

**Rating Action: Moody's downgrades Commerzbank AG's junior senior unsecured debt ratings to Baa2**

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27 May 2019

Frankfurt am Main, May 27, 2019 -- Moody's Investors Service (Moody's) today downgraded by one notch Commerzbank AG's (Commerzbank) junior senior unsecured debt ratings to Baa2 and related programme ratings to (P)Baa2.

The rating agency said that Commerzbank's other ratings and its rating inputs are unaffected by today's rating action.

A full list of affected ratings can be found at the end of this press release.

**RATINGS RATIONALE**

The one notch downgrade of Commerzbank's junior senior unsecured debt rating to Baa2 from Baa1 reflects a reduction in the volume of this instrument class, which the rating agency expects to remain broadly stable at its now lower level. Because the volume of loss-absorbing instruments for that rating class has declined, Moody's now computes a higher loss given failure under its Advanced Loss Given Failure (LGF) analysis for junior senior unsecured instruments. This has lowered the rating uplift resulting from the rating agency's Advanced LGF analysis by one notch, leading to a positioning of the rating in line with the bank's baa2 Adjusted BCA.

The rating of this instrument class does not benefit from any government support uplift, in line with Moody's assumption of a low probability of government support to be forthcoming to instruments specifically designated as loss-absorbing in resolution.

**WHAT COULD CHANGE THE RATINGS UP / DOWN**

Commerzbank's ratings could be upgraded as result of an upgrade of its BCA. Upward pressure on Commerzbank's BCA could be prompted by a combination of (1) a significant and sustained improvement in its risk-weighted capitalization and leverage ratio; (2) an improvement in its asset quality through a sustained reduction in its problem loans and lower sector and geographical concentrations; (3) a persistent and meaningful strengthening of the bank's profitability across economic cycles; and (4) a material decrease in Commerzbank's moderate reliance on wholesale funding sources, coupled with a further buildup of high-quality liquid assets.

In addition, junior senior unsecured and subordinated instrument ratings could be upgraded if Commerzbank issued sizeable volumes of liabilities specifically designated to absorb losses in resolution.

Downward pressure on Commerzbank's ratings could be exerted as a result of: (1) a downgrade of its BCA; and (2) a further shift in its liability structure that results in decreasing volumes of bail-inable debt instruments, which can result in fewer notches of rating uplift from Moody's Advanced LGF analysis.

Downward pressure on Commerzbank's BCA could be exerted following: (1) a weakening of the operating environment in Germany; (2) a large increase in Commerzbank's dependence on confidence-sensitive market funding, (3) a significant reduction in the volume of its liquid resources; and (4) a significant deterioration of Commerzbank's solvency profile, through a weakening of its asset quality and capital adequacy metrics or materially weaker profitability.

**LIST OF AFFECTED RATINGS**

Issuer: Commerzbank AG

..Downgrades:

....Junior Senior Unsecured, downgraded to Baa2 from Baa1

....Junior Senior Unsecured Medium-Term Note Program, downgraded to (P)Baa2 from (P)Baa1

Issuer: Dresdner Bank AG (Debts assumed by Commerzbank AG)

..Downgrades:

....Junior Senior Unsecured, downgraded to Baa2 from Baa1

Issuer: Hypothekenbank Frankfurt AG (Debts assumed by Commerzbank AG)

..Downgrades:

....Junior Senior Unsecured, downgraded to Baa2 from Baa1

Issuer: RHEINHYP Rheinische Hypothekenbank AG (Debts assumed by Commerzbank AG)

..Downgrades:

....Junior Senior Unsecured, downgraded to Baa2 from Baa1

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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