



GM-HR – Group Human Resources

2017 Remuneration Report

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



Table of Contents

1	Introduction	3
2	Remuneration strategy	4
3	Compensation governance-structure	5
3.1	Compensation Control Committee	5
3.2	Remuneration Officer	6
3.3	Remuneration Committee	6
4	Remuneration system	8
4.1	Remuneration parameters	9
4.2	Determination of the disbursement volume for variable remuneration	9
4.3	Profit sharing for pay scale employees	10
4.4	Variable remuneration for non pay scale employees	10
4.4.1	Non-pay-scale (NPS) model	10
4.4.2	Investment Banking (IB) model	11
4.4.3	Management-model	11
4.4.4	Employees in control functions	12
4.4.5	Remuneration of the Board of Managing Directors	12
4.5	Variable remuneration regulations applicable to all models	12
4.5.1	Risk Taker identification	12
4.5.2	Special remuneration rules for Risk Takers	13
4.5.3	Performance assessment for Risk Takers	14
4.5.4	Ban on hedging transactions	15
5	Group wide implementation	16
6	Remuneration information	17
6.1	Quantitative information on remuneration by business area	17
6.2	Quantitative information on remuneration of senior management and Risk Takers	18
6.3	Number of persons with high remuneration	20

References made to persons in the masculine for reasons of readability apply equally in the feminine. For the purpose of equal treatment, references apply to both genders equally.

1 Introduction

The statutory requirements for remuneration systems in the banking sector underwent further clarification and tightening measures during the 2017 financial year due to the introduction of what is now the third version of the German Remuneration Ordinance for Institutions. The high degree of regulation of remuneration systems restricts banks' scope for action as compared to other industries or less tightly regulated areas of the financial sector in the competition to attract talent. Challenges faced in the coming years will include that of recruiting and retaining the employees with the right skills for the digital transformation of the Bank despite these regulatory requirements.

At the European level, the remuneration regulations for banks and financial institutions have been enshrined in such EU legislation as the Capital Requirements Directive IV (CRD IV) and Capital Requirements Regulation (CRR), among other regulations.

The requirements of CRD IV are implemented at the national level mainly through the German Remuneration Ordinance for Institutions (Institutsvergütungsverordnung, InstitutsVergV) and the German Banking Act (Kreditwesengesetz, KWG). As the final stage 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.

With the "Guidelines on Sound Remuneration Policies and Disclosures" (from the European Banking Authority – EBA), the European-level provisions of CRD IV are defined more concretely in order to harmonise the sometimes heterogeneous legislation implementing CRD IV in the various EU states. The EBA guidelines are implemented in German law through the third version of the German Remuneration Ordinance for Institutions of 25 July 2017.

Both regulations result in further restrictions on the structure of remuneration systems as well as an expansion of control mechanisms as compared to existing regulations.

With regard to transitional provisions, the disclosure obligations as stipulated in Section 16 of the version that came into effect on 4 August 2017 are now, for the first time, required for any assessment periods that commence after this date. Subsequently, this 2017 remuneration report is based on the second version of the German Remuneration Ordinance for Institutions of 16 December 2013.

2 Remuneration strategy

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

The human resources strategy defines in a challenging regulatory and economic environment an operational framework and core strategic issues that contribute to the Bank's future viability.

The remuneration strategy of Commerzbank is developed under the auspices of the Human Resources (HR) Division, and coordinated with the experts and managers responsible for the HR strategy, with ongoing involvement of the remuneration officer. Further coordination of the remuneration strategy takes place with Group Development & Strategy, Group Finance, Group Legal, and Group Risk Management. The core issues of the strategy are also discussed with selected subsidiaries.

The remuneration strategy was first approved by the Board of Managing Directors in the 2015 financial year and subsequently acknowledged by the Supervisory Board. After amendments to the Group strategy, the remuneration strategy was reviewed in November 2016 as part of the "Commerzbank 4.0" strategy and implemented for Commerzbank AG and the subsidiaries of the Commerzbank Group in accordance with internal regulations (please refer to Chapter 5).

The "Commerzbank 4.0" corporate strategy, which was published in September 2016, has three cornerstones: a "focussed business model", "digital enterprise" and "enhancing efficiency". It came into effect at the beginning of the 2017 financial year and is accessible to all Bank employees via the company intranet.

The remuneration systems for the 2017 financial year, which are based on this remuneration strategy, helped the Bank to achieve its strategic goals. At the same time, they ensured a remuneration level that will enable the Bank to attract and retain sufficient numbers of qualified staff in a dynamic market environment. In that regard, the Bank ensures that both the remuneration models and parameters and the remuneration components are sustainable, i.e. that they are geared to long-term business success and are structured transparently.

In particular, the remuneration strategy and systems help to avoid false incentives that run counter to fair and competent advice and to the needs of customers.

At Commerzbank, overall remuneration consists of several components:

- With **competitive remuneration based on results and performance**, primarily oriented towards the company's success, the Bank seeks to place equal emphasis on the interests of shareholders and employees while supporting long-term corporate performance.
- With **voluntary 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, the Bank 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.

These 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, the Bank pursues the aims of rewarding performance and fostering the employee behaviour which contributes positively towards corporate success while complying with regulatory requirements.

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

Pursuant to Section 15 InstitutsVergV, Commerzbank established a Remuneration Control Committee as a committee of the Supervisory Board, and a Remuneration Officer and a deputy were appointed, pursuant to Section 23 et. seq. InstitutsVergV.

Moreover, the additionally created Remuneration Committee ensures the proper involvement of control units in the structuring and monitoring of the remuneration systems as required in Section 3 Paragraph 3 InstitutsVergV.

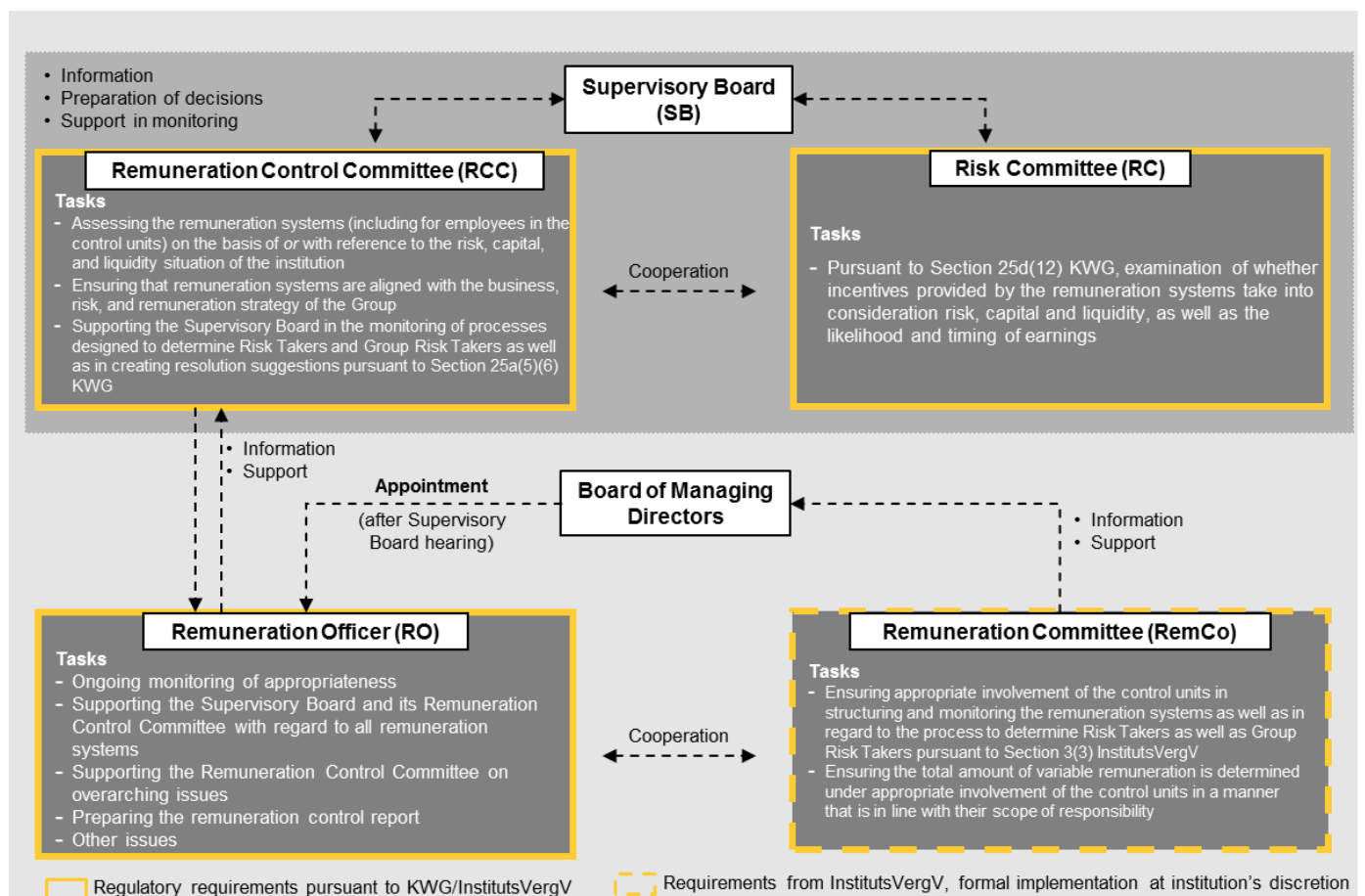


Figure 1: Overview of the compensation governance structure at Commerzbank

3.1 Compensation Control Committee

Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, Commerzbank has set up Compensation Control Committee.

The Compensation Control Committee is made up of the Chairman of the Supervisory Board, its Deputy Chairman pursuant to Section 27 Paragraph 1 of the Co-determination Act, and one member each from the shareholder and employee representatives.

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 the Supervisory Board 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, who are not executive managers, as well as in monitoring the process for determining Risk Takers and Group Risk Takers. Throughout this process, close attention is particularly paid to the remuneration systems for 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 for the members of the Board of Managing Directors has been ascertained in accordance with the regulatory standards and whether the policies with regard to assessing, reducing, and cancelling withheld variable remuneration are appropriate. The review takes place on a regular basis at least once a year; where deficiencies have been identified, an action plan will be created in a timely manner.

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, as well as the remuneration systems for employees in the control units. 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.

Moreover, the Remuneration Control Committee supports the Supervisory Board in compiling proposed resolutions pursuant to Section 25a Paragraph 5 Sentence 6 of the KWG.

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

In the 2017 financial year, the Compensation Control Committee of Commerzbank met three times.

3.2 Remuneration Officer

As a major institution, Commerzbank is required pursuant to Section 23 Paragraph 1 Sentence 2 InstitutsVergV 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 tasks of the Remuneration Officer of Commerzbank 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,

both in terms of quantity and quality, to perform his tasks effectively, and he takes part in training courses on a regular basis. He cooperates closely with the respective 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 with regard to all remuneration systems.

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

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 as well as in the process for determining Risk Takers and Group Risk Takers 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 the divisions Group Finance and Group Legal have permanent representatives on the Remuneration Committee. The Remuneration Officer is also a member.

The Remuneration Committee 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, risk and personnel 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 set forth in Rules of Procedure included in the Bank's organisational guidelines.

In the 2017 financial year, the Remuneration Committee convened twice and, in addition, was kept up to date on current issues by means of circulation procedure and newsletters.

4 Remuneration system

For the employees of Commerzbank the fixed remuneration constitutes the main part of their remuneration. The fixed remuneration is based primarily on the employee's qualifications and competencies and the requirements of the function exercised by him. For pay-scale employees, the remuneration is oriented to the criteria of the Framework Collective Agreement for the Private Banking Sector. For non-pay-scale employees, the requirements are described in six successive career levels. Through the career levels, the Bank's non-pay-scale functions are structured in ascending order in relation to their internal importance.

The fixed remuneration may be supplemented by variable remuneration. The different target group-oriented remuneration models guarantee a fixed, market-oriented, and performance-oriented variable remuneration at all levels which – apart from the Group's and the individual segments' contributions to overall success – also takes into consideration the employee's individual performance contribution. To this end, the Bank has determined salary bandwidths and, if required, target amount bands both for fixed remuneration as well as for variable remuneration, which depend on the individual career levels and remuneration models.

Depending on the Bank's business model, the remuneration models of Commerzbank are geared to the various employee groups. For the 2017 financial year, the following remuneration models were applied:

- Pay-scale remuneration: for all pay-scale employees at Commerzbank Germany
- Non-pay-scale (NPS) model: for non-pay-scale employees not covered by the investment banking or management model
- Investment banking model (IB model): in 2017 for all non-pay-scale employees in Group Treasury and the former Corporates & Markets units, which were incorporated into the Advisory & Primary Markets, Credit Portfolio Management, Fixed Income & Currencies, Research as well as Equity Markets & Commodities divisions within the Corporate Clients segment on 1 January 2017.
- Management model: for the first and second management levels of the Bank and selected project management functions (excluding Group Treasury and the units listed under point three)
- Board of Managing Directors model: for all members of the Board of Managing Directors of Commerzbank¹

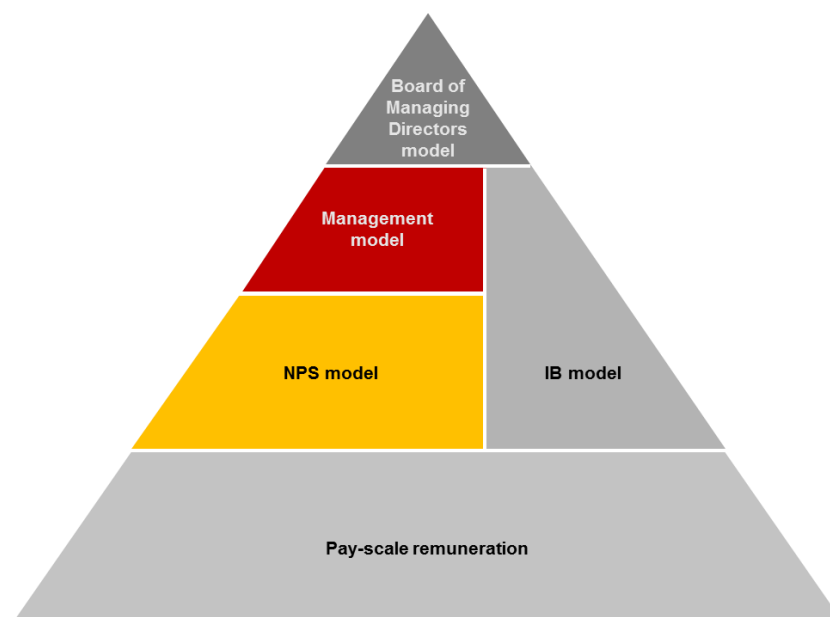


Figure 2: : Overview of all currently applicable remuneration models at Commerzbank

¹ For detailed information on the Board of Managing Directors model, please refer to the 2017 Annual Report of Commerzbank (pg. 27 et. seq.).

As part of amendments to the InstitutsVergV, which were undertaken in the 2014 financial year, the remuneration models for employees and managers were revised and approved by the Board of Managing Directors. In addition to the regulatory adjustments required, the models were largely harmonised. This applied in particular with regard to the remuneration parameters, budgeting, the pool proviso pursuant to Section 7 InstitutsVergV, and the individual distribution. As a result of this, the remuneration system became more transparent and understandable for all groups of employees.

The sections below describe the remuneration parameters and models in effect in the 2017 period under review.

For details on the sustainability components of the remuneration models, please refer to Chapter 4.5.2.

4.1 Remuneration parameters

Prior to each financial year, the Commerzbank Board of Managing Directors decides upon guidelines for targets in the Commerzbank Group. These guidelines ensure that the targets of the employees are geared to the business and risk strategy as well as to the HR strategy of the Commerzbank Group. Furthermore, the strategic targets of the multi-year planning and other project and/or line-related targets are taken into consideration in addition to the segment-specific and division-specific targets of the Group.

Moreover, it is ensured that the targets for managers and employees are set on the basis of uniform criteria and in consideration of the target guidelines. In sales units, additional regulatory objectives must be taken into account.² Consequently, when setting the targets in those units, particular consideration is given to the targets “customer satisfaction” or “customer orientation”.

The above-mentioned approach ensures that the employees’ individual targets agreed upon at the beginning of each financial year are in line with the Bank’s strategic targets. When it comes to setting the individual targets, particular attention is paid to the fact that the remuneration-related targets are sufficiently ambitious, make an effective and sustainable contribution to achieving the company targets, and create no incentive for inappropriately high risks. The target agreement contains, in principle, quantitative and qualitative targets.

Furthermore, the Board of Managing Directors defines so-called performance levels for the Group and its individual segments, which are geared to the Bank’s long-term strategy and which serve as a basis for calculating the volume for variable remuneration.

² Inter alia, minimum compliance requirements, special section 8 (MaCompBT8) of the Directive on credit agreements for consumers relating to residential immovable property (Wohnimmobilienkreditrichtlinie), Dodd-Frank Act (so-called Volcker Rule).

4.2 Determination of the disbursement volume for variable remuneration

At the end of each financial year, the disbursement volume for variable remuneration will be calculated on the basis of defined parameters. In this context, the Group result is allocated a weighting of 40 per cent for the calculation of the disbursement volume; the respective segment result³ is allocated a weighting of 60 per cent.

Independent of the budget calculation described, 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 underlying requirements are considered separately and evaluated accordingly.

The process takes 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 used in all remuneration models of the Commerzbank Group when setting budgets for variable remuneration. It 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. The Board of Managing Directors is informed of these parameters on a quarterly basis.

³ If employees work in a group management and services unit, the average of all segments will be taken as a basis for assessment.

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

4.3 Profit sharing for pay scale employees

In addition to the 13th monthly salary payment stipulated in the Framework Collective Agreement for the private banking sector, pay-scale employees at Commerzbank can receive a profit share as a variable remuneration component. Starting in the 2016 financial year, the profit share of pay-scale employees has been calculated on the basis of EVA in line with the other remuneration models. In general, in the case of a Group target achievement below a defined threshold, no budget will be made available for disbursement.

If a budget is made available for disbursement, it will be disbursed to the employees, according to their individual performance, applying the respective segment performance and the individual pro-rata monthly salary, whereby the Bank is entitled to reduce or cancel any disbursements in the case of non-compliant behaviour. In addition to the rule laid out above, the pool proviso in accordance with Chapter 4.2 also applies to profit sharing for pay-scale employees.

For the 2017 financial year, the defined threshold for payment of a profit share to pay-scale employees was not reached. As a result, no profit share was paid out to pay-scale employees.

4.4 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. To this end, credit institutions are obliged to determine an upper limit for an appropriate relation between the variable and fixed remuneration of their employees pursuant to Section 25 Paragraph 5 KWG.

Commerzbank implemented this by defining differentiated upper limits for variable remuneration for its non-pay-scale remuneration systems. Independent of these upper limits and subject to 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 individual annual fixed remuneration ("bonus cap").

In addition, the Bank has possibilities under all remuneration models to reduce or cancel bonuses in case of non-compliant conduct.

The main features of the different variable remuneration models for non-pay-scale employees are set out below.

4.4.1 Non-pay-scale (NPS) model

The NPS model applies to all non-pay-scale employees, who do not belong to the Investment Banking or Management Model.

The Board of Managing Directors defines a target volume for the employees under the NPS model at the beginning of each financial year. This target volume is divided up amongst the individual employees. The individual target amounts for variable remuneration determined in this manner serve as an orientation value for the employees. The target amounts are reviewed annually and communicated in writing to the employees. They are aligned to the target volume bandwidths defined by the Bank for each career stage which allow the share of the target volume to lie between 8 and 35 per cent of the total remuneration.

At the end of the financial year, the Board of Managing Directors makes available a disbursement budget for variable remuneration based on the results of the Group and the individual segments.

Starting in the 2016 financial year, the generation of the disbursement volume under the NPS model is based solely on performance – analogously to the other models. The main features of this approach are described in Chapters 4.1 and 4.2.

Within the segments, the distribution among the units is subject to the reasonably exercised discretion of the manager, whereby the unit's contribution to performance is to be taken into account at all times. In this respect, in Commerzbank Germany, 70 per cent of the pro-rata disbursement volume is to be paid out as a performance component. The individual employees will be allocated this 70 per cent multiplied by their individual target amount as well as the remuneration ratio of the respective unit⁴ without performance differentiation.

If the individual unit receives a budget which exceeds the sum of the performance components determined in this manner, the employee may receive another share of the disbursement volume. The determination of the so-called individual component is subject to the reasonably exercised discretion of the manager, always taking into account the individual contribution to performance of the employee and the contributions to performance of the other employees. At the international locations of Commerzbank, the variable remuneration is determined solely on the basis of individual components.

⁴ If employees work in a group management and services unit, the average of all segments will be taken as a basis for assessment.

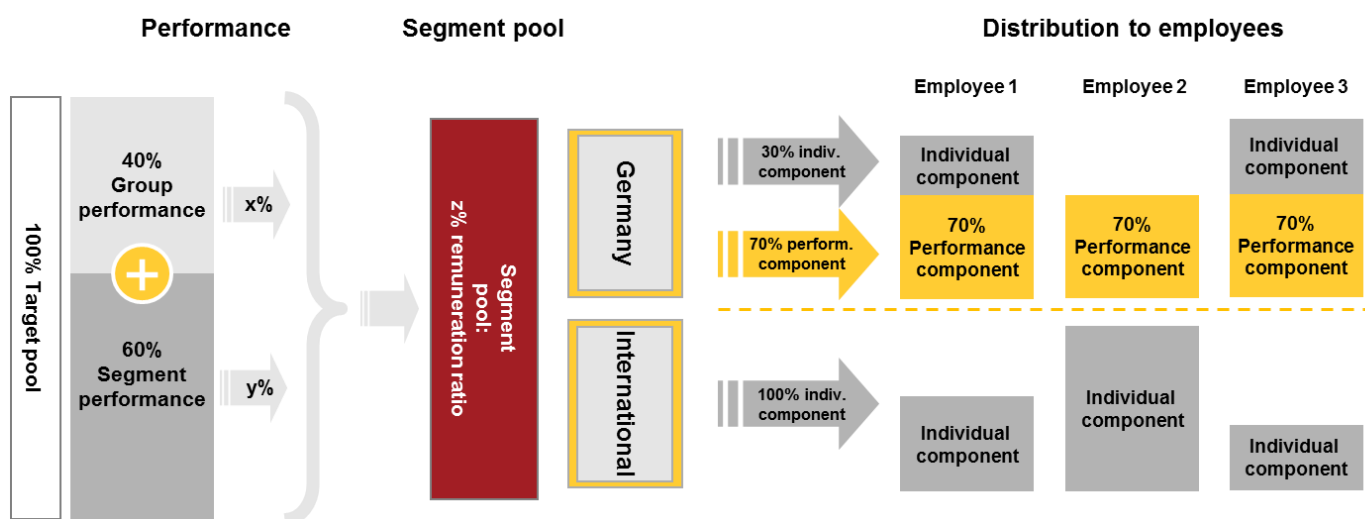


Figure 3: Overview of functioning of the NPS model of Commerzbank as of the 2017 financial year

In general, the amount of the individual variable remuneration in the NPS model is limited to twice the target amount. Independently of this restriction, the Bank ensures that the variable remuneration does not exceed the amount of the individual annual fixed remuneration by setting function-based limits in each career level. In addition, the NPS model is also subject to the cross-model provisions stipulated in Chapter 4.5.

4.4.2 Investment Banking (IB) model

The IB model applied globally to all non-pay-scale employees and managers in Group Treasury of the Commerzbank Group in the 2017 financial year as well as those in the former Corporates & Markets units, which were incorporated into the Advisory & Primary Markets, Credit Portfolio Management, Fixed Income & Currencies, Research as well as Equity Markets & Commodities divisions within the Corporate Clients segment as per 1 January 2017. For the 2018 financial year, the IB model will only be applied in the Equity Markets & Commodities division.

At the beginning of the financial year, the Board of Managing Directors set a target volume for employees under the IB model. As is customary in the market, no individual target amounts were agreed.

After the end of the financial year, a decision was made on the total volume of variable remuneration under the IB model on the basis of Group and segment performance (in this case: the former Corporates & Markets segment and Group Treasury). The main features of this approach are laid out in the Chapters 4.1 and 4.2.

The distribution of the disbursement budget to the employees was conducted in the IB model on a discretionary basis according to uniform rules, taking into account the contributions of the unit and the individual employee to the Bank's success.

For setting the individual variable remuneration under the IB model no bandwidths for the individual career stages were defined. By setting a uniform upper limit, the Bank ensures, however, that the bonus cap amounting to a maximum of 50 per cent of total remuneration is adhered to. Furthermore, the cross-model provisions pursuant to Chapter 4.5 applied.

4.4.3 Management-model

The management model applies Group-wide to the first and second management levels of Commerzbank that do not belong to the Investment Banking model.

At the beginning of the financial year, the Board of Managing Directors sets a target volume for the employees under the management model. The target volume is allocated to the employees on the first and second management level. The individual target amount for variable remuneration defined in this way serves as an orientation value for the employee. The target amount is reviewed annually and communicated to the employee in writing. Depending on the employee's individual career level and the responsibilities inherent in his function, it generally amounts to between 30 and 40 per cent of total remuneration. In some cases, the target amount may represent up to 50 per cent of total remuneration.

After the end of the financial year, a decision is made on the total volume of variable remuneration under the management model on the basis of the Group's performance and the performance of the segment. The main features of this approach are described in Chapters 4.1 and 4.2.

The distribution of the disbursement budget to the individual employees takes place on a discretionary basis according to uniform rules, 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 a maximum of twice the target amount under the management model. Independently thereof, function-related upper limits defined by the Bank ensure that the bonus cap amounting to a maximum of 50 per cent of total remuneration at most is adhered to at each career level.

Furthermore, the Management Model is subject to the cross-model regulations pursuant to Chapter 4.5.

4.4.4 Employees in control functions

The divisions Group Risk Management, Group Compliance, Group Audit and Group Human Resources are considered control units pursuant to Section 2 Paragraph 11 InstitutsVergV.

The current remuneration systems ensure that the focus of remuneration lies on the fixed salary component, so that employees in the Bank's control functions are also not dependent on receiving an additional variable remuneration. The variable remuneration of the employees in control functions is not calculated on the basis of the targets of the monitored segments, but on the basis of the Group result and the average target achievement of the segments. Moreover, possible conflicts of interest when performing the monitoring function are avoided through target agreements with the employees of the control units.

Depending on their function, the employees in the control units are subject to the rules of the NPS or management model.

4.4.5 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 2017 Annual Report (pg. 27 et. seq.) and can be found there.

4.5 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.

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

4.5.1 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 qualitative and appropriate quantitative criteria are set out in the Regulatory Technical Standards (RTS) of Regulation (EU) No. 604/2014 of 4 March 2014, Article 94 Paragraph 2 of Directive 2013/36/EU, which was amended with Delegated Regulation (EU) No. 2016/861 of 18 February 2016. Since the 2017 financial year, any exceptions pursuant to Article 4 Paragraph 2 of Delegated Regulation (EU) No. 604/2014 are approved by the Commerzbank AG Board of Managing Directors and subsequently presented to the Supervisory Board.

All major institutions of the Commerzbank Group⁵ were instructed by Group Human Resources to apply the criteria of the RTS and document them in a separate risk analysis.

At Commerzbank, the criteria, by means of which Risk Takers are identified, are differentiated on the basis of management responsibility, risk responsibility, and remuneration. 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 at least €500,000

In addition, other employees may be identified as Risk Takers.

If an employee was identified as a Risk Taker at any time in the 2017 financial year, then his entire variable remuneration for the financial year is subject to the Risk Taker regulations. The number of employees who were identified at the Commerzbank Group on a consolidated level as so-called "Group Risk Takers" totalled 1,269 (1,225 full-time equivalents (FTE)), as compared to 1,330 in

⁵ In addition to Commerzbank AG, major institutions in the Commerzbank Group were Erste Europäische Pfandbrief- und Kommunalkreditbank AG Luxemburg S.A. (since 15 February 2016: Commerzbank Finance & Covered Bonds S.A.), comdirect bank AG and mBank S.A.

2016 (1,278 FTE) excluding the Commerzbank AG Board of Managing Directors and Supervisory Board.

Pursuant to Section 18 InstitutsVergV, the details were documented accordingly in an internal risk analysis.

4.5.2 Special remuneration rules for Risk Takers

Due to their importance for the Bank's overall risk profile, special rules apply when assessing the performance of Risk Takers and determining and disbursing 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 as well as any other employees who report to the top management of another major institution at the Commerzbank Group are classified as Risk Takers I. Also classified as Risk Takers I are managing directors and direct reports in companies subject to the provisions of the Alternative Investment Fund Manager Directive (AIFMD). 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). 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, the equity-based share of the STI is not paid out immediately, but only after a retention period of at least six months.

The LTI represents 60 per cent of variable remuneration for Risk Takers I and 40 per cent for Risk Takers II, and is also 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.

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 Chapter 4.5.3).

With regard to variable remuneration for the 2017 financial year (year n), this means that the STI is payable in the financial year 2018 (year n+1) and the LTI – subject to any reduction or complete cancellation of the amount determined in 2018 (year n+1) – is payable in 2021 (year n+4).

⁶ Amount up to which the disbursement of the entire variable remuneration of Risk Takers for a financial year as a cash-only STI is permitted pursuant to Paragraph 18 Section 1 InstitutsVergV.

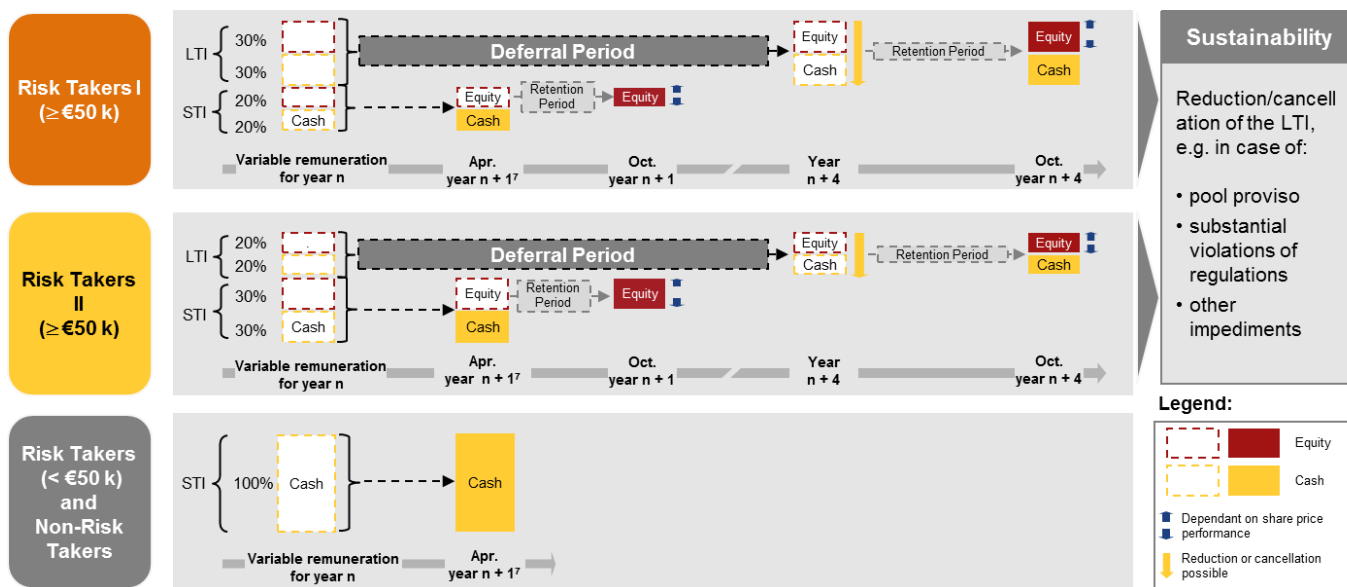


Figure 4: Disbursement procedures and sustainability components at Commerzbank

4.5.3 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 individual quantitative and qualitative targets. This so-called Performance assessment I forms the basis for the amount of individual variable remuneration and establishes the immediate claim to the STI.

To facilitate a decision on claims to LTI components for Risk Takers, other individual and collective reviews are carried out.

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. In addition, the collective review also includes the review as described in Chapter 4.2 as regards the pool proviso for each year of the deferral period. In summary, negative individual contributions to success, a negative result of the review as regards the pool proviso, or any order issued by the supervisory authorities may result in the remuneration through the LTI component being reduced or cancelled.

⁷ Exception: IB model and individual international locations (disbursement as early as in March of the year n + 1).

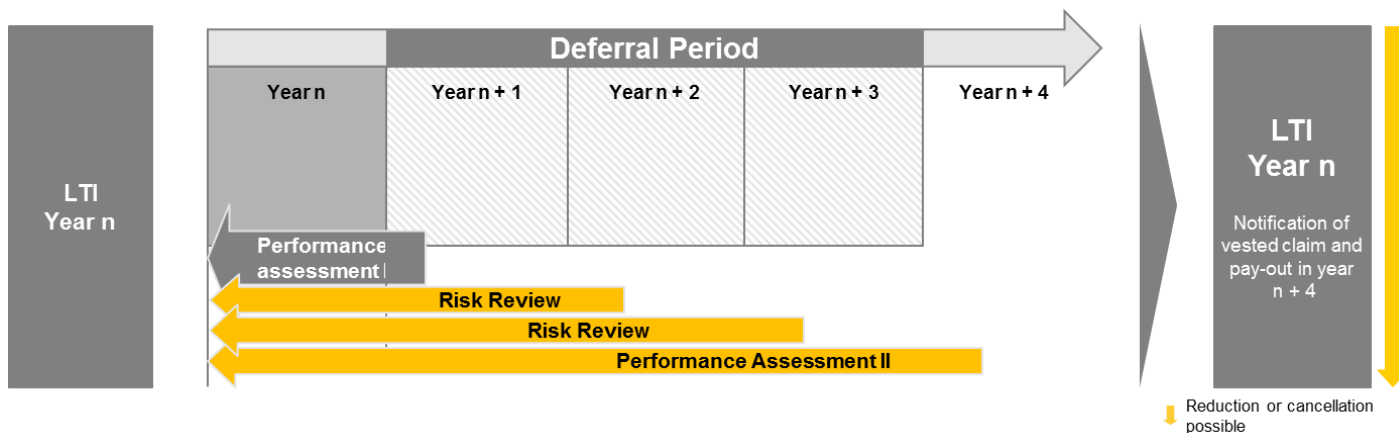


Figure 5: Schematic illustration of the performance assessment for Risk Takers at Commerzbank

4.5.4 Ban on hedging transactions

At Commerzbank, the ban on hedging pursuant to Section 8 InstitutsVergV was enshrined in all remuneration models. The ban stipulates 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 adjustment of the variable remuneration.

To ensure compliance with the ban on hedging, the Remuneration Officer on a regular basis conducts random checks of employees' securities accounts with Commerzbank and other institutions in cooperation with the Group Compliance Division. Employees are obliged to cooperate with the checks and provide the Bank with any requested information. In particular, no instruments or methods may be applied, which could be used to circumvent requirements as per InstitutsVergV.

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 may result in a reduction or the complete loss of all LTI claims by the employee.

5 Group wide implementation

Pursuant to Section 27 Paragraph 1 InstitutsVergV, a group's superordinated companies must define a group-wide remuneration strategy to implement the regulatory requirements of Section 25a Paragraph 5 KWG and Sections 4 to 13 InstitutsVergV regarding all employees of the companies within the group.

The Commerzbank Group's international locations and international subsidiaries are under obligation to implement and abide by the guidelines of the Group-wide remuneration strategy, providing these are not subject to more stringent national regulations. 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 at Commerzbank during the implementation of InstitutsVergV 2.0. 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.

As a result, nine subsidiaries⁸ in Germany and at the international locations, in addition to Commerzbank, met the criteria for a "regulatory group" pursuant to the InstitutsVergV in the 2017 financial year. For the companies that do not meet the regulatory group criteria, the result of the assessment was documented in writing.

The subsidiaries that are not part of the regulatory group were again examined from a personnel policy perspective. Accordingly, additional subsidiaries were pooled in the so-called personnel policy group.

The remuneration strategy and the requirements of the InstitutsVergV within the Commerzbank Group are, in principle, implemented by means of the Compensation Policy in conjunction with the Benefit Policy. The goal of both 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, its branches in Germany and at the international locations, and to subsidiaries that belong to the regulatory group. In addition, it serves to provide guidance to subsidiaries in the personnel policy group or other subsidiaries not assigned to either Group, and can be applied by them in full or in part.

The Compensation and the Benefit Policies have been gradually implemented in all subsidiaries of the regulatory and personnel policy group. The remuneration strategy adopted in 2015, in conjunction with the two newly issued Policies, is fully implemented across the entire regulatory group and has also been implemented extensively in the subsidiaries of the regulatory and personnel policy group.

⁸ The successor company, incorporated as Loan Solutions Frankfurt GmbH following the surrender of the banking licence of Hypothekenbank Frankfurt in May 2016, was allocated to the personnel policy group.

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 Chapter 6.2 includes remuneration information on Risk Takers of Commerzbank AG⁹ and on senior

managers of subsidiaries identified as so-called “Group Risk Takers” at the consolidated level. Risk Takers identified by the subsidiaries themselves, exclusively 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 1 Sentence g, the quantitative information on remuneration must be broken down by business divisions:

Segment	Supervisory Function	Managing Directors ⁹	Private and Small Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ¹¹	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of Managing Directors / Supervisory Board Members ¹⁰	106	59					165
No. Employees ¹⁰	-	-	20,262	5,940	2,166	18,898	47,266
Total remuneration	3.66	25.39	1,230.68	522.97	334.28	1,486.77	3,603.75
of which: fixed remuneration	3.66	15.59	1,154.10	498.90	280.48	1,415.98	3,368.71
of which: variable remuneration	-	9.80	76.57	24.08	53.80	70.79	235.04

⁹ Including the Supervisory Board and senior managers of Commerzbank AG (see 2017 Annual Report, pg. 27 et. seq.).

¹⁰ Natural persons.

¹¹ Including Group Treasury.

6.2 Quantitative information on remuneration of senior management and Risk Takers

Pursuant to Article 450 (EU) 575/2013 Paragraph 1 Sentence h, 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	Supervisory Function	Managing Directors ¹²	Private and Small Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ¹⁴	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of Managing Directors / Supervisory Board Members ¹³	106	52	-	-	-	-	158
No. of Risk Takers in headcount	-	-	121	279	320	420	1,140
No. of Risk Takers in full time equivalents	-	-	120.2	264.4	303.5	407.5	1,095.6
Fixed remuneration	3.66	14.88	16.45	39.33	73.98	63.52	211.82
of which: in cash	3.66	14.88	16.45	39.33	73.98	63.52	211.82
of which: in shares or share-linked instruments	-	-	-	-	-	-	-
of which: in other financial instruments	-	-	-	-	-	-	-
Variable remuneration	-	9.46	4.76	7.36	27.04	16.65	65.27
of which: variable in cash	-	4.99	3.92	6.13	15.06	12.90	42.99
of which: variable in shares or share-linked instruments	-	4.47	0.84	1.23	11.98	3.75	22.28
of which: variable in other financial instruments	-	-	-	-	-	-	-
Share of deferred variable remuneration for 2017 (Deferral)	-	5.28	0.83	1.16	10.02	3.80	21.09
of which: deferred portion in cash	-	2.64	0.42	0.58	5.01	1.89	10.54
of which: deferred portion in shares or share-linked instruments	-	2.64	0.42	0.58	5.01	1.90	10.55
of which: deferred portion in other financial instruments	-	-	-	-	-	-	-

¹² Including the Supervisory Board and senior managers of Commerzbank AG (see 2017 Annual Report, pg. 27 et. seq.).

¹³ Natural persons

¹⁴ Including Group Treasury

Segment	Supervisory Function	Managing Directors ¹⁵	Private and Small Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ¹⁸	Others and Consolidation	Group Total
Amounts in Euro million	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
Additional information regarding the amount of total variable remuneration							
Article 450 h (iii) CRR¹⁶ – Total amount of outstanding deferred remuneration from previous years	-	11.35	6.22	9.33	69.74	21.42	118.06
of which: in 2017 earned amounts	-	0.34	1.19	2.48	17.58	4.23	25.81
of which: paid in 2017	-	0.34	1.19	2.48	17.58	4.23	25.81
of which: not earned amounts	-	11.00	5.04	6.85	52.16	17.20	92.25
Amount of explicit ex post performance adjustment for previously awarded remuneration in 2017	-	-	-	0.05	0.18	0.08	0.30
Number of beneficiaries of guaranteed variable remuneration¹⁷	-	-	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	4
Total amount of guaranteed variable remuneration	-	-	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	0.24
Number of beneficiaries of buy out / sign on payments¹⁷ in 2017	-	-	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	1
Total amount of buy out / sign on payments paid in 2017	-	-	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	n/s ¹⁹	0.15
Number of beneficiaries of severance payments awarded in 2017¹⁷	-	1	4	5	8	8	26
Total amount of severance payments awarded in 2017	-	0.36	1.05	1.53	1.05	2.09	6.09
Article 450 h (v) – highest severance payment to a single person	-	0.36	0.78	0.91	0.33	1.15	0.91
Number of beneficiaries of severance payments paid in 2017¹⁷	-	1	4	6	8	9	28
Total amount of severance payments paid in 2017	-	0.36	1.05	1.64	1.05	2.09	6.20
Number of beneficiaries of contributions to discretionary pension benefits in 2017¹⁷	-	-	-	-	-	-	-
Total amount of contributions to discretionary pension benefits	-	-	-	-	-	-	-
Total amount of potential variable remuneration awarded for multi-year periods under programmes which are not revolved annually	-	-	-	-	-	-	-

¹⁵ Including the Supervisory Board and senior managers of Commerzbank AG (see 2017 Annual Report, pg. 27 et. seq.).

¹⁶ Capital Requirements Regulation

¹⁷ Natural persons

¹⁸ Including Group Treasury

¹⁹ Payments, which were granted on the occasion of an employee commencing or terminating his or her employment relationship (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 1 Sentence i, the following table shows a breakdown of the number of persons whose remuneration in the financial year amounted to €1 million or more. The breakdown is based on remuneration increments of €500,000.²⁰

Number of persons whose remuneration amounts to €1m or more ²⁰	
€1,000,000 to €1,500,000	5
€1,500,000 to €2,000,000	6
€2,000,000 to €2,500,000	-
€2,500,000 to €3,000,000	1
€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	-
> €5,000,000	-

Frankfurt/Main, June 2018

Commerzbank Aktiengesellschaft

²⁰ Including the Supervisory Board and senior managers of Commerzbank AG (see 2017 Annual Report, pg. 27 et. seq.)

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