

Commerzbank AG

U.S. Resolution Plan 2016

Section 1: Public Section

December 31, 2016

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1 Public Section

I. Summary of U.S. Resolution Plan

On September 13, 2011, the Board of Governors of the Federal Reserve System (the “FRB”) and the Federal Deposit Insurance Corporation (the “FDIC”) jointly adopted a final rule to implement resolution planning requirements for certain nonbank financial companies, bank holding companies and deemed bank holding companies pursuant to Section 165(d) of Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA 165(d) Rule”). The DFA 165(d) Rule requires that a bank holding company or deemed bank holding company with operations in the United States and more than \$50 billion in global total consolidated assets submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution of the covered company’s U.S. operations in the event of material distress or failure. Commerzbank AG is deemed to be a “covered company” pursuant to the DFA 165(d) Rule and is required to file an updated resolution plan (the “Resolution Plan”) for its U.S. operations with the FRB and the FDIC by December 31 of each year.

Commerzbank AG is a leading bank in Germany. It is also present worldwide in all major markets for its customers as a partner to the business world. Outside of Germany, Commerzbank AG has subsidiaries, branches and representative offices in more than 50 countries and employs approximately 51,300 employees worldwide. Commerzbank AG is represented in all major financial centers, such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of Commerzbank AG’s international activities is in Europe.

Commerzbank AG’s U.S. operations (“Commerzbank North America”) consist of the Corporates & Markets (“C&M”) and Treasury segments. The C&M business units comprise the investment banking segment of Commerzbank AG. C&M provide a broad range of products and services including: Equity Markets & Commodities, Fixed Income & Currencies, Advisory Primary Markets, Corporate Finance and Credit Portfolio Management.

Commerzbank AG attaches great importance to a sound and robust corporate governance structure for its U.S. resolution planning process, and has taken measures to improve the effectiveness of its Resolution Plan and its resolution planning process. As described in Section I below, in 2016 the U.S. Resolution Planning Team of Commerzbank North America refined the results of its structured resolution simulation exercise in order to continue testing the operational feasibility of the Resolution Plan. In addition, progress has been made with regard to comparing third party contracts that are in scope of the vendor risk management (“VRM”) program and key third-party contracts identified to be material in the event of resolution. Around 30% of outstanding contracts identified to be material in the event of resolution will be included in the VRM program in order to mitigate contractual or operational risks caused by potential discontinuation of services.

The annual update of the Resolution Plan is a rigorous process involving senior management of Commerzbank North America in communication with the Global Recovery & Resolution Planning Initiative group in Commerzbank AG. In this Public Section of the 2016 U.S. Resolution Plan, Commerzbank North America is providing the information required by the DFA 165(d) Rule, including:

- A. Commerzbank North America’s “material entities” (“MEs”);
- B. Commerzbank North America’s “core business lines” (“CBLs”);
- C. Summary financial information regarding assets, liabilities, capital and major funding sources;
- D. Description of derivative and hedging activities;
- E. Memberships in material payment, clearing and settlement systems;
- F. Description of foreign operations;
- G. Material supervisory authorities;
- H. Principal Officers;
- I. Corporate governance structure and processes related to resolution planning;
- J. Material management information systems; and
- K. Commerzbank North America’s resolution strategy.

In Section K below, the Resolution Plan demonstrates how the MEs and CBLs of Commerzbank North America can be resolved in an orderly wind-down and liquidation under the applicable insolvency regimes. Commerzbank AG has a very limited footprint in the U.S. and has no critical operations whose failure or discontinuance would pose a threat to the financial stability of the U.S. Since the submission of Commerzbank North America’s 2015 Plan in December 2015, there have been no material events or changes to Commerzbank North America that would alter Commerzbank North America’s resolution strategy or otherwise have a material effect on Commerzbank’s Resolution Plan.

A. Material Entities

The DFA 165(d) Rule defines a material entity as an entity that is significant to the activities of a CBL. As described in the following section, Commerzbank North America identified its CBLs based on the analysis of several factors. Using these CBLs as the foundation for its analysis of its legal entities, Commerzbank North America identified two MEs. Commerzbank North America performed this analysis using key performance metrics to assess materiality. The MEs are:

- › **Commerzbank AG New York Branch** (“CNYB”), licensed by the New York State Department of Financial Services (the “NYDFS”) as a New York branch of a foreign bank.
- › **Commerz Markets LLC**, a registered broker-dealer under the Securities Exchange Act of 1934 and a registered introducing broker under the Commodity Exchange Act. It is a limited liability company and wholly-owned subsidiary of Commerzbank AG.

Commerzbank AG does not control any U.S. insured depository institution.

B. Core Business Lines

Under the DFA 165(d) Rule, a business line is considered “core” if its failure would result in a material loss of revenue, profit or franchise value. On the basis of this definition, and applying a set of key performance metrics, Commerzbank North America identified four CBLs, each of which is described in more detail below. Of these four CBLs, three – Corporates, Credit Portfolio Management and Treasury – operate out of CNYB. The fourth CBL – Markets – operates out of Commerz Markets LLC.

› Corporates

Corporates provides products and services across two primary business areas: Advisory Primary Markets (“APM”) (formerly Client Relationship Management) and Corporate Finance (“CF”). APM provides clients with a broad range of investment and commercial advisory services. CF comprises several areas, including:

- Debt Capital Markets Bonds, which provides corporate clients, financial institutions and the public sector with bond issuances;
- Debt Capital Markets Loans, which handles primary loan execution and syndication supported by a strong loan trading platform;
- Corporate Equity Distribution, which provides corporate clients equity capital market solutions, as well as sales and research services to the institutional client base; and
- Structured Capital Markets, which supports corporate and financial institution clients to achieve the most tax-efficient means of managing their activities from acquisitions to loan financing to investing. Structured Capital Markets brings together banking, tax, accounting and legal expertise in order to provide clients with robust, practical solutions for tax-efficient financing or investment.

› Credit Portfolio Management (“CPM”)

CPM is a service provider and is not client-facing. CPM consists of one function – Loan Transaction Management (“LTM”). LTM is a private-side function responsible for the steering and optimization of CNYB’s loan portfolio including revolving credit facilities, term loans, letters of credit and other similar products. LTM provides an advisory service for the client relationship managers in Corporates. All responsibility for hedging the portfolio is conducted by the London CPM Trading Desk.

› Treasury

Treasury handles liquidity and capital management within the region, provides funding for all local business units, and handles interest rate management.

› Markets

Markets consists of two sub-business units: Fixed Income & Currencies (“FIC”) and Equity Markets & Commodities (“EMC”):

- FIC deals primarily with corporate as well as institutional clients in foreign exchange, fixed income, credit derivatives, interest rate products, electronic FX trading; and
- EMC provides its corporate clients with efficient, customized ways to participate in global equity and commodity markets. Primary products include equity derivatives, investment funds, notes and securities finance.

C. Summary financial information regarding assets, liabilities, capital and major funding sources

The consolidated balance sheet of Commerzbank AG as of December 31, 2015 is presented below. Figures have been prepared in accordance with International Financial Reporting Standards (IFRS).

Table 1: Commerzbank AG consolidated balance sheet as of December 31, 2015 (€millions)

Assets	Amount
Claims on banks	71,810
Claims on customers	218,875
Trading assets	114,684
Financial investments	81,939
Other assets	45,333
Total	532,641

Liabilities and equity	Amount
Liabilities to banks	83,154
Liabilities to customers	257,615
Securitized liabilities	40,605
Trading liabilities	86,443
Other liabilities	34,417
Equity	30,407
Total	532,641

Source: Commerzbank AG Annual Report 2015

Commerzbank North America represents about 3% in assets of Commerzbank AG on a consolidated basis as of December 31, 2015.

Capital

Commerzbank AG is responsible for the maintenance of regulatory and economic capital adequacy requirements in accordance with German regulations. The Commerzbank AG capital management process ensures that risk-based capital considerations are factored into the planning of business objectives. This process enables Commerzbank AG to ensure that it maintains appropriate levels of capital to operate within agreed-upon risk limits and to meet minimum regulatory capital requirements.

Commerzbank AG has a multi-year planning process that requires all business units to submit business plans for capital allocation purposes. As of December 31, 2015, the total risk-based capital ratio of Commerzbank AG was 16.5%. As of the same date, the core Tier 1 risk-based capital ratio was 13.8% and the Tier 1 risk-based capital ratio was 13.8%.

Source: Commerzbank AG Annual Report 2015

Funding

The liquidity management of Commerzbank AG is the responsibility of Group Treasury, which is represented in all major cities in Germany and abroad, and has reporting lines in all subsidiaries. Commerzbank AG's short- and medium-term funding is appropriately diversified in terms of investor groups, regions, products and currencies. CNYB and Commerz Markets LLC are largely funded through deposits and unsecured loans.

Top-level decisions about liquidity management are made by the central Asset Liability Committee ("ALCO") which meets in regular intervals. The independent Risk Management function quantifies liquidity risks using an

internal model and also monitors the limits set by ALCO. The Board of Managing Directors of Commerzbank AG receives regular reports on the liquidity risk situation.

For further information on Commerzbank AG's financial statements, refer to the 2015 Commerzbank AG Annual Report.

D. Description of derivative and hedging activities

Within Commerzbank North America, derivatives including interest rate swaps, OTC options, exchange-traded futures and options, as well as forward rate agreements are used to manage exposure to the risk of unfavorable interest rate movements affecting the balance sheet of CNYB. Commerzbank North America only engages in transactions using instruments that are permitted for banks under applicable banking, securities and commodities law. When hedging risks in the investment book, Group Treasury adheres to Commerzbank AG's current hedging policy based on the International Accounting Standard 39 ("IAS 39"). All assets and new specific hedge transactions are booked in designated portfolios.

In accordance with IAS 39, derivative instruments used for hedging purposes are only reported under trading assets or trading liabilities if derivative instruments do not meet the conditions for the application of hedge accounting. Otherwise, they are shown as fair values from derivative hedging instruments.

E. Memberships in material payment, clearing and settlement systems

Commerzbank North America has memberships in financial market utilities ("FMUs") and relationships with financial institutions to facilitate the payment, clearing and settlement of transactions. The table below summarizes material FMU memberships.

Table 2: Material FMUs and financial institutions

Contracting legal entity	Material FMUs and financial institutions
CNYB	Clearing House Interbank Payments System
CNYB	Deutsche Bank Trust Company Americas
CNYB	Fedwire
CNYB	ICE Clear LLC
CNYB, Commerz Markets LLC	Fixed Income Clearing Corporation
CNYB, Commerz Markets LLC	JPMorgan
Commerz Markets LLC	Barclays
Commerz Markets LLC	Citibank
Commerz Markets LLC	Depository Trust Company
Commerz Markets LLC	Merrill Lynch
Commerz Markets LLC	NASDAQ
Commerz Markets LLC	National Securities Clearing Corporation
Commerz Markets LLC	Options Clearing Corp
Commerzbank AG	London Clearing House ("LCH") Clearnet ¹

¹ CNYB is a contracting agent with LCH as a Protected Payment Systems (PPS) Bank only. Commerzbank AG, Frankfurt is the clearing member of LCH.

F. Foreign Operations

Commerzbank AG and its subsidiaries (“Commerzbank Group”) are one of Germany’s leading banks for private and corporate customers, with a presence in all major markets worldwide for its customers as a partner to the business world. Commerzbank AG’s international activities are focused in Europe. Commerzbank Group employs approximately 51,300 individuals in more than 50 countries and serves more than 16 million private customers and 1 million business and corporate customers worldwide.

The focus of Commerzbank Group’s activities is on four core segments: Private Customers, Mittelstandsbank, Central & Eastern Europe, and Corporates & Markets.

Figure 1: Commerzbank Group structure²



For further information on Commerzbank Group’s global operations, refer to the 2015 Commerzbank AG Annual Report.

² Source: Commerzbank AG Annual Report 2015.

G. Material supervisory authorities

Commerzbank North America is regulated by supervisory authorities within the jurisdictions of the United States, New York State and Germany. The tables below list material supervisory authorities relevant to each ME.

Table 3: Material supervisory authorities for CNYB

Supervisory authority	Jurisdiction
New York State Department of Financial Services ("NYDFS")	New York
Board of Governors of the Federal Reserve System	United States
Federal Financial Supervisory Authority ("BaFin")	Germany
Deutsche Bundesbank	Germany
European Central Bank	Europe
Federal Agency for Financial Market Stabilisation ("FMSA")	Germany
Single Resolution Board ("SRB")	Europe

Table 4: Material supervisory authorities for Commerz Markets LLC

Supervisory authority	Jurisdiction
Financial Industry Regulatory Authority Inc.	United States
Securities and Exchange Commission	United States
National Futures Association	United States
U.S. Commodities Futures Trading Commission	United States

H. Principal Officers

The tables below list the principal officers of Commerzbank North America's MEs as of December 31, 2015.

Table 5: Senior Management – CNYB

Name	Title
Dr. Jan-Philipp Gillmann	General Manager / Regional Manager North America
Tony Barrons	General Manager / Chief Operating Officer
Kai Grosse	Head of Commerzbank Transaction Services & Financial Institutions Americas
Andreas Holsten	Head of Risk
Christian Zelnhefer	Head of Human Resources
Dr. Armin Barthel	Head of Legal
Jochen Ringel	Head of Audit
Joe Toner	Head of FIC
John Geremia	Head of Treasury
Keith Lloyd	Chief Financial Officer Americas
George Jones	Head of Compliance Americas

Table 6: Board of Managers – Commerz Markets LLC

Name	Title
John Geremia	President of Commerz Markets LLC
Keith Lloyd	Chief Financial Officer Americas
Andreas Holsten	Head of Risk
Dr. Jan-Philipp Gillmann	Head of Corporate Finance

Table 7: Officers – Commerz Markets LLC

Name	Title
John Geremia	President
Christopher Williams	Secretary
Daniel Bruk	Chief Compliance Officer
Michael Boland	Treasurer
Walter Petzinger	Assistant Secretary
Yoko Hubley	Chief Financial Officer

I. Resolution planning corporate governance structure and processes

Commerzbank AG fully supports the goals and objectives of the FRB and FDIC with respect to resolution planning. For this reason, a robust corporate governance structure has been established, which includes the appointment of the Chief Financial Officer Americas as the executive responsible for resolution planning, as well as the establishment of an Office of Resolution Planning in the North America region headed by a Steering Committee and supported by the U.S. Resolution Planning Team (the “U.S. RPT”) and Resolution Plan Working Group comprised of members of the front-office and back-office functions.

The Resolution Plan Steering Committee provides overall project guidance, review and local approval of key milestones. The Office of Resolution Planning is responsible for drafting and finalizing resolution planning documentation, as well as for preparing reports and status updates for the Steering Committee. External advisors and corporate counsel provide guidance on regulatory requirements and developments to the local Office of Resolution Planning.

The Resolution Plan is approved by the Commerzbank AG Board of Managing Directors following its review and vetting by the Steering Committee and by the Global Office of Recovery and Resolution Planning, which is responsible for alignment of such activities across Commerzbank AG.

The necessary processes to ensure the ongoing development and maintenance of the Resolution Plan have been incorporated into Commerzbank Group’s business-as-usual procedures. The local Office of Resolution Planning is staffed with full-time personnel to manage the resolution planning process going forward, including the annual submission and notification of regulators required within 45 days of a material event. In addition, membership in the Resolution Plan Working Group is constantly reviewed to ensure that it is fully aligned with the project requirements.

In order to enhance its resolvability, Commerzbank North America annually tests the effectiveness and viability of its U.S. Resolution Plan. In 2016, the U.S. RPT addressed issues arising from outstanding test cases from last year’s tabletop analysis conducted with Commerzbank North America senior management and heads of the CBLs as well as several support functions. The outstanding test cases involved the areas of “speed and effectiveness of management’s decision making process” and “quality and quantity of required management information needed during resolution”.

Additionally, in conjunction with the VRM program, around 70% of key contracts relevant in the event of resolution are in the process of being remediated in order to mitigate contractual or operational risks caused by the potential discontinuation of services. Because the update of key third party contracts is part of Commerzbank’s business-as-usual process in preparing its U.S. Resolution Plan, any changes to the list of

identified key third-party contracts will be closely coordinated with Commerzbank's procurement department in New York, which manages the VRM efforts. Hence the outstanding 30% of outstanding contracts identified to be material in the event of resolution will be included in the VRM program.

J. Material management information systems

Commerzbank North America's management information systems ("MIS") are comprised of source systems and applications that generate information used in the daily management of its business. The management information reports are used to monitor strategic, risk, financial and operational activities, and to facilitate Senior Management review and decision-making processes. The types of MIS reports used are listed below.

- › Management reporting enables Senior Management to review the financial health of the U.S. operations and review progress of strategic initiatives;
- › Risk reporting provides risk information used to manage primary risk inherent across the U.S. operations. The risks include counterparty credit, market, liquidity and operational risk. MIS are used to generate tailored reports to manage and monitor risk at the business and portfolio levels. Additionally, MIS are used to produce limit exception reporting pursuant to which any limit breaches are escalated to relevant management for resolution;
- › Financial reporting provides accounting and financial information used to produce internal business planning and regulatory reporting. Information is used to produce entity balance sheets and income statements for consolidation by Commerzbank AG, as well as regulatory reports for submission to relevant U.S. and German supervisory authorities; and
- › Operational reporting provides information used to manage and monitor operations across areas and resources, including, but not limited to, people, data, and back office transactions. The MIS produce reports with core business metrics to allow management to measure operational effectiveness.

K. Description of resolution strategy

Commerzbank AG has a very limited footprint in the United States and has no critical operations whose failure or discontinuance would pose a threat to the financial stability of the United States. Commerzbank AG does not control any U.S. insured depository institution. Commerzbank North America has designated two MEs – CNYB and Commerz Markets LLC.

For purposes of the Resolution Plan, Commerzbank North America has adopted a "worst-case" resolution strategy under which each of its MEs is wound down pursuant to the applicable resolution regime.

- › For CNYB, a New York State branch, liquidation would proceed under the New York State Banking Law under the control of the Superintendent of the NYDFS. In liquidating CNYB, the Superintendent would also wind down its three CBLs – Corporates, CPM and Treasury. The liquidation of CNYB is expected to require no more than twelve months under severely adverse conditions.
- › For Commerz Markets LLC, a broker-dealer, liquidation would proceed under the Securities Investor Protection Act of 1970 under the control of the Securities Investor Protection Corporation Trustee. In liquidating Commerz Markets LLC, the appointed trustee would also wind down its single CBL – Markets. The liquidation of Commerz Markets LLC is expected to require no more than one month under severely adverse conditions.

Because of the limited presence of Commerzbank North America in the U.S. and the respective resolution regimes of each of its MEs, the discontinuation of these MEs would be expected to proceed in an orderly fashion and would not have an adverse effect on the financial stability of the United States.