

CREDIT OPINION

4 June 2019

Update

✓ Rate this Research

RATINGS

Commerzbank AG

Domicile	Frankfurt am Main, Germany
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Commerzbank AG

Update following downgrade of junior senior unsecured debt

Summary

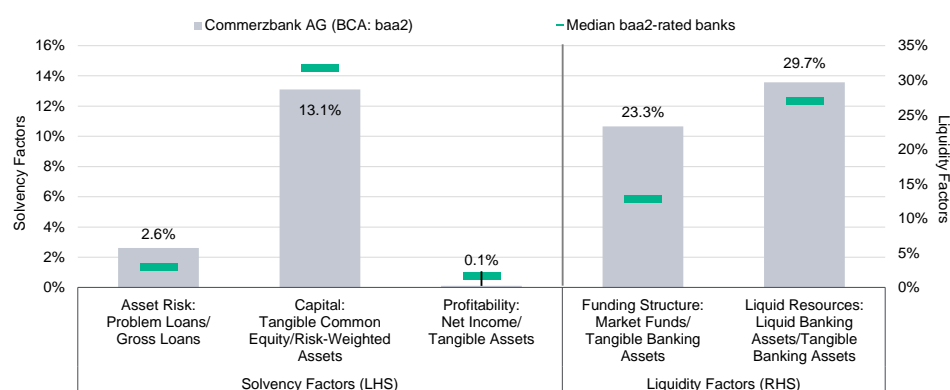
We assign A1 (Stable) deposit and senior unsecured debt ratings to [Commerzbank AG](#) (Commerzbank). We also assign Baa2 junior senior unsecured debt ratings and an A1 Counterparty Risk Rating (CRR), as well as a baa2 Baseline Credit Assessment (BCA) and Adjusted BCA to Commerzbank.

Commerzbank's ratings reflect (1) its baa2 BCA and Adjusted BCA; (2) the results of our Advanced Loss Given Failure (LGF) analysis, which provides three notches of rating uplift for deposits and senior unsecured debt, and [no rating uplift](#) for the bank's junior senior unsecured debt; and (3) our assumption of a moderate probability of government support for the bank's deposits and senior unsecured debt ratings, leading to the assignment of one additional notch of rating uplift to these debt classes.

Commerzbank's BCA reflects (1) the bank's moderate volume of problem loans and low exposure to highly cyclical lending assets; (2) its adequate capitalisation, with a Tangible Common Equity (TCE) ratio of 12.7% as of 31 Mar 2019; and (3) its solid combined liquidity profile, supported by a meaningful volume of liquid assets offsetting potential strain resulting from the bank's moderate reliance on confidence-sensitive market funding. The BCA is constrained by the bank's low profitability, as measured by net income/tangible assets, which we expect to decline slightly from the levels achieved in 2018.

Exhibit 1

Rating Scorecard - Key financial ratios



Data as of year-end 2018. Asset Risk and Profitability show the three-year averages for Commerzbank.
Source: Moody's Financial Metrics

Credit strengths

- » Adequate capital position and improved leverage
- » Sound liquidity profile, with a high proportion of cash and other highly liquid assets
- » Diversified lending book focused on residential mortgages in Germany as well as German corporate loans, with negligible exposures to highly cyclical asset classes

Credit challenges

- » Continued earnings pressure from the low interest rate environment
- » High cost base and persistent margin pressure result in stubbornly low profitability
- » Securing sufficient funds to be able to invest in digital offerings and modernisation of the bank's IT backbone
- » Turning cycle for credit risks may gradually result in higher loan-loss charges

Outlook

- » The stable outlook reflects our expectation that Commerzbank's financial fundamentals will not change meaningfully over the next 12-18 months.

Factors that could lead to an upgrade

- » 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) a further improvement in its asset quality, in particular through sustained 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.

Factors that could lead to a downgrade

- » 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.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2

Commerzbank AG (Consolidated Financials) [1]

	03-19 ²	12-18 ²	12-17 ²	12-16 ²	12-15 ²	CAGR/Avg. ³
Total Assets (EUR Billion)	452.9	416.7	399.5	408.2	445.8	0.5 ⁴
Total Assets (USD Billion)	508.6	476.4	479.7	430.5	484.3	1.5 ⁴
Tangible Common Equity (EUR Billion)	24.2	24.3	25.8	26.0	26.2	(2.4) ⁴
Tangible Common Equity (USD Billion)	27.2	27.7	30.9	27.4	28.5	(1.4) ⁴
Problem Loans / Gross Loans (%)	1.6	1.7	2.6	3.4	3.3	2.5 ⁵
Tangible Common Equity / Risk Weighted Assets (%)	12.7	13.1	15.1	13.7	13.3	13.6 ⁶
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	13.9	14.3	19.3	23.3	23.7	18.9 ⁵
Net Interest Margin (%)	1.2	1.1	1.0	1.0	1.3	1.1 ⁵
PPI / Average RWA (%)	0.6	0.9	0.7	1.0	1.2	0.9 ⁶
Net Income / Tangible Assets (%)	0.1	0.2	0.0	0.3	0.2	0.2 ⁵
Cost / Income Ratio (%)	87.1	81.3	85.1	79.0	73.5	81.2 ⁵
Market Funds / Tangible Banking Assets (%)	26.7	23.3	24.0	27.7	28.3	26.0 ⁵
Liquid Banking Assets / Tangible Banking Assets (%)	29.6	29.7	33.6	35.8	40.2	33.8 ⁵
Gross Loans / Due to Customers (%)	88.1	86.4	86.1	85.1	83.8	85.9 ⁵

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully-loaded or transitional phase-in; IFRS. [3] May include rounding differences due to scale of reported amounts. [4] Compound Annual Growth Rate (%) based on time period presented for the latest accounting regime. [5] Simple average of periods presented for the latest accounting regime. [6] Simple average of Basel III periods presented.

Source: Moody's Investors Service; Company Filings

Profile

Commerzbank AG (Commerzbank) is one of Germany's largest universal commercial banks, which primarily focuses on the German and Polish banking markets. As of 31 December 2018, Commerzbank held a consolidated asset base of €462 billion, representing a market share of around 6% in the German banking system in terms of total assets.

Through its two core business segments, Private and Small Business Customers, and Corporate Clients, Commerzbank provides a wide range of banking and other financing products and services to its clients. The bank has a strong market position in the foreign exchange and trade finance business, and is one of the most prominent banks financing corporate clients in Germany, also providing a wide array of capital market products.

Commerzbank serves more than 18.8 million private and small business customers, as well as more than 70,000 corporate clients through a network of around 1,000 branches in Germany and 414 foreign branches (including its Polish subsidiary [mBank S.A.](#)) in more than 50 countries, and employs more than 40,000 people.

For more information, please see Commerzbank's [Issuer Profile](#).

Weighted Macro Profile of Strong (+)

Although Commerzbank is focused on the German market, the bank's assigned Strong (+) Weighted Macro Profile is set one notch below the Very Strong (-) [Macro Profile of Germany](#), reflecting the issuer's activities in other European Union (EU) countries with a less benign operating environment, in particular [Poland](#) (A2 stable).

Detailed credit considerations

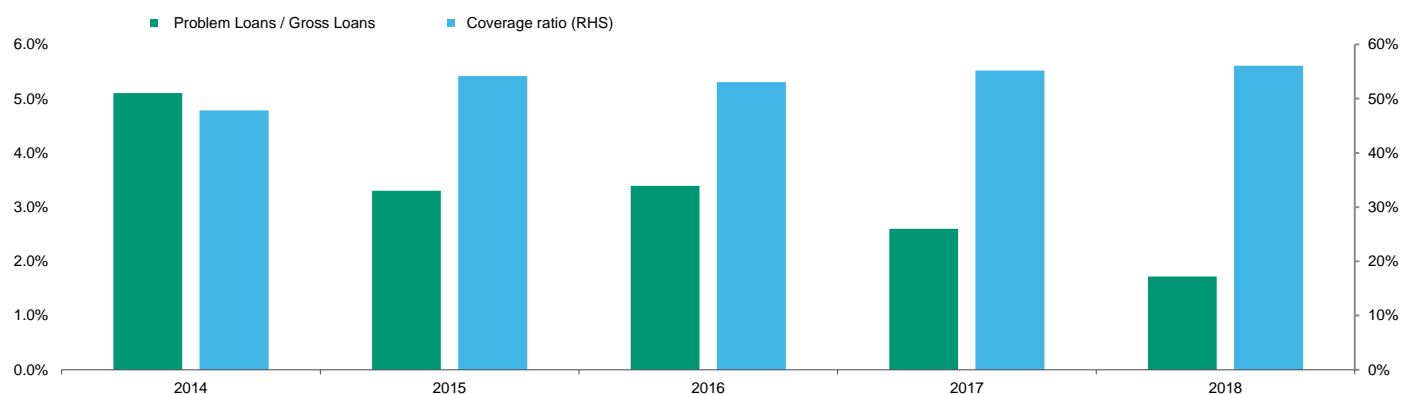
Stable asset-risk profile after the realignment of the bank's higher-risk segments

We assign a baa1 Asset Risk score to Commerzbank, two notches below the a2 initial score. The adjustment mainly captures remaining risk concentrations towards more cyclical industries such as automotive, construction and metallurgical industries within the bank's corporate loan book, as well as exposures to potentially more vulnerable European and non-European countries.

Having made significant progress in de-risking the bank, Commerzbank's nonperforming loans (NPLs) stood at €3.4 billion as of 31 March 2019, down from €6.9 billion as of year-end 2016. The decline was largely owing to further divestments as well as the implementation of the fair value approach for Commerzbank's shipping exposures in the first quarter of 2018 (net decreasing effect on NPLs of €1.0 billion). Following these problem exposure reductions, the bank's Asset and Capital Recovery (ACR) unit displayed a manageable €352 million of NPLs, equivalent to a segment NPL ratio of 7.9% as of 31 March 2019, while the total group problem loan ratio according to Commerzbank's definition was 0.9% as of the same date.

Exhibit 3

Commerzbank has successfully reduced its problem loan stock Coverage ratio also maintained at solid levels



Problem loan ratio as per our definition. 2018 according to IFRS 9 reporting standards.

Sources: Company reports, Moody's Investors Service

Remaining risk concentrations, in particular to highly cyclical industries such as CRE and shipping¹, have also been successfully reduced to €1.0 billion, or 4% of Commerzbank's CET1 capital as of 31 March 2019, down from €4.1 billion (or 17%, on a fully loaded basis) as of year-end 2017.

Despite being focused on Germany and to some extent Poland, Commerzbank continues to have significant exposures to countries in the European periphery, mainly to Italy (Baa3 stable; €8.7 billion, excluding non-sovereign exposures, as of 31 March 2019), as well as to non-European countries such as China (A1 stable; €6.7 billion), Russia (Baa3 stable; €2.7 billion) and Turkey (Ba3 negative; €1.8 billion). A resurgence of the European sovereign debt crisis, in particular if arising from Italy, as well as continued geopolitical uncertainties surrounding Russia or Turkey, may therefore burden the bank's financial metrics.

In addition, Commerzbank manages around [€15 billion of exposures in the UK](#), derived largely from internationally operating groups including public finance. The bank has very little revenue exposure to UK clients and has fully hedged its foreign-currency risks. Commerzbank's UK exposures also include a long-dated interest-only lending portfolio to British local authorities with maturities of 15-60 years (so-called Lobo loans) that were subscribed at a time of significantly higher interest rates. Overall, we expect Commerzbank to be able to manage the remaining UK exposures without a significant impact on its profit and, ultimately, capital.

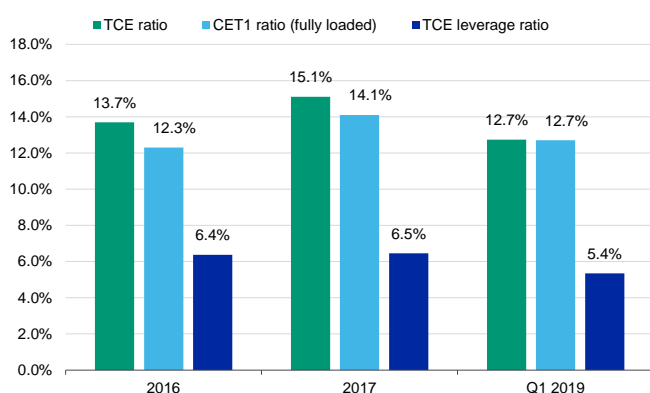
Solid level and quality of capital

We assign a Capital score of baa1, one notch below the bank's a3 initial score, to reflect the regulatory leverage ratio of below 5% (4.5% as of 31 March 2019), as well as challenges related to sustainably building a larger buffer over and above the stricter Supervisory Review and Evaluation Process (SREP) requirements set by the European Banking Authority (EBA).

The bank's tangible common equity (TCE) ratio further declined to 12.7% as of the end of the first quarter 2019, from 15.1% as of year-end 2017; the decrease largely being reflective of the full adoption of the IFRS 9 accounting regime effective 1 January 2018. Risk-weighted assets (RWAs) further increased due to the introduction of IFRS 16 in 2019, as well as larger lending volumes, and stood at €185 billion as of 31 March 2019 (Q1 2018: €170 billion). Owing to the persistent strain on profitability from the low interest-rate environment constraining a faster capital build-up, we expect the bank's TCE ratio (as well as its CET1 capital ratio) to fluctuate around the current levels.

Exhibit 4

Commerzbank still exceeds its capital requirements



TCE = Tangible common equity (Moody's calculation); CET1 = Common Equity Tier 1 capital.

Sources: Company reports, Moody's Investors Service

Exhibit 5

Commerzbank's SREP CET1 capital requirements in detail

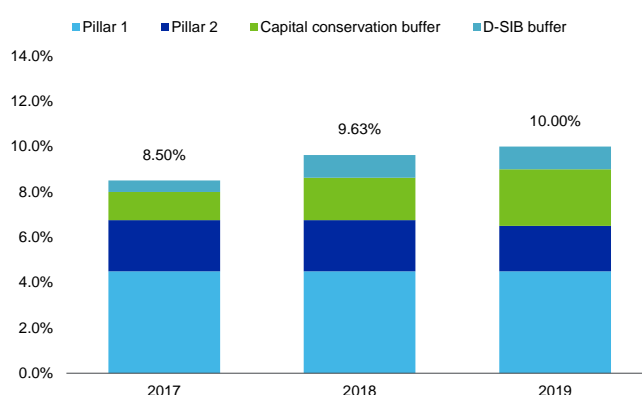


Exhibit displays transitional SREP requirements.

Sources: Company reports, European Banking Authority (EBA) [stress test results](#), Moody's Investors Service

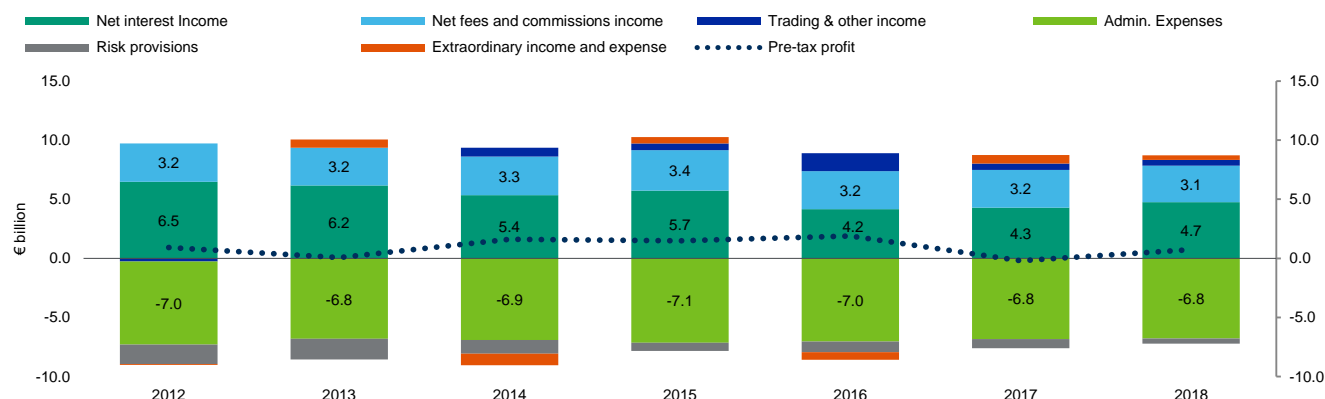
Commerzbank was also subject to the 2018 EU-wide stress test² conducted by the EBA. The application of the adverse scenario in the stress test resulted in a fully loaded CET1 ratio of 9.9% (as of year-end 2020). Based on the starting point of a 13.3% CET1 ratio as of year-end 2017, the stress-induced CET1 ratio decline amounted to -340 basis points (bps), significantly reduced from the 2016 result of -470 bps. The meaningful decline in the CET1 ratio effect under the EBA's stress scenario was largely driven by the de-risking measures the bank proactively carried out since.

Commerzbank's profitability will benefit from lower restructuring costs, but low interest rates and rising loan-loss provisions will constrain significant improvements

We assign a b2 Profitability score to Commerzbank, one notch above the initial score. The positioning of the score reflects our expectation of a slight decline in the bank's profitability over the next 12-18 months, yet improving somewhat from the low first-quarter level.

This assessment incorporates persistent strain on earnings from the persistently low interest rates and the lower margins in the bank's newly arranged Corporate Clients segment as a result of heightened competition, as well as the slightly rising loan-loss provisions in 2019. As a result, we expect Commerzbank's net income/tangible assets ratio to reside at the lower end of the 0.125%-0.25% range, commensurate with our assigned score.

Exhibit 6

Commerzbank's dependence on net interest income will continue straining its profitability

Sources: Company reports, Moody's Financial Metrics, Moody's Investors Service estimates

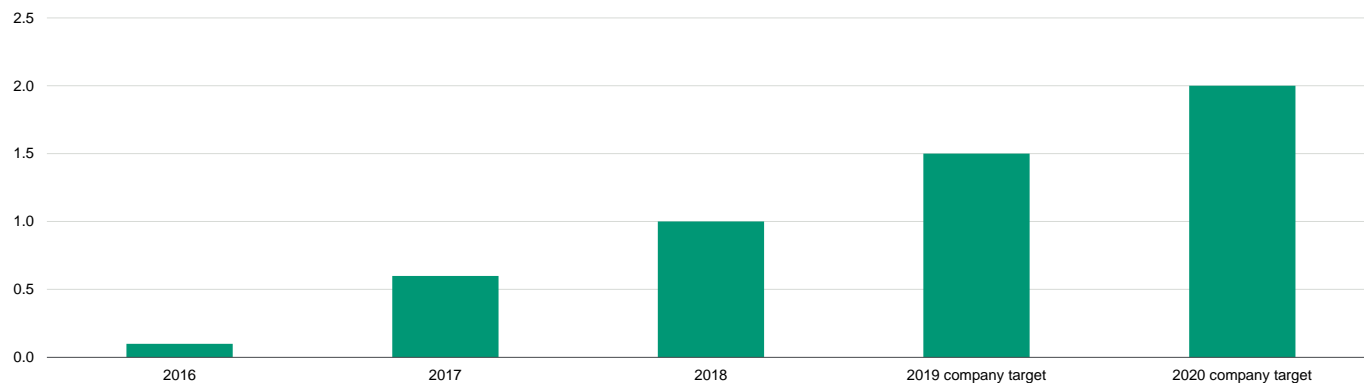
In the Corporate Clients segment, the key challenge remains to stabilise and later grow revenue following the selective business downsizing and de-risking as part of the strategic plan³. In particular, the bank has to prove it can withstand rising competition on margins in this segment: Its performance in 2018 remained below expectations for the Corporate Clients segment, and the bank only reported a segment pretax profit of €629 million for the same period, representing a 7% decrease from a year earlier. The decline was largely driven by pricing and margin pressure in its Mittelstand client business and because of a continued highly competitive corporate banking market in Germany.

The weak performance of the Corporate Clients segment could not be offset by anticipated growth in the Private and Small Business Customers segment, largely because of the absence of one-off gains (recorded in Q3 2017). While net new customer gains, as well as new business growth — largely in residential mortgages — exceeded targets since the announcement of Commerzbank's strategic plan (see Exhibit 7), the bank needs to prove it can turn these new relationships profitable on a sustained basis, thereby fostering underlying progress in newly generated client-driven revenue.

Exhibit 7

Commerzbank is on track in gaining net new customers

Net new customers in Germany, million cumulative



Sources: Commerzbank 2018 analyst presentation, Moody's Investors Service

For 2019, we expect the very benign credit cycle to start turning gradually, thereby no longer presenting a tailwind to the group's profitability. At the same time, we do not expect a similar strong increase in operating expenses directed towards investments in digitalisation, as well as restructuring initiatives⁴, which will help safeguard profitability in 2019.

With its de-risked financial profile, the challenge for the bank will be to succeed in its strategic plan and demonstrate a sustained higher earnings generation power that supports the build-up of additional going-concern capital, enabling it to withstand potential sudden market shocks.

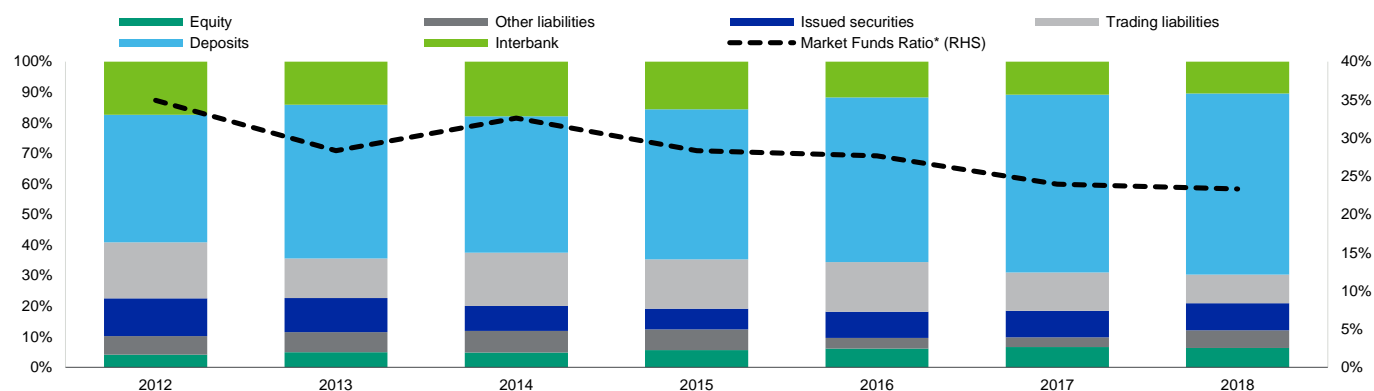
Continued solid funding profile

We assign a baa1 Funding Structure score to Commerzbank, in-line with bank's baa1 initial score, capturing our expectation that the group's moderate dependence on market funding will remain unchanged over the next 12-18 months. We view positively Commerzbank's sustained and significantly diminished refinancing risk compared with the years before its de-risking and restructuring programme, supporting the build-up of a more liquid balance sheet (see Exhibit 8).

Exhibit 8

Commerzbank reduced its reliance on confidence-sensitive wholesale funding sources

Composition of market funding sources



*Market Funds Ratio = Market funds/tangible banking assets.

Sources: Company reports, Moody's Investors Service

Commerzbank's funding largely consists of €210 billion of granular retail customer deposits, as well as corporate deposits, together constituting 42% of its total liabilities (including equity) as of 31 March 2019. Debt capital market funds outstanding totaled €68 billion, equivalent to around 14% of total liabilities and included around €35 billion in covered bonds. During the first three months of 2019, Commerzbank issued €3.8 billion of capital market funding with longer tenors to fund business growth and replace maturing senior debt, equivalent to just below 1% of its average total balance sheet. The remainder of the funds was sourced in the interbank markets and is mostly used to finance assets of similar tenors, as well as to support the bank's large trade finance and repo activities.

With a high stock of loss-absorbing debt comfortably exceeding the minimum levels stipulated under the EU's MREL⁵, Commerzbank is likely to replace maturing junior senior unsecured debt with less costly preferred senior unsecured debt over time. This led to a higher loss severity for Commerzbank's junior senior unsecured debt and the subsequent reduction of the one notch of rating uplift previously factored into these instruments' ratings.

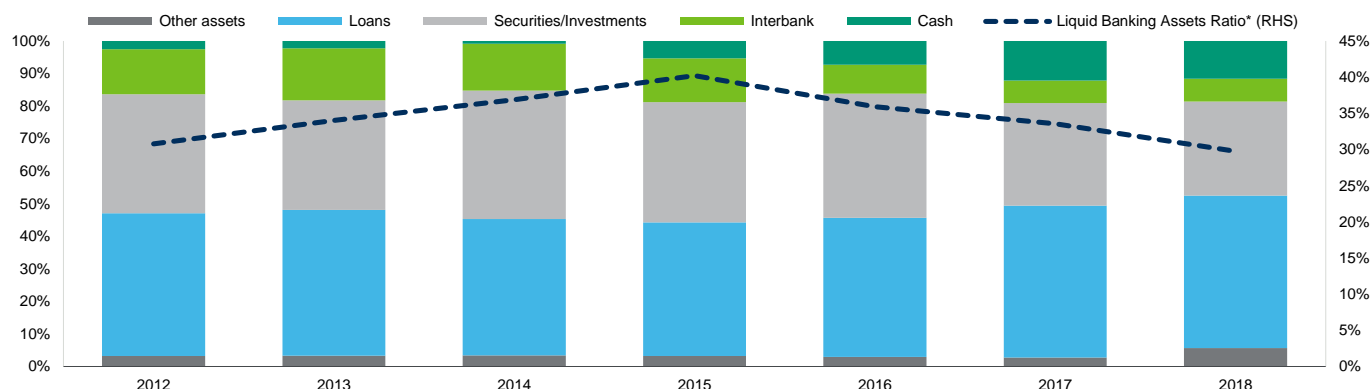
Sound liquidity profile

The a3 Liquid Resources score we assign to Commerzbank is one notch below its a2 initial score and captures the bank's generally solid liquidity profile, as well as the encumbrance of parts of the bank's liquid assets.

The bank held €61 billion of cash on its balance sheet as of 31 March 2019. Commerzbank's liquid asset ratio of above 30% as of 31 March 2019 is further supported by the bank's relatively large and liquid financial investment and trading portfolio totaling around €69 billion as of the same date.

Exhibit 9

Commerzbank maintains sufficient balance-sheet liquidity Composition of liquid assets



*Liquid Banking Assets Ratio = Liquid assets/tangible banking assets.

Sources: Company reports, Moody's Investors Service

Overall, we believe Commerzbank's funding and liquidity profiles are well balanced because liquid unencumbered assets exceed market funds (and also taking into account the bank's continued low funding needs in 2019 and beyond), supporting our overall baa1 Combined Liquidity score.

Support and structural considerations

LGF analysis

Commerzbank is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. We, therefore, apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution.

Our Advanced LGF analysis follows the [insolvency legislation](#) in Germany. In line with our standard assumptions, we assume a residual TCE of 3%, as well as asset losses of 8% of tangible banking assets in a failure scenario. We also assume a 25% run-off of junior wholesale deposits and a 5% run-off in preferred deposits. Moreover, we assign a 25% probability to junior deposits being preferred to senior unsecured debt. We apply a standard assumption for European banks that 26% of deposits are junior.

The results of our Advanced LGF analysis are:

- » For deposits and senior unsecured debt, our LGF analysis indicates an extremely low loss given failure, leading to three notches of rating uplift from the bank's baa2 Adjusted BCA.
- » For junior senior unsecured debt, our LGF analysis indicates a moderate loss given failure, leading to the ratings of this debt class being positioned in-line with the bank's baa2 Adjusted BCA.
- » For subordinated debt, our LGF analysis indicates a high loss given failure, leading to a one-notch deduction from the bank's baa2 Adjusted BCA. The resulting Baa3 rating also applies to the debt instruments issued by Dresdner Funding Trust IV because these display the same risk profile as Commerzbank's senior subordinated debt.

Additional notching for junior subordinated and hybrid instruments

For Commerzbank's more junior debt classes, our Advanced LGF analysis indicates a high loss given failure, given the limited volume of debt and limited protection from more subordinated instruments and residual equity. This leads to a one-notch deduction from the bank's Adjusted BCA. We further incorporate additional notching for junior subordinated and hybrid debt instruments, reflecting the instrument's individual features:

- » The Tier 1 instruments (Dated Silent Partnership Certificates) issued by Dresdner Funding Trust I (ISIN: US26156FAB94 or XS0097772965) are rated Ba1(hyb), two notches below the Adjusted BCA, reflecting the fact that the coupon-skip triggers (4% Tier 1 ratio and 8% total capital ratio) of these non-cumulative instruments are unlikely to be breached. We expect these instruments to be continuously serviced in the foreseeable future.
- » The Tier 1 instruments (ISIN: DE000A0KAAA7) issued by HT1 Funding GmbH are rated Ba1(hyb), two notches below the Adjusted BCA. Investors benefit from an indemnity agreement⁶ of [Allianz SE](#) (Aa3 stable⁷) to pay coupons on the German GAAP book value of the underlying silent participation⁸.

Government support

We assume a moderate probability of government support for both deposits and senior unsecured debt of Commerzbank, which we consider a domestic systemically important financial institution, resulting in one notch of additional rating uplift. For junior senior unsecured debt, subordinated debt and hybrid instruments, we believe the potential for government support is low and these ratings, therefore, do not benefit from any government support uplift.

Counterparty Risk Ratings (CRRs)

Our CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements. CRRs are not applicable to funding commitments or other obligations associated with covered bonds, letters of credit, guarantees, servicer and trustee obligations, and other similar obligations that arise from a bank performing its essential operating functions.

Commerzbank's CRRs are positioned at A1/P-1

The bank's CRRs, prior to government support, are positioned three notches above the baa2 Adjusted BCA, reflecting the extremely low loss given failure from the high volume of instruments, primarily junior senior unsecured debt, which are subordinated to CRR liabilities. Commerzbank's CRRs further benefit from one additional notch of rating uplift provided by government support, in line with our support assumptions on deposits and senior unsecured debt.

Counterparty Risk (CR) Assessment

Our CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it (1) considers only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default, and (2) applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Commerzbank's CR Assessment is positioned at A1(cr)/P-1(cr)

The bank's CR Assessment, prior to government support, is positioned three notches above the baa2 Adjusted BCA, based on the substantial buffer against default provided by more subordinated instruments, primarily junior senior unsecured debt, to the senior obligations represented by the CR Assessment. In addition, Commerzbank's CR Assessment benefits from one further notch of rating uplift provided by government support.

Methodology and scorecard

Methodology

The principal methodology we use in rating Commerzbank is [Banks](#), published in August 2018.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard

may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Commerzbank AG

Macro Factors						
Weighted Macro Profile	Strong +	100%				
Factor	Historic Ratio	Macro Adjusted Score	Credit Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.3%	a2	←→	baa1	Sector concentration	Quality of assets
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	12.7%	a3	←→	baa1	Nominal leverage	Expected trend
Profitability						
Net Income / Tangible Assets	0.1%	b3	←→	b2	Return on assets	Expected trend
Combined Solvency Score		baa2		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	23.3%	baa1	←→	baa1	Extent of market funding reliance	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	29.7%	a3	←→	a3	Stock of liquid assets	Asset encumbrance
Combined Liquidity Score		baa1		baa1		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
Scorecard Calculated BCA range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		
Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency rating	Foreign Currency rating
Counterparty Risk Rating	3	0	a2	1	A1	A1
Counterparty Risk Assessment	3	0	a2(cr)	1	A1(cr)	
Deposits	3	0	a2	1	A1	A1
Senior unsecured bank debt	3	0	a2	1	A1	A1
Junior senior unsecured bank debt	0	0	baa2	0	Baa2	Baa2
Dated subordinated bank debt	-1	0	baa3	0	Baa3	Baa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Note: Balance sheet not applicable

Source: Moody's Investors Service

Disclaimer

The volume of in-scope liabilities per instrument class is currently not displayed in the absence of more detailed public information and limited disclosure regarding the volume, tenure and insolvency ranking of Commerzbank's loss-absorbing debt instruments.

Ratings

Exhibit 11

Category	Moody's Rating
COMMERZBANK AG	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Junior Senior Unsecured	Baa2
Junior Senior Unsecured MTN	(P)Baa2
Subordinate	Baa3
Commercial Paper -Dom Curr	P-1
Other Short Term	(P)P-1
COMMERZBANK FINANCE & COVERED BOND S.A.	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating -Dom Curr	A1
MBANK S.A.	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
COMMERZBANK AG, NEW YORK BRANCH	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured MTN	(P)A1
Subordinate MTN	(P)Baa3
Other Short Term	(P)P-1

Source: Moody's Investors Service

Endnotes

- 1 As reported in the bank's Asset and Capital Recovery (ACR) segment. Commerzbank targets to almost fully run down its exposures to CRE and shipping by year-end 2020. This also includes a low proportion of other performing exposures to these debt classes that are managed within the bank's two core operating segments.
- 2 The 2018 EU-wide stress test is designed to be used as an important source of information for the purposes of the supervisory review and evaluation. The results will assist competent authorities in assessing the bank's ability to meet the applicable prudential requirements under stressed scenarios. The adverse stress test scenario covered a three-year time horizon (2018-20) and has been carried out by applying a static balance-sheet assumption as of year-end 2017 (adjusted for IFRS 9 implementation), and therefore does not take into account future business strategies and management actions. The stress test also does not contain a pass/fail threshold.
- 3 Commerzbank's strategic plan, Commerzbank 4.0, aims to increase profitability and efficiency, and reduce the complexity of the banking group by 2020. Following the strategic revamp, Commerzbank targets a cost base of €6.5 billion by 2020, down from an annualised €7.1 billion in the first nine months of 2016. This target will chiefly be achieved by a net reduction of 7,300 full-time positions, or 15% of the bank's year-end 2015 workforce. However, Commerzbank no longer targets an increase in revenue initially expected to range between €9.8 billion and €10.3 billion for 2020, up from an annualised €9.3 billion in the first nine months of 2016. Overall, and despite the setback in revenue targets, Commerzbank is aiming for a net return on tangible equity of more than 6% by year-end 2020. For a detailed analysis of the bank's initial restructuring plan, please see our Issuer In-Depth report [Digital Revamp Will Cap Profits and Capital Build-Up](#), published on 19 October 2016.
- 4 Such as project costs for the separation of the bank's Equity Markets and Commodities (EMC) business.
- 5 MREL = Minimum requirement for own funds and eligible liabilities.
- 6 The instruments were written down in 2008 (by 15.75%) and written back up in 2013 (for 2012). Despite the principal write-back, Commerzbank did not resume coupon payments in 2013 (for 2012), which Allianz SE covered based on the indemnity agreement. Because coupon payments are non-cumulative, coupons that were not paid in 2008-11 (corresponding to the proportion of the principal written down) were lost and will not become subject to payment at a later date.
- 7 The ratings shown are Allianz SE's insurance financial strength rating and its outlook.
- 8 The instruments represent a repacked silent participation in Dresdner Bank AG (now Commerzbank AG).

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