



Deutsche Industriebank

## **IKB Deutsche Industriebank Aktiengesellschaft**

*(a stock corporation incorporated under the laws of the Federal Republic of Germany)*

### **EUR 300,000,000 Subordinated Resettable Fixed Rate Notes due 2028**

Issue Price 100.00 per cent.

IKB Deutsche Industriebank Aktiengesellschaft (the "**Issuer**" or "**IKB AG**" and, together with its consolidated subsidiaries, the "**IKB Group**") will issue on 31 January 2018 (the "**Issue Date**") EUR 300,000,000 subordinated resettable fixed rate notes with maturity in 2028 in a denomination of EUR 100,000 per Note (the "**Notes**").

The Notes will be governed by the laws of the Federal Republic of Germany ("**Germany**").

The Notes will bear interest from (and including) 31 January 2018 (the "**Interest Commencement Date**"), to (but excluding) 31 January 2023 (the "**Reset Date**") at a rate of 4.00 per cent. per annum, payable annually in arrear on 31 January of each year, commencing on 31 January 2019. Thereafter, unless previously redeemed, the Notes will bear interest from (and including) the Reset Date to (but excluding) 31 January 2028 (the "**Maturity Date**") at a rate equal to the annual mid-swap rate for Euro swap transactions having a maturity of 5 years (as determined by the calculation agent on the second Business Day (as defined in the Terms and Conditions) prior to the Reset Date) plus a margin of 3.617 per cent. per annum, payable in arrear on 31 January of each year, commencing on 31 January 2024. The Notes are scheduled to be redeemed at the Final Redemption Amount (as defined in the Terms and Conditions) on the Maturity Date. The Notes may be early redeemed, in whole but not in part, at the option of the Issuer if the Issuer has to pay Additional Amounts (as defined in Condition 7 of the Terms and Conditions), or if as a result of any amendment or supplement to, or change in, the applicable regulations which are in effect as of the Issue Date, the Notes are fully or partially derecognised from the Tier 2 capital of the Issuer or the Issuer together with its consolidated subsidiaries or on 31 January 2023 (the "**Call Redemption Date**"), as provided in the Terms and Conditions and, in each case, subject to the prior consent of the competent supervisory authority.

This prospectus (the "**Prospectus**") constitutes a prospectus for the purpose of Part IV of the Luxembourg Law of 10 July 2005 on Prospectuses for Securities, as amended (the "**Luxembourg Prospectus Law**"). Application has been made to the Luxembourg Stock Exchange to list the Notes on the official list (the "**Official List**") of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market ("**Euro MTF**") operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Market and the Financial Instruments Directive 2004/39/EC, as amended, and therefore a non-EU-regulated market. Application has also been made to include the Notes in trading on the Open Market (Regulated Unofficial Market) (*Freiverkehr*) of the Frankfurt Stock Exchange and the Primary Market (*Primärmarkt*) of the Düsseldorf Stock Exchange.

The Notes will initially be represented by a temporary global note in bearer form (the "**Temporary Global Note**"). Interests in the Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "**Permanent Global Note**" and, together with the Temporary Global Note, the "**Global Notes**" and each a "**Global Note**") on or after the date 40 days after the Issue Date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. The Global Notes will be deposited prior to the Issue Date with Clearstream Banking AG ("**Clearstream Frankfurt**").

**Sole Bookrunner**

**J.P. Morgan**

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*" below).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or J.P. Morgan Securities plc (the "**Sole Bookrunner**"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Sole Bookrunner to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes will be issued in bearer form and are subject to certain U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder). For a description of certain restrictions on offers and sales of the Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Sole Bookrunner to subscribe for, or purchase, any Notes.

The Sole Bookrunner has not separately verified the information contained in this Prospectus. The Sole Bookrunner does not make any representation, expressly or implied, or accept any responsibility, with respect to the accuracy or completeness of any information contained in this Prospectus. Neither this Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Sole Bookrunner that any recipient of this Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. The Sole Bookrunner does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Sole Bookrunner. This Prospectus may only be used for the purpose for which it has been published.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus. This Prospectus identifies in general terms certain information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in any Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor's particular financial and other circumstances, as well as on the specific terms of the Notes and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult its financial adviser prior to deciding to make an investment on the suitability of the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC (THE "STABILISING MANAGER") (OR A PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR A PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "EUR", "euro" and "€" are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union. References to "US\$", "USD" and "U.S. dollars" are to the currency of the United States of America.

### **Cautionary note regarding forward-looking statements**

This Prospectus contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "*General Information*" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans, projections and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer, to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.**

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## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes. However, the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision. Prospective investors should note that the risks relating to the Issuer and IKB Group, their industries and the Notes summarised in this section are the risks that the Issuer believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as these risks relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in this section, but also, among other things, should consult their financial, legal and tax advisers. In addition, prospective investors should be aware that the risks described might combine and thus intensify one another.*

### **Risk Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

The Issuer is exposed to certain risk factors affecting their respective abilities to fulfil its obligations under the Notes. These risk factors relate to the business and operations of the Issuer and IKB Group and include matters such as risks arising from the financial markets, risks arising from the nature of the Issuer's business and risks arising from legal and regulatory conditions. The following is a summary of these risk factors:

#### **1 RISK FACTORS RELATING TO THE ISSUER**

##### **1.1 Risks Relating to the Economic and Financial Market Situation**

*IKB AG's financial condition may be adversely affected by general economic and business conditions.*

The profitability of IKB AG's business could be adversely affected by a worsening of general economic conditions and deteriorating individual markets. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity and other asset prices could significantly affect the financial strength of IKB AG's counterparts. For example:

- an economic downturn or a significant change in interest rates could adversely affect the credit quality of IKB AG's assets by increasing the risk that a greater number of IKB AG's customers would be unable to meet their obligations;
- a market downturn or worsening of the economy could cause IKB AG to incur mark to market losses in its portfolios; and
- a market downturn would likely lead to a decline in the volume of transactions that IKB AG executes and, therefore, lead to a decline in fees, commissions and interest income.

*IKB AG has been and may continue to be affected by low or moderate growth in all major industrialised countries as well as volatile financial markets due to ongoing unconventional monetary policy by all major central banks.*

A renewed slowdown in the European economy or other regions of the global economy cannot be excluded and remains a risk, especially as debt levels remain elevated and the sustainability of European sovereign debt levels remains a concern. Also, volatile commodity markets and unpredictable global capital flows continue to impose risks on emerging markets. Although fiscal consolidation has reduced budget deficits, support by central banks in form of low interest rates remains necessary to ensure an ongoing long-run debt sustainability and an ultimate reduction in the ratio of debt to gross domestic product ("**GDP**"). In most member countries of the European Economic and Monetary Union, the level of sovereign debt continues to exceed 60% of GDP, which is the limit set by the Treaty of Maastricht. In some countries (e.g. Italy, Belgium, Greece or Portugal), sovereign debt continues to exceed well over 100% of GDP. While the current economic recovery across the Eurozone supports a stabilisation and reduction in debt ratios, these dynamics have to prevail for an extended period of time in order to reduce debt ratios meaningfully. However, for countries such as Italy, a weak banking sector and difficulties in implementing the necessary structural reforms continue to be impediments to a noteworthy acceleration in growth. In general, uncertainty remains over the strength and sustainability of the current recovery. Multiple geopolitical crises as well as the forthcoming exit of Great Britain from the European Union ("**EU**") could fundamentally increase the downside risks facing the global and European economy. As a result, risk premiums could show renewed signs of volatility. However, the willingness and ability of the European Central Bank ("**ECB**") to act in times of renewed financial distress should prevent any major widening in risk premiums among Eurozone members. This is the case even with the gradual elimination of the ECB's programme of quantitative easing, as long as the ECB continues to enjoy a high level of credibility among financial market participants. However, the risk of a re-escalation of the Eurozone sovereign debt crisis, which could undermine the recapitalisation of banks and other financial services providers cannot be discarded, especially if economic conditions were to deteriorate significantly. Together with the uncertainty over growth prospects for emerging markets, medium-term risks to the global growth outlook in general and Germany's export prospects in particular remain.

Further risk could emanate from a change in monetary policy. The US Federal Reserve Bank is expected to continue increasing its key lending rate, while the ECB is likely to terminate its quantitative easing programme in the foreseeable future. This bears the risk of a general repricing of assets across financial markets. Noteworthy changes in Eurozone interest rates could also lead to changes in the portfolio composition of major financial institutions, thereby altering and possibly adversely affecting prices of certain financial assets.

In the absence of a sustained recovery, regulatory and political actions by European governments and the ECB may significantly influence money and capital markets, thereby increasing the spectrum of uncertainty regarding the level of future interest rates, risk premiums and the regulatory framework for financial institutions. Furthermore, a possible departure of any one or more countries from the Eurozone could have unpredictable consequences on the financial system and the greater economy, potentially leading to declines in business levels, write-downs of assets and losses across IKB AG's businesses. IKB AG's ability to protect itself against these risks is limited.

The occurrence of any of the risks set out above could have material adverse effects on IKB AG's business operations and financial condition.

## **1.2 Risks Relating to IKB AG and its Business**

*IKB AG faces liquidity risks and refinancing risks.*

Liquidity and refinancing risk is the risk of IKB AG no longer being in the position to meet its payment obligations on schedule (liquidity risk) or to raise refinancing funds on the market at appropriate conditions (refinancing risk).

In addition to secured financing on the interbank market, business involving retail customers, deposits and promissory note loans (*Schuldscheindarlehen*) with corporate clients and institutional investors, IKB AG also actively utilises programme loans and global loans from government development banks for its customers. In addition, IKB AG issues bearer bonds.

Depending on the development of its new business, IKB AG expects its liquidity requirements to amount to approximately €3.8 billion during the course of the next twelve months. As previously, the main options currently available for refinancing these requirements are accepting customer deposits and promissory note loans, secured borrowing on the interbank market (repo transactions), participating in ECB tenders and issuing bearer bonds.

Liquidity planning is based on a range of assumptions such as the above and other factors that can determine liquidity, both on the assets side and the liabilities side. The occurrence or non-occurrence of such assumptions or factors may result in liquidity bottlenecks. For example, this may include market developments that prevent IKB AG from extending liabilities covered by the deposit protection fund (*Einlagensicherungsfonds*) or participating in ECB tenders to a sufficient extent or at all. Further, IKB AG could experience difficulties in extending liabilities covered by the deposit protection fund due to recent changes in the range of liabilities covered by the deposit protection fund, excluding promissory note loans (*Schuldscheindarlehen*) and registered bonds held by non-retail clients from the coverage.

The occurrence of any of the risks set out above could have material adverse effects on IKB AG's business operations and financial condition.

*IKB AG's risk management measures and controls may not be successful.*

IKB AG's risk management system and strategies may not be sufficient or fail, and IKB AG may suffer unexpected losses from unidentified or incorrectly identified evaluated market developments, trends or other circumstances. Although IKB AG seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market liquidity, operational, compliance and legal reporting systems, there can be no assurance that IKB AG's risk management techniques will be effective under all conditions and circumstances. The failure of IKB AG's risk management systems and risk management measures could have a material adverse effect on IKB AG's financial condition.

*IKB AG is exposed to substantial credit and counterparty risk.*

IKB AG is exposed to the risk that loan or bond payments owed by customers or counterparties may not be met when due or that pledged collateral may not cover the amount of the loans or bonds respectively. If IKB AG's counterparties are unable to meet payment obligations due to declines in their financial condition or credit quality (counterparty risk), such payments may need to be written off in part or in full, particularly if the collateral IKB AG holds cannot be realized or liquidated at prices sufficient to recover the amounts owed to IKB AG. Furthermore, IKB AG is exposed to underlying default risks resulting from participating in credit default swap ("CDS") transactions in which IKB AG acts as so-called protection seller and where underlyings are sovereigns, corporates or banks.

IKB AG monitors credit quality and counterparty risk as well as the overall risk stemming from loan, bond and CDS portfolios, but there can be no assurance that such monitoring and risk management will suffice to keep IKB AG's credit risk exposure at acceptable levels. In addition, IKB AG may not be able to accurately assess default risk on loans provided to customers due to the unpredictability of economic conditions. If IKB AG's credit risk evaluation procedures are unable to correctly evaluate the financial conditions of prospective borrowers and accurately determine the ability of such borrower to pay, IKB AG would be

subject to increased risks of impaired loans and defaults, which could have a material adverse effect on its financial condition.

*A decline in the value or difficulties with the enforcement of the collateral securing IKB AG's loans may adversely affect its loan portfolio.*

A substantial portion of IKB AG's loans is secured by collateral such as real property, production equipment, vehicles, securities and inventory. Downturns in the relevant markets or a general deterioration of economic conditions may result in declines in the value of the collateral securing a number of loans to levels below the amounts of the outstanding principal and accrued interest on those loans. If collateral values decline, they may not be sufficient to cover uncollectible amounts on IKB AG's secured loans, which may require IKB AG to reclassify the relevant loans, establish additional allowances for loan impairment and increase reserve requirements. A failure to recover the expected value of collateral may expose IKB AG to losses, which may materially affect its financial condition.

*IKB AG's operations are concentrated on medium-sized enterprises in Western Europe (in particular in Germany) and difficult economic conditions in this region may have a significant impact on IKB AG's business activities and results of operations.*

IKB AG's business focuses predominantly on medium-sized enterprises in Western Europe (in particular in Germany). Therefore, adverse changes affecting the economy in this region, such as an economic downturn as a result of the sovereign debt crisis and the saving measures taken by various governments, are likely to have a significant adverse impact on IKB AG's loan portfolio and, as a result, on its financial condition.

*IKB AG is exposed to country risk.*

Country risk is the likelihood of a crisis situation in a certain country and, consequently, the level of risk associated with the repayment of claims that originate from that specific country. The key concept employed to assess and manage country risk is the country rating. In addition to Germany, IKB AG's home country and core market, the key international markets for IKB AG's low level activities (other than leasing) are France, Italy and Spain. The key international market for leasing products is Eastern Europe. IKB AG is subject to the economic, legal and political environments in these countries and partly has, among others, to rely on the cooperation and reliability of its local business partners. Crisis scenarios in the markets in which IKB AG operates could have a material adverse effect on IKB AG's financial position.

*IKB AG's business performance could be adversely affected if its capital is not managed effectively.*

Effective management of IKB AG's capital is critical to its ability to operate its business and to pursue its strategy. IKB AG is required by regulators in Germany to maintain adequate capital. The maintenance of adequate capital is also necessary to enhance IKB AG's financial flexibility in the face of continuing turbulence and uncertainty in the global economy.

IKB AG is examining the implementation of additional measures to simplify its capital structure in the second half of the financial year 2017/18. The implementation of these measures would result in substantial extraordinary expenses in the financial year 2017/18. There is considerable uncertainty as to whether the income generated in the second half of the financial year 2017/18 will be sufficient to offset the expenses incurred in connection with the measures. If income is not generated in the required amount, a substantial consolidated net loss is to be anticipated.

IKB AG calculates its regulatory capital resources in accordance with the provisions of the Capital Requirements Regulation ("CRR"). It applies the standardised approach for credit risk and for counterparty default risk, the standard method for the calculation of the credit valuation adjustment charge, the basis indicator approach for operational risk and the prescribed standard regulatory method for market price risk. IKB AG continues to use the regulatory netting approach to determine the net basis of measurement for



derivatives, taking existing netting agreements into account. The table set out in the Section entitled "*D. Description of the Issuer – 2.2.4 Summary of Regulatory Indicators*" provides an overview of the regulatory capital position, including overview on risk weighted assets and ratios as applicable.

*Market risks associated with fluctuations in rates of interest, credit spreads and equity prices and other market factors are inherent in IKB AG's business.*

Market price risk is defined as the risk of economic and accounting losses as a result of changes in market prices. Market price risk is broken down into the risk factors of interest rates, credit spreads and FX (foreign exchange) rates.

Fluctuations in interest rates could adversely affect IKB AG's financial condition in a number of different ways. Changes in the general level of interest rates as well as changes in the shape of yield curves and basis spreads may adversely affect the interest rate margin realised between lending rates and borrowing costs in IKB AG's banking operations. An increase in interest rates generally may decrease the value of IKB AG's fixed rate loans and increase its funding costs. Such an increase could also generally decrease the value of fixed rate debt securities in IKB AG's securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of borrower default, while general volatility in interest rates may result in a gap between IKB AG's interest-rate sensitive assets and liabilities. As a result, IKB AG may incur additional costs and expose itself to other risks by adjusting such asset and liability positions through the use of derivative instruments. Interest rates are sensitive to many factors beyond IKB AG's control, including the policies of central banks, domestic and international economic conditions and political factors.

Fluctuations in credit spreads cause additional fluctuations in the fair values of IKB AG's assets and liabilities. The net fair value effect of such fluctuations can be adverse and may be realised in part when assets are not held until maturity.

IKB AG reports its financial results in euros. However, IKB AG enters into transactions in different currencies, the most important being U.S. Dollars. As a result, IKB AG is subject to certain currency exchange risks. Fluctuations in exchange rates could result in a mismatch between liabilities and assets.

There can be no assurance that IKB AG will be able to protect itself from the adverse effects of future fluctuations in market prices which could lead to a reduction in net income and adversely affect IKB AG's financial condition.

*IKB AG's business entails operational risks.*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. IKB AG's business depends on the ability to process a large number of transactions efficiently and accurately while complying with applicable laws and regulations where it operates. Operational losses can result from, among other things, fraud or other criminal acts by employees or other persons, cyber crime, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems and problems with the security of IKB AG's IT systems and with its data inventory. If IKB AG fails to adapt to rapid technological changes its competitiveness could decline. Although IKB AG maintains a system of controls designed to keep operational risk at appropriate levels, there can be no assurance that IKB AG will not suffer losses from any failure of these controls to detect or avoid operational risk in the future.

Legal risk as part of operational risk constitutes the risk of losses incurred by breaching general statutory conditions or new statutory conditions or by not complying with changes to or interpretations of existing statutory regulations (e.g. high court decisions) which are unfavourable for IKB AG. There is inherent risk of liability due to actual or alleged violations of these conditions and regulations.

*Cost-cutting and optimisation measures may not have the expected effect.*

IKB AG is exposed to the risk that cost-cutting and optimisation measures may not be implemented properly or may not have the expected effect on the financial situation of IKB AG. This could have an adverse effect on the Issuer's financial strength and its possibility to make payments under the Notes.

*IKB AG's business entails compliance risks.*

As a German bank, IKB AG is subject, among other things, to the legal standards of the German Banking Act (*Kreditwesengesetz*; "**KwG**"), the German Securities Trading Act (*Wertpapierhandelsgesetz*; "**WpHG**"), the German Money Laundering Act (*Geldwäschegesetz*; "**GwG**") and the relevant circulars of the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*; "**BaFin**") as well as applicable EU regulations, which results in numerous obligations concerning but not limited to the professional provision of investment services, the prevention of conflicts of interest, market manipulation and insider trading as well as anti-money laundering, the combating of financing of terrorism, compliance with applicable sanctions regimes, (insofar as these do not violate against section 7 of the German Foreign Trade and Payments Ordinance), anti-bribery, anti-corruption and fraud prevention.

In view of the predominance of professional clients, a significant amount of confidential information is received and exchanged within the lending and consulting business units respectively, which results in risks of misuse of confidential information and/or breach of contractual and/or statutory obligations.

As a result of the annual risk inventory and the annual update of the risk analysis (Anti Financial Crime), the business activities of IKB AG comprise possible risks regarding money laundering, terrorist financing, fraud, bribery and corruption, as well as non-compliance with applicable sanctions regimes.

The occurrence of any of the risks set out above could have a material adverse effect on IKB AG's reputation or results of operations.

*Risk of defaults of other financial institutions or sovereign debtors*

The Issuer is exposed to the risk of defaults of other financial institutions or sovereign debtors. Insolvencies in the financial sector or the default of sovereign debtors could, due to the worldwide interdependency of the financial market, have an adverse effect on the entire financial sector, including the Issuer and its ability to make payments under the Notes.

*Although KfW has agreed to indemnify IKB AG for certain claims in connection with Rhineland Funding, Rhinebridge or the Havenrock entities (each a former off-balance sheet financing vehicle), under certain circumstances, IKB AG's claims for such indemnification may be extinguished.*

In an agreement dated 10/16 September 2008, KfW provided a degree of indemnification to IKB AG for claims from legal disputes against IKB AG (including the relevant procedural costs) in connection with IKB AG's former off-balance sheet financing vehicles (Rhineland Funding, Rhinebridge and the Havenrock entities) for events which occurred before 29 October 2008. In this connection, IKB AG has had extensive duties towards KfW in respect of information, disclosure, notification and action. Claims from IKB AG shareholders or investors in financial instruments linked to the development of IKB AG shares are not covered by the indemnification.

If IKB AG culpably violates a concrete obligation in the indemnification agreement in connection with a concrete claim covered by the indemnification agreement, under certain circumstances, the indemnification claim in relation to this specific claim may be extinguished. The indemnification claims of IKB AG are also extinguished retroactively if the share sale and transfer agreement or the share transfer in rem between KfW and LSF6 Europe Financial Holdings, L.P. ("**LSF6**") are or become null and void or one of the parties exercises a right which results in the reversal of the performance rendered under the agreement. Furthermore, the claims under the indemnification agreement are extinguished if, even taking into account

the claims under the indemnification agreement, there is reason for insolvency of IKB AG or insolvency proceedings have been instituted against the assets of IKB AG. In either event, this could have a material adverse effect on IKB AG's financial condition.

*IKB AG is exposed to substantial risk of loss from legal and regulatory proceedings.*

IKB AG is exposed to potentially significant litigation and regulatory risks and may in the future be involved in a number of legal and/or regulatory proceedings in the ordinary course of business.

Legal, regulatory and adversarial proceedings are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Currently, IKB AG is involved in a number of legal proceedings or regulatory actions and has taken necessary measures, inter alia made provisions in amounts it deems necessary and appropriate to cover the risk of charges or losses from unfavourable outcomes of such proceedings. However, there can be no assurance that such provisions will adequately cover potential charges or losses. An adverse result in one or more of these proceedings could have a material adverse effect on IKB AG's reputation or results of operations.

Various investors have threatened or taken legal action in connection with subordinated debt instruments issued by IKB AG. Investors claim interest payments and allege, by way of example, a wrongful write-down of the principal amount of subordinated debt instruments issued by IKB AG over time. To the extent specified, claims amount to a preliminary aggregate amount at risk of approximately € 150 million. As at the date of this Prospectus, three actions are pending at the Regional Court (*Landgericht*) of Düsseldorf with a preliminary claim amount of € 117 million. Additional investors have requested IKB AG to enter into tolling agreements; some claims remain unquantified (such as investors in ProPart relating to an initial subscription amount of approximately € 78 million).

Several customers criticised the consulting services provided by IKB AG in connection with certain swap products. Corresponding law suits are pending in two cases with a preliminary claim amount of approximately € 4.1 million. Two additional cases are pending out of court with a preliminary amount of approximately € 5.6 million. IKB AG will continue to defend itself against the accusations.

*Increased regulation of the banking and financial services industry could have an adverse effect on IKB AG's operations.*

Regulatory reforms which have been implemented or planned and which tighten the own funds and liquidity standards, as well as the general increased regulatory monitoring demand increased capital requirements from IKB AG and could significantly affect IKB AG's business model and the competitive environment in which IKB AG interacts. In particular, the so-called CRD IV/CRR Package, meant to implement Basel III recommendations of the Basel Committee on Banking Supervision in the aftermath of the financial crisis, has, in particular, strengthened own funds requirements. Among others, the minimum requirements of own funds were increased. In addition, various capital buffers apply or may be established by the regulatory authorities. Furthermore, regulatory authorities may, as a result of stress tests performed by them establish additional own funds requirements as a result of the so-called Supervisory Review and Evaluation Process (SREP), also referred to as Pillar 2 requirements. Such Pillar 2 requirements may be split into a hard Pillar 2 requirement and a soft Pillar 2 guidance. A breach of the Pillar 2 guidance may result in non-public supervisory action to improve capitalization of the relevant credit institution. An ongoing non-compliance with Pillar 2 guidance may result in shifting requirement arising from the Pillar 2 guidance into the Pillar 2 requirement. Further strengthening of regulatory requirements may result from a finalisation and further calibration of the existing Basel III package, often referred to as Basel IV. Additional requirements may result from the implementation of the leverage ratio that is expected to become a binding requirement and which, in contrast to existing risk-sensitive own funds requirements, would establish a non-risk based ratio.

In addition to strengthened capital requirements, regulatory reforms have already led to tightened liquidity requirements which will be further increased. This includes the Liquidity Coverage Ratio, which is already binding pursuant to the CRR, and the Net Stable Funding Ratio.

Also, the German Act on the Recovery and Resolution of Credit Institutions (*Gesetz zur Sanierung und Abwicklung von Instituten und Finanzgruppen*; "SAG") prescribes that banks (including IKB AG) shall, upon request by the competent resolution authority, hold a minimum level of own funds and eligible liabilities which, in the event of resolution, can compulsorily be written down or converted into equity (the so-called Minimum Requirement for Own Funds and Eligible Liabilities or "MREL"). The level of own funds and eligible liabilities required under MREL will be set by the resolution authority for each bank individually. So far, no MREL requirements have been established for IKB AG.

It is generally not or only partly possible to predict future market turmoil, regulatory measures and further legislative projects.

Increasing regulation could have materially adverse effects on IKB AG's business operations and financial condition.

#### *Risks Arising from Stress Tests.*

IKB AG has been in the past and may be in the future subject to stress testing exercises by BaFin and/or any other competent authority. If IKB AG receives negative results on such stress tests, remedial action may be required to be taken by IKB AG, including potentially a requirement to strengthen the own funds basis of IKB AG, raising own funds and/or other supervisory interventions. In particular, negative results of a stress test may result in regulators adding or increasing the Pillar 2 guidance a breach of which may result in non-public supervisory action to improve capitalization of the relevant credit institution and, in case of an ongoing non-compliance with Pillar 2 guidance, into shifting requirement arising from the Pillar 2 guidance into the Pillar 2 requirement. Further, stress test results of IKB AG or other institutions or their findings as perceived by market participants could have a negative impact on IKB AG's reputation or its ability to refinance itself as well as increase its costs of funding or require other remedial actions.

#### *Risks Arising from the Contributions to the Single Resolution Fund and Deposit Protection Schemes.*

As the second pillar of the so-called European Banking Union, the Single Resolution Mechanism ("SRM") was introduced. A key element of the SRM is the Single Resolution Fund ("SRF") which is intended to provide finance in the event of resolution. The SRF is, in particular, funded through annual bank levies payable by the relevant institutions. In case the monies collected by the SRF should be insufficient to cover the costs of restructuring measures undertaken by the SRF, ex-post contribution payments of up to the triple of the regular contribution payable by each credit institution in respect of the respective year may be levied in addition to the regular annual bank levy. The individual amount of the annual bank levy payable by a credit institution depends on the annual target volume of the SRF as well as the size and risk profile of the individual institution concerned as well as the corresponding parameters of all other relevant institutions. Accordingly, the concrete amount of the bank levy payable by IKB AG can hardly be predicted. The current and, if applicable, ex-post contributions to the SRF will constitute a substantial financial burden for IKB AG in an amount that is hardly predictable.

The German Deposit Guarantee Act (*Einlagensicherungsgesetz*) which became effective on 3 July 2015 has led to significant increases in IKB AG's contributions to the deposit guarantee scheme which are raised from member institutions based on the individual amount of affected deposits as well as their respective risk profiles. The contributions vary each year according to the risk profile of IKB AG and other institutions. Also, the deposit guarantee scheme may levy additional contributions in case required to settle compensation claims.

Further, on 24 November 2015, the European Commission published a proposal for a reform package to create a uniform euro-area wide deposit guarantee scheme for bank deposits as a third pillar of the so-called EU Banking Union. The proposal includes, inter alia, the creation of a European Deposit Protection Fund on the level of the EU (Banking Union) which will be financed by contributions to be provided by the banking industry. Should the proposals be implemented, this may result in an obligation of IKB AG to come up for further contributions.

Any of the aforementioned contributions might have material adverse effects on IKB AG's net assets, financial position and results of operations.

*Rights of creditors of IKB AG may be adversely affected by measures pursuant to the KWG, the German Act on the Reorganisation of Credit Institutions (Kreditinstitute-Reorganisationsgesetz; **KredReorgG**) and the SAG.*

The Issuer may be subject to a restructuring or reorganisation procedure pursuant to the KredReorgG. While a restructuring procedure generally may not interfere with rights of creditors, the reorganisation plan established under a reorganisation procedure may provide measures that affect the rights of any holder of Notes (the "**Holders**" and each a "**Holder**") as the credit institution's creditor against its will, including a reduction of existing claims or a suspension of payments. The rights of Holders may be adversely affected by the reorganisation plan which might be adopted irrespective of their particular voting behaviour by a majority vote.

In addition, the SAG which implements the Bank Recovery and Resolution Directive ("**BRRD**") in Germany provides tools which enable the competent supervisory or resolution authorities to restructure or dissolve credit institutions and investment firms if the conditions for resolution (as defined under the SAG) are met. These tools, in accordance with the BRRD, include among others a write down or conversion of capital instruments and a "bail-in" tool enabling the competent resolution authority to convert relevant capital instruments (including Tier 2 instruments within the meaning of Art. 63 CRR) or certain eligible liabilities into shares or Common Equity Tier 1 capital instruments or other instruments of ownership or to write them down in whole or in part. The resolution authority will have to exercise its power in a way that results in (i) Common Equity Tier 1 instruments (such as ordinary shares of the Issuer) being written down first, (ii) thereafter, the principal amount of other capital instruments (Additional Tier 1 instruments and subsequently Tier 2 instruments – such as any Subordinated Notes to be issued under this Prospectus) being written down on a permanent basis or converted into Common Equity Tier 1 instruments or other instruments of ownership in accordance with their order of priority ((i) and (ii) together a write down or conversion of capital instruments) and (iii) thereafter, eligible liabilities ("bail-in") being converted into Common Equity Tier 1 instruments or other instruments of ownership or written down on a permanent basis in accordance with a set order of priority. At the point of non-viability (PONV) a write down and/or conversion of capital instruments could occur. This is the case if the resolution conditions (as defined under the SAG) are met or are deemed to be met (this includes situations in which extraordinary public financial support is required) by the competent supervisory. The same may apply if the resolution conditions (as defined under the SAG) are met or are deemed to be met (this includes situations in which extraordinary public financial support is required) by the competent supervisory authority with respect to IKB Group. Resolution tools, including the bail-in tool, may be applied if in respect of the Issuer the resolution conditions (as defined under the then applicable law) are met or are deemed to be met (this includes situations in which extraordinary public financial support is required) by the competent supervisory authority. Before any resolution tool (including the bail-in resolution tool) is being used, the resolution authority is required to write down Common Equity Tier 1 capital instruments in full and, in a second step, to write down in full Additional Tier 1 and Tier 2 capital instruments or to convert them into Common Equity Tier 1 instruments or other instruments of ownership. Thus, resolution tools will only be applied after a write down or conversion of relevant capital instruments has taken place. By suspension, modification and

termination (in whole or in part) of the rights under the Notes, the write down or conversion of capital instruments tool and resolution tools may materially affect the rights of the Holders. The extent to which the claims resulting from the Notes forfeit due to the write down or conversion of capital instruments or the bail-in tool depends on a number of factors, on which the Issuer potentially has no influence. The Holder would have no claim against the Issuer in such a case and there would be no obligation of the Issuer to make payments under the Notes. The Holders may suffer substantial losses or even a total loss in case of the application of the write down or conversion of capital instruments or the bail-in tool.

The KWG (as amended by the Resolution Mechanism Act; (*Abwicklungsmechanismusgesetz*; "**AbwMechG**") provides, inter alia, that, in the event of an insolvency proceeding, certain senior unsecured debt instruments (such as the Notes) shall by operation of law only be satisfied after any and all other non-subordinated obligations of the Issuer have been fully satisfied. As a consequence, a larger loss share will be allocated to these instruments in an insolvency or write down or conversion scenario.

If the resolution conditions are met or deemed to be met (including situations in which extraordinary public financial support is required), the competent resolution authority may after having applied the write down and/or conversion of capital instruments apply - as an alternative to a bail-in or additionally - other resolution tools, i.e. the sale of business tool, the bridge institution tool or the asset separation tool. This would include a transfer order pursuant to which the Issuer would be forced to transfer assets and liabilities in whole or in part to an acquirer and / or the Issuer's shareholders would be forced to transfer their shares in IKB in whole or in part to an acquirer, a so-called bridge bank or an asset management company. In the context of a transfer order, the Issuer as initial debtor of the Notes may be replaced by another debtor (which may have a fundamentally different risk tolerance or creditworthiness than the Issuer). Alternatively, the claims may remain towards the initial debtor (i.e. the Issuer), but the situation regarding the debtor's assets, business activity and/or creditworthiness may not be identical to the situation prior to the transfer order; in such a scenario the initial debtor (i.e. the Issuer) will be liquidated. In such scenarios, the Holders may suffer substantial losses or even a total loss.

Further, the market value of the Notes may be affected by a perceived increase in expectation of application of the write down or conversion of capital instruments tool and the resolution tools by the competent resolution authority.

*There is a risk of additional taxes due to a dissenting view of the tax authorities on the application of the German Corporate Income Tax Act (Körperschaftsteuergesetz; **KStG**) and the German Trade Tax Act (Gewerbesteuerengesetz; **GewStG**).*

In August 2015, IKB AG had received tax assessment notices in which the tax authorities expressed a different view with respect to the application of Section 8c KStG/Section 10a GewStG in connection with the capital increase implemented by IKB AG during the course of the financial year 2008/2009 and the subsequent sale of KfW's shares in IKB AG to LSF6 in the financial year 2008/2009. IKB AG lodged an appeal against the tax assessments. Nevertheless, IKB AG paid the corporation tax (*Körperschaftsteuer*) and the solidarity surcharge (*Solidaritätszuschlag*) thereon for 2009 in the amount of € 141 million (including interest) in total to mitigate late interest payments. A total of € 8 million (including interest) was reimbursed by the tax authorities as a result of the assessment of corrected tax returns for 2009 in the financial year 2016/2017. With respect to the trade tax base assessment (*Gewerbesteuerermessbescheid*) IKB AG was granted a suspension of enforcement (*Aussetzung der Vollziehung*) by the tax authorities upon its application. The trade tax and the associated interest are therefore not yet payable.

The tax authorities have withdrawn the appeals. Accordingly, IKB AG has filed two law suits (one for corporate and one for trade tax purposes) with the Düsseldorf Fiscal Court (*Finanzgericht*).

The dissenting view of the tax authorities relates to the methodology applied in offsetting the proportionate taxable losses of IKB AG against the taxable income of IKB Beteiligungen GmbH, an entity within the

German tax group of IKB AG. The relevant profits for the offsetting of taxable losses relate – inter alia – in particular to IVG Kavernen GmbH, which was acquired in the financial year 2008/2009 and merged into IKB Beteiligungen GmbH in the same financial year. In addition to this acquisition, there were other transactions in the financial years 2007/2008 and 2010/2011 in respect of which IKB AG is of the opinion that there was no so-called detrimental acquisition and sections 8c KStG/10a GewStG therefore did not apply. The main intention of the above-mentioned transactions was to increase regulatory equity of IKB Group. Nonetheless, IKB AG assumes that these transactions will still be subject to discussions with the tax authorities in the course of on-going tax audits (*Betriebsprüfungen*).

On 29 March 2017, the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled regarding Section 8c KStG for detrimental acquisitions (acquisitions with a change in ownership between 25% and 50%) that this section is incompatible with the German Constitution (*Grundgesetz*). In the opinion of IKB AG, the principles of this court decision should also be applicable to the above case, although this was an acquisition of more than 50% in the case of IKB AG, and the decision can therefore not be applied directly. Legislators also have the option of implementing a new tax regulation in line with the German Constitution retroactively by the end of 2018. In the meantime, the German Federal Constitutional Court was also asked regarding the constitutionality of the regulations for changes in ownerships of more than 50%. Therefore, the law suites of IKB AG were suspended, hence the matter is still unresolved.

For trade tax and the corresponding interest, no provisions have been recognised yet because IKB AG expects to be prevailing in the trade tax law suits. However, there is a possibility that this will need to be reassessed as proceedings continue. As per 30 September 2017, the risk relating to trade tax amounts to approximately € 109.6 million plus interest of 0.5% for each additional month and cost allocations for Chamber of Commerce and Industry membership fees in the amount of € 1.2 million. The potential interest rate risk amounts to € 41.8 million as at 30 September 2017 and approximately € 0.5 million for each additional month. If this risk occurs, this would have the following impact on the key financial performance indicators calculated as at 30 September 2017 (reflected as follows on a "fully-loaded basis"): the regulatory tier 1 ratio or Common Equity Tier 1 ratio would deteriorate by 1.0 percentage points at the level of the IKB Group and by 1.3 percentage points at the level of IKB AG, the leverage ratio would decline by 0.6 percentage points for the regulatory IKB Group and by 0.8 percentage points for IKB AG, the net income after taxes and before additions to / reversals of the fund for general banking risks (Section 340g German Commercial Code (*Handelsgesetzbuch*)) would decrease by € 152 million. There would be no impact on the liquidity coverage ratio or the liquidity ratio in accordance with Section 2 (1) of the German Liquidity Regulation (*Liquiditätsverordnung*).

In late April 2016, Aleanta GmbH (which is a wholly owned subsidiary of IKB AG without a profit transfer agreement and which is therefore not included in the income tax group) had received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities are intending to treat the retrospective merger of Olessa GmbH into Aleanta GmbH in the financial year 2010/11 as a case covered by Section 42 of the German Tax Code (*Abgabenordnung*). The tax audit is still in progress. Aleanta GmbH has commented on the matter and the current assessment of the tax audit. The maximum risk in connection with the aforementioned tax assessment amounts to around € 27 million in taxes plus interest amounting to approximately € 8.6 million as of 30 September 2017, and additional Chamber of Commerce and Industry contributions of € 0.2 million; no provisions have been recognised yet because IKB AG expects to be prevailing in the tax law suit. An appeal will be filed if necessary.

In case any of the risks described above should materialize, this could have material adverse effects on IKB AG's financial condition.

*Reputation risk could cause harm to IKB AG and its business prospects.*

Reputation risk is the risk of negative perception by IKB AG's stakeholders (e.g. customers, counterparties, shareholders, investors, depositors, market analysts, rating agencies, employees, other relevant stakeholders or regulatory authorities) that could result in losses, falling income, rising costs, reduced equity or falling liquidity by, for example, adversely affecting IKB AG's ability to conduct existing or new business, maintain customer relationships or make use of sources of refinancing (e.g. the interbank or securitisation market), either now or in the future.

Reputation risks frequently result from other types of risk and compound these as a result of their public impact.

It is generally not possible to quantify the probability and the consequences of the occurrence of a reputation risk.

*IKB AG could fail to retain or attract senior management or other key employees.*

A significant number of jobs is affected by reduction and reorganisation due to subsequent restructuring of IKB AG. However, there is a possibility that highly qualified employees outside of the scope of the redundancy scheme may leave IKB AG. The failure to attract or retain a sufficient number of appropriately skilled personnel could prevent IKB AG from successfully achieving a natural staff turnover, which could have a material adverse effect on its financial condition and results of operations.

*Loss of customers' confidence.*

IKB AG is dependent on the confidence of its customers in the banking system and the business of IKB AG. A loss of confidence may cause increased deposit withdrawals which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

*Acquisition risks.*

IKB AG may have difficulty in identifying and executing acquisitions, and both making acquisitions and avoiding them could materially harm the Issuer's results of operations. In case of the sale of business from IKB AG this could result in the loss of business opportunities and of management personnel as well as reduced access to management personnel. This could have an adverse effect on the Issuer's financial strength and its possibility to make payments under the Notes. This may also be the case if IKB AG becomes the target of an acquisition.

*Risks stemming from intense competition.*

Intense competition, in IKB AG's home as well as international markets, and the risk that the strategy IKB AG uses to address competitive pressure may not be successful, could materially adversely impact IKB AG's revenues and profitability and could therefore negatively affect the possibility to make payments under the Notes.

*The interests of LSF6 as sole shareholder may conflict with the interests of the Holders of the Notes.*

LSF6 is the sole shareholder of IKB AG. As a result, LSF6 has and will continue to have, directly or indirectly, the power, among other things, to affect the legal and capital structure of IKB AG. This may also have an impact on the possibility to raise new equity. The interests of LSF6 may conflict with the interests of the Holders and may therefore negatively affect the possibility to make payments under the Notes.

## **Risk Factors related to the structure of the Notes**

*The following is a disclosure of risks that are material to the Notes in order to assess the market risk associated with these Notes. Prospective investors should consider these risks before deciding to purchase Notes.*



**The Notes may not be a suitable investment for all investors**

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- (ii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iii) understand thoroughly the terms of the relevant Notes and be familiar with the impact changing market conditions may have on its investment; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, rate of interest and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to understand how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**Legality of Purchase**

Neither IKB AG nor any of its affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different) or for compliance by that prospective purchaser with any laws, regulation or regulatory policy applicable to it. A prospective purchaser may not rely on the Issuer, the Sole Bookrunner or financial intermediaries or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes.

**Liquidity Risk**

There is currently no secondary market for the Notes. Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF. There can, however, be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue until the redemption of the Notes. In an illiquid market, an investor may not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

**Currency Risk**

The Notes are denominated in EUR. If such currency represents a foreign currency to a Holder, such Holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes measured in the Holder's currency. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

**Clearing System**

Because the Global Notes are held by or on behalf of the clearing system, investors will have to rely on the clearing system's procedures for transfer, payment and communication with the Issuer.

Investors will not be entitled to receive definitive Notes. The clearing system will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through the clearing system.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the clearing system for distribution to its account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the clearing system to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the respective clearing system to appoint appropriate proxies.

### **Risk of Early Redemption**

The Notes will be redeemed on 31 January 2028, unless they have been previously redeemed or repurchased and cancelled. The Issuer is under no obligation to redeem the Notes at any time before this date. The Holders have no right to call for their redemption. At the Issuer's option and subject to the approval of the competent regulatory authority (if required), the Notes may be redeemed pursuant to the Terms and Conditions (i) if the Issuer is required to pay Additional Amounts (as defined in Condition 7), or (ii) if as a result of any amendment or supplement to, or change in, the Applicable Regulations (as defined in Condition 2) which are in effect as of the Issue Date the Notes are fully or partially derecognised from the Tier 2 capital (as defined in the Applicable Regulations) of the Issuer or the Issuer together with its consolidated subsidiaries, or (iii) on the call redemption date which is 31 January 2023. In the event that the Issuer exercises the option to call and redeem the Notes, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

The redemption at the option of the Issuer may affect the market value of the Notes. During any period when the Issuer may, or may be perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. Certain market expectations may exist among investors in the Notes with regard to the Issuer making use of a right to call the Notes for redemption prior to maturity. Should the Issuer's actions diverge from such expectations, the market value of the Notes and the development of an active public market may be adversely affected.

Furthermore, if the Issuer redeems the Notes prior to maturity, a Holder is exposed to the risk that due to early redemption his investment may have a lower than expected yield. Depending on the prevailing market conditions at the time of the early redemption, the investor may only be in a position to reinvest the redemption amount in securities with a lower yield.

### **Write Down and Conversion**

The SAG – which is the transposition into German law of the EU framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU, the "**Bank Recovery and Resolution Directive**" or "**BRRD**") – may result in claims for payment of principal, interest or other amounts under the Notes being subject to a conversion into one or more instruments that constitute Common Equity Tier 1 ("**CET 1**") capital for the Issuer, such as ordinary shares, or other instruments of ownership or a permanent reduction, including to zero, by intervention of the competent resolution authority; further, the terms of the Notes may be varied (e.g. the variation of maturity or the abolition of existing termination rights). Each of these measures is hereinafter referred to as a "**Regulatory Write Down and Conversion**". The Holders would have no claim against the Issuer in such a case and there would be no obligation of the Issuer to make payments under the Notes. At the point of non-viability (PONV), a write down and/or conversion of capital

instruments could occur. This is the case if the resolution conditions (as defined under the SAG) are met or are deemed to be met (this includes situations in which extraordinary public financial support is required) by the competent supervisory authority. The same may apply if the resolution conditions (as defined under the SAG) are met or are deemed to be met (this includes situations in which extraordinary public financial support is required) by the competent supervisory authority with respect to IKB Group. The Holder should consider the risk that he may lose all of his investment, including the principal amount plus any accrued interest if such Regulatory Write Down and Conversion occurs. The resolution authority will have to exercise its power in a way that results in (i) Common Equity Tier 1 capital instruments (such as ordinary shares of the Issuer) being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (Additional Tier 1 instruments and subsequently Tier 2 instruments – such as any Subordinated Notes issued under this Prospectus) being written down on a permanent basis or converted into Common Equity Tier 1 instruments or other instruments of ownership in accordance with their order of priority ((i) and (ii) together a write down and/or conversion of capital instruments) and (iii) thereafter, eligible liabilities ("bail-in" resolution tool) being converted into Common Equity Tier 1 instruments or other instruments of ownership or written down on a permanent basis in accordance with a set order of priority. The extent to which the principal amount of the Notes may be subject to a Regulatory Write Down and Conversion will depend on a number of factors that are outside the Issuer's control, and it will be difficult to predict when, if at all, a Regulatory Write Down and Conversion will occur. Potential investors should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if a Regulatory Write Down and Conversion occurs. Before any resolution tool (including the bail-in resolution tool) is being used, the resolution authority is required to write down Common Equity Tier 1 instruments in full and, in a second step, to write down in full Additional Tier 1 and Tier 2 instruments or to convert them into Common Equity Tier 1 instruments or other instruments of ownership. Thus, resolution tools will only be applied after a write down and/or conversion of relevant capital instruments has taken place.

If the resolution conditions are met or deemed to be met (this includes situations in which extraordinary public financial support is required), the competent resolution authority may after having applied the Regulatory Write Down and Conversion apply - alternatively or additionally to a bail-in - other resolution tools, i.e. the sale of business tool, the bridge institution tool or the asset separation tool. This would include a transfer order pursuant to which the Issuer would be forced to transfer assets and liabilities in whole or in part to an acquirer and / or the Issuer's shareholders would be forced to transfer their shares in IKB in whole or in part to an acquirer, a so-called bridge bank or an asset management company. In the context of a transfer order, the Issuer as initial debtor of the Notes may be replaced by another debtor (which may have a fundamentally different risk tolerance or creditworthiness than the Issuer). Alternatively, the claims may remain towards the initial debtor (i.e. the Issuer), but the situation regarding the debtor's assets, business activity and/or creditworthiness may not be identical to the situation prior to the transfer order; in such a scenario the initial debtor (i.e. the Issuer) will be liquidated. In such scenarios the Holders may suffer substantial losses or even a total loss.

Financial public support would only be used as a last resort if and in case the application of the Regulatory Write Down and Conversion and the resolution tools, including the conversion and reduction of claims to the maximum extent practicable, has turned out to be not sufficient.

Further, the market value of the Notes may be affected by a perceived increase in expectation of application of the Regulatory Write Down and Conversion or the resolution tools by the competent resolution authority.

The KWG (as amended by the Resolution Mechanism Act; (*Abwicklungsmechanismusgesetz*; "**AbwMechG**")) provides, inter alia, that, in the event of an insolvency proceeding, certain senior unsecured debt instruments (as the Notes) (excluding debt instruments whose payoff (i) is contingent on the occurrence or non-occurrence of a future uncertain event other than the evolution of a reference interest rate, or (ii) is

settled other than by way of a money payment) shall by operation of law only be satisfied after any and all other non-subordinated obligations of the Issuer have been fully satisfied. As a consequence, a larger loss share will be allocated to these instruments in an insolvency or Regulatory Write Down and Conversion scenario.

### **Resettable Fixed Rate Notes**

The Notes bear interest at a fixed rate to but excluding the Reset Date. The Holders are therefore exposed to the risk that the price of the Notes fall as a result of changes in the market rate of interest. While the rate of interest of the Notes is fixed during the life of the Notes, the current rate of interest in the capital markets ("**Market Rate of Interest**") typically changes on a daily basis. As the Market Rate of Interest changes, the price of Notes also changes, but in the opposite direction. If the Market Rate of Interest increases, the price of the Notes typically falls, until the yield of the Notes is approximately equal to the Market Rate of Interest. If the Market Rate of Interest falls, the price of the Notes typically increases, until the yield of the Notes is approximately equal to the Market Rate of Interest. Holders should be aware that movements of the market yield can adversely affect the price of the Notes and can lead to losses for the Holders.

From and including the Reset Date to but excluding the Maturity Date, the Notes bear interest at a rate which will be determined on the second Business Day prior to the Reset Date at a rate equal to the 5-year Mid-Swap Rate (as defined in Condition 3) plus a margin.

Investors should be aware that the performance of the 5-year Mid-Swap Rate and the interest income on the Notes cannot be anticipated and neither the current nor the historical level of the 5-year Mid-Swap Rate is an indication of the future development of the 5-year Mid-Swap Rate. Due to varying interest income, investors are not able to determine a definite yield of the Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

### **Benchmarks**

The reset rate of interest may be calculated on the basis of the annual mid-swap rate for Euro swap transactions, which may qualify as a benchmark (the "**Benchmark**") within the meaning of Regulation (EU) 2016/1011 of the European Parliament and of the Council dated 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmark Regulation**") most provisions of which will apply from 1 January 2018. According to the Benchmark Regulation, a Benchmark may not be used if its administrator does not obtain authorisation or is not registered and in case of an administrator which is based in a non-EU jurisdiction, if the administrator's legal benchmark system is not considered equivalent (Art. 30 Benchmark Regulation), the administrator is not recognised (Art. 32 Benchmark Regulation) or the Benchmark is not endorsed (Art. 33 Benchmark Regulation) (subject to applicable transitional provisions). Consequently, it might not be possible to further reference the Benchmark as reference interest rate of the Notes. In such event the Notes could be adjusted or otherwise impacted.

Any changes to a Benchmark as a result of the Benchmark Regulation could have a material adverse effect on the costs of refinancing a Benchmark or on the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with the Benchmark Regulation. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks, adversely affect the performance of a Benchmark or lead to the disappearance of certain Benchmarks. Potential investors should

be aware that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Notes.

#### **No limitation on issuing further debt and guarantees**

There is no restriction on the amount of debt or guarantees which the Issuer may issue ranking equal with or senior to the obligations under or in connection with the Notes. Such issuance of further debt and guarantees may reduce the amount recoverable by the Holders upon insolvency or winding-up of the Issuer.

#### **Subordination**

The Notes are intended to qualify as Tier 2 instruments within the meaning of Art. 63 CRR.

The obligations of the Issuer constitute unsecured and subordinated obligations. In the event of the dissolution (*Auflösung*), liquidation (*Liquidation*), insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations arising under the Notes will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts shall be payable under such obligations until the claims of all unsubordinated creditors of the Issuer shall have been satisfied in full.

No Holder shall be entitled to set off any claims arising under the Notes against any claims that the Issuer may have against it. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under the Notes.

No subsequent agreement may limit the subordination or amend the maturity of the Notes to any earlier date or shorten any applicable notice period (*Kündigungsfrist*). If the Notes are redeemed before the Maturity Date otherwise than in the circumstances described in the Terms and Conditions or repurchased by the Issuer (otherwise than in accordance with the CRR and all applicable statutory provisions), then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary, unless the relevant regulatory authority for the Issuer has approved such early redemption or repurchase.

Holders will be particularly concerned by write down and conversion measures. The Notes will be drawn upon to cover losses by way of conversion or write-down prior to any loss allocation to non-subordinated notes and other subordinated notes not qualifying as Tier 2 instruments within the meaning of Art. 63 CRR. Further, they may already be drawn upon to cover losses as Tier 2 instruments by way of conversion or write-down when there is a mere imminent risk of breach of the regulatory capital requirements as a resolution measure if the Issuer becomes, or is deemed by the competent supervisory authority to have become, "non-viable" (as defined under the then applicable law, including – inter alia – the situation when regulatory capital requirements as part of the overall licensing requirements are not fulfilled by the Issuer) and unable to continue its regulated activities without such conversion or write-down or without a public sector injection of capital. Holders are thus exposed to the risk of (total) loss of their capital far ahead of an actual insolvency scenario. Further, it is to be expected that the prices of Notes will be much more sensitive to changes in the Issuer's credit-worthiness.

#### **No express Events of Default**

The Holders should be aware that the Terms and Conditions do not contain any express events of default provision that would allow Holders to accelerate the Notes in case of the occurrence of an event of default. Upon a payment default relating to any obligations under the Notes, the sole remedy available to Holders for recovery of amounts owing in respect of any such payment will be the institution of proceedings to enforce such payment.

#### **Risks in connection with the application of the German Act on Issues of Debt Securities**

A Holder is subject to the risk of being outvoted and of losing rights against the Issuer against his will in the case that Holders agree pursuant to the Terms and Conditions to amendments of the Terms and Conditions by majority vote according to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen-SchVG*). In the case of an appointment of a Holders' representative for all Holders a particular Holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other Holders.

**The market value of the Notes could decrease if the creditworthiness of the Issuer worsens**

If the likelihood decreases that the Issuer will be in a position to fully perform all obligations under the Notes when they fall due, for example, because of the materialisation of any of the risks regarding the Issuer, the market value of the Notes will fall. In addition, even if the likelihood that the Issuer will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception. Furthermore, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Issuer could adversely change. If any of these risks materialises, third parties would only be willing to purchase Notes for a lower price than before the materialisation of mentioned risk. Under these circumstances, the market value of the Notes will decrease.

**Market volatility and other factors**

The trading market for debt securities may be volatile and may be adversely impacted by many events. The market for debt securities is influenced by economic and market conditions in Germany and, to varying degrees, by market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialised countries. There can be no assurance that events in Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes. Holders also bear the risk that economic and market conditions will have any other adverse effect on the trading pattern and the market value of the Notes.

**Legal investment considerations may restrict certain investors to acquire the Notes**

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**Transaction costs**

Transaction costs reduce the yield an investor will realize on the investment in the Notes. When Notes are purchased, several types of incidental costs (including transaction fees and commissions) are incurred and will have to be paid by the buyer in addition to the then prevailing market price. Similarly, when a Holder sells any Notes, such incidental costs will reduce the actual price the Holder will receive for each Note sold. These incidental costs may significantly reduce or even exclude the profit potential of an investment in the Notes. For instance, credit institutions as a rule charge their clients commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic banks or brokers in foreign markets, Holders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), Holders must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Holders must further take into account that upon sales or purchases of Notes prior to an interest payment date (depending on their type and features), respectively, no accrued interest might be paid or charged, as the case may be.

#### **Margin lending**

Margin lending, where it is permitted, can materially increase the risk to a Holder of incurring losses. If a loan is used to finance the acquisition of the Notes and the Notes subsequently go into default, or if the trading price diminishes significantly, the Holder not only has to face a potential loss on its investment, but it will also still have to repay the loan and pay interest thereon. This may significantly increase the risk of a loss. Investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction. Instead, investors should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, or to repay the loan on demand, even if they face losses on such investment.

#### **Gross-up only on interest payments**

The Terms and Conditions only provide for the payment of additional amounts in case of a withholding or deduction in relation to a payment of interest but not to a payment of principal.

#### **Risks in connection with a potential rating**

The Notes and the Issuer are not rated. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of IKB AG's financings and could adversely affect the value and trading of the Notes.

## **RESPONSIBILITY STATEMENT**

The Issuer accepts responsibility for the information contained in this Prospectus and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer further confirms that (i) this Prospectus contains all relevant information with respect to the Issuer as well as to IKB Group and to the Notes which is material in the context of the issue and offering of the Notes, including all relevant information which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and its consolidated subsidiaries and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, IKB Group and the Notes are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, IKB Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.



## TERMS AND CONDITIONS OF THE NOTES

### ANLEIHEBEDINGUNGEN (VERBINDLICHE DEUTSCHSPRACHIGE FASSUNG)

#### § 1

#### WÄHRUNG, FESTGELEGTE STÜCKELUNG, FORM, EINZELNE DEFINITIONEN

(1) *Währung; Festgelegte Stückelung.* Diese Tranche der Schuldverschreibungen (die "**Schuldverschreibungen**" oder jeweils eine "**Schuldverschreibung**") der IKB Deutsche Industriebank Aktiengesellschaft (die "**Emittentin**") wird in Euro (die "**Festgelegte Währung**") im Gesamtnennbetrag von Euro 300.000.000 (in Worten: Euro dreihundert Millionen) mit einer festgelegten Stückelung von Euro 100.000 (die "**Festgelegte Stückelung**") begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber und sind durch eine oder mehrere Globalurkunden verbrieft (jede eine "**Globalurkunde**").

(3) *Vorläufige Globalurkunde – Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**Vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde wird gegen Schuldverschreibungen in der Festgelegten Stückelung, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die Vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die eigenhändigen oder faksimilierten Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und sind jeweils von der

### TERMS AND CONDITIONS OF THE NOTES (NON-BINDING ENGLISH LANGUAGE VERSION)

#### § 1

#### CURRENCY, SPECIFIED DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Specified Denomination.* This tranche of Notes (the "**Notes**" or each a "**Note**") of IKB Deutsche Industriebank Aktiengesellschaft (the "**Issuer**") is being issued in Euro (the "**Specified Currency**") in the aggregate principal amount of Euro 300,000,000 (in words: Euro three hundred million) with a specified denomination of Euro 100,000 (the "**Specified Denomination**").

(2) *Form.* The Notes are in bearer form and are represented by one or more global notes (each a "**Global Note**").

(3) *Temporary Global Note – Exchange.*

(a) The Notes are initially represented by a temporary Global Note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed manually or in facsimile by two authorised signatories of the Issuer and shall each be authenticated by or on behalf of the Initial Paying Agent. Definitive Notes and interest coupons will not be issued.

Anfänglichen Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

- (b) Die Vorläufige Globalurkunde wird an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde ausgetauscht, der nicht früher als 40 Tage und nicht später als 180 Tage nach dem Tag der Ausgabe der Vorläufigen Globalurkunde liegt. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die Vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S. Person ist oder U.S. Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine Vorläufige Globalurkunde verbriefte Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der Vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt werden, diese Vorläufige Globalurkunde gemäß Absatz (b) dieses § 1 Absatz 3 auszutauschen. Wertpapiere, die im Austausch für die Vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten zu liefern. Für die Zwecke dieses Absatzes 3 bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

- (b) The Temporary Global Note shall be exchanged for the Permanent Global Note on a date (the "**Exchange Date**") not earlier than 40 days and not later than 180 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is or are not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a request to exchange such Temporary Global Note pursuant to this subparagraph (b) of this § 1 (3). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States. For purposes of this subparagraph (3), "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Clearingsystem*. Die die Schuldverschreibungen jeweils verbriefende Vorläufige Globalurkunde und Dauerglobalurkunde werden von Clearstream Banking AG, Mergenthaler Allee 61, 65760 Eschborn, Bundesrepublik Deutschland oder einem Funktionsnachfolger (das "**Clearingsystem**") verwahrt.

(5) *Gläubiger von Schuldverschreibungen*. "**Gläubiger**" bezeichnet jeden Inhaber eines Miteigentumsanteils, wirtschaftlichen Eigentumsrechts oder anderen vergleichbaren Rechts an der Globalurkunde.

(6) *Geschäftstag*. "**Geschäftstag**" bezeichnet einen Tag (außer einem Samstag oder Sonntag), an dem (i) das Clearingsystem und (ii) das Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET 2) betriebsbereit sind, um Zahlungen abzuwickeln, sowie (iii) Geschäftsbanken in Düsseldorf für Geschäfte (einschließlich Devisen- und Sortengeschäfte) geöffnet sind.

## § 2 STATUS

(1) *Status*. Die Schuldverschreibungen sollen gemäß den Anwendbaren Vorschriften (wie nachstehend definiert) bankaufsichtsrechtliche Eigenmittel in Form von Ergänzungskapital (Tier 2 Kapital) darstellen.

Die Schuldverschreibungen begründen unmittelbare, nicht besicherte, unbedingte und nachrangige Verbindlichkeiten der Emittentin, die untereinander gleichrangig sind und mit allen anderen nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit nicht gesetzliche Vorschriften oder die Bedingungen anderer Verbindlichkeiten eine andere Regelung

(4) *Clearing System*. Each of the Temporary Global Note and the Permanent Global Note representing the Notes will be kept in custody by Clearstream Banking AG, Mergenthaler Allee 61, 65760 Eschborn, Federal Republic of Germany, or any successor in such capacity (the "**Clearing System**").

(5) *Holder of Notes*. "**Holder**" means any holder of a co-ownership interest, beneficial interest or other comparable right in the Global Note.

(6) *Business Day*. "**Business Day**" means a day (other than a Saturday or a Sunday) on which (i) the Clearing System and (ii) the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET 2) are open to settle payments as well as (iii) commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in Düsseldorf.

## § 2 STATUS

(1) *Status*. The Notes shall constitute regulatory capital in the form of Tier 2 Capital according to the Applicable Regulations (as defined below).

The Notes constitute direct, unsecured, unconditional and subordinated obligations of the Issuer and rank pari passu among themselves and pari passu with all other subordinated obligations of the Issuer, except as otherwise provided by applicable law or the terms of any such other obligations.

vorsehen.

Im Falle der Liquidation oder der Insolvenz der Emittentin gehen die Forderungen der Anleihegläubiger aus den Schuldverschreibungen den Forderungen aller nicht nachrangigen Gläubiger der Emittentin vollständig im Rang nach.

Die Forderungen aus den Schuldverschreibungen sind jedoch vorrangig zu all jenen nachrangigen Forderungen gegen die Emittentin, die gemäß ihren Bedingungen oder Kraft Gesetzes gegenüber den Forderungen aus den Schuldverschreibungen nachrangig sind oder ausdrücklich im Rang zurücktreten, und vorrangig zu den Forderungen der Inhaber von Instrumenten des zusätzlichen Kernkapitals der Emittentin gemäß Art. 52 ff. der CRR.

Kein Gläubiger ist berechtigt, mit Ansprüchen aus den Schuldverschreibungen gegen Ansprüche der Emittentin aufzurechnen. Den Gläubigern wird für ihre Rechte aus den Schuldverschreibungen weder durch die Emittentin noch durch Dritte irgendeine Sicherheit oder Garantie gestellt; eine solche Sicherheit oder Garantie wird auch zu keinem späteren Zeitpunkt gestellt werden.

**"Anwendbare Vorschriften"** bezeichnet die jeweils gültigen, sich auf die Kapitalanforderungen der Emittentin und/oder der Emittentin und ihrer konsolidierten Tochtergesellschaften beziehenden Vorschriften des Bankenaufsichtsrechts (insbesondere das Kreditwesengesetz und die Verordnung (EU) 575/2013 des Europäischen Parlaments und des Rates über Aufsichtsanforderungen an Kreditinstitute und Wertpapierfirmen vom 26. Juni 2013 in der jeweils gültigen Fassung (die "CRR")) und der darunter fallenden Verordnungen und sonstigen Vorschriften (einschließlich der jeweils geltenden Leitlinien

In the event of the Issuer's liquidation or insolvency, any claims of the Holders under the Notes will be wholly subordinated to the claims of all unsubordinated creditors of the Issuer.

The claims under the Notes shall, however, rank senior to all subordinated claims against the Issuer that pursuant to their terms or under applicable law rank, or are expressed to rank, subordinated to the claims under the Notes and rank senior to the claims of the holders of Additional Tier 1 instruments of the Issuer pursuant to Art. 52 et seq. of the CRR.

No Holder shall be entitled to set off any claims arising under the Notes against any claims that the Issuer may have against it. No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Holders under such Notes.

**"Applicable Regulations"** means the relevant provisions of bank regulatory laws (including, without limitation, the German Banking Act (*Kreditwesengesetz* – "KWG") and the Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, dated 26 June 2013, as amended (the "CRR")) and any regulations and other rules thereunder applicable from time to time (including the guidelines and recommendations of the European Banking Authority, as applicable and as amended, the administrative practice of the Federal Financial Supervisory Authority

und Empfehlungen der Europäischen Bankenaufsichtsbehörde, der Verwaltungspraxis der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) oder einer anderen zuständigen Behörde, welche deren Aufsichtsaufgaben übernommen hat, den einschlägigen Entscheidungen der Gerichte und den anwendbaren Übergangsbestimmungen).

(2) *Nachträgliche Änderungen des Ranges und der Laufzeit sowie von Kündigungsfristen.* Nachträglich können der Nachrang gemäß § 2 Absatz 1 nicht beschränkt sowie die Laufzeit der Schuldverschreibungen und jede anwendbare Kündigungsfrist nicht verkürzt werden. Werden die Schuldverschreibungen vorzeitig unter anderen als den in § 2 Absatz 1 beschriebenen Umständen oder infolge einer vorzeitigen Kündigung nach Maßgabe von § 5 Absatz 2 oder § 5 Absatz 3 oder § 5 Absatz 4 zurückgezahlt oder von der Emittentin zurückerworben, so ist der zurückgezahlte oder gezahlte Betrag der Emittentin ohne Rücksicht auf entgegenstehende Vereinbarungen zurückzugewähren, sofern nicht die für die Emittentin zuständige Aufsichtsbehörde der vorzeitigen Rückzahlung oder dem Rückkauf zugestimmt hat. Eine Kündigung oder Rückzahlung der Schuldverschreibungen nach Maßgabe von § 5 oder ein Rückkauf der Schuldverschreibungen vor Endfälligkeit ist in jedem Fall nur mit vorheriger Zustimmung der für die Emittentin zuständigen Aufsichtsbehörde zulässig, soweit eine solche nach den jeweils geltenden gesetzlichen Bedingungen erforderlich ist.

### **§ 3 ZINSEN**

(1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren

(*Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin"*) or any other or successor supervisory authority which has succeeded to the supervisory functions of BaFin, and any applicable court decisions and any applicable transitional provisions), as applicable with respect to the capital requirements of the Issuer and/or to the Issuer together with its consolidated subsidiaries from time to time.

(2) *Subsequent Modifications of the Subordination and the Maturity as well as any Notice Period.* No subsequent agreement may limit the subordination pursuant to the provisions set out in § 2 (1) or amend the maturity of the Notes to any earlier date or shorten any applicable notice period (*Kündigungsfrist*). If the Notes are redeemed early otherwise than in the circumstances described in § 2 (1) or pursuant to an early termination pursuant to § 5 (2) or § 5 (3) or § 5 (4) or repurchased by the Issuer, then the amounts redeemed or paid must be returned to the Issuer irrespective of any agreement to the contrary, unless the relevant regulatory authority for the Issuer has approved such early redemption or repurchase. In any case, the termination or redemption of the Notes pursuant to § 5 or the repurchase of the Notes prior to maturity is only admissible after obtaining prior approval of the relevant regulatory authority for the Issuer, provided that such approval is required pursuant to the applicable statutory provisions.

### **§ 3 INTEREST**

(1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on the basis of their

ausstehenden Gesamtnennbetrag verzinst, und zwar (i) ab dem 31. Januar 2018 (der "**Verzinsungsbeginn**") (einschließlich) bis zum Reset-Termin (ausschließlich) mit 4,00 % *per annum* und (ii) ab dem Reset-Termin (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz 1 definiert) (ausschließlich) mit dem Reset-Zinssatz.

Die Zinsen sind nachträglich am 31. Januar eines jeden Jahres zahlbar (jeweils ein "**Zinszahlungstag**"). Die erste Zinszahlung erfolgt am 31. Januar 2019 und die letzte Zinszahlung erfolgt am 31. Januar 2028. An jedem Zinszahlungstag bis zum Reset-Termin (einschließlich) werden Zinsen in Höhe von Euro 4.000 je Schuldverschreibung gezahlt.

Zinszahlungstage unterliegen einer Anpassung in Übereinstimmung mit den in § 4 Absatz 4 enthaltenen Bestimmungen.

## (2) Definitionen.

Der "**5-Jahres Mid-Swapsatz**" wird von der Berechnungsstelle am Reset-Zinssatz-Bestimmungstag bestimmt und bezeichnet (i) die ICE Swap Rate, oder (ii) falls die ICE Swap Rate am Reset-Zinssatz-Bestimmungstag nicht zu dem maßgeblichen Zeitpunkt auf der Bildschirmseite angezeigt wird, den Reset-Referenzbankensatz.

"**Bildschirmseite**" bezeichnet die Bildschirmseite auf dem jeweiligen Reuters Informationsdienst, die als "ICESWAP2" unter der Überschrift "EURIBOR BASIS" bezeichnet wird, oder jede Nachfolgeside dieser Bildschirmseite bei diesem Informationsdienst oder einem vergleichbaren Informationsdienst, der von der Person, die die Informationen bereitstellt, oder als Sponsor betreut, bestimmt wurde, der ICE Swap Rate entsprechende oder damit vergleichbare Sätze anzuzeigen.

outstanding aggregate principal amount (i) at the rate of 4.00 per cent. *per annum* from (and including) 31 January 2018 (the "**Interest Commencement Date**") to (but excluding) the Reset Date, and (ii) at the Reset Rate of Interest from (and including) the Reset Date to (but excluding) the Maturity Date (as defined in § 5 (1)).

Interest shall be payable in arrear on 31 January in each year (each such date, an "**Interest Payment Date**"). The first payment of interest shall be made on 31 January 2019 and the last payment of interest shall be made on 31 January 2028. On each Interest Payment Date to (and including) the Reset Date interest in the amount of Euro 4,000 will be paid per Note.

Interest Payment Dates are subject to an adjustment in accordance with the provisions set out in § 4 (4).

## (2) Definitions.

The "**5-year Mid-Swap Rate**" will be determined by the Calculation Agent on the Reset Rate of Interest Determination Date and means (i) the ICE Swap Rate, or (ii) if the ICE Swap Rate does not appear on the Screen Page at the relevant time on the Reset Rate of Interest Determination Date, the Reset Reference Bank Rate.

"**Screen Page**" means the display page on the relevant Reuters information service designated as the "ICESWAP2" page or such other page under the heading "EURIBOR BASIS" as may replace it on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the ICE Swap Rate.

**"ICE Swap Rate"** bezeichnet den jährlichen Mid-Swapsatz für Euro-Swap-Transaktionen mit einer Laufzeit von 5 Jahren beginnend mit dem Reset-Termin, ausgedrückt als Prozentsatz, der auf der Bildschirmseite um 11.00 Uhr (Ortszeit in Frankfurt am Main) erscheint.

**"Marge"** bezeichnet 3,617 % *per annum*.

**"Mid-market Jahres-Swapsatz"** bezeichnet das arithmetische Mittel der Geld- und Briefkurse für den jährlichen festverzinslichen Teil, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-für-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 5 Jahren beginnend mit dem Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swap-Markt abgeschlossen wurde, wobei der variable Teil, auf dem 6-Monats-EURIBOR-Satz (berechnet auf der Grundlage der Anzahl der in einem Jahr mit 360 Tagen tatsächlich abgelaufenen Anzahl von Tagen) basiert.

**"Referenzbanken"** bezeichnet fünf im Euro-Interbankenmarkt führende Swap-Händler, die von der Berechnungsstelle ausgewählt wurden.

**"Repräsentative Höhe"** bezeichnet die Höhe einer einzelnen Transaktion, die zur jeweiligen Zeit im Swap-Markt typisch ist.

Der **"Reset-Referenzbankensatz"** bezeichnet den auf Basis der Quotierungen für Mid-market Jahres-Swapsätze, die von den Referenzbanken um ungefähr 11.00 Uhr (Ortszeit in Frankfurt am Main) am Reset-Zinssatz-Bestimmungstag zur Verfügung gestellt werden, festgestellten Prozentsatz. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils eine Quotierung ihres Satzes nachfragen. Falls zumindest vier Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankensatz das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel

**"ICE Swap Rate"** means the annual mid-swap rate for Euro swap transactions having a maturity of 5 years commencing on the Reset Date, expressed as a percentage, which appears on the Screen Page as of 11:00 a.m. (Frankfurt am Main time).

**"Margin"** means 3.617 per cent. *per annum*.

**"Mid-market Annual Swap Rate"** means the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term of 5 years commencing on the Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, is based on the 6-months-EURIBOR rate (calculated on the basis of the actual number of days elapsed in a 360-day year).

**"Reference Banks"** means five leading swap dealers in the Euro interbank market as selected by the Calculation Agent.

**"Representative Amount"** means an amount that is representative for a single transaction in the swap market at the relevant time.

**"Reset Reference Bank Rate"** means a percentage determined on the basis of the quotations of the Midmarket Annual Swap Rates provided by the Reference Banks at approximately 11:00 a.m. (Frankfurt am Main time) on the Reset Rate of Interest Determination Date. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least four quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded

Prozent, wobei 0,0005 aufgerundet wird) der Quotierungen, bereinigt um die höchste Quotierung (oder, falls mehrere Quotierungen gleich hoch sind, eine der höchsten) und die niedrigste Quotierung (oder, falls mehrere Quotierungen gleich niedrig sind, eine der niedrigsten). Falls zwei oder drei Quotierungen zur Verfügung gestellt werden, ist der Reset-Referenzbankensatz das arithmetische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Quotierungen. Falls lediglich eine Quotierung oder keine Quotierung zur Verfügung gestellt wird, entspricht der Reset-Referenzbankensatz der letzten ICE Swap Rate, die auf der Bildschirmseite verfügbar ist, wie von der Berechnungsstelle festgestellt.

**"Reset-Termin"** bezeichnet den Zinszahlungstag, der auf den 31. Januar 2023 fällt.

**"Reset-Zinssatz"** ist die Summe aus (i) dem 5-Jahres Mid-Swapsatz und (ii) der Marge. Der Reset-Zinssatz beträgt in jedem Fall mindestens null, d.h. ein negativer Reset-Zinssatz ist ausgeschlossen.

**"Reset-Zinssatz-Bestimmungstag"** ist der zweite Geschäftstag vor dem Reset-Termin.

(3) *Auflaufende Zinsen.* Der Zinslauf der Schuldverschreibungen endet mit Beginn des Tages, an dem sie zur Rückzahlung fällig werden.

(4) *Bestimmung des Reset-Zinssatzes.* Die Berechnungsstelle wird den Reset-Zinssatz am Reset-Zinssatz-Bestimmungstag feststellen und veranlassen, dass der Reset-Zinssatz der Emittentin, der Anfänglichen Zahlstelle oder jeder anderen Zahlstelle und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung verlangen, sowie den Gläubigern gemäß § 13

upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If two or three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the quotations. If only one quotation or no quotation is provided, the Reset Reference Bank Rate will be equal to the last ICE Swap Rate available on the Screen Page as determined by the Calculation Agent.

**"Reset Date"** means the Interest Payment Date falling on 31 January 2023.

**"Reset Rate of Interest"** means the sum of (i) the 5-year Mid-Swap Rate, and (ii) the Margin. The Reset Rate of Interest shall be at least zero, i.e. the Reset Rate of Interest will never be negative.

**"Reset Rate of Interest Determination Date"** means the second Business Day prior to the Reset Date.

(3) *Accrual of Interest.* The Notes shall cease to bear interest as from the beginning of the day on which they are due for redemption.

(4) *Determination of the Reset Rate of Interest.* On the Reset Rate of Interest Determination Date, the Calculation Agent will determine the Reset Rate of Interest and will cause the Reset Rate of Interest to be notified to the Issuer, the Initial Paying Agent or any other relevant Paying Agent and, if required by the rules of any stock exchange on which the Notes are then listed, to such stock exchange and to the Holders in



baldmöglichst nach Feststellung, aber keinesfalls später als am vierten auf die Feststellung folgenden Geschäftstag mitgeteilt werden.

(5) *Berechnung der Zinsen für Teile von Zeiträumen.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung des betreffenden Zinsbetrags auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

(6) *Zinstagequotient.* **"Zinstagequotient"** bezeichnet im Hinblick auf die Berechnung des Zinsbetrags auf die Schuldverschreibungen für einen beliebigen Zeitraum (der **"Zinsberechnungszeitraum"**):

1. wenn der Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieser Periode) kürzer ist als die Feststellungsperiode, in die das Ende des Zinsberechnungszeitraums fällt, oder ihr entspricht, die Anzahl der Tage in dem betreffenden Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieser Periode) geteilt durch das Produkt aus (1) der Anzahl der Tage in der Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr; oder
2. wenn der Zinsberechnungszeitraum (einschließlich des ersten aber ausschließlich des letzten Tages dieser Periode) länger ist als die Feststellungsperiode, in die das Ende des Zinsberechnungszeitraums fällt, die Summe aus (A) der Anzahl der Tage in dem Zinsberechnungszeitraum, die in die Feststellungsperiode fallen, in welcher der Zinsberechnungszeitraum beginnt, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr und (B) der Anzahl der Tage in

accordance with § 13 as soon as possible after its determination but, in any case, not later than the fourth Business Day after its determination.

(5) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than one full year, the respective amount of interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(6) *Day Count Fraction.* **"Day Count Fraction"** means, in respect of the calculation of an amount of interest on the Notes for any period of time (the **"Calculation Period"**):

1. if the Calculation Period (from and including the first day of such period but excluding the last) is equal to or shorter than the Determination Period during which the Calculation Period ends, the number of days in such Calculation Period (from and including the first day of such period but excluding the last) divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year; or
2. if the Calculation Period (from and including the first day of such period but excluding the last) is longer than the Determination Period during which the Calculation Period ends, the sum of (A) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year, and (B) the number of days in such Calculation Period falling in the next

dem Zinsberechnungszeitraum, die in die nächste Feststellungsperiode fallen, geteilt durch das Produkt aus (1) der Anzahl der Tage in dieser Feststellungsperiode und (2) der Anzahl der Feststellungstermine in einem Kalenderjahr.

**"Feststellungsperiode"** ist die Periode ab einem Feststellungstermin (einschließlich desselben) bis zum nächsten Feststellungstermin (ausschließlich desselben).

Die Anzahl der Zinszahlungstage im Kalenderjahr beträgt eins (jeder 31. Januar). Jeder dieser Zinszahlungstage ist ein Feststellungstermin (jeweils ein **"Feststellungstermin"**).

#### § 4 ZAHLUNGEN

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die Vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von Absatz 2 an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1 Absatz 3(b).

Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year.

**"Determination Period"** means the period from (and including) a Determination Date to, but excluding, the next Determination Date.

The number of Interest Payment Dates per calendar year is one (each 31 January). Each of these Interest Payment Dates is a determination date (each a **"Determination Date"**).

#### § 4 PAYMENTS

(1) (a) *Payment of Principal.* Payment of principal in respect of the Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System.

(b) *Payment of Interest.* Payment of interest on the Notes shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System.

Payment of interest on the Notes represented by the Temporary Global Note shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1 (3)(b).

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der Festgelegten Währung.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearingsystem oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag (wie nachstehend definiert) ist, so wird der Fälligkeitstag für diese Zahlung auf den nächstfolgenden Tag verschoben, bei dem es sich um einen Zahltag handelt.

**"Zahltag"** bezeichnet den in § 1 Absatz 6 definierten Geschäftstag.

Falls der Fälligkeitstag einer Zahlung von Zinsen (wie oben beschrieben) sich nach hinten verschiebt, wird der Zinsbetrag nicht entsprechend angepasst.

Falls der Fälligkeitstag der Rückzahlung des Nennbetrags der Schuldverschreibungen angepasst wird, ist der Gläubiger nicht berechtigt, Zahlungen aufgrund dieser Anpassung zu verlangen.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: den Rückzahlungsbetrag der Schuldverschreibungen; den Vorzeitigen Rückzahlungsbetrag (wie in § 5 definiert) der Schuldverschreibungen; den Wahl-Rückzahlungsbetrag (Call) der Schuldverschreibungen; sowie jeden Aufschlag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge (außer Zinsen). Bezugnahmen in diesen

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day (as defined below), the due date for such payment shall be postponed to the next day which is a Payment Business Day.

**"Payment Business Day"** means the Business Day specified in § 1 (6).

If the due date for a payment of interest is postponed (as described above), the amount of interest shall not be adjusted accordingly.

If the due date for the redemption of the principal amount of the Notes is adjusted the Holder shall not be entitled to payments in respect of such adjustment.

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount of the Notes; the Early Redemption Amount (as defined in § 5) of the Notes; the Call Redemption Amount of the Notes; and any premium and any other amounts (other than interest) which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any

Anleihebedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren Zusätzlichen Beträge einschließen.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Düsseldorf Kapital- oder Zinsbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem maßgeblichen Zinszahlungstag oder dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die Ansprüche der Gläubiger gegen die Emittentin.

## **§ 5 RÜCKZAHLUNG**

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen vorbehaltlich der Bestimmungen in § 4 Absatz 4 am 31. Januar 2028 (der "**Fälligkeitstag**") zu ihrem Rückzahlungsbetrag zurückgezahlt. Der "**Rückzahlungsbetrag**" in Bezug auf jede Schuldverschreibung entspricht dem Nennbetrag der Schuldverschreibung.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der Erfüllung der Rückzahlungs- und Rückkaufsbedingungen mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Anfänglichen Zahlstelle oder der relevanten Zahlstelle (wie in § 6 Absatz 1 definiert) und gemäß § 13 gegenüber

Additional Amounts which may be payable under § 7.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the Local Court (*Amtsgericht*) in Düsseldorf principal or interest not claimed by Holders within twelve months after the relevant Interest Payment Date or Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

## **§ 5 REDEMPTION**

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount subject to the provisions set out in § 4 (4) on 31 January 2028 (the "**Maturity Date**"). The "**Final Redemption Amount**" in respect of each Note shall be its principal amount.

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereof or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the last

den Gläubigern vorzeitig gekündigt und zu ihrem Vorzeitigen Rückzahlungsbetrag (wie nachstehend definiert) zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder deren politischer Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem die letzte Tranche dieser Serie von Schuldverschreibungen begeben wird, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz 1 definiert) zur Zahlung von Zusätzlichen Beträgen (wie in § 7 definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin zur Verfügung stehender, Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von Zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

*(3) Vorzeitige Rückzahlung bei Eintritt eines*

tranche of this series of Notes was issued, the Issuer is required to pay Additional Amounts (as defined in § 7) on the next succeeding Interest Payment Date (as defined in § 3 (1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, the Notes may be redeemed anytime, in whole but not in part, at the option of the Issuer, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Initial Paying Agent or the relevant Paying Agent (as defined in § 6 (1)) and, in accordance with § 13 to the Holders, at their Early Redemption Amount (as defined below), together with interest accrued to (but excluding) the date fixed for redemption, provided that the Conditions to Redemption and Purchase (as defined below) are fulfilled.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts should a payment on the Notes then be due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

*(3) Early Redemption upon the Occurrence of a*

*aufsichtsrechtlichen Ereignisses.* Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin und vorbehaltlich der Erfüllung der Rückzahlungs- und Rückkaufsbedingungen mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Anfänglichen Zahlstelle oder der relevanten Zahlstelle (wie in § 6 Absatz 1 definiert) und gemäß § 13 gegenüber den Gläubigern vorzeitig gekündigt und zu ihrem Vorzeitigen Rückzahlungsbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen zurückgezahlt werden, wenn als Folge einer Änderung oder Ergänzung der am Ausgabetag der Schuldverschreibungen in Kraft befindlichen Anwendbaren Vorschriften die Schuldverschreibungen vollständig oder teilweise nicht mehr als Ergänzungskapital (wie in den Anwendbaren Vorschriften festgelegt) der Emittentin oder der Emittentin und ihrer konsolidierten Tochterunternehmen anerkannt werden.

Eine solche Kündigung hat gemäß § 13 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

(4) *Rückkauf.* Vorbehaltlich der Erfüllung der Rückzahlungs- und Rückkaufsbedingungen ist die Emittentin berechtigt, zu jedem Preis im Markt oder auf andere Weise Schuldverschreibungen anzukaufen. Von der oder für die Emittentin zurückgekaufte Schuldverschreibungen können von der Emittentin gehalten, erneut ausgegeben oder verkauft oder der relevanten Zahlstelle zur Entwertung übergeben werden.

(5) *Vorzeitige Rückzahlung nach Wahl der*

*Regulatory Event.* The Notes may be redeemed anytime in whole, but not in part, at the option of the Issuer and subject to the Conditions to Redemption and Purchase (as defined below) being fulfilled, upon not more than 60 days' nor less than 30 days' prior notice of redemption given to the Initial Paying Agent or the relevant Paying Agent (as defined in § 6 (1)) and, in accordance with § 13 to the Holders at their Early Redemption Amount together with accrued interest (if any) to, but excluding, the date fixed for redemption if as a result of any amendment or supplement to, or change in, the Applicable Regulations which are in effect as of the issue date, the Notes are fully or partially derecognised from the Tier 2 capital (as defined in the Applicable Regulations) of the Issuer or the Issuer together with its consolidated subsidiaries.

Such notice shall be given in accordance with § 13. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(4) *Repurchase.* Subject to the Conditions to Redemption and Purchase (as defined below) being fulfilled, the Issuer may purchase Notes in the market or otherwise. Notes repurchased by or on behalf of the Issuer may be held by the Issuer, re-issued, resold or surrendered to the relevant Paying Agent for cancellation.

(5) *Early Redemption at the Option of the Issuer*

*Emittentin (Call Option).*

(a) Die Emittentin kann, nachdem sie gemäß Absatz (b) gekündigt hat, die Schuldverschreibungen insgesamt, jedoch nicht teilweise, vorbehaltlich der Erfüllung der Rückzahlungs- und Rückkaufsbedingungen an dem Wahl-Rückzahlungstag (Call) zum Wahl-Rückzahlungsbetrag (Call), wie nachstehend angegeben, zuzüglich bis zum Wahl-Rückzahlungstag (Call) (ausschließlich) aufgelaufener Zinsen zurückzahlen.

"Wahl-Rückzahlungstag (Call)"	"Wahl-Rückzahlungsbetrag (Call)"
31. Januar 2023	Rückzahlungsbetrag

(b) Die Kündigung ist den Gläubigern der Schuldverschreibungen durch die Emittentin gemäß § 13 bekanntzugeben. Sie beinhaltet die folgenden Angaben:

- (i) den Wahl-Rückzahlungstag (Call), der nicht weniger als zehn und nicht mehr als 60 Tage nach dem Tag der Kündigung durch die Emittentin gegenüber den Gläubigern liegen darf; und
- (ii) den Wahl-Rückzahlungsbetrag (Call), zu dem die Schuldverschreibungen zurückgezahlt werden.

(6) *Vorzeitiger Rückzahlungsbetrag.* Für die Zwecke dieses § 5 entspricht der "**Vorzeitige Rückzahlungsbetrag**" einer Schuldverschreibung dem Rückzahlungsbetrag.

(7) *Definitionen.*

Die "**Rückzahlungs- und Rückkaufsbedingungen**" sind an einem Tag in

*(Call Option).*

(a) The Issuer may, upon notice given in accordance with clause (b), subject to the Conditions to Redemption and Purchase (as defined below) being fulfilled, redeem the Notes, in whole but not in part, on the Call Redemption Date at the Call Redemption Amount set forth below together with accrued interest to (but excluding) the Call Redemption Date.

"Call Redemption Date"	"Call Redemption Amount"
31 January 2023	Final Redemption Amount

(b) Notice of redemption shall be given by the Issuer to the Holders of the Notes in accordance with § 13. Such notice shall specify:

- (i) the Call Redemption Date, which shall be not less than ten nor more than 60 days after the date on which notice is given by the Issuer to the Holders; and
- (ii) the Call Redemption Amount at which such Notes are to be redeemed.

(6) *Early Redemption Amount.* For purposes of this § 5, the "**Early Redemption Amount**" of a Note shall be its Final Redemption Amount.

(7) *Definitions*

The "**Conditions to Redemption and Purchase**" are fulfilled on any day with respect to any early

Bezug auf eine vorzeitige Rückzahlung der Schuldverschreibungen oder einen Rückkauf der Schuldverschreibungen erfüllt, sofern

(a) die Zuständige Aufsichtsbehörde ihre vorherige Zustimmung zur Vorzeitigen Rückzahlung oder zum Rückkauf der Schuldverschreibungen erteilt und bis zu diesem Tag nicht widerrufen hat. Die Erteilung der vorherigen Zustimmung hängt unter anderem von Folgendem ab:

(i) die Emittentin ersetzt die Schuldverschreibungen zuvor oder gleichzeitig mit der vorzeitigen Rückzahlung oder dem Rückkauf durch Eigenmittelinstrumente zumindest gleicher Qualität zu Bedingungen, die im Hinblick auf die Ertragsmöglichkeiten der Emittentin nachhaltig sind; oder

(ii) die Emittentin weist der Zuständigen Aufsichtsbehörde hinreichend nach, dass die Eigenmittel der Emittentin auch nach der Vorzeitigen Rückzahlung oder dem Rückkauf der Schuldverschreibungen die Anforderungen nach Art. 92(1) der CRR und die kombinierte Kapitalpufferanforderung nach Art. 128 Nr. 6 CRD IV um eine Spanne übertreffen, die die Zuständige Aufsichtsbehörde nach Maßgabe von Art. 104(3) der CRD IV gegebenenfalls für erforderlich erachtet; und

etwaige weitergehende Anforderungen nach im Zeitpunkt der Vorzeitigen Rückzahlung oder des Rückkaufs geltendem deutschem Aufsichtsrecht erfüllt sind.

redemption of the Notes or any repurchase of the Notes if

(a) the Competent Supervisory Authority has given, and not withdrawn by such day, its prior permission to the early redemption or repurchase of the Notes. Such permission will be subject to, inter alia:

(i) the Issuer replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer prior to or at the same time as it effects the early redemption or the repurchase of the Notes; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Supervisory Authority that the own funds of the Issuer would, following the early redemption or the repurchase of the Notes, exceed the requirements laid down in Art. 92(1) CRR and the combined buffer requirement as defined in Art. 128(6) CRD IV by a margin that the Competent Supervisory Authority may consider necessary on the basis of Art. 104(3) of the CRD IV; and

any other conditions under the German supervisory regulations applicable at the time of the early redemption or repurchase are being fulfilled.



Im Falle einer vorzeitigen Rückzahlung der Schuldverschreibungen gemäß § 5 (2) setzt die vorherige Zustimmung der Zuständigen Aufsichtsbehörde ferner voraus, dass sich die geltende steuerliche Behandlung der Schuldverschreibungen ändert und die Emittentin der Zuständigen Aufsichtsbehörde hinreichend nachweist, dass diese wesentlich ist und zum Zeitpunkt der Emission der Schuldverschreibungen nicht vorhersehbar war.

Im Falle einer vorzeitigen Rückzahlung der Schuldverschreibungen gemäß § 5 (3) setzt die vorherige Zustimmung der Zuständigen Aufsichtsbehörde ferner voraus, dass sich die aufsichtsrechtliche Einstufung der Schuldverschreibungen ändert, was wahrscheinlich zu ihrem Ausschluss aus den Eigenmitteln oder ihrer Neueinstufung als Eigenmittel geringerer Qualität führen würde, und sofern (i) die Zuständige Aufsichtsbehörde es für ausreichend sicher hält, dass eine solche Änderung stattfindet, und (ii) die Emittentin der Zuständigen Aufsichtsbehörde hinreichend nachweist, dass zum Zeitpunkt der Ausgabe der Schuldverschreibungen die aufsichtsrechtliche Neueinstufung nicht vorhersehbar war.

**"Zuständige Aufsichtsbehörde"** bedeutet die Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin oder jede andere Behörde, der die aufsichtsrechtlichen Aufgaben der BaFin zukünftig übertragen werden.

## § 6

### DIE ANFÄNGLICHE ZAHLSTELLE UND DIE BERECHNUNGSSTELLE

(1) *Bestellung; bezeichnete Geschäftsstellen.* Die anfänglich bestellte Zahlstelle (die **"Anfängliche**

In the event of an early redemption of the Notes pursuant to § 5 (2) the permission by the Competent Supervisory Authority will in addition be subject to there being a change in the applicable tax treatment of the Notes which the Issuer demonstrates to the satisfaction of the Competent Supervisory Authority is material and was not reasonably foreseeable at the time of the issue of the Notes.

In the event of an early redemption of the Notes pursuant to § 5 (3) the permission by the Competent Supervisory Authority will in addition be subject to there being a change in the regulatory classification of the Notes that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds and (i) the Competent Supervisory Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Supervisory Authority that the regulatory reclassification of the Notes was not reasonably foreseeable at the time of the issue of the Notes.

**"Competent Supervisory Authority"** means the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and any successor thereof or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

## § 6

### THE INITIAL PAYING AGENT AND THE CALCULATION AGENT

(1) *Appointment; Specified Offices.* The initial paying agent (the **"Initial Paying Agent"**) and the

**Zahlstelle**") und die anfänglich bezeichnete Berechnungsstelle (die "**Berechnungsstelle**") und ihre jeweiligen anfänglich bezeichneten Geschäftsstellen lauten wie folgt:

Anfängliche Zahlstelle:

IKB Deutsche Industriebank AG  
Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Bundesrepublik Deutschland

Berechnungsstelle:

IKB Deutsche Industriebank AG  
Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Bundesrepublik Deutschland

Die Anfängliche Zahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre jeweilige bezeichnete Geschäftsstelle durch eine andere bezeichnete Geschäftsstelle in demselben Land zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Anfänglichen Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und eine andere Zahlstelle (eine "**Zahlstelle**") oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird jedoch zu jedem Zeitpunkt eine Zahlstelle mit bezeichneter Geschäftsstelle in einer europäischen Stadt und, solange die Schuldverschreibungen an einer Börse notiert sind, eine Zahlstelle mit bezeichneter Geschäftsstelle an dem von den Regeln dieser Börse vorgeschriebenen Ort und (ii) eine Berechnungsstelle unterhalten.

Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber

initial calculation agent (the "**Calculation Agent**") and their respective initial specified offices shall be:

Initial Paying Agent:

IKB Deutsche Industriebank AG  
Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Federal Republic of Germany

Calculation Agent:

IKB Deutsche Industriebank AG  
Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Federal Republic of Germany

The Initial Paying Agent and the Calculation Agent reserve the right to change their respective specified offices to some other specified offices in the same country at any time.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Initial Paying Agent or the Calculation Agent and to appoint another paying agent (a "**Paying Agent**") or another Calculation Agent. The Issuer shall, however, at all times maintain (i) a paying agent with a specified office in a European city and, so long as the Notes are listed on any stock exchange, a paying agent with a specified office in such place as may be required by the rules of such stock exchange, and (ii) a calculation agent.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45

gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Beauftragte der Emittentin.* Die Anfängliche Zahlstelle, eine etwaige andere Zahlstelle und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern, und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

## **§ 7 STEUERN**

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland durch Einbehalt oder Abzug an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben.

Sofern ein solcher Einbehalt oder Abzug mit Bezug auf eine Zinszahlung und nicht auf eine Tilgungszahlung erfolgt, wird die Emittentin diejenigen zusätzlichen Beträge (die "**Zusätzlichen Beträge**") zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettozinsbeträge nach einem solchen Einbehalt oder Abzug jeweils den Zinsbeträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht nicht bei

days' prior notice thereof shall have been given to the Holders in accordance with § 13.

(3) *Agents of the Issuer.* The Initial Paying Agent, any Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

## **§ 7 TAXATION**

All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.

In case of such withholding or deduction in relation to a payment of interest and not principal, the Issuer will pay such additional amounts (the "**Additional Amounts**") as shall be necessary in order that the net interest amounts received by the Holders, after such withholding or deduction shall equal the respective interest amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in connection with a withholding or deduction in relation to a payment on capital or on account of

einem Einbehalt oder Abzug mit Bezug auf Kapitalzahlungen oder im Fall von Steuern und Abgaben, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zur Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) wegen einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, nach ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 13 wirksam wird; oder
- (d) aufgrund (i) einer zwischenstaatlichen Vereinbarung über die Besteuerung von Zinserträgen, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (ii) einer gesetzlichen Vorschrift, die diese Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind.

Die Emittentin ist berechtigt, von den an einen Gläubiger oder einen an den Schuldverschreibungen wirtschaftlich Berechtigten auf die Schuldverschreibungen zu

any taxes or duties which:

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) are payable by reason of the Holder having, or having had, a personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany; or
- (c) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment of principal or interest becomes due, or, if this occurs later, is duly provided for and notice thereof is published in accordance with § 13; or
- (d) are deducted or withheld pursuant to (i) any international treaty or understanding relating to the taxation of interest income and to which the Federal Republic of Germany or the European Union is a party, or (ii) any provision of law implementing, or complying with, or introduced to conform with, such treaty or understanding.

The Issuer is authorised to withhold or deduct from amounts payable under the Notes to a Holder or beneficial owner of Notes funds for the payment of any tax that it is required to withhold

zahlenden Beträgen diejenigen Beträge einzubehalten oder abzuziehen, die erforderlich sind, um eine etwaige Steuer zu zahlen, die sie gemäß einem Abkommen nach Section 1471(b) des U.S. Internal Revenue Code von 1986 (der "**Code**") oder in sonstiger Weise gemäß Sections 1471 bis 1474 des Code, den Vorschriften und Abkommen darunter, den offiziellen Auslegungen davon oder den Gesetzen, die einen zwischenstaatlichen Ansatz dazu verfolgen (zusammen "**FATCA**") einzubehalten oder abzuziehen verpflichtet ist. Die Emittentin ist nicht verpflichtet, irgendwelche Zusätzlichen Beträge aufgrund eines Betrags, den die Emittentin, die Anfängliche Zahlstelle, eine Zahlstelle oder ein Intermediär im Zusammenhang mit FATCA einbehält, zu zahlen.

#### § 8

##### VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 Bürgerliches Gesetzbuch bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

#### § 9

##### ERSETZUNG

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger ein mit ihr verbundenes Unternehmen an ihrer Stelle als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

or deduct pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (together, "**FATCA**"). The Issuer will not be required to make any payment of Additional Amounts for or on account of any withholding tax deducted by the Issuer, the Initial Paying Agent, a Paying Agent or an intermediary pursuant to FATCA.

#### § 8

##### PRESENTATION PERIOD

The presentation period provided in Section 801 paragraph (1), sentence 1 German Civil Code (*Bürgerliches Gesetzbuch*) is reduced to ten years for the Notes.

#### § 9

##### SUBSTITUTION

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer any Affiliate of the Issuer as principal debtor in respect of all obligations arising from or in connection with these Notes (the "**Substitute Debtor**") provided that:

- |   |   |
|---|---|
| <p>(a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;</p>   | <p>(a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;</p>   |
| <p>(b) die Emittentin und die Nachfolgeschuldnerin alle erforderlichen Genehmigungen erhalten haben und berechtigt sind, an die Anfängliche Zahlstelle oder die relevante Zahlstelle die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der Festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jedweder Art abzuziehen oder einzubehalten;</p>      | <p>(b) the Issuer and the Substitute Debtor have obtained all necessary authorisations and may transfer to the Initial Paying Agent or the relevant Paying Agent in the Specified Currency and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;</p>   |
| <p>(c) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden;</p>  | <p>(c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;</p>   |
| <p>(d) die Emittentin unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge zu Bedingungen garantiert, die sicherstellen, dass jeder Gläubiger wirtschaftlich mindestens so gut gestellt wird, wie er ohne eine Ersetzung stehen würde, und die Ansprüche der Gläubiger aus der Garantie im gleichen Umfang (jedoch nicht darüber hinaus) nachrangig sind wie die vor der Ersetzung bestehenden Ansprüche der Gläubiger aus den Schuldverschreibungen;</p> | <p>(d) the Issuer irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes on terms which ensure that each Holder will be put in an economic position that is at least as favourable as that which would have existed if the substitution had not taken place and the claims of the Holders under this guarantee shall be subordinated to the same extent (but not further) as the claims of the Holders under the Notes prior to the substitution;</p> |
| <p>(e) die Ersetzung nach den Anwendbaren Vorschriften zulässig ist;</p>  | <p>(e) the substitution is admissible according to the Applicable Regulations;</p>  |
| <p>(f) die zuständige Aufsichtsbehörde (soweit erforderlich) der Ersetzung zugestimmt hat;</p>  | <p>(f) the competent regulatory authority (if required) has approved the substitution;</p>  |

(g) der Anfänglichen Zahlstelle oder der relevanten Zahlstelle jeweils ein Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wird, das bestätigt, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c), (d), (e) und (f) erfüllt wurden; und

(h) einziger Zweck der Nachfolgeschuldnerin die Aufnahme von Mitteln ist, die von der IKB Deutsche Industriebank Aktiengesellschaft und deren Tochtergesellschaften im Rahmen ihrer üblichen Geschäftsaktivitäten verwendet werden.

Für die Zwecke dieses § 9 bedeutet "**verbundenes Unternehmen**" ein verbundenes Unternehmen im Sinne von §§ 15 ff. Aktiengesetz.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 13 bekannt zu machen.

(3) *Änderung von Bezugnahmen.* Im Falle einer Ersetzung gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des Weiteren gilt im Falle einer Ersetzung Folgendes:

in § 5 Absatz 2 und § 7 gilt eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat).

(g) there shall have been delivered to the Initial Paying Agent or the relevant Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c), (d), (e) and (f) above have been satisfied; and

(h) the sole purpose of the Substitute Debtor is to raise funds to be used by IKB Deutsche Industriebank Aktiengesellschaft and its subsidiaries in their usual business.

For purposes of this § 9, "**Affiliate**" shall mean any affiliated company (*verbundenes Unternehmen*) within the meaning of Sections 15 et seqq. German Stock Corporation Act (*Aktiengesetz*).

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 13.

(3) *Change of References.* In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor. Furthermore, in the event of such substitution the following shall apply:

in § 5 (2) and § 7 an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.

## § 10

### BESCHLÜSSE DER GLÄUBIGER

(1) *Änderung der Anleihebedingungen aufgrund Mehrheitsbeschlusses.* Vorbehaltlich

§ 10 Absatz 3 können die Gläubiger durch Mehrheitsbeschluss über alle gesetzlich zugelassenen Beschlussgegenstände Beschluss fassen. Eine Verpflichtung zur Leistung kann für die Gläubiger durch Mehrheitsbeschluss nicht begründet werden.

(2) *Bindungswirkung von Mehrheitsbeschlüssen.*

Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn, die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(3) *Mehrheitserfordernisse und qualifizierte Mehrheit.* Die Gläubiger entscheiden mit einer Mehrheit von 75% (Qualifizierte Mehrheit) der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen nicht geändert wird und die keinen Gegenstand des § 5 Absatz 3 Nr. 1 bis Nr. 8 des Schuldverschreibungsgesetzes betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit von mindestens 50% der teilnehmenden Stimmrechte.

(4) *Abstimmung ohne Versammlung.* Die Gläubiger beschließen im Wege der Abstimmung ohne Versammlung. Eine Gläubigerversammlung und eine Übernahme der Kosten für eine solche Versammlung durch die Emittentin findet ausschließlich unter den in § 18 Schuldverschreibungsgesetz genannten Umständen statt.

## § 10

### RESOLUTIONS OF HOLDERS

(1) *Amendment of the Terms and Conditions.*

Subject to § 10 (3) below, the Holders may agree by majority resolution on all matters permitted by law, provided that no obligation to make any payment or render any other performance shall be imposed on any Holder by majority resolution.

(2) *Binding Force of Majority Resolutions.*

Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(3) *Majority Requirements and Qualified Majority.*

Resolutions shall be passed by a majority of not less than 75 per cent. of the votes cast (qualified majority). Resolutions relating to amendments to the Terms and Conditions which are not material and which do not cover any of the items provided for by Section 5 paragraph (3) Nos. 1-8 of the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*), require a majority of not less than 50 per cent. of the votes cast.

(4) *Vote Taken without a Meeting.*

Holders shall pass resolutions by vote taken without a meeting. Meetings of Holders will only take place and the Issuer will only bear the costs of such meetings of Holders in the circumstances provided for in Section 18 German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*).



(5) *Stimmabgabe.* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil. Das Stimmrecht ruht, solange die Anteile der Emittentin oder einem mit ihr verbundenen Unternehmen (§§ 15 ff. Aktiengesetz) zustehen oder für Rechnung der Emittentin oder eines mit ihr verbundenen Unternehmens gehalten werden. Die Emittentin darf Schuldverschreibungen, deren Stimmrechte ruhen, einem anderen nicht zu dem Zweck überlassen, die Stimmrechte an ihrer Stelle auszuüben; dies gilt auch für ein mit der Emittentin verbundenes Unternehmen.

Niemand darf dafür, dass eine stimmberechtigte Person nicht oder in einem bestimmten Sinne stimme Vorteile als Gegenleistung anbieten, versprechen oder gewähren.

Wer stimmberechtigt ist, darf dafür, dass er nicht oder in einem bestimmten Sinne stimmt, keinen Vorteil und keine Gegenleistung fordern, sich versprechen lassen oder annehmen.

## § 11

### GEMEINSAMER VERTRETER DER GLÄUBIGER

(1) *Bestellung eines gemeinsamen Vertreters.* Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter (der "**gemeinsame Vertreter**") für alle Gläubiger bestellen.

(2) *Aufgaben und Befugnisse des gemeinsamen Vertreters.* Der gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Der gemeinsame Vertreter hat die Weisungen der

(5) *Vote.* Each Holder participating in any vote shall cast votes in accordance with the principal amount or the notional share of its entitlement to the outstanding Notes. As long as the entitlement to the Notes lies with, or the Notes are held for the account of, the Issuer or any of its affiliates (Sections 15 et seqq. of the German Stock Corporation Act (*Aktiengesetz*)), the right to vote in respect of such Notes shall be suspended. The Issuer may not transfer Notes, of which the voting rights are so suspended, to another person for the purpose of exercising such voting rights in the place of the Issuer; this shall also apply to any affiliate of the Issuer.

No person shall be permitted to offer, promise or grant any benefit or advantage to another person entitled to vote in consideration of such person abstaining from voting or voting in a certain way.

A person entitled to vote may not demand, accept or accept the promise of, any benefit, advantage or consideration for abstaining from voting or voting in a certain way.

## § 11

### HOLDERS' REPRESENTATIVE

(1) *Appointment of a Holders' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holders' Representative**") to exercise the Holders' rights on behalf of each Holder.

(2) *Responsibilities and Powers of the Holders' Representative.* The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the

Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der gemeinsame Vertreter den Gläubigern zu berichten.

(3) *Haftung des gemeinsamen Vertreters.* Der gemeinsame Vertreter haftet den Gläubigern als Gesamtgläubiger für die ordnungsgemäße Erfüllung seiner Aufgaben; bei seiner Tätigkeit hat er die Sorgfalt eines ordentlichen und gewissenhaften Geschäftsleiters anzuwenden. Die Haftung des gemeinsamen Vertreters kann durch Beschluss der Gläubiger beschränkt werden. Über die Geltendmachung von Ersatzansprüchen der Gläubiger gegen den gemeinsamen Vertreter entscheiden die Gläubiger.

(4) *Abberufung des gemeinsamen Vertreters.* Der gemeinsame Vertreter kann von den Gläubigern jederzeit ohne Angabe von Gründen abberufen werden. Für die Abberufung und die sonstigen Rechte und Pflichten des gemeinsamen Vertreters gelten die Vorschriften des Schuldverschreibungsgesetzes.

(5) *Auskunftsrecht des gemeinsamen Vertreters.* Der gemeinsame Vertreter kann von der Emittentin verlangen, alle Auskünfte zu erteilen, die zur Erfüllung der ihm übertragenen Aufgaben erforderlich sind.

Holders' Representative has been authorized to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities.

(3) *Liability of the Holders' Representative.* The Holders' Representative shall be liable for the proper performance of its duties towards the Holders who shall be joint and several creditors (*Gesamtgläubiger*); in the performance of its duties it shall act with the diligence and care of a prudent business manager (*Sorgfalt eines ordentlichen und gewissenhaften Geschäftsleiters*). The liability of the Holders' Representative may be limited by a resolution passed by the Holders. The Holders shall decide upon the assertion of claims for compensation of the Holders against the Holders' Representative.

(4) *Removal of the Holders' Representative from Office.* The Holders' Representative may be removed from office at any time by the Holders without specifying any reasons. The provisions of the German Act on Debt Securities of 2009 (*Schuldverschreibungsgesetz*) apply with respect to the termination of appointment and any other rights and obligations of the Holder' Representative.

(5) *Right of the Holders' Representative to Demand Information.* The Holders' Representative may demand from the Issuer to furnish all information required for the performance of the duties entrusted to it.

**§ 12**  
**BEGEBUNG WEITERER**  
**SCHULDVERSCHREIBUNGEN UND**  
**ENTWERTUNG**

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

**§ 13**  
**MITTEILUNGEN**

Soweit diese Anleihebedingungen eine Mitteilung gemäß diesem § 13 vorsehen, wird eine solche auf [www.ikb.de](http://www.ikb.de) (oder einer anderen Internetseite, die mindestens sechs Wochen zuvor in Übereinstimmung mit diesen Vorschriften von der Emittentin mitgeteilt wurde) veröffentlicht. Eine solche Veröffentlichung wird gegenüber den Gläubigern am dritten Tag nach dem Tag der Veröffentlichung wirksam, falls die Mitteilung kein späteres Wirksamkeitsdatum vorsieht. Falls und soweit die bindenden Vorschriften des geltenden Rechts oder die Regularien einer Börse, an der die Schuldverschreibungen notiert sind, andere Arten der Veröffentlichung vorsehen, müssen solche Veröffentlichungen zusätzlich und wie vorgesehen erfolgen.

**§ 12**  
**FURTHER ISSUES OF NOTES AND**  
**CANCELLATION**

(1) *Further Issues of Notes.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

**§ 13**  
**NOTICES**

To the extent these Terms and Conditions provide for a notice pursuant to this § 13, such notice will be published on [www.ikb.de](http://www.ikb.de) (or another website communicated by the Issuer with at least six weeks advance notice in accordance with these provisions) and become effective vis-à-vis the Holders on the third calendar day following the day of such publication unless the notice provides for a later effective date. If and to the extent that binding provisions of effective law or provisions of a stock exchange, on which the Notes are listed, provide for other forms of publication, such publications must be made in addition and as provided for.

#### § 14

### ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") sind die Gerichte in Frankfurt am Main.

(3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jeder Rechtsstreitigkeit gegen die Emittentin oder in jeder Rechtsstreitigkeit, in der der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank (wie nachstehend definiert) bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung in dem Wertpapierdepot verbucht sind, und (c) bestätigt, dass die Depotbank gegenüber dem Clearingsystem eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearingsystems oder des Verwahrers des

#### § 14

### APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law.

(2) *Submission to Jurisdiction.* The courts in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.

(3) *Enforcement.* Any Holder of Notes may in any Proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian (as defined below) with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such Proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and

Clearingsystems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich dem Clearingsystem. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land, in dem die Rechtsstreitigkeit geführt wird, prozessual zulässig ist.

#### **§ 15 SPRACHE**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist verbindlich und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country in which the Proceedings are conducted.

#### **§ 15 LANGUAGE**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be binding and controlling. The English language translation shall be non-binding.

## DESCRIPTION OF THE ISSUER

### 1 PRESENTATION OF FINANCIAL AND OTHER INFORMATION

#### Presentation of Financial Information and Other Information

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures and percentages shown as totals in certain tables may not be an arithmetic aggregation of the (rounded) figures that precede them.

### 2 IKB DEUTSCHE INDUSTRIEBANK AKTIENGESELLSCHAFT

#### 2.1 General Information / History and Development

##### 2.1.1 Auditors

IKB AG's statutory auditor until the end of IKB AG's most recent financial year ended 31 March 2017 was PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Moskauer Straße 19, 40277 Düsseldorf, Federal Republic of Germany ("**PwC**"). PwC audited the most recent financial statements of IKB AG prepared in respect of the financial year ended 31 March 2017. PwC is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*). After ten years of co-operation with PwC, a change of IKB AG's auditors was required by law. The new statutory auditor of IKB AG is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Flughafenstraße 61, 70629 Stuttgart, office Düsseldorf, Federal Republic of Germany ("**EY**"). EY is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*).

##### 2.1.2 Legal and Commercial Name

IKB AG's legal and commercial name is "IKB Deutsche Industriebank Aktiengesellschaft".

##### 2.1.3 Registration

IKB AG is registered in the Commercial Register of the Local Court of Düsseldorf (*Amtsgericht Düsseldorf*) under No. HRB 1130.

##### 2.1.4 Date of Incorporation

IKB AG has been incorporated as a stock corporation (Aktiengesellschaft) with an indefinite duration. Its activities date back to 30 September 1924, when it was first incorporated in Berlin as "Bank für deutsche Industrie-Obligationen" to manage the reparation payments owed by German companies under the Treaty of Versailles. In 1931, Bank für deutsche Industrie-Obligationen moved on to provide trade and long-term fixed rate investment financing, initially to the agricultural sector and later to medium-sized companies. In 1939, Bank für deutsche Industrie-Obligationen changed its legal name to "Deutsche Industriebank". On 29 March 1949, "Industriekreditbank Aktiengesellschaft" was incorporated in Düsseldorf and merged with Deutsche Industriebank in 1974 to become "IKB Deutsche Industriebank Aktiengesellschaft". Until 18 October 2006, IKB AG maintained registered offices in Berlin and Düsseldorf, but is now exclusively registered in the Commercial Register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Düsseldorf.

##### 2.1.5 Legal Form, Legislation

IKB AG is a registered stock corporation (*Aktiengesellschaft*) under German law.

As an enterprise engaged in one or more of the financial activities defined in the German Banking Act (*Kreditwesengesetz*; "**KWG**") as "banking business", IKB AG is subject to the licensing requirements and other provisions of the German Banking Act (KWG). In particular, IKB AG is subject to comprehensive supervision by the German Central Bank ("**Deutsche Bundesbank**") and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; "**BaFin**").

#### 2.1.6 Domicile, Address, Telephone Number

IKB AG's registered office is at Wilhelm-Bötckes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany. Its telephone number is (+49) 211 8221-0.

## 2.2 Business Overview

### 2.2.1 General Overview / Corporate Objects

IKB AG is a specialist bank which supports medium-sized corporate clients ("*German Mittelstand*") and private equity funds in Germany and selectively in Europe with loans, risk management solutions, capital market services and advisory services as well as leasing solutions. It offers to its clients credit products (such as corporate loans, corporate structured loans, syndicated loans and Public Programme Loans), among others, acquisition finance and capital markets products (e.g. bonds, promissory note loans, hybrid capital and derivatives). Moreover, it provides advisory services in the following areas: M&A, Structured Solutions, Asset Management, Public Programme Loans Advisory and Corporate Structured Finance.

As at 30 September 2017, IKB's full-time employees totalled 1,277, whereby 451 full-time employees work for the IKB Leasing Group (as defined below).

According to Section 2 of IKB AG's articles of association ("**Articles of Association**"), the object of IKB AG is to conduct banking transactions of any nature (with the exception of activity as central contracting party as defined in the German Banking Act (KWG)) including the provision of financial and other services associated therewith, in particular consultancy and agency services. IKB AG is entitled to undertake all transactions and actions likely to serve the objects of the company. It may implement its business activities wholly or partly through subsidiaries, affiliates or joint ventures and may form, acquire or take participating interests in other undertakings at home or abroad.

### 2.2.2 Principal Activities

#### *Business Segments*

IKB AG has organised its business operations within the following segments: Corporate Banking and Sales, Sector Coverage and Advisory, Credit Structuring Products, Treasury and Investments, Asset Management Activities and Head Office/Consolidation.

#### *Corporate Banking and Sales*

The Corporate Banking and Sales organisation is based on local corporate banking branches in six major cities across Germany, which are responsible for client relationship banking and origination of new credit, capital markets, risk management and advisory business in their respective coverage regions. These local corporate banking hubs are closely coordinated with both the central industry sector advisory teams as well as product specialist teams.

#### *Sector Coverage and Advisory*

The Sector Coverage teams support the Corporate Banking colleagues via in-depth sector specific know-how and carry out strategic discussions with IKB AG's clients about industry trends. These coverage teams are organised across several sector verticals including Industrials & Automotive, Consumer & Retail, Utilities/ Infrastructure/ Real Estate/ Healthcare as well as Financial Sponsor Coverage. Furthermore, IKB AG's Corporate Finance Advisory team provides mergers & acquisitions advisory services.

#### *Credit Structuring Products*

The Credit Structuring Products segment comprises the activities from IKB AG's lending as well as credit structuring and leasing business. Specifically, this includes regular loans, real estate loans, acquisition

finance loans and Public Programme Loans as well as structured credit products. Apart from that and on a selective basis, IKB AG provides commodity-based financing and asset based lending solutions.

#### *Treasury and Investments*

The Treasury and Investments segment comprises the earning components resulting from investment decisions by Treasury in the context of asset/liability management and holdings of liquid securities or securities which are eligible marketable assets accepted as collateral by the European Central Bank ("ECB"). Credit exposures that are no longer included in the strategic portfolio and IKB AG's assets not directly relating to customers and managed as investments are also assigned to the Treasury and Investments segment. These portfolios were reduced and are intended to be further reduced while protecting equity by way of active portfolio management.

#### *Head Office/Consolidation*

In addition to the administrative expenses of head office units that cannot be allocated to other segments on a causal basis, the Head Office/Consolidation segment reports extraordinary factors not caused by the operating units and intragroup consolidation items as earnings components and asset positions.

#### *Asset Management Activities*

Since 2011, IKB AG has been involved in asset management activities focusing on loan funds. Those activities are carried out via the "Valin platform" currently consisting of two investment fund vehicles structured as Luxembourg SICAVs disposing of various sub-funds.

### 2.2.3 Principal Markets / Competitive Position

#### *Geographical Markets*

The primary market for IKB AG's business is Germany.

#### *Competitors*

IKB AG's main competitors are major universal banks and selected larger institutions belonging to the public and cooperative banking sector.

### 2.2.4 Economic performance

*Table: Consolidated Income Statement of IKB Group including and excluding IKB Leasing Group*

Figures in € million	2017/18 6-Month		2016/17		2016/17 6-Month		2015/16	
	IKB Group	Ex. Leasing	IKB Group	Ex. Leasing	IKB Group	Ex. Leasing	IKB Group	Ex. Leasing
Net interest and lease income	151	111	291	211	144	103	284	207
Net fee and commission income	20	21	39	40	17	18	30	31
Net trading income							6	6
Administrative expenses	-132	-103	-284	-226	-141	-113	-299	-247
<i>Thereof</i>	-81	-63	-172	-134	-90	-70	-183	-148



<i>Personnel expenses</i>								
<i>Thereof Other administrative expenses</i>	-51	-41	-111	-93	-52	-43	-116	-99
Net other income	-7	-22	-19	-19	29	38	1	13
Net risk provisioning	10	12	17	19	-18	-16	-9	-7
<b>Result from ordinary business activities</b>	<b>42</b>	<b>18</b>	<b>45</b>	<b>25</b>	<b>31</b>	<b>30</b>	<b>11</b>	<b>4</b>
Tax expenses	-18	-17	-20	-16	-21	-20	-1	0
<b>Consolidated result</b>	<b>24</b>	<b>1</b>	<b>26</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>4</b>

Some totals may be subject to discrepancies due to rounding differences.

#### *Regulatory Indicators*

IKB AG calculates its regulatory capital resources in accordance with the provisions of the Capital Requirements Regulation ("**CRR**"). It applies the standardised approach for credit risk and for counterparty default risk, the standard method for the calculation of the credit valuation adjustment charge, the basic indicator approach for operational risk and the prescribed standard regulatory method for market price risk. IKB AG continues to use the regulatory netting approach to determine the net basis of measurement for derivatives, taking existing netting agreements into account. The following table provides an overview of the regulatory risk items, equity base and ratios as applicable on approval of the accounts.

*Table: Regulatory capital situation at the IKB Group in accordance with CRR / CRD IV <sup>1)</sup>*

<b>Figures in € million</b>	<b>30 Sep. 2017</b>	<b>31 Mar. 2017<sup>2)</sup></b>	<b>31 Mar. 2016<sup>2)3)</sup></b>
Counterparty default risk <sup>4)</sup>	12,299	11,888	11,970
Market risk equivalent	376	323	182
Operational risk	703	722	611
<b>Total risk-weighted assets (RWA)</b>	<b>13,377</b>	<b>12,934</b>	<b>12,763</b>
<b>Transitional capital position</b>			
Common Equity Tier 1 (CET 1)	1,511	1,510	1,479
Additional Tier 1 (AT 1)	36	236	282
<b>Total Tier 1 (T 1)</b>	<b>1,547</b>	<b>1,746</b>	<b>1,761</b>
Tier 2 (T 2)	386	435	429
<b>Own funds</b>	<b>1,933</b>	<b>2,181</b>	<b>2,190</b>

<b>CET 1 ratio</b>	11.3%	<b>11.7%</b>	<b>11.6%</b>
T 1 ratio	11.6%	13.5%	13.8%
Own funds ratio	14.4%	16.9%	17.2%
<b>Fully-loaded capital position</b>			
Common Equity Tier 1 (CET 1)	1,438	1,438	1,390
Additional Tier 1 (AT 1)	0	0	0
<b>Total Tier 1 (T 1)</b>	<b>1,438</b>	<b>1,438</b>	<b>1,390</b>
Tier 2 (T 2)	410	660	672
<b>Own funds</b>	<b>1,849</b>	<b>2,097</b>	<b>2,061</b>
<b>CET 1 ratio</b>	<b>10.8%</b>	<b>11.1%</b>	<b>10.9%</b>
T 1 ratio	10.8%	11.1%	10.9%
Own funds ratio	13.8%	16.2%	16.2%
Leverage Ratio	6.6%	6.7%	6.5%

Some totals may be subject to discrepancies due to rounding differences.

- 1) Figures taking into consideration the phase-in and phase-out provisions of the CRR. The CET 1 ratios were calculated in accordance with the current legal status of the CRR as at 30 September 2017, 31 March 2017 and 31 March 2016, respectively, including transitional provisions and the interpretations published by the supervisory authorities. The possibility that future EBA/ECB standards and interpretations or other supervisory actions will lead to a retrospective change in the CET 1 ratio cannot be ruled out.
- 2) Figures after approval of the accounts.
- 3) Taking into consideration the addition to the fund for general banking risk in CET 1 at the reporting date.
- 4) Including credit valuation adjustment charge (€ 108 million for the half year ended 30 September 2017, € 164 million for the financial year ended 31 March 2017 and € 153 million for the financial year ended 31 March 2016).

At 11.3% at IKB Group level and 14.6% at individual IKB AG level as at 30 September 2017, IKB's Common Equity Tier 1 ("CET 1") ratios are significantly above the minimum legal requirements, including the capital conservation buffer, countercyclical capital buffer and the additional capital requirements (the Pillar 2 Requirements, "P2R") set by BaFin in the banking supervisory review and evaluation process ("SREP"). The capital requirements are as follows (on a fully-loaded basis): the total requirement (i.e. the Overall Capital Requirements including Pillar 1, P2R, Capital Conservation Buffer, Countercyclical Buffer, Systemic Buffers) amounts to 13.0% and is composed of 8.4% CET 1, 2.0% AT 1 and 2.6% T 2. The fully-loaded CET 1 ratio projection for 31 March 2018 is above 11.0%. The fully-loaded Own Funds ratio projection for 31 March 2018 is above 15.0% without any new Tier 2 issuance. The fully-loaded Leverage Ratio projection for 31 March 2018 is above 6.0%.

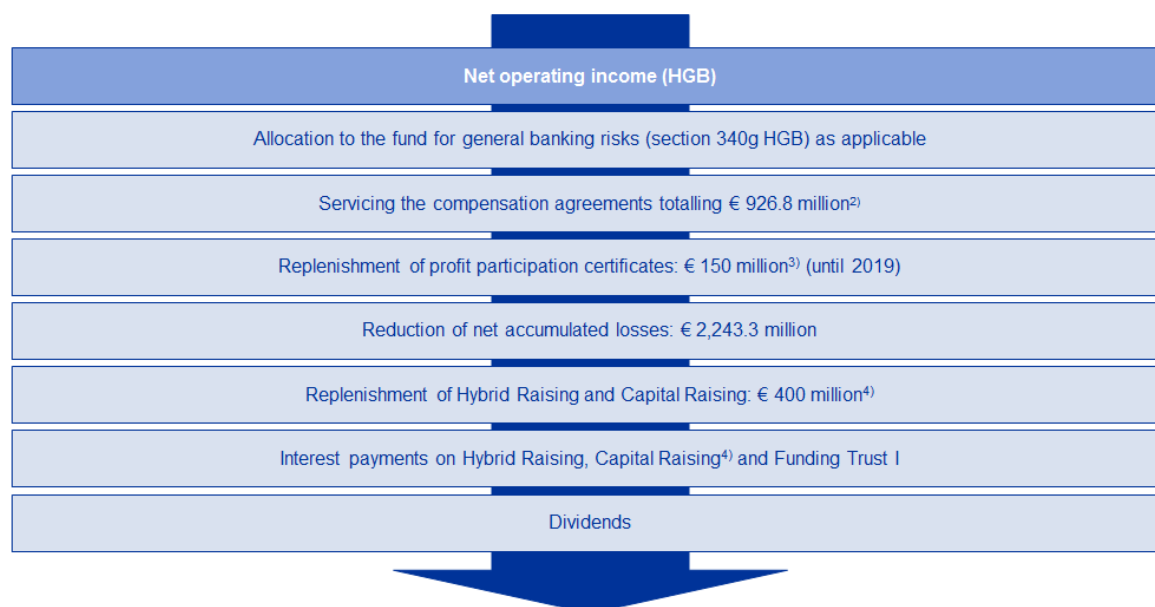
IKB AG's Board of Managing Directors anticipates that it is possible to meet the statutory minimum requirements in the future.

Although the CRR has been binding since 1 January 2014, there remains uncertainty with regard to the interpretation of the new regulation. This is also reflected in the large number of interpretation issues raised

with the European Banking Authority ("**EBA**"), which are extremely important when it comes to interpreting the regulation. Furthermore, many technical regulatory standards to be announced by the EBA are not yet available in their final version or their publication has been delayed compared with the EBA's original timetable. Further uncertainty is due to the fact that the results of the international banking regulation process are not always foreseeable. This relates in particular to the implementation of the regulations arising from the Banking Recovery and Resolution Directive ("**BRRD**") with national implementation in the form of the German Recovery and Resolution Act ("**SAG**"). The European Commission published the consultation documents on the revision of the CRD IV/CRR on 23 November 2016, which have yet to be approved by the European Parliament and the Council and adopted as a regulation and directive. This process, and the compromise process it usually entails, will take several years.

In addition, the Basel Committee on Banking Supervision (BCBS) has issued for consultation or already adopted a number of working papers that have been consolidated under the working title Basel IV. In particular, these include the papers on revisions to the standardised approach for credit risk (BCBS 347), the standardised approach for measuring counterparty default risk (BCBS 279), revisions to the securitisation framework (BCBS 303), the trading book framework (BCBS 305), the standardised approaches for operational risk (BCBS 355), interest rate risk in the banking book (BCBS 368), capital floors for the advanced measurement approach (BCBS 306), identification and management of step-in risk (BCBS 398) and Basel III: Finalising post-crisis reforms (BCBS 424). The exact effect of these papers on future capital requirements cannot be conclusively quantified at the date of this Prospectus. The binding date on which harmonised EU-wide banking supervisory legislation will come into force has also still yet to be defined.

*Table: Overview of Profit and Loss Allocation<sup>1)</sup>*



1) Schematic diagram.

2) As of financial date 29 December 2017.

3) If IKB AG has sufficient net operating income (HGB) after allocation to section 340g reserves and servicing compensation agreements totalling € 926.8m, the Propart profit participation certificate 2015 will be serviced until 2019.

4) IKB Lux Beteiligungen S.à r.l. holds 87.95% of Hybrid and Capital Raising notes (across all notes).

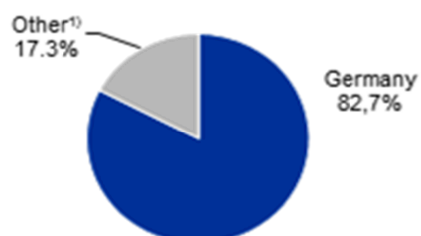
### *Overview of IKB AG's Lending and Treasury Portfolio*

IKB AG's lending and treasury portfolio activities are set out and shown below:

*The following diagrams provide an overview with respect to IKB AG's lending portfolio:*

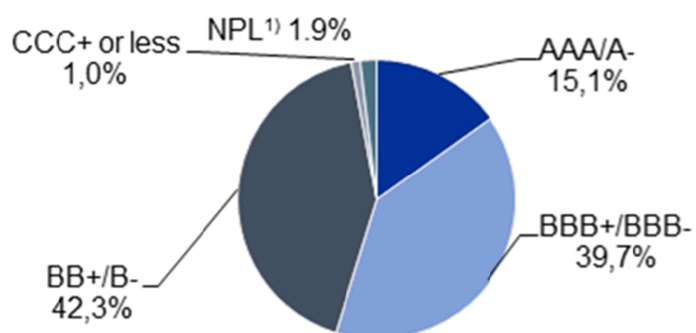
In € bn	2017/18 6-Month		2016/17		2016/17 6-Month		2015/16	
	IKB ex. Leasing	Leasing	IKB ex. Leasing	Leasing	IKB ex. Leasing	Leasing	IKB ex. Leasing	Leasing
Lending Portfolio Volume	8.8	2.0	8.7	1.9	8.2	1.8	7.8	1.8
New Business Volumes	1.8	0.5	3.3	0.9	1.8	0.4	3.0	0.7

The lending portfolio by geography:



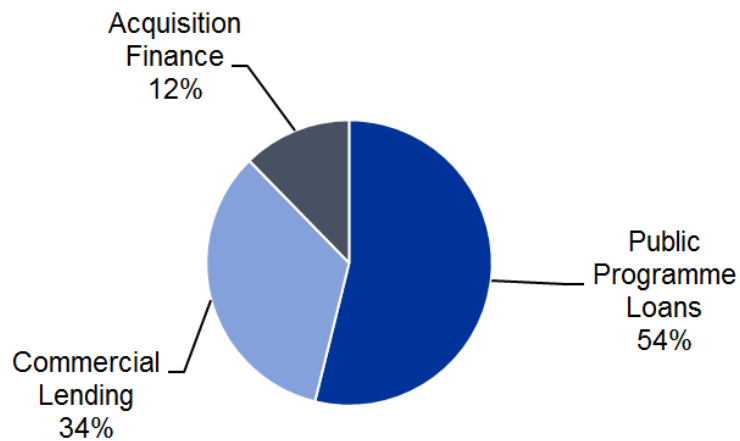
1) Other consists of Italy (2.6%), France (2.3%) and 26 different countries each below 2.0% of total portfolio.

The lending portfolio by rating:

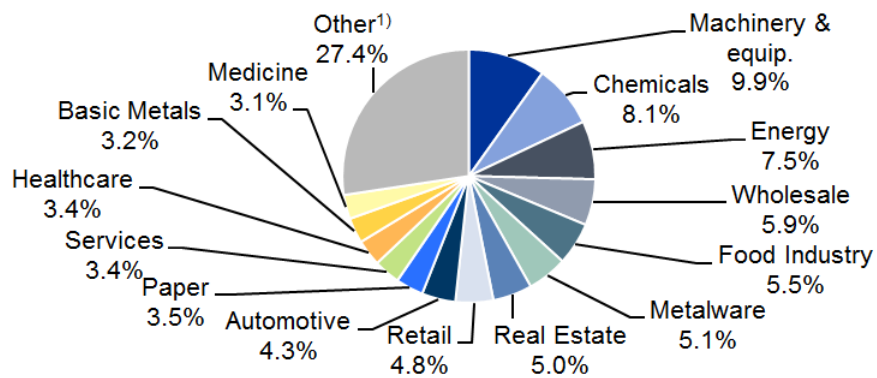


1) Before risk relief (Hermes guarantees, indemnifications, risks transferred); NPL-ratio after risk relief: 1.4 %.

The lending portfolio by product:



The lending portfolio by industry

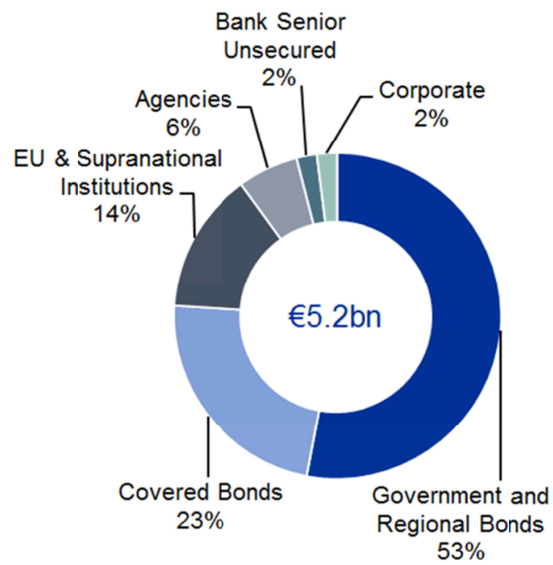


1) Other consists of 28 different industries each below 3.1% of total portfolio.

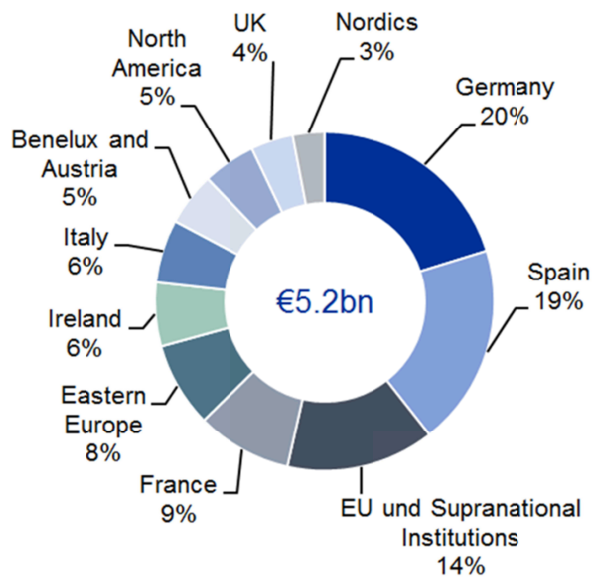
The following diagrams provide an overview of the credit exposure of IKB AG's treasury portfolio:

In € bn	30 Sep. 2017	31 Mar. 2017	31 Mar. 2016
Bonds	5.2	5.7	5.4
CDS	2.3	2.4	2.1
Money Market Products	2.1	1.9	2.3

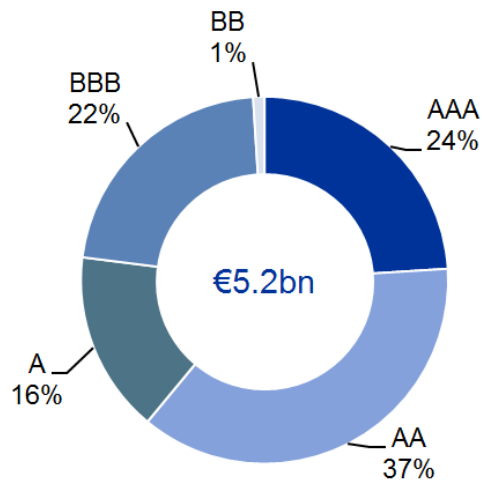
The bonds by asset class:



The bonds by geography:

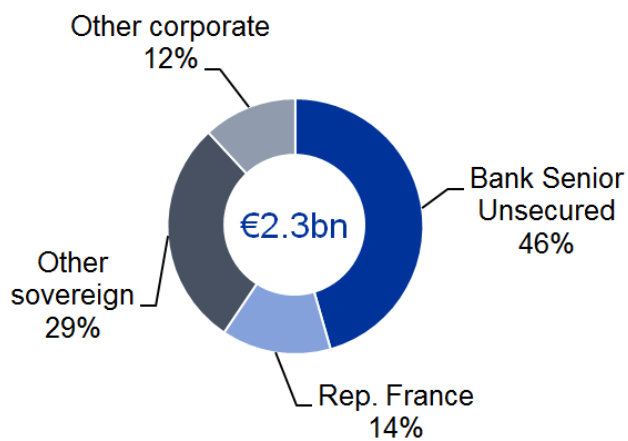


The bonds by rating<sup>1)</sup>:

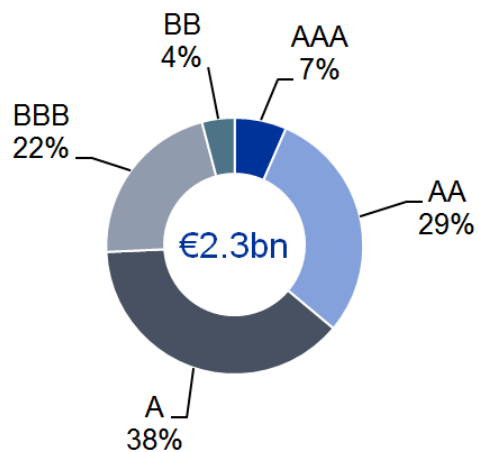


1) Notches (+/-) summed up in respective category (e.g. A+, A, A- shown as A), based on external Ratings from Moody's, Fitch and S&P.

The CDS by underlying amounts:

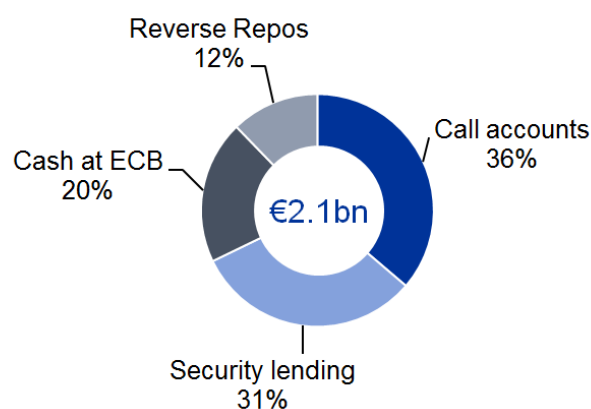


The CDS by rating<sup>1)</sup>:



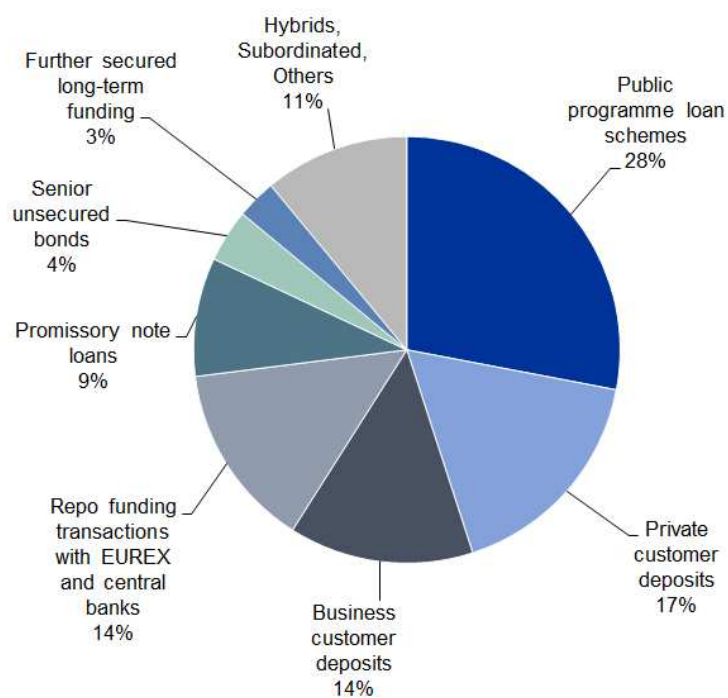
1) Notches (+/-) summed up in respective category (e.g. A+, A, A- shown as A), based on external Ratings from Moody's, Fitch and S&P.

The money market by type:



### *Funding and Liquidity*

IKB AG's financial resources stem from different funding sources. The following diagram provides an overview of IKB AG's funding mix:



Funding sources and liquidity position:

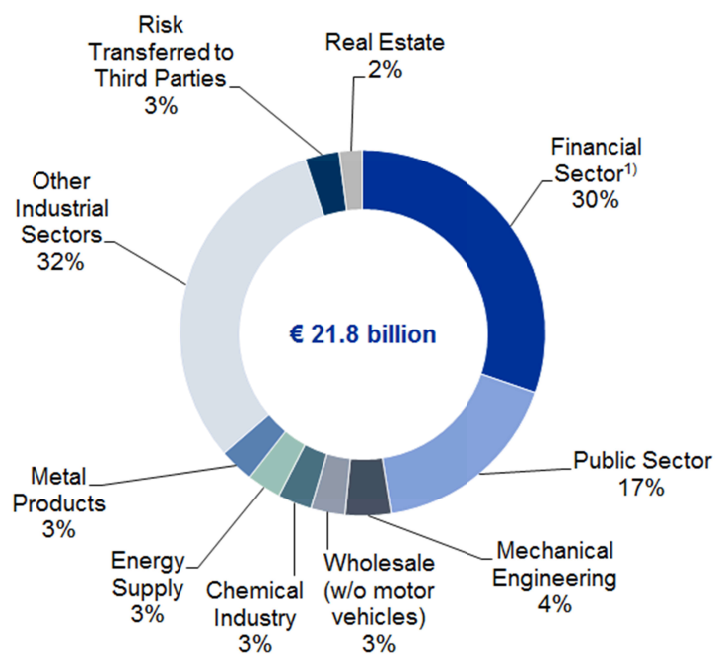
Public Programme Loan Schemes	€ 4.7bn
Private Customer Deposits	€ 3.0bn
Business Customer Deposits	€ 2.5bn
Promissory Loans	€ 1.6bn
Senior Bonds	€ ~0.75bn



ECB TLTRO II	€ 1.95bn
ECB Overnight Accounts	€ 0.43bn
Free and unencumbered Liquidity Reserve	€ ~2.0bn

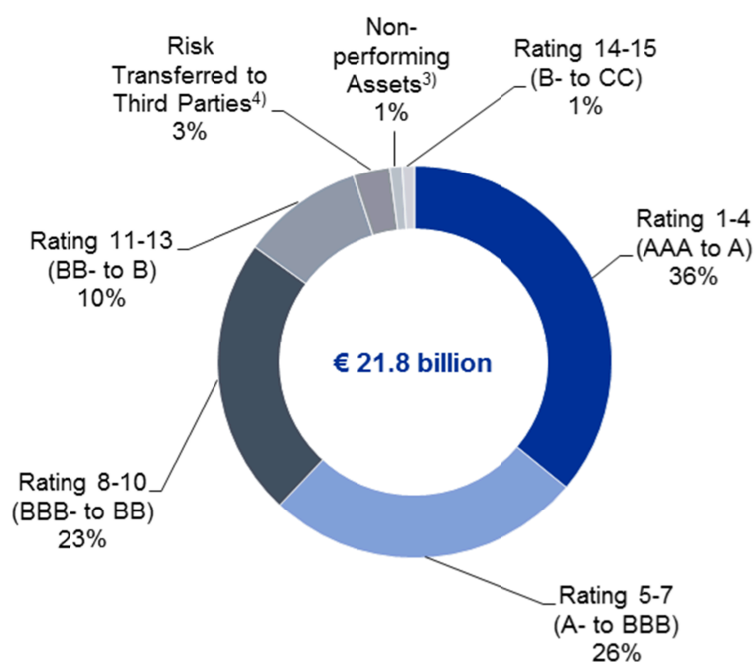
Total credit portfolio:

Credit Volume by Sector



- 1) Consists of approx. 8% Derivatives and Collateral Accounts, 5% Covered Bonds, 5% Bonds (e.g. ESM, EIB, KfW), 5% CDS/Bond Commercial Bank Senior Unsecured, 4% Securities Lending and Reverse Repo, 2% Cash at ECB and 1% others.

## Credit Volume by Credit Rating Structure<sup>2)</sup>



2) As of 30 September 2017 for IKB Group. Higher rating classes reflect lower creditworthiness.

3) Before specific risk provisions and loan loss provisions, after write downs of securities to the lower of cost or market.

4) Hermes guarantees, indemnifications, risks transferred.

## Business Transformation and Restructuring Progress

	2017/18 6-month	2016/17	2015/16	2014/15	2013/14	2012/13
Non-strategic Portfolio Volume (in € bn)	0.258	0.323	1.345	2.478	3.117	4.035
Non-Performing Assets Ratio	0.8%	1.1%	2.6%	3.6%	4.0%	4.5%
Net Revenue over Assets	1.91%	1.79%	1.48%	1.15%	0.96%	0.48%
Cost-Income Ratio	77%	86%	95%	94%	84%	141%

### 2.2.5 Regulatory Status

IKB AG as so-called "less-significant-institution" is being supervised by the National Competent Authorities BaFin and Deutsche Bundesbank. In April 2016, BaFin informed IKB AG of its current qualification as not potentially systemically important (*nicht potenziell systemgefährdend*), i.e. IKB AG does not pose any systemic risk to financial stability. The qualification will be updated regularly and, thus, is subject to change. According to the SAG, all German banks are in principle required to submit regularly a recovery plan to BaFin to demonstrate their ability to overcome potential financial distress. IKB AG has been compiling and regularly updating the recovery plan since 2014.

### 2.3 Organisational Structure / Description of the IKB Group

IKB AG is the parent company of a group of companies consisting, inter alia, of strategic companies, property finance companies, private equity companies and companies that provide leasing financing. Furthermore, IKB AG holds shares in funding companies and special purpose entities.

#### *Branches and Subsidiaries*

The IKB AG business is conducted primarily in Germany but also includes activities abroad performed out of the head office. Apart from its operations in Düsseldorf, in Germany IKB AG maintains branches in Frankfurt/Main, Hamburg, Berlin, Munich and Stuttgart.

#### *Consolidated Entities*

As at 30 September 2017, the consolidated entities were as follows:

#### **A. Consolidated Subsidiaries**

##### **1. Other domestic companies**

	<b>Equity interest in %</b>
Aleanta GmbH, Düsseldorf	100.0
IKB Beteiligungen GmbH, Düsseldorf	100.0
IKB Beteiligungsgesellschaft 1 mbH, Düsseldorf	100.0
IKB Beteiligungsgesellschaft 2 mbH, Düsseldorf	100.0
IKB Beteiligungsgesellschaft 3 mbH, Düsseldorf	100.0
IKB Beteiligungsgesellschaft 5 mbH, Düsseldorf	100.0
IKB Equity Capital Fund GmbH, Düsseldorf	1) <sup>1)</sup> 100.0
IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG, Düsseldorf	94.9
IKB Grundbesitzgesellschaft Frankfurt GmbH & Co. KG, Düsseldorf	1) <sup>1)</sup> 94.9
IKB Grundstücks GmbH & Co. Objekt Holzhausen KG, Düsseldorf	100.0
IKB Grundstücks GmbH, Düsseldorf	100.0
IKB Grundstücksgesellschaft Düsseldorf GmbH, Düsseldorf	100.0
IKB Invest GmbH, Düsseldorf	1) <sup>1)</sup> 100.0
IKB Leasing Beteiligungsgesellschaft mbH, Hamburg	1) <sup>1)</sup> 100.0
IKB Leasing GmbH, Hamburg	1) <sup>1)</sup> 100.0

IKB Projektentwicklung GmbH & Co. KG i.L., Düsseldorf	3)	100.0
IKB Real Estate Holding GmbH, Düsseldorf		100.0
IKB Struktur GmbH, Düsseldorf	1)	100.0
Istop 1 GmbH, Düsseldorf	1)	100.0
Istop 2 GmbH, Düsseldorf	1)	100.0
Istop 4 GmbH, Düsseldorf	1)	100.0
Istop 6 GmbH, Düsseldorf	1)	100.0
MATRONA GmbH, Düsseldorf	1)	100.0
Projektbeteiligung TH GmbH & Co. KG, Düsseldorf	1)	89.8
Tempelhofer Hafen GmbH & Co. KG, Düsseldorf	1)	94.9
UTA Truck Lease GmbH, Neu-Isenburg	1)	100.0

## 2. Other foreign companies

		Equity interest in %
AO IKB Leasing geschlossene Aktiengesellschaft, Moscow, Russia	1)	100.0
IKB Finance B.V., Amsterdam, Netherlands		100.0
IKB Funding LLC I, Wilmington, United States of America	1)	100.0
IKB Funding LLC II, Wilmington, United States of America	1)	100.0
IKB International S.A. i.L., Munsbach, Luxembourg	2)3)	100.0
IKB Leasing Austria GmbH, Vienna, Austria	1)	100.0
IKB Leasing CR s.r.o., Prague, Czech Republic	1)	100.0
IKB Leasing Finance IFN SA, Bucharest, Romania	1)	100.0
IKB Leasing France S.A.R.L., Marne La Vallée, France	1)	100.0
IKB Leasing Kft., Budapest, Hungary	1)	100.0
IKB Leasing Polska Sp.z.o.o, Poznan (Posen), Poland	1)	100.0
IKB Leasing S.R.L., Bucharest, Romania	1)	100.0
IKB Leasing SR, s.r.o., Bratislava, Slovakia	1)	100.0
IKB Lux Beteiligungen S.à.r.l, Munsbach, Luxembourg		100.0
IKB Pénzügyi Lízing Zrt., Budapest, Hungary	1)	100.0
IKBL Asset spółka z ograniczona odpowiedzialnoscia & Co. spółka komandytowa, Poznan, Poland	1)	100.0
IKBL ASSET Spolka z ograniczona odpowiedzialnoscia, Poznan, Poland	1)	100.0
IKBL Renting and Service S.r.l., Lainate (MI), Italy	1)	100.0
STILL LOCATION S.à.r.l., Marne La Vallée, France	1)	100.0

### 3. Special Purpose Entities in accordance with Section 290 paragraph 2 No. 4 German Commercial Code

German Mittelstand Equipment Finance S.A., Luxembourg, Luxembourg

RIO DEBT HOLDINGS (IRELAND) LIMITED, Dublin, Ireland <sup>4)</sup>

#### B. Associates

Equity  
interest in %

Linde Leasing GmbH, Wiesbaden <sup>1)</sup> 30.0

Notes:

- 1) Indirect investments.
- 2) In liquidation (bank licence returned).
- 3) In liquidation.
- 4) The special purpose entity RIO DEBT HOLDINGS (IRELAND) LIMITED was deconsolidated in November 2017.

## 2.4 Information on Business Trends

### 2.4.1 Statement on Material Adverse Change

IKB AG is examining the implementation of additional measures to simplify its capital structure in the second half of the financial year 2017/18. The implementation of these measures would result in substantial extraordinary expenses in the financial year 2017/18. There is considerable uncertainty as to whether the income generated in the second half of the financial year 2017/18 will be sufficient to offset the expenses incurred in connection with the measures. If income is not generated in the required amount, a substantial consolidated net loss is to be anticipated. IKB AG expects the IKB Group's CET 1 ratio to remain essentially unchanged as against the previous financial year.

Other than as described above, there has been no material adverse change in the prospects of IKB AG that has occurred since the date of the last audited consolidated financial statements as of and for the financial year ended 31 March 2017.

### 2.4.2 Trend Information / Uncertainties

IKB AG is subject to the trends, uncertainties and influences explained in this Prospectus. Such uncertainties and influences may have a material effect on its business prospects for future periods. These include, in particular, the continuing uncertainty concerning developments in the international financial markets, the re-escalation of the Eurozone sovereign debt crisis, the global economy and political uncertainties due to increasing regulations. Financial and geopolitical uncertainties, such as the forthcoming exit of Great Britain from the European Union, will remain additional risk factors. For further information, please see "*B. RISK FACTORS – 1. RISK FACTORS RELATING TO THE ISSUER – 1.1 Risk Factors Relating to the Economic and Financial Market Situation*".

IKB AG's business primarily focuses on Germany. Consequently, the economic conditions and cyclical momentum of Germany have particular influence on its results of operations.

### 2.4.3 Recent Developments

#### *Sale of the Rio Junior and Mezzanine Loans*

The special-purpose entity Rio Debt Holdings (Ireland) holds a portfolio of residential mortgage-backed securities. The purchase of the securities was financed using structured loans. The junior loan and a mezzanine loan held by IKB AG subsidiaries are still outstanding. To reduce complexity at IKB AG, the two loans were sold at their fair value in November 2017 and the proceeds from the disposal were used for the

reduction of one of the loans with debt waiver and compensation out of future profits (for further information regarding these loans, please see Section "2. IKB Deutsche Industriebank Aktiengesellschaft – 2.9 Material Contracts – 2.9.1 Financing Agreements"). In addition to the deconsolidation of the special-purpose entity Rio Debt Holdings (Ireland), this measure involves the recognition of a mid eight-digit loss by IKB AG and by IKB Group.

#### *Sale of ikb Data GmbH*

On 15 August 2017, IKB AG, through its holding company IKB Beteiligungen GmbH, agreed the sale of all of its shares in ikb Data GmbH, a company specialized in IT outsourcing and data protection services ("**ikb Data**") to DATAGROUP SE, a German IT service provider. The sale of ikb Data took effect on 31 August 2017.

#### *Sale of IKB Leasing Group*

On 28/29 June 2017, IKB AG, through its holding company IKB Beteiligungen GmbH, agreed the sale of all of its shares in IKB Leasing GmbH and IKB Leasing Beteiligungsgesellschaft GmbH (together, the "**IKB Leasing Group**") to an investment fund managed by HPS Investment Partners, LLC. The closing of the IKB Leasing Group transaction is subject to various closing conditions which are expected to be fulfilled in the first quarter of 2018. The competent banking supervisory authority (BaFin) has approved the sale of IKB Leasing Group in January 2018.

#### *Potential Sale of IKB AG*

A sale of IKB AG by its current sole shareholder LSF6 remains possible at any time. IKB AG's Board of Managing Directors remains open to supporting these plans.

#### *Reconciliation of Interests/Redundancy Scheme*

In order to implement cost-cutting and optimisation measures, a reconciliation of interests and a redundancy scheme was negotiated with employee representatives and signed on 15 April 2016. The agreement provides for the downsizing of a total of 151 full-time employees within two years.

## **2.5 Administrative, Management and Supervisory Bodies**

In accordance with the German Stock Corporation Act (*Aktiengesetz*; "**AktG**"), IKB AG has a two-tier board system, with a board of managing directors (*Vorstand*; the "**Board of Managing Directors**") and a supervisory board (*Aufsichtsrat*; the "**Supervisory Board**"). The two Boards are separate, and no individual may be a member of both at any one time.

The Board of Managing Directors is responsible for the management of IKB AG and represents IKB AG in its dealings with third parties. The Supervisory Board appoints and removes the members of the Board of Managing Directors and supervises the activities of the Board of Managing Directors. The Supervisory Board may not make any management decisions.

### **2.5.1 Board of Managing Directors**

According to Section 6 of the Articles of Association, the Board of Managing Directors must consist of two or more members. The actual number of Managing Directors is determined by the Supervisory Board. There are currently four members.

The following table sets out the members of the Board of Managing Directors, the date they were appointed to their present position, their respective areas of responsibility and their principal activities outside IKB AG.

<b>Name</b>	<b>Date Appointed</b>	<b>Responsibilities</b>	<b>Principal Activities outside IKB AG</b>

Name	Date Appointed	Responsibilities	Principal Activities outside IKB AG
Dr. Michael H. Wiedmann (Chairman)	5 January 2015	Sales Credit Products Industry Groups Treasury and Investments Legal Department Corporate Development	IKB Invest GmbH (Member of the Advisory Board) IKB Leasing GmbH (Member of the Advisory Board)
Claus Momburg	12 November 1997	Credit Risk Management Governance and Compliance	Tempelhofer Hafen GmbH & Co. KG (Chairman of the Advisory Board) IKB Invest GmbH (Deputy Chairman of the Advisory Board) IKB Leasing GmbH (Member of the Advisory Board)
Dr. Jörg Oliveri del Castillo-Schulz	1 February 2016	Information Technology Credit and Treasury Operations Human Resources and Services Process and Organisation Management (PRO)	IKB Leasing GmbH (Chairman of the Advisory Board)
Dirk Volz	1 December 2015	Credit Risk Controlling Finance Economic Research Group Audit Taxation	IKB Beteiligungen GmbH (Managing Director) IKB Invest GmbH (Chairman of the Advisory Board) IKB Leasing GmbH (Deputy Chairman of the Advisory Board)

The business address of the Board of Managing Directors is Wilhelm-Böttsches-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.

#### 2.5.2 Supervisory Board

According to Section 8 of the Articles of Association, the Supervisory Board consists of nine members. In accordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz*), two thirds of the Supervisory Board consist of representatives elected by IKB AG's shareholders, while the other third

consists of representatives elected by the employees. Members are elected for three-year terms and re-election is possible. The members of the Supervisory Board elect the chairman and the deputy chairman of the Supervisory Board. The chairman, who is typically a representative of the shareholders, has the deciding vote in the event of a tied vote.

The following table sets out the members of the Supervisory Board, the end of the term for which they have been appointed and the principal activities outside IKB AG.

<b>Name</b>	<b>End of Term</b>	<b>Principal Activities outside IKB AG</b>
Dr. Karl-Gerhard Eick (Chairman)	2019	Management Consultant
Dr. Claus Nolting (Deputy Chairman)	2018	Lawyer
Sven Boysen	2018	Chairman of the Works Council Hamburg, Corporate Customer Analyst Branch Northern Germany
Marc Coker	2020	Managing Director & General Counsel - Europe of Hudson Advisors UK Ltd.
Benjamin Dickgießer	2018	Director of Lone Star Europe Acquisitions LLP
Dr. Lutz-Christian Funke	2019	Head of Office of Corporate Management Affairs and Corporate Communications of KfW Group
Arndt G. Kirchhoff	2020	Managing Partner & CEO of KIRCHHOFF Holding GmbH & Co. KG
Bernd Klein	2018	Member of the Works Council Düsseldorf, Specialist Contracts and Collateral
Nicole Riggers	2020	Exempt Chairperson of the Works Council Düsseldorf, Chairperson of the General Works Council

The business address of the Supervisory Board is Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.

### 2.5.3 Advisory Board

In accordance with Section 12 of the Articles of Association, the Supervisory Board has formed an advisory board (*Beraterkreis*, the "**Advisory Board**") for purposes of business consultation and the close exchange of information regarding topics of economics and economic policy. The members of the Advisory Board assist IKB AG's Board of Managing Directors by providing advice relating to issues of general economic interest and matters of general principles. The Advisory Board does not have any supervisory functions.

The following table sets out the members of the Advisory Board as at the date of this Prospectus.

<b>Name</b>	<b>Function</b>
Norbert Basler (Chairman)	Chairman of the Supervisory Board of Basler AG, Ahrensburg
Prof. Dr. Michael Kaschke (Deputy)	Chairman of the Board of Managing Directors of Carl Zeiss



<b>Name</b>	<b>Function</b>
Chairman)	AG, Oberkochen
Stefan A. Baustert	Member of the Board of Managing Directors of QSC AG, Köln
Dr. Matthias Becker	Managing Director of Hüls AG & Co. KG, Stadtlohn
Dr. h.c. Josef Beutelmann	Chairman of the Supervisory Board of Barmenia Versicherungs-Gesellschaften, Wuppertal
Jan-Frederic Bierbaum	Managing Partner of Bierbaum Unternehmensgruppe GmbH & Co. KG, Borken
Anton Börner	General Partner of Börner + Co. KG, Ingolstadt
Klaus Bräunig	Managing Director of the German Association of the Automotive Industry (Verband der Automobilindustrie – VDA), Berlin
Thilo Brodtmann	Managing Director of German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau e.V. – VDMA), Frankfurt am Main
Prof. Klaus Hekking	Chairman of the Board of Managing Directors of Association of Private Higher Education Institutions (Verband der Privaten Hochschulen e.V.), Heidelberg
Dr. Ekkehard Köhler	Managing Partner of Bleistahl Prod.-GmbH & Co. KG, Wetter
Christian Lewandowski	Chairman of the Board of Managing Directors of Gegenbauer Holding SE & Co. KG, Birkenwerder
Dr. Harald Marquardt	Chairman of the Board of Management of MARQUARDT GmbH, Rietheim-Weilheim
Hildegard Müller	Chief Operating Officer (COO) Grid & Infrastructure of innogy SE, Essen
Gerd Peters	Managing Director of HOYER GmbH, Hamburg
Joachim Rumstadt	Chairman of the Board of Management of Steag GmbH, Essen
Dr. Michael Schädlich	Chairman of the Advisory Board of Altenloh, Brinck und Co. GmbH & Co. KG, Ennepetal
Dr. Georg-Maria Scheid	Attorney, Holthoff-Pförtner Rechtsanwälte, Essen
Prof. Dr. Christoph M. Schmidt	President of the RWI – Leibniz-Institut für Wirtschaftsforschung, Essen
Arne Schulle	Managing Director of Baerlocher GmbH, Unterschleißheim
Dr. Eric Schweitzer	Chairman of the Board of Managing Directors of ALBA Group plc & Co. KG, Berlin

Name	Function
Dr. Martin Wansleben	Managing Director of German Chambers of Industry and Commerce (DIHK Deutscher Industrie- und Handelskammertag), Berlin
Christian Weber	Generally Authorised Representative of Karlsberg Brauerei KG Weber, Homburg
Christian Wolf	Managing Director of Hans Turck GmbH & Co. KG, Mülheim an der Ruhr
Kurt Zech	Managing Director of Zech Group GmbH, Bremen
Michael Ziesemer	Member of the Supervisory Board of Endress+Hauser Management AG, Reinach BL, Switzerland

#### 2.5.4 Conflicts of Interest

There are currently no conflicts of interest between the duties of the members of the Board of Managing Directors and the Supervisory Board and their private interests or other obligations. Potential conflicts of interest between the duties of the members of the Supervisory Board to IKB AG and their private interests or other obligations may result from the close relation some of the members of the Supervisory Board have to other companies with whom IKB AG maintains business relations. However, transactions between IKB AG and the said companies are conducted in all cases on market terms as between unaffiliated third parties.

## 2.6 Major Shareholders

As at the date of this Prospectus, according to Section 5 of its Articles of Association, IKB AG's share capital amounted to € 1,621,465,402.88, represented by 633,384,923 bearer shares with no par value (*Stückaktien*), each of which confers one vote. Following registration of the squeeze-out of minority shareholders on 23 January 2017, all shares in IKB AG are held by LSF6 Europe Financial Holdings, L.P.

LSF6 is an investment company of Lone Star Funds, a global investment firm that acquires distressed debt and equity assets including corporate, commercial and single family residential real estate, and consumer debt as well as banks and real estate-rich operating companies requiring rationalisation.

## 2.7 Ratings

Currently, IKB AG does not have a rating.

## 2.8 Financial Information

### 2.8.1 Historical Financial Information

The annual consolidated and unconsolidated financial statements of IKB AG as of and for the financial year ended 31 March 2016 as well as the respective auditor's report thereon, contained in the Annual Report 2015/2016, the annual consolidated and unconsolidated financial statements of IKB AG as of and for the financial year ended 31 March 2017 as well as the respective auditor's report thereon, contained in the Annual Report 2016/2017, and the condensed combined interim financial statements of IKB AG and IKB Group as of and for the six months period ended 30 September 2017, contained in the 6-Month Report 2017/2018, are incorporated by reference in, and form an integral part of, this Prospectus.

IKB AG's reporting currency is the euro, and its financial year ends on 31 March of each year. IKB AG prepares its annual and interim unconsolidated financial statements in accordance with applicable provisions of the German Commercial Code (*Handelsgesetzbuch*; "HGB"). IKB AG has also prepared its consolidated

financial statements as of and for the financial years ended 31 March 2016 and 31 March 2017 and the condensed combined interim financial statements of IKB AG and IKB Group as of and for the six months period ended 30 September 2017 in accordance with applicable provisions of the HGB.

#### 2.8.2 Audit of Financial Information

The consolidated financial statements of IKB AG as of and for the financial years ended 31 March 2017 and 31 March 2016 and the annual financial statements of IKB AG as of and for the financial years ended 31 March 2017 and 31 March 2016 were audited by PwC and the auditors have issued in each case an unqualified auditors' opinion. The condensed combined interim financial statements of IKB AG and IKB Group as of and for the six months period ended 30 September 2017 have not been audited.

#### 2.8.3 Legal Proceedings

##### *Proceedings Relating to Off-Balance Sheet Financing Vehicles Formerly Advised by IKB AG*

In one case relating to the long defunct financing vehicle Rhineland Funding, certain investors in collateral debt obligations issued by Wells Fargo/Wachovia sued Wells Fargo Securities LLC ("**Wells Fargo**"), claiming that Wells Fargo had fraudulently induced them into making these investments. Wells Fargo subsequently filed a third party complaint against IKB AG for contribution.

Similar claims may be brought against IKB AG as a result of affirmative actions against other arrangers of structured products and related entities in relation to IKB AG's previous role as investment advisor to Rhineland Funding and other special purpose vehicles.

##### *Derivatives Business*

Several customers criticised the consulting services provided by IKB AG in connection with certain swap products. Corresponding law suits are pending in two cases with a preliminary claim amount of approximately € 4.1 million. Two additional cases are pending out of court with a preliminary amount of approximately € 5.6 million. IKB AG will continue to defend itself against the accusations.

##### *Tax Procedures*

In August 2015, IKB AG had received tax assessment notices in which the tax authorities expressed a different view with respect to the application of Section 8c KStG/Section 10a GewStG in connection with the capital increase implemented by IKB AG during the course of the financial year 2008/2009 and the subsequent sale of KfW's shares in IKB AG to LSF6 in the financial year 2008/2009. IKB AG lodged an appeal against the tax assessments. Nevertheless, IKB AG paid the corporation tax (*Körperschaftsteuer*) and the solidarity surcharge (*Solidaritätszuschlag*) thereon for 2009 in the amount of € 141 million (including interest) in total to mitigate late interest payments. A total of € 8 million (including interest) was reimbursed by the tax authorities as a result of the assessment of corrected tax returns for 2009 in the financial year 2016/2017. With respect to the trade tax base assessment (*Gewerbesteuermessbescheid*) IKB AG was granted a suspension of enforcement (*Aussetzung der Vollziehung*) by the tax authorities upon its application. The trade tax and the associated interest are therefore not yet payable.

The tax authorities have withdrawn the appeals. Accordingly, IKB AG has filed two law suits (one for corporate and one for trade tax purposes) with the Düsseldorf Fiscal Court (*Finanzgericht*).

The dissenting view of the tax authorities relates to the methodology applied in offsetting the proportionate taxable losses of IKB AG against the taxable income of IKB Beteiligungen GmbH, an entity within the German tax group of IKB AG. The relevant profits for the offsetting of taxable losses relate – inter alia – in particular to IVG Kavernen GmbH, which was acquired in the financial year 2008/2009 and merged into IKB Beteiligungen GmbH in the same financial year. In addition to this acquisition, there were other transactions in the financial years 2007/2008 and 2010/2011 in respect of which IKB AG is of the opinion

that there was no so-called detrimental acquisition and sections 8c KStG/10a GewStG therefore did not apply. The main intention of the above-mentioned transactions was to increase regulatory equity of IKB Group. Nonetheless, IKB AG assumes that these transactions will still be subject to discussions with the tax authorities in the course of on-going tax audits (*Betriebsprüfungen*).

On 29 March 2017, the German Federal Constitutional Court (*Bundesverfassungsgericht*) ruled regarding Section 8c KStG for detrimental acquisitions (acquisitions with a change in ownership between 25% and 50%) that this section is incompatible with the German Constitution (*Grundgesetz*). In the opinion of IKB AG, the principles of this court decision should also be applicable to the above case, although this was an acquisition of more than 50% in the case of IKB AG, and the decision can therefore not be applied directly. Legislators also have the option of implementing a new tax regulation in line with the German Constitution retroactively by the end of 2018. In the meantime, the German Federal Constitutional Court was also asked regarding the constitutionality of the regulations for changes in ownerships of more than 50%. Therefore, the law suits of IKB AG were suspended, hence the matter is still unresolved.

For trade tax and the corresponding interest, no provisions have been recognised yet because IKB AG assumes prevailing in the trade tax law suits. However, there is a possibility that this will need to be reassessed as proceedings continue. As per 30 September 2017, the risk relating to trade tax amounts to approximately € 109.6 million plus interest of 0.5% for each additional month and cost allocations for Chamber of Commerce and Industry membership fees in the amount of € 1.2 million. The potential interest rate risk amounts to € 41.8 million as at 30 September 2017 and approximately € 0.5 million for each additional month. If this risk occurs, this would have the following impact on the key financial performance indicators calculated as at 30 September 2017 (reflected as follows on a "fully-loaded basis"): the regulatory tier 1 ratio or Common Equity Tier 1 ratio would deteriorate by 1.0 percentage points at the level of the IKB Group and by 1.3 percentage points at the level of IKB AG, the leverage ratio would decline by 0.6 percentage points for the regulatory IKB Group and by 0.8 percentage points for IKB AG, the net income after taxes and before additions to / reversals of the fund for general banking risks (Section 340g HGB) would decrease by €152 million. There would be no impact on the liquidity coverage ratio or the liquidity ratio in accordance with Section 2 (1) of the German Liquidity Regulation (*Liquiditätsverordnung*).

In late April 2016, Aleanta GmbH (which is a wholly owned subsidiary of IKB AG without a profit transfer agreement and which is therefore not included in the income tax group) had received initial written notification that, as part of the tax audit of a company of which it is the universal successor (Olessa GmbH), the tax authorities are intending to treat the retrospective merger of Olessa GmbH into Aleanta GmbH in the financial year 2010/11 as a case covered by Section 42 of the German Tax Code (*Abgabenordnung*). The tax audit is still in progress. Aleanta GmbH has commented on the matter and the current assessment of the tax audit. The maximum risk in connection with the aforementioned tax assessment amounts to around € 27 million in taxes plus interest amounting to approximately € 8.6 million as of 30 September 2017 and additional Chamber of Commerce and Industry contributions of € 0.2 million; no provision have been recognised yet because IKB AG expects to be prevailing in the tax law suit. An appeal will be filed if necessary.

#### *Subordinated Debt Claims*

Various investors have threatened or taken legal action in connection with subordinated debt instruments issued by IKB AG. Investors claim interest payments and allege, by way of example, a wrongful write-down of the principal amount of subordinated debt instruments issued by IKB AG over time. To the extent specified, claims amount to a preliminary aggregate amount at risk of approximately € 150 million. As at the date of this Prospectus, three actions are pending at the Regional Court (*Landgericht*) of Düsseldorf with a preliminary claim amount of € 117 million. Additional investors have requested IKB AG to enter into tolling agreements; some claims remain unquantified (such as investors in ProPart relating to an initial subscription amount of approximately € 78 million). IKB AG considers the claims unjustified.

#### 2.8.4 Significant Changes in the Financial Position

There has been no significant change in the financial position since the date of the last unaudited condensed combined interim financial statements of IKB AG and IKB Group as of and for the six months period ended 30 September 2017.

### 2.9 Material Contracts

#### 2.9.1 Financing Agreements

##### *Loans with Debt Waivers and Compensation out of Future Profits*

In February and March 2008, KfW granted unsecured loans to IKB AG in the total amount of € 1,050 million (the "**Loans**"). Under the loan agreements, KfW waived (i) repayment of the Loans, (ii) payment of interest and (iii) reimbursement of increased costs. However, IKB AG and KfW entered into agreements pursuant to which KfW will be compensated out of future profits for its claims under (i) to (iii) under certain conditions.

The Loans were transferred from KfW to LSF6 and afterwards assigned to LSF6 Rio (Ireland) Limited, now operating under the legal name LSF6 Rio (Ireland) DAC, Dublin. At the date of this Prospectus, the outstanding amount is approximately € 825.3 million. IKB AG is considering further simplifications of its capital structure.

##### *Debt Waiver in Respect of Subordinated Bonds with Compensation out of Future Profits*

By way of an agreement entailing a debt waiver and compensation out of future profits, LSF6 the holder of two subordinated bonds issued by IKB AG in November and December 2008 with a total nominal amount of € 101.5 million, waived its claims to repayment and future interest payments under these bonds against IKB AG, subject to the condition subsequent of the occurrence of future profits. An improvement entitling to compensation occurs if IKB AG could report an annual net profit in its unconsolidated financial statements and provided that IKB AG maintains a regulatory ratio of at least 9.0% at the individual bank level.

##### *Funding Trust Agreements*

IKB AG has raised regulatory Tier 1 capital on a consolidated basis via a trust preferred securities-structure established in July 2002. A statutory business trust, IKB Funding Trust I (the "**Trust**"), has been formed under Delaware law. The Trust has issued a common security to IKB AG and perpetual trust preferred securities to capital markets investors.

The Trust has used the gross proceeds derived from the issuance of the trust preferred securities to purchase Class B preferred shares issued by a LLC company established under Delaware law (IKB Funding LLC I (the "**LLC**")). IKB AG consolidates the structure for accounting and regulatory purposes.

Periodic distributions on the perpetual trust preferred securities are to be paid by the Trust out of periodic distributions received by the Trust with respect to the corresponding Class B preferred shares that the Trust holds. IKB AG and the LLC entered into a subordinated support undertaking (*nachrangige Patronatserklärung*), pursuant to which IKB AG has undertaken to ensure, among other things, that the LLC will at all times be in a financial position to meet its obligations under such Class B preferred shares. Periodic distributions under the Class B preferred shares are, in addition to other conditions, only payable to the extent that IKB AG has an amount of distributable profits for the preceding financial year at least equal to the aggregate amount of the periodic distribution on the Class B preferred shares.

The Trust issued a consent solicitation to an amendment to the trust agreement to the holders of the securities of the Trust. The amendment was intended to facilitate a merger between the Trust and a newly formed trust. By consenting to the proposed amendment to the merger and the newly formed trust and as a consequence of the implementation of the merger, the holders of the Trust would have received a cash

payment of € 70 in exchange for each € 100 held (nominal value). The consent solicitation expired on 4 December 2017 and the required amount of consents was not reached.

#### *Silent Participations*

By way of capital contributions from its silent partners, Hybrid Raising GmbH and Capital Raising GmbH, IKB AG raised tier 1 capital. Pursuant to a silent partnership agreement dated 9/10 December 2002, IKB AG raised tier 1 capital in the amount of € 200 million from Capital Raising GmbH, Norderfriedrichskoog, Germany and pursuant to a Silent Partnership Agreement dated 30 January and 2 February 2004, IKB AG raised further tier 1 capital in the amount of € 200 million from Hybrid Raising GmbH, Norderfriedrichskoog, Germany (both agreements qualify as *Teilgewinnabführungsvertrag* within the meaning of Section 292 paragraph (1) no. 2 AktG). In order to fund their capital contribution to IKB AG, each of the companies issued € 200 million perpetual fixed rate notes (*Teilschuldverschreibungen*) (all notes issued by Capital Raising GmbH and by Hybrid Raising GmbH together the "**Securities**") to capital markets investors which reflect the conditions of payments received under the respective silent participations. In addition to participating, subject to certain conditions, in the profits of IKB AG, the silent partners (and indirectly the Securities issued by the silent partners) also participate in any losses of IKB AG up to the full outstanding notional of the participation.

On 20 April 2017, IKB Lux Beteiligungen S.à.r.l. (a company of the IKB Group) launched an offer to the holders of the Securities to purchase for cash any and all of the Securities. On 12 May 2017, IKB Lux Beteiligungen S.à.r.l. announced that it had been notified of the acceptance of its offer for a total of 87.9% of the Securities (taken as an average across all of the notes) as at the end of the offer period on 10 May 2017. After termination of the tender offer, IKB Lux Beteiligungen S.à.r.l. purchased 87.9% of the Securities (average across all Securities) on 15 May 2017 and holds these Securities.

#### 2.9.2 Agreements in connection with the sale of KfW's Interest in IKB AG

##### *Indemnity Agreement*

In an agreement dated 10/16 September 2008, KfW provided a degree of indemnification to IKB AG for claims from legal disputes against IKB AG (including the relevant procedural costs) in connection with IKB AG's former off-balance sheet financing vehicles (Rhineland Funding, Rhinebridge and the Havenrock entities) for events which occurred before 29 October 2008. Even though the indemnification amount is limited, IKB AG anticipates that the risks from currently asserted legal disputes are largely covered by the indemnification. In this connection, IKB AG has had extensive duties towards KfW in respect of information, disclosure, notification and action. Claims from IKB AG shareholders or investors in financial instruments linked to the development of IKB AG shares are not covered by the indemnification.

If IKB AG culpably violates a concrete obligation in the indemnification agreement in connection with a concrete claim covered by the indemnification agreement, under certain circumstances, the indemnification claim in relation to this specific claim may be extinguished. The Board of Managing Directors regards the risk of a dereliction of duty as slight. This is because, to assure the contractual obligations of IKB AG, the necessary implementation steps for securing conduct in line with the agreement were specified in detail and documented in writing in close coordination and cooperation with KfW. The indemnification claims of IKB AG are also extinguished retroactively if the share sale and transfer agreement or the share transfer in rem between KfW and LSF6 are or become null and void or one of the parties exercises a right which results in the reversal of the performance rendered under the agreement. Furthermore, the claims under the indemnification agreement are extinguished if, even taking into account the claims under the indemnification agreement, there is reason for insolvency of IKB AG or insolvency proceedings have been instituted against the assets of IKB AG.

### 2.9.3 Other Agreements

#### *Sale of ikb Data GmbH*

On 15 August 2017, IKB AG, through its holding company IKB Beteiligungen GmbH, agreed the sale of all of its shares in ikb Data GmbH, a company specialized in IT outsourcing and data protection services ("**ikb Data**") to DATAGROUP SE, a German IT service provider. The sale of ikb Data took effect on 31 August 2017.

#### *Sale of IKB Leasing Group*

On 28/29 June 2017, IKB AG, through its holding company IKB Beteiligungen GmbH, agreed the sale of all of its shares in IKB Leasing GmbH and IKB Leasing Beteiligungsgesellschaft GmbH (together, the "**IKB Leasing Group**") to an investment fund managed by HPS Investment Partners, LLC. The closing of the IKB Leasing Group transaction is subject to various closing conditions which are expected to be fulfilled in the first quarter of 2018. The competent banking supervisory authority (BaFin) has approved the sale of IKB Leasing Group in January 2018.

#### *Sale and Transfer of IKB AG's Headquarter Building and Associated Property*

In July 2016, IKB AG as seller and IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG as purchaser entered into a property purchase and transfer as well as lease back agreement regarding the sale and transfer and lease back of IKB AG's headquarter ("**IKB HQ**"). With the registration of the transfer of IKB HQ to IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG in the land register and with economic effect as of 1 August 2016, IKB AG as lessee and IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG as lessor entered into a lease agreement regarding the IKB HQ.

#### *Letting to Helaba and Berkshire Hathaway*

In March 2013, a long-term subletting agreement was entered into with Landesbank Hessen-Thüringen Girozentrale A.ö.R. ("**Helaba**") concerning parts of IKB HQ. In March 2016, IKB AG entered into a letting agreement with Berkshire Hathaway International Insurance Limited concerning further parts of IKB HQ. With the sale and transfer of IKB HQ in July 2016, these rental agreements were transferred to IKB Grundbesitzgesellschaft Düsseldorf GmbH & Co. KG.

#### *Fidelity Information Services GmbH*

In April 2017, IKB AG entered into a cooperation with Fidelity Information Services GmbH ("**FIS**"), which obliges FIS to provide IT and banking services for IKB AG's online private banking platform. This cooperation was set up in 2015 for a fixed first term until 31 March 2022.

## 3 THIRD-PARTY INFORMATION

IKB AG confirms that information sourced from third parties has been accurately reproduced and that, as far as IKB AG is aware and is able to ascertain from information sourced from such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, IKB AG has identified the source(s) of information and has named such source(s).

## 4 DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the website of IKB AG ([www.ikb.de](http://www.ikb.de)):

- the articles of association (*Satzung*) of IKB AG;
- IKB AG's and IKB Group's compiled annual report for the financial year 2015/2016, including the management report and the audited consolidated financial statements and the audited annual

financial statements as of and for the financial year ended 31 March 2016, prepared in accordance with the provisions of the German Commercial Code (HGB);

- IKB AG's and IKB Group's compiled annual report for the financial year 2016/2017, including the management report and the audited consolidated financial statements and the audited annual financial statements as at and for the financial year ended 31 March 2017, prepared in accordance with the provisions of the German Commercial Code (HGB); and
- IKB AG's and IKB Group's 6-Month Report 2017/2018, including the interim group management report and the condensed combined interim financial statements of IKB AG and IKB Group as of and for the six months period ended 30 September 2017, prepared in accordance with the provisions of the German Commercial Code (HGB).

IKB AG may publish these documents through other channels, and will, to the extent required by applicable law, notify the investors accordingly.

In addition, copies of this Prospectus and any supplement hereto are available from IKB AG free of charge to each investor on request. These documents can be requested from IKB AG through its website ([www.ikb.de](http://www.ikb.de)) or by letter to IKB AG at the following address: Wilhelm-Bötzkes-Straße 1, 40474 Düsseldorf, Federal Republic of Germany.



## TAXATION

The following comments are of a general nature and included herein solely for information purposes. They are based on the relevant laws currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive effect. These comments cannot replace legal or tax advice. No representation with respect to the consequences to any particular prospective holder of a Note is made hereby.

**Prospective holders of a Note should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Notes, including the application and effect of any federal, state or local taxes in each country in which they are resident or citizens and in all relevant jurisdictions.**

### U.S. Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Germany) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not pay any additional amounts as a result of the withholding.

### Federal Republic of Germany

The following general overview does not consider all aspects of income taxation in the Federal Republic of Germany ("**Germany**") that may be relevant to a Holder in the light of its particular circumstances and income tax situation. This general overview is based on German tax laws and regulations, all as currently in effect, save for the proposed financial transaction tax, and all subject to change at any time, possibly with retroactive effect. Prospective holders should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Notes, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

The law as currently in effect provides for a flat income tax rate for certain investment income received by German Noteholders holding the Notes as private assets. There is an on-going discussion in Germany whether the flat income tax rate should be increased or abolished altogether so that investment income would be taxed at regular progressive income tax rates. It is still unclear, whether, how and when the current discussion may result in any legislative change.

## German tax residents holding Notes as private assets

### *Taxation of income from the Notes*

If the Notes are held as private assets (*Privatvermögen*) by an individual investor whose residence or habitual abode is in Germany, payments of interest under the Notes are taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25% flat tax (*Abgeltungsteuer*) (plus a 5.5% solidarity surcharge thereon and, if applicable to the individual investor, church tax (*Kirchensteuer*)).

The same applies to capital gains from the sale or redemption of the Notes. The capital gain is generally determined as the difference between the proceeds from the sale or redemption of the Notes and the acquisition costs. Expenses directly and factually related (*unmittelbar sachlicher Zusammenhang*) to the sale or redemption are taken into account in computing the taxable gain. Otherwise the deduction of related expenses for tax purposes is not permitted.

If the Issuer exercises the right to substitute the Issuer by the Substitute Debtor, that substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the Substitute Debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors which may be indemnifiable by the Substitute Debtor under the terms and conditions of the Notes.

Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted in Euro at the time of sale, and only the difference will then be computed in Euro.

The flat tax is generally collected by way of withholding (see subsection – "Withholding tax" below) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Notes. If, however, no or not sufficient tax was withheld (e.g., in case there is no Domestic Paying Agent as defined in the subsection "Withholding tax" below), the investor will have to include the income received from its investment in the Notes in its income tax return and the flat tax will then be collected by way of tax assessment. The investor may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the investor's aggregated flat tax liability on investment income (e.g., because of an available loss carry forward or a foreign tax credit). If the investor's total income tax liability on all taxable income including the investment income determined by generally applicable individual progressive tax rates is lower than 25% the investor may opt to be taxed at individual progressive tax rates with respect to its investment income.

Capital losses from the Notes held as private assets are generally tax-recognised irrespective of the holding period of the Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilised in one year may be carried forward into subsequent years but may not be carried back into preceding years. According to the view of German tax authorities losses suffered upon a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*) shall, in general, not be deductible for tax purposes. With respect to a bad debt loss a German lower fiscal court has confirmed the view of the German tax authorities in a non-final decision. With respect to a (voluntary) waiver of a receivable a German lower fiscal court has recently confirmed the view of the German tax authorities in a final decision. Furthermore, capital losses might not be recognised by the German tax authorities if the Notes are sold at a market price which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price or if no (or only de minimis) payments are made to the individual investors on the maturity or redemption date of the Notes. This view has however been challenged in 2014 by a final judgement of a German lower fiscal court.

Individual investors are entitled to a saver's lump sum tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for jointly assessed investors). The saver's lump sum tax allowance is considered for purposes of the withholding tax (see subsection "Withholding tax" below) if the investor has filed a withholding tax exemption request (*Freistellungsauftrag*) with the respective Domestic Paying Agent. The deduction of related expenses for tax purposes is not possible.

#### *Withholding tax*

If the Notes are kept or administered in a domestic securities deposit account by a German credit or financial services institution (*Kredit- oder Finanzdienstleistungsinstitut*) (or by a German branch of a foreign credit or financial services institution), or by a German securities trading firm (*Wertpapierhandelsunternehmen*) or by a German securities trading bank (*Wertpapierhandelsbank*) (each a "**Domestic Paying Agent**") which pays or credits the interest, a 25% withholding tax, plus a 5.5% solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375%, is levied on the interest payments.

Capital gains are also subject to the 25% withholding tax, plus a 5.5% solidarity surcharge thereon, if the Notes are kept or administered by a Domestic Paying Agent effecting the sale or redemption since their acquisition. If the Notes were sold or redeemed after being transferred to a securities deposit account with a Domestic Paying Agent, 25% withholding tax (plus solidarity surcharge thereon) would be levied on 30% of the proceeds (plus interest accrued on the Notes, if any) from the sale or the redemption, as the case may be, unless the investor or the previous depository bank was able and allowed to prove evidence of the investor's actual acquisition costs to the Domestic Paying Agent.

In computing any German tax to be withheld, the Domestic Paying Agent generally deducts from the basis of the withholding tax negative investment income realised by a private holder of the Notes via the Domestic Paying Agent (e.g., losses from the sale of other securities with the exception of shares). The Domestic Paying Agent also deducts interest accrued on the Notes or other securities paid separately upon the acquisition of the respective security by a private Holder via the Domestic Paying Agent. In addition, subject to certain requirements and restrictions the Domestic Paying Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by a private Holder in the custodial account with the Domestic Paying Agent.

No withholding tax will be deducted if the holder of the Notes has submitted to the Domestic Paying Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

The applicable withholding tax rate applied to interest payments or capital gains is in excess of the aforementioned rates if church tax applies and is collected for the individual investor by way of withholding which is provided for as a standard procedure, unless the Holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*).

#### **German resident investors holding the Notes as business assets**

##### *Taxation of income from the Notes*

If the Notes are held as business assets (*Betriebsvermögen*) by an individual or corporate investor who is tax resident in Germany (i.e. a corporation with its statutory seat or place of management in Germany), interest income and capital gains from the Notes are subject to personal income tax (at individual progressive rates) or corporate income tax at a rate of 15% (in each case plus a 5.5% solidarity surcharge thereon and church tax, if applicable) and, in general, trade tax. The effective trade tax rate depends on the applicable trade tax factor (*Gewerbesteuer-Hebesatz*) of the relevant municipality where the business is located. The taxable income generally has to be calculated using the accruals method. Business expenses connected with the Notes are, in principle, deductible.

In case of individual investors the trade tax may, however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. Losses from the disposal or redemption of the Notes will generally be tax-recognised and may generally be offset by income subject to certain limitations.

#### *Withholding tax*

If the Notes are kept or administered by a Domestic Paying Agent which pays or credits the interest, a 25% withholding tax, plus a 5.5% solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375%, is levied on the interest payments. The applicable withholding tax rate is in excess of the aforementioned rate if church tax applies and is collected for the individual investor by way of withholding which is provided for as a standard procedure unless the Holder has filed a blocking notice with the German Federal Central Tax Office.

No withholding is generally required on capital gains from the disposal or redemption of the Notes which is derived by German resident corporate investors and, upon application, by individual investors holding the Notes as business assets, subject to certain requirements. Any losses incurred from the disposal or redemption of the Notes will not be taken into account for withholding tax purposes. The withholding tax does not satisfy the investor's personal or corporate income tax liability with respect to the Notes. The income from the Notes will have to be included in the investor's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

#### **Non-German resident investors**

Income derived from the Notes by Holders who are not tax resident in Germany is in general exempt from German income taxation, and no withholding tax shall be withheld, unless (i) the Notes are held as business assets of a German permanent establishment of the investor or by a permanent German representative of the investor or (ii) the income derived from the Notes does otherwise constitute German source income (such as income from the letting and leasing of certain property located in Germany). If the income derived from the Notes is subject to German taxation according to (i) and (ii) above, the income is subject to withholding tax similar to that described above in the subsection "Withholding tax". Under certain circumstances, foreign investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

#### **Inheritance tax / gift tax**

The transfer of Notes to another person by way of gift or inheritance is subject to German gift or inheritance tax, respectively, if inter alia

- (i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), had its seat or place of management in Germany at the time of the transfer of property,
- (ii) except as provided under (i), the testator's or donor's Notes belong to a business asset attributable to a permanent establishment or a permanent representative in Germany.

Special regulations apply to certain German expatriates.

Prospective investors are urged to consult with their tax advisor to determine the particular inheritance or gift tax consequences in light of their particular circumstances.

#### **Other taxes**

The purchase, sale or other disposal of Notes does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany (despite the European initiative on FTT, see below). However,

under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sale of Notes which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

### **The proposed financial transactions tax**

The European Commission and certain EU Member States (including Germany) are currently discussing to introduce a financial transaction tax (FTT) (presumably on secondary market transactions involving at least one financial intermediary). The FTT is however still subject to negotiations and it is therefore currently uncertain if and when any FTT would enter into force with regard to dealings with the Notes.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## **Luxembourg**

The statements herein regarding taxation in Luxembourg are based on the laws in force in the Grand Duchy of Luxembourg as of the date of this Prospectus and are subject to any changes in law. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of the Notes should consult its tax advisor as to the Luxembourg tax consequences of the ownership and disposition of the Notes.

### ***Withholding tax***

There is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident Holder. There is also no Luxembourg withholding tax, upon repayment of the principal or upon redemption or exchange of the Notes.

According to the law of 23 December 2005, as amended, interest on Notes paid by a Luxembourg paying agent to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20% (as from 1 January 2017). The withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Interest on Notes paid by a Luxembourg paying agent to a resident Holder who is not an individual is not subject to withholding tax.

Responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

### ***Self-declared tax***

Further, pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals who are the beneficial owners of interest payments made by a paying agent established outside Luxembourg in a Member State of the European Union or of the European Economic Area may also opt for a final 20% levy. In such case, the 20% levy is charged on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 20% levy must cover all interest payments made by all the aforementioned paying agents to the Luxembourg resident beneficial owner during the entire civil year.

When used in the preceding paragraphs "*interest*", "*paying agent*" and "*residual entity*" have to be interpreted pursuant to the Luxembourg law of 23 December 2005, as amended. "*Interest*" will include accrued (since 1 July 2005) or capitalised interest at the sale, repurchase or redemption of the Notes.

## **SUBSCRIPTION AND SALE**

### **General**

Pursuant to a subscription agreement dated 25 January 2018 (the "**Subscription Agreement**") among the Issuer and the Sole Bookrunner, the Issuer has agreed to sell to the Sole Bookrunner, and the Sole Bookrunner has agreed, subject to certain customary closing conditions, to purchase, the Notes on 31 January 2018. The Issuer has furthermore agreed to pay certain commissions to the Sole Bookrunner and to reimburse the Sole Bookrunner for certain expenses incurred in connection with the issue of the Notes. Commissions may also be payable by the Sole Bookrunner to certain third party intermediaries in connection with the initial sale and distribution of the Notes.

The Subscription Agreement provides that the Sole Bookrunner under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, Notes will not be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Sole Bookrunner against certain liabilities in connection with the offer and sale of the Notes.

The Sole Bookrunner or its respective affiliates, including parent companies, engage, and may engage in the future, in investment banking, commercial banking and other related transactions with the Issuer and its affiliates and may perform services for them, for which the Sole Bookrunner or its affiliates have received or will receive customary fees and commissions, in each case in the ordinary course of business.

Other than set out above, there are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

### **Selling restrictions**

#### **General**

The Sole Bookrunner has acknowledged that no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

The Sole Bookrunner has represented and agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it sells Notes.

#### **United States of America and its territories**

The Notes have not been and will not be registered under the Securities Act, and the Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Sole Bookrunner has represented, warranted and agreed that it will not offer, sell or deliver any Notes within the United States or to U.S. persons, except as permitted by the Subscription Agreement.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### **Prohibition of sales to EEA retail investors**

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area ("EEA"). For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC (as

amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

The Sole Bookrunner has represented, warranted and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION

1. **Documents available for inspection:** For as long as Notes are outstanding, copies of the following documents will be available free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of each paying agent.
  - (i) the articles of association of the Issuer;
  - (ii) this Prospectus; and
  - (iii) the documents specified in the section "*Documents Incorporated by Reference*" below.

The German office of the initial paying agent is located at the following address:

**IKB Deutsche Industriebank Aktiengesellschaft**

Wilhelm-Bötzel-Straße 1  
40474 Düsseldorf  
Federal Republic of Germany

In addition, this Prospectus (together with any supplement) will be available in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

2. **Authorisations:** The issue of Notes by the Issuer has been authorised by a resolution of the Management Board of the Issuer dated 22 January 2018.
3. **Use of Proceeds:** The Issuer intends to use the proceeds from the offering of the Notes for general corporate purposes.
4. **Legend on Global Notes:** Each Global Note will bear the following legend:

"This note has not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Neither this note nor any portion thereof may be offered or sold in the United States of America (including the states and the District of Columbia) or its territories or possessions and other areas subject to its jurisdiction, unless an exemption from the registration requirements of the Securities Act is available.

Any U.S. person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended."

5. **Clearing System:** The Notes have been accepted for clearing and settlement through Clearstream Frankfurt (the "**Clearing System**").

The Notes have the following security codes:

ISIN: DE000A2GSG24  
Common Code: 111731055  
German Securities Code (WKN): A2GSG2

6. **Expenses of the issue:** The total expenses related to the issue of the Notes are expected to amount to approximately € 3.4 million.
7. **Listing and trading:** Application has been made to the Luxembourg Stock Exchange to list the Notes on its Official List and to admit the Notes to trading on the Euro MTF market operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Market and the Financial Instruments Directive 2004/39/EC, as amended, and therefore a non-EU-regulated market. Application has also been made to include the Notes in trading on the Open Market



(Regulated Unofficial Market) (*Freiverkehr*) of the Frankfurt Stock Exchange and the Primary Market (*Primärmarkt*) of the Düsseldorf Stock Exchange.

8. **Rating of the Notes:** The Notes will not be rated.
9. **Notices to Holders:** All notices regarding the Notes will be published (so long as the Notes are listed on the Luxembourg Stock Exchange) on the website of the Luxembourg Stock Exchange on [www.bourse.lu](http://www.bourse.lu). In addition, notices regarding the Notes will be published on [www.ikb.de](http://www.ikb.de) (or another website communicated by the Issuer with at least six weeks advance notice in accordance with the Terms and Conditions) and become effective vis-à-vis the Holders on the third calendar day following the day of such publication unless the notice provides for a later effective date. If and to the extent that binding provisions of effective law or provisions of a stock exchange, on which the Notes are listed, provide for other forms of publication, such publications must be made in addition and as provided for.
10. **Yield to Maturity:** For the subscribers, the yield of the Notes is 4.00 per cent. per annum, calculated on the basis of (i) the issue price and (ii) the assumption that the Notes will be called on the Call Redemption Date. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method. Notwithstanding the above-mentioned assumption, there is no assurance as to whether or not the Notes will be actually called on the Call Redemption Date. Therefore, the yield realized by subscribers may be significantly lower.
11. **Websites:** For the avoidance of doubt, the content of any website referred to in this Prospectus does not form part of this Prospectus.

## **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus should be read and construed in conjunction with the specified pages of the following source documents which have been previously published or are published simultaneously with this Prospectus and which have been filed with the Luxembourg Stock Exchange and these specified pages of the following source documents shall be deemed to be incorporated by reference in, and form part of, this Prospectus:

<b>Information incorporated by reference</b>	<b>Reference</b>
<b>Annual Report 2016/2017 (English Translation) of IKB AG containing the Combined Annual Financial Statements of IKB Group and IKB Deutsche Industriebank AG for the Financial Year 2016/17)</b>	
Consolidated balance sheet of IKB Deutsche Industriebank AG as at 31 March 2017	Pages 60 – 61
Balance sheet of IKB Deutsche Industriebank AG as at 31 March 2017	Pages 62 – 63
Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April 2016 to 31 March 2017	Pages 64 – 65
Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2016 to 31 March 2017	Page 66 – 67
Consolidated cash flow statement (including Notes thereon)	Pages 68 – 70
Notes to the combined annual financial statements of the Group and IKB Deutsche Industriebank AG (including statement of changes in equity)	Pages 71 – 114
Auditors' Report	Pages 115 – 116
<b>Information incorporated by reference</b>	<b>Reference</b>
<b>Annual Report 2015/2016 (English Translation) of IKB containing the Combined Annual Financial Statements of IKB Group and IKB Deutsche Industriebank AG for the Financial Year 2016/17)</b>	
Consolidated balance sheet of IKB Deutsche Industriebank AG as at 31 March 2016	Pages 74 – 75
Balance sheet of IKB Deutsche Industriebank AG as at 31 March 2016	Pages 76 – 77
Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April 2015 to 31 March 2016	Pages 78 – 79
Income statement of IKB Deutsche Industriebank AG for the period from 1 April 2015 to 31 March	Page 80 – 81

2016

Consolidated cash flow statement (including Notes theron) Pages 82 – 84

Notes to the combined annual financial statements of the Group and IKB Deutsche Industriebank AG (including statement of changes in equity) Pages 85 – 132

Auditors' Report Pages 133 – 134

**Information incorporated by reference**

**Reference**

**Combined Interim Financial Statements of IKB Deutsche Industriebank AG and IKB Group as of and for the six months period ended 30 September 2017 (English Translation) included in the 6-Month Report 2017/2018 of IKB AG**

Consolidated balance sheet of IKB Deutsche Industriebank AG as at 30 September 2017 Pages 34-35

Balance sheet of IKB Deutsche Industriebank AG as at 30 September 2017 Pages 36-37

Consolidated income statement of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2017 Pages 38-39

Income statement of IKB Deutsche Industriebank AG for the period from 1 April to 30 September 2017 Pages 40-41

Condensed Notes to the combined interim financial statements of the Group and IKB Deutsche Industriebank AG Pages 42-63

All of the pages listed in the cross-reference list above shall be deemed to be incorporated by reference in, and to form part of, this Prospectus.

The non-incorporated parts of the source documents mentioned in the cross-reference list above, i.e. the pages not listed in the cross-reference list above, are either not relevant for the investor or covered elsewhere in the Prospectus pursuant to Art 28.4 of the Commission Regulation (EC) 809/2004. Copies of the documents which are incorporated herein by reference will be available free of charge from the specified offices of the Initial Paying Agent set out at the end of this Prospectus.

This Prospectus and the documents incorporated by reference are also available for viewing on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

**Issuer**

**IKB Deutsche Industriebank Aktiengesellschaft**

Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Federal Republic of Germany

**Initial Paying Agent**

**IKB Deutsche Industriebank Aktiengesellschaft**

Wilhelm-Bötzkes-Straße 1  
40474 Düsseldorf  
Federal Republic of Germany

**Sole Bookrunner**

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Auditors to the Issuer**

**PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft**

Moskauer Straße 19  
40227 Düsseldorf  
Federal Republic of Germany

**Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft**

Graf-Adolf-Platz 15  
40213 Düsseldorf  
Federal Republic of Germany

**Legal Advisers**

**To the Issuer as to German law**

**Allen & Overy LLP**

Haus am OpernTurm  
Bockenheimer Landstraße 2  
60306 Frankfurt am Main  
Federal Republic of Germany

**To the Sole Bookrunner as to German law**

**Linklaters LLP**

Taunusanlage 8  
60329 Frankfurt am Main  
Federal Republic of Germany