

Remuneration Report

2020

pursuant to Section 16 of the German Remuneration Ordinance for Institutions
(IVV) of 15 April 2019



The bank at your side

Table of Contents

1.	Introduction	3
2.	Remuneration strategy	4
3.	Compensation governance-structure	5
3.1.	Remuneration Control Committee	6
3.2.	Remuneration Officer	6
3.3.	Remuneration Committee	7
3.4.	Decision Board	7
4.	Remuneration system	9
4.1.	Remuneration parameters	10
4.2.	Determination of the disbursement volume for variable remuneration	10
4.3.	Profit sharing for pay-scale employees	11
4.4.	Variable remuneration for non-pay-scale employees	11
4.4.1.	NPS model	11
4.4.2.	Investment Banking (IB) model	13
4.4.3.	Employees in control functions	13
4.4.4.	Remuneration of the Board of Managing Directors	13
4.5.	Variable remuneration regulations applicable to all models	13
4.5.1.	Risk Taker identification	13
4.5.2.	Remuneration rules for Risk Takers	14
4.5.3.	Performance assessment for Risk Takers	15
4.5.4.	Prohibition on hedging transactions	17
5.	Group-wide implementation	18
5.1.	Group-wide remuneration strategy	18
5.2.	Remuneration systems of affiliated institutions	18
5.3.	Commerzbank Zrt.	19
5.4.	comdirect bank AG	19
5.4.1.	Remuneration strategy of comdirect Bank AG	19
5.4.2.	Remuneration governance	20
5.4.3.	Remuneration system for employees of comdirect bank AG	20
5.4.4.	Variable remuneration models	21
5.4.5.	Additional company benefits	21
5.4.6.	Remuneration of the Management Board	21
6.	Remuneration information	22
6.1.	Quantitative information on remuneration by business area	22
6.2.	Quantitative information on remuneration of senior management and Risk Takers	23
6.3.	Number of persons with high remuneration	25

For the sake of improved readability, we refrain from any linguistic differentiation between gender forms. Instead, we adopt the masculine form, but understand the use of this form and our gender policy explicitly and completely as gender-neutral.

1. Introduction

For years, the German banking sector has been acting in a difficult environment, characterised by low interest rates, rigorous competition, margin pressure, and increasingly stringent regulatory requirements. It may be assumed that these general conditions will continue to prevail in the coming years. Since 2020, this situation has been further exacerbated by ramifications of the Covid 19 pandemic, the extent of which cannot yet be fully predicted.

Commerzbank is tackling the challenges of the market and, in February 2021, responded with its new strategy programme "Strategy 2024". The key points: We are putting profitability before growth, digitizing comprehensively, and adapting our capacities. We are focusing on the changing needs of our customers while maintaining a high level of efficiency and creating the conditions for Commerzbank to shape its own future as an independent force on the German banking market.

The aim of the transformation is to combine the advantages of a fully digitized bank with personal advisory services, systematic customer focus and sustainability. Commerzbank aims to become the digital advisory bank for Germany, and consolidate its leading position as a strong partner for SMEs and around 11 million private and corporate customers. For private customers, this means a modern digital bank for everyone, as well as individual support and service for wealthy customers and entrepreneurs with a higher need for advice. For corporate customers, the focus is on German SMEs and large corporations as well as foreign customers with business ties to Germany.

To successfully address these challenges, Commerzbank is also continually reviewing its remuneration strategy and structures. However, the regulatory requirements for remuneration systems in the banking sector limit our freedom in structuring the remuneration of employees.

As a major institution, Commerzbank is obliged, pursuant to Section 16 Paragraph 1 of the German Remuneration Ordinance for Institutions (German: Institutsvergütungsverordnung, IVV), in conjunction with Art. 450 of Regulation (EU) No. 575/2013, to disclose information on its remuneration structures and, pursuant to Section 27 Paragraph 1 Sentence 3, further information in the Group context. Along with information on its remuneration policy in general, this disclosure includes in particular explanations on the remuneration systems, remuneration governance, and quantitative information on the overall amount of all remuneration, and in particular on the remuneration of Risk Takers.

At the European level, the remuneration regulations for banks and financial institutions have been laid down in such EU legislation as the Capital Requirements Directive (CRD)¹ and Capital Requirements Regulation (CRR)², among other regulations.

At the national level, the requirements of CRD are implemented in German law through the German Remuneration Ordinance for

Institutions 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 compensation-related regulations of CRD are anchored in national law.

With the "Guidelines on Sound Remuneration Policies under Directive 2013/36/EU" (from the European Banking Authority, EBA), the European-level provisions fixed in CRD IV are defined more concretely in order to harmonise the sometimes heterogeneous legislation implementing CRD IV in the various EU states³. The EBA guidelines are implemented in German law through the German Remuneration Ordinance for Institutions as well as through the German Banking Act (Kreditwesengesetz, KWG).

This Remuneration Report is based on the German Remuneration Ordinance for Institutions of 15 April 2019, which was applicable to the 2020 financial year. It summarises the remuneration systems applicable in Commerzbank AG for the 2020 financial year and provides supplementary information on subsidiaries included in the companies consolidated for regulatory purposes, which do not provide their own disclosures. Due to the merger of comdirect bank AG with Commerzbank AG as per 2 November 2020, this Remuneration Report also contains detailed information on the remuneration governance and remuneration systems of comdirect Bank.

¹ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.

² Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

³ As a result of the adjustments to Directive 2013/36/EU and Regulation (EU) No. 575/2013 already implemented, this Guideline will be supplemented by the "Guidelines on sound remuneration policies under Directive 2013/36/EU" as of 31 December 2021.

2. Remuneration strategy

The remuneration strategy sets the guidelines for the remuneration policy within 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 harmony with the business strategy and risk strategy of Commerzbank Group. It is generally applicable to the entire Group.

In a challenging regulatory and economic environment, the human resources strategy, which is aligned to the Group's business and risk strategy, defines an operational framework and core strategic issues that contribute to the Bank's future viability.

The core HR policy issues are flanked by a remuneration strategy that is aligned to the HR policy operational framework. This remuneration strategy is developed under the auspices of the Human Resources (HR) Division and coordinated with the experts and managers responsible for the HR strategy. The remuneration strategy is submitted to the Remuneration Committee (please see Chapter 3.3) for review and approval. To the extent that a review of the remuneration strategy will result in substantial changes to the strategic approach, the core issues of the strategy are also discussed in advance with selected subsidiaries, if required.

The remuneration strategy was first approved by the Board of Managing Directors of Commerzbank AG in the 2015 financial year and subsequently acknowledged by the Supervisory Board. Since then, it has been reviewed regularly and, when necessary, has been adjusted to changing conditions as required.

The remuneration strategy applies to Commerzbank AG and the subsidiaries of Commerzbank Group, i.e. the entities included in the companies consolidated for regulatory purposes and is implemented within those companies in accordance with their internal regulations (see Chapter 5). The business and risk strategy as well as the HR and remuneration strategy are accessible to all Bank employees via the company intranet.

The remuneration systems for the 2020 financial year supported the Bank in achieving its strategic goals in the period under review. At the same time, they ensure that the Bank will be able to attract and retain sufficient numbers of qualified employees in a dynamic market environment. In that regard, the Bank ensures at all times that both the remuneration models and parameters and the remuneration components are sustainable, i.e. that they are oriented towards long-term business success and 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.

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In line with the objectives of the remuneration strategy, overall remuneration at Commerzbank 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 success.

In addition, the Bank grants further non-discretionary additional benefits for defined groups of employees.

- 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.

The various remuneration components result in competitive remuneration for employees, taking into account an appropriate balance of variable to fixed remuneration.

The continuous further development of the remuneration models continues to ensure employee conduct supportive of the Group's success in the context of changing regulatory requirements.

In accordance with sections 3 and 4 of the German Remuneration Transparency Act (German: Entgelttransparenzgesetz, EntgTranspG), all remuneration and assessment structures at Commerzbank are consistently designed in a gender-neutral manner. In this context, Commerzbank supports the professional development of employees of all genders in equal measure, thereby enabling them to apply their qualifications to challenging specialist, project and management positions – irrespective of differing employment biographies and changing life circumstances.

Adequate and equal remuneration for equal activities irrespective of gender is one of the basic principles of the Bank's remuneration strategy.

Even beyond remuneration matters, Commerzbank does not tolerate people being disadvantaged in any way for reasons pertaining to gender, ethnic background, religion, faith, or world views, disability, age, or sexual orientation.

3. Compensation governance-structure

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

The Remuneration Committee ensures the proper involvement of control units in the structuring and monitoring of the employee remuneration systems as required in Section 3 Paragraph 3 IVV.

In addition, a Decision Board (see Chapter 3.4) supports the full Board of Managing Directors, among other things, in the context of the entitlement process with regard to the deferred components of the variable remuneration of Risk Takers.

Commerzbank's compensation governance structure ensures that compliance with all remuneration-related matters is decided and monitored appropriately.

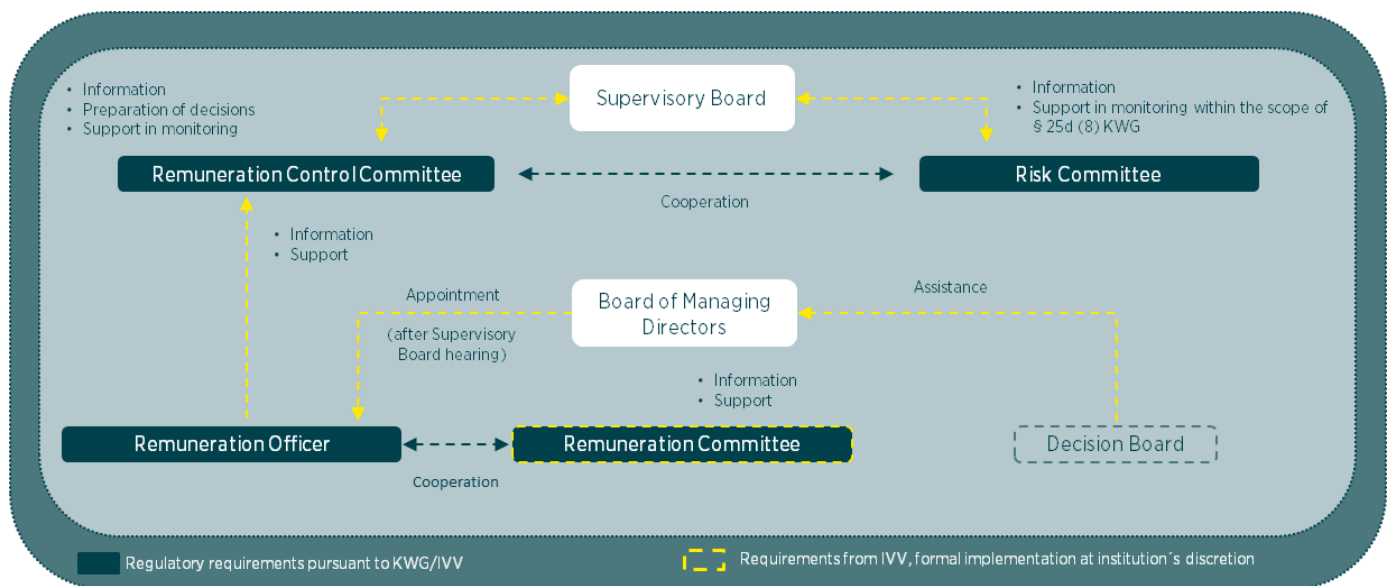


Figure 1: Overview of the compensation governance structure at Commerzbank

3.1. Remuneration Control Committee

Pursuant to Section 25d Paragraph 12 in conjunction with Paragraph 7 KWG, Commerzbank has set up a Remuneration Control Committee. Pursuant to Section 10a Paragraph 1 – 3 KWG, the Remuneration Control Committee⁴ can, in principle, perform the function of the Remuneration Control Committee as defined in Section 25d Paragraph 7 in conjunction with Paragraph 12 KWG for other institutes in the Commerzbank Group.

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. At least one member of the Remuneration Control Committee must have sufficient knowledge and professional experience in the area of risk management and risk controlling, in particular with regard to the mechanisms governing the alignment of the remuneration systems with the Company's risk appetite and risk strategy and its capital resources. The Remuneration Control Committee and the Supervisory Board are supported by the Remuneration Officer in performing their monitoring and structuring duties with regard to the remuneration systems.

The Remuneration Control Committee supports the Supervisory Board in appropriately structuring the remuneration systems of the Board of Managing Directors. To this end, it prepares the resolutions of the Supervisory Board on the remuneration of the members of the Board of Managing Directors and on the determination of the total amount of variable remuneration pursuant to Section 45(2) Sentence 1 No. 10 KWG, taking into account the provisions of Section 7 IVV. It also prepares the resolutions to set appropriate remuneration parameters, performance contributions, performance and deferral periods, including the criteria for complete cancellation or partial reduction of deferred variable remuneration, or the clawback of variable remuneration amounts after disbursement. In performing those tasks, 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 conducts regular reviews - at least once a year - of whether the resolutions are still appropriate. In case deficiencies are identified, a set of measures is drawn up without undue delay to eliminate them.

The Remuneration Control Committee also supports the Supervisory Board in monitoring the appropriate structure of the remuneration systems for employees who are not executive managers. In particular, it checks on a regular basis, and at least once a year, whether the total amount of variable remuneration for the employees has also been determined in accordance with the regulatory requirements and whether the principles for determining remuneration parameters, performance

contributions, disbursement and deferral periods are appropriate. It checks whether the criteria for the complete cancellation or partial reduction of the variable remuneration and the remuneration systems for the employees in control units meet the regulatory requirements, focussing in particular on the remuneration systems for the heads of risk controlling and the compliance function and the employees with a material influence on the Bank's overall risk profile. In addition, the Remuneration Control Committee supports the Supervisory Board in monitoring the process for determining Risk Takers and Group Risk Takers⁵.

It supports the Supervisory Board in the monitoring and proper inclusion of the internal control and all other areas relevant to the structuring of the remuneration systems. This includes, inter alia, checking whether the remuneration systems for the employees in control units meet the regulatory requirements and assessing the effects of the remuneration systems on the risk, capital, and liquidity situation. In this context, the Committee ensures that the remuneration strategy and systems are geared to achieving the goals fixed in the Bank's business and risk strategies.

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

The Remuneration Control Committee cooperates with the Risk Committee and is to obtain advice from persons who are independent of the Board of Managing Directors.

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 AG websites.

In the 2020 financial year, the Remuneration Control Committee of Commerzbank convened eight times, including three joint meetings with the Presiding Committee of the Supervisory Board.

3.2. Remuneration Officer

As a major institution pursuant to Section 1 Paragraph 3c KWG, Commerzbank AG is required, pursuant to Section 23 IVV, to appoint a remuneration officer and a deputy (referred to below as "Remuneration Officer") in order to ensure appropriate, ongoing, and effective monitoring of the employee remuneration systems

The tasks of the Remuneration Officer are defined in Section 24 IVV and are published in the Bank's organisational guidelines. The Remuneration Officer has the necessary authority and adequate material and staff

⁴ See p. 8 et. seq. of the Rules of Procedure of the Supervisory Board on the Commerzbank website (https://www.commerzbank.de/de/hauptnavigation/aktionaere/governance_/aufsichtsrat_1/Aufsichtsrat.html).

⁵ For a definition of Risk Takers, see Chapter 4.5.1.

resources, both in terms of quantity and quality, to perform his monitoring activities effectively and independently, and he takes part in training activities on a regular basis.

The Remuneration Officer monitors the appropriateness of the employee remuneration systems and the related internal regulations and processes in accordance with the regulatory remuneration requirements for German-based credit institutions. A particular focus is placed on the requirements for remuneration systems for Risk Takers. In addition, he coordinates remuneration-related requests of with the regulatory authorities.

The Remuneration Officer is involved in the conceptual development of new and existing employee remuneration systems for Commerzbank AG and in their ongoing processes. He supports the chairman of the Remuneration Control Committee and the committee in the performance of their monitoring duties with regard to the employee remuneration systems.

To support the Remuneration Control Committee, the Remuneration Officer checks, inter alia, whether the total amount of variable remuneration for employees for the financial year in question was set taking into account Section 7 IVV. Moreover, he reviews, for example, whether the principles for assessing remuneration parameters, performance contributions, and the performance and deferral periods as well as for defining the criteria for complete cancellation or partial reduction of variable remuneration of the employees are in line with the regulatory requirements.

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 in accordance with Section 25a (5b) KWG and Group Risk Takers in accordance with Section 27 Paragraph 2 sentence 1 IVV within Commerzbank Group pursuant to Section 3 Paragraph 3 IVV.

For this reason, the control units as defined in Section 2 Paragraph 11 IVV along with the divisions Group Finance and Group Legal have permanent representatives on the Remuneration Committee. Group Audit and the Remuneration Officer are non-voting participants of the Remuneration Committee.

This includes in particular being provided with detailed information and having its views heard when remuneration systems are designed, changed, developed, or withdrawn from use. In these cases, the Remuneration Committee is involved prior to the decision in question being implemented.

In that context, 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 or changed in case of changes to the above-mentioned internal standards.

In addition, the Remuneration Committee is involved, giving due regard to the functions of its members, when the total bonus pool is determined. It also performs the appropriateness assessment pursuant to Section 12 IVV.

Section 12 IVV notwithstanding, the Remuneration Committee is obliged to inform the Full Board of Managing Directors of Commerzbank AG of any adverse developments and, if applicable, to suggest possible courses of action to correct them.

The tasks, composition, and regulations on passing resolutions and the organisation of the Remuneration Committee are set forth in Rules of Procedure, which are published on the Bank's intranet.

In the 2020 financial year, the Remuneration Committee convened four times and, in addition, was kept up to date on current issues by means of the circulation procedure.

3.4. Decision Board

The sustainable entrenchment of the Culture of Integrity is of essential importance at Commerzbank not only in the wake of increasing regulation, but is also one of the fundamental pillars of its corporate values, thereby forming part of the Bank's self-conception.

In order to ensure fundamentally uniform decisions in connection with the sanctioning of misconduct by employees and managers, the full Board of Managing Directors of Commerzbank AG has established a cross-segment Decision Board in addition to the central publication of all of the Bank's rules and regulations and the creation of an Evidence Office as a central control and documentation office.

In this context, the Decision Board is to contribute towards strengthening the Culture of Integrity, and guaranteeing sustainable consequence management, which, in turn, supports compliance with the Code of Conduct and the corporate values, and promotes these sustainably.

In the context of the remuneration policy, the following matters are presented to the Decision Board:

- All cases in which the manager proposes a (percentage) reduction in variable remuneration due to identified incidents of misconduct
- All negligent or grossly negligent violations of known rules and regulations as well as statutory or regulatory provisions that result in major/significant damage and/or pose a potential threat to the company's existence

- All deliberate/intentional violations of known rules and regulations and legal or regulatory provisions that result in medium or extensive/significant damage and/or pose a significant or existential risk potential

In addition, the Decision Board supports the full Board of Managing Directors of Commerzbank AG as well as the management and supervisory or advisory boards of subsidiaries in the context of the entitlement process with regard to the deferred components of the variable remuneration of Risk Takers in Germany and abroad. It ensures consistent and uniform assessment of the violations and claims identified.

In these cases, the Decision Board also examines whether the conditions for a reduction of the deferred variable remuneration up to the complete loss of the same, or the conditions for the clawback of a variable remuneration already paid out within the meaning of Section 20 Paragraph 6 IVV are met. The final decision in this regard rests with the full Board of Managing Directors or the management board or supervisory board of the subsidiary in question.

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 of Commerzbank AG in Germany, the remuneration is set in accordance with the criteria of the Framework Collective Agreement for the Private Banking Sector. For non-pay-scale employees and employees abroad, the requirements are described in 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. For this purpose, the Bank has defined a remuneration bandwidth for each career level on the basis of external market comparisons.

The fixed remuneration may be supplemented by variable remuneration. Along with fixed, market-oriented remuneration on all levels, this guarantees a performance-oriented variable remuneration which takes into consideration the Group's and the various segments' contributions to overall success. In the case of Risk Takers and all employees abroad, their individual performance contributions are also taken into account when determining their variable remuneration.

In the 2020 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 model
- Investment Banking model: in 2020 only for individual non-pay-scale employees in the former Equity Markets & Commodities division within the Corporate Clients segment, whose variable remuneration was not switched to the NPS model in the course of the year
- Board of Managing Directors model: for all members of the Board of Managing Directors of Commerzbank AG⁶

With a view to minimising remuneration-induced risks, the remuneration models for employees and managers are aligned to the respectively applicable regulatory requirements.

This applied in particular with regard to the remuneration parameters, budgeting, the pool proviso pursuant to Section 7 IVV, and the individual distribution. As a result of this, the remuneration system became more

transparent and understandable for all groups of employees. Through the amendments to the German Remuneration Ordinance for Institutions of 25 July 2017, the various remuneration models – the Management, NPS, and Investment Banking models – were made more consistent and finally merged into a single model. The goal of the harmonisation was, inter alia, to allow managers to focus more on their actual management and sales responsibilities and to increase employee satisfaction. In this context, the guidelines for severance payments have also been adapted in line with the provisions of the German Remuneration Ordinance for Institutions.

The NPS model distinguishes for purposes of bonus distribution between Germany and the international locations and between Risk Takers and employees without a material influence on the Bank's risk profile. It takes into account both market practices in the Anglo-Saxon countries, among others, and the special requirements of the German Remuneration Ordinance for Institutions with regard to the remuneration of Risk Takers. The NPS model has been in effect at Commerzbank AG since the 2019 financial year.

From the 2021 financial year onwards, variable remuneration of all those employees who were previously under the Investment Banking model will also be governed by the NPS model.

Should the Bank decide to pay other variable remuneration components such as retention bonuses, guarantees, or buyouts, these payments would be entirely subject to the provisions of the German Remuneration Ordinance for Institutions with regard to the conditions for granting the payments as well as the vesting of claims and the disbursement.

Commerzbank AG has not engaged the services of external consultants for the implementation of the remuneration regulatory requirements in its employee remuneration systems.

The sections below describe the remuneration parameters and models in effect for the employees of Commerzbank AG in the 2020 period under review. For details on the sustainability components of the remuneration models, please refer to Chapter 4.5.2.

Further information on remuneration systems in subsidiaries of the Commerzbank Group is provided in Chapter 5.

⁶ For detailed information on the Board of Managing Directors remuneration system, please refer to the 2020 Annual Report of Commerzbank (p. 35 et. seq.).

4.1. Remuneration parameters

Prior to each financial year, the Commerzbank Board of Managing Directors decides upon guidelines for targets within Commerzbank Group. The control units play an essential role in defining these guidelines, inter alia, within the scope of their involvement in the Remuneration Committee. They ensure that the employees' targets are geared to the business and risk strategy as well as to the HR strategy of Commerzbank Group. The strategic targets of the multi-year planning and other project and/or line-related targets as well as the corporate culture are taken into consideration in addition to the segment-specific and division-specific targets of the Group.

Since the 2019 financial year, NPS employees of Commerzbank AG have been subject to a new remuneration model. In this model, the variable remuneration for employees in Germany not classified as Risk Takers is determined exclusively on the basis of Group and segment performance. Consequently, it is not necessary to agree on individual targets for these employees. For all other employees outside Germany and for all Risk Takers at Commerzbank Group, 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 are taken into account.⁷ Consequently, when setting the targets in those units, particular consideration is given to the targets "customer satisfaction" and "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 to take inappropriately high risks. The target agreement contains, in principle, quantitative and qualitative targets.

Furthermore, the Board of Managing Directors defines so-called performance curves⁸ for the Group and its individual segments as well as the Group Treasury unit at the beginning of the financial year. These are geared to the Bank's long-term strategy and serve as a basis for calculating a target for Economic Value Added (EVA) and the volume for variable remuneration.

From the 2021 financial year onwards, in addition to the quantitative targets relating to economic value added, further qualitative targets will be used to determine the bonus volume. For the 2021 financial year, these will be the continuation of customer satisfaction at a high level, the entrenchment of sustainability in the Bank's self-conception, the

observance of integrity, and progress in the restructuring of the business models.

4.2. Determination of the disbursement volume for variable remuneration

At the end of each financial year, the preliminary disbursement volume for variable remuneration will be calculated on the basis of the targets and parameters defined at the beginning of the year. In this context, the Group result is allocated a weighting of 40 per cent for the calculation of the disbursement budget; the respective segment result⁹ or the result of the Group Treasury unit is allocated a weighting of 60 per cent. The preliminary disbursement volume will be reviewed at the beginning of the following year on the basis of final financial figures.

In case of extraordinary conditions beyond the influence of the Bank, the Bank is entitled, pursuant to the Interpretative Guideline on Section 19 IVV, to raise or lower the funding quota for the Group by up to 20 percentage points in order to neutralise positive or negative effects on the Group funding quota to an appropriate extent. Such an adjustment is permitted only if

- there is an unforeseeable change in the economic environment that can neither be influenced nor controlled and
- it was entirely the result of the change in the economic environment and not the fault of the Group or actions taken by it (for example through a decrease in earnings due to damage to the reputation of the entire industry through a scandal involving a competitor or extreme natural catastrophes) that the Group target was not achieved at all, or that the target was achieved in full or even exceeded ("windfall profits").

When determining the payment volume for the variable remuneration, it must be examined within the meaning of Section 7 IVV whether and in what amount a total amount for the variable remuneration can be determined (so-called pool proviso).

In doing so, the budget for variable remuneration is reviewed, taking various factors into account as well as the regulatory requirements. A budget is set aside only in case of a positive overall assessment. The underlying requirements are considered separately and evaluated accordingly. The process takes into account economic 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

⁷ Inter alia, minimum compliance requirements, special Section 8 (MaComp-BT8) of the Directive on credit agreements for consumers relating to residential immovable property (Wohnimmobilienkreditrichtlinie), Dodd-Frank Act (so-called Volcker Rule).

⁸ Performance curves were also defined for the subsidiaries mBank TK, comdirect AG (up to and including 1 November 2020), Commerzbank (Eurasija) AO, and CommerzFactoring GmbH.

⁹ For employees working in a group management, services or cluster unit, the average of all segments is taken as the basis for assessment.

combined capital buffer requirements pursuant to Section 10i of the German Banking Act (KWG) is not impaired.

Within the scope of the economic factors, sufficient consideration is given to risk-bearing capacity, multi-year capital planning and the earnings situation. In addition, the economic factors pursuant to Section 7 Paragraph 1 Sentence 3 IVV are fulfilled through the use of Economic Value Added (EVA) based on the definition applied by Commerzbank. EVA is generally used in the remuneration models of 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.

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 on a regular basis by the internal Asset Liability Committee.

Within the framework of an overall assessment, all parameters of the pool assessment are also evaluated in the general context. This includes an examination of the influence and effects of the variable remuneration and extraordinary events, among other factors, with reference to the balance sheet, on the current and future situation of the Bank as a whole. In case of a negative overall assessment, the budget for variable remuneration payments will generally be cancelled or reduced (pool proviso).

If variable remuneration is paid, the Board of Managing Directors determines the final pools for the segments, the Group Treasury business area, and the group management and services units on the basis of the performance determined in each case.

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 in Germany 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 2020 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 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 a Paragraph 5 KWG. Commerzbank implemented this by defining upper limits, differentiated by career level, for the variable remuneration of its non-pay-scale remuneration systems. Independent of these upper limits and subject to a resolution to the contrary being 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")¹⁰. In addition, for all remuneration models, the Bank has possibilities 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. NPS model

The NPS model in its current form has been in effect for all non-pay-scale employees of Commerzbank AG since the 2019 financial year, with the exception of individual employees in the former Equity Markets & Commodities division in the Corporate Clients segment, to whom the Investment Banking model continued to apply for a transitional period in 2020.

As a basis for the subsequent calculation of the variable remuneration, the Board of Managing Directors defines targets for the Group, each segment, and the Group Treasury unit using a parameter (currently Economic Value Added, EVA) and a target volume corresponding to the expected earnings. This consists of the sum of the variable compensation potential (VCP) values, which serve as orientation values for the individual variable remuneration of the employees.

It is calculated using the individual gross monthly salary, multiplied by a factor based on the employee's individual career level and Risk Taker status. The variable remuneration potential indicates the potential

¹⁰ For the specifics regarding control units, please see Chapter 4.4.3.

amount of variable remuneration for the financial year in question if the targets set by the Bank for the Group and the segments are achieved in full.

With the transition to the new NPS remuneration model, depending on the original target amount, variable remuneration components can be converted to fixed remuneration, resulting in an overall reduction in the risk-oriented variable remuneration. In defining the amounts, the Bank took local remuneration levels into account by distinguishing between employment in Germany or at an international location when setting the factors for determining the variable remuneration potential. As a result, the variable remuneration component generally represents a larger share of remuneration at international locations than in Germany.

The disbursement volume in the NPS model is generated at the end of the financial year on the basis of the results of the Group, as well as the individual segments, and the Group Treasury unit, on the basis of the achievement of the EVA targets. 40% of the funding quota determined in this manner is based on the target achievement of the Group and 60% on the target achievement of the segment where the individual is employed.¹¹

From the 2021 financial year onwards, qualitative targets will also be set in addition to EVA to determine the disbursement volume made available. The achievement (performance) of these non-financial targets will be included as a multiplier in the funding quota and thus in the determination of the segment-specific disbursement volumes.

When determining the individual disbursement amounts, the Bank distinguishes between Risk Takers and employees with no material influence on the risk profile of the institution and between employees who work in Germany or at international locations.

For employees in Germany who are not Risk Takers, the disbursement amount of variable remuneration is non-discretionary and is determined exclusively on the basis of the individual variable remuneration potential multiplied by the respectively applicable funding quota.

The variable remuneration for Risk Takers and employees at the international locations is determined at the reasonably exercised discretion of the executive, taking into account the employee's individual contribution to performance.

The amount of the individual variable remuneration in the NPS model is limited to 200 per cent of the variable compensation potential (VCP). Independently of this restriction, the Bank ensures that the variable remuneration does not exceed the amount of the individual annual fixed remuneration. In addition, the NPS model is also subject to the cross-model provisions stipulated in Chapter 4.5.

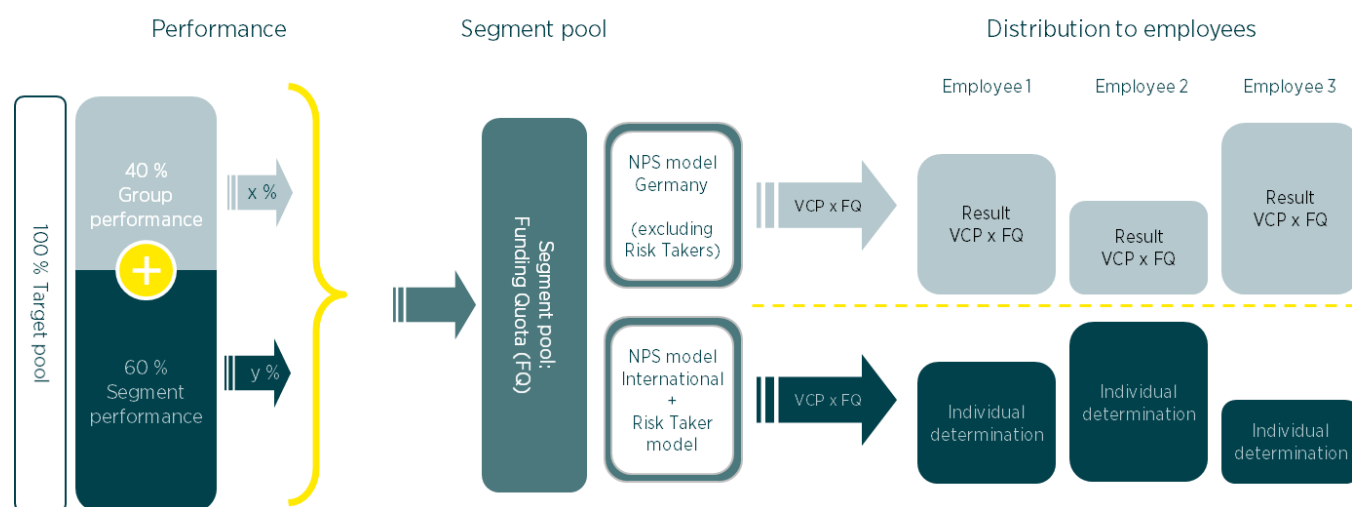


Figure 2: Overview of how Commerzbank's NPS model for financial year 2020 works

¹¹ For employees working in a group management, services or cluster unit, the average of all segments is taken as the basis for assessment.

4.4.2. Investment Banking (IB) model

Investment Banking model remained in effect in 2020 for a transitional period only for the individual non-pay-scale employees in the former Equity Markets & Commodities division, following which or rather in its succeeding division in the Corporate Clients segment.

At the beginning of the financial year, the Board of Managing Directors defined a target volume for the affected employees in that division. As is customary in the market, no individual target amounts were agreed.

The disbursement volume in the IB model was determined at the end of the 2020/ financial year on the basis of Group and segment performance (in this case: the Corporate Clients segment). The main features of this approach are described in Chapters 4.1 and 4.2.

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

For setting the individual variable remuneration, no remuneration bandwidths were defined. By setting a uniform upper limit, the Bank ensured, however, that the bonus cap amounting to one annual fixed salary a maximum of 50 per cent of total remuneration was adhered to. Furthermore, the cross-model provisions pursuant to Chapter 4.5 applied.

4.4.3. 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 IVV.

Commerzbank has not implemented separate remuneration models for the control units. However, the employee remuneration systems are structured to ensure that they do not run counter to the monitoring function of those units. The remuneration systems ensure that the main focus of remuneration lies on the fixed remuneration, so that employees in the Bank's control functions are also not dependent on receiving an additional variable remuneration. Commerzbank deems this "main focus" criterion to be fulfilled when the maximum variable remuneration achievable by employees in control units represents one third or less of their total remuneration.

The variable remuneration of the employees in control units 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. 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 were subject to the rules of the pay-scale or NPS models in 2020.

4.4.4. Remuneration of the Board of Managing Directors

Remuneration of the members of the Board of Managing Directors is subject to a separate model. The details, including other remuneration information, were published in the 2020 Annual Report (p. 35 et seq.) and can be found there. This Remuneration Report supplements the previous publication on the remuneration of the Board of Managing Directors with regard to the quantitative requirements pursuant to Section 16 IVV and Article 450 of EU Regulation No. 575/2013.

4.5. Variable remuneration regulations applicable to all models

While the amount of variable remuneration is based on the regulations of the remuneration model in conjunction with the Risk Taker or Non-Risk Taker status, the specific disbursement arrangements depend on whether an employee is classified as a Risk Taker I or Risk Taker II.

For employees who are not Risk Takers, the variable remuneration is paid out as a lump sum after the end of a financial year. No other conditions apply. For those classified as Risk Takers, the disbursement of variable remuneration is subject to special conditions (please see Chapter 4.5.2).

4.5.1. Risk Taker identification

Pursuant to Section 25a Paragraph 5b KWG, major financial institutions must conduct a risk analysis to identify employees with a material influence on the overall risk profile of the financial institution or the group.

The applicable qualitative and quantitative criteria are set out for the 2020 financial year 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 (CRD), which was amended with Delegated Regulation (EU) No. 2016/861 of 18 February 2016. To date, Commerzbank has not utilised the exemption option for identifying Risk Takers pursuant to Art. 4 Paragraph 2 in conjunction with Paragraph 4 and 5 of the Delegated Regulation (EU) No. 604/2014.

In addition to the Risk Taker identification on the institute level, all major institutes of Commerzbank Group¹² were asked by Group Human Resources to carry out an internal risk analysis using the RTS criteria to check whether, from a Group perspective, any employees in the company have a material influence on the risk profile of Commerzbank Group. The result of this check must be documented.

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, heads of material business units¹³, their direct reports (with management responsibility), and the managers of Risk Takers.
- 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 permanent committee responsible for these risk categories or for risk categories within the meaning of EU Directive 2013/36/EU, Articles 79–87.
- Remuneration amount: the 0.3 per cent of employees with the highest total remuneration, i.e. all employees with remuneration of €500,000 or more.

In addition, other employees may be identified as Risk Takers based on an institute's own criteria. The details of the Risk Taker identification process were documented accordingly in a risk analysis.

If an employee was identified as a Risk Taker for at least 90 days in 2020, then, his entire variable remuneration for the financial year was subject to the special entitlement and disbursement modalities for Risk Takers (please see Chapter 4.5.2). The number of employees who were identified at Commerzbank Group on a consolidated level as "Risk Takers" or "Group Risk Takers" in 2020 was 1,339 employees (1,299 full-time equivalents (FTEs)) including the Commerzbank AG Board of Managing Directors and Supervisory Board as well as 26 local Risk Takers, as compared to 1,371 in 2019 (1,331 FTEs).

4.5.2. 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.

Commerzbank distinguishes between Risk Takers I and Risk Takers II, depending on the hierarchy level and the risk content of the employee's activities. 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 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.

If the variable remuneration of a Risk Taker exceeds €50,000¹⁴, the entire 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 compensation for Risk Takers I or 60 per cent for Risk Takers II. It is determined after the end of the financial year (n). The cash component is disbursed within a short time; however, the equity-based share of the STI is paid out only after a retention period of at least 12 months.

The LTI represents 60 per cent of variable compensation for Risk Takers I or 40 per cent for Risk Takers II. It is determined on an indicative basis after the end of the financial year (n). The LTI is disbursed only after a defined period – consisting of a deferral period with respect to the 2020 financial year of three years for Risk Takers II or five years for Risk Takers I. The equity-based share of the LTI is subject to an additional retention period of at least 12 months subsequent to the deferral period.

Irrespective of this and pursuant to Section 20 Paragraph 3 IVV, major institutions must define a threshold above which the share of the deferred variable remuneration for Risk Takers must amount to at least 60 per cent regardless of the Risk Taker status. Currently, Commerzbank has set this threshold at €180,000.

On account of the regulatory requirements, Risk Takers can acquire a claim to the LTI only after the deferral period has expired and only if there are no impediments to disbursement at that time that would partially or entirely prevent the claim from vesting (see Section 4.5.3).

¹² In addition to Commerzbank AG, comdirect bank AG until its merger with Commerzbank AG on 02.11.2020 as well as mBank S.A were considered major institutions.

¹³ Material business unit: A business unit within the meaning of Article 142 Paragraph 1 No. 3 of Regulation (EU) 575/2013, to whom internal capital representing at least 2 per cent of the internal capital of the institution is allocated in accordance with Article 73 of Directive 2013/36/EU.

¹⁴ 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 Section 18 Paragraph 1 IVV.

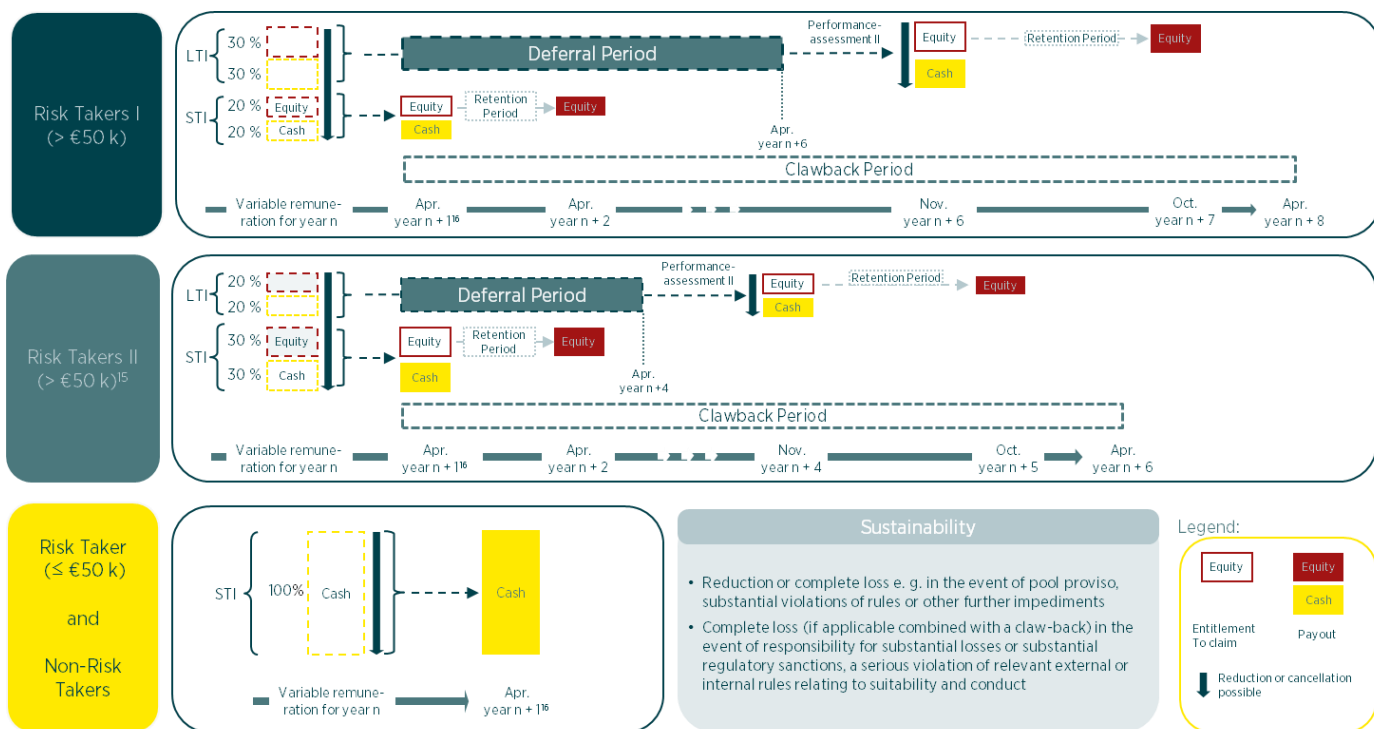


Figure 3: Disbursement procedures and sustainability components based on variable remuneration for 2020

Variable remuneration determined for the 2020 financial year will be disbursed after completion of the Performance assessment II for Risk Takers I in November of the sixth year (n + 6) for LTI Cash and in October of the seventh year (n + 7) for LTI Equity. For Risk Takers II, the LTI Cash component will be paid out in November of the fourth year (n + 4) and LTI Equity in October of the fifth year (n + 5).

4.5.3. Performance assessment for Risk Takers

The performance of all employees with an individual target achievement will be assessed on the basis of individual quantitative and qualitative targets at the end of a financial year. This Performance Assessment I forms the basis for setting the amount of individual variable compensation and thus establishes the claim to the STI. In the case of Risk Takers whose variable remuneration for a financial year exceeds the exemption limit of €50,000, the calculation of the LTI is merely indicative, i.e. there is no direct vested claim or entitlement to the LTI.

The variable compensation may be cancelled in whole or in part in the event of a negative deviation in performance from the targets agreed

upon. In this respect, unethical conduct or conduct contrary to duties within the meaning of the German Remuneration Ordinance for Institutions in the respective financial year (n) cannot be offset through positive individual performance contributions. Instead, such conduct must lead to the variable compensation being reduced or, under certain circumstances, completely eliminated for the financial year (n) in question, regardless of the individual target achievement quota. For employees who are not Risk Takers, unethical conduct or conduct contrary to duties that would justify a warning or dismissal may also result in the variable compensation for the financial year (n) being reduced or completely eliminated.

In the case of Risk Takers, the complete cancellation of an employee's variable compensation for financial year (n) will occur in particular in case:

- the employee is materially involved in or responsible for conduct in financial year (n) resulting in substantial losses for the Bank or significant regulatory penalties.

An indication of a substantial loss is present, for example, when the amount is sufficient for the mere expectation of the loss to trigger a

¹⁵ If the threshold value pursuant to Section 20 Paragraph 3 IVV is exceeded, the variable remuneration is divided into STI and LTI in accordance with the Risk Taker I scheme.

¹⁶ Exception: Investment Banking model and some international locations (disbursement as early as in March of year n + 1).

mandatory ad hoc disclosure or if the amount represents at least 1.0 per cent of the Bank's actual equity reserves.

Significant regulatory penalties include, for example, a measure imposed in case of a risk as defined in Section 46 of the German Banking Act (KWG), the dismissal of a managing director as stipulated in Section 36 KWG or, a fine and/or a financial penalty if the total amount is equal to or exceeds 1.0 per cent of the Bank's equity reserves.

The complete cancellation of an employee's variable compensation for financial year (n) will also occur in case of:

- serious breaches of external or internal regulations relevant to suitability and conduct in financial year (n) on the part of the employee.

"Relevant" regulations with regard to suitability and conduct include all those pertaining to the conduct and professional suitability of the employee which must be complied with to maintain a proper business organisation within the meaning of Section 25a Paragraph 1 Sentence 1 KWG.

For assessing when a breach of duties is "serious", the Bank conducts an overall assessment of the blameworthy actions and the extent of the actual damage caused or other consequences detrimental to the Bank. In case of gross negligence or intentional actions, the criterion for a full cancellation is generally deemed to be met.

In the aforementioned cases, the Bank is entitled, within a period beginning with the disbursement of the cash component of the STI for the relevant financial year (n) and ending two years after the vesting of the LTI share for the relevant financial year (n), to claw back any variable remuneration already disbursed to the Risk Taker concerned on the basis of Section 20 Paragraph 6 IVV. This applies equally to the STI and the LTI.

In order to be able to take a decision on a Risk Taker's entitlement to the LTI component, additional individual and collective risk reviews are conducted in each year of the deferral period as well as for up to two subsequent years at an individual level to determine whether causes have arisen in the meantime that may justify the cancellation or reduction of claims to LTI components.

Causes may include: 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, Performance assessment II reviews Performance assessment I and the employee's conduct 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, a negative performance deviation from the targets agreed upon, a negative result of the review as regards the pool proviso, or an order issued by the supervisory authorities may result in the claim to the LTI component being reduced or cancelled entirely, or in the repayment of the entire variable remuneration already paid out.

The decision on the vested claim to the LTIs is supported by the "Decision Board" (see Chapter 3.4), which ensures a systematic and uniform assessment of the risk reviews and Performance assessment II in case these show abnormalities.

The Decision Board also examines whether the conditions for a clawback of variable remuneration already paid out have been met. The final decision on this rests with the full Board of Managing Directors.

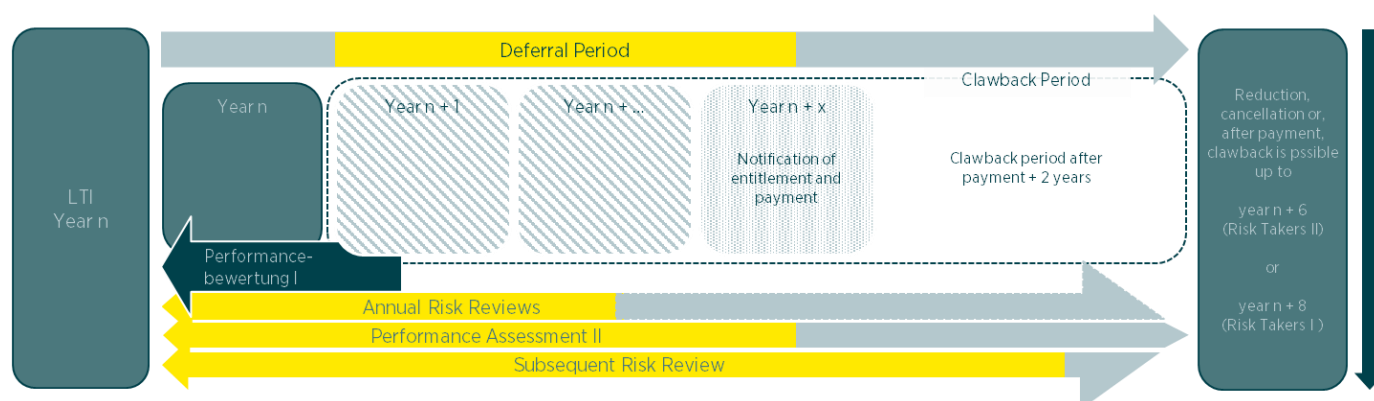


Figure 4: Schematic illustration of the performance assessment for risk takers at Commerzbank for the deferred compensation components

4.5.4. Prohibition on hedging transactions

At Commerzbank, the prohibition on hedging transactions has been incorporated in the remuneration system pursuant to Section 8 IVV. The prohibition stipulates that employees are not permitted to take personal hedging measures or other counter-measures in order to limit or eliminate the risk adjustment of their variable remuneration. In particular, no instruments or methods may be applied which could be used to circumvent requirements of the German Remuneration Ordinance for Institutions.

To ensure compliance with the prohibition on hedging, the Remuneration Officer conducts regular spot checks in cooperation with the Group Compliance Division. Employees are required to support the spot checks and provide the Bank with any requested information.

In case of a violation of the prohibition on hedging transactions or a persistent refusal by an employee to co-operate in the spot checks, the Bank is entitled to take disciplinary actions against the employee in accordance with labour law. Moreover, the Bank will regard this as a serious breach of relevant contractual obligations which will result in the loss of all variable compensation claims of the employee.

5. Group-wide implementation

5.1. Group-wide remuneration strategy

A group's superordinated companies are, pursuant to Section 27 Paragraph 1 IVV, required to define a group-wide remuneration strategy to implement the regulatory requirements of Section 25a Paragraph 5 KWG and Sections 4 to 13 IVV regarding all employees of the companies within the Group. This applies to all companies included in Commerzbank's regulatory group within the meaning of Section 10a Paragraph 1 to 3 KWG, with the exception of companies that fall within the scope of Section 37 of the German Investment Code (KAGB).

Commerzbank AG's international locations and its subsidiaries in Germany and abroad included in the regulatory group are obliged to implement and abide by the guidelines of the Group-wide remuneration strategy, provided they are not subject to more stringent national regulations.

The identification of the companies within Commerzbank Group for which it is necessary to implement a Group-wide remuneration strategy pursuant to Section 27 IVV is carried out by Commerzbank AG in a multi-stage process. First, the companies not included in the regulatory group and the special purpose vehicles are ruled out. For the remaining companies, an assessment is made to determine which are institutions pursuant to Section 1 (1b) and Section 53 (1) KWG, and thus fall directly within the scope of application of Section 1 IVV. Such companies must therefore directly fulfil the requirements of the German Remuneration Ordinance for Institutions at the stand-alone level. For companies outside Germany, it shall be verified as to whether they are financial institutions to which comparable local regulations apply (regulatory group).

All other entities included in the regulatory group are subject to the requirements of the German Remuneration Ordinance for Institutions under Section 27 Paragraph 1 exclusively at the consolidated level (personnel policy group).

As a result, 34 subsidiaries¹⁷ in Germany and at the international level, in addition to Commerzbank, met the criteria of the German Remuneration Ordinance for Institutions in the 2020 financial year. For the companies that do not meet the regulatory group criteria, the result of the assessment was documented.

The remuneration strategy and the requirements of the German Remuneration Ordinance for Institutions within Commerzbank Group are, in principle, implemented by means of the Compensation Policy in conjunction with the Benefit Policy. The Compensation Policy defines the general requirements for the structure of remuneration systems in the Group. The Benefit Policy defines the requirements for the structuring of fringe benefits in the Group. The goal of both policies is to concretely define and implement the regulatory requirements of Sections 4 to 13 IVV for Commerzbank Group, implement the remuneration strategy within Commerzbank Group, and define regulations for the employee remuneration systems.

These two policies thus serve jointly to implement Commerzbank Group's remuneration policy at a global level as well as at further Group companies. They are a part of the Group-wide remuneration strategy, which applies to the subsidiaries in the regulatory group. At the same time, the two policies are intended to further harmonise the Group-wide structuring of the remuneration policy and reinforce the sense of Group identity.

The remuneration strategy applies to Commerzbank AG, 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 that do not belong to the regulatory group and can be applied by them in whole or in part.

The Group-wide remuneration strategy adopted for the first time in the 2015 financial year was introduced in all subsidiaries in the regulatory and personnel policy group. In conjunction with the amendments to the German Remuneration Ordinance for Institutions, which came into force on 25 July 2017, the Group-wide remuneration strategy was revised and adopted by the Board of Managing Directors of Commerzbank AG. It succeeded the old version in the companies of the regulatory group.

5.2. Remuneration systems of affiliated institutions

The subsidiaries of Commerzbank Group's companies consolidated for regulatory purposes have introduced the Group-wide remuneration strategy (see Chapter 5.1) in accordance with Section 27 Paragraph 1 IVV. It forms the basis for implementing the requirements of the German Re-

¹⁷ comdirect bank AG up to its merger with Commerzbank AG on 02.11.2020; Commerz Real AG; CommerzFactoring GmbH; Commerz Real Mobilienleasing GmbH; mBank S.A.; Commerzbank Finance & Covered Bond S.A.; Commerzbank Zrt.; mBank Hipoteczny S.A.; mFaktoring S.A.; mFinance France S.A.; mLeasing Sp. z o.o.; Commerz Real Investmentges. mbH; Commerz Real KVG mbH; Commerz Markets LLC; Commerzbank Eurasija; Commerzbank Brasil; Commerz Business Consulting GmbH; Commerz Direktservice GmbH;

ComTS Finance GmbH; ComTS Rhein Ruhr GmbH; ComTS Logistics GmbH; ComTS Mitte GmbH; ComTS Nord GmbH; ComTS Ost GmbH; ComTS West GmbH; Commerz Service-Center Intensive GmbH; SOLTRX Transaction Services GmbH; Dresdner Lateinamerika AG; LSF Loan Solutions Frankfurt GmbH; CommerzVentures GmbH; Main Incubator GmbH; CERI International Sp. z o.o.; mFinance S.A.; Kenstone GmbH.

muneration Ordinance for Institutions in the institutions as well as in the other companies of the Group consolidated for regulatory purposes.¹⁸

Those institutions of the Group that do not publish their own information on their remuneration systems in accordance with Section 16 IVV or Article 450 (EU) No. 575/2013 are generally required to disclose further information on the remuneration systems. In the 2020 financial year, all these institutions of Commerzbank Group applied the systems described in this Remuneration Report. Institutions that did not issue their own disclosure in the period under review were Commerz Factoring GmbH, Commerzbank Finance & Covered Bond S.A., Commerz Markets LLC and Commerzbank Brasil S.A..

Since CommerzFactoring GmbH does not publish its own remuneration report, it refers to the report of Commerzbank AG on its website.¹⁹ Commerzbank Finance & Covered Bond S.A. also refers to the analogous application of the remuneration systems of Commerzbank AG in its annual report²⁰, as do Commerz Markets LLC²¹, based in New York, and Commerzbank Brasil S.A.²² in São Paulo.

The quantitative disclosure, i.e. the disclosure of the companies' remuneration data, is complied with at the consolidated level through the disclosure in Chapters 6.1 and 6.2 of this Report.

Following, Commerzbank Zrt. and the former comdirect bank AG will be discussed separately, as the first one only publishes its disclosure report in Hungarian²³ and comdirect bank AG no longer publishes an independent remuneration report due to the merger with Commerzbank AG.

5.3. Commerzbank Zrt.

The company has also generally implemented the remuneration models of Commerzbank AG on an individual institution level. Due to the requirements of the Hungarian regulatory framework, there were a few deviations from the regulations described in this Report.

For example, the exemption limit beyond which the total variable remuneration must be split into a short-term component - the STI - and a long-term component - the LTI - was not applied for the year under review. The split of variable compensation into STI and LTI was thus made

for Risk Takers from the first forint. Both components were granted entirely in cash.

The disclosure of the remuneration data of Commerzbank Zrt. is also complied with on a consolidated level by the disclosure in Chapters 6.1 and 6.2 of this Report.

5.4. comdirect bank AG²⁴

Due to the merger of comdirect bank AG with Commerzbank AG on 2 November 2020, the former comdirect bank AG will not publish an independent remuneration report for the 2020 financial year. Since comdirect bank had implemented independent remuneration governance, structures and models up to the time of the merger, these will be briefly addressed below for the last time.

The merger marked the end of comdirect bank AG's independence with regard to remuneration issues. Accordingly, all remuneration regulations of Commerzbank AG applied pro rata temporis from this point onwards. Responsibility for the topics was also transferred to the corporate bodies of Commerzbank AG.

The quantitative disclosure of comdirect bank AG for the 2020 financial year is included in the disclosure in Chapters 6.1 and 6.2 of this Report (see Chapter 6).

5.4.1. Remuneration strategy of comdirect Bank AG

The remuneration system and remuneration parameters of comdirect bank AG were geared to the remuneration strategy of comdirect bank AG, which, in turn, was defined in line with the remuneration strategy of the Commerzbank Group.

Taking into account the business and risk strategy as well as the corporate culture, it was developed in line with the long-term objectives of comdirect bank AG while avoiding conflicts of interest.

¹⁸ Further information on the remuneration regulations of Commerzbank Group can be found in the company-related disclosures of the respective subsidiary. Commerz Real AG discloses information on the remuneration regulations in a separate annual report and remuneration report. Information on the remuneration arrangements of mBank can be found in the Annual Report as well as the 'Disclosures regarding capital adequacy of mBank S.A. Group' and the 'Remuneration policy for employees having a material impact on the risk profile of mBank S.A.'. Information on the remuneration systems of CB Eurasija and Commerzbank Zrt. can be found in the 'Annual financial statements of "Commerzbank (Eurasija)" AO' and the reports available exclusively in Hungarian 'Commerzbank Zrt. javadalmazási politikájával kapcsolatos információk közzététele' and 'A Commerzbank Zrt. re vonatkozó információk nyilvánosságra hozatala a 2020. évre vonatkozóan' to read. All reports can be viewed on the websites of the

respective companies. The publication dates of the companies differ in part from those of Commerzbank AG.

¹⁹ https://www.commerzfactoring.de/portal/de/cf/cbg-metanavigation/cf-recht/cf_recht.html

²⁰ Annual Report 2020 of Commerzbank Finance & Covered Bond S.A..

²¹ 'Statement of Financial Conditions'

²² Annual Report of Commerzbank Brasil S.S. – Banco Multiplô.

²³ 'Commerzbank Zrt. javadalmazási politikájával kapcsolatos információk közzététele'; 'A Commerzbank Zrt.-re vonatkozó információk nyilvánosságra hozatala a 2020. évre vonatkozóan'.

²⁴ Independent until 01 November 2020

5.4.2. Remuneration governance

Remuneration Control Committee

At comdirect bank AG, there was a Remuneration Control Committee which performed the duties set out in Section 15 (2) - (4) IVV. It comprised the Chairman of the Supervisory Board and two additional members - one representing the shareholders and one the employees.

It was ensured that at least one member of the Remuneration Control Committee had sufficient expertise and professional experience in the field of risk management and risk control, in particular with regard to mechanisms for aligning remuneration systems with the overall risk appetite and strategy as well as the company's equity base, to be able to fulfil the prescribed regulatory tasks.

Remuneration Officer

Pursuant to Section 23 (1) Sentence 2 IVV, a Remuneration Officer and a Deputy Remuneration Officer were appointed. The Remuneration Officer of comdirect bank AG was responsible for the tasks standardised by the German Remuneration Ordinance for Institutions, which he performed to the required extent until the time of the merger. Among other things, he commented once a year in a remuneration control report on the remuneration systems with regard to the appropriateness of the variable remuneration, and supported the Supervisory Board on an ongoing basis in its monitoring and structuring tasks with regard to the remuneration systems for employees. The remuneration control report was prepared for the last time for the 2019 financial year.

The Remuneration Officer was provided with appropriate quantitative and qualitative personnel and material resources. In order to maintain the expertise required to perform their duties, the Remuneration Officer and his deputy were given the opportunity to regularly attend events for further training and education.

Control units

The internal control units of comdirect bank AG (Internal Audit, Compliance, Risk Management, Back Office and Human Resources) were appropriately involved in the structuring and monitoring of the remuneration systems as part of their duties. In 2020, the control units dealt with the remuneration systems of comdirect bank AG at two meetings.

5.4.3. Remuneration system for employees of comdirect bank AG

Remuneration system

Remuneration at comdirect bank AG was based on a remuneration system structured according to uniform and transparent principles. Salary development was generally aligned to the success of the company and the individual performance of employees. Various remuneration groups took into account the fundamental differences between functions in

terms of the complexity of tasks and requirements. The remuneration bandwidths were based on market benchmarks.

The total remuneration of all employees consisted of a market-oriented fixed monthly salary (plus supplements and allowances, for example allowances for night shifts, and work on Sundays and public holidays) and a results- and performance-based variable remuneration. Specialist functions in the lower and middle remuneration groups additionally received half a fixed monthly salary, which was disbursed in November.

Fixed upper limits were defined for the variable remuneration, which ensured an appropriate ratio between basic remuneration and variable remuneration within the meaning of the requirements of Section 25a (5) of the German Banking Act (KWG), while remaining well below the permissible cap limits. This prevented a significant dependency of employees on variable remuneration, while providing effective conduct-related incentives – without the variable remuneration creating incentives to take unwanted risks.

In the event of negative performance contributions, variable remuneration could be cancelled in full or in part. Hedging measures that restricted or eliminated the risk orientation of the variable remuneration were contractually excluded.

Similarly, the entitlement to variable remuneration could be partially or fully cancelled in the event of identified breaches of compliance rules, identified breaches of authority with regard to exceeding the risk strategy or corresponding regulations of comdirect bank AG. A proportionality test was carried out in each individual case. Any involvement in or responsibility for conduct that led to significant losses or regulatory sanctions for comdirect bank AG could have resulted in the complete forfeiture of the variable remuneration.

In accordance with regulatory requirements, guarantees were only granted in exceptional cases and provided that the Bank had adequate equity and liquidity at the time of payment as well as sufficient capital to ensure its risk-bearing capacity. In the event of negative performance contributions or breaches of competence, the payment may be cancelled in whole or in part.

The principles and operation of comdirect bank AG's remuneration system have been documented in an organisational guideline on employee remuneration.

Determination of the total amount of variable remuneration

Before variable remuneration was paid out, a check was carried out for the entire 2020 financial year as part of a formalised, transparent and comprehensible process in accordance with Chapter 4.2 of this Remuneration Report as part of a formalised process at Commerzbank AG to determine whether a certain volume could be made available for the payment of variable remuneration with regard to the criteria set out in Section 7 IVV.

5.4.4. Variable remuneration models

Lower and middle remuneration groups

Specialist functions in the lower and middle remuneration groups received variable remuneration, the disbursement volume of which was determined on the basis of the achievement of comdirect bank AG's corporate targets and an amount equivalent to 60 percent of the total gross monthly salaries of the eligible employees. The disbursement volume and the amount of the individual variable remuneration were limited (cap). The individual payout was based on half the average gross monthly salary and the employee's individual performance. It was determined in a transparent and comprehensible process.

Upper remuneration groups and executives

Specialist functions in the upper remuneration groups and executives also received variable remuneration, the disbursement volume of which depended on the achievement of comdirect bank AG's corporate targets and the total of the individual variable target remuneration. The disbursement volume and the individual variable remuneration were subject to an upper limit (cap). The individual payout was calculated on the basis of the individual target amount and personal target achievement. All steps in the target agreement process were documented in writing.

For employees in control functions, the fixed remuneration was the main focus of remuneration, as is the case for all employees. With regard to variable remuneration, the functions in control units were measured in particular against the targets associated with their control duties. Consequently, it was precluded that identical targets were agreed for them and the units they supervised. As such, appropriate fixed and variable compensation was ensured for these functions.

Employees in construction financing sales

Employees working in construction financing sales received a percentage of the brokerage commission paid by comdirect bank AG. The payment was effected on a monthly basis. The variable remuneration was subject to a binding upper limit (cap).

Special features of variable remuneration for Risk Takers

In identifying its Risk Takers, comdirect bank AG was guided by the regulatory criteria (management and risk responsibility as well as remuneration level), and documented the results of the annual identification in a risk analysis. The Risk Takers of comdirect bank AG for the 2020 financial year are included in the disclosed remuneration data in Chapter 6.2 of this Report.

In order to implement the special requirements of the German Remuneration Ordinance for Institutions regarding an appropriate and sustainable remuneration policy for Risk Takers, the variable remuneration for Risk Takers was regulated operationally and implemented via individual contracts.

The volume of variable remuneration for Risk Takers was determined on the basis of the corporate performance of comdirect bank AG, the Commerzbank Group and the total of the individual variable target remuneration values. The disbursement volume and individual variable remuneration were also limited in terms of amount.

The individual variable remuneration of the Risk Takers was determined on a discretionary basis, taking into account the Performance Assessment I of the eligible Risk Taker, which was determined as part of the target agreement process, as well as his individual variable target remuneration value in compliance with the defined disbursement volume.

If the exemption limit of EUR 50,000 was exceeded, the variable remuneration determined in this way was paid out in the form of an STI in May of year n+1 at the latest and an LTI following the lapse of the deferral and retention periods in the same way as Risk Taker II, with half of the STI and half of the LTI being paid out in cash and shares respectively. Entitlement to the LTI only arose if, following the lapse of the deferral period, it was established in the course of Performance Assessment II that no circumstances, in particular no negative performance contributions, had occurred which prevented the accrual of the entitlement, whether in whole or in part.

The threshold pursuant to Section 20 Paragraph 3 IVV above which the share of deferred variable remuneration for Risk Takers had to be at least 60 percent, was set at € 100,000.

5.4.5. Additional company benefits

In addition to the basic remuneration and the variable remuneration, additional company benefits such as capital-forming payments or contributions to the company pension scheme form part of the employees' remuneration package. These benefits were granted in each case on the basis of a general, non-discretionary arrangement for the entire Bank or defined groups of employees. They did not create any incentives to enter into financial risks.

5.4.6. Remuneration of the Management Board

The variable remuneration of the Management Board members of comdirect bank AG was organised for them as Group Risk Takers of Commerzbank Group in analogy to the NPS model of Commerzbank AG (see Chapter 4.4.1).

6. Remuneration information

The disclosure of remuneration data pursuant to Section 16 IVV in conjunction with Art. 450 of Regulation (EU) No. 575/2013 is carried out for Commerzbank's regulatory group. The information on Risk Takers in Chapter 6.2 includes remuneration information on Risk Takers of Commerzbank AG 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 disclosed in this Remuneration Report if the institution does not publish the remuneration data of the local Risk Takers itself.

For the 2020 financial year, this concerned Commerzbank Finance & Covered Bond S.A. and Commerz Markets LLC. In addition, the local Risk Takers of Commerzbank Zrt. are disclosed in this Report, as these were not disclosed in the company's remuneration report for confidentiality reasons, but only to the supervisory authority.

6.1. Quantitative information on remuneration by business area

Pursuant to Section 16 Paragraph 1 No. 3 IVV, the quantitative information on remuneration of all employees must be broken down by business area.

Segment	Supervisory Function ²⁸	Managing Directors ²⁸	Private and Small-Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ²⁹	Corporate Functions	Independent Control Functions ³⁰	Group Total
Amounts in thousand euro	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of Managing Directors/Supervisory Board Members ²⁵	199	81						280
No. of Employees ²⁵			22,230	2,992	752	16,142	3,267	45,383
No. of Employees in full time equivalents (FTEs)			18,013	2,838	729	14,859	3,038	39,477
Total remuneration	3,923.9	31,111.1	1,249,729.0	430,708.2	131,298.4	1,303,251.9	357,961.2	3,507,983.7
Fixed remuneration ²⁶	3,923.9	26,837.9	1,194,462.3	414,296.3	124,669.7	1,264,613.4	346,982.8	3,375,786.5
Variable remuneration ²⁷	-	4,273.2	55,266.7	16,411.9	6,628.7	38,638.5	10,978.4	132,197.3
of which: severance payments	-	923.0	9,391.8	1,260.7	197.6	4,760.5	270.9	16,804.3

²⁵ Natural persons.

²⁶ In addition to the base salary, "fixed remuneration" includes bonuses and pension benefits pursuant to the International Financial Reporting Standards (IFRS).

²⁷ In addition to the performance-based variable remuneration as described in Chapter 4, "variable remuneration" includes other payments made on the occasion of the commencement or termination of the employment relationship (guarantees, sign-ons, buy-

outs, and severance payments); including social insurance contributions and the reversal of provisions from past years.

²⁸ Including the Supervisory Board and senior managers of Commerzbank AG (see 2020 Annual Report, p. 35 et. seq.).

²⁹ Including Group Treasury.

³⁰ Group Human Resources, Group Compliance, Group Risk Management, and Group Audit are deemed control units at Commerzbank within the meaning of Section 2 Paragraph 11 IVV.

6.2. Quantitative information on remuneration of senior management and Risk Takers

Pursuant to Regulation Art. 450 (EU) 575/2013 Paragraph 1 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 (so-called “Risk Takers”) as shown in the following table.

Segment	Supervisory Function ³⁴	Managing Directors ³⁴	Private and Small-Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ³⁵	Corporate Functions	Independent Control Functions ³⁶	Group Total
Amounts in thousand euro	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
No. of Managing Directors/Supervisory Board Members ³¹	199	79						278
No. of Risk Takers in headcount	-	-	165	269	249	177	201	1,061
No. of Risk Takers in full time equivalents (FTEs)	-	-	159	260	238	171	193	1,021
of which: No. of Risk Takers belonging to the subordinate management level (according to FTEs)	-	-	8	9	4	16	9	46
Fixed remuneration ³²	3,923.9	26,832.5	27,424.9	58,743.5	75,231.2	37,051.4	35,858.8	265,066.4
of which: in Cash/Allocation to retirement provisions/non-cash benefits	3,923.9	26,832.5	27,424.9	58,743.5	75,231.2	37,051.4	35,858.8	265,066.4
of which: fixed in instruments of Common Equity Tier 1 capital/supplementary capital	-	-	-	-	-	-	-	-
of which: fixed in shares or in instruments linked to shares	-	-	-	-	-	-	-	-
of which: fixed in other financial instruments								
Variable remuneration ³³	-	4,273.2	3,287.2	2,486.6	4,232.7	2,821.7	2,602.0	19,703.3
of which: variable in cash/cash benefits in kind/additions to pension plan/cash benefits	-	2,476.8	3,087.7	2,447.5	3,933.3	2,693.1	2,503.7	17,141.9
of which: variable in shares/equivalent participations/ share-based or equivalent instruments according to § 20 (5) s. 1 No. 1 InstitutsVergV that sustainably reflect the value of the company	-	1,796.4	199.5	39.0	299.4	128.6	98.3	2,561.3
of which: variable in instruments pursuant to § 20 (5) s. 1 no. 2 InstitutsVergV	-	-	-	-	-	-	-	-
Share of deferred variable remuneration for 2020 (Deferral)	-	1,926.7	239.4	31.2	287.2	108.0	92.8	2,685.4
of which: deferred variable remuneration for 2020 in cash/cash benefits in kind/additions to pension plan/cash benefits	-	387.1	119.7	15.6	145.6	54.5	47.0	769.5
of which: deferred variable remuneration in shares/equivalent participations/share-based or equivalent instruments in accordance with § 20 (5) s. 1 no. 1 InstitutsVergV that sustainably reflect the value of the company	-	1,539.6	119.7	15.6	141.7	53.5	45.8	1,915.9
of which: deferred variable remuneration for the year 2020 in instruments pursuant to § 20 (5) s. 1 no. 2 InstitutsVergV	-	-	-	-	-	-	-	-

³¹ Natural persons.

³² In addition to the base salary, “fixed remuneration” includes bonuses and pension benefits pursuant to the International Financial Reporting Standards (IFRS).

³³ In addition to the performance-based variable remuneration as described in Chapter 4, “variable remuneration” includes other payments made at the beginning or end of the employment relationship (guarantees, sign-ons, buy-outs, and severance payments).

³⁴ Including the Supervisory Board and senior managers of Commerzbank AG (see 2020 Annual Report, p. 35 et. seq.).

³⁵ Including Group Treasury.

³⁶ Group Human Resources, Group Compliance, Group Risk Management, and Group Audit are deemed control units at Commerzbank within the meaning of Section 2 Paragraph 11 IVV.

Segment	Supervisory Function ³⁸	Managing Directors ³⁹	Private and Small-Business Customers	Corporate Clients (excl. Investment Banking)	Investment Banking ⁴⁰	Corporate Functions	Independent Control Functions ⁴¹	Group Total
Amounts in thousand euro	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number	Amount/number
Additional information regarding the amount of total variable remuneration								
Total amount of variable remuneration outstanding at the beginning of 2020 that was deferred in previous years	-	21,446.5	3,204.3	5,196.4	22,247.0	5,819.3	5,165.2	63,078.8
of which: vested in 2020	-	3,179.5	1,265.1	1,151.6	7,610.0	1,819.5	1,604.1	16,629.8
of which: paid in 2020	-	3,179.5	1,265.1	1,151.6	7,470.0	1,819.5	1,604.1	16,489.8
of which: unvested amounts	-	18,267.0	1,939.2	4,044.9	14,637.0	3,999.8	3,561.1	46,449.0
Amount of explicit risk adjustment according to § 20 (4) s. 3 and clawbacks according to § 20 (6) IVV for previously awarded remuneration in 2020	-	-	-	-	140.0	-	-	140.0
Art. 450 para. 1 lit. h subpara. (v) CRR on new hire bonuses pursuant to § 5 para. 5 IVV								
Number of beneficiaries of guaranteed variable remuneration (new hire bonuses) pursuant to § 5 (5) InstitutsVergV in 2020 ³⁷	-	n/s ⁴²	n/s ⁴²	-	-	n/s ⁴²	-	4
Total amount of guaranteed variable remuneration (new hire bonuses) pursuant to § 5 (5) InstitutsVergV in 2020	-	n/s ⁴²	n/s ⁴²	-	-	n/s ⁴²	-	1,191.9
Art. 450 para. 1 lit. h subpara. (v) and (vi) CRR on severance payments pursuant to § 2 par. 5 i. in conjunction with § 5 para. 6 IVV								
Number of beneficiaries of severance payments awarded in 2020 ³⁷	-	n/s ⁴²	6	n/s ⁴²	n/s ⁴²	n/s ⁴²	6	21
Total amount of severance payments awarded in 2020	-	n/s ⁴²	1,227.3	n/s ⁴²	n/s ⁴²	n/s ⁴²	1,340.6	7,233.3
Highest severance payment awarded to a single person	-	n/s ⁴²	845.0	n/s ⁴²	n/s ⁴²	n/s ⁴²	635.6	1,885.0
Number of beneficiaries of severance payments paid in 2020 ³⁷	-	n/s ⁴²	5	n/s ⁴²	n/s ⁴²	-	5	13
Total amount of severance payments paid in 2020	-	n/s ⁴²	690.3	n/s ⁴²	n/s ⁴²	-	134.0	2,129.7
Number of beneficiaries of contributions to discretionary pension benefits in 2020 ³⁷	-	-	-	-	-	-	-	-
Total amount of contributions to discretionary pension benefits	-	-	-	-	-	-	-	-
Total amount of potential variable remuneration awarded for multi-year periods under programmes which are not revoked annually	-	-	-	-	-	-	-	-

³⁷ Natural persons. As guaranteed variable remuneration within the scope of Section 5 Paragraph 5 IVV, so-called buy-outs pursuant to Section 21 IVV are also included here.

³⁸ Including the Supervisory Board and senior managers of Commerzbank AG (see 2020 Annual Report, p. 35 et. seq.).

³⁹ Including Group Treasury.

⁴⁰ Group Human Resources, Group Compliance, Group Risk Management and Group Audit are deemed control units in Commerzbank within the meaning of Section 2 Paragraph 11 IVV.

⁴¹ Payments granted on the occasion of commencing or terminating an individual's employment relationship (guarantees, sign-ons, buy-outs and severance payments) are stated in aggregate form to protect confidentiality in case fewer than four people received the benefit in question.

6.3. Number of persons with high remuneration

Pursuant to Regulation Art. 450 (EU) 575/2013 Paragraph 1 Sentence i, the following table shows a breakdown of the number of persons whose remuneration exceeded €1 million in the 2020 financial year. The

breakdown is based on remuneration increments of €500,000 and includes the service costs for pension benefits in accordance with IFRS.

Number of persons whose remuneration amounts to € 1 m or more ⁴²				
1,000,000	to	€	1,500,000	5
1,500,000	to	€	2,000,000	3
2,000,000	to	€	2,500,000	1
2,500,000	to	€	3,000,000	-
3,000,000	to	€	3,500,000	1
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, November 2021

Commerzbank Aktiengesellschaft

⁴² Including the Supervisory Board and senior managers of Commerzbank AG (see 2020 Annual Report, p. 35 et. seq.). Including pension benefits pursuant to the IFRS (Details can be found in the 2020 Annual Report, p. 40).

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