

Report of the Board of Managing Directors to the Annual General Meeting in accordance with section 221 (4), section 186 (4) sentence 2 AktG on item 10 of the agenda

In accordance with section 221 (4) sentence 2, section 186 (3) sentence 4, (4) sentence 2 AktG, the Board of Managing Directors shall issue the following report on item 10 of the agenda on the reasons for the Authorization of the Board of Managing Directors, with the consent of the Supervisory Board, to issue convertible and/or warrant-linked bonds while excluding shareholders' subscription rights. This report will also be available on the internet at

http://www.ikb.de/content/en/ir/gm_information/index.jsp

from the time the Annual General Meeting is convened. It shall also be available for inspection in the assembly hall for the duration of the Annual General Meeting. The report has the following content:

The proposed Authorization to issue Bonds with a total nominal amount of up to € 400,000,000 is intended to extend the abilities of IKB Deutsche Industriebank AG to finance its activities and open up a way for the Board of Managing Directors, with the consent of the Supervisory Board, to a flexibly and timely financing in the interests of the Company, in particular when favourable conditions in the capital markets occur.

The shareholders are generally entitled to their statutory subscription right in relation to the Bonds. In order to facilitate the processing, it may be provided for the Bonds to be issued to a credit institution or a consortium of several credit institutions, with an obligation to offer the Bonds to the shareholders for subscription in accordance with the proportion of their existing holdings of shares (indirect subscription right). In addition, the Board of Managing Directors is proposed to be entitled, with the consent of the Supervisory Board, to exclude the statutory subscription right of the shareholders under certain circumstances.

- As a result of the proposed exclusion of the subscription right for fractional amounts, the requested Authorization can be utilised by full amounts. This exclusion of subscription rights is reasonable and customary practice, because the costs of trading of subscription rights in the case of fractional amounts usually are not reasonably proportionate to the related advantages for the shareholders. The dilution effect is not significant and can be disregarded due to the limitation to fractional amounts. Any Bonds excluded from the subscription right to this extent will be realised in the best possible way.
- The purpose of the exclusion of subscription rights in favour of the holders of option rights which have been issued or which may be issued in the future or the holders of conversion rights which have been issued or which may be issued in the future is putting such holders in a position as if they had already exercised their option and/or conversion rights and as if they already were shareholders. This protection against dilution prevents the possibility that the option and/or conversion price for any Bonds which have already been issued would be required to be reduced. As a result, this ensures that the aggregate funds received will be higher.
- In addition, the subscription right is intended to be excluded in order to issue the Bonds for non-cash consideration. This enables the Company to act flexibly, quickly and in way which also helps to protect liquidity when acquiring assets. In particular, this makes it possible to use Bonds as an acquisition currency in suitable individual


cases, such as in connection with business combinations or the acquisition of companies, participations in companies or other assets. Also, it may become necessary in the course of negotiations to make the consideration available, in whole or in part, in forms other than cash. Thus, the ability to offer Bonds as a consideration creates an advantage when competing for interesting acquisition targets and extends the scope for potential purchases while helping to protect liquidity. This may also be desirable under the aspect of an optimised financing structure. The Board of Managing Directors will carefully consider in each individual case whether to make use of the Authorization to issue Bonds for non-cash consideration while excluding shareholders' subscription rights, and will only do so if this is in the interests of the Company and its shareholders, taking account of any applicable aspects. The Board of Managing Directors will in particular ensure that the value of the non-cash consideration is reasonable when compared to the value of the Bonds.

- Finally, it is proposed to authorize the Board of Managing Directors, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders if the Bonds are issued at a price which is not materially lower than such bonds' theoretical market value determined on the basis of accepted actuarial methods. This allows the Company to make use of favourable markets situations on very short notice and quickly and, by determining market-based terms and conditions, to achieve more favourable conditions regarding interest rate and option and/or conversion price of the Bonds. This would not be possible if statutory subscription rights were granted. Section 186 (2) AktG does permit the publication of the subscription price (and, in the case of bonds, the terms and conditions) until the third-last day of the subscription period. However, in view of the volatility in the stock markets, the market risk existing for a period of several days would result in safety margins being applied when determining the terms and conditions of the Bonds and thus in terms and conditions which would be less market-based. Furthermore, where statutory subscription rights are granted, the successful placement of the Bonds with third parties will be jeopardised or will result in additional expenses due to the uncertainty of the exercise of such subscription rights. Finally, the term of the minimum subscription period of two weeks to be complied with where statutory subscription rights are granted hampers the response to favourable or unfavourable market conditions, which may lead to the raising of capital being less than optimum.

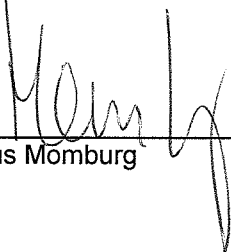
Shareholder interests will be preserved by this exclusion of subscription rights via the fact that the Bonds will not be allowed to be issued at materially below their theoretical market value, so that the mathematical value of the subscription right will be reduced practically to nil. The resolution therefore provides that the Board of Managing Directors must be of the opinion, before issuing the Bonds, that the proposed issue amount will not lead to any appreciable dilution of the value of the shares. Should the Board of Managing Directors consider it appropriate in the respective situation to obtain professional advice, it may call upon support by experts, for example from underwriters or other banks participating in the issue, an independent investment bank or an expert consultant, who can confirm to the Board of Managing Directors in an appropriate manner that no appreciable dilution of the share value can be expected. Regardless of the examination by the Board of Managing Directors, as already mentioned, the determination of market terms and conditions will be guaranteed in the event of book building. Although the Bonds will be offered at a set issue amount according to the proposed Authorization, certain Bond conditions will nevertheless be determined on the basis of the purchase orders sent by investors,

and thus the Bonds' overall value will be determined based on the market. For all of these reasons, the value of the shares will not be appreciably diluted by the exclusion of subscription rights. In addition, this type of subscription rights exclusion is limited to Bonds with rights to shares representing no more than 10% of the share capital at the time the resolution is passed or – if such value is lower – at the time of the exercise of the Authorization. Within that range, the legislator considers it not unreasonable to expect the shareholders to maintain the proportion of their holdings by buying on the market. One must count towards this 10% threshold other authorizations to issue or sell shares of the Company or rights that allow or oblige their holder to subscribe for shares of the Company, provided that these other authorizations are exercised according to or analog section 186 (3) sentence 4 AktG within the term of this authorization and until it is exercised.


Düsseldorf, 13 July 2010



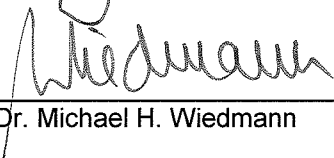
Hans Jörg Schüttler



Claus Mömburg



Dr. Dieter Glüder



Dr. Michael H. Wiedmann