Report of the Board of Managing Directors relating to item 16 of the agenda

The Board of Managing Directors reports below according to Section 186 (4) sentence 2 in conjunction with Section 221 (4) sentence 2 *AktG* on the reasons why, if convertible bonds and/or bonds with warrants resp. combinations of such instruments (hereinafter collectively: "bonds") are issued, it should be authorised in certain cases to exclude the subscription right of the shareholders. This report is available for viewing by the shareholders at the Company's premises and also on the Company's website at

http://www.ikb.de/en/investor-relations/general-meeting

from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately and free of charge. The report will also be available for viewing during the Annual General Meeting.

Authorisation of the Board of Managing Directors

Adequate capital resources are a material basis for the development of the Company. Depending on market conditions, the issue of bonds allows the Company to utilise attractive financing options e.g. to borrow capital at low interest rates. The Board of Managing Directors and Supervisory Board, therefore, propose to the Annual General Meeting that the Board of Managing Directors be authorised to issue bonds against cash contributions and/or non-cash contributions and to create corresponding Contingent Capital 2015.

The pro rata amount in the share capital of the shares to be subscribed for each partial bond may correspond at most to the nominal amount resp. an issue price for the partial bond which is below the nominal amount. The conversion price resp. option premium may not fall below a minimum issue price, for which the basis of calculation is precisely specified. The connecting factor for the calculation is in each case the stock exchange price of the share at the time the bonds are placed. The conversion price resp. option premium can, notwithstanding Section 9 (1) *AktG*, be adjusted with value-preserving effect by reason of a dilution protection clause resp. adjustment clause as specified in the terms and conditions underlying the respective bond if the Company increases the share capital by expiry of the option resp. conversion period, while granting thereby a subscription right to its shareholders, or issues or guarantees further bonds without thereby granting the holders of existing option or conversion rights resp. obligations a subscription right. The Terms and Conditions for Bonds can also provide for an adjustment of the option resp. conversion price with value-preserving effect for other measures by the Company which can result in a dilution of the value of the option resp. conversion rights or obligations.

When issuing bonds, the shareholders must on principle be granted a subscription right. The intention is, however, to authorise the Board of Managing Directors, with the approval of the Supervisory Board, to exclude the subscription right in certain cases, specified individually in the proposed resolution.

Settlement of fractional amounts

The intention is to authorise the Board of Managing Directors to exclude the subscription right for fractional amounts in order to create a practical subscription ratio. This will facilitate the technical implementation of issuing bonds. Bonds that account for free fractions would, if a subscription right was excluded, be sold in the best possible manner for the Company either by sale on a stock exchange or otherwise. As any exclusion of the subscription right is limited here only to fractional amounts, a potential dilutive effect is minimal.

Issue price close to the theoretical fair market value

The provision of Section 186 (3) sentence 4 *AktG* applies *mutatis mutandis* according to Section 221 (4) sentence 2 *AktG* to the exclusion of the subscription right when issuing bonds. The placement of bonds against cash contributions, excluding the subscription right of the shareholders, allows the Company to utilise a favourable capital market situation at short notice and therefore achieve a markedly higher inflow of funds than when issuing while preserving the subscription right. When granting a subscription right, successful placement would be jeopardised resp. would entail additional expense because of the uncertainty about utilising the subscription rights. Conditions as close as possible to the market which are favourable for the Company can only be established if the Company is not bound to them for an offering period that is too long. Otherwise a substantial haircut would be necessary to ensure the conditions are attractive and therefore the chances of success of the respective issue for the entire offering period.

The interests of the shareholders are preserved by the bonds being issued at a value which is not materially below the theoretical fair market value. The theoretical fair market value has to be determined according to recognised methods of financial mathematics. In determining the price, the Board of Managing Directors will, taking into account the respective situation in the capital market, keep the discount from the stock exchange price as low as possible. The calculated fair market value of a subscription right will therefore be reduced practically to nil so that the shareholders cannot incur any significant economic disadvantage from exclusion of the subscription right.

The dilution of the control of the shareholders is kept at a low level because in this case the volume of an exclusion of the subscription right is also limited. According to Section 186 (3) sentence 4 *AktG*, the total sum of the shares applicable to the bonds issued without subscription right will not exceed 10% of the respective share capital either at the time the authorisation is utilised or at the time the resolution on this authorisation is adopted. Shares that have been issued or sold since the adoption of the resolution on the authorisation to issue bonds by the Annual General Meeting until this authorisation is exercised from other sources, in direct or analogous application of Section 186 (3) sentence 4 *AktG* while excluding the subscription right, have to be applied to this limitation. Furthermore, rights that facilitate the subscription of shares of the Company or provide the obligation to subscribe to shares of the Company and have been issued since the adoption of the resolution on the authorisation to issue bonds by the Annual General Meeting until this authorisation is exercised in direct or analogous application of Section 186 (3) sentence 4 *AktG* have to be applied.

Servicing of other subscription rights

An advantage of the exclusion of the subscription right customary in the market for the benefit of the holders of bonds already issued is that the conversion price resp. option premium for the bonds already issued and regularly provided with an anti-dilution mechanism does not have to be reduced. This allows the more attractive placement of the bonds in several tranches and facilitates a higher inflow of funds as a whole.

Issue against non-cash contributions

The intention is further that the subscription right can be excluded to issue bonds against non-cash contributions. This provides the Company when acquiring assets with the possibility of acting flexibly and fast while at the same time maintaining liquidity levels. In particular, this provides the possibility of utilising bonds in appropriate individual cases as acquisition currency e.g. in connection with company mergers, the acquisition of companies, interests in companies or other economic assets. There may be a necessity in negotiations to provide the consideration in whole or in part not in cash but in another form. The possibility of offering bonds as consideration, therefore, creates an advantage when competing for interesting acquisition targets and extends the scope for potential purchases while maintaining liquidity levels. This may also be expedient in terms of an optimum financial structure. The Board of Managing Directors shall in any case ensure that the value of the non-cash contributions is reasonably proportionate to the value of the bonds.

There are currently no concrete plans to utilise the authorisation to issue bonds. The Board of Managing Directors will in any case carefully consider whether the utilisation of the authorisation and any exclusion of the subscription right is in the interest of the Company and its shareholders. The Board of Managing Directors will report to the Annual General Meeting on each utilisation of the authorisation and the precise reasons for any exclusion of the subscription right. The approval of the Supervisory Board will be required for all cases of exclusion of the subscription right proposed here.

Düsseldorf, 7 July 2015

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