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## > Compensation report

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### Compensation of the Board of Managing Directors

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The company law and regulatory requirements pertaining to the compensation systems of joint stock corporations in general, and of banks in particular, have continually developed in recent years. The amendments to the Act on the Appropriateness of Management Board Compensation (VorstAG) were followed in 2010 by binding regulations, initially at European level, for compensation systems in financial institutions, such as the Capital Requirements Directive III (CRD III) and the guidelines of the Committee of European Banking Supervisors (CEBS Guidelines). In October 2010, the national legislative procedure to implement these new requirements for compensation systems was completed when the executive compensation regulation for banks (InstitutsVergV) came into force.

Parallel to the legislative process, comdirect bank AG examined the new legal requirements very closely and revised the compensation system for the members of the Board of Managing Directors in consultation with external compensation and legal advisers, including from the Commerzbank Group. In view of the Commerzbank Group's responsibility under Article 9 of the executive compensation regulation for banks (InstitutsVergV) that subordinate companies comply with regulatory requirements, the compensation system for members of the Board of Managing Directors was further developed and adjusted in financial year 2011 in line with the Commerzbank Group's compensation systems. The contracts of employment for the members of the Board of Managing Directors were modified accordingly and the variable compensation for 2011 was already based on the new regulatory requirements. The adjusted compensation system for the Board of Managing Directors was approved by the shareholders at the annual general meeting in 2012.

The compensation policy for the Board of Managing Directors is continually aimed at compensation that is appropriate and sustainable, that avoids incentives to take disproportionately high risks and at the same time offers effective conduct incentives to achieve the objectives laid down in the bank's strategies and thus permanently contribute to the continued positive development of the comdirect group.

#### Main features of the compensation system

The compensation system for the Board of Managing Directors of comdirect bank is specified and reviewed annually by the Supervisory Board. It takes account of the legal and regulatory requirements.

The overall compensation comprises a non-performance-related fixed compensation and a variable compensation component linked to the success of the company and personal performance. Furthermore, the members of the Board of Managing Directors receive a company pension in respect of their activities for comdirect bank. The compensation components are specified in the contracts of employment of the respective members of the Board of Managing Directors.

The compensation for the Board of Managing Directors is based on the duties of the individual member of the Board of Managing Directors and the current economic position and future prospects of the bank, as well as the level of compensation paid in peer companies. The relationship between fixed compensation and the variable compensation component is appropriate, thereby avoiding a significant dependence of the members of the Board of Managing Directors on the variable compensation and providing an effective incentive at the same time. For the CEO, the target amount for the variable compensation component is therefore limited to a maximum of around 67% of the target overall compensation, and for members of the Board of Managing Directors to a maximum of around 54% (cap). The appropriateness of the compensation is reviewed annually, including in consultation with independent, external compensation advisers.

### Non-performance related fixed compensation

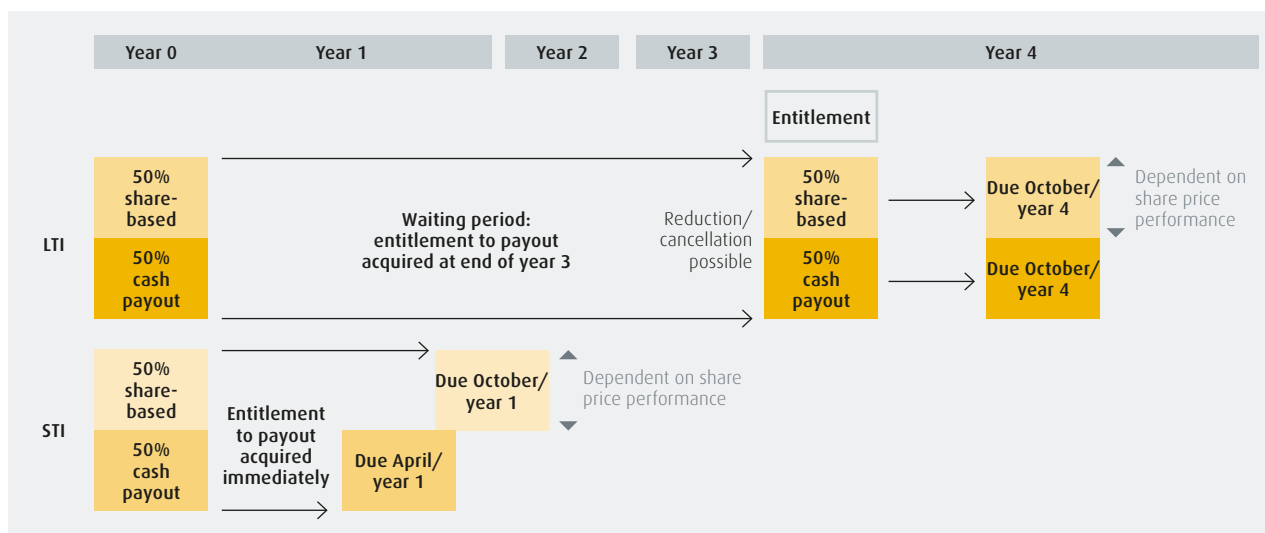
The non-performance related fixed compensation comprises an annual fixed salary plus fringe benefits. Without prejudice to the possibility of a review by the Supervisory Board, the annual fixed salary for members of the Board of Managing Directors is set for the entire term of their respective contract of employment and is paid in twelve monthly instalments. In addition to the fixed salary, the members of the Board of Managing Directors receive fringe benefits in the form of payments in kind which essentially comprise the payment of expense allowances and insurance premiums and the taxes and social security contributions attributable to these. The actual amount varies according to the individual situation of the respective member of the Board of Managing Directors. Moreover, the Commerzbank Group maintains a D&O insurance policy with deductible, which includes the members of the Board of Managing Directors and Supervisory Board of comdirect.

### Performance-related variable compensation

The system described below applies for the performance-related variable compensation of Dr. Reitmeyer, Dr. Diekmann and Martina Palte.

The volume of the performance-related variable compensation is based on the attainment of business targets for the comdirect group and the Commerzbank Group, as well as individual targets in the financial year under assessment in conjunction with the target amount for the variable compensation component of the members of the Board of Managing Directors. The targets are agreed annually between the Board of Managing Directors and the Supervisory Board and are aligned with the strategic objectives of the bank and in particular take account of risks taken and the cost of capital. Target attainment can amount to a minimum of 0% and a maximum of 200% of the target amount for the variable compensation component and limits the volume for the variable compensation of the Board of Managing Directors accordingly (cap).

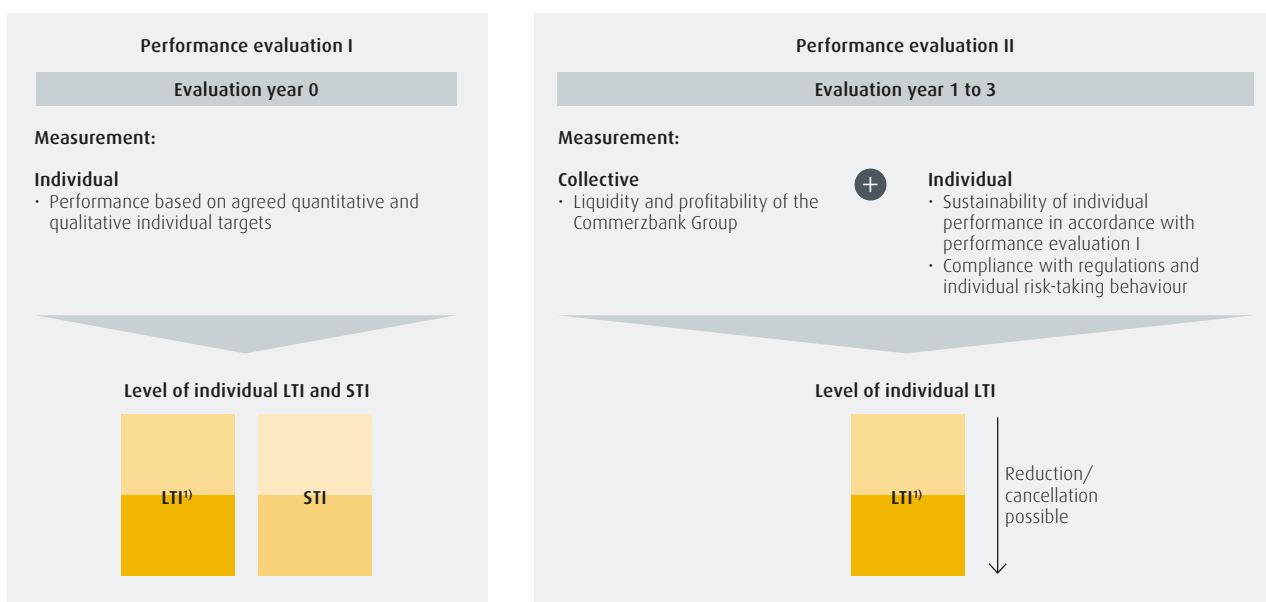
The individual variable compensation for the members of the Board of Managing Directors breaks down into two components: a long term incentive (LTI), which for the CEO accounts for 60% and for members of the Board of Managing Directors for 40% of the variable compensation and is paid three-and-a-half years after the end of the financial year at the earliest, and a short term incentive (STI), which is paid within ten months of the end of the financial year. The entitlement to the LTI is only acquired upon expiry of the three-year waiting period. The entitlement to the STI is acquired immediately. In each case, 50% of the LTI and STI component is settled as a cash payout and 50% in the form of shares in Commerzbank AG after a blocking period. Entitlements and due dates for the LTI and STI components are shown in the chart below.



With regard to the variable compensation for financial year 2012, the STI will therefore fall due in financial year 2013 (year 1) and the LTI – subject to a reduction or cancellation of the entitlement – in 2016 (year 4).

The level of the individual variable compensation for both the LTI and STI is measured in an individual performance evaluation based on the agreed individual quantitative and qualitative targets for the respective financial year (performance evaluation I). The underlying targets are agreed annually with the Supervisory Board and are aligned with the strategic objectives of the bank. Target attainment can lie between 0% and 200% of the target value for the variable compensation component and limits the level of the STI and LTI accordingly (cap). To measure the level of the LTI component, further collective and individual reviews are carried out in performance evaluation II at the end of the three-year waiting period. At collective level, this review includes the liquidity and profitability of the Commerzbank Group. At individual level, the sustainability of the individual performance ascertained in performance evaluation I is rated along with compliance with regulations and the risk-taking behaviour of the individual members of the Board of Managing Directors. Negative individual performance contributions reduce the respective compensation from the LTI component (malus), as does failure to meet the liquidity and profitability criteria of the Commerzbank Group.

The performance evaluations are carried out in each case by the Supervisory Board. The following overview depicts the measurement of the variable compensation based on performance evaluations I and II.



1) Value ascertained in performance evaluation I only indicative; reduction or cancellation possible depending on results of performance evaluation II.

Safeguards which restrict or rescind the risk-orientation of the variable compensation are contractually excluded. The current LTI components do not apply if, based on defined criteria, the respective member of the Board of Managing Directors leaves the bank as a “bad leaver”. In the event of extraordinary developments, the Supervisory Board can, at its discretion, adjust the targets and parameters for the STI and LTI and appropriately limit the level of individual variable compensation. The payout of the variable compensation components can be cancelled if the payment is prohibited or restricted by the Federal Financial Supervisory Authority (BaFin).

The previous sustainable component with multi-year assessment basis, which since 2005 has been based on the Long Term Incentive Programme (LTIP 2005), ceased when the adjusted compensation system for the full Board of Managing Directors was introduced. As a result, in the event of a correspondingly positive performance, only the tranche issued in 2010 will fall due for payment under the LTIP 2005. Details of the LTIP 2005 can be found in the Notes on page 102.

## Pensions

For their work at comdirect bank, the members of the Board of Managing Directors receive a pension entitlement, whereby the active members of the Board of Managing Directors acquire a claim to a capital payment. The rights to a pension vest after five years' service in the Commerzbank Group. The company has recognised pension provisions for these future claims on the basis of the International Financial Reporting Standards (IFRS), the level of which depends on the number of service years, the pensionable salary and the current actuarial interest rate. These are calculated according to the projected unit credit method on the basis of actuarial opinions by an independent actuary (see note (69) starting on page 144).

## Premature termination benefits

If comdirect bank prematurely terminates the appointment to the Board of a member of the Board of Managing Directors, the respective contract of employment is in principle continued until the end of the original term of office. The members of the Board of Managing Directors would receive a maximum amount of up to two years compensation, with the calculation based on the compensation for the last full financial year prior to termination. There is no entitlement to further remuneration where the termination takes place for good cause.

## Overall compensation for active members of the Board of Managing Directors

The overall compensation for active members of the Board of Managing Directors for their activities in financial year 2012 amounted to €1,311 thousand (previous year: €1,533 thousand). In accordance with Section 314 of the German Commercial Code (HGB), in addition to the non-performance related fixed compensation and the performance-related compensation due in the short term that has been granted, the share-based portion of the performance-related variable compensation with long term incentive effect that has been granted is also to be reported here as remuneration in financial year 2012.

As well as the remuneration granted for the reporting year and the remuneration to be reported for the year under review in accordance with Section 314 of the German Commercial Code (HGB), the table below also shows the cumulative payouts made for the individual reporting years as of 31 December 2012, as well as the payouts made in 2012 for each of the active members of the Board of Managing Directors on an individual basis.

### Dr. Thorsten Reitmeyer (Chief Executive Officer since 1 December 2010)

€ thousand	Non-performance related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component) <sup>2)</sup>			Compensation paid in 2012 for respective reporting year <sup>3)</sup>	Cumulative compensation paid for respective reporting year as of 31.12.2012	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB	
	Report- ing year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI <sup>1)</sup>	LTI cash payout	Share-based LTI						
	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
<b>2012</b>	<b>360</b>	<b>18</b>	<b>61</b>	<b>61</b>		<b>91</b>		<b>91</b>		<b>378</b>	<b>378</b>	<b>682</b>	<b>591</b>
2011	360	141	77	77	68	115		115 <sup>4)</sup>		145	646	885	770

1) Figure determined in performance evaluation I, actual value varies depending on share price performance up until date of payout.

2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the three-year waiting period at the earliest, i.e. in financial year 2015 for tranche 2011 and in financial year 2016 for tranche 2012. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2015 (tranche 2011) and in financial year 2016 (tranche 2012) respectively at the earliest. The actual value of the payout of the share-based component also varies depending on share price performance up until date of payout or date of issue respectively.

3) In addition to non-performance related fixed compensation for 2012, the STI component granted for 2011 was also paid in 2012.

4) Valuation of LTI component granted for 2011 as of 31.12.2012: share-based LTI €104 thousand.

**Dr. Christian Diekmann (Member of the Board of Managing Directors since 1 May 2009)**

€ thousand	Non-performance related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component) <sup>2)</sup>					Compensation paid in 2012 for respective reporting year <sup>3)</sup>	Cumulative compensation paid for respective reporting year as of 31.12.2012	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB	
	Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI <sup>1)</sup>	LTIP 2005	LTI cash payout	Share-based LTI	Value upon granting	Value upon payout					Value upon granting
2012	270	18	43	43			28	28				288	288	430	402
2011	230	16	47	47	41		31	31 <sup>4)</sup>				88	334	402	371
2010	170	6	156			43 <sup>5)</sup>							332	375	375
From 1.5.2009	114	65	104			43	114					114	397	326	326

- 1) Figure determined in performance evaluation I, actual value varies depending on share price performance up until date of payout.
- 2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of the three-year waiting period at the earliest, i.e. in financial year 2015 for tranche 2011 and in financial year 2016 for tranche 2012. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2015 (tranche 2011) and in financial year 2016 (tranche 2012) respectively at the earliest. The actual value of the payout of the share-based component also varies depending on share price performance up until date of payout or date of issue respectively.
- 3) In addition to non-performance related fixed compensation for 2012, the STI component granted for 2011 as well as the tranche of the LTIP 2005 granted for reporting year 2009 were also paid in 2012.
- 4) Valuation of LTI component granted for 2011 as of 31.12.2012: share-based LTI €28 thousand.
- 5) Valuation of LTI component granted for 2010 as of 31.12.2012: LTIP 2005 €38 thousand.

With effect from 1 July 2012, Martina Palte was appointed as a member of the Board of Managing Directors for a period of three years.

**Martina Palte (Member of the Board of Managing Directors since 1 July 2012)**

€ thousand	Non-performance related fixed compensation		Performance-related variable compensation due in short term (STI component)			Performance-related variable compensation with long term incentive effect (LTI component) <sup>2)</sup>				Compensation paid in 2012 for respective reporting year <sup>3)</sup>	Cumulative compensation paid for respective reporting year as of 31.12.2012	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB		
	Reporting year	Fixed salary	Value of fringe benefits	STI cash payout	Share-based STI <sup>1)</sup>	LTIP 2005	LTI cash payout	Share-based LTI	Value upon granting					Value upon payout	Value upon granting
From 1.7.2012	90	3	16	16			10	10				93	93	145	135

- 1) Figure determined in performance evaluation I, actual value varies depending on share price performance up until date of payout.
- 2) Indicative figures for performance-related variable compensation with long term incentive effect (LTI component) determined in performance evaluation I reported as value upon granting. Entitlement to a payout is acquired upon expiry of three-year waiting period at the earliest, i.e. in financial year 2016 for tranche 2012. The amount can be reduced or cancelled depending on results of performance evaluation II and payout is due in financial year 2016 (tranche 2012) at the earliest. The actual value of the payout of the share-based component also varies depending on share price performance up until date of payout or date of issue respectively.
- 3) Only the non-performance related fixed compensation for 2012 was paid in 2012.

Furthermore, Martina Palte received a payment from performance shares in the amount of €18 thousand under the 2005 LTI plan, which were granted to her in 2009 in her capacity as a comdirect department head.

Carsten Strauß resigned as a member of the Board of Managing Directors with effect from the end of 30 June 2012. The current payments up to 30 June 2012 are shown in the table below under non-performance related fixed compensation. Claims under variable compensation 2012 were settled ratably with a one-off payment. The payment is also shown in the table below under STI cash payout. The contract of employment with Carsten Strauß was prematurely terminated on 30 September 2012 by mutual agreement. In the period 30 June 2012 to 30 September 2012, Carsten Strauß received ongoing payments totalling €59 thousand from comdirect bank. As part of the variable compensation for 2011, Carsten Strauß was allotted 32,717 Commerzbank share awards. The equivalent value of the shares was determined on the basis of the average XETRA closing price for the months June to August 2012 and paid to Carsten Strauß in September 2012. The equivalent value of the entitlements arising from the tranches in 2009 and 2010 of the LTIP 2005 was determined on the basis of a fair value calculation as of 23 April 2012 and also settled by a one-off payment in September 2012. The payments are shown in the table below in the LTIP 2005 and share-based LTI columns.

### Carsten Strauß (Member of the Board of Managing Directors until 30 June 2012)

€ thousand	Non-performance related fixed compensation		Performance-related variable compensation due in short term (STI component)	Performance-related variable compensation with long term incentive effect (LTI component)				Compensation paid in 2012 for respective reporting year	Cumulative compensation paid for respective reporting year as of 31.12.2012	Compensation granted for respective reporting year	Amount to be reported for respective reporting year in accordance with Section 314 HGB
	Fixed salary	Value of fringe benefits	STI cash payout	LTIP 2005		Share-based LTI					
Reporting year	Value upon payout	Value upon payout	Value upon granting and payout	Value upon granting	Value upon payout	Value upon granting	Value upon payout				
<b>Until 30.6.2012</b>	<b>115</b>	<b>3</b>	<b>65</b>					<b>183</b>	<b>183</b>	<b>183</b>	<b>183</b>
2011	230	6	103			53	42	145	381	392	392
2010	145	5	174	36	56			56	380	360	360
2009	145	15	203	36	103			103	466	399	399

Furthermore, Carsten Strauß was granted a settlement of €772 thousand as compensation for the disadvantages associated with premature termination of his contract of employment. The pension rights of Carsten Strauß acquired as of 30 September 2012 remain in force.

Details regarding the pensions for the active members of the Board of Managing Directors are shown in the following table individually.

€ thousand	Pension obligation (DBO) under IFRS as of 31.12.2012	Vested rights as of 31.12.2012
Dr. Thorsten Reitmeyer	211	285
Dr. Christian Diekmann	61	77
Martina Palte	3	5
Carsten Strauß	70	120
<b>Total</b>	<b>345</b>	<b>487</b>

In the past financial year, no member of the Board of Managing Directors has received payments or corresponding obligations from a third party in relation to their activities as a member of the Board of Managing Directors. Members performing board functions at subsidiaries only received reimbursement for expenses.

The insurance premium for the group-wide D&O insurance for Managing Directors and supervisory bodies of com-direct bank is paid by the company. The company incurred expenses of €76 thousand in this regard in the reporting year. No loans or advance payments were granted in the reporting year.

### Overall compensation for former members of the Board of Managing Directors

The overall compensation for former members of the Board of Managing Directors amounted to €357 thousand (previous year: €404 thousand) in the financial year. In 2012, the payment made to former members of the Board of Managing Directors under the LTI programme 2005 totalled €147 thousand. As of 31 December 2012, the pension obligations to former members of the Board of Managing Directors pursuant to IFRS totalled €3,886 thousand (previous year: €3,367 thousand).

### Compensation of the Supervisory Board

The compensation of the Supervisory Board is stipulated in the Articles of Association. In addition to reimbursement of expenses, the individual members of the Supervisory Board receive a non-variable compensation of €10,000 at the end of the financial year, with the Chairman of the Supervisory Board receiving triple that amount and his Deputy one and a half times that amount. If a member of the Supervisory Board is also a member of a Supervisory Board committee, he or she additionally receives a quarter of the relevant fixed compensation and the committee chairman receives a further quarter. A member of the Supervisory Board may receive a maximum of two and a half times the fixed compensation, i.e. a maximum of €25,000. The maximum for the Chairman of the Supervisory Board is €75,000.00 and €37,500 for his Deputy.

Furthermore, the members of the Supervisory Board also receive a variable compensation payment. This component is dependent on the dividend distributed to the shareholders. No variable component is paid for a dividend of up to 4% of the share capital, which equates to €0.04 per share. The Supervisory Board as a whole receives €1,500 for each half a percentage point that the dividend paid exceeds this basic return on the share capital of 4%. For financial year 2012, a dividend of €0.44 per share, or 44% of the share capital, will be proposed to the annual general meeting. If approved by the annual general meeting, a volume of €125 thousand will be made available for the variable compensation of the Supervisory Board. Pursuant to a resolution by the Supervisory Board, this sum will be divided among the members of the Supervisory Board, irrespective of their activities on committees, in accordance with the ratio for non-variable compensation.

The compensation paid to members of the Supervisory Board, including if necessary statutory VAT accrued on the compensation, is shown in the following table individually.

€ thousand	Non-variable components		Variable components		Remuneration for committee activities		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Martin Zielke	0	0	0	0	0	0	0	0
Frank Annuscheit	0	0	0	0	0	0	0	0
Thorben Gruschka	12	12	17	23	0	0	29	35
Angelika Kierstein	12	12	17	23	3	3	32	38
Georg Rönning	12	12	17	23	6	3	35	38
Sabine Schmittroth (from 9 May 2012)	8	0	11	0	2	0	21	0
Dr. Achim Kassow (until 30 June 2011)	0	9	0	16	0	7	0	32
Karin Katerbau (until 15 April 2012)	3	3	5	5	1	0	9	8

Mr Zielke and Mr Annuscheit have waived their compensation as members of the Supervisory Board for financial years 2011 and 2012.