

# Declaration of compliance

## with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act

The recommendations of the German Corporate Governance Code Commission set up by the German government which were announced by the German Federal Ministry of Justice on April 24, 2017 in the official section of the Federal Gazette (*Bundesanzeiger*), in the version of February 7, 2017, have been and are being complied with, except for the following recommendations:

**Number 4.2.1** of the Code recommends that rules of procedure should regulate the activities of the Board of Managing Directors, including the allocation of duties among the individual board members. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. The allocation of duties among the individual board members, however, is carried out by the Board of Managing Directors outside the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities within the Board of Managing Directors. The Supervisory Board is informed of all changes and is thus included in the process. The rules of procedure for the Board of Managing Directors, and the areas of responsibility of the individual board members, are published on Commerzbank's website.

According to **number 4.2.3 paragraph 2 sentence 6** of the Code, the total remuneration and the variable remuneration components of the members of the Board of Managing Directors should be limited to a maximum amount. The key components of the Bank's remuneration system for Board members are a fixed basic annual salary and a variable remuneration component with a uniform target amount. On expiry of a business year, the Supervisory Board calculates an overall target achievement amount for variable remuneration on the basis of pre-defined targets. For this overall target achievement amount, an upper limit has been set that is equivalent to 1.4 times the amount of the fixed remuneration calculated according to the requirements of the German Banking Remuneration Regulation ("Instituts-Vergütungsverordnung"). Up to 50% of the overall target achievement amount is paid out in the form of Commerzbank phantom shares, in respect of most of which a five-year holding period and a waiting period of a further 12 months normally apply. At the end of the waiting period, the value of the Commerzbank phantom shares is paid out in cash, subject to several checks carried out to ensure sustainability. Fluctuations in the share price during this period do not affect the number of the phantom shares to be granted, but rather change the disbursement amount, which has no upper limit. The concept of the remuneration system provides for the members of the Board of Managing Directors

to bear the risk regarding the performance of the phantom shares after the calculation of the overall target achievement amount, as an element of sustainable remuneration. A limitation of the opportunity to benefit from a positive price trend would not be appropriate, especially as no floor applies if the price should fall.

According to **number 4.2.3 paragraph 2 sentence 8** of the Code, subsequent changes to the performance targets or the parameters for determining the variable remuneration components for the Board of Managing Directors should be excluded. Under the German Stock Corporation Act however, the Supervisory Board should agree on the possibility of limiting variable remuneration components for the Board of Managing Directors in case of extraordinary developments. Commerzbank's Supervisory Board is accordingly entitled to adjust the performance targets and other parameters of the variable remuneration components in case of extraordinary developments, in order reasonably to neutralise both positive and negative effects on the achievability of the targets; in this connection, the upper limit of the variable remuneration component has always to be observed.

The Code recommends in **number 4.2.3 paragraph 3** that, for pension commitments to members of the Board of Managing Directors, the Supervisory Board should define the intended benefit level – also based on the length of the Board members' term of office – and take into account the resulting annual and long-term expense for the company. The pension system of the Board of Managing Directors is based on a contribution-based defined benefit scheme. A specific benefit level for this scheme is not defined. Instead, each board member is entitled to an annual pension module, the amount of which is determined as a percentage of that individual's basic annual salary. This gives the Supervisory Board an idea of the annual and long-term expense for the company which also depends on actuarial effects due to reserve-building. It is largely common business practice not to define an intended pension benefit, but instead to switch to a contribution-based defined benefit scheme.

In accordance with section **4.2.5 sentence 5 and sentence 6** of the Code, certain information on the remuneration of the Board of Managing Directors is to be included in the remuneration report in specified model tables. However, the model tables in the Code do not take into account the special features of the German Banking Remuneration Regulation and are therefore less suitable for institutions such as Commerzbank.

Commerzbank therefore deviates from this recommendation in its remuneration report for the year 2017 and will do the same in its remuneration report for the year 2018.

Commerzbank has drawn up its own tables, which provide a transparent and understandable representation of the remuneration system for the Board of Managing Directors.

Commerzbank has refrained from using the sample tables of the Code - in addition to the tables drawn up by the Bank and the tables required by the accounting regulations - because this would contradict the desired clarity and comprehensibility of the remuneration report.

According to **number 5.3.3** of the Code, the Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives. In compliance with Art. 25d paragraph 11 sentence 2 number 1 German Banking Act, the nomination committee shall support the Supervisory Board in identifying candidates to fill management positions in credit institutions. At Commerzbank, this task has formerly been performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established involvement at Commerzbank of both employee and shareholder representatives in the selection of candidates for Board of Managing Directors, two members of the Nomination Committee of the Supervisory Board of Commerzbank are employee representatives.

According to **number 5.4.1 paragraph 2 sentence 2** of the Code, the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the company's specific situation, appropriately take into account the international activities of the company, potential

conflicts of interest, the number of independent members of the Supervisory Board pursuant to number 5.4.2 of the Code, a specified age limit and a specified limit for the standard term of office for Supervisory Board members, and diversity. The Supervisory Board of Commerzbank regularly sets concrete objectives regarding its composition, while taking into account the criteria specified in number 5.4.1 paragraph 2 sentence 2 in an appropriate manner. Only a limit for the standard term of office for Supervisory Board members had not been set by the Supervisory Board up to now, as in the view of the Supervisory Board, the decision on a continuation of the term of office has often to be made individually in respect of the relevant Supervisory Board member. This is now taken into account by a limit for the standard term of office which permits exceptions for the Supervisory Board in justified individual cases and gives priority to the provisions of the Codetermination Act for employee representatives. This means that the recommendation of the Code in accordance with section 5.4.1 paragraph 2 sentence 2 will be fully complied with now and in the future.

Frankfurt am Main, November 2018

The Board of Managing Directors

The Supervisory Board