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Ratings

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Commerzbank AG

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Commerzbank AG

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Stable/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: bbb+ → **Support: +2** → **Additional factors: 0**

SACP: bbb+		
Anchor	bbb+	
Business position	Adequate	0
Capital and earnings	Strong	+1
Risk position	Adequate	0
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		-1

Support: +2	
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
A/Stable/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Solid market position and diversification in domestic corporate banking.	Improved performance but further prospects also dependent on market conditions beyond management's control, notably falling interest rates.
Sizeable bail-in capital buffers to protect senior creditors in the event of a resolution.	High costs at Polish subsidiary mBank, mainly due to litigation-related risks.
Robust balance sheet and high risk-adjusted capital (RAC) buffers.	Significant domestic corporate lending exposure is more vulnerable to difficult economic conditions and geopolitical risks.

We believe Commerzbank has strengthened its business model and financial performance. We anticipate that Commerzbank will execute its strategy and demonstrate improved risk-adjusted profitability, based on its enhanced solid domestic market position and diversification. The bank has delivered on most of its 2024 targets one year ahead of plan, finalizing its multi-year transformation and realignment of its business model. The transformation success is rooted in Commerzbank management's consistent execution of business re-alignments in recent years, with significant cost and efficiency measures. Higher interest rates in the eurozone and Poland also strongly support the transformation.

We expect Commerzbank will maintain sustainably higher capitalization while prudently balancing stronger earnings power with its high capital return policies. We project that Commerzbank will maintain its (RAC) ratio consistently above 10.0% over the medium term. We forecast a RAC ratio of 10.0%-10.5% by year-end 2026, down from 11.6% as of Dec. 31, 2023, as shareholder distributions will offset stronger earnings. Commerzbank's capital return policy until 2027 guides for a capital return for 2024 of at least 70% of net income after deducting additional tier 1 coupons, but not more than the net result over 2025-2027. Our forecast also assumes a return to a more significant business growth. We think that the bank's regulatory buffers remain solid, given that its common equity tier 1 ratio was at 14.8% on June 30, 2024, which was 442 basis points (bps) above the 2024 maximum distributable amount (MDA) and the bank's 13.5% medium-term target. Solid going-concern and gone-concern capital, liquidity buffers, and good asset quality supporting the ratings underpin our assessment.

Polish mBank (BBB/Positive/A-2) is taking significant steps to derisk its exposure to Swiss franc (CHF)-indexed mortgages. We expect the majority-owned Polish subsidiary mBank will incur significant costs from its exposure to legacy foreign currency-denominated mortgage loans because the associated litigation risk remains high. We view this primarily as a risk to mBank's earnings, rather than capital, since mBank delivers strong operational performance absent any exceptional costs. Following a series of negative rulings by local and European courts, mBank has set aside provisions for legal costs, totaling Polish zloty (PLN) 13.8 billion (about €3.2 billion) between year-end 2018 and June 30, 2024. In our base-case scenario, we expect high provisions and declining interest rates in 2024 and that mBank will deliver strong underlying profits.

Our negative comparable rating analysis adjustment in the rating reflects Commerzbank's need to further narrow the gap to higher-rated peers. The adjustment is informed by peer analysis and includes attributes not fully captured in our other rating factors. Specifically, we think the improvements in recent years that we outlined in our assessment of Commerzbank's business position and capital and earnings position are warranted for those individual factors but cumulatively merit a slightly weaker rating outcome. We consider that Commerzbank management's "Strategy 2027" targets, including a 11.5% return on tangible equity (ROTE) by 2027 (up from 7.7% as of year-end 2023) are in line with those of peers and achievable due to Commerzbank's business profile improvements in recent years. However, achieving these goals somewhat depends on market conditions--notably falling interest rates and capital markets valuations, which are beyond management's control--and on the development of legal risk at mBank.

Outlook

The stable outlook reflects our expectation that Commerzbank will continue to demonstrate sound financial and capital performance over the next two years. We anticipate that Commerzbank will deliver on its main strategic targets, maintain sound capital and liquidity, and further improve its resilience to unexpected stress.

Downside scenario

We could lower the ratings if Commerzbank's sustainable risk-adjusted profitability weakens due to unexpected material asset quality problems from economic and geopolitical risks. We could also consider lowering the ratings if Commerzbank's RAC ratio falls sustainably below 10% due to single event risks or a more aggressive capital return policy.

Upside scenario

An upgrade is unlikely over our outlook horizon but could occur if Commerzbank strengthens its creditworthiness closer to peers with 'a-' group stand-alone credit profiles. We would look for evidence of franchise growth, stronger and more consistent performance, balanced divisional earnings contributions, and robust balance sheet metrics.

Key Metrics

Commerzbank AG--Key ratios and forecasts

	--Year ends Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	11.8	10.6	4.1-5.1	4.1-5.0	2.7-3.3
Growth in customer loans	1.6	3.4	7.2-8.8	3.2-3.9	3.2-3.9
Growth in total assets	0.9	8.3	4.6-5.6	2.5-3.1	2.5-3.1
Net interest income/average earning assets (NIM)	1.6	1.9	1.6-1.8	1.5-1.7	1.5-1.7
Cost-to-income ratio	68.6	61.4	57.8-60.8	55.9-58.7	55.0-57.8
Return on average common equity	5.4	8.0	7.9-8.8	9.0-9.9	9.4-10.4
New loan loss provisions/average customer loans	0.3	0.2	0.3-0.3	0.3-0.3	0.2-0.3
Gross nonperforming assets/customer loans	2.1	1.7	1.6-1.8	1.6-1.8	1.7-1.9
Risk-adjusted capital ratio	11.2	11.6	10.9-11.4	10.4-10.9	10.0-10.6

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' For Banks Operating Mainly In Germany

Our anchor--the starting point in assigning an issuer credit rating--for a bank operating mainly in Germany is 'bbb+', based on an economic risk score of '2' and an industry risk score of '4'. We view economic risk and industry risk trends as stable.

Our economic risk assessment for Germany takes a positive view of the economy's competitiveness and wealth, as well as its track record in absorbing large economic and financial shocks. Despite structural risks to Germany's economic model, higher sensitivity to geopolitical stress, and a modest economic outlook compared with European peers, we expect German households and corporates will remain resilient. We forecast only a modest increase in domestic credit losses from low levels to 20 bps over 2024-2025 annually, up from 15 bps in 2023. This is also based on our expectation of a robust German labor market, the deterioration of which would be a key risk for credit losses. In our opinion, German banks' significant exposure to the commercial real estate (CRE) sector continues to represent a risk factor for some banks' asset quality and profitability but will likely not impair their capital position and therefore does not pose a systemic risk to the German banking sector.

Our industry risk assessment for Germany considers the German banking sector's structurally modest profitability relative to peers. German banks have benefited significantly from higher interest rates, but we expect cyclical interest rate support will peak in 2024 and profitability will decline again as policy rates begin to fall. We continue to see that inefficient cost bases, overcapacity, and intense competition are putting a structural strain on profit margins. We factor in positively the banking sector's access to a very stable and broad domestic funding market. The funding profile of German banks largely includes sticky retail deposits, which benefit from a comprehensive deposit protection scheme, as well as covered bonds, which represent a very reliable and cost-efficient funding source.

Business Position: Improved Profitability And Operational Efficiency Strengthened Resilience

Our assessment incorporates Commerzbank's solid domestic market position and diversification, coupled with its consistent track record of improving profitability. Commerzbank is the second-largest commercial bank in Germany and its solid franchise benefits from broad diversification among sectors and regions in Germany. Commerzbank is a market leader in German corporate banking, particularly among large and midsize enterprises and in trade finance. The retail segment is well diversified across Germany and--based on a two-brand strategy, including its digital arm Comdirect--focuses primarily on mortgage financing, the securities business, and, increasingly, wealth management. Commerzbank owns about 69% of mBank, a digitally advanced bank with a sound domestic franchise in Poland, an efficient operating cost structure, and strong earnings absent any extraordinary costs.

We compare Commerzbank's business position with that of other universal banks located in countries with similar Banking Industry Country Risk Assessment (BICRA) industry risk scores. We focus particularly on larger banks with diversified revenue bases, including Deutsche Bank, UniCredit Bank AG, ABN Amro, Raiffeisen Bank International, NatWest, and Société Générale.

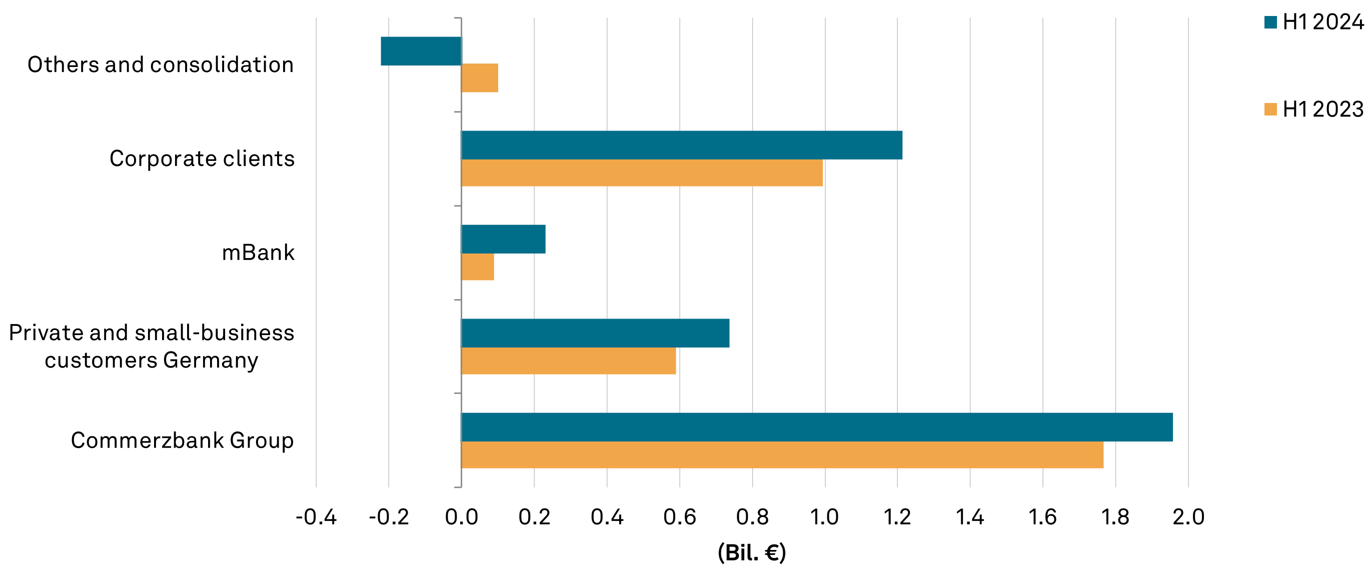
Commerzbank has achieved key milestones in the multi-year transformation and realignment of its business model, which began in early 2021 and focuses primarily on significant cost and efficiency measures. After years of portfolio optimization, Commerzbank is now focusing on growth again. While the bank has benefited considerably from rising interest rates, the successful turnaround has laid a base for structurally improved profitability, in our view. We think better earnings generation strengthens Commerzbank's resilience because it provides additional capacity to absorb potential risks and fund ongoing business investments. As a result of the successful implementation of its "Strategy

2024," Commerzbank recorded the best financial performance in a decade in 2023, which is in line with most peer banks.

Chart 1

Corporate banks and the German retail segment contributed to improved profitability in H1 2024

Operating results in H1 2023 and H1 2024



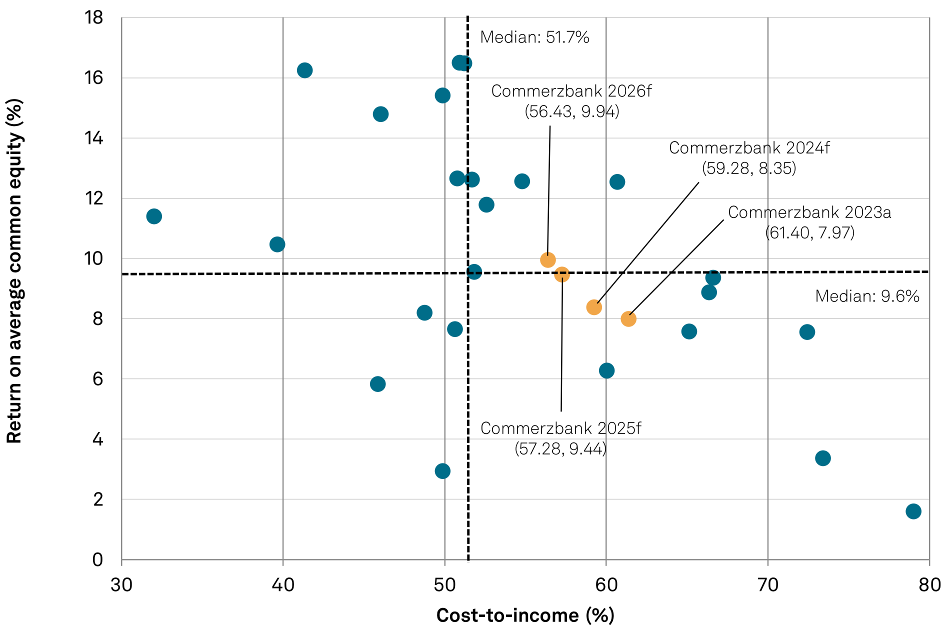
H1--First-half. Source: Commerzbank AG.

However, Commerzbank's management team targets a material increase in profitability under its revised strategic plan and aims to reach a ROTE of about 11.5% and an efficiency ratio of 55% by 2027. Increasing less-cyclical and capital-light fee income through various product initiatives, smaller acquisition--such as wealth manager Aquila Capital--and repricing banking services are intended to fuel higher earnings. Moreover, we estimate interest income has reached its cyclical peak in 2023. We believe achieving these ambitious goals somewhat depends on market conditions, which are beyond management's control.

Chart 2

Commerzbank's efficiency and profitability are catching up with competitors'

2023 cost-to-income ratio and return on average common equity for selected seers



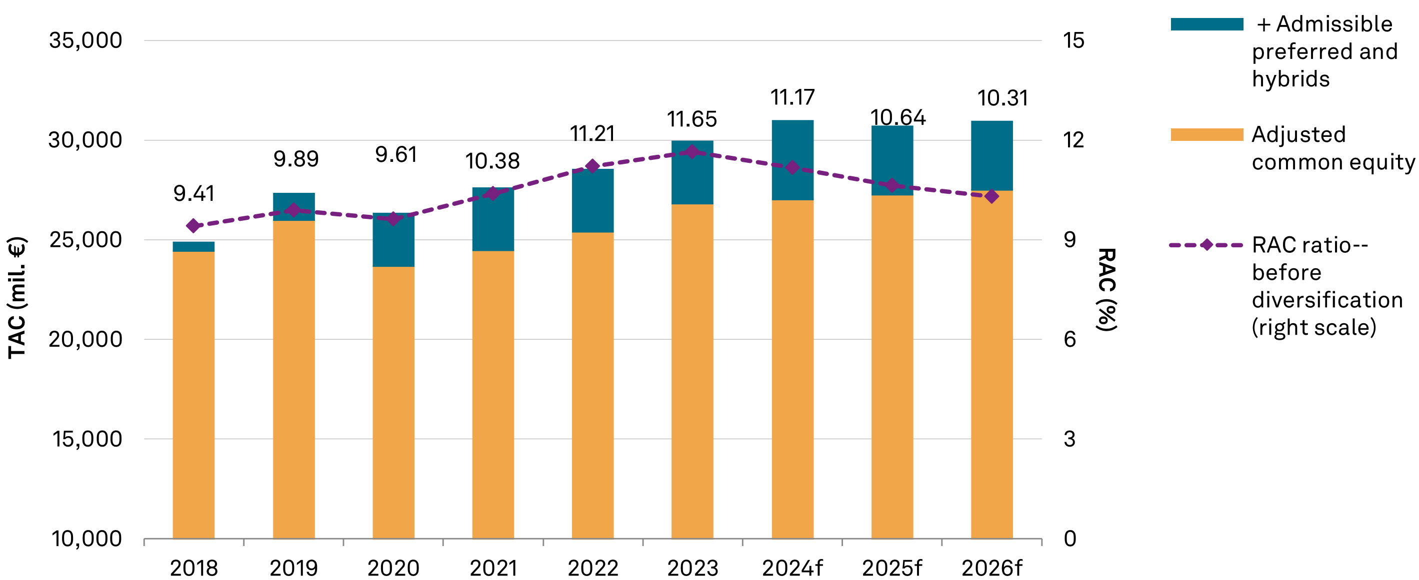
Data as of year-end 2023. For Cooperative Banking Sector Germany, data is as of year-end 2022. Note axis cutoff excludes outliers included in median calculation. a--Actual. f--Forecast. Source: S&P Global Ratings.

Capital And Earnings: Management Expected To Maintain High Capital Buffers

We project that Commerzbank will maintain its RAC ratio consistently above 10.0% over the medium term. We forecast a RAC ratio of 10.0%-10.5% by year-end 2026, down from 11.6% as of Dec. 31, 2023, as shareholder distributions offset stronger earnings.

Chart 3

Improved profitability and solid capital buffers keep our RAC ratio above 10%
Commerzbank's risk-adjusted capital developments 2018-2026f



f--Forecast. RAC--Risk-adjusted capital. TAC--Total adjusted capital. Source: S&P Global Ratings.

We forecast sizable and increasing capital distributions, in line with management's guidance. The bank's revised capital return policy until 2027 guides for a capital return in 2024 of at least 70% of net income (generally after deducting additional tier 1 coupons), but not more than the net result over 2025-2027. We think the bank's improving profitability and excess capital buffers put it in a solid position to distribute more capital to shareholders. Our forecast also assumes a return to more significant business growth.

We think the bank's regulatory buffers remain solid, given that its common equity tier 1 (CET1) ratio was at 14.8% on June 30, 2024, which was 442 bps above the 2024 MDA. All distributions remain subject to a minimum CET1 ratio of 13.5% and a minimum 250 bps buffer against the MDA threshold.

Commerzbank's track record of earnings has continuously improved and supports our assessment. We believe Commerzbank's management has established credibility by delivering an improving earnings trajectory since 2021.

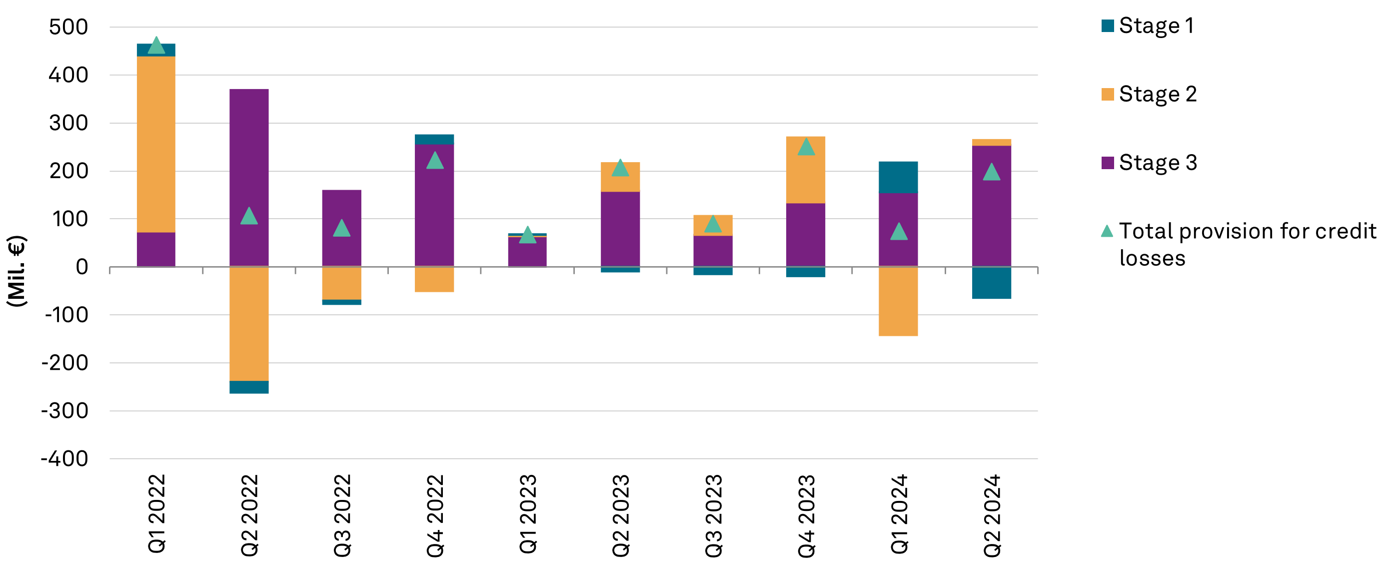
Risk Position: Robust Balance Sheet And Abating Risks From mBank

Our neutral assessment reflects Commerzbank's overall robust balance sheet. Commerzbank's asset quality will remain sensitive to a subdued economic outlook in Germany amid geopolitical conflicts, waning but still material inflation, high energy costs, and pressures from increasing corporate financing costs. This is only partly mitigated by a remaining management overlay of €336 million (about 13 bps of gross customer loans) in reserve at June 30, 2024. Our forecast includes annual net credit losses of 25 bps-30 bps of customer loans over 2024-2026. Under our economic base-case scenario, we anticipate that gross nonperforming loans will moderately increase to about 1.8% by 2026, from 1.7% at year-end 2023.

Chart 4

Credit losses remain moderate, despite economic headwinds

Quarterly provisions for credit losses



Stage 2 provisionings in Q1 2022 mainly refer to a management overlay. Q--Quarter. POCI--Purchased or originated credit-impaired related credit losses are added to stage 3. Source: Commerzbank AG.

We think Commerzbank's corporate portfolio is particularly sensitive to high energy costs and a subdued economic outlook in Germany. On June 30, 2024, Commerzbank had sizable exposures to chemicals and plastic (€15 billion), automotive (€15 billion), construction and metals (€14 billion), energy and environment (€12 billion), and mechanical engineering (€11 billion).

Commerzbank's CRE exposure amounted to a manageable €9.6 billion, which we see as solidly collateralized and diversified across property types, with a very low development risk at €0.6 billion. The CRE portfolio consists of 99% domestic financed objects, after the rundown of foreign CRE finance in the past.

The bank's retail portfolio quality remains supported by the dominance of longer-term fixed mortgages. This reduces risks to debt-servicing capacity from rising interest rates but limits improvements in revenues. The portfolio quality is highly sensitive to a potential sharp house price correction, which we consider unlikely because it would likely require a steep rise in unemployment in Germany.

We expect costs from mBank's CHF-denominated retail mortgage portfolio will moderate, compared with the high levels in 2023. However, under our base case, we forecast mBank's exposure to legacy foreign-currency-denominated mortgage loans will lead to costs of about €600 million in 2024 and annual costs of €100 million over 2025-2026 because the associated litigation risk remains significant. We view this primarily as a risk to the group's earnings, rather than capital, since mBank delivers strong operational performance, absent any exceptional costs.

We also see risks from increased cyber-attacks on outsourcing service providers, which also led to manageable losses at Commerzbank in 2023. At the beginning of 2024, the European Central Bank began testing the resilience of more than a hundred banks against cyber attacks through the use of a cyber resilience stress test (see "Supervising Cyber: How The ECB Stress Test Will Shape The Agenda," published March 6, 2024). Commerzbank is continuously working to improve its cyber resilience. Due to its deep restructuring, which included a more comprehensive digital transformation of the operating model, we believe that the effective management of third-party risk is particularly relevant for Commerzbank and that poorly managed cyber risks could expose structural weaknesses in its risk management practices.

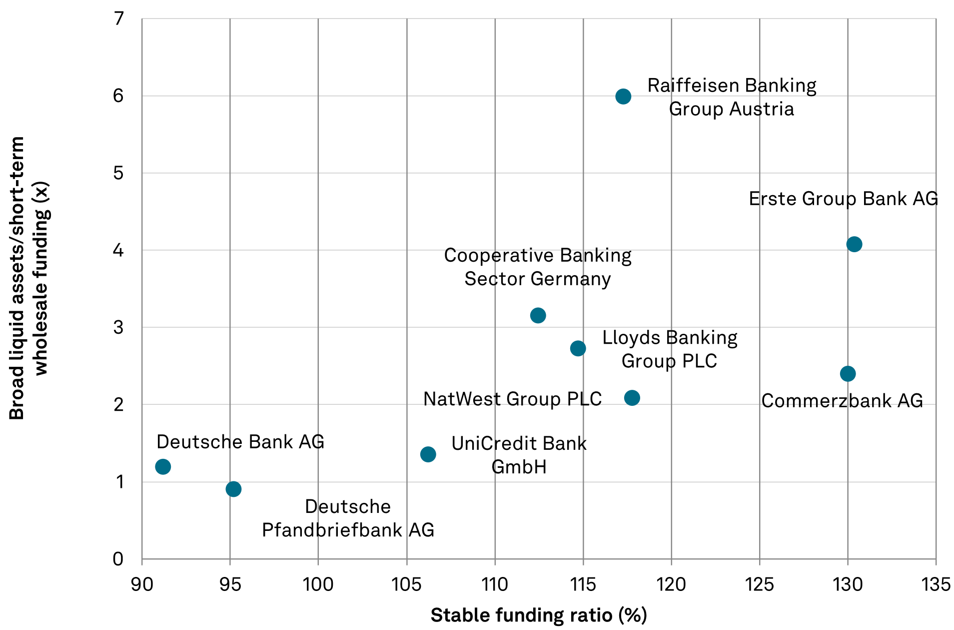
Funding And Liquidity: Balanced Funding Profile And Sound Metrics

Commerzbank's funding and liquidity profile remains consistent with its balance sheet profile. We consider its profile and related metrics as a neutral rating factor and comparable with peers. Our stable funding ratio remains comfortably above 100%, indicating the appropriate matching of assets and liabilities. Furthermore, broad liquid assets covered short-term wholesale funding by 2.4x at year-end 2023. We anticipate that Commerzbank will maintain prudent management buffers comfortably above regulatory requirements.

Chart 5

Commerzbank is well placed within its peer group

Key funding and liquity metrics (data as of year-end 2023)



Data for Cooperative Banking Sector Germany is as of year-end 2022. Source: S&P Global Ratings.

Commerzbank's funding franchise builds on its branch network and established relationships with domestic retail and corporate clients that support funding stability. This provides it with access to a stable core deposit base to meet its funding needs. We do not expect a material negative effect from the cut in the branch network to 400 in 2023, from about 800 in 2020, reflecting the accelerated systemwide trend toward digital channels. Deposit funding costs have been below management's expectation so far, supporting the bank's earnings, but remain on an upward trend systemwide as customers adapt to the higher rates environment and competition in Germany remains intense.

We see access to the covered bonds market as supporting funding stability. Commerzbank's long-term covered bonds (Pfandbriefe) refinance predominately its real estate exposures. As of June 30, 2024, the bank sourced about half of its long-term capital market funding from stable covered bonds. The bonds' collateralized nature and the more favorable treatment of covered bond assets in banks' regulatory liquidity metrics make it an attractive funding tool. We anticipate that Commerzbank has sufficient unused collateral for further issuances and that these instruments will benefit from reliable investor demand and favorable funding costs in a stressed environment, compared with unsecured bonds.

We do not incorporate material benefits from the partial government ownership. We consider the German government's 16% ownership is temporary and assume that the government would be open to a sale if the price came sufficiently close to the purchase price. We think liquidity contingency plans and stress testing are adequate. Commerzbank could operate for more than six months without access to market funding in an adverse scenario, in our view.

Comparable Ratings Analysis: Negative Adjustment For Peer Comparison

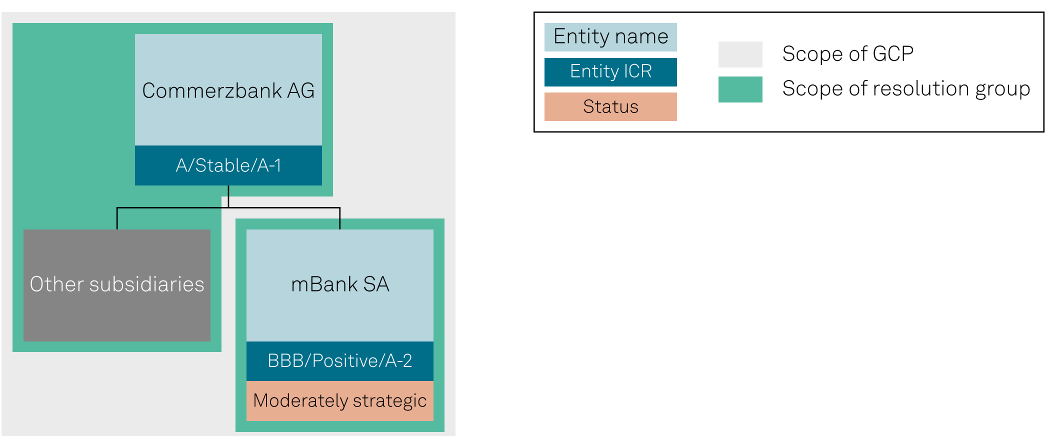
Our negative comparable rating analysis adjustment in the rating reflects Commerzbank's need to further narrow the gap to higher-rated peers. The adjustment is informed by peer analysis and includes attributes not fully captured in our other rating factors. Specifically, we think the improvements in recent years that we outlined in our assessment of Commerzbank's business position and capital and earnings position are warranted for those individual factors but cumulatively merit a slightly weaker rating outcome.

Support: Commerzbank's Bail-In Buffer Is Consistent With Two ALAC Support Notches

Commerzbank is operating under a multiple point of entry resolution strategy, with Polish mBank being the principal entity that sits outside the German resolution group. In our additional loss-absorbing capacity (ALAC) measure for Commerzbank, we therefore include only the German subgroup's bail-in-able instruments and risk-weighted assets, which represent about 90% of the group's risk-weighted assets.

Chart 6

Our analytical approach for Commerzbank AG and its rated subsidiaries



Note: Group status reflects the relationship to its subgroup parent. Status can be either moderately strategic, strategically important, or highly strategic. ICR--Issuer credit rating. Source: S&P Global Ratings.

Commerzbank's ALAC buffer consists mainly of tier 2 and senior nonpreferred instruments and, to a decreasing extent, certain long-term vanilla senior unsecured bonds that turned into subordinated instruments in resolution and liquidation, after a German law change in 2017. We exclude subordinated instruments that were issued under U.S. law, which does not explicitly refer to bail-in, given the risk that bail-in by the European regulator could be challenged by investors holding these instruments.

We believe Commerzbank's ALAC buffer will sustainably exceed our 6% threshold required for a two-notch rating uplift. This will provide further protection to senior creditors in a resolution scenario. Based on full-year 2023 data, our ALAC ratio was 7.8% and we think the bank is committed to maintain it above 6.0%. We forecast positive net issuance for bail-in-able instruments through 2027, supporting the ALAC ratio close to current levels.

Environmental, Social, And Governance

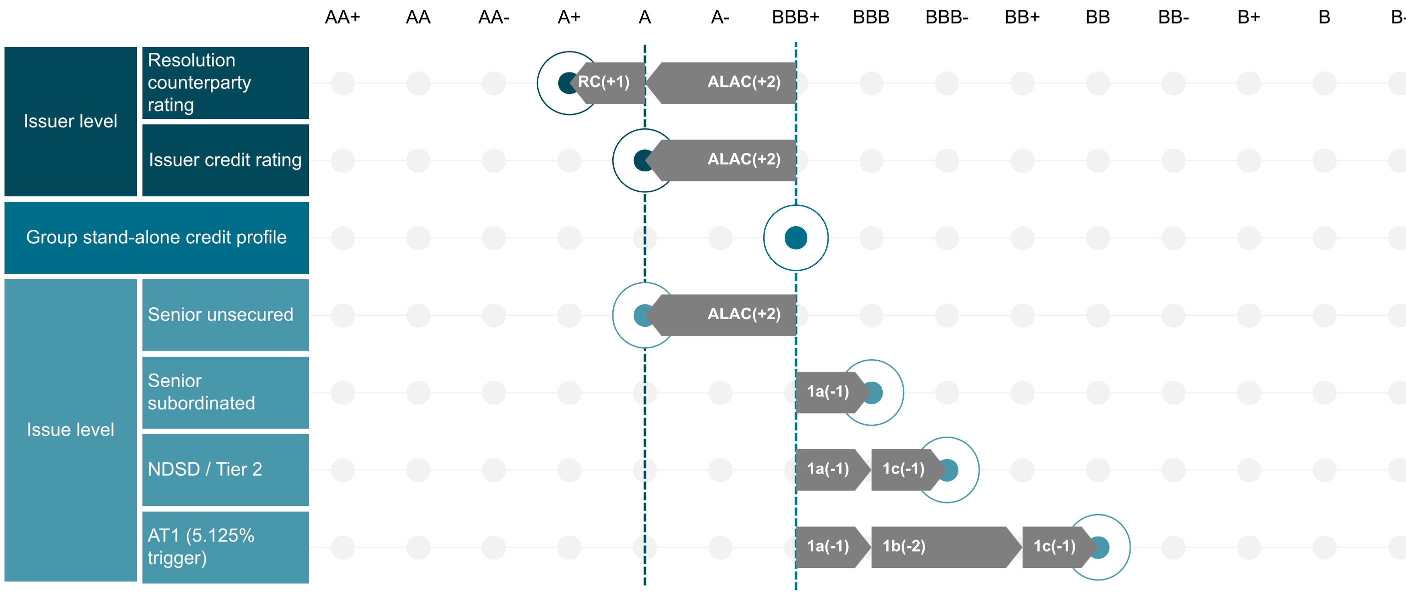
Overall, we consider that the effects of ESG factors on Commerzbank are in line with those on the wider industry, including German peers, and that they do not constitute a differentiating factor. We think management has executed the transformation prudently and made tangible progress in improving structural profitability and resilience.

Commerzbank aims to increase significantly sustainable product sales to €300 billion by 2025 and has already reached €238 billion in 2023. We also consider transition risks in the lending portfolio will become important to business prospects and asset quality.

Group Structure, Rated Subsidiaries, And Hybrids

We consider mBank as moderately strategically important for Commerzbank. We do not rule out another attempt to sell the bank when market conditions improve, and once the remaining litigation risk from CHF exposures has reduced sharply. However, we also acknowledge in our assessment that mBank demonstrates solid operational performance absent extraordinary cost, contributing to the group's mid-term financial targets.

Commerzbank AG: Notching



Key to notching

---- Issuer credit rating

----- Group stand-alone credit profile

RC	Resolution counterparty liabilities (senior secured debt)
ALAC	Additional loss-absorbing capacity buffer
1a	Contractual subordination
1b	Discretionary or mandatory nonpayment clause and whether the regulator classifies it as regulatory capital
1c	Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
The nonoperating holding company (NOHC) issuer credit rating and senior unsecured debt ratings are notched from the group stand-alone credit profile (SACP) under our criteria. Since ALAC notching does not benefit NOHCs, for simplicity the diagram above is stylized to show the positioning of these ratings with reference to the group SACP.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

We assign 'A+/A-1' RCRs, one notch above the long-term issuer credit rating, to Commerzbank that relate to certain senior liabilities that are explicitly protected from default in an effective bail-in resolution process.

Key Statistics

Table 1

Commerzbank AG--Key figures

	--Year ends Dec. 31--				
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	558,401.0	515,772.0	476,139.0	471,801.0	505,496.0
Customer loans (gross)	288,682.7	273,514.0	264,430.0	260,144.0	254,607.0
Adjusted common equity	27,843.0	26,815.9	25,408.1	24,484.4	23,688.5
Operating revenues	5,415.0	10,460.0	9,461.0	8,459.0	8,186.0
Noninterest expenses	3,186.0	6,422.0	6,486.0	6,506.0	6,672.0
Core earnings	1,343.4	2,225.7	1,458.3	1,631.0	-498

*Data as of June 30.

Table 2

Commerzbank AG--Business position

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Total revenues from business line (currency in millions)	5,415.0	10,460.0	9,461.0	8,459.0	8,215.0
Commercial and retail banking/total revenues from business line	55.2	46.9	51.5	51.7	51.3
Trading and sales income/total revenues from business line	44.7	41.4	35.4	35.7	24.8
Other revenues/total revenues from business line	0.1	11.8	13.1	12.6	23.8
Return on average common equity	8.9	8.0	5.4	1.7	(10.8)

*Data as of June 30.

Table 3

Commerzbank AG--Capital and earnings

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	16.6	16.5	16.0	15.5	15.0
S&P Global Ratings' RAC ratio before diversification	N/A	11.6	11.2	10.4	9.6
S&P Global Ratings' RAC ratio after diversification	N/A	13.1	12.5	11.4	10.6
Adjusted common equity/total adjusted capital	89.9	89.6	89.1	88.7	90.0
Net interest income/operating revenues	77.6	80.0	68.3	57.3	60.8
Fee income/operating revenues	33.2	32.4	37.2	42.7	40.5
Market-sensitive income/operating revenues	(0.6)	(2.4)	0.7	10.9	2.8
Cost to income ratio	58.8	61.4	68.6	76.9	81.5
Preprovision operating income/average assets	0.8	0.8	0.6	0.4	0.3
Core earnings/average managed assets	0.5	0.4	0.3	0.3	(0.1)

*Data as of June 30. N/A-Not applicable. RAC-Risk-adjusted capital.

Table 4

Commerzbank AG--Risk-adjusted capital framework data

(Mil. €)	**Exposure at default**	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Government and central banks	155,640	4,660	3	9,688	6

Table 4

Commerzbank AG--Risk-adjusted capital framework data (cont.)					
Of which regional governments and local authorities	4,441	132	3	167	4
Institutions and counterparty clearing houses	55,554	14,439	26	19,221	35
Corporate	141,462	73,037	52	97,721	69
Retail	156,736	24,974	16	62,922	40
Of which mortgage	106,110	11,514	11	25,322	24
Securitization*	29,543	4,840	16	8,543	29
Other assets§	8,820	13,490	153	16,332	185
Of which deferred tax assets	2,435	'--	'--	9,130	4
Of which amount of over (-) or under (+) capitalization of insurance subsidiaries	'--	'--	'--	'--	'--
Total credit risk	547,756	135,439	25	214,429	39
Total credit valuation adjustment	'--	1,975	'--	6,047	'--
Equity in the banking book	3,636	2,512	69	9,898	272
Trading book market risk	'--	6,306	'--	9,173	'--
Total market risk	'--	8,818	'--	19,071	'--
Total operational risk	'--	22,790	'--	17,431	'--
RWA before diversification	'--	175,108	'--	256,977	100
Single name (on corporate portfolio)†	'--	'--	'--	6,423	7
Sector (on corporate portfolio)	'--	'--	'--	(5,968)	(6)
Geographic	'--	'--	'--	(8,445)	(4)
Business and risk type	'--	'--	'--	(21,259)	(9)
Total diversification/concentration adjustments	'--	'--	'--	(29,249)	(11)
RWA after diversification	'--	175,108	'--	227,728	89

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's Global Ratings' RAC ratio (%)
Capital ratio before adjustments	28,926	16.5	29,930	11.6
Capital ratio after adjustments±	28,926	16.5	29,930	13.1

*Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. §Other assets inlcude deferred tax assets (DTAs) not deducted from ACE. †For public-sector funding agencies, the single name adjustment is calculated on the regional government and local authorities portfolio. ±For Tier 1 ratio, adjustments are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RAC--Risk-adjusted capital. RW--Risk weight. RWA--Risk-weighted assets.

Table 5

Commerzbank AG--Risk position					
	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	11.1	3.4	1.6	2.2	1.5
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(11.4)	(10.2)	(9.2)	(9.7)
Total managed assets/adjusted common equity (x)	20.1	19.3	18.8	19.3	21.4
New loan loss provisions/average customer loans	0.2	0.2	0.3	0.2	0.7
Gross nonperforming assets/customer loans + other real estate owned	1.9	1.7	2.1	1.6	1.9
Loan loss reserves/gross nonperforming assets	64.3	69.7	53.9	68.1	63.7

*Data as of June 30. N/A-Not applicable. RWA--Risk-weighted assets.

Table 6

Commerzbank AG--Funding and liquidity

	--Year ends Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	74.9	75.8	74.7	68.6	70.1
Customer loans (net)/customer deposits	75.4	77.4	83.6	94.5	85.8
Long-term funding ratio	83.4	84.5	83.5	78.3	79.1
Stable funding ratio	131.9	130.0	122.3	109.4	118.9
Short-term wholesale funding/funding base	17.6	16.6	17.6	23.3	22.3
Regulatory net stable funding ratio	N/A	130.2	128.3	128.8	N/A
Broad liquid assets/short-term wholesale funding (x)	2.4	2.4	2.1	1.5	1.8
Broad liquid assets/total assets	37.4	35.3	31.9	29.1	32.8
Broad liquid assets/customer deposits	55.3	52.3	48.7	50.5	56.8
Net broad liquid assets/short-term customer deposits	39.8	38.1	31.4	20.6	31.3
Regulatory liquidity coverage ratio (%)	149.1	136.2	141.1	145.1	N/A
Short-term wholesale funding/total wholesale funding	68.5	66.7	67.6	72.4	73.0

*Data as of June 30. N/A-Not applicable.

Commerzbank AG--Rating component scores

Issuer credit rating	**A/Stable/A-1**
SACP	bbb+
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Adequate
Capital and earnings	Strong
Risk position	Adequate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	-1
Support	0
ALAC support	+2
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment: Germany, Aug. 7, 2024
- mBank S.A., June 3, 2024
- Supervising Cyber: How The ECB Stress Test Will Shape The Agenda, March 6, 2024
- German Banks In 2024: Rating Resilience Despite Economic Underperformance, Jan. 24, 2024
- Commerzbank AG, Dec. 18, 2023

Ratings Detail (As Of August 27, 2024)*	
Commerzbank AG	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Junior Subordinated	BB
Senior Subordinated	BBB
Senior Unsecured	A
Subordinated	BBB-
Issuer Credit Ratings History	
07-Aug-2024	A/Stable/A-1
10-Nov-2023	A-/Positive/A-2
23-Mar-2023	A-/Stable/A-2
23-May-2022	BBB+/Stable/A-2
23-Apr-2020	BBB+/Negative/A-2
Sovereign Rating	
Germany	AAA/Stable/A-1+
Related Entities	
Dresdner Funding Trust I	
Junior Subordinated	BB
mBank S.A.	
Issuer Credit Rating	BBB/Positive/A-2
Resolution Counterparty Rating	BBB+/--/A-2

Ratings Detail (As Of August 27, 2024)*(cont.)	
Senior Subordinated	BB+
Senior Unsecured	A-2
Senior Unsecured	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.