

**COMMERZBANK**

The bank at your side



GM-HR – Group Human Resources

# 2015 Remuneration Report

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

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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 Regulatory influences

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

The requirements of CRD III 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. As per 21 December 2015, the rules enshrined in the CRD VI were given concrete form by means of the „Guidelines on sound remuneration policies and disclosures“, which will take effect on 1 January 2017. The transposition into German law has not taken place so far.

This remuneration report is based on the InstitutsVergV of 16 December 2013 applicable to the 2015 financial year. It summarises the remuneration systems applicable for the 2015 financial year and the adjustments made, which will take effect as of the 2016 financial year.

Applying the provisions of Section 2a KWG in conjunction with Article 7 CRR, this remuneration report also meets the obligation to disclose remuneration-related information with regard to Hypothekenbank Frankfurt AG, pursuant to Section 16 InstitutsVergV in conjunction with Section 27 (5) InstitutsVergV.

# 2 Remuneration strategy

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

The human resources strategy, which constitutes the basis for the remuneration 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 was developed under the auspices of Group Human Resources, and coordinated with the experts and managers responsible for the HR strategy and by inclusion of the remuneration officer. Apart from the coordination of the remuneration strategy with Group Development & Strategy, Group Finance, Group Legal and Group Risk Management, the core issues of the strategy were also discussed in advance with selected subsidiaries.

In July 2015, the remuneration strategy was approved by the Board of Managing Directors and subsequently acknowledged by the Supervisory Board. It is applicable to Commerzbank, and will be implemented in subsidiaries of the Commerzbank Group in accordance with internal regulations (please refer to Chapter 5). It is accessible to all Bank employees via the company intranet. The remuneration strategy is reviewed on a regular basis and also as required in the case of amendments to the business or human resources strategy.

The remuneration systems which are based on this remuneration strategy 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 Bank ensures that the remuneration models and parameters as well as the remuneration components are sustainable, that is that they are geared to the long-term business success and are structured transparently.

In particular, the remuneration strategy and systems help to avoid disincentives that run counter to fair and competent advice and the needs of customers, and thus support the promise "the bank at your side". In this manner, they make a substantial contribution towards achieving the key targets of the 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 geared to 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 **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, the Bank offers its employees a **company pension scheme** with various implementation channels. This company pension scheme helps to ensure that employees can retire with a high level of security.

The remuneration components result in competitive remuneration 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 Remuneration governance structure

Pursuant to Section 15 InstitutsVergV, for Commerzbank a Remuneration Control Committee was established as a sub-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.

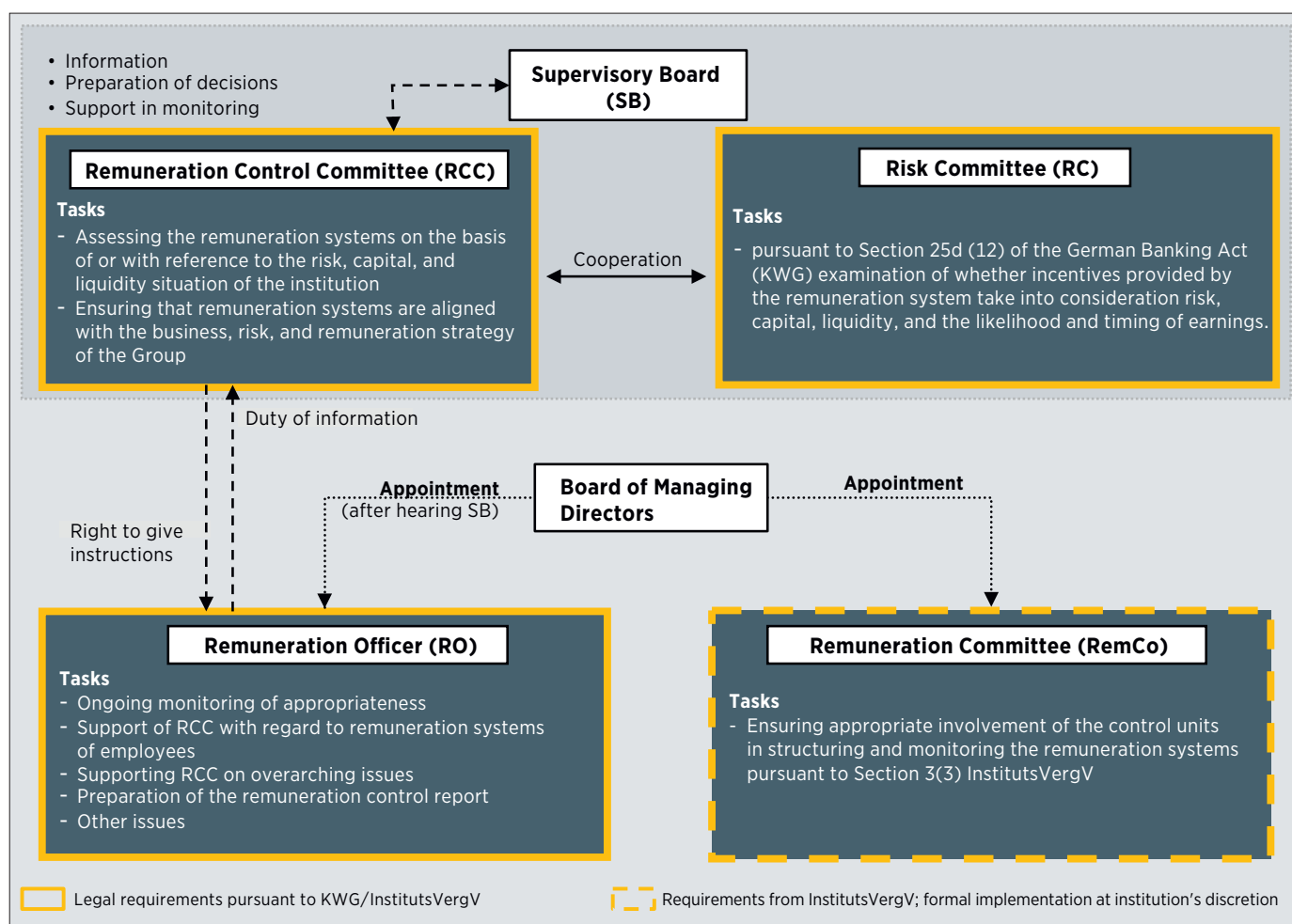


Figure 1: Overview of the remuneration governance structure at Commerzbank

## 3.1 Remuneration Control Committee

Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, the Bank has set up a Remuneration Control Committee. Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, the Remuneration Control Committee is, in principle, also permitted to perform its function for other institutions in the Commerzbank Group. In the 2015 financial year, the Remuneration Control Committee initially performed this task for Hypothekbank Frankfurt as well. Later on, the Presiding Committee of the Supervisory

Board of Hypothekbank Frankfurt assumed the responsibilities of the Remuneration Control Committee pertinent to Hypothekbank.

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

In the 2015 financial year, the Remuneration Control Committee of Commerzbank met four times.

### **3.2. Remuneration Control Committee of Hypothekbank Frankfurt**

On 27 March 2015 the Supervisory Board of Hypothekbank Frankfurt adopted a resolution to extend the Presiding Committee's responsibilities by including the responsibilities of the Remuneration Control Committee. With respect to remuneration issues, the Presiding Committee was therefore assigned the duty of discharging the responsibilities of the Remuneration Control Committee in accordance with Section 25d Paragraph 7 in conjunction with Paragraph 12 KWG.

For the period under review, the Presiding Committee of Hypothekbank Frankfurt was made up of three members: the Chairman of the Supervisory Board, his Deputy and another member of the Supervisory Board.

The requirements to be met by the Committee members as well as the individual responsibilities of the Committee corresponded to the requirements and responsibilities set forth for the Remuneration Control Committee of Commerzbank. The responsibilities of the Presiding Committee were stipulated in the Rules of Procedure of the Supervisory Board.

In the 2015 financial year, the Presiding Committee of Hypothekbank Frankfurt has - in its role as Remuneration Control Committee - addressed issues relevant to remuneration four times.

### **3.3 Remuneration Officer**

Pursuant to Section 23 Paragraph 1 sentence 2 InstitutsVergV, Commerzbank as major institution is 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. In the period under review, the Remuneration Officer of Commerzbank discharged his duties for Hypothekbank Frankfurt as well.

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, 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 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.

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

### **3.4 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 the divisions Group Finance and Group Legal have permanent representatives on the Remuneration Committee. The Remuneration Officer is also a member.

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 set forth in Rules of Procedure included in the Bank's organisational guidelines.

In the 2015 financial year, the Remuneration Committee convened once 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 based on the criteria of the Framework Collective Agreement for the private banking industry. For non-pay-scale employees, the requirements are divided into six career levels. The individual career levels structure the Bank's non-pay-scale functions in ascending order in relation to their internal significance.

The fixed remuneration may be supplemented by variable. The different target group-specific remuneration models guarantee a fixed, market-oriented as well as a performance-oriented variable remuneration at all levels which – apart from the Group's and the individual segments' contribution to overall success – also takes into consideration the employee's individual performance contribution. To this end,

the Bank has determined salary bandwidths and, if applicable, target amount bands both for fixed remuneration as well as for variable remuneration, which depend on the individual career levels and remuneration models.

The remuneration models of Commerzbank 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 level of the Bank and selected project management functions (excluding Corporates & Markets and Group Treasury)
- Board of Managing Directors model: for all members of the Board of Managing Directors of Commerzbank <sup>1</sup>

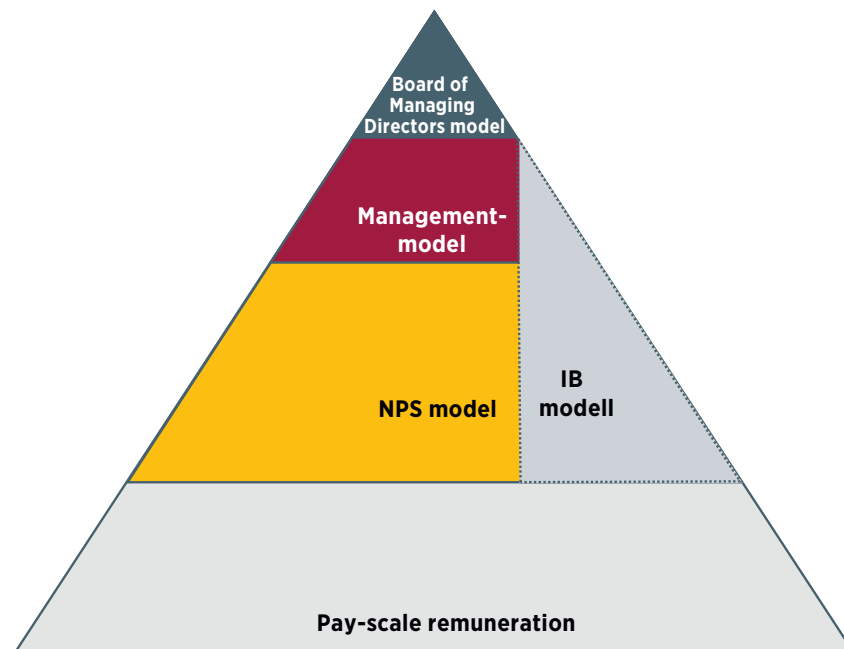


Figure 2: Overview of all currently applicable remuneration models at Commerzbank

<sup>1</sup> For detailed information on the remuneration model for the Board of Managing Directors, please refer to the 2015 Annual Report of Commerzbank AG (pg. 34 et. seq.)



The remuneration models for employees and managers were already revised in the 2014 financial year in accordance with the amended *InstitutsVergV* and approved by the Board of Managing Directors. In addition to the required amendments for regulatory purposes, the adjustments were aimed at harmonising the remuneration systems to a large extent. This applied in particular with regard to the remuneration parameters, budgeting, the pool proviso pursuant to Section 7 *InstitutsVergV*, and the individual distribution. Furthermore, the aim was to make the remuneration system as transparent and understandable as possible for all groups of employees.

The sections below describe the remuneration parameters and models in effect in the 2015 financial year under review and any further changes resulting from the adjustments mentioned hereinbefore.

For details on the sustainability components of the remuneration models, please refer to Chapter 4.6.2.

#### 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 in line with the business and risk strategy as well as 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 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 this respect, particular consideration is paid to the targets "customer satisfaction" or "customer orientation" when it comes to setting the targets for the Business segments of the Group.

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 taking inappropriately high risks. The target agreement contains, in principle, quantitative and qualitative targets.

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

#### 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 conjunction, the Group result is allocated a weighting of 40 per cent for the calculation of the disbursement volume under the management and IB model; the respective segment result<sup>2</sup> is allocated a weighting of 60 per cent. As of the 2016 financial year, this system will also be applied for the NPS and the pay-scale model.

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 individual requirements are considered separately and evaluated accordingly.

Since the 2015 financial year, the process has been taking into account economic factors - in particular risk bearing capacity, multi-year planning, and the profitability 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 (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 4.3). From the 2016 financial year onwards, EVA will - in the course of harmonising the remuneration models - be established 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.

<sup>2</sup> If employees work in a group management and services unit, the average of all segments will be taken as basis for assessment.

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.

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 industry, pay-scale employees at Commerzbank can receive a profit share as a variable remuneration component. For the 2015 financial year, the possible amount of this payment was most recently based on the return on equity of the Bank as a whole. The minimum target for return on equity was not achieved for 2015, so that no profit share was paid out.

From the 2016 financial year onwards, the profit share of pay-scale employees will also be calculated on the basis of EVA in line with the other remuneration models; in the case of a Group target achievement below a defined threshold, no budget will, in principle, be made available for disbursement.

A disbursement volume will only be made available when the Group target achievement reaches or exceeds the threshold. The budget made available is performance based and will be disbursed to the employees depending on the respective segment performance on the basis of 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.

Currently, there are no plans for the introduction of profit sharing for pay-scale employees at international units or subsidiaries. For special rules applicable to Hypothekbank Frankfurt, please refer to Chapter 4.6.5.

## 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).

For the 2015 financial year, the bonus cap at Commerzbank was 1:1. In addition, the Bank has introduced reduction or cancellation possibilities for all remuneration models 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 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).

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 level which allow the share of the target volume to lie between 0 (as of 2016: 8.33) and 35 percent of the total remuneration.

At the end of the financial year, the Board of Managing Directors approves a disbursement volume for variable remuneration based on the results of the Group and the individual segments. In 2015, the amount paid out to individual was, for the last time, arithmetically linked to the target achievement of the individual employee. If the budget determined on the basis of the Group success exceeded the total amount of the performance-based individual amounts, non-pay-scale employees were entitled to a so-called supplementary Group bonus. Since the profitability target necessary for a Group bonus was not achieved, only the performance-based share of variable remuneration was paid out for the 2015 financial year.

In principle, the amount of the individual variable remuneration within the scope of the NPS model is limited to a maximum of twice the target amount. Independently thereof, function-related upper limits defined by the Bank ensure that the bonus cap amounting to a maximum of 50 percent of total remuneration is adhered to at each career level. Apart from that, Risk Takers falling under the NPS model are subject to the provisions of the Commerzbank Incentive Plan (CIP) pursuant to Chapter 4.6.

As of the 2016 financial year onwards, the generation of the disbursement volume under the NPS model will be 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 will, in the future, be subject to the reasonably exercised discretion of the manager, whereby the unit's contribution to performance will be taken into account at all times. In this respect, it must be observed at Commerzbank Germany that at least 70 percent of the pro-rata disbursement volume is allocated to employee level (so-called performance component). The individual employees will be allocated this 70 percent multiplied by their individual target amount as well as the funding quota of the respective segment without individual 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.

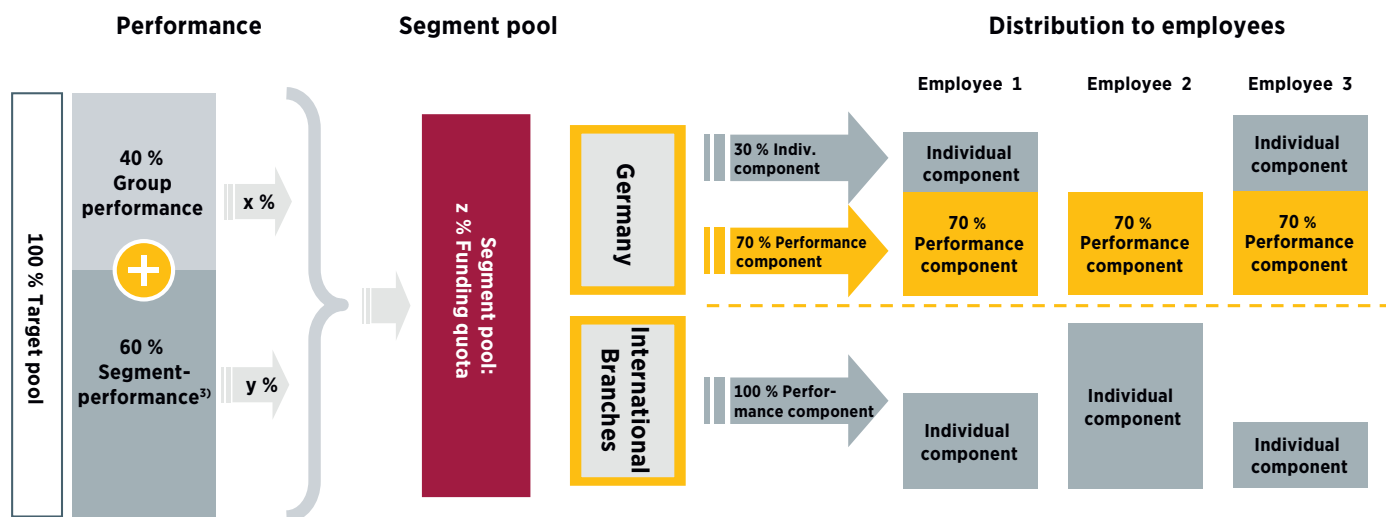


Figure 3: Overview of functioning of the NPS model of Commerzbank as of the 2016 financial year

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

Furthermore, the NPS model is subject to the cross-model provisions pursuant to Chapter 4.6.

The implementation of the model for subsidiaries is currently under review. For special considerations applicable to Hypothekbank Frankfurt, please refer to Chapter 4.6.5.

#### **4.4.2 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 target volume for employees under the IB model. As is customary in the market, no individual target amounts are agreed.

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

The distribution of the disbursement volume to the employees is 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 the setting the individual variable remuneration under the IB model no bandwidths for the individual career levels were defined. By setting a uniform upper limit, the Bank ensures, however, that the bonus cap amounting to a maximum of 50 percent of total remuneration is adhered to.

Furthermore, the IB model is subject to the cross-model provisions pursuant to Chapter 4.6.

#### **4.4.3 Management model**

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

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. 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 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 volume to the 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 percent of total remuneration is adhered to at each career level.

Furthermore, the Management model is subject to the cross-model regulations pursuant to Chapter 4.6.

#### **4.4.4 Employees in control functions**

The divisions Group Risk Management, Group Compliance, Group Audit and Group Human Resources are defined as control units pursuant to Section 2 Paragraph 9 InstitutsVergV.

In the control units the focus lies on the fixed remuneration, so that employees are 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 result of an individual segment, but on the basis of the Group result and the average target achievement of the segments. As such, there is no direct dependence on the result of the segment monitored when it comes to the calculation of the variable remuneration 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.

### **4.5 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 2015 Annual Report (pg. 34 et. seq.) and can be found there.

## 4.6 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.

### 4.6.1 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. On 16 July 2015, the European Banking Authority (EBA) adopted an amendment to the RTS (EBA/RTS/2015/09), which required a modification to the identification criteria in terms of the amount of remuneration.

All major institutions of the Commerzbank Group<sup>4</sup> 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 and all employees with total remuneration of at least € 500,000, respectively.

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

If an employee was identified as a Risk Taker at any time in 2015, then his entire variable remuneration for the financial year is subject to the Risk Taker regulations. Through the application of the RTS and the expanded application of the Risk Taker criteria to non-pay-scale employees based on the conclusion of a dedicated works agreement, the number of employees who were identified at the Commerzbank Group on a consolidated level as so-called "Group Risk Takers" substantially increased from 711 (707 FTE) in 2014 to 1,171 employees (1,166 FTE).<sup>5</sup>

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

<sup>4</sup> In addition to Commerzbank AG, major institutions in the Commerzbank Group were Hypothekenbank Frankfurt AG, Erste Europäische Pfandbrief- und Kommunalkreditbank AG Luxemburg S.S. (since 15 February 2016: Commerzbank Finance & Covered Bonds S.A.) and mBank S.A.

<sup>5</sup> The number includes the supervisory boards within the group. Compared to the 2014 Remuneration Report, this number includes the top management of mBank S.A.

#### 4.6.2 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. All other Risk Takers are classified as Risk Takers II.

For amounts of € 50,000<sup>6</sup> 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 6 months.

Under the regulatory requirements for Risk Takers a claim to the LTI only vests after the deferral period has expired and only if in the meantime, no reasons have arisen preventing the claim from vesting in whole or in part (see Chapter 4.6.3).

With regard to variable remuneration for the 2015 financial year (year n), this means that the STI is payable in the financial year 2016 (year n+1) and the LTI – subject to any reduction or complete cancellation of the amount determined in 2016 (year n+1) – is payable in 2019 (year n+4).

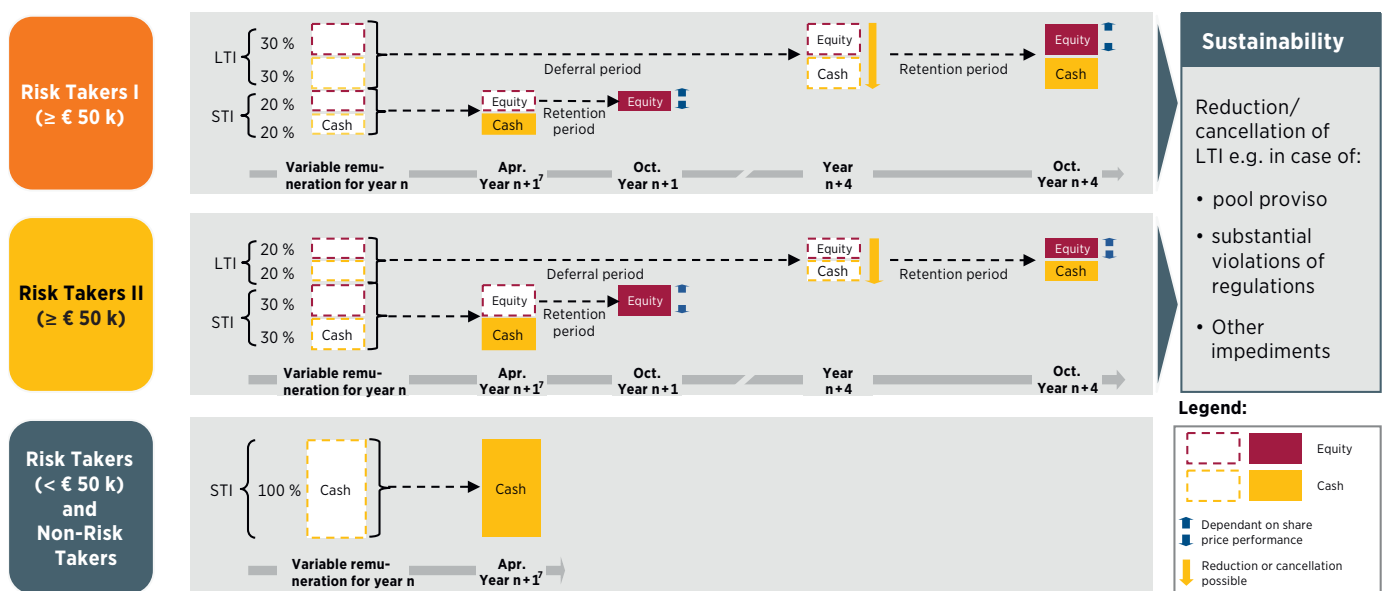


Figure 4: Disbursement procedures and sustainability components at Commerzbank

<sup>6</sup> 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.

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

#### 4.6.3 Performance review 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 so-called Performance review I forms the basis for the amount of individual variable remuneration and establishes the immediate claim to the STI.

For Risk Takers, additional individual and collective 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 sustaina-

bility in the performance serving as the basis for the Performance review I, or the employee's risk behaviour.

After the expiry of the deferral period, the Performance review II takes place. It includes a reexamination of the underlying Performance review I and the examination of the employee's behaviour during the deferral period. In addition, the collective review also includes the review of the pool proviso for each year of the deferral period as described in Chapter 4.2. In summary, negative individual contributions to success, a negative result of the review with regard to the pool proviso, or the regulatory authority orders the bank to void potential claims, may reduce the LTI component in whole or in part.

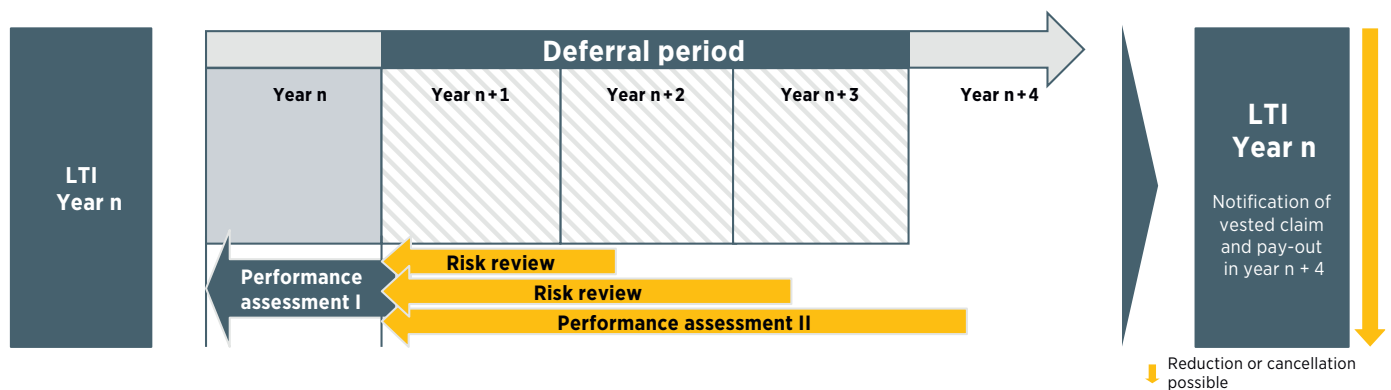


Figure 5: Schematic illustration of the performance review for Risk Takers at Commerzbank

#### 4.6.4 Prohibition on hedging measures

At Commerzbank, the prohibition on hedging pursuant to Section 8 InstitutsVergV was enshrined in all remuneration models. The prohibition 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-oriented nature of variable remuneration.

To ensure compliance with the prohibition on hedging, in cooperation with Group Compliance, the Remuneration Officer conducts random checks of employees' securities accounts with Commerzbank and other institutions on a regular basis. Employees are obliged to cooperate with the checks and provide the Bank with any requested information.

In case of a violation or persistent refusal by an employee to cooperate, the Bank is authorised to take disciplinary measures against the employee in accordance with labour law. Moreover, the Bank will regard this as a relevant violation of contractual obligations that will prevent all potential LTI claims of the employee from vesting.

#### 4.6.5 Special considerations with regard to Hypothekenbank Frankfurt

Contrary to the regulations outlined above, Hypothekenbank Frankfurt was subject to other internal regulations in the period under review, in particular for pay-scale employees and the NPS model.

The Commerzbank management model was applicable in Hypothekenbank Frankfurt to the Board of Managing Directors and the first management level; for more information, please refer to Chapter 4.4.3.

Pay-scale remuneration: Under the terms of Section 10 of the Framework Collective Agreement for the private banking industry, eligible pay-scale employees of Hypothekenbank Frankfurt were able – in accordance with the model applicable in the period under review – to receive variable remuneration in addition to the pay-scale salary as defined in the Framework Collective. It was determined on the basis of various parameters, for instance the exposure at default (EaD). The variable remuneration ranged from 0.5 to 1.75 times the monthly base salary. For 2015, a profit-based bonus was paid for pay-scale employees in accordance with the applicable works agreement.

NPS model: The NPS model applied to all non-pay-scale employees of Hypothekenbank Frankfurt, excluding the first management level. Contrary to the system applicable to Commerzbank for 2015, the amount of variable remuneration consisted of an individual, performance-based component and a results-based component, with each representing 50 per cent. Of the 50 per cent results-based component, 80 per cent depended on the result of the Commerzbank Group and 20 per cent on that of the Hypothekenbank Frankfurt subgroup.

In addition, 50 per cent of any amount in excess of € 100,000 was paid in an equity-based manner in the form of so-called Commerzbank share awards. The share awards will be paid out after a three-year deferral period.

The criteria for Risk Taker identification described in Chapter 4.6.1 and the sustainability components as regards the remuneration of the employees identified described in Chapter 4.6.2 were applied analogously at Hypothekenbank Frankfurt. For the 2015 financial year, the results of the Risk Taker identification of Hypothekenbank Frankfurt were also documented in an internal risk analysis pursuant to Section 18 InstitutsVergV.

In this context, we refer to the disclosure of remuneration data of Hypothekenbank Frankfurt subject to Section 16 InstitutsVergV in conjunction with Article 450 of the Regulation (EU) No. 575/2013, which is disclosed in an addendum to this Remuneration Report. The addendum may be accessed via the internet website of the legal successor of Hypothekenbank Frankfurt, Loan Solutions Frankfurt.



# 5 Group-wide implementation

Pursuant to Section 27 Paragraph 1 InstitutsVergV, the management body 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, eleven subsidiaries in Germany and at the international locations, in addition to Commerzbank, met the criteria for a "regulatory group" pursuant to the InstitutsVergV in the 2015 financial year. 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, 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.

Since 2003, the Compensation and the Benefit Policy have been gradually implemented in the subsidiaries. The remuneration strategy adopted in 2015 in conjunction with the two amended Policies was applied within the greater part of the regulatory Group as early as in the 2015 financial year, or was in process of implementation in the subsidiaries of the regulatory and personnel policy Group at the time of preparation of this report.

# 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, Hypothekbank Frankfurt, and on the

management body of subsidiaries identified as so-called "Group Risk Takers" at the consolidated level.<sup>8</sup> 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 1g, the quantitative information on remuneration must be broken down by business divisions:

Segment	Supervisory Function	Managing Directors <sup>9</sup>	Private Customers	Mittelstands-bank	Corporates & Markets <sup>11</sup>	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 Managing Directors / Supervisory Board Members <sup>9</sup>	91	52	-	-	-	-	-	143
No. employees <sup>9</sup>	-	-	15,136	5,463	1,935	260	25,566	48,360
Total remuneration	0.69	16.92	1,143.97	541.85	427.00	40.99	1,720.84	3,892.26
of which: variable remuneration <sup>10</sup>	-	6.41	51.40	40.62	91.00	3.11	125.53	318.06

<sup>8</sup> Excluding supervisory function as well as Board of Managing Directors of Commerzbank AG (see 2015 Annual Report, pg. 34 et. seq.). Compared to the report for the 2014 financial year, this number also includes the Board members of mBank S.A. identified as Risk Takers from a Group perspective.

<sup>9</sup> Natural persons

<sup>10</sup> Including reversals of accruals for variable remuneration from previous periods

<sup>11</sup> 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	Supervisory Function	Managing Directors <sup>12</sup>	Private Customers	Mittelstands-bank	Corporates & Markets <sup>14</sup>	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 Managing Directors / Supervisory Board Members <sup>13</sup>	91	41	-	-	-	-	-	132
No. of Risk Taker <sup>13</sup>	-	-	88	277	291	21	362	1,039
No. of Risk Takers in senior management functions <sup>13</sup>	-	-	6	7	12	7	22	54
<b>Fixed remuneration</b>	<b>0.69</b>	<b>9.23</b>	<b>12.72</b>	<b>37.87</b>	<b>78.74</b>	<b>3.34</b>	<b>54.34</b>	<b>196.94</b>
of which: in cash	0.69	9.23	12.72	37.87	78.74	3.34	54.34	196.94
of which: in shares or share-linked instruments	-	-	-	-	-	-	-	-
of which: in other financial instruments	-	-	-	-	-	-	-	-
<b>Variable remuneration</b>		<b>5.92</b>	<b>4.92</b>	<b>8.79</b>	<b>47.18</b>	<b>1.47</b>	<b>18.17</b>	<b>86.46</b>
of which: variable in cash	-	3.26	3.54	7.76	24.01	0.84	13.33	52.74
of which: variable in shares or share-linked instruments	-	2.66	1.38	1.03	23.17	0.63	4.84	33.71
of which: variable in other financial instruments	-	-	-	-	-	-	-	-
<b>Share of deferred variable remuneration for 2014 (Deferral)</b>		<b>3.01</b>	<b>1.34</b>	<b>1.01</b>	<b>19.60</b>	<b>0.72</b>	<b>4.68</b>	<b>30.36</b>
of which: deferred portion in cash	-	1.51	0.67	0.51	9.80	0.36	2.34	15.18
of which: deferred portion in shares or share-linked instruments	-	1.51	0.67	0.51	9.80	0.36	2.34	15.18
of which: deferred portion in other financial instruments	-	-	-	-	-	-	-	-

<sup>12</sup> Excluding supervisory function as well as Board of Managing Directors of Commerzbank AG (see 2015 Annual Report, pg. 34 et. seq.)

<sup>13</sup> Natural persons

<sup>14</sup> Including Group Treasury

Segment	Supervisory Function	Managing Directors <sup>15</sup>	Private Customers	Mittelstands-bank	Corporates & Markets <sup>17</sup>	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
<b>Additional information regarding the amount of total variable remuneration</b>								
<b>Article 450h (iii) CRR – Total amount of outstanding deferred remuneration from previous years</b>	–	4.42	3.65	4.04	57.26	2.22	10.52	82.11
of which: not earned amounts	–	3.89	3.57	4.04	57.26	2.07	9.88	80.70
of which: earned amounts (payment in 2016)	–	0.53	0.08	–	–	0.15	0.64	1.41
<b>Amount of explicit ex post performance adjustment for previously awarded remuneration</b>	–	–	0.56	0.16	0.78	0.06	1.35	2.92
<b>Number of beneficiaries of guaranteed variable remuneration<sup>16</sup></b>	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	4
Total amount of guaranteed variable remuneration	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	0.38
<b>Number of beneficiaries of buy out / sign on payments<sup>16</sup></b>	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	2
Total amount of pay out / sign on payments paid in 2015	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	k. A. <sup>18</sup>	0.07
<b>Number of beneficiaries of severance payments<sup>16</sup></b>	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	6	6	6	20
Total amount of severance payments paid in 2015	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	0.92	1.93	0.69	3.64
<b>Number of beneficiaries of severance payments awarded in 2015<sup>16</sup></b>	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	10	8	6	29
Total amount of severance payments awarded in 2015	–	–	k. A. <sup>18</sup>	k. A. <sup>18</sup>	2.21	3.27	1.24	7.76
Article 450h (v) – Highest severance payment to a single person	–	–	0.05	0.48	0.54	0.75	0.54	0.75
<b>Number of beneficiaries of contributions to discretionary pension benefits in 2015<sup>16</sup></b>	–	–	–	–	–	–	–	–
<b>Total amount of contributions to discretionary pension benefits</b>	–	–	–	–	–	–	–	–
<b>Total amount of potential variable remuneration awarded for multi-year periods under programmes which are not revoked annually</b>	–	–	–	–	–	–	–	–

15 Excluding supervisory function as well as Board of Managing Directors of Commerzbank AG (see 2015 Annual Report, pg. 34 et.

16 Natural persons

17 Including Group Treasury

18 Payments, which were granted on the occasion of an employee commencing or terminating his 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 1i, the following table shows a breakdown of the number of persons whose remuneration exceeded € 1 million in the financial year. The breakdown is based on remuneration increments of € 500,000.

Number of persons whose remuneration amounts to € 1m or more <sup>19</sup>	
1,000,000 bis 1,500,000 Euro	9
1,500,000 bis 2,000,000 Euro	2
2,000,000 bis 2,500,000 Euro	-
2,500,000 bis 3,000,000 Euro	-
3,000,000 bis 3,500,000 Euro	-
3,500,000 bis 4,000,000 Euro	-
4,000,000 bis 4,500,000 Euro	-
4,500,000 bis 5,000,000 Euro	-
> 5,000,000 Euro	-

Frankfurt/Main, June 2016  
Commerzbank Aktiengesellschaft

<sup>19</sup> Excluding supervisory function as well as Board of Managing Directors of Commerzbank AG (see 2015 Annual Report, pg. 34 et. seq.)

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