



# 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 in the official section of the Federal Gazette (*Bundesanzeiger*), in the version of June 12, 2015, 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. 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, 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. In 2011, Commerzbank changed its pension system to a contribution-based defined benefit scheme. A specific benefit level is thus no longer 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 increasingly common business practice not to define an intended pension benefit, but instead to switch to a contribution-based defined benefit scheme.

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 of both employee and shareholder representa-

tives in the selection of candidates for Commerzbank's 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 1** of the Code, the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the company's specific situation, 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 1. Only a limit for the standard term of office for Supervisory Board members has not been set by the Supervisory Board. 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; a standard limit would represent an inappropriate restriction. Moreover, different terms of office of the individual Supervisory Board members may be advantageous in terms of diversity.

According to **number 5.4.6 paragraph 2 sentence 2** of the Code, where members of the Supervisory Board are granted performance-related remuneration, this should be based on sustainable corporate performance. In addition to fixed remuneration, the members of the Supervisory Board of Commerzbank receive a variable remuneration of EUR 3,000.00 for each EUR 0.05 of dividend in excess of a dividend of EUR 0.10 per no-par-value share distributed to shareholders for the financial year just ended. For the financial years 2008 to 2014 inclusive, no dividend was paid to the shareholders, so no performance-related remuneration was paid to the members of the Supervisory Board either. If and when dividend payments are resumed, Commerzbank will look into reorganizing the remuneration of members of the Supervisory Board.

Frankfurt am Main, 24 November 2015

The Board of Managing Directors      The Supervisory Board