

Commerzbank AG

U.S. Resolution Plan 2013

Section 1: Public Section

December 31, 2013

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1 Public Section

I. Summary of 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 total consolidated assets submit periodically to the FRB and the FDIC a plan for the rapid and orderly resolution in the event of material distress or failure of the covered company’s U.S. operations. Commerzbank AG is deemed to be a “covered company” pursuant to the DFA 165(d) Rule and is required to file a resolution plan (the “Resolution Plan”) for its U.S. operations with the FRB and the FDIC by December 31, 2013.

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 53 countries and employs over 50,000 employees worldwide. Commerzbank AG is represented in all major financial centres, 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”) business units, which comprise the investment banking segment of Commerzbank AG. C&M provide a broad range of products and services including: Equity Markets & Commodities, Fixed Income & Commodities, Client Relationship Management, Corporate Finance and Credit Portfolio Management.

As described in more detail below, Commerzbank AG attaches great importance to a sound and robust corporate governance structure for its U.S. resolution planning process. The development of the first Resolution Plan was a rigorous process involving senior management of Commerzbank North America in communication with the Global Recovery & Resolution Planning Initiative group in Commerzbank AG. As a result of this process, 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.

As described in more detail in Section I.K, 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.

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 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: Client Relationship Management ("CRM") and Corporate Finance ("CF"). CRM 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; and
- Structured Finance supports corporates and financial institution clients to achieve the most tax-efficient means of managing their activities from acquisitions to loan financing to investing. Structured Finance business 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’s main activities are managing the CNYB’s credit portfolio and its risks, integrating and further expanding counterparty risk management including credit risk exposure arising from lending activity and counterparty credit on derivatives.

› **Treasury**

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

› **Markets**

Markets provides consists of two sub-business units: Fixed Income & Currencies (“FIC”) and Equity Market & 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 cash equities, commodities, equity derivatives, investment funds, notes and securities finance.

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

The consolidated balance sheet for Commerzbank Group as of December 31, 2012 is presented below. Figures have been prepared in accordance with International Financial Reporting Standards (IFRS).

Table 1: Commerzbank Group consolidated balance sheet as of December 31, 2012 (€millions)

| Assets | Amount |
|----------------------------------|----------------|
| Claims on banks | 88,028 |
| Claims on customers | 278,546 |
| Assets held for trading purposes | 144,144 |
| Financial investments | 89,142 |
| Other assets | 36,018 |
| Total | 635,878 |

| Liabilities and equity | Amount |
|-------------------------------------|----------------|
| Liabilities to banks | 110,242 |
| Liabilities to customers | 265,842 |
| Securitized liabilities | 79,332 |
| Liabilities from trading activities | 116,111 |
| Other liabilities | 37,317 |
| Equity | 27,034 |
| Total | 635,878 |

Commerzbank North America represents less than 3% in assets for Commerzbank Group as of December 31, 2012.

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 the 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, 2012, the total risk-based capital ratio of Commerzbank AG was 17.8%. As of the same date, the core Tier 1 risk-based capital ratio was 12.0% and the Tier 1 risk-based capital ratio was 13.1%.

Funding

The liquidity management of Commerzbank AG is the responsibility of Group Treasury, which is represented in all major locations 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 at 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 2012 Group 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 unfavourable interest rate movements affecting the balance sheet of CNYB. In addition, credit default swaps are used by Credit Portfolio Management to hedge the credit risk in the loan portfolio. Commerzbank North America only engages in transactions using instruments that are permitted for banks under applicable banking and commodities law. When hedging risks in the investment book, Group Treasury adheres to Commerzbank AG's current hedging policy based on 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 they 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 with financial market utilities ("FMUs"), including 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 ("CHIPS") |
| CNYB | Depository Trust and Clearing Corporation ("DTCC") |
| CNYB | Fedwire |
| CNYB | ICE Clear LLC |
| CNYB, Commerz Markets LLC | JPMorgan |
| Commerz Markets LLC | Barclays |
| Commerz Markets LLC | DTC |
| Commerz Markets LLC | Fixed Income Clearing Corporation ("FICC") |
| Commerz Markets LLC | Government Securities Clearing Corporation ("GSCC") |
| Commerz Markets LLC | Merrill Lynch |
| Commerz Markets LLC | NASDAQ |
| Commerz Markets LLC | National Securities Clearing Corporation ("NSCC") |
| Commerzbank AG | London Clearing House ("LCH") Clearent |

F. Foreign Operations

As described above, Commerzbank AG 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 AG employs over 50,000 individuals across 53 countries and serves more than 15 million customers worldwide.

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

Figure 1: Commerzbank Group structure¹



For further information on Commerzbank Group’s global operations, refer to the 2012 Group 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 |
| Federal Reserve Bank of New York (“NY Fed”) | New York |
| Federal Financial Supervisory Authority (“BaFin”) | Germany |
| Deutsche Bundesbank | Germany |

Table 4: Material supervisory authorities for Commerz Markets LLC

| Supervisory authority | Jurisdiction |
|--------------------------------------------------------|---------------|
| Financial Industry Regulatory Authority Inc. (“FINRA”) | United States |
| Securities and Exchange Commission (“SEC”) | United States |
| National Futures Association (“NFA”) | United States |

H. Principal officers

¹ Source: Commerzbank Group Annual Report 2012.

The tables below list the principal officers of Commerzbank North America's MEs as of December 31, 2012.

Table 5: Senior Management – CNYB

| Name | Title |
|-------------------------|-------------------------------------------|
| Dereck Rock | CEO Commerzbank North America |
| Carsten Schmitt | General Manager / Chief Operating Officer |
| Andreas Holsten | Head of Risk |
| Christian Zelnhefer | Head of Human Resources |
| Dr. Armin Barthel | Head of Legal |
| Dr. Jan-Philip Gillmann | Head of CF, CRM and CPM |
| Florian Trippen | Head of Group Services |
| Frank Mangarella | Head of FIC Sales |
| Jochen Ringel | Head of Audit |
| Joe Toner | Head of FIC Trading |
| John Geremia | Head of Treasury |
| Oliver Bader | North America Chief Financial Officer |
| Tristan Van der Vijver | Head of Compliance |

Table 6: Board of Managers – Commerz Markets LLC

| Name | Title |
|-----------------|---------------------------------------|
| Dereck Rock | CEO Commerzbank North America |
| Oliver Bader | North America Chief Financial Officer |
| Andreas Holsten | Head of Risk |
| John Geremia | Head of Treasury |

Table 7: Officers – Commerz Markets LLC

| Name | Title |
|----------------------|--------------------------|
| John Geremia | President |
| Ariel Ling | Chief Operating Officer |
| 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 implemented which includes the appointment of the North America Chief Financial Officer 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 a Project Management Office and U.S. 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 U.S. Resolution Plan is approved by the Commerzbank AG Board of Managing Directors following its review and vetting at a local level 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 AG'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 submissions required within 45 days of a material event. In addition, membership in the U.S. Resolution Plan Working Group is constantly 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") is 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

As described above, 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 this 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 branch, 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 its three CBLs – Corporates, CPM and Treasury. The liquidation of CNYB is expected to require no more than six months.

- › 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.

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.