

Commerzbank

Issuer View • 19 August 2024

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Ratings

Commerzbank AG

	Rating	Outlook
Fitch	-	-
Moody's	A1	Positive
S&P	A	Stable

Homepage

www.commerzbank.de

As measured by assets (H1 2024: EUR 560bn), the Frankfurt-based Commerzbank AG (Coba) is one of Germany's largest banks. It serves nearly 11 million retail and commercial customers in addition to approximately 25,500 corporate clients (FY 2023) in 400 branches nationwide. The largest shareholder in the DAX-listed bank is the Federal Republic of Germany with over 15% (data as at March 2024), which it holds via the Financial Market Stabilisation Fund (FMS). Coba is represented on an international basis via 15 foreign branches and 27 representative offices in more than 40 countries. Reporting is conducted across three business areas: Retail and Business Customers (RBC; 49.3% of the pre-tax profit in H1 2024), Corporate Customers (CC; 62%) and Other and Consolidation (OC; -11.3%). Coba bundles its domestic branch business in the RBC segment, in addition to activities under the Comdirect brand and business with its subsidiaries Commerz Real and the mBank Group. The CC segment comprises all SME and large corporate customers in Germany and abroad in addition to institutional clients. The OC segment covers, among other aspects, the Group Treasury and equity participations that are not allocated to either of the other segments PUK and CC. Coba reported a volume of EUR 62bn (H1 2023) in terms of capital market refinancing. A share of 51% of the funding mix is made up of covered bonds, with 37% attributable to senior bonds (preferred and non-preferred) and 12% to subordinated capital. In 2023, Coba issued its fourth green bond (non-preferred senior) in the amount of EUR 600m. Based on turnover, Coba reported a green asset ratio of 2.3% in FY 2023.

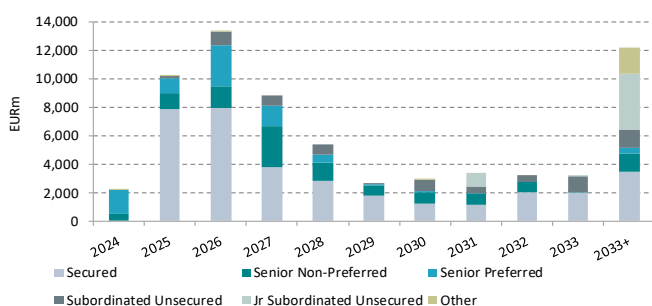
Balance Sheet

(EURm)	2022Y	2023Y	2024H1
Net Loans to Customers	261,411	270,219	-
Total Securities	96,729	100,511	108,022
Total Deposits	312,652	349,195	-
Tier 1 Common Capital	23,854	25,720	25,500
Total Assets	477,428	517,166	560,087
Total Risk-weighted Assets	168,731	175,114	172,900

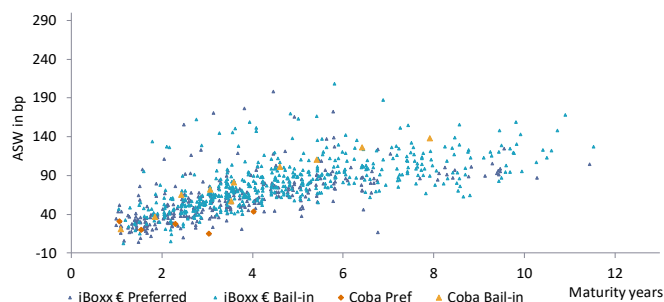
Income Statement

(EURm)	2022Y	2023Y	2024H1
Net Interest Income	6,459	8,368	4,204
Net Fee & Commission Inc.	3,519	3,386	1,799
Net Trading Income	35	-275	-80
Operating Expense	6,570	6,415	3,189
Credit Commit. Impairment	865	621	272
Pre-tax Profit	2,005	3,403	1,953

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2022Y	2023Y	2024H1	2022Y	2023Y	2024H1	
Net Interest Margin	1.27	1.70	1.57	Liquidity Coverage Ratio	145.90	145.40	149.10
ROAE	4.60	6.90	8.08	IFRS Tier 1 Leverage Ratio	5.25	5.15	4.68
Cost-to-Income	67.84	61.60	57.64	NPL/Loans at Amortised Cost	2.24	1.88	-
Core Tier 1 Ratio	14.14	14.69	14.75	Reserves/Loans at Amort. Cost	1.19	1.29	-

As at: 19.08.2024; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Floor Research

Strengths / Opportunities

- Liquidity
- Capital buffer
- Asset quality

Risks / Weaknesses

- Legal dispute concerning the subsidiary mBank
- Uncertainty macro-economic environment
- Dependency on wholesale funding

Covered Bonds

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Two programmes for the issue of Pfandbriefe

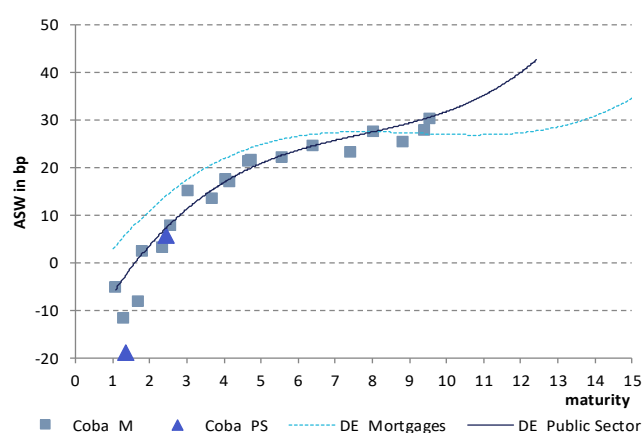
Commerzbank has both outstanding mortgage and public-sector Pfandbriefe, with the volume of mortgage Pfandbriefe (EUR 30.6bn) significantly exceeding that of public-sector Pfandbriefe (EUR 9.2bn). The mortgage cover pool contains cover assets with a volume of EUR 43.4bn, while the publicly collateralised pool contains cover assets totalling EUR 17.0bn. In the current composition of the iBoxx EUR Covered (August 2024), Cobra is represented with a total of 19 Mortgage Pfandbriefe (outstanding volume: EUR 18.7bn) and two Public Pfandbriefe (EUR 1.8bn)

Programme data

30 June 2024	Mortgage	Public Sector
Covered bonds outstanding	EUR 30.63bn	EUR 9.20bn
Cover pool volume	EUR 43.40bn	EUR 16.97bn
Current OC (nominal / legal)	41.7% / 2.0%	84.5% / 2.0%
Type	94.6% Residential	49.9% Local authorities
Main country	100% Germany	79.7% Germany
Avg. LTV (mortgage lending value)	51.0%	-
Number of loans / exposures	347,992 / 244,474	2,187 / 878
Share of 10 largest exposures	1.3%	21.7%
Fixed interest (Cover Pool / CBs)	98.1% / 77.4%	77.4% / 61.9%
WAL (Cover Pool / CBs)	5.8y/ 4.3y	8.3y / 4.5y
NPL	0.00%	0.00%
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / -

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

Spread overview (BMK) – Germany



Mortgage cover pool predominantly with residential property cover

As at 30 June 2024, Commerzbank's mortgage cover pool comprised a total of 347,992 loans and consisted almost exclusively of primary cover assets (96.3%). Geographically, the assets in the mortgage cover pool are located exclusively in Germany. In turn, 98.2% of the primary cover assets consist of residential assets and 1.8% of commercial cover. 60.5% of the residential cover assets are in the category of detached and semi-detached houses, followed by condominiums (29.4%) and apartment blocks (10.1%). Commercial cover assets totalled EUR 770.7m, with the largest volume of EUR 562.9m attributable to the "office buildings" category. The cover pool for public sector Pfandbriefe consists of 2,187 loans, the majority of which (79.7%) are located in Germany. Among the borrowers, local authorities dominate with 49.9%, followed by central government (19.6%) and regional authorities (19.5%). The share of the ten largest loans in the cover pool is stated as 1.3% for the mortgage cover pool and 21.7% for the public sector cover pool. Neither of the two cover pools contains non-performing loans (NPLs).

Rating and regulation

Both Commerzbank's mortgage and public sector Pfandbriefe are rated Aaa by Moody's, the highest rating. Accordingly, they benefit from a preferred risk weight of 10% in accordance with CRR. In our opinion, bonds in EUR benchmark format are eligible as Level 1 assets in the LCR context. Pfandbriefe placed by the issuer from 8 July 2022 can bear the label "European Covered Bond (Premium)".

Appendix

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