

Commerzbank AG

U.S. Resolution Plan 2018

Section 1: Public Section

December 31, 2018

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1 Public Section of U.S. Resolution Plan

I. Introduction

Commerzbank Aktiengesellschaft (“Commerzbank AG,” and Commerzbank AG together with its subsidiaries, “Commerzbank”) hereby submits its 2018 U.S. resolution plan (the “2018 Plan”) in compliance with the final rule issued by the Board of Governors of the Federal Reserve System (the “FRB”) and the Federal Deposit Insurance Corporation (the “FDIC”) to implement resolution planning requirements 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 Commerzbank AG to submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution of its U.S. operations in the event of material distress or failure.

Commerzbank AG is a leading bank in Germany. It is 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 49,417 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’s international activities is in Europe.

Since the last submission of its U.S. resolution plan in 2016, Commerzbank AG has continued to implement its “Commerzbank 4.0” strategy, which management announced in September 2016. As part of this strategy, Commerzbank continues to focus on its core businesses and the digitalization of processes, thereby achieving significant efficiency gains. As part of the implementation of its new strategy, Commerzbank focuses its businesses on two customer segments, “Private and Small Business Customers” and “Corporate Clients”. The former Mittelstandsbank and Corporates & Markets segments have been consolidated into a single unit and trading activities in investment banking have been scaled back.

Commerzbank AG’s U.S. operations (“Commerzbank North America”) are part of the Corporate Clients segment. Commerzbank North America provides a broad range of products and services within the Corporate Finance, Credit Portfolio Management, Fixed Income, Currencies & Commodities and Trade Finance & Cash Management divisions, in addition to the Treasury function. While Commerzbank North America continues to provide its products and services to a wide range of customers in the United States, the implementation of the Commerzbank 4.0 strategy has reduced its operations’ complexity in the United States, which further enhances the resolvability of Commerzbank North America without impact on the U.S. financial stability in times of financial stress.

Commerzbank AG attaches great importance to U.S. resolution planning and a sound and robust corporate governance structure for its U.S. resolution planning process. Commerzbank AG believes that its resolution planning process is fully operational and resolution planning forms an important part of its ongoing initiatives.

In this Public Section of the 2018 Plan, Commerzbank AG describes, at a high level, how its two U.S. material entities (each, a “ME”) and its four core business lines (each, a “CBL”) could be resolved in an orderly liquidation under the resolution regimes applicable to its MEs. After the description of the U.S. resolution strategy for Commerzbank North America, this Public Section provides helpful background information on the following:

- A. Commerzbank North America’s MEs;
- B. Commerzbank North America’s 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; and
- J. Material management information systems.

II. Description of U.S. Resolution Strategy

Commerzbank AG has a very limited footprint in the United States. It does not have any operations the failure or discontinuance of which would pose a threat to the financial stability of the United States. Most importantly, Commerzbank AG does not control a U.S. insured depository institution, but only operates through two MEs in the United States – Commerzbank AG New York Branch (“CNYB”) and Commerz Markets LLC.

For purposes of the 2018 Plan, Commerzbank North America has adopted a “worst-case” resolution strategy under which each of its MEs would be wound down pursuant to the applicable resolution regimes.

- › For CNYB, a New York State branch of Commerzbank AG, liquidation would proceed under the New York State Banking Law under the control of the Superintendent of the New York State Department of Financial Services. In liquidating CNYB, the Superintendent would also wind down CNYB’s four CBLs – Corporate Finance; Credit Portfolio Management; Fixed Income, Currencies & Commodities; and Treasury. The liquidation of CNYB is expected to require no more than twelve months under severely adverse conditions.
- › For Commerz Markets LLC, a U.S. broker-dealer subsidiary of Commerzbank AG, 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 wind down the Corporate Finance CBL operated by the broker-dealer. 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 United States 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.

III. Background Information on Commerzbank North America

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 is the New York branch of Commerzbank AG and licensed by the New York State Department of Financial Services.
- › **Commerz Markets LLC.** Commerz Markets LLC is a registered broker-dealer under the Securities Exchange Act of 1934 and a registered introducing broker under the Commodity Exchange Act. It is a Delaware limited liability company and a wholly-owned subsidiary of Commerzbank AG.

Commerzbank AG does not control a 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 – Corporate Finance; Credit Portfolio Management; Fixed Income, Currencies & Commodities; and Treasury. Each of the four CBLs are operated by CNYB and Corporate Finance is also operated by Commerz Markets LLC.

› **Corporate Finance**

Corporate Finance provides products and services to clients using a broad range of investment and commercial advisory services. Corporate Finance 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; and
- Corporate Equity Distribution, which provides corporate clients equity capital market solutions, as well as sales and research services to the institutional client base.

› **Credit Portfolio Management**

Credit Portfolio Management (CPM) is a service provider and is not client-facing. It 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. CPM also provides an advisory service for the client relationship managers in Corporate Finance. All responsibility for hedging the portfolio is conducted by the London CPM Trading Desk.

› **Fixed Income, Currencies & Commodities**

Fixed Income, Currencies & Commodities deals primarily with corporate as well as institutional clients in foreign exchange, fixed income, credit derivatives, interest rate products, and electronic FX trading.

› **Treasury**

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

C. Summary Financial Information regarding Assets, Liabilities, Capital and Major Funding Sources

The consolidated balance sheet of Commerzbank AG as of December 31, 2017 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, 2017 (\$ millions)

Assets	Amount
Financial assets – loans and receivables	318,668
Financial assets – available for sale	37,364
Financial assets – fair value option	28,477
Financial assets – held for trading	76,355
Other assets	81,810
Total	542,675

Liabilities and equity	Amount
Financial liabilities – amortised cost	409,273
Financial liabilities – fair value option	17,918
Financial liabilities – held for trading	67,741
Other liabilities	11,715
Equity	36,028
Total	542,675

Source: Commerzbank AG Annual Report 2017
Exchange Rate as of 12/31/2017: € / \$ 1.1993

Commerzbank North America represents about 2% of Commerzbank AG's total assets on a consolidated basis as of December 31, 2017.

› **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, 2017, the capital ratio of Commerzbank AG was 18.3%. As of the same date, the Tier 1 capital ratio was 15.2% and the Common Equity Tier 1 ratio was 14.9%.

› **Liquidity**

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 2017 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 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 to the extent that such 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	JPMorgan
Commerz Markets LLC	BNY Mellon
Commerz Markets LLC	Depository Trust Company
Commerz Markets LLC	National Securities Clearing Corporation
Commerzbank AG	London Clearing House (“LCH”) Clearnet ¹

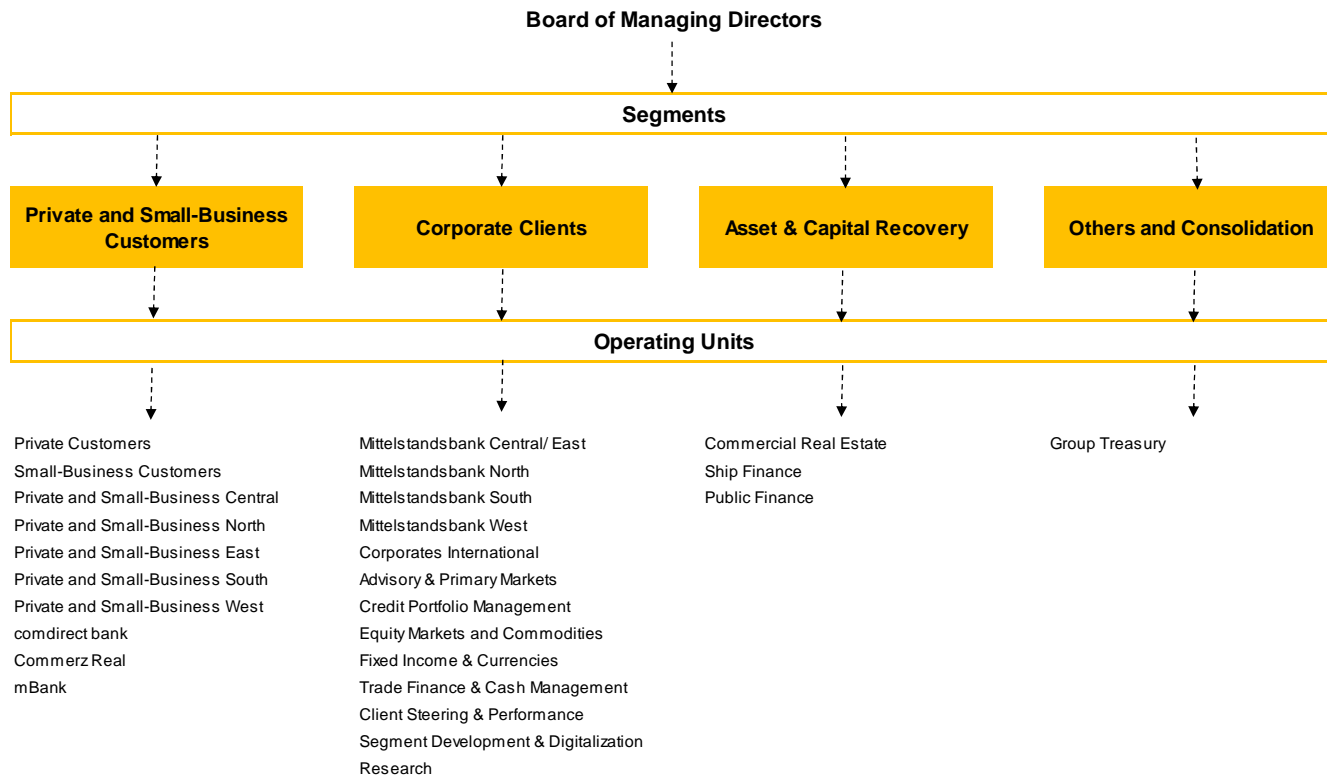
F. Foreign Operations

Commerzbank is 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 employs approximately 49,417 individuals in more than 50

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.

countries and serves more than 18 million private and small-business customers and more than 60,000 corporate clients worldwide.

Commerzbank Group Structure²



For further information on Commerzbank's global operations, refer to the 2017 Commerzbank AG Annual Report.

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
Bundesrepublik Deutschland – Finanzagentur GmbH	Germany
Single Resolution Board ("SRB")	Europe
National Futures Association	United States

² Source: Commerzbank AG Annual Report 2017 and intranet http://comnet.intranet.commerzbank.com/comnet/en/zentrale_1/konzernstruktur/zentralebereiche/default_startpage.jsp.

U.S. Commodities Futures Trading Commission	United States
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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

H. Principal Officers

The tables below list the principal officers of Commerzbank North America's MEs as of December 31, 2017.

Table 5: Senior Management – CNYB

Name	Title
John Geremia	General Manager / Regional Manager North America
Andreas Holsten	General Manager / Chief Operating Officer North America
Rita Herbers	Head of Trade Finance & Cash Management
Barry Garside	Head of Risk
Christian Zelnhefer	Head of Human Resources
Matthias Woldter	Head of Legal
Susan Panzer	Head of Audit
Joe Toner	Head of FICC
Werner Rietze	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	Member
Keith Lloyd	Member
Barry Garside	Member
Andreas Holsten	Member

Table 7: Senior 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 U.S. 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 U.S. 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 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 (*Vorstand*) 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 U.S. Resolution Plan have been incorporated into Commerzbank North America's business-as-usual procedures. The local Office of Resolution Planning manages the resolution planning process, including the bi-annual submission and notification of regulators required within 45 days of a material event. In addition, membership in the Resolution Plan Working Group is reviewed to ensure that it is fully aligned with the project requirements.

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 the 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.