

## **Report of the Board of Managing Directors on items 10 and 11 of the agenda**

In accordance with Sec. 71 para. 1 no. 8 sentence 5, Sec. 186 para. 3 sentence 4, para. 4 sentence 2 AktG, the Board of Managing Directors shall report on the reasons for the proposed authorisation of the Board of Managing Directors to exclude the subscription right of shareholders when selling treasury shares of the Company. This report shall be available for viewing by the shareholders at the Company's premises and on the Company's internet site at

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

from the time the Annual General Meeting is convened. It shall also be available for viewing in the conference room for the duration of the Annual General Meeting.

### ***Authorisation of the Board of Managing Directors***

The authorisation to acquire treasury shares in accordance with Sec. 71 para. 1 no. 8 AktG granted by the Company's Annual General Meeting on 26 August 2010 requires adjustment because the shares of IKB Deutsche Industriebank Aktiengesellschaft are no longer traded on the regulated market. For this reason, orientation at an average price in XETRA trading is no longer possible when acquiring treasury shares in order to provide the lowest and highest equivalent required by law. Decisive is, however, a price to be determined on the OTC market. The authorisation of the Board of Managing Directors decided by the Annual General Meeting on 26 August 2010 in this context to exclude the subscription right of shareholders when selling treasury shares is also partially affected by this adjustment. The reasons for which the subscription right can be excluded also remain unchanged.

The Board of Managing Directors and the Supervisory Board propose to the Annual General Meeting that the Company be granted a (new) authorisation to acquire treasury shares so that it can use the benefits associated with such acquisition in the interests of the Company and its shareholders. The Board of Managing Directors shall inform the Annual General Meeting of every utilisation of this authorisation.

As a result of the proposed authorisation, the Company shall be able until the end of 4 September 2018 to acquire treasury shares of up to 10% of the current share capital. This shall ensure compliance with the maximum legal limit. The shares can only be acquired on the stock exchange (OTC market) or by way of a public offering to all shareholders. If the number of shares offered at the stipulated price exceeds the number of shares the Company is seeking, acceptance of offers to sell must be allocated. In this context, it should be possible to provide for preferred acceptance of smaller offers or smaller parts of offers of up to a maximum of 100 shares. This option serves to avoid fractional amounts in determining the ratios to be acquired and small residual amounts and thereby facilitate technical handling.

It shall be permitted to sell the acquired treasury shares on the stock exchange or by offering them to all shareholders.

### ***Sale against cash payment***

The proposed authorisation provides for the treasury shares to be sold to third parties also in any way other than on the stock exchange or by public offering to all shareholders if the treasury shares are sold against cash payment and at a price which is not significantly lower than the arithmetic mean of the share price of the Company on the OTC market at Frankfurt Stock Exchange on the last three trading days before the sale date. This is to enable the Company to sell shares to institutional investors, financial investors or other cooperation partners, thereby achieving the highest possible disposal amount and strengthening equity as much as possible by setting a price in line with market conditions. This type of disposal involves an exclusion of the subscription right of shareholders. However, this exclusion is permitted by law as it is in line with the simplified exclusion of the subscription right under Sec. 186 para. 3 sentence 4 AktG. This authorisation can only be used for up to 10% of the share capital, including other authorisations to issue or sell shares of the Company or to issue rights which allow or oblige the subscription to shares of the Company. This ensures that the maximum legal limit of 10% of the share capital is not exceeded in total for such a simplified exclusion of the subscription right (Sec. 186 para. 3 sentence 4 AktG).

### ***Shares as acquisition currency***

The authorisation furthermore enables the company to use treasury shares in appropriate individual cases to acquire companies, parts of companies, interests in companies or other assets. It may become necessary in the course of negotiations to offer shares as consideration rather than cash. This possibility therefore creates an advantage when competing for interesting acquisition targets and provides the scope to use potential opportunities to acquire companies, parts of companies, interests in companies or other assets while maintaining the liquidity level. The granting of shares may also be expedient in terms of an optimised financing structure. The Board of Managing Directors shall ensure that the interests of the Company and its shareholders are adequately safeguarded and an appropriate consideration is obtained for the granting of treasury shares. Such use of the treasury shares shall require the approval of the Supervisory Board if the subject of the respective transaction exceeds 5% of the Company's liable equity under the German Banking Act.

### ***Servicing of other subscription rights***

The authorisation is further intended to enable the Company to use treasury shares to service convertible bonds resp. bonds cum warrant and/or convertible profit participation certificates resp. participation certificates cum warrant issued by the Company or its subsidiaries. In the interest of flexible handling, it is expedient to create the possibility of being able to satisfy obligations arising from convertible bonds resp. bonds cum warrant and/or convertible profit participation certificates resp. participation certificates cum warrant with treasury shares. This method also precludes the dilutive effect arising from utilisation of conditional capital to service the convertible bonds resp. bonds cum warrant and/or convertible profit participation certificates resp. participation certificates cum warrant issued.

### ***Issue of employee shares***

Furthermore, the option to exclude the subscription right shall be provided for in the event that the acquired shares of the Company are issued as employee shares to employees of

the Company and its subsidiaries in which it holds an interest of at least 50%. Employee shares are an important instrument for attracting qualified employees to the Company and ensuring their loyalty. Employee shares can also promote the focus of employees on corporate strategy and their motivation to work consistently to enhance corporate value. Shares of the Company may be transferred to employees in this context e.g. as part of their variable remuneration.

### ***Redemption of shares acquired***

The redemption of treasury shares acquired without the requirement of a further resolution by the Annual General Meeting allows the Company to adjust its equity quickly and flexibly in line with the respective requirements of the capital market by way of the share capital reduction entailed by the redemption.

### ***Remuneration for the Board of Managing Directors***

Finally, the proposed authorisation allows the Supervisory Board to transfer the shares acquired on the basis of the authorisation to the members of the Board of Managing Directors of IKB Deutsche Industriebank Aktiengesellschaft in compliance with the respectively valid remuneration agreements. In other words, the acquired shares can be used to service contractual rights which shall be granted in future to the members of the Board of Managing Directors according to the regulations. Exclusion of the subscription right of shareholders is also required in this respect. The granting of shares to members of the Board of Managing Directors increases the commitment of the members of the Board of Managing Directors to the Company because they participate in the enhancement of the corporate value. Variable remuneration components can be created which offer an incentive to long-term, sustainable corporate management. Part of the variable remuneration (variable bonus) can, for example, be granted as commitments for shares. It is then generally agreed that the member of the Board of Managing Directors may sell the shares received again only after expiry of a holding period. In this way, the member of the Board of Managing Directors participates during the holding period for the shares not only in positive but also negative developments of the stock exchange price. Apart from a bonus effect, this can therefore also have a penalty effect for the members of the Board of Managing Directors. The objective of such arrangements takes account of the German Act on the Appropriateness of Management Board Remuneration (*Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG*). The performance targets determined for the variable remuneration components, the assessment factors defined for the variable remuneration components, the rise and fall of the bonus when targets are exceeded or not met and the ratio of payment in cash to payment in shares and all other details are determined by the employment contracts resp. remuneration agreements which the Supervisory Board is still to conclude in the future with the individual members of the Board of Managing Directors in the Company's name. In accordance with its legal duty under Sec. 87 AktG, the Supervisory Board ensures that the total remuneration (including the components granted in shares) is appropriately in proportion to the responsibilities and performance of the member of the Board of Managing Directors and to the Company's position and does not exceed the customary remuneration without special reasons.

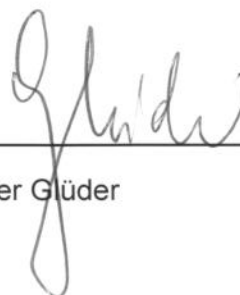
The Board of Managing Directors resp. the Supervisory Board shall in any case carefully consider whether the acquisition and sale of treasury shares and, if applicable, an exclusion

of the subscription right is in the interest of the Company and its shareholders. The Board of Managing Directors shall inform the Annual General Meeting of every utilisation of the authorisation.


Düsseldorf, 16 July 2013



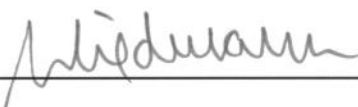
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