

## 7. Remuneration report

This Remuneration Report relates to the remuneration of the members of the Board of Managing Directors and Supervisory Board in and for the 2007/08 financial year and describes the Bank's remuneration systems in and for this financial year. It takes into account the regulations of the German Commercial Code and the principles of the German Corporate Governance Code.

### The remuneration system of the Board of Managing Directors

The composition of the Board of Managing Directors changed significantly during the financial year 2007/08. The following were members of the Board of Managing Directors during the period to which this Remuneration Report relates:

- Dr Günther Bräunig (Chairman and member of the Board of Managing Directors from 29 July 2007)
- Frank Braunsfeld (until 15 October 2007)
- Dr Volker Doberanzke (until 7 August 2007)
- Dr Dieter Glüder (from 29 July 2007)
- Dr Reinhard Grzesik (from 15 October 2007)
- Dr Markus Guthoff (until 15 October 2007)
- Claus Momburg
- Stefan Ortseifen (until 29 July 2007)

The total remuneration of the members of the Board of Managing Directors consists of a fixed annual basic remuneration, a performance-based variable remuneration as well as non-performance related additional benefits and pension commitments. There are no stock option plans or similar schemes. A member of the Board of Managing Directors receives, in addition to his fixed annual salary, an additional gross payment of € 10,000 in lieu of any agreed pension provisions. The structure of the remuneration system for the Board of Managing Directors is subject to regular discussion and review by the Supervisory Board, based on proposals by the Executive Committee of the Supervisory Board.

Given the current situation facing the Bank and also due to the fact that a new major shareholder could have a key influence on the remuneration of the Board, no work is currently being undertaken to develop a new structure. The remuneration of the Board of Managing Directors is determined on an individual basis by the Executive Committee.

The criteria used in determining remuneration levels are, in particular, the tasks of the respective member of the Board of Managing Directors, his personal performance, the performance of the Board of Managing Directors as a whole, as well as the particular situation in which the Bank finds itself since the onset of the crisis. The appropriateness of the respective total remuneration is also reviewed regularly by the Executive Committee of the Supervisory Board. Any remuneration from other offices or positions held within the Group is taken into account for this purpose.

#### Non-performance-related remuneration components.

The non-performance-related basic annual remuneration is paid monthly in form of a salary. In addition, the Board members receive additional benefits in kind which mainly consist of insurance premiums and the use of a company car. The remuneration of Stefan Ortseifen, until leaving the Board, included the rental value of a property provided by the Bank for his use, the amount being calculated as the difference between a typical local rent in that location and rent paid by him. Additional benefits are part of overall remuneration and are taxed on the individual Board member. The actual amount of these benefits varies according to the individual circumstances of each Board member. Loans and advances were not granted to the Board members in the year under review.

**Performance-based remuneration components.** In accordance with the recommendations of the German Corporate Governance Code, the monetary components of the total remuneration comprise fixed and variable components. Except for a minimum target bonus, the variable remuneration component is risk-based, as it does not constitute guaranteed remuneration. The minimum target bonus is in one case 30%, in some cases 60% of the total. As a rule it is not possible to change the agreed performance targets retroactively.

The variable remuneration for active board members is dependent on the achievement of the written objectives as agreed with the respective board member at the beginning of the year. The bonuses earned are then determined according to the extent to which the targets have been reached. The maximum bonus payable amounts to 200% of the target bonus; the minimum bonus is 30% (in one case 60%). In addition, in determining variable remuneration the Executive Committee of the Supervisory Board may take other factors into account at its own discretion, and accordingly award a higher or lower bonus within the limits fixed. The Supervisory Board has not agreed targets with the Board of Managing Directors for 2007/08. The variable remuneration for 2007/08 for the Board members Dr Günther Bräunig, Dr Dieter Glüder, Herr Dr Grzesik und Claus Momburg were fixed in the meeting of the Executive Committee of the Supervisory Board on 17 April 2008 for those members in office at that time. The variable remuneration of Claus Momburg for the financial year 2007/08 was deducted in full in repayment of his 2006/07 bonus.

In the event of a change of control Dr Grzesik receives a minimum bonus of 150%. A change of control is deemed to have occurred in the event that a third party, either alone or through the voting rights attributable to that third party in accordance with Section 22 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), acquires a share of voting rights that, at an ordinary General Meeting of the Company, would have led to that third party holding a share of voting rights in the amount of at least half of the share capital present at the meeting and entitled to vote.

**Change of Control.** The Board members serving at 31 March 2008 have no clauses in their contracts providing for additional bonuses should a change of control occur. To the extent that such clauses were originally agreed, the serving members have agreed to the cancellation of such clauses.

**Remuneration from third parties.** No member of the Board of Managing Directors received payments or

corresponding commitments from a third party during the past financial year, with the exception of remuneration from subsidiaries of IKB or Movesta Lease and Finance GmbH, in relation to his activity as member of the Board of Managing Directors.

Details of the remuneration paid to the members of the Board of Managing Directors for the financial year 2007/08 are shown in the following table:

|  | Annual remuneration (in € thousand) |                       |                   |              |
|--|-------------------------------------|-----------------------|-------------------|--------------|
|  | Fixed remuneration                  | Variable remuneration | Benefits in kind* | Total        |
| Dr Günther Bräunig (from 29 July 2007)     | 371                                 | 550                   | 15                | 936          |
| Frank Braunsfeld (until 15 October 2007)   | 162                                 | –                     | 21                | 183          |
| Dr Volker Doberanzke (until 7 August 2007) | 132                                 | 57                    | 23                | 212          |
| Dr Dieter Glüder (from 29 July 2007)       | 277                                 | 450                   | 14                | 741          |
| Dr Reinhard Grzesik (from 15 October 2007) | 278                                 | 450                   | 8                 | 736          |
| Dr Markus Guthoff (until 15 October 2007)  | 216                                 | 87                    | 22                | 325          |
| Claus Momburg                              | 404                                 | 450                   | 50                | 904          |
| Stefan Ortseifen (until 29 July 2007)      | 183                                 | –                     | 44                | 227          |
| <b>Total</b>                               | <b>2 023</b>                        | <b>2 044</b>          | <b>197</b>        | <b>4 264</b> |

\* Including remuneration of € 66 thousand received for directorship functions carried out at subsidiaries (Dr Volker Doberanzke € 10 thousand, Claus Momburg € 26 thousand and Stefan Ortseifen € 30 thousand)

For the financial year 2006/07, the annual remuneration of the entire Board of Managing Directors amounted to € 6,837 thousand of which € 2,141 thousand related to fixed remuneration components and € 4,318 thousand to variable components and € 378 thousand to benefits in kind.

**Remuneration on leaving office.** Additional non-performance related payments were agreed with

Dr Volker Doberanzke and Dr Markus Guthoff on leaving office amounting to € 248 thousand (Dr Volker Doberanzke € 163 thousand and Dr Markus Guthoff € 85 thousand) as well as pro-rata minimum bonus payments of € 97 thousand for 2007/08 (Dr Volker Doberanzke € 64 thousand and Dr Markus Guthoff € 33 thousand). Further payments, such as redundancy or transition payments, were not made.

**Repayment of bonuses paid in previous year.** The Executive Committee of the Supervisory Board resolved in its meeting on 16 February 2008 to demand repayment of performance related bonuses for the Financial Year 2006/07 which were paid in July 2007:

| Board Member         | Amount (in € thousand) |
|----------------------|------------------------|
| Frank Braunsfeld     | 25                     |
| Dr Volker Doberanzke | 583                    |
| Dr Markus Guthoff    | 600                    |
| Claus Momburg        | 558                    |
| Joachim Neupel       | 451                    |
| Stefan Ortseifen     | 805                    |
| <b>Total</b>         | <b>3 022</b>           |

**Pension provisions.** Board members appointed before 27 July 2007, the beginning of the crisis, are entitled to pension rights upon reaching the standard retirement age limit (currently 63 years), permanent disability, early retirement or on the non-renewal of the individual's service contract. In the case of the latter, the member of the Board of Managing Directors receives a reduced pension payment, as a so-called transition payment, until his 63rd birthday. This payment is made provided that early retirement or the non-renewal of a contract has not been caused due to his negligence (gross negligence or intentional damage) or by the rejection of equal or more favourable terms offered in relation to extending the contract. However, no transition payments are made to the Board members who have left the board following the crisis, although this is contractually agreed with Dr Volker Doberanzke and Herrn Dr Markus Guthoff. Claus Momburg has entered into an agreement to cancel the terms of his contract relating to transition payments, on condition that a court judgement determines that his behaviour in

respect of the crisis included gross negligence or intentional damage. None of the other current members of the Board of Managing Directors have agreements providing for transition payments on leaving office.

The annual pension entitlement amounts to between 50% and 75% (Frank Braunsfeld 30 and 60%) of the final basis annual remuneration and is dependent on the member's term of office on the Board of Managing Directors. The transition payment, which amounts to between 5% and 75% (Frank Braunsfeld 5% and 60%) of the final basic annual remuneration, depends on the age of the member of the Board of Managing Directors and on his term of office on the Board. Pension claims and earnings otherwise acquired will be offset to a certain extent against the pension payments made by the Company. Current pensions will be adjusted annually in accordance with the performance of the German consumer price index.

After the death of an active or former member of the Board of Managing Directors, a reduced pension is paid out as a provision for dependants. Widows receive up to 60% of the pension for the rest of their lives. The widow's benefit is discontinued upon remarriage. Dependant children receive 15% of the pension until their 18th year, and (up to maximum of 25 years old) for the term of their education including national or civil service (25% if there is no widow's annuity). If the aggregate of the widow's benefit

and orphan's allowance exceeds the pension payment, the orphan's allowance is reduced by the excess amount.

The Bank has recorded provisions for its future pension commitments to the Board of Managing Directors. Annual amounts of pension entitlements on retirement are as follows:

| <b>Annual pension entitlement (in € thousand)</b> | Annual pension on retirement as at 31 Mar 2008 | Addition to pension provisions At 31 Mar 2008 (Service Costs) |
|---|--|---|
| Frank Braunsfeld (until 15 October 2007)          | 96   | –   |
| Dr Volker Doberanzke (until 7 August 2007)        | 230  | 149   |
| Dr Markus Guthoff (until 15 October 2007)         | 262  | 99  |
| Claus Momburg                                     | 308*   | 118   |
| Stefan Ortseifen (until 29 July 2007)             | 407  | –   |

\* Assumes the Board member will remain in office until his 63rd birthday

The Bank has entered into have separate pension arrangements with members of the Board of Managing Directors appointed since the crisis began. The Board members appointed in Financial Year 2007/08, Dr Günther Bräunig, Dr Dieter Glüder and Dr Reinhard Grzesik, have no pension arrangements with IKB, but provisions are made in case of permanent incapacity to continue in office due to illness. Dr Günther Bräunig and Herr Dr Dieter Glüder have pension arrangements with the KfW which existed prior to their appointments to the IKB Board. For which IKB recompenses KfW for pension provision additions required amounting to € 94 thousand for Dr Günther Bräunig and € 89 thousand for Dr Dieter Glüder.

#### Former members of the Board of Managing Directors.

Total remuneration paid to former members of the Board of Managing Directors and to their surviving dependants amounted to € 3,882 thousand (2006/07: € 5,622) including disbursements and benefits in kind. In addition in the Financial Year 2007/08 a former member of the Board of Managing Directors was paid a redundancy payment of € 800 thousand, a further payment of the same amount is payable in the next financial year. These amounts were accrued in 2006/07. Provisions totalling € 42,536 thousand were recognised for pension obligations to former members of the Board of Managing Directors and their surviving dependents (2006/07: € 37,227 thousand).

## The remuneration system of the Supervisory Board

The remuneration of the Supervisory Board is governed by Article 11 of IKB's Memorandum and Articles of Association. In line with legal requirements and in accordance with the provisions of the German Corporate Governance Code, this remuneration takes into account the responsibility and the scope of activities of the Supervisory Board members, as well as the economic situation and the performance of the IKB Group. The members of the Supervisory Board receive a fixed remuneration component as well as two variable, performance based remuneration components. The short-term component is based on the dividend, whilst the long-term component depends on the three-year average for Group net income per share but is only paid if a dividend of at least 4% of the share capital is paid out. The members of the Supervisory Board receive a fixed remuneration in the amount of € 20,000.00 for each financial year, in addition to the reimbursement of their expenses, which shall also include value-added tax incurred on their remuneration. In addition, the Supervisory Board members receive a variable remuneration for each financial year amounting to € 200 for each € 0.01 by which the dividend distributed to shareholders exceeds € 0.30 per share for the past financial year. Furthermore the Supervisory Board members receive another variable remuneration of € 90 for each € 0.01 by which the three-year average of net income per share for the year exceeds € 0.30.

The Chairman of the Supervisory Board receives twice the amount of a normal member of the Supervisory Board, while each deputy shall receive one and a half times as much as a normal member. The remuneration is further increased for each

membership in a Supervisory Board committee by 25% of the remuneration of a Supervisory Board member, and additionally for each chairmanship in a committee by 25% of the remuneration of a Supervisory Board member. The additional remuneration for committee work may not exceed the amount of the remuneration for a Supervisory Board member. For members of the Supervisory Board who have not been Board or committee members for the full financial year, remuneration is paid on a pro-rata basis for each commenced month of their activities.

The remuneration of the Supervisory Board depends on other key performance indicators than those applicable to the remuneration of the Board of Managing Directors, to exclude an unintended harmonisation of the remuneration interests of both corporate bodies. The fixed annual remuneration of € 20,000 is intended in particular to take account of the Supervisory Board's independence, necessary for the Board to perform its supervisory function. The remuneration system is aimed at ensuring a minimum remuneration independent of the Bank's success. The aim of the dividend-based remuneration component is to align the Supervisory Board's remuneration with shareholders' interests. By linking another part of the variable remuneration to the three-year average of the net income for the year, the Supervisory Board's remuneration also contains a component which is based on the Company's long-term success.

**The remuneration of the Supervisory Board.** No variable remuneration will be paid to the members of the Supervisory Board for the 2007/08 Financial Year assuming that, in light of the Company's situation, no dividend will be paid.

During the year under review, the members of the Supervisory Board did not receive any further remuneration or benefits for services rendered, in particular advisory and agency services, over and above their fixed remuneration.

Details of the remuneration paid to the members of the Supervisory Board for the financial year 2007/08 are shown in the following table:

| in € thousand                                      | Total (fixed component only;<br>no variable remuneration from<br>no dividend will be paid) |
|--|--|
| Werner Oerter (from 27 March 2008)                 | 5  |
| Dr Ulrich Hartmann (until 27 March 2008)           | 58   |
| Detlef Leinberger                                  | 45   |
| Dr Alexander v. Tippelskirch (until 27 March 2008) | 40   |
| Dieter Pfundt (from 27 March 2008)                 | 3  |
| Dieter Ammer                                       | 20   |
| Jörg Asmussen                                      | 20   |
| Dr Jens Baganz                                     | 20   |
| Dr Jürgen Behrend (until 27 March 2008)            | 20   |
| Wolfgang Bouché                                    | 26   |
| Hermann Franzen                                    | 21   |
| Ulrich Grillo (from 27 March 2008)                 | 2  |
| Dr-Ing. Mathias Kammüller (until 27 March 2008)    | 20   |
| Jürgen Metzger                                     | 20   |
| Roland Oetker                                      | 21   |
| Dr-Ing. Eberhard Reuther                           | 20   |
| Randolf Rodenstock                                 | 20   |
| Rita Röbel   | 20   |
| Dr Michael Rogowski                                | 20   |
| Jochen Schametat                                   | 20   |
| Dr Carola Steingräber                              | 20   |
| Dr Alfred Tacke (from 27 March 2008)               | 3  |
| Dr Martin Viessmann                                | 20   |
| Ulrich Wernecke                                    | 20   |
| Andreas Wittmann                                   | 20   |
| <b>Sub-total</b>                                   | <b>524</b>   |
| Total travel expenses for the Supervisory Board    | 37   |
| <b>Total</b>                                       | <b>561</b>   |