

2014 Remuneration Report

pursuant to Section 16 of the German Remuneration
Ordinance for Institutions (InstitutsVergV) of 16 December 2013

Group Human Resources

The bank at your side

03	1	Regulatory influences
04	2	Remuneration strategy
06	3	Compensation governance structure
07	3.1	Compensation Control Committee
08	3.2	Remuneration Officer
09	3.3	Remuneration Committee
10	4	Remuneration system
11	4.1	Determination of the disbursement volume for variable remuneration
12	4.2	Profit sharing for pay-scale employees
12	4.3	Variable remuneration for non-pay-scale employees
13	4.3.1	NPS model
13	4.3.2	IB model
14	4.3.3	Management model
15	4.3.4	Remuneration of the Board of Managing Director
15	4.4	Variable remuneration regulations applicable to all models
15	4.4.1	Risk Taker identification
16	4.4.2	Special remuneration rules for Risk Takers
17	4.4.3	Performance assessment for Risk Takers
18	4.4.4	Ban on hedging transactions
19	4.4.5	Special considerations with regard to Hypothekenbank Frankfurt AG
20	5	Group-wide implementation
21	6	Remuneration information
21	6.1	Quantitative information on remuneration by business area
22	6.2	Quantitative information on remuneration of senior management and Risk Takers
23	6.3	Number of persons with high remuneration

1 Regulatory influences

The statutory minimum requirements for remuneration systems in the banking sector have undergone massive changes in recent years. At the European level, the remuneration regulations for banks and financial institutions have been tightened. They are enshrined in such legislation as the combined draft directive and regulation comprised of the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR), which replace the previous rules (CRD III).

The requirements have been implemented at the national level mainly through amendments to the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung, InstitutsVergV) and the German Banking Act (Kreditwesengesetz, KWG). In a three-stage implementation process, they ensure that the principles and standards of the Financial Stability Board (FSB) and the remuneration-related regulations of CRD IV are anchored in national law. Other remuneration-related regulations are contained in the laws on Regulatory Requirements for the Remuneration Systems of Institutions and Insurance Companies (Gesetz über die aufsichtsrechtlichen Anforderungen an die Vergütungssysteme von Instituten und Versicherungsunternehmen, VergAnfG) and the Restructuring Act (Restrukturierungsgesetz, RStruktG), which were passed in 2010.

Commerzbank AG has already analysed the regulations resulting from these legal sources in its remuneration system in order to ensure compliance with all regulatory requirements with regard to its remuneration system.

This remuneration report summarises the remuneration systems applicable in Commerzbank AG for the 2014 financial year and the adjustments made, which will take effect as of the 2015 financial year.

Applying the provisions of Section 2a KWG in conjunction with Article 7 CRR, this remuneration report of Commerzbank AG also meets the obligation to disclose remuneration-related information with regard to Hypothekbank Frankfurt AG, pursuant to Section 16 InstitutsVergV in conjunction with Section 27 (5) InstitutsVergV. Consequently, Hypothekbank Frankfurt will not prepare its own remuneration report for the 2014 financial year.

2 Remuneration strategy

The remuneration strategy sets the guidelines for the remuneration policy of the Commerzbank Group in order to ensure competitive compensation of employees in line with their performance. It is in harmony with the business strategy and risk strategy of the Commerzbank Group and is generally applicable to the entire Group.

The remuneration strategy is derived from the human resources strategy of Commerzbank AG. In a challenging regulatory and economic environment, the personnel strategy defines an operational framework and core strategic issues that contribute to the Bank's future viability. The remuneration strategy is published in the organisational guidelines of Commerzbank and is reviewed on a regular basis and as needed.

The remuneration systems of Commerzbank are an important factor in ensuring that the Bank can achieve its strategic goals. At the same time, they are intended to ensure a remuneration level that will enable the Bank to attract and retain sufficient numbers of qualified staff in a dynamic market environment. The remuneration models and parameters derived from the remuneration systems are geared to the long-term business success of Commerzbank and are structured transparently.

In particular, they help to avoid false incentives that run counter to fair and competent advice and the needs of customers. In this way, the remuneration strategy and systems support the promise "the bank at your side" and help to achieve the key targets of our Strategy 2016: focused growth, adjustments to the cost base, and the optimisation of the capital base.

At Commerzbank, overall remuneration consists of several components:

- With **competitive remuneration based on results and performance**, primarily oriented towards the company's success, Commerzbank seeks to place equal emphasis on the interests of shareholders and employees while supporting long-term corporate performance.
- With **discretionary fringe benefits**, the Bank also creates a working environment that encourages performance, offers recognition to employees, and supports them beyond the immediate workplace.
- In addition to statutory and private pension schemes, Commerzbank offers its employees a **company pension scheme** with various implementation options. This company pension scheme helps to ensure that employees can retire with a high level of security.

The remuneration components result in competitive compensation for employees, taking into account an appropriate balance of variable to fixed remuneration. In the ongoing development of its remuneration models, Commerzbank pursues the aims of rewarding performance and fostering the employee behaviour required for corporate success while complying with regulatory requirements.

In addition, the Bank ensures that the remuneration models and parameters derived from the remuneration systems and the remuneration components are sustainable, i.e. serve the interests of long-term corporate performance, and are structured transparently.

In connection with remuneration issues – or in any other area – Commerzbank does not tolerate any form of discrimination with regard to gender, ethnic background, sexual orientation, age, religion, or disabilities.

3 Compensation governance structure

With the entry into force of the amended InstitutsVergV on 1 January 2014, the compensation governance structure of Commerzbank AG was amended in accordance with the new regulatory requirements. The two existing committees, the Compensation Committee (CC) and the Performance Evaluation Committee (PEC), were dissolved.

To replace them, a Remuneration Control Committee was established as a subcommittee of the Supervisory Board, pursuant to Section 15 InstitutsVergV, and a Remuneration Officer and a deputy were appointed, pursuant to Section 23 et. seq. InstitutsVergV. In addition, the newly constituted Remuneration Committee will ensure the proper involvement of control units in the structuring and monitoring of the remuneration systems as required in Section 3 Paragraph 3 InstitutsVergV.

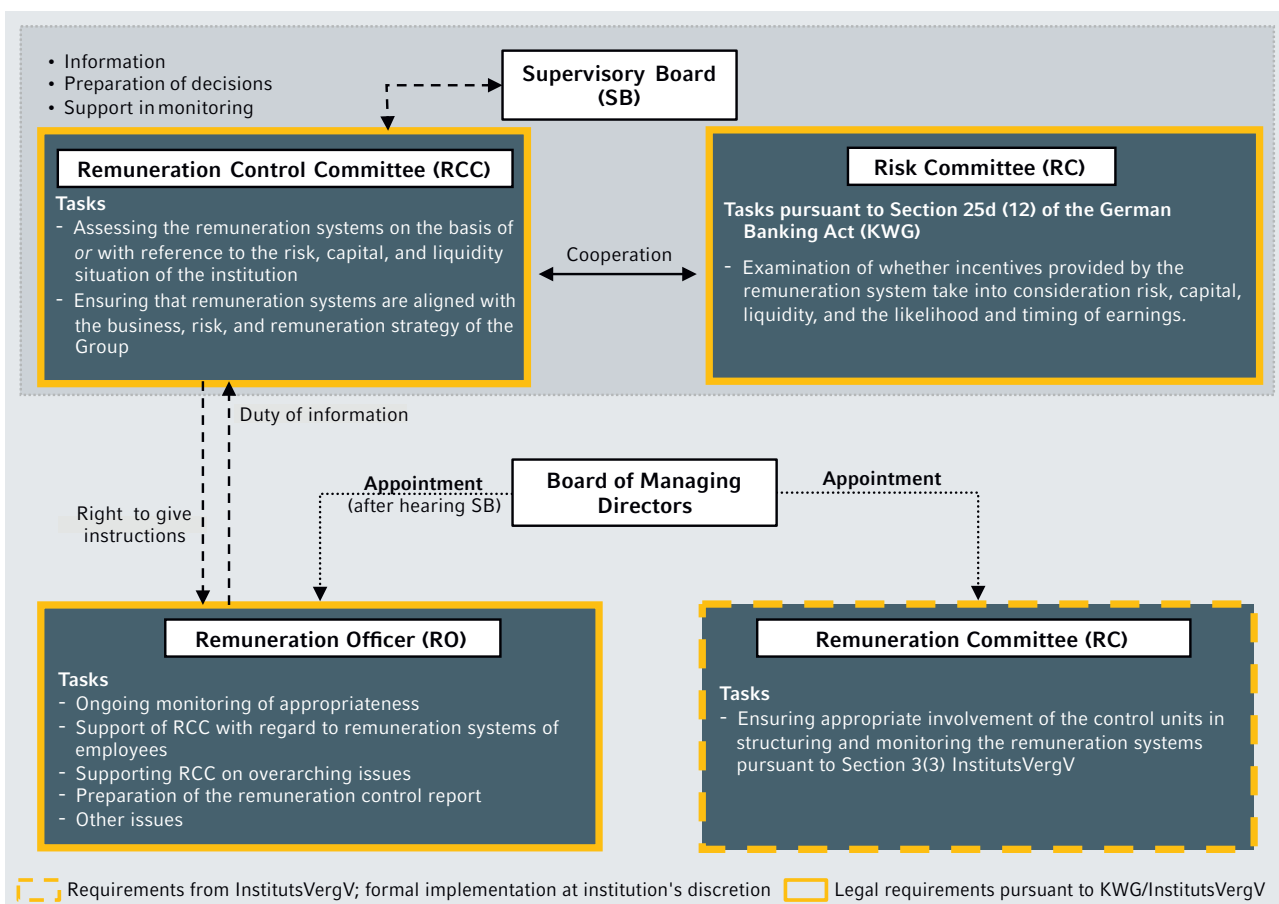


Figure 1: Realignment of compensation governance structures to implement regulatory requirements

3.1 Compensation Control Committee

Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, CRR institutions¹ are required to set up a Compensation Control Committee. At Commerzbank, this task was initially performed by the Presiding Committee of the Supervisory Board in the 2014 financial year until the Supervisory Board set up a separate subcommittee for this purpose in November 2014. In the 2014 financial year, the committee addressed remuneration-related issues four times.

Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, the Compensation Control Committee is also permitted to perform its function for other institutions in the Commerzbank Group. In the 2014 financial year, the Compensation Control Committee performed this task for Hypothekbank Frankfurt. The committee is made up of the Chairman of the Supervisory Board, its Deputy Chairman pursuant to Section 27 Paragraph 1 of the Codetermination Act, and one member each from the shareholder and employee representatives, respectively.

The Compensation Control Committee prepares the decisions by the Supervisory Board on the appropriate structure of the remuneration system for the Board of Managing Directors and supports it in setting the fixed and variable remuneration components for members of the Board of Managing Directors. It considers in particular the effects of the resolutions on the company's risks and the risk management and takes into account the long-term interests of the shareholders, investors, other stakeholders, and the public. It also supports the Supervisory Board in monitoring the appropriate structure of the remuneration systems for employees, focusing in particular on the heads of risk controlling and the compliance function as well as the employees with a material influence on the Bank's overall risk profile.

The Compensation Control Committee supports the Supervisory Board in determining whether the total amount of variable remuneration has been determined in accordance with the regulatory standards and whether the policies with regard to assessing, reducing, and cancelling variable remuneration are appropriate. The review takes place on a regular basis at least once a year.

In addition, the Compensation Control Committee monitors the proper involvement of the internal control functions and all other relevant units in the structuring of the remuneration systems. It assesses the effects of the remuneration systems of the Board of Managing Directors and employees on the risk, capital, and liquidity situation of the Bank and the Group. In this context, the committee ensures that the remuneration systems are compatible with the business strategy and the risk strategies derived from it and are geared to the remuneration strategy on the Bank and Group levels.

The tasks of the Compensation Control Committee are set out in the Rules of Procedure of the Supervisory Board, which are published on the Commerzbank AG website.

¹ Section 1 Paragraph 3d sentence 1 KWG in conjunction with Article 4 Paragraph 1 No. 1 of Regulation (EU) No. 575/2013: "... an undertaking, the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account."

3.2 Remuneration Officer

Pursuant to Section 23 Paragraph 1 sentence 2 InstitutsVergV, major institutions are required to appoint a remuneration officer and a deputy in order to ensure appropriate, long-term, and effective monitoring of the remuneration systems of the employees. The Remuneration Officer of Commerzbank AG was appointed under a resolution passed by the Board of Managing Directors effective 1 April 2014 for the central fulfilment of all tasks for Group institutions required under the provisions of the InstitutsVergV to appoint a remuneration officer.²

The tasks of the Remuneration Officer are defined in Section 24 InstitutsVergV. He performs his monitoring responsibilities independently. The Remuneration Officer has the necessary authority and the required material and staff resources in Commerzbank, both in terms of quantity and quality, to perform his tasks, and he takes part in training courses on a regular basis. He cooperates closely with the Bank's control units.

The Remuneration Officer monitors the appropriateness of the staff remuneration systems and the related internal regulations and processes in accordance with the requirements of the InstitutsVergV. He ensures proper compliance with all documentation and information obligations and maintains communications with the regulatory authorities.

The Remuneration Officer checks to ensure that the total amount of variable remuneration is determined properly. Moreover, he ensures that the policies for setting remuneration parameters and performance contributions as well as for defining the requirements for complete cancellation or partial reduction of variable remuneration are appropriate. A particular focus is placed on the criteria for Risk Takers, their identification and the assessment of their performance at the end of the variable remuneration deferral period.

The Remuneration Officer and his deputy are appropriately integrated into the conceptual development of new and existing remuneration systems and in their ongoing processes. They communicate closely with the chairman of the Remuneration Control Committee and support him in the performance of his monitoring and structuring duties.

Tasks and the organisational positioning of the Remuneration Officer are summarised in a mandate and set out in the Bank's organisational guidelines.

² When the appointment was made in 2014, this applied to Commerzbank AG and Hypothekbank Frankfurt AG.

3.3 Remuneration Committee

The Remuneration Committee was set up in order to involve the Bank's control units appropriately in the structuring and monitoring of the remuneration systems within the Commerzbank Group pursuant to Section 3 Paragraph 3 of the InstitutsVergV. For this reason, the control units as defined in Section 2 Paragraph 9 InstitutsVergV along with Group Finance and Group Legal have permanent representatives on the Remuneration Committee. The Remuneration Officer of Commerzbank AG is also a member. In the 2014 financial year, the Remuneration Committee held three meetings.

It is involved to an appropriate extent in the structuring of the remuneration systems of major institutions in the Commerzbank Group. This includes in particular being provided with detailed information when remuneration systems are designed, changed, or withdrawn from use. Pursuant to Section 27 InstitutsVergV, it must be properly informed of changes in the remuneration systems of subordinated Group institutions.

In addition, the Remuneration Committee assesses whether the remuneration systems are compatible with the Bank's business and risk strategy and whether they must be adjusted in case of changes to the above-mentioned internal standards. The Remuneration Committee informs the Board of Managing Directors of any developments adversely affecting the appropriateness of the remuneration systems and, if applicable, suggests possible courses of action to correct them.

The tasks, composition, decision-making procedures, and the organisation of the Remuneration Committee are summarised in Rules of Procedure included in the Bank's organisational guidelines.

4 Remuneration system

Commerzbank's remuneration system is made up of target group-specific remuneration models that meet both general and specific regulatory requirements.

The remuneration parameters relevant to the remuneration system are derived from the Bank's strategic goals. They are set annually in "target catalogues for executives" and defined within the business segments in the target-setting meetings down to the individual employee level. It is ensured that employees' remuneration-related targets are sufficiently ambitious, can make an effective and sustainable contribution to achieving the company's goals, and do not create incentives to incur excessive risks.

Commerzbank's remuneration models ensure results-oriented remuneration at all levels, always taking into account the individual employee's performance along with the contributions to overall success from the Group and the individual segments.

The remuneration models of Commerzbank AG are geared to the various employee groups:

- Pay-scale remuneration: for all pay-scale employees
- NPS model: for non-pay-scale employees
- Investment banking model (IB model): for all non-pay-scale employees in the Corporates & Markets segment and Group Treasury
- Management model: for the first and second management levels of the Bank and selected project management functions (excluding Corporates & Markets and Treasury)
- Board of Managing Directors model: for all members of the Board of Managing Directors of Commerzbank AG³

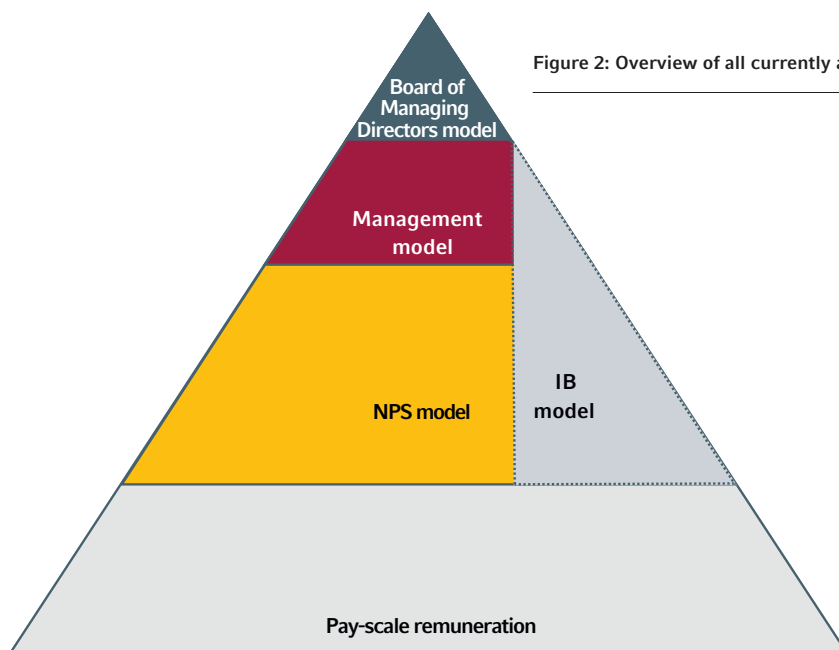


Figure 2: Overview of all currently applicable remuneration models

³ For details on the remuneration systems of the members of the Board of Managing Directors of Commerzbank AG, please refer to the 2014 Annual Report.

The remuneration systems for employees and managers were revised in the 2014 financial year in accordance with the amended *InstitutsVergV* and approved by the Board of Managing Directors of Commerzbank AG. In addition to the adjustments to the remuneration systems required for regulatory purposes, Commerzbank decided to harmonise its remuneration categories. This applies in particular with regard to the remuneration parameters, budgeting, the pool proviso pursuant to Section 7 *InstitutsVergV*, and the individual distribution. The goal is to create a transparent and readily understandable system for all employee groups.

The sections below describe the remuneration systems in effect in the period under review and the changes resulting from the above-mentioned adjustments.

For details on the sustainability components of the remuneration models, please refer to Section 4.4.2.

4.1 Determination of the disbursement volume for variable remuneration

At the end of each financial year, an assessment is made under a formalised, transparent and readily understandable process as set out in Section 45 Paragraph 2 sentence 1 No. 5a KWG to determine whether a certain volume of funds can be made available for the disbursement of variable remuneration.

To meet the regulatory requirements, the budget for variable remuneration is reviewed and defined in three steps. The individual requirements are considered separately and evaluated accordingly.

For the financial year 2015 onwards, the process will take into account economic factors – in particular risk bearing capacity, multi-year planning, and the profit position of the Group – as well as regulatory factors such as the ability to regain appropriate capital and liquidity resources or maintain them in the long term. The process ensures that the Bank's ability to maintain or regain compliance with the combined capital buffer requirements pursuant to Section 10i of the German Banking Act (KWG) is not impaired. It also ensures, in case of a negative overall performance of the Bank, in particular if this involves a decrease in company value, that it is generally not permissible to set aside a budget for variable remuneration (pool proviso).

The economic factors pursuant to Section 7 sentence 1 *InstitutsVergV* are fulfilled through the use of economic value added (EVA) based on the definition applied by Commerzbank. EVA is generally used in all remuneration models of the Commerzbank Group when setting budgets for variable remuneration. The return on equity is used as a determining factor for setting and/or paying out variable remuneration only under the current pay-scale model (so-called profit sharing; see Chapter 4.2). In the course of harmonising the remuneration models, the goal is to establish EVA as the decisive parameter for the pay-scale model as well. EVA takes into account the operating profit and the capital costs by deducting the capital costs from the operating profit of the unit under consideration. The capital costs are calculated as the product of capital and the capital cost rate defined in the annual budget. As a result, EVA meets all regulatory requirements.

An assessment is also made to ensure compliance with the regulatory requirements for capital and liquidity resources and the combined capital buffer requirements. These are reviewed monthly by the internal Asset Liability Committee (Alco). The Board of Managing Directors is informed of these parameters on a quarterly basis.

Finally, it is determined whether the Bank has achieved a positive overall performance. In case of a negative overall performance, in particular involving a decrease in company value, in general no pool is made available, and thus no variable remuneration is paid.

In the 2014 financial year, the above-mentioned aspects, with the exception of the items “liquidity resources” and “overall performance”, were already reviewed regularly. To take into account all requirements of Section 7 InstitutsVergV, the aspects of “liquidity resources” and “overall performance” were examined and reviewed at the end of the financial year.

4.2 Profit sharing for pay-scale employees

In addition to the 13th monthly salary payment stipulated in the collective agreement for the banking sector, pay-scale employees at Commerzbank can receive a profit share as a variable remuneration component. For the 2014 financial year, the possible amount of this payment is based on the return on equity of the Bank as a whole. The minimum target for return on equity was not achieved for 2014, so that no variable remuneration will be paid out in the form of a profit share.

Changes to the profit share for pay-scale employees were under negotiation with the employee representatives at the time of preparation of this report. The goal is to reach agreement as soon as possible with the committees and approve a pay-scale model that is harmonised with the other remuneration models with regard to the mechanisms.

4.3 Variable remuneration for non-pay-scale employees

In addition to the annual fixed salary, generally paid out in the form of 12 monthly salary payments, non-pay-scale employees can receive variable remuneration, the basic elements of which are outlined below.

Unless a resolution to the contrary is passed by the Annual General Meeting, the variable remuneration of individual employees is not allowed to exceed 100 per cent of their annual fixed salary (“bonus cap”). Under the provisions of Section 25a Paragraph 5 sentence 5 KWG, however, the shareholders can pass a resolution permitting a higher level of variable remuneration, but not exceeding 200 per cent of the annual fixed remuneration for an individual employee.

For the 2014 financial year, Commerzbank did not seek to obtain a resolution of this kind from the annual general meeting. Consequently, the Bank ensured that the individual disbursement amounts under all of the models described will be limited to 100 per cent of the annual fixed remuneration.

4.3.1 NPS model

The NPS model applies to all non-pay-scale employees, including the Bank's third management level (excluding the Corporates & Markets segment and Group Treasury).

For all employees under the NPS model, individual target amounts for variable remuneration are agreed at the beginning of each financial year. These target amounts are reviewed annually. Depending on the annual fixed salary and the employee's individual career stage, the target amount can represent up to 35 per cent of the total target remuneration.

An employee's individual targets are derived from the strategic targets of the Bank and are agreed at the beginning of a financial year. They include quantitative and qualitative targets.

At the end of the financial year, the Board of Managing Directors approves a disbursement budget for variable remuneration based on the Group's performance. Of the amounts paid out to individuals, 60 per cent depend on the employee's individual target achievement and can be supplemented by a discretionary Group bonus subject to the availability of a budget for that purpose.

Changes to the NPS model were under negotiation with the employee representatives at the time of preparation of this report. The goal is to reach agreement as soon as possible with the committees and approve models in full compliance with the requirements of the amended *InstitutsVergV*.

4.3.2 IB model

The IB model applies globally to all non-pay-scale employees and managers in the Corporates & Markets segment as well as Group Treasury of the Commerzbank Group.

At the beginning of the financial year, the Board of Managing Directors sets a Group target on the basis of the economic value added (EVA). This Group target is linked to a target volume for employees under the IB model. As is customary in the market, no individual target amounts are agreed.

An employee's individual targets are derived from the strategic targets of the Bank and are agreed at the beginning of a financial year. They include quantitative and qualitative targets.

After the end of the financial year, a decision is made on the total volume of variable compensation under the IB Model on the basis of Group and segment performance. In the total volume, Group performance is assigned a 40 per cent weighting and segment performance (in this case: the Corporates & Markets segment or Group Treasury) a 60 per cent weighting. Negative target achievement is also taken into account. Under the IB model, the amount of the individual variable remuneration is set on a purely discretionary basis, taking into account the contributions of the unit and the individual employee to the Bank's success. When setting the individual variable remuneration under the IB model, the upper limits for variable remuneration and the applicable bonus cap are taken into account.

Beginning with the 2015 financial year, negative target achievements will no longer be taken into account when determining Group and segment performance due to the introduction of the general pool proviso. Instead, a target achievement range of 0 to 200 per cent will be introduced. On all levels (units and individual levels), uniform rules will in future apply to the discretionary distribution.

The model adjustments were adopted in the new version of the Commerzbank Incentive Plan (CIP) of 6 November 2014 and the works agreement on compensation in the Corporates & Markets segment and the Group Treasury. The new version of the CIP was agreed with senior managers in the IB segment through individual contract amendments.

4.3.3 Management model

The management model applies Group-wide to the first and second management levels of Commerzbank (excluding the Corporates & Markets segment and Group Treasury) and to individual employees with project management responsibilities.

At the beginning of the financial year, the Board of Managing Directors sets a Group target on the basis of the economic value added (EVA). This Group target is linked to a target volume for the variable remuneration of employees under the management model. The target volume is allocated to the employees on the first management level (ML1) and distributed from there to the employees on the second management level (ML2). The individual target amount for variable remuneration defined in this way serves as an orientation value for the employee, and is independent of the previous year's value. The target amount is communicated to the employee in writing. Depending on the annual fixed remuneration and the employee's individual career stage, it can represent up to 40 per cent of total remuneration. In some cases, the target amount may represent up to 50 per cent of total remuneration due to long-term remuneration components (long-term incentive).

An employee's individual targets are derived from the strategic targets of the Bank and are agreed at the beginning of a financial year. They include quantitative and qualitative targets.

After the end of the financial year, a decision is made on the total volume of variable compensation under the management model on the basis of Group performance. The distribution of the disbursement budget to the employees takes place on a discretionary basis, taking into account the unit's contribution to performance and that of the individual employee. The amount of the individual variable remuneration is limited to 200 per cent of the target amount under the management model, and also cannot exceed the individually applicable bonus cap for variable remuneration.

Beginning with the 2015 financial year, the Group component for determining the segment-specific disbursement budget will be complemented by a segment component. For the disbursement budget for each segment, the Group result will have a 40 per cent weighting and the segment result a 60 per cent weighting.⁴ The target achievement ranges for the Group and segment components each extend from 0 to 200 per cent. The amounts for individual employees will be set on a discretionary basis according to uniform rules, taking into account the unit's contribution to performance and that of the individual employee.

The model changes were adopted in the new version of the CIP of 6 November 2014 and have been agreed with the employees under the management model through individual contract amendments.

⁴ If an employee under the management model works in a support or management unit, the assessment is carried out using the average of all segments.

4.3.4 Remuneration of the Board of Managing Directors

Remuneration of the members of the Board of Managing Directors is subject to a separate model. The details and the related remuneration information were published in the 2014 Annual Report (p. 29 et. seq.) and can be found there.

4.4 Variable remuneration regulations applicable to all models

Although the amount of variable remuneration is based on the applicable remuneration model, the specific disbursement arrangements depend on the group to which an employee belongs.

For employees not classified as Risk Takers, the full amount of variable remuneration is paid out immediately with no deferral. For those classified as Risk Takers, the disbursement of variable remuneration is subject to special conditions.

4.4.1 Risk Taker identification

Pursuant to the InstitutsVergV, major financial institutions must conduct a risk analysis to identify employees with a material influence on their overall risk profile.

The applicable criteria are set out in the Regulatory Technical Standards (RTS) of Regulation (EU) No. 604/2014 of 4 March 2014 and Article 94 Paragraph 2 of Directive 2013/36/EU. The EU Directive came into force on 26 June 2014 and was applicable to the 2014 financial year.

All major subsidiaries of the Commerzbank Group⁵ were instructed by Group Human Resources to apply the new criteria and document them in a separate risk analysis. For major institutions the corresponding risk analysis has been prepared. The process has not been completed yet in EEPK. If an employee was identified as a Risk Taker at any time in 2014, then his entire variable remuneration for the 2014 financial year is subject to the Risk Taker regulations.

At Commerzbank, the criteria are differentiated on the basis of management responsibility, risk responsibility, and remuneration. In some respects, the concrete implementation of the RTS in the Bank exceeds the requirements of the EU Directive (relevant details were documented in an internal risk analysis pursuant to Section 18 InstitutsVergV).

⁵ Major institutions in the Commerzbank Group, alongside Commerzbank AG and Hypothekenbank Frankfurt AG, are Erste Europäische Pfandbrief- und Kommunkreditbank AG in Luxembourg (merged with Hypothekenbank Frankfurt International S. A. as of 30 September 2014) and mBank.

As a result, the following employee groups are classified as Risk Takers:

- Management responsibility: all employees on the first and second management levels of the Group
- Risk responsibility: employees whose credit risk responsibility (all-in competency) per transaction amounts to at least 0.5 per cent of the Common Equity Tier 1 capital (CET 1) or whose market risk responsibility (value-at-risk limit) exceeds 5 per cent of the Group value-at-risk limit, or who are voting members of a committee responsible for these risk categories
- Remuneration amount: the 0.3 per cent of employees with the highest total remuneration, i.e. all employees with total remuneration of more than €500,000, excluding employees whose remuneration is greater than or equal to that of the lowest-paid executive and who would be identified as Risk Takers solely on the basis of their remuneration

If an employee was identified as a Risk Taker at any time in 2014, then his entire variable remuneration for the 2014 financial year is subject to the Risk Taker regulations. Through the application of the Regulatory Technical Standards (RTS), the number of Risk Takers at Commerzbank increased substantially from 280 in 2013 to 711 (707 FTE) in 2014.

4.4.2 Special remuneration rules for Risk Takers

Due to their importance for the Bank's overall results, special rules apply when assessing the performance of Risk Takers and determining their variable remuneration.

At Commerzbank, two groups are distinguished: Risk Takers I and Risk Takers II. All members of the first Group management level who report to the Board of Managing Directors of Commerzbank AG or the top management of another major institution are classified as Risk Takers I. All other Risk Takers are classified as Risk Takers II.

For amounts of €50,000⁶ and higher, the total variable remuneration is divided into two components: a Short-Term Incentive (STI) and a Long-Term Incentive (LTI). These components are subject to specific regulations. The STI and LTI are both paid out in equal amounts of cash and shares.

The STI represents 40 per cent of variable remuneration for Risk Takers I and 60 per cent for Risk Takers II, and is determined after the end of the financial year in question. It is disbursed within a short time; however, half of the STI is not paid out immediately, but only after a six-month retention period, and then in the form of Commerzbank shares or the cash equivalent.

The LTI represents 40 per cent of variable remuneration for Risk Takers II and 60 per cent for Risk Takers I, and is determined after the end of the financial year in question. It is disbursed only after a defined period – consisting of a three-year deferral period, followed by a retention period of at least six months.

⁶ Amount up to which the regulatory authority currently accepts the disbursement of the entire variable remuneration of risk takers for a financial year as a cash-only STI.

Under the regulatory requirements, Risk Takers can acquire a claim to the LTI only after the deferral period has expired and only if there are no impediments to disbursement at that time that would partially or entirely prevent the claim from vesting (see Section 4.4.3).

With regard to variable remuneration for the 2014 financial year, this means that the STI is payable in the financial year 2015 (year one) and the LTI – subject to any reduction or complete cancellation of the amount determined in year one – is payable in 2018 (year four).

In addition, the LTI is subject to a “bad leaver” regulation. This applies if the employment relationship ends prematurely due to resignation or violation of regulations by the employee.

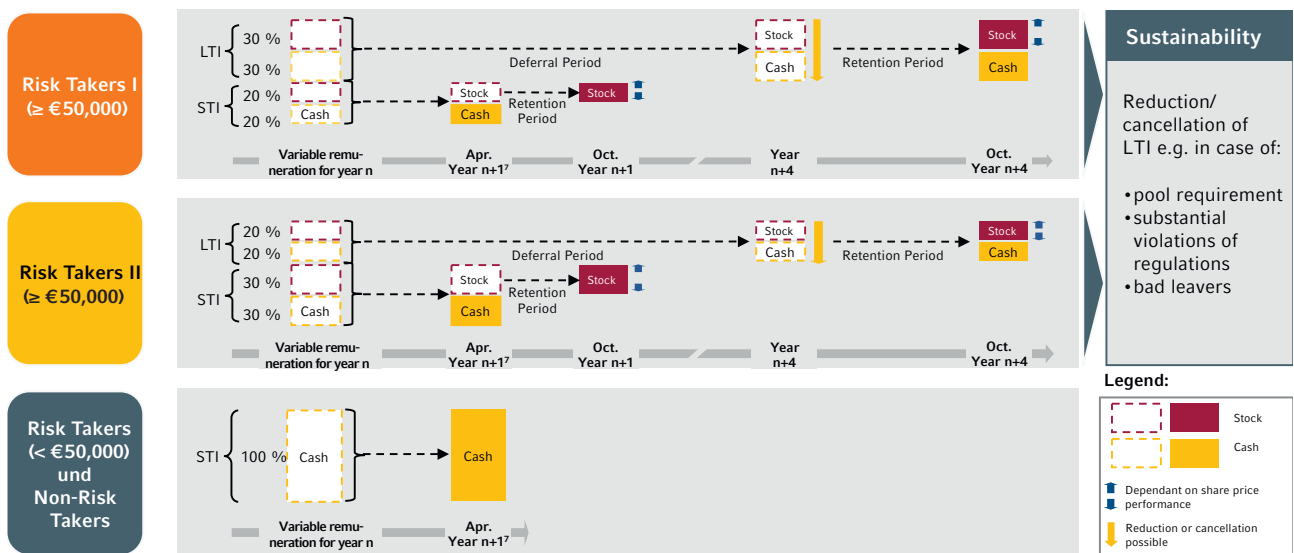


Figure 3: Disbursement procedures and sustainability components

4.4.3 Performance assessment for Risk Takers

After the end of a financial year, the performance of Risk Takers – like that of all other employees – is assessed on the basis of the individual quantitative and qualitative targets for the financial year in question. This Performance assessment I forms the basis for the amount of individual variable remuneration and establishes the immediate claim to the STI.

For Risk Takers, other collective and individual reviews are carried out to determine claims to LTI components:

At the individual level, additional risk reviews are being conducted in each year of the deferral period to determine whether causes have arisen in the meantime justifying the cancellation or reduction of claims to LTI components. Such reasons are deemed to exist primarily in case of violations of rules and guidelines (Code of Conduct), a lack of sustainability in the performance serving as the basis for the Performance assessment I, or the employee’s risk behaviour.

After the expiry of the deferral period, the Performance assessment I is reviewed in Performance assessment II. This also examines the employee’s behaviour during the deferral period and takes into account collective criteria such as the liquidity and profitability of the Commerzbank Group. Negative individual contributions to success or failure to meet liquidity and profitability criteria of the Commerzbank Group may result in the remuneration through the LTI component being reduced or cancelled (“malus”).

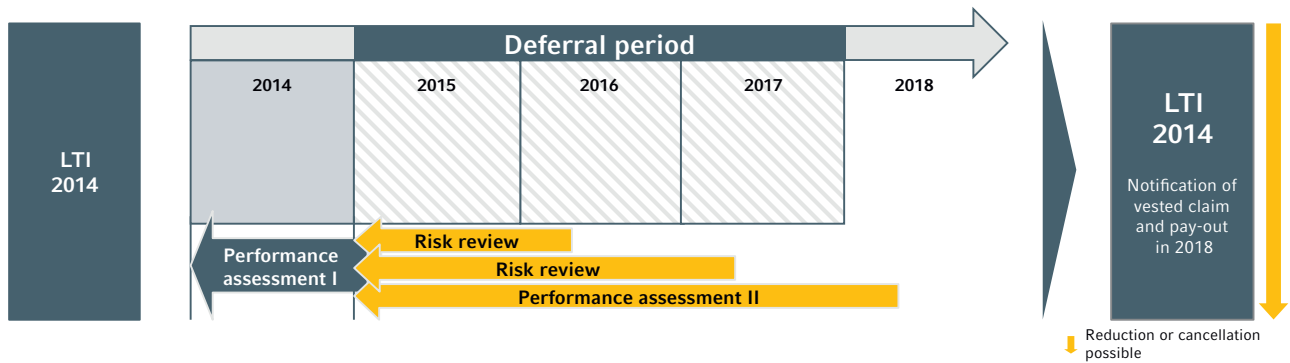


Figure 4: Model description of handling of LTI for the financial year 2014

4.4.4 Ban on hedging transactions

At Commerzbank, the ban on hedging pursuant to Section 8 InstitutsVergV is regulated in the Commerzbank Incentive Plan (CIP) and included in the works agreement on the variable remuneration policy (Vario) for non-pay-scale employees in the form of an addendum.

Both regulations state that employees are not permitted to take personal hedging measures or other counter-measures for STI and LTI in order to limit or eliminate the risk-oriented nature of the variable remuneration.

To ensure compliance with the ban on hedging, the Remuneration Officer conducts random checks of employees’ securities accounts with Commerzbank and other institutions in cooperation with Group Compliance. Employees are obliged to cooperate with the checks and provide the Bank with any requested information without delay.

In case of a violation or persistent refusal by an employee to cooperate, the Bank is entitled to impose measures against the employee in accordance with labour law. Moreover, the Bank will regard this as a relevant violation of contractual obligations that will result in the loss of all LTI claims by the employee.

In the 2014 financial year, random checks were conducted to monitor compliance with the ban. No violations of the ban on hedging transactions were identified.

4.4.5 Special considerations with regard to Hypothekbank Frankfurt AG

Contrary to the regulations for Commerzbank AG outlined above, Hypothekbank Frankfurt AG is subject to other internal regulations in particular for pay-scale employees and the NPS model.

The management model applicable to the Board of Managing Directors and the first management level of Hypothekbank Frankfurt AG is applicable in Hypothekbank Frankfurt as in Commerzbank AG.

Pay-scale remuneration: Under the terms of Section 10 of the Framework Collective Agreement, eligible pay-scale employees of Hypothekbank Frankfurt can receive variable remuneration in addition to the pay-scale salary. It is determined on the basis of various parameters, for instance the exposure at default (EaD). The variable remuneration ranges from 0.5 to 1.75 times the monthly salary. For 2014, a profit-based bonus was paid in accordance with the applicable works agreement.

NPS model: The NPS model applies to all non-pay-scale employees of Hypothekbank Frankfurt, including the second and third management levels. Contrary to the system applicable to Commerzbank for 2014, the amount of variable remuneration consists of an individual, performance-based component and a discretionary component, with each representing 50 per cent. Of the 50 per cent discretionary component, 40 per cent depends on the result of the Commerzbank Group and 10 per cent on that of the Hypothekbank Frankfurt subgroup.

In addition, 50 per cent of any amount in excess of €100,000 is paid in the form of Commerzbank share awards. The allocated share awards are paid out in cash after a three-year deferral period. Any dividends applicable to the share awards are paid when the corresponding share awards fall due.

5 Group-wide implementation

Pursuant to Section 27 Paragraph 1 InstitutsVergV, senior managers of superordinated companies must define a group-wide remuneration strategy to implement the requirements of InstitutsVergV on a group-wide basis.

Pursuant to Section 27 Paragraph 3 InstitutsVergV, certain group companies can be omitted provided they are not institutions in terms of KWG or if they do not perform important services for the superordinated company. It is also not mandatory to apply the requirements of InstitutsVergV if this is not possible with reasonable effort due to the subordinate company's business activities or if it does not have a significant influence on the group's overall risk profile.

To determine for which companies within the Commerzbank Group it is necessary to implement a Group-wide remuneration strategy pursuant to Section 27 InstitutsVergV, a multi-stage process was put in place. First, the non-consolidated companies and special purpose vehicles were ruled out. It was then determined which of the remaining companies were institutions pursuant to KWG in order to identify those that directly fall within the scope of the InstitutsVergV and are thus subject to the regulatory definition of a group. For the companies that do not meet those criteria, an assessment was then made to determine whether they can be omitted pursuant to Section 27 Paragraph 3 InstitutsVergV.

As a result, 11 subsidiaries in Germany and abroad, in addition to Commerzbank, meet the criteria for a "regulatory group" pursuant to the InstitutsVergV. For the companies that do not meet the regulatory group criteria, the result of the assessment was documented.

The subsidiaries that are not part of the regulatory group were again examined from a personnel policy perspective. Accordingly, on the recommendation of Group Human Resources, additional subsidiaries were made subject to the requirements of the InstitutsVergV (personnel policy Group), as the senior managers of these companies are either remunerated under the management model or identified as Risk Takers.

The remuneration strategy and the requirements of the InstitutsVergV within the regulatory group are implemented by means of the Compensation Policy of the Commerzbank Group in conjunction with the Benefit Policy. The goal of the policies is to concretely define and implement the regulatory requirements for the Commerzbank Group, implement the remuneration strategy within the Commerzbank Group and define regulations for the employee remuneration systems.

The Compensation Policy applies to Commerzbank AG, its branches in Germany and abroad, and to subsidiaries that belong to the regulatory Group. In addition, it serves to provide guidance to subsidiaries in the personnel policy Group and other subsidiaries not assigned to either Group, and can be applied by them.

6 Remuneration information

The disclosure of remuneration data pursuant to Section 16 InstitutsVergV in conjunction with Article 450 of Regulation (EU) No. 575/2013 is carried out for the Commerzbank Group. The information on Risk Takers under Item 6.2 includes remuneration information on Risk Takers of Commerzbank AG, Hypothekbank Frankfurt AG, and on senior managers of subsidiaries identified as “Group Risk Takers” at the consolidated level. Risk Takers identified by the subsidiaries themselves, for example on the basis of local regulations, are not included in this remuneration report.

6.1 Quantitative information on remuneration by business area

Pursuant to Article 450 (EU) 575/2013 Paragraph 1g, the quantitative information on remuneration must be broken down by business area:

Segment	Managing Directors ⁸	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets ¹²	Non-Core Assets	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of members ⁹	50.00	–	–	–	–	–	–	50.00
No. employees ¹⁰	–	15,381.00	5,482.00	7,960.00	1,944.00	491.00	17,324.00	48,582.00
Total remuneration	16.61	1,132.45	507.98	194.32	442.58	64.71	1,472.51	3,831.15
of which: variable remuneration ¹¹	6.87	44.55	36.79	40.57	112.02	8.02	89.51	338.32

⁸ Status: 31 December 2014, excluding senior managers Commerzbank AG (see 2014 Annual Report, p. 34 et. seq.).

⁹ Natural persons.

¹⁰ Number of full-time employees.

¹¹ Including reversals of provisions for variable remuneration from previous periods.

¹² Including Group Treasury.

6.2 Quantitative information on remuneration of senior management and Risk Takers

Pursuant to Article 450 (EU) 575/2013 Paragraph 1h, the quantitative information on remuneration must be broken down according to senior management and employees with a material influence on the risk profile of the institution as shown in the following table.

Segment	Managing Directors ¹³	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets ¹²	Non-Core Assets	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of Supervisory Board members/ Managing Directors ⁹	30	–	–	–	–	–	–	30
No. of Risk Taker ¹⁰	–	49.30	76.70	–	290.57	22.00	238.70	677.27
No. of Risk Takers in senior management functions ¹⁰	–	4.00	8.60	–	10.00	15.00	24.00	61.60
Fixed remuneration	6.14	9.19	14.87		74.82	4.19	40.41	149.62
of which: in cash	6.14	9.19	14.87		74.82	4.19	40.41	149.62
of which: in shares or share-linked instruments	–	–	–	–	–	–	–	–
of which: in other financial instruments	–	–	–	–	–	–	–	–
Variable remuneration	3.01	3.92	4.95	–	52.87	1.42	13.35	79.52
of which: variable in cash	1.77	2.21	3.25	–	26.71	0.99	9.75	44.66
of which: variable in shares or share-linked instruments	1.25	1.72	1.71	–	26.17	0.43	3.60	34.86
of which: variable in other financial instruments	–	–	–	–	–	–	–	–
Share of deferred variable remuneration for 2014 (Deferral)	1.28	1.56	1.64	–	22.01	0.52	3.50	30.51
of which: deferred portion in cash	0.64	0.78	0.82	–	11.00	0.26	1.75	15.25
of which: deferred portion in shares or share-linked instruments	0.64	0.78	0.82	–	11.00	0.26	1.75	15.25
of which: deferred portion in other financial instruments	–	–	–	–	–	–	–	–

⁹ Natural persons.

¹⁰ Number of full-time employees.

¹¹ Including reversals of provisions for variable remuneration from previous periods.

¹² Including Group Treasury.

¹³ Status: 31 December 2014, excluding senior managers Commerzbank AG (see 2014 Annual Report, p. 34 et. seq.); excluding senior managers and Risk Takers of mBank (own remuneration model).

Segment	Managing Directors ¹³	Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets ¹²	Non-Core Assets	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
Additional information regarding the amount of total variable remuneration								
Article 450h (iii) CRR – Total amount of outstanding deferred remuneration from previous years	2.16	2.97	4.43	–	53.31	2.01	7.88	72.76
of which: not earned amounts	2.16	2.97	4.43	–	53.31	2.01	7.88	72.76
of which: earned amounts (payment in 2015)	–	–	–	–	–	–	–	–
Amount of explicit ex post performance adjustment for previously awarded remuneration	0.16	–	0.08	–	0.22	–	0.54	0.99
Number of beneficiaries of guaranteed variable remuneration⁹	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	2
Total amount of guaranteed variable remuneration	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	0.24
Number of beneficiaries of buy out / sign on payments⁹	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	2
Total amount of buy out / sign on payments paid in 2014	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	0.12
Number of beneficiaries of severance payments⁹	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	6
Total amount of severance payments paid in 2014	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	2.24
Number of beneficiaries of severance payments awarded in 2014⁹	n/a¹⁴	n/a¹⁴	n/a¹⁴	n/a¹⁴	6	n/a¹⁴	5	14
Total amount of severance payments awarded in 2014	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	2.10	n/a ¹⁴	1.80	6.15
Article 450h (v) – Highest severance payment to a single person	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	n/a ¹⁴	0.60	n/a ¹⁴	0.88	0.88
Number of beneficiaries of contributions to discretionary pension benefits in 2014⁹	–	–	–	–	–	–	–	–
Total amount of contributions to discretionary pension benefits	–	–	–	–	–	–	–	–
Total amount of potential variable remuneration awarded for multi-year periods under programmes which are not revoked annually	–	–	–	–	–	–	–	–

¹³ Status: 31 December 2014, excluding senior managers Commerzbank AG (see 2014 Annual Report, p. 34 et. seq.); excluding senior managers and Risk Takers of mBank (own remuneration model).

¹⁴ Payments such as guarantees, buyouts or severance payments are shown in aggregated form if less than four people have received such a payment in order to maintain confidentiality.

6.3 Number of persons with high remuneration

Pursuant to Article 450 (EU) 575/2013 Paragraph 1i, the following table shows a break down of the number of persons whose remuneration exceeded €1 million in the financial year 2014. The break down is based on remuneration increments of €500,000.

Number of persons whose remuneration amounts to € 1m or more ¹³	
€ 1,000,000 to € 1,500,000	9
€ 1,500,000 to € 2,000,000	–
€ 2,000,000 to € 2,500,000	–
€ 2,500,000 to € 3,000,000	–
€ 3,000,000 to € 3,500,000	–
€ 3,500,000 to € 4,000,000	–
€ 4,000,000 to € 4,500,000	–
€ 4,500,000 to € 5,000,000	–

References made to persons in the masculine for reasons of readability apply equally in the feminine.

Frankfurt/Main, July 2015
Commerzbank Aktiengesellschaft

¹³ Status: 31 December 2014, excluding senior managers Commerzbank AG (see 2014 Annual Report, p. 34 et. seq.); excluding senior managers and Risk Takers of mBank (own remuneration model).

Commerzbank AG

Head Office

Kaiserplatz

Frankfurt/Main

www.commerzbank.de

Mailing address

60261 Frankfurt/Main

Phone: 069 136-20

Email: info@commerzbank.com

