**Lone Star’s IKB Sued by Investors Alleging Accounting Tricks (1)**
**2017-09-12 15:32:16.476 GMT**

By Karin Matussek

(Bloomberg) -- IKB Deutsche Industriebank AG, one of the first European lender to fall victim to the subprime mortgage crisis, is being sued by investors claiming the company used accounting tricks to avoid making payments on bonds issued before it nearly collapsed.

One lawsuit filed in Dusseldorf at the end of last year seeks about 22 million euros ($26.3 million). A different group of 51 investors filed another case Monday, seeking 73.5 million euros, according to Aljoscha Schmidberger, their lawyer. The investors argue IKB artificially downplayed its profits to avoid any payments for a special form of bonds they were holding.

“The bank is calculating itself into poverty,” said Malte Daniels, one of the investors. “If IKB can prevail with this, the hybrid capital issued by German banks is worthless.”

The suits come a decade after IKB almost collapsed over the subprime mortgage crisis, hurt by exotic investments including those sold by Fabrice Tourre, a former Goldman Sachs Group Inc. vice president found liable in 2013 for defrauding investors in deals involving mortgage-backed securities. IKB is controlled by U.S. private equity firm Lone Star, which has unsuccessfully tried to sell the bank. ABN Amro Group NV, which was also bailed out, is said to have interest in acquiring the German lender.

IKB declined to comment.

The securities at the center of the suits were issued shortly before the crisis hit Dusseldorf-based IKB in 2007.
They’re a German form of capital investment called "Genussscheine," or profit certificates, and entitle holders to a portion of a company’s profits while obliging them to share in losses without giving them any ownership or voting rights.

IKB didn’t pay the investors anything on the certificates that matured in 2015. On those maturing in 2017, the lenders paid only about 27 percent of the nominal value. The lawsuits argue the investors should have gotten much more since the bank earned 415 million euros in the four fiscal years before maturity of the papers. But IKB put that money into a fund for general banking risks, allowing the company to avoid booking profits on its balance sheet, a step that violates the bond terms, according to the suit.

Lone Star was trying to make the unit more attractive for sale by removing the need to pay the investors, according to the suit. Schmidberger, the lawyer for the plaintiffs, declined to identify his other clients.

To contact the reporter on this story:
Karin Matussek in Berlin at kmatussek@bloomberg.net To contact the editors responsible for this story:
Anthony Aarons at aaarons@bloomberg.net
Christopher Elser, Jon Menon