforeseen events, operational interruptions, inadequate controls or the failure of systems. These include, among other things, all IT risks, but also personnel-oriented risks, risks related to wrong investment decisions and processing errors, as well as contractual risks.

Such risks can occur very suddenly, for example, when EDP systems fail. But they can also be the result of a creeping process, due, for instance, to a failure to adapt one's products and services to changing customer requirements. Being so heterogeneous, operational risks have to be monitored and contained through the co-ordinated action between the various units of the bank and by specific organisational procedures.

Against this background, and in conformity with the requirements imposed by the *KonTraG*, IKB previously established a working group charged with identifying, analysing and evaluating operational risks within the Group. Based on this inquiry, the individual risks and related arrangements and organisational instructions were examined 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.

The aforementioned analysis revealed that operational risks can be detected and controlled by a unified system only with difficulty; individual attention is generally required. This relates above all to the standards of security that are deemed necessary, and thus the costs of guarding against such potential dangers. In each of the divisions, activities necessary for reducing operational risks and accordingly for ensuring the quality of existing processes were identified and implemented. These include, for example, technical and organisational measures for maintaining IT operations at all times in the event of an emergency and the installation of a firewall system for protecting the network against outside attack. An access authorisation system for all applications guarantees the confidentiality and integrity of all data and information stored in the bank's computer network. All expenditure of this type is expensed immediately against current earnings and is thus taken into account when calculating the ability of the bank to bear risk. Adherence to the principle of dual control in the bank's operational flows, and a whole host of monitoring and control processes, complement and complete the aforementioned measures.

Within the framework of our risk analysis activities, 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 do exist or appropriate insurances have been effected.

The central and operational divisions are responsible for the analysis, evaluation and reporting of operational risks. The bank's Internal Audit Department supports them in this task not only by inspecting the internal control system, but especially by systematically monitoring the operational and administrative flows of every part of the bank to ensure proper functioning. These also include checks on the functionality, economic efficiency, and security of the bank's operational processes, as well as its information and control systems.

In order to optimise our previous measures for managing operational risks, we plan to support the systematic and consistent registration of operational risks by creating a reporting system focusing on early detection and the development of specific risks. In this way we intend to document and ensure the long-term quality of the bank's internal processes.

Also subsumed in the category of operational risk is 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 new court rulings.

**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 relevant legal and social environment, but can also result from changing market and competition conditions, or from our customers or funding sources. Since there is nothing routine about strategic risks, they are hard to grasp as special risks in an integrated system. Such risks are specially observed and regularly analysed by the Board of Managing Directors and selected central division units. This entails a regular review of the division-level 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.

**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 to the relevant heads of each division.

As part of this process, Risk Controlling produces a daily report for the Board of Managing Directors, the Treasury and other relevant units containing an evaluation of the bank's trading for own account positions, the liquidity status, net interest result from the funding of asset operations, and investments of own funds. This report also features a statement of net present value risk under normal case and worse 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 unusual developments.

In support of the bank's loan operations, the resulting income and risk figures are compared on a regular, timely basis with the planned and or target figures, and reported to the Board and the heads of division, in order to be able to react at an early stage in case of variances.

## The Outlook for the Group in 2001/2002

The German economy got off to a somewhat less dynamic start in 2001 than the year before. The reason for this is the gradual slowdown in what had previously been double-digit rates of growth in export orders. On the one hand the weak EURO continues to provide German companies with a competitive advantage, but on the other hand world trade this year has expanded only slightly, due first of all to the economic downturn in the United States. Indeed, several economists see the US sinking into recession, with a correspondingly negative impact on world trade.

We do not share this view. The tremendous innovative strength of American companies, coupled with a highly flexible labour market, instead tends to argue in favour of a return to economic growth in autumn of this year. The expansionist monetary policy of the Federal Reserve and the planned tax cuts of the US government are bound to lend added impetus to this trend.

We conclude from this that, following a somewhat difficult first half, the German economy will begin to accelerate again by late autumn of this year. Tax reductions already decided on by the German government should also have a positive impact on the economic climate in coming years.

In light of this situation, we expect our operational divisions to develop along the following lines. Our Corporate Lending and Real Estate Financing Divisions will grow at a moderate rate this year. This is partly due to the prevailing economic situation, but also has to do with our selection criteria for new business, which will remain stringent. We expect to see strong growth in our Structured Financing Division. Especially our branches in London and Paris – but also our subsidiary in New York – have since earned an excellent reputation in their local markets, and are participating to an increasing degree in the expanding transaction financing sector.

Our Equity Division will invest this year in a substantial number of innovative young companies and established medium-sized firms. Because of the ongoing weakness of the stock market, the number of companies in our participation portfolio aiming at an IPO this year is of course limited. Furthermore, we expect that many companies will opt for sale to an industrial investor. On account of the tax reform, in many cases this will not take place before 2002. There is good reason to think that Equity will generate increased income again only once the stock markets – and especially the *Neue Markt* – begin to show clear signs of recovery.

We expect the risk situation to ease appreciably during the course of the current financial year. This is based on the fact that the creditworthiness structure of our new loan business has significantly improved in recent years, a process which is set to continue during the current financial year.
We thus look forward to a clear reduction in net risk provisioning. All in all, we are confident of achieving a satisfactory result for the 2001/2002 financial year.

Düsseldorf and Berlin, May 15, 2001
IKB Deutsche Industriebank AG
The Board of Managing Directors

# Consolidated Balance Sheet of IKB Deutsche Industriebank

| Assets | EUR | EUR | EUR | March 31, 2000 EUR thousand |
|---|---|---|---|---|
| **Liquid funds** | | | | |
| a) Cash | | 42 431.10 | | 127 |
| b) Balances with the central banks<br>of which: with the Deutsche Bundesbank<br>EUR 12 071.96 | | 809 737.75 | | 11 526<br>(11 022) |
| c) Balances on postal giro accounts | | 15 317.31 | | 7 |
| | | | 867 486.16 | 11 660 |
| **Claims on banks** | | | | |
| a) payable on demand | | 245 510 297.35 | | 721 115 |
| b) other claims | | 556 872 684.17 | | 928 926 |
| | | | 802 382 981.52 | 1 650 041 |
| **Claims on customers**<br>of which:<br>loans to public authorities EUR 1 891 271 872.28 | | | 24 332 098 790.61 | 22 634 938<br>(989 124) |
| **Debentures and other fixed interest securities** | | | | |
| a) Bonds and debentures<br>aa) from government issuers<br>ab) from other issuers | –<br>3 737 923 794.13 | | | –<br>2 445 007 |
| including: eligible as collateral for advances from the Deutsche Bundesbank EUR 2 738 485 390.50 | | 3 737 923 794.13 | | 2 445 007<br>(2 167 282) |
| b) own bonds<br>face value EUR 74 026 540.12 | | 75 795 135.01 | | 207 355<br>(206 353) |
| | | | 3 813 718 929.14 | 2 652 362 |
| **Shares and other non-fixed interest securities** | | | 36 138 907.56 | 13 392 |
| **Investments**<br>of which: in banks EUR 37 268 659.67<br>of which: in financial services companies EUR – | | | 38 906 427.56 | 29 214<br>(26 758)<br>(–) |
| **Investments in associated companies**<br>of which: in banks EUR –<br>of which: in financial services companies EUR – | | | – | 35 641<br>(35 641)<br>(–) |
| **Shares in subsidiary companies**<br>of which: in banks EUR –<br>of which: in financial services companies EUR – | | | 28 732 931.97 | 26 446<br>(–)<br>(–) |
| **Trust assets**<br>of which: loans on a trust basis at third party risk EUR 5 307 777.63 | | | 6 800 388.02 | 7 381<br>(5 868) |
| **Fixed assets** | | | 211 502 171.58 | 213 788 |
| **Leasing items** | | | 2 239 422 373.41 | 2 113 904 |
| **Outstanding capital of minority shareholders** | | | 49 183 800.62 | 60 945 |
| **Treasury shares**<br>nominal amount EUR 86 067.20 | | | 528 717.48 | 213<br>(32) |
| **Other assets** | | | 728 830 390.52 | 327 021 |
| **Deferred items** | | | 153 298 539.19 | 164 363 |
| **Total assets** | | | 32 442 412 835.34 | 29 941 309 |

## as at March 31, 2001

| Liabilities | EUR | EUR | EUR | March 31, 2000 EUR thousand |
|---|---|---|---|---|
| **Liabilities to banks** | | | | |
| a) payable on demand | | 501 559 297.50 | | 85 040 |
| b) with agreed maturity or period of notice | | 14 674 054 092.57 | | 13 095 628 |
| | | | 15 175 613 390.07 | 13 180 668 |
| **Liabilities to customers** | | | | |
| Other liablities | | | | |
| a) payable on demand | | 43 942 026.89 | | 39 510 |
| b) with agreed maturity or period of notice | | 2 392 022 656.13 | | 2 374 160 |
| | | | 2 435 964 683.02 | 2 413 670 |
| **Securitised liabilities** | | | | |
| Bonds and notes | | | 10 825 072 402.72 | 10 802 912 |
| **Trust liabilities** | | | 6 800 388.02 | 7 381 |
| of which: loans on a trust basis at third party risk EUR 5 307 777.63 | | | | (5 868) |
| **Other liabilities** | | | 563 526 912.91 | 409 743 |
| **Deferred items** | | | 514 089 276.58 | 497 804 |
| **Provisions** | | | | |
| a) for pensions and similar obligations | | 110 404 026.72 | | 101 014 |
| b) tax provisions | | 117 560 087.85 | | 117 188 |
| c) other provisions | | 41 365 682.90 | | 47 875 |
| | | | 269 329 797.47 | 266 077 |
| **Special items including reserves** | | | 8 935 324.99 | 10 053 |
| **Subordinated liabilities** | | | 803 413 276.13 | 582 358 |
| **Participation certificate (Genussschein) capital** | | | 439 259 342.59 | 439 259 |
| of which: with maturities of less than two years EUR – | | | | (–) |
| **Fund for general bank risks** | | | 80 000 000.00 | 80 000 |
| **Participations of minority shareholders** | | | 26 508 051.65 | 45 295 |
| **Equity** | | | | |
| a) subscribed capital | | 225 280 000.00 | | 225 280 |
| contingent capital: EUR 48 128 000.00 | | | | (48 128) |
| b) silent capital | | 170 000 000.00 | | 100 000 |
| c) capital reserves | | 567 415 527.13 | | 567 416 |
| d) revenue reserves | | | | |
| da) statutory reserves | 2 398 573.84 | | | 2 399 |
| db) reserves for treasury shares | 528 717.48 | | | 213 |
| dc) other revenue reserves | 277 426 607.28 | | | 246 275 |
| | | 280 353 898.60 | | 248 887 |
| e) consolidated profit | | 50 850 563.46 | | 64 506 |
| | | | 1 293 899 989.19 | 1 206 089 |
| **Total liabilities** | | | 32 442 412 835.34 | 29 941 309 |
| **Contingent liabilities** | | | | |
| a) contingent liabilities arising from rediscounted bills of exchange | | 395 820.25 | | 285 |
| b) contingent liabilities arising from guarantees and indemnity agreements | | 988 856 406.61 | | 803 066 |
| | | | 989 252 226.86 | 803 351 |
| **Other obligations** | | | | |
| Irrevocable loan commitments | | | 2 309 365 809.78 | 1 996 410 |

# Consolidated Income Statement of IKB Deutsche Industriebank

| Expenses | EUR | EUR | EUR | 1999/2000 EUR thousand |
|---|---|---|---|---|
| Interest expenses | | | 2 333 897 440.29 | 1 831 422 |
| Commission expenses | | | 4 854 630.92 | 5 365 |
| Net expenses from finance operations | | | – | 2 594 |
| General operating expenses | | | | |
| a) Personnel expenses | | | | |
| aa) Salaries and wages | 87 099 123.61 | | | 83 292 |
| ab) Social security contributions and employee benefit and pension expenditure | 27 053 085.35 | | | 24 037 |
| of which: for pensions EUR 15 673 386.54 | | | | (13 315) |
| | | 114 152 208.96 | | 107 329 |
| b) other administrative expenses | | 46 405 921.64 | | 43 827 |
| | | | 160 558 130.60 | 151 156 |
| Depreciation and value adjustments on intangible and fixed assets | | | 18 236 497.50 | 26 542 |
| Depreciation of leasing items | | | 312 245 418.41 | 300 605 |
| Rental expenditure on leasing items and other service related expenses | | | 14 462 158.82 | 9 303 |
| Other operating expenses | | | 24 155 287.57 | 14 346 |
| Write-downs and value adjustments to claims and securities, plus transfer to provisions for possible loan losses | | | 183 465 103.90 | 165 546 |
| Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments | | | 87 256.95 | 228 |
| Expenditure for loss takeovers | | | – | 136 |
| Allocations to special items including reserves | | | – | 1 022 |
| Transfer to the fund for general bank risks | | | – | 3 306 |
| Taxes on income and earnings | | | 83 208 406.57 | 80 268 |
| Other taxes not entered under "other operating expenses" | | | 4 291 936.03 | 5 050 |
| Profits transfered on the basis of a profit pool, a profit transfer agreement or a partial profit transfer agreement | | | – | 6 706 |
| Net income for the year | | | 85 911 327.65 | 75 456 |
| Total expenses | | | 3 225 373 595.21 | 2 679 051 |

| | EUR | 1999/2000 EUR thousand |
|---|---|---|
| Net income for the year | 85 911 327.65 | 75 456 |
| Attributable to other partners | | |
| Profit | -2 831 285.71 | -2 638 |
| Loss | 17 637 317.00 | 10 800 |
| Loss carried forward from the previous year (profit carried forward) | -10 161 291.60 | 10 563 |
| | 90 556 067.34 | 94 181 |
| Release of revenue reserves | | |
| of revenues for own shares | – | 347 |
| Allocation to revenue reserves | | |
| to revenues for own shares | -315 469.32 | – |
| to other revenue reserves | -39 390 034.56 | -30 022 |
| Unappropriated profit | 50 850 563.46 | 64 506 |

## for the Period April 1, 2000 to March 31, 2001

| Income | EUR | EUR | 1999/2000 EUR thousand |
|---|---|---|---|
| Interest income from | | | |
| a) lending and money market operations | 2 477 456 426.53 | | 2 037 521 |
| b) fixed interest securities and government-inscribed debt | 178 814 679.81 | | 70 503 |
| | | 2 656 271 106.34 | 2 108 024 |
| Current income from | | | |
| a) shares and other non-fixed interest securities | 318 424.97 | | 4 554 |
| b) investments | 1 372 954.78 | | 884 |
| c) holdings in subsidiary companies | – | | 36 |
| | | 1 691 379.75 | 5 474 |
| Income from profit pooling, profit transfer, and partial profit transfer agreements | | 7 107 141.56 | 27 018 |
| Income from investments in associated companies | | 986 736.58 | 4 191 |
| Commission income | | 17 862 386.81 | 13 053 |
| Net income from finance operations | | 2 539 566.12 | – |
| Earnings from write-ups relating to investments, holdings in associated companies, and securities treated as fixed assets | | 8 506 772.14 | 2 |
| Income from leasing operations | | 431 360 020.04 | 416 263 |
| Earnings from the release of special items including reserves | | 1 117 726.54 | – |
| Other operating income | | 97 930 759.33 | 105 026 |
| Total income | | 3 225 373 595.21 | 2 679 051 |

# Balance Sheet of IKB Deutsche Industriebank AG

| Assets | EUR | EUR | EUR | March 31, 2000 EUR thousand |
|---|---|---|---|---|
| **Liquid funds** | | | | |
| a) Cash | | 35 607.44 | | 120 |
| b) Balances with central banks | | 118 949.70 | | 11 321 |
| of which: with the Deutsche Bundesbank EUR – | | | | (11 022) |
| c) Balances on postal giro accounts | | 2 602.11 | | 3 |
| | | | 157 159.25 | 11 444 |
| **Claims on banks** | | | | |
| a) payable on demand | | 276 891 996.95 | | 1 439 029 |
| b) other claims | | 4 906 586 529.47 | | 3 822 502 |
| | | | 5 183 478 526.42 | 5 261 531 |
| **Claims on customers** | | | 22 238 573 937.94 | 20 845 949 |
| of which: loans to public authorities EUR 1 891 271 872.28 | | | | (989 124) |
| **Debentures and other *fixed interest securities*** | | | | |
| a) Bonds and debentures | | | | |
| aa) from government issuers | – | | | – |
| ab) from other issuers | 3 570 639 379.55 | | | 2 275 463 |
| of which: eligible as collateral for advances from the Deutsche Bundesbank EUR 2 614 080 529.82 | | 3 570 639 379.55 | | 2 275 463 |
| | | | | (2 037 549) |
| b) own bonds | | 75 795 135.01 | | 207 355 |
| face value EUR 74 026 540.12 | | | | (206 353) |
| | | | 3 646 434 514.56 | 2 482 818 |
| **Shares and other non-fixed interest securities** | | | 13 477 453.18 | 10 613 |
| **Investments** | | | 1 091 010.11 | 21 203 |
| of which: in banks EUR 293 570.67 | | | | (20 296) |
| of which: in financial services companies EUR – | | | | (–) |
| **Shares in subsidiary companies** | | | 353 786 018.14 | 315 713 |
| of which: in banks EUR 164 839 454.84 | | | | (164 839) |
| of which: in financial services companies EUR – | | | | (–) |
| **Trust assets** | | | 6 800 388.02 | 7 381 |
| of which: loans on a trust basis at third party risk EUR 5 307 777.63 | | | | (5 868) |
| **Fixed assets** | | | 53 442 816.49 | 54 943 |
| **Treasury shares** | | | 528 717.48 | 213 |
| nominal amount EUR 86 067.20 | | | | (32) |
| **Other assets** | | | 689 055 731.90 | 290 662 |
| **Deferred items** | | | 147 573 610.97 | 160 231 |
| **Total assets** | | | 32 334 399 884.46 | 29 462 701 |

# as at March 31, 2001

| Liabilities | EUR | EUR | EUR | March 31, 2000 EUR thousand |
|---|---|---|---|---|
| **Liabilities to banks** | | | | |
| a) payable on demand | | 652 354 704.98 | | 722 772 |
| b) with agreed maturity or period of notice | | 15 281 457 413.27 | | 12 678 112 |
| | | | 15 933 812 118.25 | 13 400 884 |
| **Liabilities to customers** | | | | |
| Other liabilities | | | | |
| a) payable on demand | | 36 327 422.53 | | 44 688 |
| b) with agreed maturity or period of notice | | 2 301 677 830.45 | | 2 239 801 |
| | | | 2 338 005 252.98 | 2 284 489 |
| **Securitised liabilities** | | | | |
| Bonds and notes | | | 10 770 793 333.43 | 10 794 596 |
| **Trust liabilities** | | | 6 800 388.02 | 7 381 |
| of which: loans on a trust basis at third party risk EUR 5 307 777.63 | | | | (5 868) |
| **Other liabilities** | | | 435 207 225.40 | 366 707 |
| **Deferred items** | | | 153 934 882.56 | 174 142 |
| **Provisions** | | | | |
| a) for pensions and similar obligations | | 98 146 948.35 | | 90 274 |
| b) tax provisions | | 107 623 563.04 | | 107 587 |
| c) other provisions | | 30 667 368.00 | | 28 593 |
| | | | 236 437 879.39 | 226 454 |
| **Subordinated liabilities** | | | 803 413 276.13 | 582 358 |
| **Participation certificate (Genussschein) capital** | | | 439 259 342.59 | 439 259 |
| of which: with maturities of less than two years | EUR – | | | (–) |
| **Fund for general bank risks** | | | 80 000 000.00 | 80 000 |
| **Equity** | | | | |
| a) subscribed capital | | 225 280 000.00 | | 225 280 |
| contingent capital: EUR 48 128 000.00 | | | | (48 128) |
| b) capital reserves | | 567 415 527.13 | | 567 416 |
| c) revenue reserves | | | | |
| ca) statutory reserves | 2 398 573.84 | | | 2 399 |
| cb) reserves for treasury shares | 528 717.48 | | | 213 |
| cc) other revenue reserves | 273 353 367.26 | | | 243 363 |
| | | 276 280 658.58 | | 245 975 |
| d) distributable profit | | 67 760 000.00 | | 67 760 |
| | | | 1 136 736 185.71 | 1 106 431 |
| **Total liabilities** | | | 32 334 399 884.46 | 29 462 701 |

| | | | | |
|---|---|---|---|---|
| **Contingent liabilities** | | | | |
| a) contingent liabilities arising from rediscounted bills of exchange | | 395 820.25 | | 286 |
| b) contingent liabilities arising from guarantees and indemnity agreements | | 2 901 673 769.14 | | 2 551 643 |
| | | | 2 902 069 589.39 | 2 551 929 |
| **Other obligations** | | | | |
| Irrevocable loan commitments | | | 1 704 910 226.49 | 1 799 395 |

# Income Statement of IKB Deutsche Industriebank AG

| Expenses | EUR | EUR | EUR | 1999/2000 EUR thousand |
|---|---|---|---|---|
| Interest expenses | | | 2 380 994 777.60 | 1 834 206 |
| Commission expenditure | | | 3 420 153.31 | 2 835 |
| Net expenses from finance operations | | | – | 2 626 |
| General operating expenses | | | | |
| a) Personnel expenditure | | | | |
| aa) Salaries and wages | 67 348 989.72 | | | 65 820 |
| ab) Social security contributions and employee benefit and pension expenditure | 22 699 722.75 | | | 20 324 |
| of which: for pensions EUR 13 884 878.97 | | | | (11 945) |
| | | 90 048 712.47 | | 86 144 |
| b) other administrative expenses | | 42 860 913.18 | | 41 926 |
| | | | 132 909 625.65 | 128 070 |
| Depreciation and value adjustments on intangible and fixed assets | | | 12 124 575.73 | 10 832 |
| Other operating expenses | | | 12 438 464.97 | 12 974 |
| Write-downs and value adjustments to claims and securities, plus transfers to provisions for possible loan losses | | | 164 751 037.45 | 158 597 |
| Write-downs and value adjustments on investments, holdings in subsidiary companies and securities treated as long-term investments | | | 87 256.95 | 225 |
| Expenditure for loss takeovers | | | 9 457 665.19 | 7 498 |
| Transfer to the fund for general bank risks | | | – | 3 306 |
| Taxes on income and earnings | | | 79 690 538.03 | 72 348 |
| Other taxes not entered under "other operating expenses" | | | 958 343.01 | 1 464 |
| Net income for the year | | | 98 065 503.88 | 88 141 |
| Total expenses | | | 2 894 897 941.77 | 2 323 122 |
| Net income for the year | | | 98 065 503.88 | 88 141 |
| Release of revenue reserves | | | | |
| of revenues for own shares | | | – | 347 |
| Allocation to revenue reserves | | | | |
| to reserves for own shares | | | 315 469.32 | – |
| to other revenue reserves | | | 29 990 034.56 | 20 728 |
| Unappropriated profit | | | 67 760 000.00 | 67 760 |

## for the Period April 1, 2000 to March 31, 2001

| Income | EUR | EUR | 1999/2000 EUR thousand |
|---|---|---|---|
| Interest income from | | | |
| a) lending and money market operations | 2 568 268 552.13 | | 2 093 570 |
| b) fixed interest securities and government-inscribed debt | 169 269 856.97 | | 65 166 |
| | | 2 737 538 409.10 | 2 158 736 |
| Current income from | | | |
| a) shares and other non-fixed interest securities | 318 424.97 | | 4 554 |
| b) investments | 3 108 694.30 | | 3 978 |
| c) holdings in subsidiary companies | 5 871 147.06 | | 5 830 |
| | | 9 298 266.33 | 14 362 |
| Income from profit pooling, profit transfer, and partial profit transfer agreements | | 26 458 227.89 | 36 016 |
| Commission income | | 29 523 279.43 | 24 452 |
| Net income from finance operations | | 2 249 661.50 | – |
| Earnings and write-ups relating to investments, holdings in associated companies, and securities treated as fixed assets | | 8 506 772.13 | 2 |
| Other operating income | | 81 323 325.39 | 89 554 |
| Total income | | 2 894 897 941.77 | 2 323 122 |

# 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, seven domestic and four foreign companies are included in the consolidated financial statements at March 31, 2001. For the first time, we fully consolidated IKB Immobilien Leasing GmbH – previously valued using the equity method – and its 413 special purpose entities, including the general partner companies in the form of limited liability companies (GmbH). We exercise unified direct control over these subsidiaries via direct or indirect majority voting rights. 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 413 special purpose entities 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. The company AIVG Allgemeine Verwaltungsgesellschaft mbH of Düsseldorf was included in the Group accounts for the first time. This company handles the execution of business within the IKB Immobilien Leasing group.

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 leasing items (EUR 1.6 billion) and the EUR 0.9 billion-decline in claims on customer. In addition, the items "Outstanding capital of minority shareholders (concerning votes)" and "Participations of minority shareholders (concerning votes)" were also included for the first time in the consolidated accounts. Consolidation of the IKB Immobilien Group led to an increase in the consolidated balance sheet total of EUR 0.8 billion. Net income for the 1999/2000 financial year declined to EUR 75.5 million. Two thirds of this decline related to other shareholders. The remaining third was essentially due to administrative expenses within the IKB Immobilien Group.

On April 3, 2000, we established IKB Capital Corporation in Delaware. Located in New York, the company is a wholly owned subsidiary of IKB. The company's financial statements are prepared in accordance with US GAAP. Whenever material, US accounting principles are adjusted to accord with German accounting principles.

The investment in the associated company National-Bank AG, Essen, was sold in full during the period under review, and deconsolidated.

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. Foreign currency amounts were converted to D-mark at exchange rates ruling at the balance sheet dates, with the exception of fixed assets.

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 37.8 million, and credit differences EUR 6.2 million. These amounts 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, 2000:

AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf
IKB Capital Corporation
IKB Financière France S.A.
IKB Immobilien Leasing GmbH
IKB Immobilien Management GmbH
ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Wilhelm-Bötzkes-Str. KG.

In the case of IKB Capital Corporation, we prepared interim accounts at March 31, 2001 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 or market principle, i. e. the lower of cost and quoted prices. 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 rolled-forward historical cost. During the year under review, a write-up amounting to EUR 8.5 million was taken on the book value of our holding in Natexis Banques Populaires, partially written down in the previous years; this was in accordance with the *Wertaufholungsgebot*, i.e. the requirement to reverse write-downs where the reasons for them no longer exist.

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) accelerated depreciation. When a permanent diminution in value is expected, unscheduled depreciation is applied. Low-value items are completely written off during the year of purchase.

Liabilities are stated at redemption value. 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 retirement benefits 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 realization 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. 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.

Only translation gains and losses in accordance with Article 340 h, Section 2, HGB are recognized in the income statement.

# Notes to the Balance Sheet and Income Statement

Breakdown of Maturities of Selected Balance Sheet Items (According to Remaining Maturities)

| Group<br>in EUR million | | up to three months | more than three months up to one year | more than one year up to five years | more than five years |
|---|---|---|---|---|---|
| Claims on banks | March 31, 2001 | 102 | 239 | 153 | 64 |
| | March 31, 2000 | 320 | 327 | 194 | 88 |
| Claims on customers | March 31, 2001 | 3 315 | 2 404 | 10 878 | 7 735 |
| | March 31, 2000 | 2 437 | 2 133 | 10 822 | 7 243 |
| Liabilities to banks | March 31, 2001 | 4 051 | 1 430 | 4 685 | 4 508 |
| | March 31, 2000 | 3 628 | 1 401 | 4 612 | 3 455 |
| Liabilities to customers | March 31, 2001 | 154 | 182 | 1 130 | 926 |
| | March 31, 2000 | 227 | 107 | 1 295 | 746 |

| AG<br>in EUR million | | up to three months | more than three months up to one year | more than one year up to five years | more than five years |
|---|---|---|---|---|---|
| Claims on banks | March 31, 2001 | 4 309 | 335 | 221 | 43 |
| | March 31, 2000 | 2 972 | 530 | 257 | 63 |
| Claims on customers | March 31, 2001 | 3 095 | 2 306 | 9 899 | 6 939 |
| | March 31, 2000 | 2 060 | 2 018 | 10 685 | 6 083 |
| Liabilities to banks | March 31, 2001 | 5 188 | 1 426 | 4 628 | 4 040 |
| | March 31, 2000 | 3 698 | 1 408 | 4 616 | 2 956 |
| Liabilities to customers | March 31, 2001 | 77 | 158 | 1 114 | 953 |
| | March 31, 2000 | 118 | 91 | 1 285 | 746 |

Of the debentures and other fixed interest securities in the Group EUR 194 million and in the AG EUR 173 million will mature next year. Of the issued debentures included in the balance sheet under securitised liabilities, EUR 1,650 million will come due next year in the Group and in the AG.

## Treasury Shares

At the General Meetings held on September 3, 1999 and September 8, 2000, we obtained authorisation to acquire our own shares for the purpose of securities trading (max. 5 % of share capital).

During the 2000/2001 financial year, we purchased 1,386,773 treasury shares. Including the beginning balance of 12,670 shares on April 1, 2000, the average purchasing price was EUR 16.11. A total of 1,365,823 shares were sold at an average price of EUR 16.19. The resulting revenues of EUR 108,000 are included in the net result from financial operations. The highest daily balance of treasury shares amounted to 0.29 % of subscribed capital. Our affiliates did not engage in the sale or purchase of IKB shares. As at the balance sheet date, 33,620 shares with a calculated value of EUR 86,067.20 were held by the bank, corresponding to a 0.04 % share of subscribed capital. The book value amounts to EUR 528,717.48.

According to Article 272, Section 4, HGB, we have formed a reserve for treasury shares, the amount corresponds to the book value of treasury shares on the asset side of the balance sheet.

In order to enable our employees to acquire shares under employee purchase schemes during the year under review we purchased 17,694 shares at an average price of EUR 15.80, of which we then sold 13,523 to the employees of the AG at a preferential rate of EUR 7.90. A further 4,171 shares were acquired under the same conditions from employees of the Group.

## Fixed Asset Schedule

### Fixed Assets of the Group

| in EUR million | Cost of acquisition | Additions | Disposals | Reclassification | Accumulated depreciation | Depreciation financial year | Net book value March 31, 2001 | Net book value March 31, 2000 |
|---|---|---|---|---|---|---|---|---|
| Tangible fixed assets | 335.2 | 19.2 | 9.4 | – | 133.5 | 18.2 | 211.5 | 213.8 |
| Investments | 39.3 | 4.5 | 2.5 | –0.7 | 1.7 | 0.1 | 38.9 | 29.2 |
| Investments in associated companies | 35.6 | 8.6 | 44.2 | – | – | – | – | 35.6 |
| Shares in subsidiary companies | 26.6 | 2.5 | 1.0 | 0.7 | 0.1 | – | 28.7 | 26.4 |
| Leasing items | 2 779.8 | 533.3 | 347.9 | – | 725.8 | 312.2 | 2 239.4 | 2 113.9 |

## Fixed Assets of the AG

| in EUR million | Cost of acquisition | Additions | Disposals | Reclassification | Cumulative depreciation | Depreciation financial year | Net book value March 31, 2001 | Net book value March 31, 2000 |
|---|---|---|---|---|---|---|---|---|
| Tangible fixed assets | 123.2 | 13.4 | 9.1 | – | 74.1 | 12.1 | 53.4 | 54.9 |
| Investments | 22.4 | 10.5 | 30.5 | – | 1.3 | 0.1 | 1.1 | 21.2 |
| Shares in subsidiary companies | 374.9 | 39.1 | 1.0 | – | 59.2 | – | 353.8 | 315.7 |

On March 31, 2001, the book value of the Group's land and buildings used by the Group amounted to EUR 183.2 million, and those of the AG to EUR 31.8 million. The principle item in the Group was the headquarters building in Düsseldorf, where we shifted from declining-balance depreciation to linear depreciation during the financial year. The same applies to certain equipment categories in our equipment leasing operations.

On the Group balance sheet, equipment and furniture, amount to EUR 24.0 million, and for that of the AG, to EUR 20.3 million. They are included in "Tangible fixed assets".

With regard to Group fixed assets, in participations we offset the EUR 8.5 million write-up on our investment in Natexis Banque Populaires with the accumulated write-downs.

For the Group and the AG alike, the most significant change in investments in associated companies was the sale of our shares in National-Bank AG, Essen.

### 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 | 3 792.9 | 3 770.2 | 22.7 | 3 626.3 | 3 612.3 | 14.0 |
| Shares and other non-fixed interest securities | 0.9 | 0.9 | – | 0.9 | 0.9 | – |
| Investments | 37.1 | – | 37.1 | 0.2 | – | 0.2 |
| Shares in subsidiary companies | – | – | – | 151.9 | – | 151.9 |

Receivables and Payables Relating to Subsidiary and Related Companies

| in EUR million | Group | | AG | |
|---|---|---|---|---|
| | Subsidiary companies | Related companies | Subsidiary companies | Related companies |
| Claims on banks | – | 4.0 | 4 637.8 | 4.0 |
| Claims on customers | 286.3 | 41.8 | 1 936.3 | 41.8 |
| Debentures and other fixed interest securities | – | 4.0 | – | 4.0 |
| Liabilities to banks | – | 0.0 | 1 753.4 | 0.0 |
| Liabilities to customers | – | 5.9 | 87.5 | 5.9 |

Trust Transactions

| in EUR million | Group | | AG | |
|---|---|---|---|---|
| | March 31, 2001 | March 31, 2000 | March 31, 2001 | March 31, 2000 |
| Claims on customers | 5.3 | 5.9 | 5.3 | 5.9 |
| Investments | 1.5 | 1.5 | 1.5 | 1.5 |
| **Trust assets** | **6.8** | **7.4** | **6.8** | **7.4** |
| Liabilities to customers | 6.8 | 7.4 | 6.8 | 7.4 |
| **Trust liabilities** | **6.8** | **7.4** | **6.8** | **7.4** |

Subordinated Assets

Subordinated assets are included in the following balance sheet items:

| in EUR million | Group | AG |
|---|---|---|
| Claims on customers | 6.2 | 6.2 |
| 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 euros are presented in the following table. Transactions denominated in the currencies of countries participating in the launch of the EURO are not included. The differences between assets and liabilities are covered by currency hedging transactions.

| in EUR million | Group | | AG | |
|---|---|---|---|---|
| | March 31, 2001 | March 31, 2000 | March 31, 2001 | March 31, 2000 |
| Assets | 5 055 | 3 447 | 4 698 | 3 137 |
| Liabilities | 2 665 | 1 807 | 2 620 | 1 805 |

### 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 351 million. These direct debits could not be credited to our LZB account, as the balance sheet date (March 31, 2001) 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 283 million/AG with EUR 276 million). The remaining amount relates besides activations of claims to profit against associated companies primarily to trade receivables and claims for reimbursement.

In both the Group and AG financial statements, the amounts distributed on the participation certificate capital for 2000/2001 (EUR 33 million), the pro rata interest for the subordinated liabilities with EUR 17 million and EUR 22 million, as well as the interest expenditure for the silent capital in the Group with EUR 10 million, are entered under Other Liabilities. The pro rata interest from interest rate swap agreements constitute the largest item in the Group (EUR 265 million) and AG (EUR 258 million). Other significant items include trade payables, containing EUR 52 million and EUR 17 million respectively.

### Accrued and Deferred Income

Prepaid expenses of the Group and AG, each amounting to EUR 141 million 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 (Discounts from the nominal value of liabilities reported in the balance sheet.)

Deferred income of the Group amounting to EUR 152 million (AG: EUR 143 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 (Discounts 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 7.2 million investment grants.

### 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 | 100.0 | EUR | 6.00 | Feb. 27, 2009 |

Subordinated liabilities in the Group and AG amount to EUR 803.4 million. Interest expense on this amount during the financial year came to EUR 47.7 million (1999/2000: EUR 38.6 million).

## Participation Rights Capital

The issued participation rights capital of EUR 439 million meets the requirements set out in Article 10, Section 5 of the German Banking Act 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 in 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 |
| | 439.3 | | | |

Payments for the 2000/2001 financial year, amounting to EUR 32.8 million, are contained in interest expense.

The bank is authorized to issue further participation certificates – including conversion rights or warrants – of up to EUR 184.5 million until September 5, 2002.

## Changes in Subscribed, Authorised and Contingent Share Capital

Subscribed share capital amounted to EUR 225,280,000.00 on March 31, 2001 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.

Furthermore convertible or warrant-linked bonds or participation rights capital – also with conversion or option rights – the possibility exists of issuing in one or several steps up to a gross account of still EUR 184.5 million until September 5, 2002. The contingent capital amounts to EUR 25.6 million.

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.

In order to strengthen further the equity base of the Group, we placed a dormant holding via our subsidiary IKB International S.A. in this financial year. This silent capital complies with the provisions of Article 10, Section 4 of the German Banking Act, and thus counts as tier 1 capital.

Equity of the Group (last year's figures adjusted)

in EUR million

| | | |
|---|---|---|
| As at April 1, 2000 | | 1 206.1 |
| Distribution of unappropriated profits for the financial year 1999/2000 | | – 67.8 |
| Transfer to other revenue reserves from the Group's net income for the financial year 2000/2001 | 39.7 | |
| Transfer from revenue reserves following deconsolidation of National-Bank AG | –8.3 | 31.4 |
| Unappropriated profit of the AG for the financial year 2000/2001 | | 67.8 |
| Silent capital | | 70.0 |
| Unappropriated profits and losses of consolidated subsidiaries (net) | | –13.6 |
| As at March 31, 2001 | | 1 293.9 |

Equity of the AG

in EUR million

| | |
|---|---|
| As at April 1, 2000 | 1 106.4 |
| Distribution of unappropriated profits for the financial year 1999/2000 | – 67.8 |
| Transfer to other revenue reserves from net income of the AG for the financial year 2000/2001 | 30.3 |
| Unappropriated profit for the financial year 2000/2001 | 67.8 |
| As of March 31, 2001 | 1 136.7 |

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:

| **at March 31, 2001** | Attributable amounts in % | | | | Total |
|---|---|---|---|---|---|
| in EUR million | 100 | 50 | 20 | 10 | |
| 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[1] | | | | | 2 347 |
| Capital eligible for inclusion | | | | | 2 347 |
| Tier 1 capital ratio (in %) | | | | | 6.1 |
| Equity ratio (in %) | | | | | 10.7 |

[1] Following adoption of the annual financial statements

| **at March 31, 2000** in EUR million | 100 | Attributable amounts in % 50 | 20 | 10 | Total |
|---|---|---|---|---|---|
| Balance sheet transactions | 17 522 | 2 897 | 986 | | 21 405 |
| Non-balance sheet transactions | 727 | 387 | 46 | | 1 160 |
| Derivative transactions in the investment portfolio | | 33 | 147 | | 180 |
| **Weighted risk assets, total** | **18 249** | **3 317** | **1 179** | 0 | **22 745** |
| Amount attributable for market risk | | | | | 125 |
| **Total of items obligatory for inclusion** | | | | | **22 870** |
| Liable capital[1)] | | | | | 2 230 |
| Capital eligible for inclusion | | | | | 2 230 |
| Tier 1 capital ratio (in %) | | | | | 5.5 |
| Equity ratio (in %) | | | | | 9.8 |

[1)] Following adoption of the annual financial statements

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

## Contingent Liabilities / Other Commitments

| Contingent liabilities | **Group** in EUR million | **AG** in EUR million |
|---|---|---|
| Guarantees | 779 | 2 692 |
| Liabilities from security for third-parties | 210 | 210 |
| Total | 989 | 2 902 |

| Other commitments | **Group** in EUR million | **AG** in EUR million |
|---|---|---|
| Loan commitments up to one year | 1 559 | 1 050 |
| Loan commitments more than one year | 750 | 655 |
| Total | 2 309 | 1 705 |

No individual amounts that are of importance to the overall operations of the bank are contained in Contingent Liabilities or Other Commitments.

## 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 allocation of cash flows to operating activities corresponds in the definition of the result from ordinary activities.

Cash flow status corresponds to the balance sheet item Liquid Funds, and contains Balances held with Central Banks and Cash.

| Cash flow Statement in EUR million | 2000/2001 | 1999/2000 |
|---|---|---|
| **Net income for the year** | 86 | 75 |
| ***Non-cash items contained in net income for the year and leading into the cash flow from operating activities*** | | |
| Direct depreciation, allocations to/release of provisions and write-downs as well as allocations to/release of provisions for loan operations | 209 | 231 |
| Depreciation of fixed assets, leasing items, and investments | 331 | 269 |
| Changes in other non-cash items (primarily change of provisions) | 70 | 23 |
| Result from the sale of investments and fixed assets | –63 | 0 |
| Other adjustments (primarily reallocation of received or paid interest including profits for leasing transactions and paid income tax) | –709 | –668 |
| **Subtotal** | **–76** | **–70** |
| ***Changes in assets and liabilities from operating activities after corrections for non-cash components*** | | |
| Claims | | |
| on banks | 912 | 676 |
| on customers | –1 745 | –1 438 |
| Debentures and other fixed interest securities | –1 164 | –1 031 |
| Shares and other non-fixed interest securities | –23 | 220 |
| Leasing items | | |
| Proceeds from sale | 175 | 126 |
| Payments for purchase | –559 | –360 |
| Other assets from operating activities | –265 | 92 |
| Liabilities | | |
| to banks | 1 847 | –1 476 |
| to customers | 22 | –87 |
| Securitised liabilities | 22 | 2 522 |
| Other liabilities from operating activities | –78 | –31 |
| Interest and dividends received | 3 037 | 2 504 |
| Interest paid | –2 348 | –1 841 |
| Payment of income taxes | – 92 | –118 |
| **Cash flow from operating activities** | **–335** | **–312** |
| Proceeds from the sale of | | |
| Investments | 7 | 0 |
| Fixed assets | 35 | 0 |
| Payments for the purchase of | | |
| Investments | –16 | –18 |
| Fixed assets | –19 | –15 |
| Effects of the sale of associated companies | 86 | – |
| Effects of the change in the set of companies to be consolidated | 0 | 22 |
| **Cash flow from investment activities** | **93** | **–11** |
| Dividend payments | –68 | –67 |
| Participations of minority shareholders | 8 | 1 |
| Changes in liquid funds deriving from other financing activities (balance) | 291 | 230 |
| **Cash flow from financing activities** | **231** | **164** |
| **Cash and cash equivalents at the end of the previous period** | **12** | **171** |
| Cash flow from operating activities | –335 | –312 |
| Cash flow from investment activities | 93 | –11 |
| Cash flow from financing activities | 231 | 164 |
| **Cash and cash equivalents at the end of the period** | **1** | **12** |

# Further Information

### Other Financial Commitments

Outstanding obligations to pay up share capital, and company investments and investments in related companies amounted on March 31, 2001 to EUR 0.3 million for the Group and to EUR 2.3 million for 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 German Banking Industry.

In addition, pursuant to Article 5, Section 10 of the Statutes for the Deposit Insurance Fund, the bank has committed itself to protect the Federation of the German Banking Industry from any losses arising due to measures favouring banks in which it owns a majority interest.

At December 31, 2000, the IKB Immobilien Leasing Group had incurred EUR 0.4 billion 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.

Some 89 % of the Group and 91 % 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 19.9 million (AG: EUR 20.6 million) to interest rate transactions, with interest rate swap transactions forming the dominant product.
As a supplement to the terminated products shown in the following presentation of the forward transactions, we concluded eight loan derivative contracts (guarantors) with OECD banks in the form of credit default swaps with a transaction value of approx. EUR 117 million. In this context, we have taken over the credit risk for a loan event defined in advance.

In order to illustrate the Group's credit risk, the following 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 444 million (AG: EUR 501 million) at the balance sheet date, representing 2 % 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.

### Breakdown of Product Groups and Remaining Maturities as of March 31, 2001 in the Group

| in EUR million | Nominal amount up to 1 year | Nominal amount 1 up to 5 years | Nominal amount longer than 5 years | Nominal amount Total | Credit equivalent up to 1 year | Credit equivalent 1 up to 5 years | Credit equivalent longer than 5 years | Credit equivalent Total | Credit risk Total |
|---|---|---|---|---|---|---|---|---|---|
| **1. Interest-rate based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Forward rate agreements | 102 | – | – | **102** | 0 | – | – | **0** | **0** |
| Interest swaps | 3 810 | 4 227 | 7 417 | **15 454** | 13 | 59 | 370 | **442** | **310** |
| Interest options | 31 | 347 | 2 822 | **3 200** | 0 | 1 | 18 | **19** | **12** |
| Forward bonds | 1 016 | 117 | – | **1 133** | 5 | 10 | – | **15** | **9** |
| Products traded on the stock exchange | | | | | | | | | |
| Futures | 55 | – | – | **55** | 1 | – | – | **1** | **0** |
| **2. Currency-based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Currency futures | 1 836 | 11 | – | **1 847** | 30 | 1 | – | **31** | **12** |
| Cross-currency swaps | 494 | 2 267 | 1 148 | **3 909** | 5 | 168 | 114 | **287** | **100** |
| Currency options | 54 | – | – | **54** | 2 | – | – | **2** | **1** |
| **3. Index-based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Share index options | – | – | – | – | – | – | – | – | – |
| Index swaps | – | 20 | – | **20** | – | 2 | – | **2** | – |
| **Total** | **7 398** | **6 989** | **11 387** | **25 774** | **56** | **241** | **502** | **799** | **444** |

### Breakdown of Product Groups and Remaining Maturities as of March 31, 2001 in the AG

| in EUR million | Nominal amount up to 1 year | Nominal amount 1 up to 5 years | Nominal amount longer than 5 years | Nominal amount Total | Nominal amount up to 1 year | Nominal amount 1 up to 5 years | Nominal amount longer than 5 years | Total | Credit risk Total |
|---|---|---|---|---|---|---|---|---|---|
| **1. Interest-rate based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Forward rate agreements | 102 | – | – | **102** | 0 | – | – | **0** | **0** |
| Interest swaps | 3 781 | 4 871 | 7 822 | **16 474** | 13 | 99 | 401 | **513** | **372** |
| Interest options | 28 | 147 | 2 685 | **2 860** | 0 | 0 | 19 | **19** | **14** |
| Forward bonds | 1 016 | – | – | **1 016** | 5 | – | – | **5** | **0** |
| Forward forward deposits | – | 66 | 55 | **121** | – | 0 | 1 | **1** | **0** |
| Products traded on the stock exchange | | | | | | | | | |
| Futures | 55 | – | – | **55** | 1 | – | – | **1** | **0** |
| **2. Currency-based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Currency futures | 1 756 | 7 | – | **1 763** | 29 | 0 | – | **29** | **11** |
| Cross-currency swaps | 489 | 2 138 | 1 124 | **3 751** | 5 | 165 | 112 | **282** | **103** |
| Currency options | 54 | – | – | **54** | 2 | – | – | **2** | **1** |
| **3. Index-based operations** | | | | | | | | | |
| Over-the-counter-products (OTCs) | | | | | | | | | |
| Share index options | – | – | – | – | – | – | – | – | – |
| Index swaps | – | 20 | – | **20** | – | 2 | – | **2** | – |
| **Total** | **7 281** | **7 249** | **11 686** | **26 216** | **55** | **266** | **533** | **854** | **501** |

## Segment Report

The bank's system of reporting by business division essentially presents those components of the IKB Group responsible for producing at least 10 % of earnings, or which comprise 10 % of the segment assets of all operational segments. 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
Equity.

The activities of our equipment and real estate leasing companies are disclosed under the heading "Leasing".

The consolidation items also contain adjustments reconciling management information by division with external reporting.

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.

Income and expenses are assigned to the divisions in accordance with their responsibility; with respect to interest, income and expenses are posted for the units using the market interest method. Whenever they could be assigned on the basis of causation, 78 % of the personnel and material costs of the head office were credited to the divisions. Contained in the net interest income of the respective Group components is also the investment income derived from economic capital resources. This investment income is allocated to the respective divisions in line with the assigned average tier 1 capital. The benefits resulting from the CLO transactions are maintained in the Central Division and not assigned to the individual 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 provisions for risk 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 average administrative expenses to earnings.

Segment Report by Business Division for the Period April 1, 2000 to March 31, 2001

| in EUR million | Corporate Lending | Real estate Financing | Structured Financing | Equity | Leasing | Head Office/ Consolidation | Total |
|---|---|---|---|---|---|---|---|
| Net interest and commission income | 233.6 | 68.8 | 82.5 | 22.5 | 38.7 | 4.9 | 451.0 |
| Administrative expenses | 61.1 | 18.8 | 21.9 | 7.2 | 22.0 | 45.6 | 176.6 |
| Personnel expenses | 46.4 | 13.4 | 14.2 | 4.2 | 15.0 | 21.0 | 114.2 |
| Other administrative expenses | 14.7 | 5.4 | 7.7 | 3.0 | 7.0 | 24.6 | 62.4 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | -1.0 | 85.0 | 84.0 |
| Risk provisioning balance | 61.4 | 26.1 | 14.2 | 7.2 | 1.2 | 73.4 | 183.5 |
| **Result from ordinary activities** | **111.1** | **23.9** | **46.4** | **8.1** | **14.5** | **–29.1** | **174.9** |
| ∅ Allocated Tier 1 capital | 620 | 196 | 141 | 26 | 77 | –17 | 1 043 |
| Loan volume at balance sheet date | 16 736 | 5 076 | 4 005 | 237 | 1 594 | 128 | 27 776 |
| **Cost-income ratio in %** | **26.2** | **27.3** | **26.5** | **32.0** | **58.4** | | **37.2** |
| **Return on equity in %** | **17.9** | **12.2** | **32.9** | **31.2** | **18.8** | | **16.8** |
| **∅ Number of staff** | **335** | **95** | **84** | **35** | **79** | **612** | **1 240** |
| **Volume of new business** | **2 754** | **528** | **1 094** | **58** | **555** | | |

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. For the region "Americas", the allocation is based on the location of the head office of our customer companies:

| in EUR million | Germany | Europe, other | Americas | Head Office/ Consolidation | Total |
|---|---|---|---|---|---|
| Net interest and commission income | 349.4 | 79.6 | 17.1 | 4.9 | 451.0 |
| Administrative expenses | 118.1 | 10.1 | 2.8 | 45.6 | 176.6 |
| Other operating result | 65.9 | 20.4 | 0.2 | –2.5 | 84.0 |
| Risk provisioning balance | 151.5 | 29.2 | 2.8 | | 183.5 |
| **Result from ordinary activities** | **159.9** | **60.7** | **11.7** | **57.4** | **174.9** |

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 | 2000/2001 | 1999/2000 |
|---|---|---|
| Allocation to specific provisions for bad and doubtful debts/ direct depreciation | 231 | 244 |
| Allocation to general provisions for bad and doubtful debts | 4 | 5 |
| Release of provisions for bad and doubtful debts/ Payments received on loans written off | 29 | 32 |
| Net risk provision | 206 | 217 |
| Result from securities in the liquidity reserve* | 23 | 51 |
| Risk provisioning balance | 183 | 166 |

*Previous year's figure corrected to eliminate the profit totalling EUR 78 million derived from the sale of BHF-BANK and NOBIS shares, which, in the interests of better comparability, are assigned to the other operating result using the profit and loss calculations of the Group and the AG.

Risk Provisioning Status at Group Level

| in EUR million | As at April 1, 2000 | Utilisation | Release | Allocation | As at March 31, 2001 |
|---|---|---|---|---|---|
| Specific provisions for bad and doubtful debts/ provisions for loan operations | 728 | 127 | 29 | 218 | 790 |
| General provisions for bad and doubtful debts | 31 | – | – | 4 | 35 |
| Total risk provisioning status | 759 | 127 | 29 | 222 | 825 |

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 | 3 478 | 3 360 |
| Members of the Supervisory Board | 982 | 982 |
| Members of the Advisory Board / previous Advisory Council | 264 | 264 |
| Former Members of the Board of Managing Directors and their surviving dependents | 1 493 | 1 493 |

An amount of EUR 15.0 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 | 574 |
| Supervisory Board | 191 |

Average Number of Staff during the Year

| | Group | | AG | |
|---|---|---|---|---|
| | 2000/2001 | 1999/2000 | 2000/2001 | 1999/2000 |
| Male | 750 | 703 | 567 | 540 |
| Female | 525 | 507 | 385 | 370 |
| | 1 275 | 1 210 | 952 | 910 |

Organs

## Supervisory Board

*Chairman*

### Dr. h. c. Tyll Necker, Bad Oldesloe

(until September 8, 2000)

Managing Director and Managing Partner
Hako Holding GmbH & Co.

(died March 29, 2001)

### Dr. h. c. Ulrich Hartmann, Düsseldorf

(from September 8, 2000)

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*

*Deputy Chairman*

### Herbert Hansmeyer, Munich

Member of the Board of Managing Directors
Allianz Aktiengesellschaft

a) *Karlsruher Lebensversicherung AG*
*Karlsruher Versicherung AG*
*Dresdner Bank Lateinamerika AG*
*VEBA OEL AG*

b) *Fireman's Fund Ins. Company*
*Allianz Insurance Company*
*Allianz Life Ins. Company of North America*
*Jefferson Insurance Company*
*Allianz Insurance Company of Canada*
*Allianz México S. A.*

*Deputy Chairman*

### Prof. Dr.-Ing. E. h. Hans-Olaf Henkel, Berlin

Vice-President
Federation of German Industry

a) *IBM Deutschland GmbH*
*Audi AG*
*Continental AG*
*DaimlerChrysler Aerospace AG*
*EADS Deutschland GmbH*
*econia.com AG*
*SMS Demag AG*

b) *ETF Group*
*Kreditanstalt für Wiederaufbau*
*Merril Lynch International*
*Ringier AG*

* Elected by the staff

a) *Membership in other legally required supervisory boards*

b) *Membership in comparable domestic and foreign supervisory bodies*

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

### Thomas Bleher, Düsseldorf *

IKB Deutsche Industriebank AG

### Wolfgang Bouché, Düsseldorf *

(from September 8, 2000)

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*

### Dr. Joachim Henke, Bonn

(until December 31, 2000)

Former Ministerial Director
Federal Ministry of Finance

### Dr. Jürgen Heraeus, Hanau

Chairman of the Supervisory Board
Heraeus Holding GmbH

a) *Heraeus Holding GmbH (Chairman)*
*TEUTONIA Zementwerk AG (Chairman)*
*Buderus AG*
*EPCOS AG*
*Heidelberger Druckmaschinen AG*
*Messer Griesheim GmbH*

### Gunnar John, Berlin

Head of Department VII A
Federal Ministery of Finance

### Ernst Michel Kruse, New York

(until September 8, 2000)

Chairman Financial Industries Group
UBS Warburg

Roswitha Loeffler, Berlin *
IKB Deutsche Industriebank AG

Wilhelm Lohscheidt, Düsseldorf *
(from May 25, 2000)
IKB Deutsche Industriebank AG

Roland Oetker, Düsseldorf
(from September 8, 2000)
Managing Partner
ROI Verwaltungsgesellschaft mbH
a) *Mulligan BioCapital AG (Chairman)*
*Volkswagen AG*
*Evotec Biosystems AG*
*Degussa AG*
*Falke Bank AG*
b) *Gamma Holding N. V.*
*Scottish Widows Pan European Smaller Companies OEIC*
*Dr. August Oetker-Gruppe*

Hans W. Reich, Frankfurt (Main)
Speaker of the Board of Managing Directors
Kreditanstalt für Wiederaufbau
a) *ALSTOM GmbH*
*Deutsche Telekom AG*
*HUK-COBURG-Allgemeine Versicherungs-Aktiengesellschaft*
*Krankenversicherungs-Aktiengesellschaft der HUK-COBURG*
*Lebensversicherungs-Aktiengesellschaft der HUK-COBURG*
*RAG Aktiengesellschaft*
*Thyssen Krupp Steel AG*
b) *Frachtcontor Junge & Co. GmbH*
*Haftpflicht-Unterstützungs-Kasse kraftfahrender Beamter Deutschlands a. G.*
*HUK-COBURG Holding GmbH*

Eberhard Reuther, Hamburg
(from September 8, 2000)
Chairman of the Supervisory Board
Körber Aktiengesellschaft
a) *Körber AG (Chairman)*
*Hermes Kreditversicherungs-Aktiengesellschaft*
*Vereins- und Westbank AG*

Randolf Rodenstock, Munich
(from September 8, 2000)
Managing Partner
Optische Werke G. Rodenstock KG
a) *E.ON Energie AG*
*Schott DESAG AG (until April 5, 2001)*

Rita Röbel, Leipzig *
IKB Deutsche Industriebank AG

Jochen Schametat, Düsseldorf *
(until September 8, 2000)
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
Wüth Group
a) *Würth Gruppe (Chairman)*
*Waldenburger Versicherung AG (Chairman)*
*Reum AG*
b) *Robert Bosch Stiftung GmbH*
*withinWürth Group:*
*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*

## Board of Managing Directors

Claus Momburg

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

Joachim Neupel

*a) RAVENNA Hotelbetriebs AG*

*b) IKB Beteiligungsgesellschaft mbH*
*IKB Immobilien Leasing GmbH (Chairman)*
*IKB Immobilien Management GmbH*
*(Chairman)*
*IKB International S. A.*
*IKB Leasing GmbH (Vice-Chairman)*
*IKB Leasing Berlin GmbH (Vice-Chairman)*
*IKB Venture Capital GmbH*

Stefan Ortseifen

*a) Dura Tufting GmbH*

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

Georg-Jesko v. Puttkamer

*a) Vivanco Gruppe AG (Vice-Chairman)*

*b) Honsel Management GmbH*
*IKB Beteiligungsgesellschaft mbH*
*(Chairman, until March 31, 2001)*
*IKB Immobilien Management GmbH*
*(until March 31, 2001)*
*IKB Venture Capital GmbH*
*(Chairman, until March 31, 2001)*

Dr. Alexander v. Tippelskirch

*a) Deutsche Gelatine-Fabriken Stoess AG*
*(Chairman)*

*b) IKB Beteiligungsgesellschaft mbH*
*(Vice-Chairman)*
*IKB Capital Corporation (Vice-Chairman)*
*IKB International S. A. (Vice-Chairman)*
*IKB Leasing GmbH (Chairman)*
*IKB Leasing Berlin GmbH (Chairman)*
*IKB Venture Capital GmbH (Vice-Chairman)*
*Johanniter-Krankenhaus Rheinhausen*
*(Chairman)*
*Kreditanstalt für Wiederaufbau*
*nobilia-Werke J. Stickling GmbH & Co.*
*Wirtschaftsförderung Berlin GmbH*

Dr. Markus Guthoff, Deputy (from April 1, 2001)

*a) MetaDesign AG*

*b) IKB Beteiligungsgesellschaft mbH*
*(Chairman, from April 1, 2001)*
*IKB Venture Capital GmbH*
*(Chairman, from April 1, 2001)*

## Employees of IKB Deutsche Industriebank AG

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

Günter Czeczatka

*Schöck AG*

Manfred Knols

*Gauss Interprise AG*

Klaus Neumann

*CURANUM AG*
*CURANUM Bonifatius 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 Subsidairies** | | | | |
| **1. Foreign banks** | | | | |
| IKB International S.A., Luxembourg | x | 100 | 286 714[1] | 9 400 |
| **2. Other domestic companies** | | | | |
| IKB Leasing GmbH, Hamburg | x | 100 | 10 481 | –[2] |
| IKB Leasing Berlin GmbH, Erkner | x | 100 | 2 031 | –[2] |
| ILF Immobilien-Leasing-Fonds Verwaltung GmbH & Co. Objekt Wilhelm-Bötzkes-Straße KG, Düsseldorf | x | 100 | 1 805 | –9 458[3] |
| IKB Immobilien Leasing GmbH, Düsseldorf | x | 100 | 5 194 | –[2] |
| IKB Immobilien Management GmbH, Düsseldorf | x | 100 | 323 | 256 |
| MORSUS Immobilien GmbH & Co. KG Objekt Karl-Theodor-Straße, Düsseldorf | x | 100 | 272 (2 045) | –249 |
| AIVG Allgemeine Verwaltungsgesellschaft mbH, Düsseldorf | x | 100 | 658 | 139 |
| **3. Other foreign companies** | | | | |
| IKB Financière France S.A., Paris | x | 100 | 72 248 | 8 258 |
| IKB Finance B.V., Amsterdam | x | 100 | 6 748 | 193 |
| IKB Capital Corporation, New York | | 100 | 9 652 | –1 525 |
| **B. Other Investments** [4] | | | | |
| **1. Domestic** | | | | |
| Groß Immobilienverwaltungs GmbH & Co. Holzhausen KG, Düsseldorf | x | 100 | 25 | – |
| IKB Beteiligungsgesellschaft mbH, Düsseldorf | x | 100 | 24 035 | –[2] |
| IKB Grundstücks GmbH, Düsseldorf | x | 100 | 25 | –1 |
| IKB Projektentwicklung GmbH, Düsseldorf | x | 100 | 438 (257) | –252 |
| IKB Venture Capital GmbH, Düsseldorf | x | 100 | 1 000 | –[5] |
| Linde Leasing GmbH, Wiesbaden | | 25 | 1 921 | 847[5] |
| MORSUS Immobilien GmbH, Düsseldorf | x | 100 | 48 | 7 |
| **2. Foreign** | | | | |
| IKB Finanz Leasing AG, Budapest | x | 100 | 168 | –254[5] |
| IKB Leasing Hungaria GmbH, Budapest | x | 100 | 176 | –570[5] |
| IKB Leasing Polska GmbH, Posen | x | 100 | 468 | –307[5] |

Figures in parentheses show capital outstanding

[1] Incl. silent capital
[2] Profit and loss transfer agreement exists
[3] Loss takeover
[4] Not included in the Group accounts, pursuant to Article 296, Section 2, HGB
[5] Indirect holding

In accordance with Articles 325 and 287, HGB, our complete investment portfolio, including the listing by name of the 413 special purpose entities of IKB Immobilien Leasing and its partnership companies, 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 our Own Liabilities

The following table shows the liabilities of the Group and of the AG, for which assets totaling EUR 7,673.5 million were pledged as security.

| in EUR million | |
|---|---|
| Liabilities to Banks | 7 656.6 |
| Liabilities to Customers | 16.9 |
| | 7 673.5 |

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.

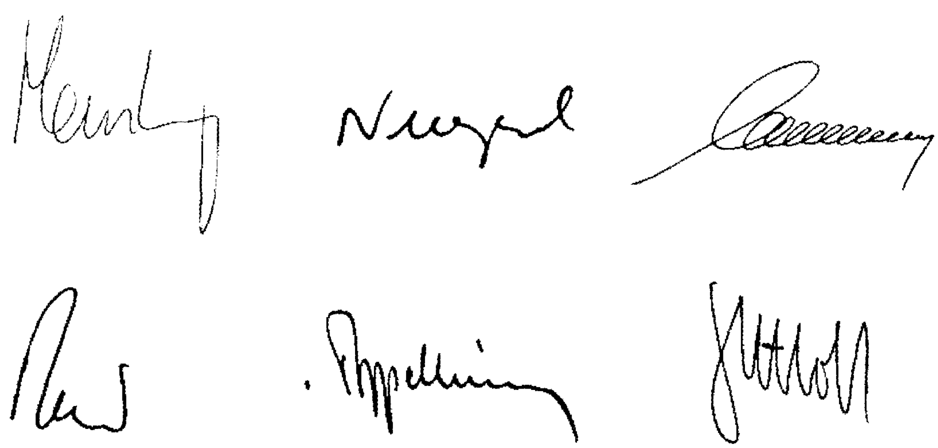
Transfer of Collateral for Own Liabilities (Information pursuant to Article 35, Section 5 of RechKredV)

EUR 2,438.2 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 1,297.0 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 pledge 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$ 534.3 million, we deposited securities from Kreditanstalt für Wiederaufbau nominally valued at US$ 351.2 million with a trustee.

Düsseldorf, May 15, 2001
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, 2000 to March 31, 2001. 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, June 6, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Wohlmannstetter | Pukropski |
| German Public Auditor | German Public Auditor |

## Interim Statement as at December 31, 2001

**Consolidated Interim Balance Sheet of IKB Deutsche Industriebank as at December 31, 2001**

| **Assets** | Dec. 31, 2001 | March 31, 2001 | Changes | |
|---|---|---|---|---|
| | (Euro in millions) | (Euro in millions) | (Euro in millions) | % |
| Liquid funds | 10 | 1 | 9 | >100 |
| Claims on banks | 1,832 | 802 | 1,030 | >100 |
| payable on demand | 281 | 245 | 36 | 15 |
| other claims | 1 551 | 557 | 994 | >100 |
| *of which:* | | | | |
| *4 years or longer* | *243* | *297* | *– 54* | *– 18* |
| Claims on customers | 24,923 | 24,332 | 591 | 2 |
| with agreed maturity or period of notice | | | | |
| *up to 4 years* | *2,615* | *2,271* | *344* | *15* |
| *4 years or longer* | *22,308* | *22,061* | *247* | *1* |
| Debentures and other fixed interest securities | 4,899 | 3,814 | 1,085 | 28 |
| Shares and other non-fixed interest securities | 41 | 36 | 5 | 14 |
| Investments, holdings in associated and subsidiary companies | 71 | 68 | 3 | 4 |
| Fixed assets | 214 | 212 | 2 | 1 |
| Leasing items | 2 334 | 2 239 | 95 | 4 |
| Deferred items | 143 | 153 | – 10 | – 7 |
| Outstanding capital of minority shareholders | 49 | 49 | – | – |
| Other assets | 718 | 736 | – 18 | – 2 |
| Total assets | 35,234 | 32,442 | 2,792 | 9 |

| **Liabilties** | Dec. 31, 2001 | March 31, 2001 | Changes | |
|---|---|---|---|---|
| | (Euro in millions) | (Euro in millions) | (Euro in millions) | % |
| Liabilities to banks | 15,293 | 15,176 | 117 | 1 |
| payable on demand | 512 | 502 | 10 | 2 |
| with agreed maturity or period of notice | 14,781 | 14,674 | 107 | 1 |
| *of which:* | | | | |
| *4 years or longer* | *10,574* | *10,248* | *326* | *3* |
| Liabilities to customers | 2,305 | 2,436 | – 131 | – 5 |
| payable on demand | 54 | 44 | 10 | 23 |
| with agreed maturity or period of notice | 2,251 | 2,392 | – 141 | – 6 |
| *of which:* | | | | |
| *4 years or longer* | *2,022* | *2,221* | *-199* | *– 9* |
| Securitised liabilities | 13,441 | 10,825 | 2,616 | 24 |
| Provisions | 290 | 269 | 21 | 8 |
| Special items including reserves | 9 | 9 | – | – |
| Subordinated liabilities | 868 | 803 | 65 | 8 |
| Participation certificate capital (Genussrechtskapital) | 539 | 439 | 100 | 23 |
| Fund for general bank risks | 80 | 80 | – | – |
| Participations of minority shareholders | 4 | 27 | – 23 | – 85 |
| Equity capital | 1,240 | 1,243 | – 3 | 0 |
| Subscribed share capital | 225 | 225 | – | – |
| Silent capital | 170 | 170 | – | – |
| Reserves | 845 | 848 | – 3 | 0 |
| Deferred items | 492 | 514 | – 22 | – 4 |
| Other liabilities | 673 | 621 | 52 | 8 |
| Total liabilities | 35,234 | 32,442 | 2,792 | 9 |
| Endorsement liabilities | 0 | 0 | – | – |
| Liabilities arising from guarantees, etc. | 2,475 | 989 | 1,486 | >100 |
| Business volume | 37,709 | 33,431 | 4,278 | 13 |

**Consolidated Income Statement of IKB Deutsche Industriebank for the Period April 1, 2001 to December 31, 2001**

| | April 1 to Dec. 31, 2001 | 9/12 from 2000/2001 | Changes | |
|---|---|---|---|---|
| | (Euro in millions) | (Euro in millions) | (Euro in millions) | % |
| Interest income from loan and money market operations, fixed interest securities and government-inscribed debt | 2,106.3 | 1,992.2 | 114.1 | 5.7 |
| Current income from shares, other non-fixed interest securities and investments (1) | 1.5 | 7.3 | – 5.8 | – 79.5 |
| Income from leasing operations | 336.6 | 324.4 | 12.2 | 3.8 |
| Interest expenses | 1,869.8 | 1,750.4 | 119.4 | 6.8 |
| Expenditure and scheduled depreciation relating to leasing operations | 241.0 | 245.0 | – 4.0 | – 1.6 |
| Net interest income | 333.6 | 328.5 | 5.1 | 1.6 |
| Commission income | 20.8 | 13.4 | 7.4 | 55.2 |
| Commission expenditure | 3.3 | 3.6 | – 0.3 | – 8.3 |
| Net commission income | 17.5 | 9.8 | 7.7 | 78.6 |
| Net result from financial operations | 1.7 | 1.9 | – 0.2 | – 10.5 |
| Personnel expenditure | 95.7 | 85.7 | 10.0 | 11.7 |
| Salaries and wages | 71.3 | 65.3 | 6.0 | 9.2 |
| Social security contributions and expenditure for retirement benefits | 24.4 | 20.4 | 4.0 | 19.6 |
| Other administrative expenses (2) | 49.5 | 46.8 | 2.7 | 5.8 |
| Administrative expenditure | 145.2 | 132.5 | 12.7 | 9.6 |
| Balance of other operating income/ expenses | 12.7 | 61.1 | – 48.4 | – 79.2 |
| Risk provisioning balance | – 86.8 | – 137.8 | – 51.0 | – 37.0 |
| Result from ordinary activities | 133.5 | 131.0 | 2.5 | 1.9 |

(1) Includes income from profit pooling agreements, profit transfer agreements, and partial profit transfer agreements.
(2) Includes current depreciation on fixed assets.

**Cash-flow Statement of IKB Deutsche Industriebank**
**for the Period April 1, 2001 to December 31, 2001**

| | 2001 | 2000 |
|---|---|---|
| | (Euro in millions) | |
| Balance of liquid funds as at April 1 | 1 | 12 |
| Cash-flow from operating activities | – 75 | – 118 |
| Cash-flow from investment activities | – 13 | 72 |
| Cash-flow from financing activities | 97 | 38 |
| Balance of liquid funds as at December 31 | 10 | 4 |

**Segment Report by Business Division**
**for the Period April 1, 2001 to December 31, 2001**

| | Corporate Lending | Real Estate Financing | Structured Financing | Private Equity | Leasing | Head Office/ Consolidation | Total |
|---|---|---|---|---|---|---|---|
| | | | (Euro in millions) | | | | |
| Net interest and commission income | 172.5 | 57.5 | 76.7 | 13.3 | 27.1 | 4.0 | 351.1 |
| Administrative expenditure | 47.0 | 17.4 | 20.0 | 7.1 | 17.3 | 36.4 | 145.2 |
| Personnel expenditure | 36.6 | 12.7 | 13.9 | 4.3 | 11.4 | 16.8 | 95.7 |
| Other administrative expenses | 10.4 | 4.7 | 6.1 | 2.8 | 5.9 | 19.6 | 49.5 |
| Other operating result (1) | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | 13.1 | 14.4 |
| Risk provisioning balance | 48.7 | 17.5 | 15.7 | 29.6 | – 3.0 | – 21.7 | 86.8 |
| Result from ordinary activities | 76.8 | 22.6 | 41.0 | – 23.4 | 14.1 | 2.4 | 133.5 |
| Ø Allocated tier 1 capital | 635 | 219 | 171 | 26 | 113 | – 92 | 1,072 |
| Loan volume at balance sheet date | 16,549 | 5,336 | 4,355 | 248 | 2,538 | 875 | 29,901 |
| Cost-income ratio in % | 27.2 | 30.3 | 26.1 | 53.4 | 60.9 | | 42.9 |
| Return on equity in % | 16.1 | 13.8 | 32.0 | – | 16.6 | | 16.6 |
| Ø Number of staff | 324 | 121 | 100 | 43 | 62 | 645 | 1,295 |
| Volume of new business | 1,741 | 674 | 1,028 | 39 | 449 | | |

(1) Incl. net result from financial operating.