



IKB Deutsche Industriebank Aktiengesellschaft

Düsseldorf

ISIN DE0008063306

Dear Shareholder,

We kindly invite you to our Annual General Meeting which will be held on

Thursday, 27 August 2015, 10.00 a.m.,

in 40474 Düsseldorf, CCD Stadthalle, Congress Center Düsseldorf, Rotterdamer Strasse.

Agenda

- 1 Submission of the adopted annual financial statements, the approved consolidated financial statements and the combined management report for IKB Deutsche Industriebank Aktiengesellschaft and the Group for the financial year 2014/2015 and the report of the Supervisory Board**

The above documents are available for viewing by the shareholders at the Company's premises and on the Company's website at

<http://www.ikb.de/en/investor-relations/financial-reports>

from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately. The documents will also be available at the Annual General Meeting. No resolution regarding item 1 of the agenda has been provided for, since the presentation of the above records is merely a compulsory informational part of the agenda of an annual general meeting under applicable law.

- 2 Ratification of the members of the Board of Managing Directors**

The Board of Managing Directors and the Supervisory Board propose the ratification of the members of the Board of Managing Directors for the financial year 2014/2015.

- 3 Ratification of the members of the Supervisory Board**

The Board of Managing Directors and the Supervisory Board propose the ratification of the members of the Supervisory Board for the financial year 2014/2015.

- 4 Election of the auditor**

Upon recommendation by its Risk and Audit Committee, the Supervisory Board proposes

- (a) to elect PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor of the financial statements and auditor of the consolidated financial statements for the financial year 2015/2016;
- (b) to elect PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor for a potential review or a potential audit of the interim financial statements resp. consolidated interim financial statements and the interim management report resp. Group interim management report for the first half of the financial year 2015/2016;
- (c) to elect PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the auditor for any potential reviews or potential audits of all other interim financial statements resp. consolidated interim financial statements and interim management reports resp. Group interim management reports prepared prior to the Annual General Meeting 2016.

5 Elections to the Supervisory Board

According to Section 96 (1), Section 101 (1) *AktG (Aktiengesetz)* [German Stock Corporation Act], Sections 1, 4 (1) *DrittelbG (Drittelbeteiligungsgesetz)* [German One-Third Employee Participation Act] and according to Art. 8 (1) of the Articles of Association of IKB Deutsche Industriebank Aktiengesellschaft, the Supervisory Board consists of eight members to be elected by the Annual General Meeting and four members to be elected by the employees. The Annual General Meeting is not bound to nominations.

Upon proposal of its Nomination Committee, the Supervisory Board proposes

- (a) to elect to the Supervisory Board Mr Benjamin Dickgießer, Director of Lone Star Europe Acquisitions LLP, resident in London, United Kingdom, who has been appointed to the Supervisory Board by decision of the Local Court Düsseldorf of 17 February 2015, and whose term in office ends as of the end of this Annual General Meeting, for the period until the end of the Annual General Meeting that resolves on the ratification of the members of the Supervisory Board for the financial year 2017/2018, as successor to Dr Karsten von Köller;
- (b) to re-elect to the Supervisory Board Dr Claus Nolting, independant lawyer in his own office, resident in Frankfurt-on-Main, whose term in office ends as of the end of this Annual General Meeting, for the period until the end of the Annual General Meeting that resolves on the ratification of the members of the Supervisory Board for the financial year 2017/2018;
- (c) to elect to the Supervisory Board Mr William D Young, Senior Vice President of Hudson Advisors UK Ltd., resident in London, United Kingdom, who has been appointed to the Supervisory Board by decision of the Local Court Düsseldorf of 17 February 2015, and whose term in office ends as of the end of this Annual General Meeting, for the period until the end of the Annual General Meeting that resolves on the ratification of the members of the Supervisory Board for the financial year 2015/2016, as successor to Dr Andreas Tuczka.

The nominations will be voted on per individual i.e. separate elections per nomination.

6 Written report of the special auditor Dr Harald Ring, appointed by the Court on 14 August 2009, on the findings of the special audit

By resolution of 27 March 2008, the Annual General Meeting of IKB Deutsche Industriebank Aktiengesellschaft appointed Dr Harald Ring, Krefeld, as special auditor pursuant to the German Stock Corporation Act (Section 142 (1) *AktG*). An Extraordinary General Meeting of the Company revoked the appointment of the special auditor on 25 March 2009. By resolution of 14 August 2009, the Regional Court Düsseldorf reappointed the special auditor on application of a number of minority shareholders (Section 142 (2) *AktG*). The subject matter of the special audit ordered by the Court were the questions of

- (a) whether members of the Board of Managing Directors committed violations of duty both through action or omission in connection with the circumstances which led to the Company's crisis;
- (b) whether members of the Board of Managing Directors duly fulfilled their legal duties, statutory duties and contractual duties of due diligence, in particular duties to manage the Company and supervise its assets diligently when entering into, supervising or expanding business in or with securitisation or refinancing special purpose entities (conduits), and in particular here Rhineland Funding, Rhinebridge, Havenrock I and II and Elan as well as the establishment and outsourcing of material functions to IKB Capital Asset Management GmbH (IKB CAM) with respect to the decisions relating to conduits;
- (c) whether members of the Supervisory Board committed violations of duty both through action or omission in connection with the circumstances which led to the Company's crisis;
- (d) whether members of the Supervisory Board duly fulfilled their legal duties, statutory duties and contractual duties of due diligence, in particular duties to supervise, control and advise the Company's Board of Managing Directors when entering into, continuing or expanding business in or with securitisation or refinancing special purpose entities (conduits), and in particular here Rhineland Funding, Rhinebridge, Havenrock I and II and Elan as well as the establishment and outsourcing of material functions to IKB Capital Asset Management GmbH (IKB CAM) with respect to the decisions relating to conduits.

The special auditor forwarded a copy of his written special audit report to the Board of Managing Directors on 28 February 2014 (Section 145 (6) sentence 3 *AktG*). In this context, he requested the Board of Managing Directors to examine the special audit report immediately and to decide whether an application for protection according to Section 145 (4), (5) *AktG* would be made to the Regional Court Düsseldorf and whether the report would, therefore, be subject to a judicial review of its content prior to publication. The Board of Managing Directors availed itself of this right after deliberating with the Supervisory Board Executive Committee, by application of 17 April 2014. In exercising its duty of care with respect to the bank's employees, it applied for personal data of employees to be blanked out in the special audit report. The Board of Managing Directors subsequently extended the application and applied for personal data of external third parties to be blanked out as well. Full reference to names of members of the Board of Managing Directors and the Supervisory Board in the special audit report was not affected by the application for protection.

At the time of convening the Annual General Meeting 2014, no decision had yet been made concerning the application for protection. For this reason, the Board of Managing Directors could not disclose the special audit report according to Section 145 (6) sentence 5 *AktG* as item on the agenda at the time. The Regional Court has meanwhile dismissed the application for protection. After detailed examination of this decision and deliberation with the Supervisory Board Executive Committee, the Board of Managing Directors has decided not to file an appeal. The Board of Managing Directors, therefore, now has to disclose the special audit report as item on the agenda of the Annual General Meeting 2015 (Section 145 (6) sentence 5 *AktG*).

In summary, the special audit report concludes that the members of the Supervisory Board at the time did not commit any violations of duty in connection with the events that triggered the crisis. The special audit report establishes isolated violations of duty by the members of the Board of Managing Directors at the time but these isolated violations of duty, according to the findings of the special report, did not lead or at least not with sufficient certainty to the Company's later crisis. Regarding the details of the special audit performed and its findings, we refer to the special audit report. This is available for viewing on the Company's website at

<http://www.ikb.de/ueber-uns/investor-relations/sonderpruefungsbericht>.

On request, each shareholder will be provided with a copy by the Board of Managing Directors.

No resolution regarding item 6 of the agenda has been provided for.

7 Approval relating to the settlements with the former members of the Board of Managing Directors Stefan Ortseifen, Frank Braunsfeld and Dr Volker Doberanzke and Allianz Versicherungs-Aktiengesellschaft as D&O insurer

The Company concluded settlement agreements with former members of the Board of Managing Directors and Allianz Versicherungs-Aktiengesellschaft on 8/9/12/13 July 2015, 8/13 July 2015 and 13 July 2015. Claims have been made against the members of the Company's Board of Managing Directors for damages arising from or in connection with lawsuits by investors. Furthermore, a claim has been made against Mr Ortseifen for repayment of bonuses and for expenses in connection with houses of the Board of Managing Directors. The settlement agreements require the approval of the Annual General Meeting to take effect. Further information on the settlement agreements is provided in the summary report of the Board of Managing Directors and the Supervisory Board relating to item 7.

The Board of Managing Directors and the Supervisory Board propose the following resolutions:

- (a) The settlement agreement between IKB Deutsche Industriebank Aktiengesellschaft and Messrs Frank Braunsfeld, and Dr Volker Doberanzke ("Settlement Agreement I - Ortseifen/Braunsfeld/Doberanzke") of 8/9/12/13 July 2015 is approved.

The full text of Settlement Agreement I - Ortseifen/Braunsfeld/Doberanzke is provided in Annex 1 to this convocation.

- (b) The settlement agreement between IKB Deutsche Industriebank Aktiengesellschaft and Mr Stefan Ortseifen ("Settlement Agreement II - Ortseifen") of 8/13 July 2015 is approved.

The full text of Settlement Agreement II - Ortseifen is provided in Annex 2 to this convocation.

- (c) The settlement agreement between IKB Deutsche Industriebank Aktiengesellschaft and Allianz Versicherungs-Aktiengesellschaft ("Settlement Agreement - Allianz") of 13 July 2015 is approved.

The full text of Settlement Agreement - Allianz is provided in Annex 3 to this convocation.

Annexes 1 to 3 form an integral part of this convocation.

8 Ratification of member of the Board of Managing Directors Claus Momburg for the financial year 2006/2007

The Annual General Meeting of 27 March 2008 adopted a resolution to defer a decision on the merits concerning the ratification of Mr Claus Momburg for his activities as member of the Board of Managing Directors in the financial year 2006/2007. This was done out of consideration for the special audit pursuant to the German Stock Corporation Act, a resolution concerning this having been adopted at the same Annual General Meeting. The written report of special auditor Dr Harald Ring is now available (item 6 of the agenda). The deferred decision on the merits at the time concerning the ratification of Mr Momburg is, therefore, again an item on the agenda at this year's Annual General Meeting.

The Board of Managing Directors and the Supervisory Board propose the ratification of Mr Claus Momburg for the financial year 2006/2007.

The amended annual financial statements and the amended management report, the amended consolidated financial statements and the amended Group management report (including the amended report of the Board of Managing Directors relating to the information pursuant to Section 289 (4), Section 315 (4) *HGB* [German Commercial Code] and the amended report of the Supervisory Board for the financial year 2006/2007 are available again for viewing by the shareholders at the Company's premises and again on the Company's website at

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from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately. The documents will also be available for viewing at the Annual General Meeting.

9 Ratification of member of the Board of Managing Directors Claus Momburg for the financial year 2007/2008

The Annual General Meeting of 28 August 2008 adopted a resolution to defer a decision on the merits concerning the ratification of Mr Claus Momburg for his activities as member of the Board of Managing Directors in the financial year 2007/2008. This was done out of consideration for the special audit ongoing at the time pursuant to the German Stock Corporation Act, a resolution concerning this having been adopted at the Annual General Meeting of 27 March 2008. The written report of special auditor Dr Harald Ring is now

available (item 6 of the agenda). The deferred decision on the merits at the time concerning the ratification of Mr Momburg is, therefore, again an item on the agenda at this year's Annual General Meeting.

The Board of Managing Directors and the Supervisory Board propose the ratification of Mr Claus Momburg for the financial year 2007/2008.

The annual financial statements and management report, the consolidated financial statements and the Group management report (including the report of the Board of Managing Directors relating to the information pursuant to Section 289 (4), Section 315 (4) *HGB* and the report of the Supervisory Board for the financial year 2007/2008 are available again for viewing by the shareholders at the Company's premises and again on the Company's website at

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from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately. The documents will also be available for viewing at the Annual General Meeting.

10 Ratification of the members of the Supervisory Board for the financial year 2006/2007

The Annual General Meeting of 27 March 2008 adopted a resolution to defer a decision on the merits concerning the ratification of the members of the Supervisory Board for their activities in the financial year 2006/2007. This was done out of consideration for the special audit pursuant to the German Stock Corporation Act, a resolution concerning this having been adopted at the same Annual General Meeting. The written report of special auditor Dr Harald Ring is now available (item 6 of the agenda). The deferred decision on the merits at the time concerning the ratification of the members of the Supervisory Board is, therefore, again an item on the agenda at this year's Annual General Meeting.

The Board of Managing Directors and the Supervisory Board propose the ratification of the members of the Supervisory Board for the financial year 2006/2007.

The amended annual financial statements and the amended management report, the amended consolidated financial statements and the amended Group management report (including the amended report of the Board of Managing Directors relating to the information pursuant to Section 289 (4), Section 315 (4) *HGB* and the amended report of the Supervisory Board for the financial year 2006/2007 are again available for viewing by the shareholders at the Company's premises and again on the Company's website at

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from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately. The documents will also be available for viewing at the Annual General Meeting.

11 Ratification of members of the Supervisory Board for the financial year 2007/2008 unless ratification for this period has already been decided by resolutions of the Annual General Meeting of 28 August 2008

The Annual General Meeting of 28 August 2008 adopted a resolution to defer a decision on the merits concerning the ratification of several members of the Supervisory Board for their

activities in the financial year 2007/2008. This was done out of consideration for the special audit ongoing at the time pursuant to the German Stock Corporation Act, a resolution concerning this having been adopted at the Annual General Meeting of 27 March 2008. The written report of special auditor Dr Harald Ring is now available (item 6 of the agenda). The deferred decision on the merits at the time concerning the ratification of the members of the Supervisory Board is, therefore, again an item on the agenda at this year's Annual General Meeting.

The Board of Managing Directors and the Supervisory Board propose the ratification of the members of the Supervisory Board for the financial year 2007/2008 unless ratification for this period has already been decided by resolutions of the Annual General Meeting of 28 August 2008. Ratification of those members of the Supervisory Board who were (already) a member of the Supervisory Board prior to 27 March 2008 is, therefore, proposed.

The annual financial statements and the management report, the consolidated financial statements and the Group management report (including the report of the Board of Managing Directors on the information pursuant to Section 289 (4), Section 315 (4) *HGB*) and the report of the Supervisory Board for the financial year 2007/2008 are again available for viewing by the shareholders at the Company's premises and again on the Company's website at

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from the time the Annual General Meeting is convened. On request, each shareholder will be provided with a copy immediately. The documents will also be available for viewing at the Annual General Meeting.

12 Amendment to Article 8 (1) of the Articles of Association

The number of members of the Supervisory Board is to be reduced from the current twelve members to nine members. The Board of Managing Directors and the Supervisory Board consider that this measure is in the Company's best interest in view of the further concentration of business activities and in view of the further reduction in the balance sheet total in recent years.

The Board of Managing Directors and the Supervisory Board propose the following resolution:

Art. 8 (1) of the Articles of Association is reworded as follows:

"The Supervisory Board consists of nine members."

13 Amendment to Article 8 (3) sentence 1 of the Articles of Association

Art. 8 (3) sentence 1 of the Articles of Association deals with the case of a candidate elected to the Supervisory Board not accepting the office or a member leaving the Supervisory Board before his/her office ends. In such case, it is provided that the Supervisory Board will comprise only the remaining members until the Annual General Meeting at which substitutes are elected. To avoid misunderstandings, this provision of the Articles of Association is to be modified for the avoidance of doubt to the effect that it will still be possible for the Court to appoint members of the Supervisory Board.

The Board of Managing Directors and the Supervisory Board propose the following resolution:

Art. 8 (3) sentence 1 of the Articles of Association is reworded as follows:

“If any person elected does not accept the office of member of the Supervisory Board or if a member retires before the end of his elected term, other than under the foregoing paragraph, the Supervisory Board shall consist of only the remaining members, until the shareholders’ general meeting at which by-elections are held. This shall not affect the possibility of the Court appointing members of the Supervisory Board.”

Art. 8 (3) otherwise remains unchanged.

14 Increase in the upper limit of the variable remuneration component for members of the Board of Managing Directors

According to Section 25a (5) sentence 1 KWG, credit institutions must determine appropriate relations between the variable and fixed remuneration for managers. Since 1 January 2014, Section 25a (5) sentence 2 KWG has determined that the variable remuneration of individual managers of credit institutions may not in principle exceed 100% of their respective fixed remuneration. The Annual General Meeting can, however, approve a higher variable remuneration but this may not then in turn exceed 200% of the fixed remuneration for the respective manager (Section 25a (5) sentence 5 KWG).

In view of the remuneration practice of other credit institutions and the positive and sustainable incentive effects of appropriately structured variable remuneration, the Supervisory Board considers that it is in the interest of the Company and its shareholders if the Annual General Meeting approves an increase in the upper limit of the variable annual remuneration for all respective members of the Board of Managing Directors of IKB Deutsche Industriebank Aktiengesellschaft to 200% of their respective fixed annual remuneration as of the financial year 2015/2016.

- (a) Reasons for the requested approval of a variable remuneration which is higher than 100% of the fixed remuneration

In order to recruit and retain qualified managers, the Supervisory Board considers that it is necessary, in the interest of assuring the bank’s sustained business success, to have an attractive performance-based remuneration system for the Board of Managing Directors. In order to attract qualified managers, the company must stand up not only against competitors who apply a ratio 2:1 of variable to fixed remuneration but also against financial services institutions and companies which are not subject to the corresponding requirements.

Approval of the option of a higher variable component furthermore takes account of the regulatory requirements of a long-term and therefore sustainable remuneration structure. The variable parts of the remuneration of the Board of Managing Directors have time limits and reservations under valid legal requirements which result on the one hand in an allocation deferred in time and on the other hand, where specific conditions within these periods exist, can in turn result in the forfeit of remuneration components. These restrictions are not, however, possible in the case of the fixed remuneration according to the requirements of the *InstitutsVergV (Institutsvergütungsverordnung)* [German Remuneration Ordinance for Institutions].

Restricting the option of granting variable remuneration components to an upper limit of 100% of the respective fixed remuneration would be likely, in contrast and

hardly consistent with the legislative intention, and also given the competitive situation outlined above, to be accompanied by an increase in the fixed components.

(b) **Scope of the requested approval of a higher variable remuneration**

The remuneration structures for members of the bank's Board of Managing Directors are essentially uniform. This is due to the overall responsibility of all members of the Board of Managing Directors for the bank's management. In this respect, the Supervisory Board requests approval, in relation to all officiating members of the Board of Managing Directors at the time of publication of this convocation, i.e. three persons, of an increase in the limit for the variable remuneration component to 200% of their respective fixed remuneration.

The remuneration system relating to the remuneration of members of the Board of Managing Directors is described in the chapter "Remuneration policy" of the bank's disclosure report pursuant to Articles 431 to 451 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 646/2012 (Capital Requirements Regulation/"CRR") according to regulatory requirements.

The total of the annual base salaries of the members of the bank's Board of Managing Directors is currently an annual amount of € 1.875 million. If target achievement is 100%, a target bonus, also amounting in total to € 1.275 million, is agreed. Given the above target bonus, the variable remuneration can currently only attain the level of 100% of the fixed remuneration (and therefore an annual amount of € 1.875 million) if target achievement is more than 140%. If a maximum permissible variable remuneration of 200% of the fixed salary is paid, the maximum additional charge on the bank would be limited to the amount of € 1.875 million. Whether and to what extent such an additional amount is paid will depend on the degree of target achievement by the individual members of the bank's Board of Managing Directors. Target achievement at present would have to be markedly higher than 140% for the variable remuneration to begin at all to exceed 100% of the fixed salary.

(c) **Anticipated impact of a higher variable remuneration on the requirement to maintain an adequate equity base**

If an upper limit for the variable remuneration of 200% of the respective fixed remuneration is approved, the Supervisory Board does not anticipate any significant quantifiable impact on the bank's ability to maintain an adequate equity base. The maximum expense from a variable remuneration which exceeds 100% of the fixed remuneration (annual base salary) is currently below 0.1 per cent in relation to the bank's equity base. This expense would also only be incurred if the members of the Board of Managing Directors far exceeded the agreed targets (see above). Furthermore, the clearly long-term orientation of the variable remuneration in principle has a positive impact on the bank's ability to maintain an adequate equity base.

The Supervisory Board, therefore, proposes the approval of an increase in the upper limit of the variable annual remuneration for all respective members of the Board of Managing Directors of IKB Deutsche Industriebank Aktiengesellschaft to 200% of their respective fixed annual remuneration as of the financial year 2015/2016.

15 Increase in the upper limit of the variable remuneration component for the Company's employees

According to Section 25a (5) sentence 1 *KWG*, institutions must determine an appropriate relation between the variable and fixed annual remuneration for employees. However, the variable remuneration may not exceed in each case 100% of the fixed remuneration for each individual employee (ratio 1:1 of variable to fixed remuneration), except where otherwise provided by resolution of the Annual General Meeting. The shareholders can, however, decide to approve a higher variable remuneration which may not exceed 200% of the fixed remuneration (ratio 2:1 of variable to fixed annual remuneration) for each individual employee (Section 25a (5) sentence 5 *KWG*).

The Board of Managing Directors and the Supervisory Board endorse a sufficiently large variable remuneration component to take account of fluctuations in performance and success and to ensure cost flexibility and at the same time to minimise the increase in fixed costs. The option of having the Annual General Meeting decide on a higher variable remuneration, which may not exceed 200% of the fixed remuneration for each individual employee, should, therefore, be taken up.

- (a) Reasons for the requested approval of a variable remuneration which is higher than 100% of the fixed remuneration

Current stabilisation in the banking environment has resulted in an increase in the remuneration level and in particular the level of the variable remuneration. In order to attract qualified employees, it is necessary to be in a position to remunerate the employees of IKB Deutsche Industriebank Aktiengesellschaft adequately and in line with the market in the future as well. In view of the above, IKB Deutsche Industriebank Aktiengesellschaft must be able to a limited extent to pay employees a variable remuneration, the amount of which exceeds of the amount of their respective fixed remuneration.

Specifically, the main reasons for the requested approval of an increase in the variable remuneration are as follows:

The focus is on preserving competitiveness in recruiting and retaining staff who are crucial to success as essential element in the bank's future. Several other competitors relevant on the market have already applied for and in part implemented the option of increasing the variable remuneration for their employees to a ratio of 2:1 to the fixed remuneration. Opening up the option of raising the variable remuneration is, therefore, an important instrument also for IKB Deutsche Industriebank Aktiengesellschaft to preserve competitiveness.

In addition, however, the avoidance of inappropriate increases in fixed salaries of larger groups of employees is also a key aspect underlying this proposed resolution. The option of determining the variable remuneration in the event of exceptional personal performance higher than the limit of 1:1 in relation to the fixed remuneration allows greater flexibility and enables retention of an appropriate variable remuneration component which is consistent with the earnings position of the IKB Group, takes account of any fluctuations in performance and earnings and furthermore ensures cost flexibility.

Finally, this approach contributes to ensure that large parts of the variable remuneration components for employees who materially influence the bank's overall risk

profile (so-called risk takers) can merely be deferred and furthermore be granted with corresponding reduction potential.

Therefore the approval of a ratio of variable to fixed remuneration of up to 2:1 is sought pursuant to Section 25a (5) sentence 5 KWG.

(b) Scope of the requested approval of a higher variable remuneration

The option of determining a variable remuneration which is higher than 100% of the fixed remuneration is to take effect only for a defined group of employees at IKB Deutsche Industriebank Aktiengesellschaft; this covers the top-level management and second-level management (team leaders) and sales employees (sales representatives, managing directors, directors, vice presidents, associates and analysts).

Remuneration for these employees in principle comprises a fixed and a variable remuneration component. The fixed annual remuneration is agreed in the individual contract and paid divided into thirteen equal tranches.

The basic conditions of the variable remuneration result for the top-level management from variable remuneration regulations under the individual contracts. The basic variable remuneration regulations for all other employees are regulated by works agreements.

A so-called target value for a financial year is additionally determined for each employee in his/her individual contract. The target value stands for the reference level of 100% performance. The amount of the individual target value depends on the amount of total earnings. As total earnings increase, the percentage of the target value in total earnings increases.

- The amount of the variable remuneration to be actually paid is determined on the one hand by a personal performance factor and on the other hand by the results of IKB Deutsche Industriebank Aktiengesellschaft (banking factor).
- Individual targets, which are derived from the bank's business and risk strategy, are agreed at the beginning of a financial year for the personal performance factor. The performance factor is determined on the basis of target achievement in a financial year. The profit contributions of the individual resp. the profit contributions of the organisational unit are assessed. Negative profit contributions reduce the performance factor and, therefore, the variable remuneration.
- The banking factor reflects the institution's overall performance. The Board of Managing Directors ascertains whether positive overall performance can be confirmed for the financial year and accordingly determines the banking factor.
- Additional variable remuneration regulations are applied to the variable remuneration of employees identified as risk takers.
- This regulation contains a deferred payment system which differentiates between two risk taker categories and regulates payment in cash and in the form of instruments (i.e. phantom stocks of the IKB share). Determination

of the variable remuneration takes into account malus situations and the sustainable development of the profit contributions.

- Once the bank's operating result has been established, it is necessary to examine, pursuant to Section 7 *InstitutsVergV*, whether a budget may be provided for a variable remuneration. Determination of the total amount of the variable remuneration takes account not only of an adequate equity base but also of risk bearing capacity, capital planning and the profit situation of the bank. Furthermore, the total amount of the remuneration determined for distribution may not jeopardise the bank's liquidity position. Finally, it must be ensured that the combined capital buffer requirements under Section 10i KWG are met.

If a variable remuneration is paid, the Board of Managing Directors will decide a payment budget for the variable remuneration based on target achievement. Irrespective of whether a ratio of 1:1 or 1:2 applies to determination of the individual variable remuneration of the employee in question, the payment budget determined by the Board of Managing Directors is, therefore, the maximum payable amount for the variable remuneration of all employees.

All amounts of variable remuneration to be paid to employees, including any increased amounts arising from increasing the upper limit for the variable remuneration to double the fixed annual remuneration, must be financed from the available budget.

In the financial year 2015/2016, the proposed increase in the upper limit of the variable remuneration component could be applied as of today in total to a maximum of 317 employees at IKB Deutsche Industriebank Aktiengesellschaft. On this basis, i.e. in terms of these 317 employees and for the financial year 2015/2016, the proposed increase in the upper limit of the variable remuneration component, measured as of today against the upper limit to date, would result in a theoretical maximum additional burden of approximately € 39 million for IKB Deutsche Industriebank Aktiengesellschaft. This amount constitutes an arithmetical maximum, which in light of the remuneration system of IKB Deutsche Industriebank Aktiengesellschaft will be realised, if at all, to only a very limited extent. Whether and to what extent such an additional amount is paid also depends on the degree of target achievement by the Group and the individual employees. Target achievement of an employee of this group at present would have on average to be markedly higher than a personal performance factor of 3,4 for the variable remuneration to begin at all to exceed 100% of the fixed salary (1:1).

- (c) Anticipated impact of a higher variable remuneration on the requirement to maintain an adequate equity base

Pursuant to the amendment of the *InstitutsVergV* of 16 December 2013 (Federal Law Gazette I p. 4270), the remuneration system has been adjusted for all employees. This has ensured that the variable remuneration can be markedly reduced or even cancelled as of the financial year 2014/2015 unless the regulatory and economic requirements are met by the Company in a year (see statements above on determination of the total amount of the variable remuneration pursuant to Section 7 *InstitutsVergV*).

The variable remuneration is determined on the basis of the individual contributions to performance of the employees and will subsequently be subject to examination according to Section 7 *InstitutsVergV*. This will occur irrespective of whether an upper limit of 1:1 or 2:1 applies to the ratio of variable to fixed remuneration. This ensures that the company's adequate equity base is not affected by the total amount of the variable remuneration. This, therefore, excludes an extraordinary increase in the budget for the variable remuneration which would subsequently result in an inappropriate equity base.

The Board of Managing Directors and the Supervisory Board, therefore, propose the approval of an increase in the upper limit of the variable annual remuneration for the employees described above of IKB Deutsche Industriebank Aktiengesellschaft, who will be granted a variable remuneration, to 200% of their respective fixed annual remuneration as of the financial year 2015/2016.

16 Authorisation to issue convertible bonds and/or bonds with warrants and to exclude the subscription right and create contingent capital with corresponding amendment of the Articles of Association

By resolution of the Annual General Meeting of 26 August 2010, the Board of Managing Directors was authorised, with the approval of the Supervisory Board, to issue by 25 August 2015 bearer convertible bonds and/or bonds with warrants once or several times and to grant the holders conversion resp. option rights to subscribe to up to 74,874,422 shares of the Company with a pro rata amount of the share capital totalling up to € 191,678,520.32. The Company's share capital was increased on a contingent basis in this context by up to € 191,678,520.32 by issuing up to 74,874,422 new shares with profit participation rights as of commencement of the financial year in which they were issued (Contingent Capital 2010). This authorisation will have expired on the date of the Annual General Meeting 2015.

In addition, the Board of Managing Directors was authorised, by resolution of the Annual General Meeting of 4 September 2014, with approval of the Supervisory Board, to issue bearer bonds with warrants and/or convertible bonds once or several times by 3 September 2019 and to grant the holders option or conversion rights to a total of up to 241,818,039 shares of the Company with a pro rata amount in the share capital of up to € 619,054,179.84. In this connection, the Company's share capital was increased on a contingent basis by up to € 619,054,179.84 by issuing up to 241,818,039 new shares with profit participation rights as of commencement of the financial year in which they were issued (Contingent Capital 2014).

In order to give the Board of Managing Directors sufficient flexibility, also in the future, to finance the Company's growth, the intention is to create, in addition to the existing authorisation of 4 September 2014 and the Contingent Capital 2014 related thereto, as replacement for the expiring authorisation of 26 August 2010 and the Contingent Capital 2010 related thereto, a new authorisation for the issue of convertible bonds and/or bonds with warrants and a corresponding Contingent Capital 2015 of up to € 191,678,520.32.

The Board of Managing Directors and the Supervisory Board propose that the following resolutions be adopted:

- (a) The Board of Managing Directors shall be authorised, with the approval of the Supervisory Board, to issue by 26 August 2020 bearer bonds with warrants and/or

convertible bonds resp. combinations of such instruments (hereinafter collectively referred to as: "bonds") once or several times, also at the same time, in different tranches, of an aggregate principal amount of up to € 800,000,000.00 with or without maturity cap and to grant the holders of bonds option or conversion rights to a total of up to 74,874,422 new bearer shares with a pro rata amount in the share capital of up to € 191,678,520.32 according to the specifications in the respective terms and conditions of the bonds (hereinafter: "Terms and Conditions for Bonds"). The respective Terms and Conditions for Bonds can also provide for mandatory conversions on maturity or at other times including the obligation to exercise the option resp. conversion right. The bonds can be issued against cash contribution and/or non-cash contribution.

The bonds can also be issued by companies with domestic or foreign registered offices, in which the Company holds a majority interest either directly or indirectly (hereinafter: "Group companies"). In the event of an issue through a Group company, the Board of Managing Directors shall be authorised, with the approval of the Supervisory Board, to guarantee the bonds and to grant the holders of bonds with warrants option rights resp. the holders of convertible bonds conversion rights to shares of the Company and to make other declarations and to take the action required for a successful issue.

In the event of bonds with warrants being issued, one or several warrants shall be attached to each bond with warrants which authorise the holder, according to the specifications in the Terms and Conditions for Bonds to be determined by the Board of Managing Directors, to subscribe to shares of the Company. The Terms and Conditions for the bonds with warrants issued by the Company can also provide, according to the specifications of this authorisation, for the option premium also being met by transfer of partial bonds with warrants and, if applicable, an additional cash contribution. The pro rata amount of the share capital applicable to the shares to be subscribed on each partial bond with warrants may not exceed the nominal amount of this partial bond with warrants. If fractional shares arise, it may be provided that such fractions, according to the specifications of the Terms and Conditions for Bonds, can be added up for the subscription of whole shares against additional payment, if applicable.

In the event of convertible bonds being issued, the holders of convertible bonds shall be given the right or, if a conversion obligation is provided for, they shall assume the obligation to exchange their convertible bonds, according to the specifications of the Terms and Conditions for Bonds, into shares of the Company. The exchange ratio shall be derived from dividing the nominal amount resp. the issue price of a partial bond with warrant, if the issue price is below the nominal amount, by the fixed conversion price for a share of the Company. The exchange ratio can in any case be rounded up or down to a whole number. Furthermore, it may be provided that fractional shares are combined and/or compensated in cash. An additional cash contribution can also be provided for. The Terms and Conditions for Bonds can also determine that the exchange ratio is variable and the conversion price is to be determined on the basis of future stock exchange prices within a specific variation range.

The option premium or conversion price to be determined in each case must, notwithstanding Section 9 (1) and Section 199 *AktG*, amount, between start of trading

and the date the terms and conditions are finally determined, to at least 80% of the volume-weighted average stock exchange price of the Company's shares in the OTC market on the Frankfurt Stock Exchange at the time the terms and conditions of the bonds are determined.

The option premium resp. conversion price can, notwithstanding Section 9 (1) *AktG*, be adjusted by reason of a dilution protection clause as specified in the Terms and Conditions for Bonds with value-preserving effect if the Company increases the share capital by expiry of the option resp. conversion period, while granting a subscription right to its shareholders, or issues or guarantees further bonds without hereby 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 premium 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.

The Terms and Conditions for Bonds can provide for the Company's right, if options are exercised or in the event of conversion, not to grant shares or only partially but instead to pay an amount of money. The Terms and Conditions of Bonds can furthermore allow the Company the right to grant the creditors of bonds shares of the Company in whole or in part instead of payment of the amount of money due. The fulfilment of the subscription resp. conversion rights of the holders of bonds resp. the fulfilment of claims following mandatory conversion or mandatory exercise of options can furthermore be effected by granting own shares of the Company and by issuing new shares from the Company's authorised capital and/or contingent capital to be approved at a later date and/or authorised capital and/or an ordinary capital increase.

The Board of Managing Directors shall be authorised, with the approval of the Supervisory Board, to determine resp. stipulate, in agreement with the corporate bodies of the respective Group company issuing the bonds, the precise calculation of the exact option premium or conversion price and the further details for issuing and structuring the bonds and the Terms and Conditions for Bonds, in particular the interest rate, issuing price, term and denomination, subscription resp. exchange ratio, creation of a conversion obligation resp. obligation to exercise options, determination of an additional cash contribution, settlement or combination of fractional shares, cash contribution instead of the granting of shares, granting of existing shares instead of issuing new shares and the option resp. conversion period.

Shareholders must in principle be granted a subscription right to the bonds. The subscription right can also be granted in such manner that the bonds are acquired by a bank or a company operating according to Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or (7) *KWG* (financial institution) or a syndicate of such banks or financial institutions with the obligation to offer them to the Company's shareholders for subscription. The Board of Managing Directors shall, however, be authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders

- if this is necessary to settle fractional amounts arising from the subscription ratio;

- if the bonds are issued against cash contribution and the issuing price for a bond does not fall materially below its theoretical fair market value determined according to recognised methods of financial mathematics. According to Section 186 (3) sentence 4 *AktG*, the sum total of the shares applicable to these bonds issued without subscription rights may not exceed 10% of the share capital, neither at the time of adoption of the resolution on this authorisation nor at the time of their utilisation. If other authorisations are utilised to issue or sell shares of the Company or to grant rights allowing or obliging the subscription of shares of the Company during the term of this authorisation until its utilisation, and the subscription right is excluded thereby according to or pursuant to Section 186 (3) sentence 4 *AktG*, this must be applied against the 10% limit specified above;
 - in order to grant subscription rights as compensation for dilution to the holders of conversion/option rights to resp. obligations on the shares of the Company to the extent to which they would be entitled to them after exercising such rights;
 - if bonds are issued against non-cash contributions.
- (b) The share capital of the Company shall be increased on a contingent basis by up to € 191,678,520.32 by issuing up to 74,874,422 new bearer shares with profit participation rights as of commencement of the financial year in which they are issued (Contingent Capital 2015).

The purpose of the Contingent Capital 2015 is to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds which are issued by the Company or a Group company according to the authorisation of the Company's Annual General Meeting of 27 August 2015. The new shares shall be issued at the option resp. conversion price to be determined in each case according to the authorisation described above in item 16 a of the agenda.

The contingent capital increase shall only be implemented to the extent that the holders resp. creditors of subscription resp. conversion rights utilise such rights or the holders obliged to exercise their conversion rights fulfil their obligation to do so and if a cash settlement is not granted or own shares or shares created from authorised capital are not applied for service. The Board of Managing Directors shall be authorised to determine the further details for implementing a contingent capital increase.

- (c) The wording of Art. 5 (8) of the Articles of Association is revised as follows:

“The share capital of the Company is increased on a contingent basis by up to € 191,678,520.32 by issuing up to 74,874,422 new bearer shares with profit participation rights as of commencement of the financial year in which they are issued (Contingent Capital 2015).

The purpose of the Contingent Capital 2015 is to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds which are issued by the Company or a Group company according to the authorisation of the Company's Annual General Meeting of 27 August 2015. The new shares shall be issued at the option premium resp. conversion price to be determined in each

case in the resolution of the Company's Annual General Meeting of 27 August 2015 to item 16 a of the agenda.

The contingent capital increase shall only be implemented to the extent that the holders resp. creditors of subscription resp. conversion rights utilise such rights or the holders obliged to exercise their conversion rights fulfil their obligation to do so and if a cash settlement is not granted or own shares or shares created from authorised capital are not applied for service. The Board of Managing Directors shall be authorised to determine the further details for implementing a contingent capital increase.”

Report of the Supervisory Board and the Board of Managing Directors relating to item 7 of the agenda

Under item 6 of the agenda, the report on the IKB crisis prepared by the special auditor appointed by the court at the request of minority shareholders is presented.

As it is also stated in the current management report for the 2014/2015 financial year, the special auditor concludes that the former members of the supervisory board cannot be found responsible for any breach of duty in connection with the events triggering the crisis. Even though the special auditor concludes that former members of the executive board had committed breaches of duty in some cases, such breaches had not been causal to, or with reasonable assurance would in any event not have led to, the later crisis of IKB.

The supervisory board and the executive board have each intensively analysed the special audit report. This analysis includes inter alia the results of the different information measures which have been taken by the bank and the elaborate legal assessments of the external legal advisors appointed by each the supervisory board and the executive board. With regard to a responsibility of the members of the supervisory board who were in office during the time covered by the special audit the executive board sees the result of the special audit being confirmed by the these further information measures and legal assessments. Therefore, claims for damages will not be asserted against members of the supervisory board.

In contrast, the supervisory board has decided after a thorough analysis in this context to assert claims for damages against the former members of the executive board for a failure to publish an ad hoc notification which is prescribed by law in July 2007. By letter dated 31 July 2014, the supervisory board asserted these claims for damages against the former members of the executive board in the amount of approximately € 1.8 million (see below). Furthermore, further claims for damages against members of the executive board do not come into consideration due to the above described results of the special audit and the aforementioned other information measures and legal assessments.

On this basis the supervisory board and the executive board are of the opinion that the proposal on the conclusion of the settlement agreements mentioned under item 7 of the agenda is in the interest of the bank. By concluding the proposed settlements the economically and legally enforceable claims for damages which have been identified will be satisfied. In particular the damage in the amount of approximately € 1.8 million which has been asserted by the bank already out-of-court against the former three members of the executive board for a failure to publish an ad hoc notification in July 2007 will be fully compensated. With regard to the above mentioned audit results of the supervisory board and the executive board further legal disputes are not indicated. In the opinion of the supervisory board and the executive board the economic benefit of further audits is very doubtful; the proposed and legally secure termination of the crisis-related issues, however,

provides the opportunity for the company – apart from the payments – to focus on the expansion of business activities without any burden.

Therefore, with the settlement agreements put to the vote under item 7 of the agenda claims against former members of the executive board shall finally be settled. By concluding the Settlement Agreement – Allianz also potential claims against former members of the supervisory board and managing directors of subsidiaries, which in the opinion of the company and due to the above mentioned audits do not exist, will be settled.

In particular:

Crisis of IKB in 2007

IKB had been engaged in the securitisation business since the 2001/2002 financial year also by making portfolio investments relevant to the balance sheet and by advising special purpose vehicles on such investments (off-balance). For the off-balance investments, securities such as Collateralized Debt Obligations (**CDO**) or Asset Backed Securities (**ABSs**) were acquired essentially via special purpose vehicles that were granted a liquidity line by IKB and other banks on a one-time or revolving basis and mainly refinanced by way of issuing money market instruments, in particular Asset Backed Commercial Papers (**ABCPs**). As a consequence of the market's loss of confidence in ABCPs in June 2007, the placing of these ABCPs was getting increasingly difficult and IKB was running the risk that the special purpose vehicles, in order to refinance the securitisation business, could assert claims arising from the liquidity lines.

On 20 July 2007, IKB's executive board issued a press release stating that there had been uncertainties in the US mortgage market, which, however, had virtually no effects on IKB. On 27 July 2007, a financial market participant halted the trading and money market lines for new transactions of IKB. As a consequence, IKB's creditworthiness and thus its capital market viability were questioned, so that its refinancing options became limited and it was threatened with insolvency. The crisis that threatened IKB's existence and an insolvency of IKB could only be prevented by measures taken in particular by its then principal shareholder KfW.

On 27 March 2008, the general meeting of IKB resolved to appoint a special auditor. This resolution was revoked by resolution of the general meeting of IKB dated 25 March 2009. Thereupon, the Regional Court (*Landgericht*) of Düsseldorf on 14 August 2009 ordered the appointment of Dr Harald Ring, Krefeld, as special auditor of IKB under stock corporation law, upon a motion by minority shareholders. Within the scope of his tasks, the Special Auditor was to examine whether members of IKB's supervisory board or executive board committed breaches of duty in connection with the circumstances leading to the Crisis of IKB, both by acting purposefully and by failing to act (cf. *Sonderprüfungsbericht* (Special Audit Report), published under <https://www.ikb.de/ueberuns/investor-relations/sonderpruefungsbericht>).

On 28 February 2014, the special auditor provided the executive board of the bank with the special audit report "on the conduct of the special audit at IKB Deutsche Industriebank AG, Düsseldorf, pursuant to the order of the Regional Court of Düsseldorf of 14 August 2009" (Special Audit Report). The report is also on the agenda of this general meeting (cf. agenda item 6).

Findings of the special auditor and assessment by the supervisory board and the executive board

The special auditor essentially made the following findings, with which the supervisory board and the executive board of the company agree in respect of the above mentioned overall result but do not agree in all aspects regarding the presentation and derivation of the facts.

Potential failure to act in line with the corporate purpose

IKB changed its corporate purpose in 2001. The special auditor holds the view that the on-balance and off-balance portfolio investments in which IKB increasingly engaged in the years that followed is not sufficiently connected to the promotion of trade and industry (*Förderung der gewerblichen Wirtschaft*), and that, as a result, the executive board acted outside the scope of the corporate purpose stipulated in the articles of association until the date the further amendment of the articles of association took effect in 2006 (cf. section B, pages 3 and 4 of the Special Audit Report). He also holds the view that the portfolio investments of IKB and its activities in connection with the portfolio investments of the RFCC conduit were not covered by the provision on ancillary and peripheral businesses (*Hilfsgeschäfte- und Randgeschäfte*) set out in article 2 para. 3 of the then applicable articles of association. However, in the opinion of the special auditor, this does not result in a breach of duty by the executive board, because the latter obtained advice, when preparing the amendment of the articles of association, by qualified employees among others. Therefore, in the view of the special auditor, there is no indication which would justify reproaching the executive board for any fault in selecting and monitoring an agent (*Auswahl- bzw. Überwachungsverschulden*) (cf. section B, page 4 of the Special Audit Report).

The supervisory board holds the view that it may be questioned whether the specified business transacted through portfolio investments was actually beyond the scope of the corporate purpose. Para. 2 of the then corporate purpose states that the company may provide or participate in other financing in Germany and abroad. This also includes the granting of liquidity lines for portfolio investments as well as own portfolio investments, whereby in all the corporate purpose has been respected. In the special auditor's view, this para. 2 of the then corporate purpose is to be seen as a supplement to para. 1 of the corporate purpose, which provides that the company is to promote trade and industry. However, this view is not necessarily correct. In fact, para. 2 begins with the introductory wording "Furthermore, the company may...", which indicates a separate paragraph of the corporate business and not a supplement to the corporate purpose set out in para. 1. According thereto, portfolio investments which do not promote businesses are also permissible.

The executive board is of the opinion that the then portfolio investments do not constitute a breach of the corporate purpose set out in the articles of association and that the transactions in question are covered by article 2 para. 1 of the articles of association in the version dated 2001, and in any event by para. 2.

At any rate, in the final analysis, none of the views expressed states that duties were breached by the then members of the supervisory board and the executive board.

Proper risk management

In the special auditor's view, the risk management in place at IKB, including the control and monitoring processes that had been established, was in compliance with the legal requirements, in particular under regulatory law (cf., in detail, section B, pages 5 and 6 of the Special Audit Report). In the special auditor's view, using external rating agencies' risk classifications, which was based on reasons of economic practicability, for portfolio investments was customary in the industry or was also in line with the provisions of the Solvency Regulation on the procedure adopted to determine the capital adequacy requirements. Moreover, using the rating agencies' credit assessment as the sole criterion, fundamentally, was in line with the regulatory requirements of the Minimum Requirements for Risk Management (*MaRisk – Mindestanforderungen an das Risikomanagement*) (cf. section B, pages 5 and 6 of the Special Audit Report). It is true that internal audit identified several deficiencies in the portfolio monitoring of IKB Credit Asset Management GmbH (IKB CAM), but these deficiencies were subsequently considered remedied. Also, they had not

been classified as serious deficiencies. They were classified as serious deficiencies only after the onset of the crisis in an internal audit report dated 29 August 2007 (cf. section B, pages 6 and 7 of the Special Audit Report). Furthermore, the executive board had probably been aware that IKB CAM was insufficiently staffed. Still, the executive board did not, at all, ignore the fact that IKB CAM was insufficiently staffed. In the special auditor's view, there is therefore no indication that the above mentioned findings were based on a culpable breach of duties by the members of the executive board.

In line with the commonly used credit derivatives business model, the RFCC conduit had no substantial equity capital and was thus exposed to a constant funding risk, which was covered in particular by IKB among other parties. For example, there was a considerable risk concentration in the special auditor's view which eventually led to IKB's existential crisis. In the opinion of the special auditor, the Minimum Requirements for Risk Management prescribe adequate control and monitoring. However, the occurrence of the maximum theoretical risk does not have to be assumed in this connection. Rather, the structure of the risk taken must be taken into account and assessed, taking into account the timely assessment customary in the industry by the parties involved in the relevant business field. In this regard, the special auditor refers to a monthly report by the German *Bundesbank* of June 2006 and states that, in the respective market participants' assessment, the credit derivatives business does not result in any far-reaching risks (cf. section B, page 8 of the Special Audit Report). Finally, the special auditor points out that the criteria relating to the onset of the crisis in late June 2007 had been identified and communicated by the risk management system. For example, risk management closely monitored the ratings assigned by the rating agencies and used own rating procedures on a regular basis for verification in connection with new investments. The crisis of confidence which began in June 2007 had not been expected by the overwhelming majority of market participants – at least it had not been expected early – and thus could not be taken into account. In this regard, the special auditor does not assume a breach of duty by the members of the executive board.

In the opinion of the supervisory board, the then executive board was justified to rely on the relevant departments which provided advice. The supervisory board is of the opinion that neither the circumstances specified by PwC in connection with the investigations by PwC commissioned by the supervisory board and the executive board in the summer of 2007, which in the opinion of PwC would constitute a breach of duty by the then members of the executive board in connection with risk management and which are supposed to have resulted in a damage to IKB, nor other known circumstances justify an enforceable claim for damages.

Proper accounting

In the 2002/2003 financial year, IKB restructured part of its CDO investments in connection with problems of individual structured loan products in the receivables portfolios. In the special auditor's opinion, in economic terms, this exchange of the underlying involved the exchange of realised losses for future reductions in interest revenue (cf., in detail, section B, page 10 of the Special Audit Report). The special auditor holds the view that the accounting selected by IKB in this connection is questionable, but that nevertheless the members of the executive board cannot be reproached with a breach of duty in respect of the restructuring. The relevant questions involve complex balance sheet law issues. The executive board had acted in accordance with its duties by leaving these questions to the qualified departments. Moreover, the restructuring had ultimately also been approved by the auditor (cf. section B, page 10 of the Special Audit Report).

The special auditor also found that the reasons for making drawdowns in connection with the liquidity lines granted for the RFCC conduit had not been fully listed in the financial years 2001/2002 to 2006/2007 (before the change to the annual financial statements for 2006/2007) and

that also the impression had been created that the lists contained in the annual financial statements were conclusive. However, in the special auditor's view, this does not constitute a breach of duty by the executive board either. It had not been the executive board's duty to examine the numerous information provided in the notes in detail. In this regard, too, the executive board was justified to rely on the relevant departments (cf. section B, page 10 of the Special Audit Report).

The special auditor also examines the recognition of certain special purpose vehicles in the financial statements. Since 31 March 2002, IKB had been a contracting party of several individual companies of the RFCC conduit, Havenrock I, Havenrock II, Rhinebridge and ELAN. These were so-called special purpose vehicles in which IKB held no interest but which, according to the special auditor's findings, could be controlled by IKB. However, these companies were not consolidated. In the special auditor's view, the non-consolidation in the consolidated financial statements prepared in accordance with HGB is not objectionable. He is, however, of the opinion that the companies should have been consolidated in the consolidated financial statements prepared in accordance with IFRS (cf. section B, page 11 of the Special Audit Report).

However, the special auditor does not consider this to constitute a breach of duty by the executive board. At any rate, the legal situation had not been clear in view of the criteria regarding the obligation to consolidate the special purpose vehicles in accordance with IFRS, some of which were rather complex. The relevant departments of IKB did not object to the non-consolidation. The executive board also obtained external advice from renowned auditing firms on this issue. In this connection, IKB apparently endeavoured to take into account the information provided to it in this connection on avoiding the consolidation obligation. Furthermore, the auditor issued an unqualified auditor's opinion. The special auditor also concludes that the supervisory board in this respect cannot be found responsible for any breach of its supervision and monitoring duties.

IKB does not agree with the facts established by the special auditor relating to the issue of the restructurings in the 2003/2004 financial year. According to IKB, it must also be taken into account when considering this issue and the issue of the recognition of the special purpose vehicles in the financial statements that the legal situation had not been clear at the time and that IKB on the basis of the financial assessment of the decisive criteria had margin of discretion. For this reason alone, IKB had been justified with respect to each of these issues to base its decision on the legal position which was more favourable for IKB. In any case, the then executive board had been justified to rely on the work of the relevant department.

However, in the final analysis, neither the special auditor nor the supervisory board or the executive board assume a breach of duty by the then executive board members.

Potential breach of duty with regard to corporate decisions

According to the special auditor's findings, the executive board, contrary to the applicable provisions, did not obtain the approval of the supervisory board for the granting of several liquidity lines in the period up to 30 April 2004. Although this constitutes a breach of duty, this breach of duty is not associated with the crisis of the bank which occurred in 2007, as the liquidity lines had been granted only for a period of 364 days in each case and, moreover, the executive board obtained the approval of the supervisory board on a regular basis from 30 April 2004 (cf. section B, page 14 of the Special Audit Report).

The special auditor also found that the executive board failed to inform the supervisory board on key aspects of the restructuring of securities in 2004 (cf. section B, page 15 of the Special Audit Report). However, the special auditor holds the view that the required connection to the crisis of IKB in July 2007 does not exist.

In the period from 12 June 2007 up to the crisis of IKB on 27/29 July 2007, the company continued its portfolio investments without change and even expanded the portfolio business. In this period, criticism about the development of the US subprime crisis was growing. The development in July 2007 indicated a marked deterioration of the risk situation. In the period from 10 to 12 July 2007, the three leading rating agencies announced a fundamental review of the securities which were linked to subprime underlyings. In the special auditor's view, the executive board members of IKB breached their duties because they did not immediately and essentially question the continuation of the existing strategy after 12 July 2007. Therefore, in the opinion of the special auditor, the executive board members breached their duty to safeguard the existence and the profitability of the bank. However, in the special auditor's view, no breach of duty was committed by Dr Guthoff and Mr Momburg in the relevant period of time because they were absent due to vacation in the period up to the end of July 2007. According to the special auditor, however, this breach of duty by the other members of the executive board of IKB was not associated with the circumstances which resulted in the crisis. In fact, the primary causes of the crisis already existed in mid-2007 and, in the special auditor's view, could not be eliminated within a short period of time (cf. section B, pages 22–24 of the Special Audit Report).

The supervisory board fundamentally agrees with the special auditor with regard to the omitted essential questioning of the existing process strategy in connection with the portfolio investments in July 2007. A breach of duty by Dr Guthoff and Mr Momburg can be ruled out for the fact alone that they were absent due to vacation. The supervisory board agrees with the special auditor that the crisis in late July 2007 and the damage suffered by IKB were not caused by any breach of duty. In fact, this damage could not have been prevented even if the relevant persons had acted in compliance with their duties in mid-July 2007 in connection with the crisis which began in late July 2007.

Request by the German Bundesbank of 29 March 2007

By letter dated 29 March 2007, the German *Bundesbank* made a request for information about the total exposure in the US real estate market. IKB's reply did not include the liquidity lines granted to the Rhineland Funding Capital Corporation conduit (RFCC conduit). In this regard, the reply by the executive board of IKB had been incomplete in the special auditor's view (cf. section B, page 25 of the Special Audit Report). However, in the opinion of the special auditor, this breach of duty is also not associated with the crisis of IKB in the final analysis. Although there would have been the possibility to discuss the risks in detail if the request by the German *Bundesbank* had been correctly and fully answered, it "cannot be established" (cf. section B, pages 26 and 27 of the Special Audit Report) in the special auditor's opinion whether the crisis of the bank which began in late July 2007 could have been avoided by such action.

In the final analysis, the supervisory board and the executive board agree with the special auditor that it cannot be established with the required degree of reasonable probability that the crisis of IKB could have been avoided if the request by the German *Bundesbank* had been properly answered. Contrary to the view held by the special auditor, the supervisory board and the executive board are of the opinion anyway that a breach of duty which did not cause any damages could only be assumed, if at all, for the directly involved executive board members Mr Braunsfeld and Dr Doberanzke. With regard to the other members of the executive board no duty of subsequent correction is assumed for executive board members who are responsible for departments which are not involved in the relevant transactions. In addition, there are no facts apparent which would have required greater attention by the entire executive board to the request or response by the German *Bundesbank*.

Information provided to the supervisory board in the meeting held on 27 June 2007

In its meeting held on 27 June 2007, the supervisory board was informed by Mr Ortseifen on IKB's own investments including on the advisory activities for the RFCC conduit. To the questions by supervisory board members concerning the securitisation activities, Mr Ortseifen is said to have replied that IKB was only indirectly affected by the negative mood in the market, if at all, and that no direct investments had been made in the US subprime segment. In the special auditor's view, these replies by Mr Ortseifen to questions by supervisory board members are problematic. However, the actual content of the replies can no longer be ascertained (cf. section F.VII.2.b)bb)(3), pages 252 ff. of the Special Audit Report). However, it would have been highly unlikely in the special auditor's view that the crisis which began one month later could have been avoided even if proper information had been provided.

Therefore, claims for damages cannot be asserted in this regard. The supervisory board and the executive board share this view in the final analysis.

Press release of 20 July 2007

In the special auditor's view, Mr Ortseifen committed a gross breach of his duty of proper and conscientious management by issuing the press release of 20 July 2007, which contained misleading statements. According to the special auditor, this follows from the fact alone that Mr Ortseifen was finally (*rechtskräftig*) convicted of a breach of a penal provision under the WpHG. After all, Mr Ortseifen provided incorrect and incomplete information to the representatives of KfW on the phone on 20 July 2007 and untruthfully stated that the information contained in the press release of 20 July 2007 also covered the exposure of the RFCC conduit.

According to the special auditor, it is more than doubtful also with regard to these breaches of duty whether the latter are sufficiently associated with the crisis of IKB. The primary causes of the crisis which began a few days later had already existed previously. Therefore, it seems "very unlikely" in the opinion of the special auditor that the crisis would have been avoided if Mr Ortseifen had correctly informed in context with the press release or the above mentioned phone call (section B, pages 26 and 27 of the Special Audit Report).

However, after the onset of the crisis, numerous claims for damages were brought against IKB by investors who had acquired shares in or other securities of IKB from May 2006. The (provisional) total value in dispute of the legal proceedings at one stage amounted to approximately € 14.6 million. These proceedings represented a considerable financial burden for IKB. The investors in particular claimed damages based on price losses and reversal of share purchases. The claims were mainly founded on the press release and the failure to publish an ad hoc notification on the risk of subprime-related investments. By judgment of 13 December 2011 (case no.: XI ZR 51/10), the German Federal Supreme Court (*Bundesgerichtshof*) held that there had been a duty in late July 2007 to publish an ad hoc notification on the existence of certain subprime-related investments held by IKB at the time. Thereupon, IKB felt forced to agree settlements in some instances and paid damages in individual cases.

The decision by the German Federal Supreme Court of 13 December 2011 is based on the failure to publish a proper ad hoc notification. If such ad hoc notification had been published, the investors would have lacked a legal basis for their claims. The relevant investor claim would not have been filed or would at least have been dismissed. In the opinion of the supervisory board of IKB, the latter accordingly would not have been convicted and would not have been required to reach settlements to avoid further convictions. At the time of the press release on 20 July 2007 up to the crisis of IKB on 27/28 July 2007, the executive board members Dr Guthoff and Mr Momburg were absent due to vacation. Mr Braunsfeld returned from vacation on 23 July 2007. The supervisory

board is of the opinion that the executive board members who were present at the time (Mr Ortseifen, Dr Doberanzke and then Mr Braunsfeld) would have been required to arrange for a corresponding ad hoc notification or to correct the press release. Accordingly, these executive board members must compensate IKB for the damage it suffered as a result, which amounts to € 1,623,094.26. Added to this are the costs of proceedings in the US in an amount of USD 300,329.73.

Assertion of claims for damages under the investor claims against Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke

By letter dated 31 July 2014, IKB asserted claims against Mr Ortseifen and Dr Doberanzke in an amount of € 1,623,094.26 and in a further amount of USD 300,329.73. These amounts, which relate to the investor claims facts, include damages and other amounts paid to investors, court fees and costs of proceedings in an amount of € 847,932.24, legal defence costs in an amount € 775,162.02 and costs for the termination of disclosure proceedings pending in the US in an amount of USD 300,329.73. The company asserted these claims against Mr Braunsfeld only in a partial amount on account of his absence due to vacation until 23 July 2007, i.e. in an amount of € 1,436,099.43 and an additional amount of USD 300,329.73.

The above-mentioned former members of the executive board contest the factual and legal statements contained in the letters by which the claims are asserted, and reject these claims as entirely unfounded.

Key terms of the settlement agreement with Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke

IKB concluded a settlement agreement with Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke relating to the discharge of all claims of IKB out of and/or in connection with the investor claims facts and the special audit facts. In this context, Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke attached importance to the agreement stating that no claims for damages, if any, are asserted in connection with the special audit facts. The key terms of the settlement agreement with Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke can be summarised as follows:

- Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke will pay a total amount of € 1,850,015.11 to IKB Deutsche Industriebank AG. This sum corresponds to the amount of € 1,623,094.26 and USD 300,329.73 (based on an exchange rate of 3 April 2014, i.e. the date on which the largest amount by far was paid in USD). It is understood between the parties that this amount will be paid by Allianz under the Settlement Agreement – Allianz. By concluding the settlement agreement, Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke do not concede any intentional or negligent misconduct.
- All present and future rights and claims of IKB against Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke out of and/or in connection with the investor claims facts and the special audit facts are deemed settled, regardless of the legal grounds and of whether any facts on which any rights and claims are based are known or unknown, with the payment of € 1,850,015.11.
- With the payment by Allianz under the Settlement Agreement – Allianz, all present and future rights and claims of IKB against third parties who bear joint and several liability with Mr Braunsfeld, Mr Ortseifen and Dr Doberanzke are also deemed settled (overall effect under section 423 of the German Civil Code (*Bürgerliches Gesetzbuch*; **BGB**)). As a result, in particular all present and future rights and claims of IKB against Dr Doberanzke and

other former executive board members of IKB out of the special audit facts and the investor claims facts are deemed settled.

- On 30 June 2010, the supervisory board resolved, in particular as a result of the existential crisis of IKB in June 2007, to reduce the retirement pensions (*Ruhegeld*) of the former executive board members Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke, among others, from € 33,900 (Mr Ortseifen) and € 8,000 (Mr Braunsfeld) and € 19,134 (Dr Doberanzke) to € 7,700 (gross) per month each. This reduction was determined by the supervisory board on the basis of the applicable maximum amount for a claim to retirement pensions against the institution ensuring insolvency insurance (*Träger der Insolvenzversicherung*) in case of an insolvency of IKB.

The settlement agreement now provides that Mr Braunsfeld's, Mr Ortseifen's and Dr Doberanzke's retirement pension claims amount to € 7,700 (gross). The retirement pension will be paid when the age of 63 is reached; from the time of leaving the bank an annual adjustment in line with the consumer price index for all private households in Germany is made. Mr Braunsfeld, Mr Ortseifen and Dr Doberanzke have no further-reaching claims for a higher retirement pension in this regard. Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke will not assert any further-reaching claims for a higher retirement pension.

- IKB indemnifies Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke against claims by former or current members of the supervisory board or the executive board of IKB and the management, supervisory board, executive board or advisory board of IKB's affiliates, under joint and several compensation (*Gesamtschuldnerausgleich*) or joint liability (*Mithaftung*) out of and/or in connection with the investor claims facts and/or the special audit facts, that have already been identified or will be identified in future.

With this settlement, Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke wish to ensure that no further claims out of the special audit facts and the investor claims facts may be asserted against them. Accordingly, on the grounds of the statutorily prescribed joint and several liability of executive board members among themselves (cf. section 93 (2) sentence 1 of the German Stock Corporation Act (*Aktiengesetz; AktG*)), a corresponding indemnification has been agreed.

As no further-reaching claims can be asserted based on the special audit facts and the investor claims facts in the view of the supervisory board (see above), the corresponding indemnification may in the view of the supervisory board be granted.

- The settlement is subject to the condition precedent that the general meeting of IKB approves the settlement. Furthermore, each party is entitled to rescind the settlement agreement if the general meeting of IKB has not approved the settlement by 22 December 2015 or if the Settlement Agreement – Allianz is declared void by final judgment (*rechtswirksam*) on account of actions for avoidance and/or nullity. The purpose of the right of rescission of the Settlement Agreement – Allianz is to ensure that the settlement amount of € 1,850,015.11 will be paid by Allianz and not by Mr Ortseifen, Mr Braunsfeld or Dr Doberanzke.
- The limitation period for potential claims of IKB against Mr Braunsfeld, Mr Ortseifen and Dr Doberanzke arising from the special audit facts will not be suspended by the negotiations regarding the Settlement Agreement I – Ortseifen/Braunsfeld/Doberanzke or by the conclusion of the settlement. The limitation period for potential claims against Mr Braunsfeld, Mr Ortseifen and Dr Doberanzke arising from the special audit facts conse-

quently ends together with potential claims of IKB against the other former members of the executive board.

For further details, please refer to the full text of the settlement agreement set out in the annex to agenda item 7.

Key terms of the settlement agreement with Allianz Versicherungs-Aktiengesellschaft

In order to discharge a possible coverage duty towards the former executive board members out of and/or in connection with the special audit facts and the investor claims facts, Allianz entered into a settlement agreement directly with IKB as the injured party. As a prerequisite for such settlement agreement in the opinion of Allianz, the settlement agreement was to provide for a final exclusion of recourse by IKB to all insured persons out of and/or in connection with the special audit facts and the investor claims facts. The key terms of the settlement agreement with Allianz can be summarised as follows:

- In fulfilment of any obligations of all former members of the executive board of IKB who served on the board in the period from 2001 up to 29 July 2007 and without acknowledging any legal obligation and without prejudice to the factual and legal situation, Allianz will make a one-off payment in a total amount of € 1,850,015.11 to IKB in discharge of all claims of IKB out of and/or in connection with the investor claims facts and the special audit facts.
- With the payment, all present and future rights and claims of IKB out of and/or in connection with the investor claims facts and the special audit facts against all members of the supervisory board, the executive board and the bodies of associated companies within the meaning of section 15 et seq. AktG who served on the board in the period from 2001 up to 29 July 2007 (8:00 pm) are deemed settled.
- IKB undertakes not to assert any rights and claims against the insured persons under the insurance with Allianz, to the extent that these rights and claims are not already settled under this settlement agreement.

This is to ensure that as many claims as possible are ultimately settled under the Settlement Agreement – Allianz. As no further-reaching claims can be asserted based on the special audit facts and the investor claims facts (see above), the above may be agreed in the supervisory board's view. Accordingly, also IKB undertakes in the agreement to ensure that corresponding claims will not be asserted by its affiliates.

- IKB indemnifies the supervisory board members, the executive board members and further insured persons who served on the board in the period from 2001 up to 29 July 2007 (8:00 pm) against claims by former or current members of the supervisory board or the executive board of IKB and the management, supervisory board, executive board or advisory board of IKB's affiliates under joint and several compensation or joint liability out of and/or in connection with the investor claims facts and/or the special audit facts. The indemnification serves to ensure that any claims out of the special audit facts and the investor claims facts are settled with the settlement. As no further claims can be asserted in the view of the supervisory board, this indemnification may be agreed.
- The Settlement Agreement – Allianz, too, is subject to the condition precedent that the general meeting of IKB grants its approval thereto. Again, each party is entitled to rescind the settlement agreement if the general meeting of IKB has not approved the settlement agreement by 22 December 2015. Furthermore, each party is entitled to rescind the Settlement Agreement I – Braunsfeld/Ortseifen/Doberanzke if the Settlement Agreement –

Allianz is declared void by final judgment (*rechtswirksam*) on account of actions for avoidance and/or nullity. This is to ensure that if the Settlement Agreement I – Braunsfeld/Ortseifen/Doberanzke is invalid, the corresponding Settlement Agreement – Allianz may also be cancelled.

Besides the supervisory board also the executive board of IKB was responsible for the conclusion of the Settlement Agreement – Allianz because the settlement has also legal effects towards the members of the supervisory board of IKB and members of bodies of companies associated with IKB within the meaning of section 15 et seq. AktG who served in the period from 2001 up to 29 July 2007.

For further details, please refer to the full text of the settlement agreement set out in the annex to agenda item 7.

Further claims for damages of IKB against Mr Ortseifen and key terms of the Settlement Agreement II – Ortseifen

Mr Ortseifen was a member and spokesman of the executive board of IKB until 29 July 2007. By mutual agreement with the supervisory board of IKB, Mr Ortseifen resigned from his office as executive board member on 29 July 2007 with immediate effect. Thereupon, IKB terminated the employment agreement with Mr Ortseifen without notice by letter dated 7 August 2007. Mr Ortseifen brought a claim against this termination and requested the continued payment of his remuneration as executive board member. Thereupon, IKB filed a counter-claim, requesting the repayment of the bonus for the 2006/2007 financial year (except the minimum bonus agreed) and asserting damages for extensive renovation work to homes owned by IKB which had been performed at the expense of the bank. These proceedings were finally (*rechtskräftig*) closed by judgment of the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf of 6 March 2014. Mr Ortseifen's claim was dismissed. In the context of the counter-claim, Mr Ortseifen was sentenced to pay IKB an amount of € 912,094.71 plus interest and to refund the cost of proceedings (Legally Enforceable Claim).

Mr Ortseifen has presented a statement of assets on 29 July 2013, on 18 April and on 13 March 2015 such as the development of his financial situation since 1 August 2007.

Mr Ortseifen has disclosed his assets in the amount of approximately € 650,000 to the company (including the attachable part of the income for the period of 5 years, cf. section B of the Settlement Agreement II – Ortseifen). Therefore, in view of his disclosed assets, Mr Ortseifen is not in a position to satisfy the Legally Enforceable Claim. It has to be assumed that Mr Ortseifen would apply for insolvency proceedings in this regard in order to obtain a discharge of residual debt after 5 years. In a consumer insolvency proceeding the Legally Enforceable Claim would only be met after deduction of the costs of the proceedings and then also only by taking into account an insolvency ratio. In addition, IKB's claims in a consumer insolvency proceeding will generally be fulfilled time-delayed and within the period of several years. Furthermore, from an economic perspective a consumer insolvency proceeding lasting several years would cause costs with regard to the accompaniment of the consumer insolvency proceeding, e.g. the commitment of internal resources and/or external advisory fees.

Therefore, in particular in order to avoid further cost, a settlement agreement was concluded, which also requires the approval of the general meeting.

The key terms of the settlement agreement with Mr Ortseifen can be summarised as follows:

- Mr Ortseifen will pay IKB an amount of € 425,000. Until the conclusion of the settlement IKB will set off the claims under the judgment by the Higher Regional Court of Düsseldorf

of 6 March 2014 with Mr Ortseifen's retirement pension claims against IKB up to the attachment exemption level (*Pfändungsfreigrenze*). By concluding the settlement agreement, Mr Ortseifen does not concede any intentional or negligent misconduct.

- With the payment and set-off, all present and future rights and claims of IKB against Mr Ortseifen under the judgment of the Higher Regional Court of Düsseldorf of 6 March 2014 are deemed settled.
- The settlement agreement is subject to the condition precedent that the general meeting of IKB approves the settlement agreement.
- Each party may rescind the settlement by 22 December 2015. This applies in particular if the general meeting of IKB does not approve the settlement.
- IKB may rescind the settlement if Mr Ortseifen has not paid the settlement amount (€ 425,000) by 28 February 2016.
- Furthermore, IKB may rescind the settlement if the statements of assets presented by Mr Ortseifen prove to be incorrect.

For further details, please refer to the full text of the settlement agreement set out in the annex to agenda item 7.

Legal conditions for the settlement agreements

The company may only waive or agree a settlement of claims for compensation against (former) supervisory board and executive board members if a period of three years has elapsed since the claim arose, the general meeting has granted approval and no minority whose shares amount to 10% or more of the share capital has its objection recorded in the minutes (section 93 (4) sentence 3 AktG).

The three-year period relating to the Settlement Agreement I – Braunsfeld/Ortseifen/Doberanzke began on 20 July 2007 at the latest, i.e. on the day of the publication of the press release, and thus expired on 21 July 2010 at the latest. The three-year period relating to the Settlement Agreement II – Ortseifen already expired, too, as both the claim for repayment of the bonus as well as the claim out of the executive board member homes facts arose more than three years ago.

The settlement will therefore take effect if the general meeting grants approval and no minority whose shares amount to 10% or more of the share capital has its objection recorded in the minutes. The approval resolution of the general meeting requires the simple majority of the votes cast.

Summary of recommendation

In consideration of the presented results of the special audit and also on the basis of the assessment of the supervisory board and the executive board both the supervisory board and the executive board propose to conclude the settlements. The special audit has reached the overall conclusion that the members of the supervisory board cannot be found responsible for any breach of duty in connection with the crises. This conclusion is being confirmed by the executive board's own audit. Therefore, claims for damages against members of the supervisory board will not be asserted. The special auditor concludes that former members of the executive board had committed breaches of duty in some cases, such breaches, however, had not been causal to, or with reasonable assurance would in any event not have led to, the later crisis of IKB. The supervisory board has analysed the report comprehensively and has decided – after a thorough analysis which has taken into account the results of the different other information measures taken by the bank

and the elaborate legal assessments – to assert the claims for damages for a failure to publish an ad hoc notification in July 2007 in the amount of approximately € 1.8 million. Furthermore, further claims for damages against members of the executive board do not come into consideration.

On the basis of currently available information of the supervisory board and the executive board a further – probably very cost-intensive – clarification of the facts regarding the reasons which have led to the crises of IKB is not promising. Moreover, a court enforcement of the claims for damages for a failure to publish an ad hoc notification in July 2007 in the amount of approximately € 1.8 million would involve years of litigation. It would be uncertain, if such enforcement would be successful. With the settlement agreements, however, the damages asserted by the company in context with the investor claims will be fully compensated. Finally, Mr Braunsfeld, Mr Ortseifen and Dr Doberanzke acknowledge by entering into the Settlement Agreement I – Braunsfeld/Ortseifen/Doberanzke that their retirement pensions have been (in part significantly) reduced. In the opinion of the supervisory board and the executive board the proposed settlement concept all in all is thus beneficial to the bank.

The supervisory board is convinced that the proposed settlement is also altogether favourable with regard to the separate claims of IKB against Mr Ortseifen. It is true that the company obtained a provisionally enforceable judgment under which Mr Ortseifen was sentenced to pay an amount of € 912,094.71 plus interest and refund of cost of proceedings, but Mr Ortseifen, by presenting a statement of assets, plausibly demonstrated that the amount is not available for enforcement and that by payment of an amount of € 425,000 he would provide a considerable portion of his assets (including retirement pension claims to be set off by IKB in the next years) to make good the damage sustained.

Altogether, in the opinion of the supervisory board and the management board it is in the interest of the company to end the legal disputes with its former executive board members and to avoid further costly legal proceedings. Therefore, the supervisory board and the executive board propose to approve the settlement agreements.

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.

Participation in the Annual General Meeting and exercise of voting rights

Only those shareholders who register prior to the Annual General Meeting are entitled to participate in the Annual General Meeting and to exercise their voting rights (Art. 14 (1) sentence 1 of the Articles of Association). Shareholders must also provide evidence of their entitlement to participate in the Annual General Meeting (Art. 14 (2) sentence 1 of the Articles of Association). This requires evidence of shareholdings at the start of the 21st day before the Annual General Meeting (Thursday, 6 August 2015, 00.00 hrs CEST) by the custodian bank or financial services institution

(Art. 14 (2) sentence 2 of the Articles of Association). Registration and evidence of shareholdings must be provided in text form and in German or English (Art. 14 (1) sentence 1, (2) sentence 2 of the Articles of Association). The registration and evidence of shareholdings must be received by the Company no later than six days before the Annual General Meeting, i.e. by Thursday, 20 August 2015, 24.00 hrs CEST, at the following address:

IKB Deutsche Industriebank AG

c/o HCE Haubrok AG

Landshuter Allee 10

D-80637 München

Telefax: +49 (0)89/210 27 289

E-mail: meldedaten@hce.de

In relation to the Company, only those shareholders who have provided evidence of their shareholdings within due time are deemed to be shareholders entitled to participate in the Annual General Meeting and to exercise their voting rights (Section 123 (3) sentence 6 *AktG*). The Company may therefore deny participation in the Annual General Meeting and the exercise of voting rights to shareholders who failed to provide such evidence or failed to provide it in due time. After the registration for the Annual General Meeting, the shares will not be blocked in an account, but will remain freely available. Any disposals effected after the due date for provision of evidence will have no effects on the entitlement to participate in the Annual General Meeting and to exercise voting rights while, vice versa, any persons who do not yet own any shares on the due date for provision of evidence and only become shareholders afterwards will not be entitled to either participate in the Annual General Meeting or exercise voting rights.

Upon receipt of evidence of their shareholdings by the Company, tickets to the Annual General Meeting will be sent to the shareholders. In order to facilitate organisation of the Annual General Meeting, we request shareholders to assure that evidence of their shareholdings is submitted to the Company at an early stage.

Voting proxies

Shareholders who do not wish to participate in the Annual General Meeting personally can arrange for their voting rights to be exercised by a proxy. For such action in proxy, registration in due time and timely provision of evidence of shareholdings are also required as described above. The shareholders will receive an authorisation form, together with the ticket for the Annual General Meeting. Please note that the Company, in case more than one person or institution is authorised, will have the right to reject one or more of these persons or institutions respectively (Section 134 (3) sentence 2 *AktG*).

Authorisations that are not granted to a bank or an association of shareholders or any other person or institution of equivalent status pursuant to Section 135 (8) and (10) in conjunction with Section 125 (5) *AktG* require text form for their legal effectiveness, revocation and evidence towards the Company (Section 134 (3) sentence 3 *AktG*, Art. 14 (3) sentence 2 of the Articles of Association). There are two procedures in effect to issue authorisations and to revoke them: on the one hand shareholders may issue authorisations to third parties or revoke these by way of written declaration to the Company. In such case, there is no need for separate evidence of authorisation. Such declaration must be sent to the following address:

IKB Deutsche Industriebank AG

c/o HCE Haubrok AG

Landshuter Allee 10

D-80637 München

Telefax: +49 (0)89/210 27 289

E-mail: vollmacht@hce.de

On the other hand shareholders may issue and revoke authorisations by way of written declarations to the proxy. In such case, the Company will require written evidence for such authorisation. Such evidence may be presented at the admission desk on the day the Annual General Meeting is held. As an alternative, the written evidence may also be transmitted to the Company at the above address.

If a bank, a shareholder association or any person or institution of equivalent status pursuant to Section 135 (8) and (10) in conjunction with Section 125 (5) *AktG* are intended to be authorised, the person or institution to be authorised may require a special form of authorisation. Please agree therefore in due time with the relevant person or institution to be authorised on the required form of the authorisation. In such case, Section 135 (5) sentence 4 *AktG* will apply to the provision of evidence of authorisation by the proxy.

Proxies appointed by the Company

In addition, we offer our shareholders the possibility to authorise proxies appointed by the Company and subject to instructions prior to the Annual General Meeting. Shareholders who wish to authorise such proxies appointed by the Company must also register for the Annual General Meeting as stated above and must provide evidence for their entitlement to participate. The shareholders must use the relevant authorisation form to empower the proxies appointed by the Company and to issue instructions. The shareholders will receive such form together with the ticket for the Annual General Meeting. This should be ordered as early as possible in order to ensure timely receipt of the ticket and authorisation form. Any issuing of authorisation and related instructions as well as any revocation of the authorisation must be sent to the following address only:

IKB Deutsche Industriebank AG

c/o HCE Haubrok AG

Landshuter Allee 10

D-80637 München

Telefax: +49 (0)89/210 27 289

E-mail: vollmacht@hce.de

The proxies appointed by the Company will vote exclusively in line with the instructions issued by shareholders. Authorisations will be void if precise instructions are not issued. The proxies appointed by the Company will abstain in motions at the Annual General Meeting that were not previously announced. Please note that proxies appointed by the Company cannot accept authorisations and instructions to exercise the right to speak and ask questions, to table motions or to object to resolutions by the Annual General Meeting.

Requests for additions to the agenda

Such shareholders whose shares together amount to at least 5% of the share capital of the Company or the proportional amount of € 500,000.00 may request in writing, by indicating purpose and reasons, that items be put on the agenda and be announced (Section 122 (2) *AktG*). Any request for additions to the agenda must be addressed to the Board of Managing Directors at the following address:

IKB Deutsche Industriebank AG
– Vorstand –
c/o HCE Haubrok AG
Landshuter Allee 10
D-80637 München

Such request must be received by the Company with any legally required information and evidence no later than 24 days prior to the Annual General Meeting i.e. by Sunday, 2 August 2015, 24.00 hrs CEST.

Counter-motions and proposals for election

Counter-motions and proposals for election from shareholders regarding items of the agenda as defined by Sections 126, 127 *AktG* must be directed exclusively to the following address:

IKB Deutsche Industriebank AG
c/o HCE Haubrok AG
Landshuter Allee 10
D-80637 München
Telefax: +49 (0)89/210 27 298
E-mail: gegenantraege@hce.de

They must be received at this address no later than 14 days prior to the Annual General Meeting i.e. by Wednesday, 12 August 2015, 24.00 hrs CEST.

Düsseldorf, July 2015

IKB Deutsche Industriebank Aktiengesellschaft

The Board of Managing Directors

Annexes to item 7 of the agenda

Annex 1: Settlement Agreement I - Ortseifen/Braunsfeld/Doberanzke

“Settlement Agreement between IKB Deutsche Industriebank AG and Mr Stefan Ortseifen, Mr Frank Braunsfeld and Dr Volker Doberanzke (the “**Settlement Agreement I – Ortseifen/Braunsfeld/Doberanzke**”)

Settlement Agreement

by and between

IKB Deutsche Industriebank AG, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf, which is recorded in the Commercial Register of the Düsseldorf Local Court under registration HRB 1130 and represented by the Supervisory Board

– hereinafter referred to as “**IKB**” or the “**Company**”–

Mr **Stefan Ortseifen**, c/o Aderhold Rechtsanwaltsgesellschaft mbH, Westfalendamm 87, 44141 Dortmund

and

Mr **Frank Braunsfeld**, c/o FPS Fritze Wicke Seelig Partnerschaftsgesellschaft von Rechtsanwälten mbB, Eschersheimer Landstraße 25-27, 60322 Frankfurt am Main

and

Dr Volker Doberanzke, c/o Heuking Kühn Lüer Wojitek Rechtsanwälte, Georg-Glock-Straße 4, 40474 Düsseldorf

– Mr Ortseifen, Mr Braunsfeld and Dr Doberanzke hereinafter referred to collectively as the “**Former Executive Board Members**” –

– the foregoing parties hereinafter also referred to individually as a “**Party**” and collectively the “**Parties**” –

Recitals

A. Crisis of IKB

IKB had been engaged in the securitisation business since the 2001/2002 financial year also by making portfolio investments relevant to the balance sheet and by advising special purpose vehicles on such investments (off-balance), some of which were based on so-called “sub-prime loans”, i.e. on credit claims against real property purchasers in the United States with poor credit ratings. As from 2006, there was an increase both in payment arrears and in complete defaults of sub-prime borrowers. Nevertheless, IKB maintained its portfolio investments, including in the sub-prime sector, and even expanded its exposure, through the involvement of the conduit Rhineland-Funding Capital Corporation (“**RFCC**”), even beyond the end of the 2006/2007 fiscal year. In April 2007, the second-largest US real property lender, New Century Financial, filed for bankruptcy. In mid-June 2007, two hedge funds of the investment house Bear Stearns, which had invested in securities based on mortgages of American home owners with low liquidity, came under pressure. In this situation, even securities with high and highest ratings (AA and AAA) were affected by downgrades. In July 2007, the two largest rating agencies Moody’s and Standard & Poor’s reacted to the growing number of defaults in sub-prime mortgages by downgrading the ratings for a number of residential mortgage-backed securities (“**RMBS**”), and the rating agency Fitch announced that it was undertaking a review of its previous ratings for portfolios with a sub-prime component. Within a very short period of time, a huge crisis of confidence arose amongst investors in ABCPs, which then also triggered the crisis of IKB.

On 20 July 2007, the Executive Board of IKB issued a press release entitled “Preliminary Quarterly Results (1 April – 30 June 2007)” (“**Press Release**”), stating that uncertainties had arisen on the US mortgage market. The Press Release goes on to state ultimately that these uncertainties would have practically no impact on IKB.

On 27 July 2007, a financial market participant imposed a block on the trading and money-market lines for new business of IKB. As a result of this, IKB lost its presumption of credit-worthiness and thus its ability to access the capital markets overall, such that it was no longer able to obtain refinancing on an unrestricted basis, which put it at risk of insolvency. In the course of the subsequent crisis weekend, Kreditanstalt für Wiederaufbau, as the then-main shareholder of IKB, acted together with the German Federal Financial Services Supervisory Authority (abbreviated in German as “BaFin”), the German Bundesbank, the German Federal Ministry of Finance and three associations of the German banking industry, to put together a bail-out package. Under this package, Kreditanstalt für Wiederaufbau assumed liability, in particular, for the liquidity lines of IKB, which had been provided to its conduit RFCC, in the amount of approx. EUR 8.1 billion. Further safeguards followed. In the text which follows, this will be referred to as the “**Crisis of IKB**”. The specific details and reasons for this Crisis of IKB are a matter of dispute between the parties.

B. Special audit

- I. On 27 March 2008, the Annual General Meeting of IKB adopted a resolution to appoint a Special Auditor. That resolution was set aside by the resolution of the Annual General Meeting of IKB of 25 March 2009. The Düsseldorf Regional Court, by decision of 14 August 2009 (case reference: 31 O 38/09) thereupon ruled that it was appointing Dr Harald Ring, Krefeld, who is an attorney-at-law, auditor and tax advisor, as IKB's Special Auditor as prescribed under German stock corporation law (Dr Ring hereinafter referred to as the **"Special Auditor"**).

The audit mandate set out in the decision of the Düsseldorf District Court is excerpted here and reads as follows:

- "1. A Special Auditor is hereby appointed, who is charged with conducting an audit of the Respondent [IKB] to determine*
- a) whether members of the Executive Board have committed breaches of their duties both by their affirmative acts and by failures to act in connection with the facts and circumstances which led to the crisis of the Respondent [IKB];*
 - b) whether members of the Executive Board with respect to their decisions regarding the 'conduits' referenced below have properly discharged their duties of care imposed by statute, the articles of association and by contract, in particular their duties to manage the Company's affairs with care and to attend to the Company's financial matters, in connection with entering into, monitoring or extending transactions in or with special purpose entities used for securitisation or refinancing ("conduits") and in this case, particularly, "Rhineland-Funding", "Rhinebridge", "Havenrock I and II" and "Elan" and by setting up and outsourcing major functions to IKB Capital Asset Management GmbH ("IKB CAM");*
 - c) whether members of the Supervisory Board have committed breaches of their duties both by affirmative acts and by failures to act in connection with the facts which led to the crisis at the Respondent [IKB];*
 - d) whether members of the Supervisory Board with respect to their decisions regarding the 'conduits' referenced below have properly discharged their duties of care imposed by statute, the articles of association and by contract, in particular their duties to manage the Company's affairs with care and to attend to the Company's financial matters, in connection with entering into, monitoring or extending transactions in or with special purpose entities used for securitisation or refinancing ("conduits") and in this case, particularly, "Rhineland-Funding", "Rhinebridge", "Havenrock I and II" and "Elan" and by setting up and outsourcing major functions to IKB Capital Asset Management GmbH ("IKB CAM"), in particular their duties to conduct oversight, control and provide advice to the Company's Executive Board.*

2. [...]”

- II. On 28 February 2014, the Special Auditor filed the Special Audit Report “on the implementation of the special audit of IKB Deutsche Industriebank AG, Düsseldorf, pursuant to the decision of the Düsseldorf Regional Court dated 14 August 2009 (case ref.: 31 O 38/09 [AktE]) (the “**Special Audit Report**”). In summary, the conclusions reached in the report are that the then-members of the Supervisory Board cannot be charged with any breaches of duty in connection with the events which triggered the crisis. In respect of the then-members of the Executive Board, the Special Audit Report does make findings of isolated breaches of duty, but finds that they did not give rise to the subsequent crisis of IKB, or at least that this was not sufficiently certain to have been the case.

In respect of the details and of the findings, reference is made to the Special Audit Report, which was submitted to the Commercial Register (Düsseldorf Local Court, HRB 1130).

The facts and circumstances detailed above, including the entirety of the facts and circumstances investigated by Special Auditor Dr Ring are hereinafter referred to in the aggregate as the “**Special Audit Facts**” (irrespective of whether those facts are described in the Special Audit Report) and include, in particular (i) all of the facts and circumstances which led to the Crisis of IKB, (ii) the entry into, oversight of and extension of transactions in or with special purpose entities dealing with securitisation or refinancing matters (“conduits”), including Rhineland-Funding, Rhinebridge, Havenrock I and II, Elan, and (iii) the establishment of the outsourcing structure and the monitoring of major functions to IKB CAM.

C. Pension benefits

Due to the deterioration of the Company’s financial position, and in particular in light of the Crisis of IKB which had arisen at the end of July 2007, IKB’s Supervisory Board adopted a resolution to uniformly reduce the retirement pension payments to the Former Executive Board Members and to other executive board members in office at the time; namely to the gross amount of EUR 7,700.00 each per month. As to the Former Executive Board Members, the gross monthly cuts in each case to EUR 7,700 (sec. 87 (2), 2nd sentence, German Stock Corporation Act (“AktG”)) deviated from their respective employment agreements (without consideration of an adjustment due to an indexation pursuant to the consumer price index for Germany (price index for living expenses of all households)), amounting to a roughly 77 percent cut in the case of Mr Ortseifen (from EUR 33,900), amounting to a roughly 4 percent cut in the case of Mr Braunsfeld (from EUR 8,000) and amounting to a 60 percent cut in the case of Dr Doberanzke (from EUR 19,134). The provisions for surviving dependents, which in each of their cases constitute a fraction of their pension benefits, were reset accordingly.

In line with the discretion vested in the Supervisory Board with respect to the amount of the cuts, the Supervisory Board oriented its decision at the time of adopting the resolution to the maximum amounts then in effect for a retirement pension claim against the Company's insolvency insurance provider in the event of an insolvency at IKB.

Based on the average life expectancy of 82 years, as determined by the German Federal Office of Statistics, pursuant to unofficial calculations by IKB, this leads to a cut in retirement benefits in the case of Mr Ortseifen in the total amount of approx. EUR 5,977,000 and, in the case of Mr Braunsfeld, in the total amount of approx. EUR 68,000.00 and in the case of Dr Doberanzke in the total amount of approx. EUR 2,607,000 in each case without consideration of an adjustment due to an indexation pursuant to the consumer price index for Germany (price index for living expenses of all households). These amounts are the result of the difference of the original retirement pension benefits (EUR 33,900/ EUR 8,000/ EUR 19,134 gross per month respectively without adjustment due to indexation) relative to the retirement pensions as now set (monthly payments of EUR 7,700), multiplied by the number of months from the beginning of the individual's 63rd birthday until his 82nd birthday.

D. Investor lawsuits

- I. During the period 2007 to 2011, investors who had acquired shares or other securities of IKB as from May 2006 filed claims seeking compensatory damages against IKB. In particular, the investors asserted claims for compensatory damages as a result of share price declines and unwinding of share purchases. Primarily, the reasons they gave for this were the Press Release and the failure to publish *ad hoc* notices regarding the existence of certain so-called "subprime-related investments" held by IKB at the time. By judgment of 13 December 2011, the German Federal Court of Justice found that there had been a duty to publish an *ad hoc* notice regarding the existence of certain so-called "subprime-related investments" held at the time by IKB. This judgment thereupon prompted IKB in some cases to conclude settlement agreements and in some cases IKB paid compensatory damages.

The facts in connection with the Press Release of 20 July 2007 and the failure to publish *ad hoc* notices, including, in particular, all of the compensatory damages claims and investor lawsuits already filed by investors or yet to be filed in future in connection with the Crisis of IKB are referred to below as the "**Investor Claims Facts**".

- II. By letter dated 31 July 2014, IKB asserted claims against the Former Executive Board Members as joint and several obligors based on the overall facts and circumstances surrounding the investor claims. The Company asserted claims jointly and severally against Mr Ortseifen and Dr Doberanzke in the amount of EUR 1,623,094.26, as well as a further USD 300,329.73. In respect of Mr Braunsfeld, who did not collaborate on the Press Release, the Company asserted these joint and several claims only in part, in the amount of EUR 1,436,099.43 as well as a further USD 300,329.73. The claims here in connection

with the Investor Claims Facts are claims for payment of compensatory damages and other payments to investors, court and litigation costs of EUR 847,932.24 as well as the costs of legal defence of EUR 775,162.02 and costs for terminating discovery proceedings pending in the US in the amount of USD 300,329.73.

No compensatory damages were asserted out of and/or in connection with the Special Audit Facts.

E. Settlement agreements

The Former Executive Board Members dispute the factual and legal findings in the claim documents referenced at D., and reject IKB's claims as completely lacking any factual legal basis.

However, the parties are willing to enter into the following settlement in full and final settlement of any and all claims of IKB out of and/or in connection with the Investor Claims Facts and the Special Audit Facts. In this context, the Former Executive Board Members have deemed it important to note that no claims for compensatory damages have been or will be asserted on the basis of the Special Audit Facts. A further settlement is intended to be entered into with the Company's D&O insurance provider, Allianz Versicherungs-Aktiengesellschaft (the "**Settlement Agreement – Allianz**"). That agreement provides that Allianz Versicherungs-Aktiengesellschaft shall pay the amount of the settlement payable by the Former Executive Board Members based on the Settlement Agreement I – Ortseifen/Braunfeld/Doberanzke. Finally, it is intended that a further settlement should be entered into with Mr Ortseifen, in connection with the compensatory damages claims which are independent of the Special Audit Facts and the Investor Claims Facts and which exceed these (the "**Settlement Agreement II – Ortseifen**"). These claims on the part of IKB, which are dealt with in the Settlement Agreement II – Ortseifen, shall not be deemed claims arising out of and/or in connection with the Investor Claims Facts or the Special Audit Facts.

§ 1

Settlement payment

- (1) The Former Executive Board Members shall, as joint and several obligors, pay the amount of EUR 1,628,013.30 ("one million six hundred twenty-eight thousand thirteen euro and thirty euro cents") to IKB, and Mr Ortseifen and Dr Doberanzke shall pay a further EUR 222,001.81 ("two hundred and twenty-two thousand and one euro and eighty-one euro cents") to IKB, plus interest at 5 percentage points over the applicable base rate in each case as from and including 16 September 2014. The Parties are in agreement that this amount shall be paid by Allianz Versicherungs-Aktiengesellschaft under the Settlement Agreement – Allianz. IKB consents to performance of the obligation arising out of the foregoing first sentence hereof through payment by Allianz Versicherungs-Aktiengesellschaft.

- (2) By this settlement, the Former Executive Board Members are not admitting any intentional or negligent misconduct.

§ 2

General discharge

- (1) The Parties are in agreement that by the payment being made pursuant to § 1 above, any and all current and future rights and claims of IKB against the Former Executive Board Members, irrespective of the legal basis thereof and irrespective of whether the facts and circumstances underlying any such potential rights and claims are known or unknown, arising from and/or in connection with the Investor Claims Facts and the Special Audit Facts, shall be deemed fully and finally settled.

In particular, unless this Settlement Agreement contains a provision to the contrary, any potential claims of IKB's as well as of the entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, including IKB CAM, based on a breach of duties under statutory law, the Company's articles of association or under contract, in particular the duty to carefully manage the business and/or to perform oversight and to attend to IKB's financial matters shall, in this respect, be deemed fully and finally settled hereby. This settlement is, in particular, also deemed to encompass such rights and claims as IKB has assumed or will assume by way of individual or universal succession of entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG.

- (2) The provision set out in the foregoing subsection (1) shall also apply in favour of third parties wherever such parties bear joint and several liability together with the Former Executive Board Members (sec. 423 German Civil Code ("BGB")).
- (3) The Parties agree that the Former Executive Members have pension claims against IKB in the monthly gross amount of EUR 7,700 when they reach the age of 63. The Parties also agree that the pension claims in the monthly gross amount of EUR 7,700 arose effectively for each Former Executive Board Member and that, subject to the service contracts of the Former Executive Board Members, the pension claims have to be indexed pursuant to the consumer price index for Germany (price index for living expenses of all households) with corresponding annual adjustment commencing at the time of the withdrawal from the executive board of IKB. The first due date of the claims results from the respective service contracts. To such extent, the Former Executive Board Members shall have no further or other higher claims.

The Former Executive Board Members shall, furthermore, not assert any further or other claims. The set-off in connection with this settlement, as contemplated by § 1 subsection (2) of the Settlement Agreement II – Ortseifen, shall remain unaffected by the provisions set out in this subsection (3).

§ 3
Indemnity

- (1) IKB shall indemnify and hold each and every Former Executive Board Members individually harmless as to
- a. any claims, which have already been determined with *res judicata* effect or which could be determined in future, by former or present members (i) of the Executive Board or the Supervisory Board of IKB and (ii) of the Board of Managing Directors, the Executive Board, the Supervisory Board or the Advisory Board of entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG based on contribution of joint and several obligors or joint liability, irrespective of the legal grounds thereof, and in particular as a consequence of a claim asserted against them by IKB or by the entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts;
 - b. any claims which have now or may in future be adjudicated with *res judicata* effect by entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, irrespective of the legal basis thereof, arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts;
 - c. any third-party claims which have already been or may in future be adjudicated with *res judicata* effect arising from the Special Audit Facts and Investor Claims Facts;
- and
- d. any claims which have already been or may in future be adjudicated with *res judicata* effect by creditors of IKB (sec. 93 (5) AktG) arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts.
- (2) The Former Executive Board Members shall give written notice without undue delay to IKB of each third-party claim covered by subsection (1) hereof as well as any notice that such claim may be made. Each of the Former Executive Board Members hereby undertakes not to enter into any waiver, settlement or other binding arrangement with respect to any such

claim without IKB's consent. IKB is entitled to take any and all such measures as are legally permissible on behalf of the Former Executive Board Members, taking account of their respective interests, in order to defend against claim asserted or to otherwise put an end to it. The Former Executive Board Members shall support IKB in any such defence or settlement or conclusion of such matters.

- (3) The Former Executive Board Members shall assert only claims to which they may be entitled in each case against third parties (in particular, claims against other officers or executives or employees of the Company - including former ones) arising from and/or in connection with the Investor Claims Facts and/or with the Special Audit Facts.
- (4) Excepted from the indemnifications provided under this § 3 are claims which do not arise from and/or in connection with the Investor Claims Facts and the Special Audit Facts and which are based on facts other than the Investor Claims Facts and the Special Audit Facts.

§ 4

Condition precedent/Right of rescission

- (1) Unless otherwise provided under this Agreement, this settlement, i.e. the Settlement Agreement I – Ortseifen/Braunsfeld/Doberanzke, shall become effective (condition precedent) at such time as the Annual General Meeting of IKB grants its approval and no minority of shareholders whose shares constitute, in the aggregate, 10% of the share capital of the Company, asserts an objection for the record (sec. 93 (4), 3rd sentence, AktG). This settlement shall therefore be submitted to IKB's Annual General Meeting (tentatively scheduled for 27 August 2015) for approval pursuant to sec. 93 (4) 3rd sentence AktG. The approval of IKB's Annual General Meeting within the meaning of the foregoing 1st sentence hereof shall be deemed not granted where the resolution is adjudicated to be invalid or declared void; in such case, restitution of any payments provided must be made.
- (2) Each Party to this Agreement shall have a right of rescission with respect to the Agreement
 - a. on or before 22 December 2015 where IKB's Annual General Meeting fails to grants its approval (tentatively scheduled for 27 August 2015) to the Settlement Agreement I – Ortseifen/Braunsfeld/Doberanzke and the Settlement Agreement – Allianz, or a minority of shareholders whose shares in the aggregate constitute 10% of the share capital of the Company asserts an objection to at least one of the above-referenced Settlement Agreements (sec. 93 (4) 3rd sentence AktG); or

- b. where the Settlement Agreement – Allianz is adjudicated with *res judicata* effect to be invalid as a result of legal actions asserting invalidity and/or nullity.
- (3) Notice of rescission rights enforcement by the Former Executive Board Members shall be sent by registered letter, return receipt, to IKB Deutsche Industriebank AG, c/o the Company's Chief Legal Officer, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf. Notice of rescission rights enforcement by IKB shall be sent by registered letter, return receipt, to the above-referenced addresses of the Former Executive Board Members and shall be effective *vis-à-vis* the Former Executive Board Members, unless otherwise expressly provided in the notice of rescission.
- (4) If, prior to the occurrence of the condition precedent, IKB is reorganized into another corporate form or if consent by the Annual General Meeting is no longer required as a legal prerequisite to render this Agreement legal binding, then the condition precedent pursuant to the foregoing subsection (1) shall be deemed to have been met.

§ 5

Miscellaneous

- (1) If this Agreement is terminated (e.g., by a formal act to avoid the transaction *ex tunc*) by Mr Ortseifen, Mr Braunsfeld and/or Dr Doberanzke, then the agreement with the Former Executive Board Members or the respective other Former Executive Board Member shall continue in force.
- (2) The Parties are in agreement that the prescription period for any claims by IKB against the Former Executive Board Members based on the Special Audit Facts shall not be deemed tolled (suspended) by the negotiations with respect to this Agreement and the conclusion of this Agreement. This clause is not subject to the condition precedent set forth in § 4 of this Agreement. The prescription period for any claims arising from the Special Audit Facts against the Former Executive Board Members shall thus end at the same time as the prescription period with respect to any claims against the other Executive Board members.
- (3) Each Party shall bear his/its own costs of this settlement.
- (4) No amendments or addenda to this Agreement, including this written form requirement, shall be valid unless made in writing.
- (5) If any individual provisions of this Agreement should be deemed invalid or unenforceable for legal or factual reasons, then the validity of any other provision of this Agreement will be not be affected thereby. The Parties will be deemed to have agreed to replace the invalid or unenforceable provision with a provision that most closely reflects, in factual and economic respects, the invalid or unenforceable provision in a manner which is legally permissible.”

Annex 2: Settlement Agreement II - Ortseifen

“Settlement Agreement between IKB Deutsche Industriebank AG and
Mr Stefan Ortseifen (“**Settlement Agreement II – Ortseifen**”)

Settlement Agreement

by and between

IKB Deutsche Industriebank AG, Wilhelm-Bötzkens-Straße 1, 40474 Düsseldorf, which is recorded in the Commercial Register of the Düsseldorf Local Court under HRB 1130 and is represented by the Supervisory Board

– hereinafter referred to as “**IKB**” or also the “**Company**”–

and

Mr **Stefan Ortseifen**, c/o Aderhold Rechtsanwaltsgesellschaft mbH, Westfalendamm 87, 44141 Dortmund

– hereinafter referred to as “**Mr Ortseifen**” –

– the foregoing parties will also be hereinafter referred to individually as the “**Party**” and collectively as the “**Parties**”–

Recitals

A. Legal disputes regarding the termination of the employment agreement, performance-based bonus payment and Executive Board member housing

- I. Up until 29 July 2007, Mr Ortseifen was a member of the Executive Board of IKB and the Spokesman of the Board. In agreement with the Supervisory Board of the IKB, he resigned from his position on IKB’s Executive Board on 29 July 2007 with immediate effect. The Company then – represented by the Supervisory Board – terminated the employment agreement with Mr Ortseifen immediately and without further notice by letter dated 7 August 2007.

- II. In a legal (claim) dated 30 April 2008, Mr Ortseifen challenged the termination and demanded payment of the Executive Board compensation. The Company filed a counterclaim, in which it demanded repayment of the majority of the performance-based bonus [*Tantieme*] for fiscal year 2006/7 (with the exception of the minimum performance-based bonus) and asserted a claim for compensatory damages for extensive renovation work at the bank's expense to homes owned by IKB which were rented by Mr Ortseifen and another former member of the Executive Board of IKB.

These proceedings were terminated with *res judicata* effect through judgment entered by the Düsseldorf Regional Court of Appeals [*Oberlandesgericht*] on 6 March 2014 (case ref.: I-6 U 97/13). Mr Ortseifen's action was thereby dismissed. Mr Ortseifen was ordered to pay the Company EUR 912,094.71 plus interest and the costs of the proceedings.

- III. In a legal action dated 25 May 2009, the Company sued Mr and Mrs Ortseifen before the Neuss Local Court [*Amtsgericht*] (case ref.: 92 C 2322/09) for payment of rent in the amount of EUR 195,154.14 plus interest and costs of the proceedings for the use of a dwelling which was owned by IKB. The Company also demanded that the dwelling be vacated. The dwelling had been rented by Mr and Mrs Ortseifen from IKB. Since October 2007, the couple had not paid the monthly rent. Instead, they were offsetting it against claims under Mr Ortseifen's employment agreement which the Company had terminated without notice (see A.I. above).

Mr and Mrs Ortseifen moved out of the home on 31 October 2012. In July 2013, EUR 142,186.14 was paid towards IKB's rental claim. Mr and Mrs Ortseifen deducted EUR 52,968 for the costs of repair work and landscape maintenance work paid at their own expense. On 12 December 2014 another EUR 24,219.98 was paid to IKB for outstanding interest. IKB thereupon withdrew its action, so the legal dispute was thereby settled.

B. Mr Ortseifen's financial situation

Mr Ortseifen informed IKB and his other creditors by letter dated 29 July 2013 that he was insolvent within the meaning of § 17 (1) of the Insolvency Code (*Insolvenzordnung* or "InsO") and that he was instituting consumer insolvency proceedings. In order to conduct the mandatory extrajudicial negotiations as per sec. 305 (1) no. 1 InsO, he requested notice of the current debt amounts. Subsequently, to substantiate his inability to pay IKB and two other creditors, Mr Ortseifen submitted a schedule of assets on 16 October 2013. Mr Ortseifen then initially continued negotiations with the two other creditors. The two creditors waived all further claims in return for a *pro rated* insolvency payment [*Quotenzahlung*] in the amount of 12.5% (absolute EUR 54,302.64) of their original claims.

On 18 April 2014, Mr Ortseifen submitted to IKB a new schedule of assets, which had been updated on 23 March 2015 and which showed assets in the amount of approx. EUR 354,470. The value of the listed assets was estimated in a comprehensible manner by Mr Ortseifen. Including garnishable income portions for a period of 5 years (see secs. 287 (2), 300 (1) sentence 2 No. 3 InsO), the ensuing asset value equals approx. EUR 649,470. At present, IKB's claims against Mr Ortseifen amount to a total of approx. EUR 1.3 million (see Section I above). Thus, he is insolvent within the meaning of § 17 InsO, and there are grounds justifying the filing for insolvency, even after factoring in the garnishable pension and retirement components.

Upon the Company's request, Mr Ortseifen submitted asset development information for the period from 1 August 2007 to 14 November 2013. This showed income in the amount of approx. EUR 415,000, mainly from real estate sales, capital gains and tax refunds. In contrast, his expenditures, particularly for costs of proceedings, cost of living, rent and the purchase of an apartment for personal use, equalled around EUR 1.731 million. From IKB's point of view, there was no indication of any property transfers that work to the detriment of creditors.

Since 1 January 2014, Mr Ortseifen has had a claim against IKB for a monthly pension payment in the amount of EUR 7,700 gross, with corresponding annual adjustment pursuant to the consumer price index for Germany (price index for living expenses of all households). These pension claims are pensions claims, which had been reduced pursuant to § 87 of the German Stock Corporation Act ("AktG") by way of resolution adopted by the Supervisory Board of IKB on 30 June 2010 and which now equalled only approx. 23% of the originally agreed claims. The financial losses, which Mr Ortseifen thereby sustained, were not included in the negotiations or in the payments to be made by Mr Ortseifen. Nevertheless, the parties are in agreement that they should not remain entirely disregarded in an overall evaluation of the agreement.

C. Settlement agreements

With respect to Mr Ortseifen's financial situation, in order to avoid further legal disputes between the Company and Mr Ortseifen and to avoid Mr Ortseifen's insolvency proceedings and additional costs associated therewith, the Company and Mr Ortseifen are entering into the following settlement. The result is that Mr Ortseifen will pay to the Company an amount, which is equivalent to the estimated value of his assets including the portion of his pension that is discounted due to the immediate payment and is garnishable for the duration of hypothetical insolvency proceedings and hypothetical good conduct period [*Wohlverhaltensperiode*] together with his other future annuity claims, minus the regular costs of the insolvency proceedings which IKB would be required to bear in any event.

IKB further intends to enter into another settlement with Mr Ortseifen regarding the so-called "Special Audit Facts" and the "Investor Claims Facts" ("**Settlement Agreement I** –

Ortseifen/Braunsfeld/Doberanzke”) and a settlement with the D&O insurance company Allianz Versicherungs-Aktiengesellschaft (the “**Settlement Agreement - Allianz**”).

§ 1

Settlement payment

- (1) Mr Ortseifen shall pay EUR 425.000 to IKB, which will be due on 30 December 2015. There will be no deduction to account for payments made by Allianz Versicherungs-Aktiengesellschaft under the Settlement Agreement - Allianz.
- (2) Until the date this Agreement is signed, IKB shall offset claims arising under the judgment, which was handed down by the Düsseldorf Regional Court of Appeals of 6 March 2014 (case ref.: I-6 U 97/13) against Mr Ortseifen’s pension claims against the Company, up to the protected earnings threshold [*Pfändungsfreigrenze*]. The set-off pursuant to this subsection (2) shall not be credited against the payment pursuant to subsection (1).
- (3) By this Settlement, Mr Ortseifen is not admitting any intentional or negligent misconduct.

§ 2

General discharge

The parties are in agreement that, by virtue of the payment and set-off pursuant to § 1 above, all existing and future rights and claims of IKB against Mr Ortseifen under the judgment of the Düsseldorf Regional Court of Appeals of 6 March 2014 (case reference: I-6 U 97/13) are settled. IKB’s claims for payment of back rent or compensation for use of the dwelling provided by IKB were paid by Mr Ortseifen in settlement of the legal dispute which is pending before the Neuss Local Court (see Section A. III of the Recitals).

§ 3

Condition precedent/Right of rescission

- (1) The Settlement will become effective (condition precedent) at such time as the Annual General Meeting of IKB grants its approval and no minority of shareholders whose shares constitute, in the aggregate, 10% of the share capital of the Company, asserts an objection for the record (sec. 93 (4), 3rd sentence, AktG). This settlement shall therefore be submitted to IKB’s Annual General Meeting (tentatively scheduled for 27 August 2015) for approval pursuant to sec. 93 (4) 3rd sentence AktG. The approval of IKB’s Annual General Meeting within the meaning of the foregoing 1st sentence hereof shall be deemed not granted where the resolution is adjudicated to be invalid or declared void; in such case, restitution of any payments provided must be made.

- (2) Each Party may withdraw from this Settlement on or before 22 December 2015. This shall apply, specifically if the Company's Annual General Meeting, which is tentatively scheduled to take place on 27 August 2015, does not adopt a resolution approving the Settlement. Furthermore, IKB may withdraw from this Settlement on or before 28 February 2016, if Mr Ortseifen has not made the payment pursuant to § 1 subsection (1) on or 15 January 2016. Furthermore, IKB may withdraw without notice from this Settlement if the schedules of assets submitted by Mr Ortseifen on 23 March 2015, 18 April 2014, 14 November 2013 or 16 October 2013 prove to be incorrect.
- (3) Notice of rescission rights enforcement by Mr Ortseifen shall be sent by registered letter, return receipt, to IKB Deutsche Industriebank AG, c/o the Company's Chief Legal Officer, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf. Notice of rescission rights enforcement by IKB shall be sent by registered letter, return receipt, to Aderhold Rechtsanwaltsgesellschaft mbH, Westfalendamm 87, 44141 Dortmund.
- (4) If, prior to the occurrence of the condition precedent, IKB is reorganized into another corporate form or if consent by the Annual General Meeting is no longer required as a legal prerequisite to render this Agreement legal binding, then the condition precedent pursuant to the foregoing subsection (1) shall be deemed to have been met.

§ 4

Miscellaneous

- (1) Each Party shall bear his/its own costs of this settlement.
- (2) No amendments or addenda to this Agreement, including this written form requirement, shall be valid unless made in writing.
- (3) If any individual provisions of this Agreement should be deemed invalid or unenforceable for legal or factual reasons, then the validity of any other provision of this Agreement will be not be affected thereby. The Parties will be deemed to have agreed to replace the invalid or unenforceable provision with a provision that most closely reflects, in factual and economic respects, the invalid or unenforceable provision in a manner which is legally permissible."

Annex 3: Settlement Agreement - Allianz

“Settlement Agreement between IKB Deutsche Industriebank AG and Allianz Versicherungs-Aktiengesellschaft (the “**Settlement Agreement – Allianz**”)

Settlement Agreement

by and between

IKB Deutsche Industriebank AG, Wilhelm-Bötzkens-Straße 1, 40474 Düsseldorf, which is recorded in the Commercial Register of the Düsseldorf Local Court under registration HRB 1130 and is represented by the Supervisory Board (to the extent that under this Agreement, the Company is being represented in opposition to Executive Board Members and former Executive Board Members) and by the Executive Board (to the extent that under this Agreement, the Company is not being represented in opposition to Executive Board Members and former Executive Board Members)

– hereinafter also referred to as “**IKB**” or “**Company**” –

and

Allianz Versicherungs-Aktiengesellschaft, Königinstraße 28, 80802 Munich, which is recorded in the Commercial Register of the Local Court of Munich under registration number HRB 75727

– hereinafter referred to as “**Allianz**” –

– the foregoing parties hereinafter also referred to individually as a “**Party**” and collectively the “**Parties**”–

Recitals

- A. Since the year 2000, Allianz has been the D&O liability insurance carrier under insurance policy no. GHV 40/490/4904848 (“**D&O Policy**”) with respect to the activities of the Executive Board and the Supervisory Board of IKB as well as the activities of the governing bodies of the subsidiaries that are included under the insurance coverage.

- B. Pursuant to contracts dated 8/9/12/13 July 2015 and dated 8/13 July 2015, IKB entered into settlement agreements with Mr Frank Braunsfeld, Mr Stefan Ortseifen and Dr Doberanzke (hereinafter the “**Settlement Agreement I – Ortseifen/Braunsfeld/Doberanzke**”) and with Mr Stefan Ortseifen (hereinafter the “**Settlement Agreement II – Ortseifen**”, and collectively with the Settlement Agreement Ortseifen/Braunsfeld/Doberanzke, hereinafter referred to as the “**Settlement Agreements – IKB**”). With regard to the details, references are made to the Settlement Agreements – IKB, and in this regard, the definitions contained in Settlement Agreements IKB shall apply to this Settlement Agreement - Allianz.
- C. The parties hereby enter into the following settlement (the “**Settlement Agreement – Allianz**”) for purposes of discharging any and all claims, which arise from and/or are connected with the Investor Claims Facts and the Special Audit Facts and which IKB holds against the Executive Board and Supervisory Board members of IKB who were in office from 2001 through 29 July 2007, 8:00 pm (these members of the Executive Board are hereinafter referred to as “**All Former Executive Board Members**” and the members of the Supervisory Board hereinafter referred to as “**All Former Supervisory Board Members**”) and those claims which are held against the members of the governing bodies of the enterprises affiliated with IKB within the meaning of §§ 15 *et seq.* of the German Stock Corporation Act (AktG) who were in office during that same period of time (collectively referred to as the “**Insured Persons**”).

§ 1

Settlement Payment

- (1) In its capacity as the liability insurance carrier for the Insured Persons under the D&O Policy, Allianz shall pay to IKB a one-time total amount of EUR 1,850,015.11 (“one million eight hundred and fifty thousand and fifteen euro and eleven euro cents”) plus interest in the amount of 5 percentage points over the respective base interest rate beginning 16 September 2014 (inclusive), in order to discharge any obligations, which are owed by the Insured Persons, without recognising any legal duty and without prejudice to the factual and legal situation, and to discharge all known and unknown potential claims based on whatever legal grounds arising from and/or connected with the Investor Claim Facts and Secret Audit Facts. IKB hereby expressly consents to the benefits paid by Allianz.
- (2) Within three months following receipt of written notification from IKB that the condition precedent governed under § 4 set forth below has been satisfied (which will be proven by sending the minutes of the IKB Annual General Meeting), the payment described under subsection (1) must be remitted to IKB on the following account:

IKB Deutsche Industriebank AG
IBAN: DE97 3001 0400 2049 9941 10
BIC: IKBDEDDXXX

If a legal action is filed seeking to avoid the resolution to adopt the Settlement Agreement - Allianz and or the Settlement Agreement I – Ortseifen/Braunfeld/Doberanzke, then the due date for the payment will not arise until one month following IKB's notification that the legal action seeking the avoidance of the resolution has been finally adjudicated with *res judicata* effect or has been otherwise settled or discharged.

§ 2

General discharge

- (1) The Parties are in agreement that by the payment being made pursuant to § 1 above, any and all current and future rights and claims of IKB against the Former Executive Board Members and against the other Insured Persons, irrespective of the legal basis thereof and irrespective of whether the facts and circumstances underlying any such potential rights and claims are known or unknown, arising from and/or in connection with the Investor Claims Facts and the Special Audit Facts, shall be deemed fully and finally settled.

In particular, unless this Settlement Agreement contains a provision to the contrary, any potential claims of IKB's as well as of the entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, including IKB CAM, based on a breach of duties under statutory law, the Company's articles of association or under contract, in particular the duty to carefully manage the business and/or to perform oversight and to attend to IKB's financial matters shall, in this respect, be deemed fully and finally settled hereby. This settlement is, in particular, also deemed to encompass such rights and claims as IKB has assumed or will assume by way of individual or universal succession of entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG. The Parties agree that the Allianz obligation to assume any defence costs under the D&O Policy remains unaffected.

- (2) IKB agrees not to enforce any rights and claims against the Insured Persons, to the extent such matters have not been already resolved in accordance with subsection (1) (§ 328 BGB, *pactum de non petendo*).
- (3) To the extent legally permissible and upon exercising its shareholder rights, IKB undertakes to ensure that enterprises affiliated with IKB within the meaning of §§ 15 *et seq.* AktG do not enforce against the Insured Persons any claims arising from and/or connected with the Investor Claims Facts and/or the Special Audit Facts, and even to the extent

that any facts or breaches of duties in this connection are not the subject matter of the Special Audit Report.

§ 3
Indemnity

- (1) IKB shall indemnify and hold each and every Insured Person individually harmless as to
- a. any claims, which have already been adjudicated or will in the future be adjudicated with *res judicata* effect, by former or present members (i) of the Executive Board or the Supervisory Board of IKB and (ii) of the Board of Managing Directors, the Executive Board, the Supervisory Board or the Advisory Board of entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG based on contribution of joint and several obligors or joint liability, irrespective of the legal grounds thereof, and in particular as a consequence of a claim asserted against them by IKB or by the entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts;
 - b. any claims, which have now or may in future be adjudicated with *res judicata* effect, by entities affiliated with IKB within the meaning of secs. 15 *et seq.* AktG, irrespective of the legal basis thereof, arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts;
 - c. any third-party claims, which have already been adjudicated or will in the future be adjudicated with *res judicata* effect against IKB and/or the Executed Board Members named in the opening of this Agreement and arising from the Special Audit Facts and Investor Claims Facts;
- and
- d. any claims, which have already been or may in future be adjudicated with *res judicata* effect, by creditors of IKB (sec. 93 (5) AktG) arising from and/or in connection with the Investor Claims Facts and/or the Special Audit Facts.
- (2) Excepted from the indemnifications provided under this § 3 are claims which do not arise from and/or in connection with the Investor Claims Facts and the Special Audit Facts and which are based on facts other than the Investor Claims Facts and the Special Audit Facts.

§ 4

Condition precedent

- (1) The Settlement Agreement shall become effective (condition precedent) when the Annual General Meeting of IKB grants its approval to this Settlement Agreement – Allianz and the Settlement Agreement I – Ortseifen/Braunfeld/Doberanzke and no minority of shareholders whose shares constitute, in the aggregate, 10% of the share capital of the Company, asserts on the record an objection against this Settlement Agreement – Allianz and/or the Settlement Agreement I – Ortseifen/Braunfeld/Doberanzke (sec. 93 (4), 3rd sentence, AktG). This settlement shall therefore be submitted to IKB's Annual General Meeting (tentatively scheduled for 27 August 2015) for approval pursuant to sec. 93 (4) 3rd sentence AktG. The approval of IKB's General Meeting of Shareholders within the meaning of the foregoing 1st sentence hereof shall be deemed not granted on the whole where at least one of the resolutions is adjudicated to be invalid or declared void; in such case, restitution of any payments provided must be made.

- (2) Each Party to this Agreement shall have a right of rescission with respect to the Agreement,
 - a. on or before 22 December 2015 where IKB's Annual General Meeting fails to grants its approval (tentatively scheduled for 27 August 2015) to the Settlement Agreement I – Ortseifen/Braunfeld/Doberanzke and the Settlement Agreement – Allianz, or a minority of shareholders whose shares in the aggregate constitute 10% of the share capital of the Company asserts an objection to at least one of the above-referenced Settlement Agreements (sec. 93 (4) 3rd sentence AktG); or
 - b. where the Settlement Agreement – Ortseifen/Braunfeld/Doberanzke is adjudicated with *res judicata* effect to be invalid as a result of legal actions asserting invalidity and/or nullity.

- (3) Notice of rescission rights enforcement by the Allianz shall be sent by registered letter, return receipt, to IKB Deutsche Industriebank AG, c/o the Company's Chief Legal Officer, Wilhelm-Bötzkes-Strasse 1, 40474 Düsseldorf. Notice of rescission rights enforcement by IKB shall be sent by registered letter, return receipt, to Allianz Versicherungs AG, 10900 Berlin, with reference to the claim number 40 HV 12-401179.

- (4) IKB shall inform Allianz in writing about the voting results of the annual general meeting and will send a copy of the minutes of that relevant IKB Annual General Meeting.

§ 5
Miscellaneous

- (1) Each Party shall bear his/its own costs of this settlement.
- (2) No amendments or addenda to this Agreement, including this written form requirement, shall be valid unless made in writing.
- (3) If any individual provisions of this Agreement should be deemed invalid or unenforceable for legal or factual reasons, then the validity of any other provision of this Agreement will be not be affected thereby. The Parties will be deemed to have agreed to replace the invalid or unenforceable provision with a provision that most closely reflects, in factual and economic respects, the invalid or unenforceable provision in a manner which is legally permissible.
- (4) Jurisdiction and venue for all disputes arising from and/or connected with this Settlement Agreement shall be the competent courts of Düsseldorf.”