

# Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed

September 18, 2019

*(Editor's Note: We are re-issuing this report, originally published Sept. 17, 2019, because it did not appear on our platforms due to a technical error.)*

- Competitive dynamics in the German banking sector remain under pressure due to poor cost efficiency, rising risks from tech disruption, and expectations of a prolonged low-interest-rate environment.
- The risk of macroeconomic imbalances is increasing, since the external environment is starting to weigh on German corporates and house price growth shows no sign of slowing.
- As a result, we are revising our outlooks on members of the German cooperative banking sector and on DekaBank to negative from stable, while affirming our ratings on these entities.
- We are also affirming our ratings on a further nine banks, with our outlooks on five of banks staying negative and those on the other four remain stable.
- The ratings on Deutsche Bank and on core or highly strategic subsidiaries of foreign banks remain unaffected.

FRANKFURT (S&P Global Ratings) Sept. 17, 2019--S&P Global Ratings said today that it has revised its outlooks on the following Germany-based banks to negative from stable:

- Core members of the Cooperative Banking Sector Germany, including Deutsche Apotheker- und Aerztebank AG and DZ HYP AG; as well as
- DekaBank Deutsche Girozentrale, a core member of the German savings banks sector.

At the same time, we affirmed our ratings on all these banks in addition to nine other German banks.

Our outlooks on five of the nine banks remain negative and those on the other four remain stable.

The rating actions stem from our view that the industry and economic risk trends for German banks under our Banking Industry and Country Risk Assessment (BICRA) are now negative rather than stable. We anticipate that, over the next 24 months, low interest rates will continue to hamper banks' net interest margins and income. This will be exacerbated by the effects of widening macroeconomic imbalances weighing on German corporations and rising house prices. If industry risk continues to rise, we could revise the anchor that starts our rating on German banks to 'bbb+' from 'a-', signaling a potential deterioration of banks' stand-alone credit profiles

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(SACPs).

Our ratings on Deutsche Bank AG (BBB+/Stable/A-2) are unaffected because rising risk for Germany's banking system would not directly affect the components of our rating on Deutsche Bank, due to the bank's international diversification. More importantly, we see the success of the bank's ongoing restructuring as hinging principally on management's ability to restore profitability in global markets, in addition to completing the operational integration of its German retail business (see "Deutsche Bank 'BBB+/A-2' Ratings Affirmed On Restructuring Announcement; Outlook Stable," published July 15, 2019, on RatingsDirect). We acknowledge the challenging environment in which the bank is seeking to deliver on its restructuring plan. Unless we see a significant unexpected setback, we plan to review the rating before end-2019 to assess management's progress, considering the conditions we anticipate from 2020.

Similarly, our ratings on German subsidiaries of foreign banks considered to be core or highly strategic group members are unaffected by the change in BICRA trends. This is because we see their creditworthiness as directly linked to the overall credit strength of their parent institutions, given the integral role they play within their groups and the high likelihood that they would receive parental support if needed.

### **Risk trends within the banking industry have turned negative.**

The European Central Bank's announcement of further accommodative monetary policy measures provides additional evidence that ultra-low policy rates may prevail for longer than we assumed previously. This also contrasts with the gradual normalization of monetary policy we envisaged at the start of the year. Although the announced two-tier system for reserve remuneration might alleviate some of the burden of negative rates on German banks, lower market interest rates will likely offset this positive impact, in our view. We do not expect much relief on the liability side of banks' balance sheets, given German banks' difficulty in passing negative rates on to retail depositors. Rather, we expect net interest margins will keep declining as older, higher yielding loans mature or are refinanced at lower rates, potentially further eroding an important source of profits.

In particular, we believe this signals a negative industry risk trend because most German banks' profitability has already been trailing that of their European peers. Some of the country's large universal banks are still restructuring and face fierce competition from foreign and domestic banks, especially in corporate lending. Savings and cooperative banks, which together account for over 50% of the German market by deposits, are grappling with large branch networks and a decentralized structure, which makes extensive cost-cutting difficult to implement. Moreover, these banks' business models are less profit-led than those of other banks, given their shareholder structure.

In addition, a large share of German banks have poor efficiency ratios, due to restructuring and legal costs, but many are unable to cut operating costs quickly due to the complexity of rightsizing their operating models. Importantly, however, German banks' cost bases remain under pressure from much-needed investments to update their core banking systems and increase the digital offering to meet customers' expectations. German banks have been slow to adapt to the rising competition from fintechs and Big Tech, increasing their exposure to tech disruption (see "Tech Disruption In Retail Banking: German Banks Have Little Time For Digital Catch-Up," published May 14, 2019).

## **Germany's economy is showing clear signs of weakness, for instance in the manufacturing sector.**

The external environment poses a heightened risk for Germany's export-led economy. Exports accounted for 47% of GDP in 2018. The ongoing U.S.-China trade war, Brexit-related uncertainties, and slowing growth in emerging markets are clouding Germany's growth prospects. Simultaneously, traditional sectors, such as the auto industry, are going through a significant transformation entailing risks to companies along the supply chain. Positively, domestic demand and the services sector are holding up relatively well, in view of still low unemployment rates. We expect economic growth to decline to about 0.6% in 2019, from 1.9% on average over 2015–2018. This situation has already led some companies to announce layoffs and delay investments.

Overall, therefore, we believe the economic environment for German banks will become increasingly difficult. Slowing GDP growth will make it tougher for banks to offset lower margins with higher volumes. Moreover, risk costs, which have decreased since 2015, will likely rise once again, hurting banks with large corporate exposures more than others. Fierce competition for corporate lending business also raises the question of whether these risks were adequately priced over recent years.

House price growth remains strong and mortgage lending has picked up. Nevertheless, we believe German banks' mortgage lending standards remain conservative. Borrowers are often required to contribute up to 30% of the selling price, and mortgages are typically long term (10 years or more) and at fixed interest rate. Moreover, to be eligible for mortgage-covered bond pools, loans have to satisfy very strict loan-to-value requirements for which the value is measured through an economic cycle. Still, the lack of certain systemwide data, such as loan-to-value ratios, hampers a deeper analysis of the market. Moreover, while house prices are just reaching long-term averages, the Bundesbank estimates they are overvalued by 15%–30% in large cities.

That said, Germany's highly flexible and diverse economy, and ample buffers thanks to low government deficits and a sizable net external creditor position, support the banking system's stability. Consequently, economic risk for German banks remains low in a global comparison.

## **Cooperative Banking Sector Germany**

We revised our outlooks on the core group members of Germany's cooperative banking sector, including DZ BANK AG, to negative since increasing economic and industry risks will likely put additional pressure on their risk exposures and risk-adjusted profitability in the medium term. The negative outlook indicates that we could lower our ratings within the next two years.

### **Downside scenario**

More specifically, if we revise our anchor for German banks to 'bbb+' from 'a-', we could lower our 'AA-' issuer credit rating (ICR) on the cooperative banking sector's core members, and our related issue ratings on the banks' senior preferred debt, senior subordinated debt, and regulatory capital instruments.

We could also lower the ratings if the sector's market position and ability to cover normalized credit losses weakened, its aggregate risk-adjusted capital (RAC) ratio declined to less than 10%, the sector shifted into higher-risk areas, or underwriting quality loosened.

## **Upside scenario**

We could revise our outlooks to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. Moreover, we may revise the outlooks to stable if the sector's business model and risk profile remain robust, and the sector displays much higher resilience to a weakening economic cycle than other German banks or similarly rated international peers.

We also believe the successful execution of a more holistic strategy and material progress in addressing structural weaknesses, such as cost efficiency and below-average market positions in corporate and private banking, remain pivotal.

## **Deutsche Apotheker- und Aerztebank eG**

Our negative outlook on Apobank indicates the possibility of a downgrade within the next two years if increasing economic and industry risks put additional pressure on the cooperative banking sector's risk exposures and risk-adjusted profitability over that period.

## **Downside scenario**

We could lower our 'AA-' ICR on Apobank and our related issue ratings on the bank's senior preferred debt, senior subordinated debt, and regulatory capital instruments if the sector's anchor deteriorates to 'bbb+' from 'a-'. We could also lower the ratings if the sector's market position and ability to cover normalized credit losses weakened, if its aggregate RAC ratio declined to less than 10%, the sector shifted into higher-risk areas, or underwriting quality loosened.

We could also consider a negative rating action if, contrary to our base-case expectations, we observed significant weakening of Apobank's strategic importance to the sector, leading us to change our view of its core group status. However, we currently see this scenario as highly unlikely.

## **Upside scenario**

We could revise our outlook on Apobank to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. Moreover, we may revise the outlook to stable if the cooperative sector's business model and risk profile remain robust, and the sector displays much higher resilience to a weakening economic cycle than other German banks or similarly rated international peers.

We also believe the successful execution of a more holistic strategy and material progress in addressing structural weaknesses, such as cost efficiency and below-average market positions in corporate and private banking, remain pivotal.

## **DZ HYP AG**

Our negative outlook on DZ HYP indicates the possibility of a downgrade within the next two years if increasing economic and industry risks put additional pressure on the cooperative banking sector's risk exposures and risk-adjusted profitability over that period.

## **Downside scenario**

We could lower our 'AA-' ICR on DZ HYP and our related issue ratings on the bank's senior preferred debt, senior subordinated debt, and regulatory capital instruments if the sector's anchor deteriorates to 'bbb+' from 'a-'. We could also lower the ratings if the sector's market position and ability to cover normalized credit losses weakened, its aggregate RAC ratio declined to less than 10%, the sector shifted into higher-risk areas, or underwriting quality loosened.

We could also consider a negative rating action if, contrary to our base-case expectations, we observed significant weakening of DZ HYP's strategic importance to the sector, leading us to change our view of its core group status. However, we currently see this scenario as highly unlikely.

## **Upside scenario**

We could revise our outlook on DZ HYP to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. Moreover, we may revise the outlook to stable if the cooperative sector's business model and risk profile remain robust, and the sector displays much higher resilience to a weakening economic cycle than other German banks or similarly rated international peers.

We also believe the successful execution of a more holistic strategy and material progress in addressing structural weaknesses, such as cost efficiency and below-average market positions in corporate and private banking, remain pivotal.

## **DekaBank Deutsche Girozentrale**

We revised our outlook on DekaBank, a core member of the German savings banks group, to negative due to increasing economic and industry risks for the German banking sector. In particular, the German savings banks' profitability will be exposed to a prolonged period of low interest rates, the effects of external economic headwinds, and unabated house price growth.

## **Downside scenario**

We could lower our ratings on DekaBank over the next 24 months if we revised the starting point of our ratings to 'bbb+' from 'a-'. We could also take a negative rating action if the German savings banks' profitability drops, preventing the group from covering its normalized credit losses, or if the sales volumes of DekaBank's products through the savings banks network decreased over a prolonged period.

## **Upside scenario**

We could revise our outlook to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. We consider an upgrade to be a remote possibility at this time. It would require the German savings banks to demonstrate stronger profitability, a broader franchise, or sustainably healthy capitalization.

We do not assign outlooks to bank issue ratings. That said, we expect our ratings on DekaBank's senior subordinated (senior nonpreferred) issuances will move in tandem with our ICR on the

bank.

## **Outlooks On The Nine Other Banks**

### **Commerzbank AG**

Our outlook on Commerzbank remains negative, indicating that we could downgrade Commerzbank within the next two years. In our view, over that period, rising economic and industry risks will make it more difficult for Commerzbank to improve its risk-adjusted profitability to that of similarly rated banks.

If economic or industry risk were to rise further, we would likely revise the anchor that starts our rating on Commerzbank to 'bbb+' from 'a-', given the bank's international asset allocations and focus on export-oriented German corporate customers.

Moreover, we still see little room for a major setback in Commerzbank's multiyear "CBK 4.0" strategy to strengthen its leading franchise in German corporate banking and improve the market share and performance of its retail banking and private wealth management divisions. In our view, Commerzbank needs a sustainable improvement in its risk-adjusted earnings and capital position to weather worsening credit cycles, rising competition, and low interest rates, also because of its currently weak equity valuations and potential attractiveness as a merger target.

**Downside scenario** We could lower our 'A-' ICR on Commerzbank, as well as the related issue ratings on the bank's senior preferred debt, senior subordinated debt, and regulatory capital instruments if Commerzbank's anchor were to deteriorate to 'bbb+' from 'a-'.

In addition, we could downgrade Commerzbank if it fails to deliver on its multiyear strategy to strengthen its capitalization and earnings, with the RAC ratio not improving sustainably above 10%. This could lead us to lower our issue ratings on Commerzbank's senior subordinated debt and regulatory capital instruments. We would also lower the ICR and ratings on related senior unsecured debt if we saw no offsetting rating factors, such as higher amounts of excess total adjusted capital in the bank's additional loss-absorbing capital (ALAC) buffer.

More specifically, a downgrade could follow weakening of aggregate bail-in-able debt levels or ALAC protecting senior creditors in the event of a resolution. If Commerzbank is unable to maintain a rolling two-year ALAC buffer of 5%-8% of risk-weighted assets (by our definition) in line with our forecasts, we would likely remove the notch of uplift in our long-term rating on the bank. This is because it implies holders of senior preferred debt would be less protected in the event of a resolution. Under this particular scenario, we would not necessarily lower our 'BBB' issue ratings on Commerzbank's senior subordinated debt or regulatory capital instruments because we derive them from our assessment of Commerzbank's SACP.

**Upside scenario** We could revise our outlook to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry.

At the same time, Commerzbank needs to demonstrate strengthening of its business position with more stable, diverse retail and midsize corporate banking, alongside less volatile and sustainably improved earnings and risk position compared with similarly rated international peers'. More robust capitalization and ALAC buffers to cushion unexpected setbacks in its transformation would support the current one-notch uplift in our long-term ICR.

## **DVB Bank SE**

Our negative outlook indicates that we could downgrade DVB over the next two years if rising risks for the German banking industry put additional pressure on DVB's restructuring. Also, we consider that DVB's capitalization could decline sharply despite the owner DZ BANK's commitment to absorb losses, or that the links between DVB and DZ BANK could weaken. This could have a negative effect on the amount and timeliness of shareholder support for DVB under stress.

**Downside scenario** We could lower our 'BBB' ICR on DVB over the next 24 months if:

- The anchor were revised downward to 'bbb+' and this is not offset by additional ownership support or substantial progress in DVB's restructuring;
- We anticipated that the profit- and loss-transfer agreement with DZ BANK did not shield DVB's capitalization from erosion beyond our base case. This could happen if DVB used its fund for general banking risk reserves to prevent a net loss in its stand-alone accounts. In particular, we could downgrade DVB if we projected that the RAC ratio was likely to decline to below 4%; or
- We see signs of weakening links between DVB and DZ BANK. Although unlikely, this could be through dilution or sale of DZ BANK's stake in DVB. This could lead us to revise down our view of the bank's group status and lower the ratings by several notches, given the amount of ongoing and extraordinary group support we currently factor into the ratings.

**Upside scenario** We could revise our outlook to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. Apart from this, uncertainty regarding group support for DVB would need to reduce. This could happen if the profit- and loss-transfer agreement shielded DVB's capital against deterioration and potential tail risk from its concentrated loan book. If we saw clear evidence that, under all foreseeable circumstances, DZ BANK would retain ownership of DVB and support its funding and loss-absorption capacity, we would also consider revising the outlook to stable.

## **Volkswagen Bank GmbH**

Our negative outlook on Volkswagen Bank GmbH (VW Bank) indicates the possibility of a downgrade over the next two years, since increasing economic and industry risks for Germany's banking industry are putting additional pressure on VW Bank's risk exposures and risk-adjusted profitability. Moreover, VW Bank has yet not finalized its strategic reorganization within the Volkswagen (VW) group, under which it has much enlarged core businesses. VW Bank now manages VW's European banking activities, which could entail greater economic risks outside German markets.

Nevertheless, we currently consider the rating on VW to be a floor for our rating on VW Bank, as long as the bank remains a core subsidiary.

**Downside scenario** We could lower our 'A-' ICR on VW Bank, as well as the related issue ratings on the bank's senior preferred debt, senior subordinated debt, and regulatory capital instruments if VW Bank's anchor were to deteriorate to 'bbb+' from 'a-'.

**Upside scenario** We could revise our outlook to stable over the next 24 months if we were to see stable economic and industry risk trends for the German banking industry. At the same time, VW Bank needs to demonstrate the strength of its restructured European business model, and

maintain superior capitalization to buffer risks.

## **Deutsche Pfandbriefbank AG**

The negative outlook reflects our view of rising economic and industry risks for the German banking sector. We might also lower the ratings within the next two years if Deutsche Pfandbriefbank (PBB) does not sustain strong capitalization, robust asset quality, and risk-adjusted earnings.

**Downside scenario** We might lower our long-term rating on PBB by one notch if we revise downward our anchor for PBB to 'bbb+' from 'a-'. This would reflect our view that PBB's asset quality could weaken and further weigh on its moderate earnings performance, compared with other banks we rate 'A-'. Moreover, we see a risk that our RAC ratio may decline below the 10% threshold supporting our assessment of strong capital and earnings, particularly if PBB were to pursue greater-than-expected credit expansion in a worsening economic cycle. Should PBB's SACP weaken to 'bbb-', we would downgrade its senior preferred debt, senior subordinated debt, and capital instruments.

**Upside scenario** We could revise the outlook to stable if we considered that both economic and industry trends for the German banking sector had stabilized, or PBB improved its earnings and capital position while maintaining favorable asset quality through the cycle. Maintaining a substantial ALAC buffer in the coming years, underpinning the respective two-notch uplift in the rating, would support an outlook revision to stable.

## **UniCredit Bank AG**

The negative outlook indicates that we could lower our ratings on UniCredit Bank over the next 24 months, once the resolution strategy for UniCredit group, including the size and positioning of bail-in buffers, becomes clear. We could also lower the ratings if increased economic or industry risks in Germany materially affect asset quality and does not allow UniCredit Bank to maintain strong capitalization.

**Downside scenario** If we conclude that the resolution approach for UniCredit Group meant a unified, single process involving all entities, this would alter our current view that the prospects of stronger subsidiaries would be markedly different from those of the weaker parent. As a result, we would no longer rate UniCredit Bank above the parent. As a result, we would lower our ratings on the bank by one notch to the level of the group credit profile, all other factors remaining equal.

In addition, if economic or industry risk increases for German banks, we would likely revise down our anchor for UniCredit Bank to 'bbb+' from 'a-'. That could lead us to lower the rating as higher risks in Germany could materially affect UniCredit Bank's asset quality, bringing our RAC ratio for the bank below the 10% threshold commensurate with strong capital and earnings. Further extraordinary capital transfers to other group entities, or stronger credit expansion in a worsening economic cycle, could also weaken the RAC ratio and lead to a downgrade.

We could also lower the ratings if the group's parent UniCredit were downgraded, which we consider unlikely however, given the stable outlook on the group. Despite UniCredit's material exposure to Germany, we do not believe a potential increase of economic risk in Germany could have repercussions on the group's current creditworthiness. We continue to see adverse developments in Italy that could jeopardize the recovery of asset quality and earnings as the main



## Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed

risk for the group.

We cap our rating on UniCredit Bank at one notch above the GCP, since we believe its creditworthiness would feel the weight of weaker credit quality at the parent and still see uncertainties in the implementation of the group's resolution strategy. A downgrade of UniCredit Bank would result in the downgrade of the bank's senior preferred debt, senior subordinated debt, and junior subordinated instruments.

**Upside scenario** We could revise the outlook to stable if:

- Uncertainties regarding the resolution process were clarified, and it was clear that the SRB would employ separate resolution processes for the subsidiaries and the parent; and
- UniCredit Bank is able to mitigate the effect of the negative trends we currently observe by maintaining favorable asset quality and a RAC ratio sustainably above 10% through the economic cycle.

## Hamburg Commercial Bank

The stable outlook on Hamburg Commercial Bank (HCOB) reflects our view that, although the bank's transformation could face increasing economic and competitive headwinds, it will lead to more sustainable and predictable performance over the next two years. We already take these challenges into account in the 'BBB' ICR, so we are unlikely to lower the rating. However, rising economic or industry risks in Germany could lead to a downward revision of the anchor, and also the bank's SACP.

**Downside scenario** Although a change in our anchor for German banks may not, by itself, lead us to lower our ICR on HCOB, we could do so if, at the same time, we observe a marked deterioration in asset quality or significantly increasing risk appetite materializing in higher credit losses than currently anticipated. We could also consider a downgrade if we see uncertainty regarding HCOB's ability to meet the membership terms of the private banks' deposit protection scheme, the transformation resulted in a smaller and more volatile business model than we currently expect, or if we forecast the RAC ratio will fall below 10% for a lengthy period. Weakened capitalization might result, for example, from risk-weighted asset growth outpacing earnings retention or, less likely, from financial damage from litigation with hybrid investors.

**Upside scenario** An upgrade is remote over the outlook horizon, given the negative trends we see for the German banking industry. Nevertheless, should the environment improve, pressure on margins eases, and HCOB shows sustainable progress in revenue generation, cost reduction, and risk-adjusted profitability, we could consider an upgrade. An upgrade would also hinge on the bank's successful transition to the private banks' protection scheme.

## Grenke AG

Our stable outlook on Grenke stems from our view that the firm's profitability is likely to remain higher and more resilient than its German peers', despite the relatively weak economic environment in many of its major markets. This is due in large part to Grenke's pan-European franchise and niche operations in information technology and other small leasing transactions. We assume that Grenke will continue to benefit from its disciplined and superior risk-adjusted pricing, and would temper growth if risk-adjusted pricing became unattractive. We note also Grenke's commitment to maintain very strong capitalization, despite its business growth and

## Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed

increasing economic risks, which requires regular capital injections.

**Downside scenario** We would likely lower the rating if we concluded that the company was not going to take appropriate capital measures to support its strong business growth, resulting in its RAC ratio declining below 15%. In addition, we could downgrade Grenke if we expect deteriorating asset quality, for example due to substantially worsening macroeconomic conditions in its main markets or increased risk appetite.

**Upside scenario** A positive rating action over the next 18#24 months is unlikely given Grenke's comparably small size, niche business model, and material reliance on wholesale funding, which we believe are unlikely to change in the foreseeable future.

## S-Finanzgruppe Hessen-Thuringen

The outlook is stable because we assume continued stability of S-Finanzgruppe Hessen-Thuringen (SFHT)'s group's credit profile, despite the negative economic and industry risk trends we currently observe in Germany. We consider that SFHT's balanced business mix of the savings banks' strong market position in retail banking and Landesbank Hessen-Thüringen Girozentrale (Helaba)'s prudent relationship-based strategy in wholesale banking will largely offset ongoing competitive pressure in low-interest-rate environment.

**Downside scenario** We could lower our ratings on all of SFHT's member banks over the next 24 months, if economic and competitive headwinds weigh more on the group than we currently anticipate. Although unlikely, this might materialize if, for example, there were a substantial and sustained weakening of the savings banks' competitive position or a sharp decline in capitalization.

We could also lower our ratings if we see a material decline in Helaba's asset quality, especially in commercial real estate and corporate finance, implying a less risk-averse stance than currently. Similarly, we might downgrade SFHT if the group materially increased business in foreign markets with much higher economic risk in a worsening credit cycle, or if efficiency ratios decline further under continued pressure on revenues.

**Upside scenario** We regard an upgrade over the next 24 months as unlikely, owing to the ongoing pressure on the group's earnings from low interest rates and signs of economic downturn in Germany and other parts of the world.

## Wuestenrot Bausparkasse AG

Our outlook on building-savings bank Wuestenrot Bausparkasse (WBSK) is stable because we consider that increasing earnings contribution from W&W's stronger insurance subgroup will continue to support W&W's aggregate creditworthiness, which we assess at 'a-'. We see WBSK's main bank product as particularly vulnerable to prolonged period of low interest rates, owing to the Bauspar product's option-like features and difficulty to market it in such an environment.

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019

## Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

## Related Research

- New ECB Stimulus Package Is Likely To Keep Interest Rates Low Through 2023, Sept. 13, 2019
- Banking Industry Country Risk Assessment Update: August 2019, Aug. 27, 2019
- ECB Stimulus Signal Is Good For Growth, Bad For Bank Profits, July 26, 2019
- Global Banks Midyear 2019 Outlook: Low For Longer And Digital Prompt Further Rethink, July 11, 2019
- Tech Disruption In Retail Banking: German Banks Have Little Time For Digital Catch-Up, May 14, 2019
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, April 12, 2019

## BICRA Score Snapshot\*

### Germany

	To	From
BICRA Group	2	2
Economic risk	1	1
Economic resilience	Very low risk	Very low risk
Economic imbalances	Very low risk	Very low risk
Credit risk in the economy	Low risk	Low risk
Trend	Negative	Stable
Industry risk	3	3
Institutional framework	Intermediate risk	Intermediate risk
Competitive dynamics	Intermediate risk	Intermediate risk
Systemwide funding	Very low risk	Very low risk
Trend	Negative	Stable

\*Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores are on a scale from 1 (lowest risk) to 10 (highest risk). For more details on our BICRA scores on banking industries across the globe, please see "Banking Industry Country Risk Assessment Update," published monthly on RatingsDirect.

## Ratings List

\*\*\*\*\*Commerzbank AG\*\*\*\*\*

### Ratings Affirmed

#### Commerzbank AG

Issuer Credit Rating A-/Negative/A-2

Resolution Counterparty Rating A/--/A-1

\*\*\*\*\*Cooperative Banking Sector Germany (All Core Entities)\*\*\*\*\*\*

### Ratings Affirmed

#### DVB Bank SE

Issuer Credit Rating BBB/Negative/A-2

### Ratings Affirmed; Outlook Action

To	From
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#### Deutsche Apotheker- und Aerztebank eG

#### DZ PRIVATBANK S.A.

#### DZ HYP AG

#### DZ BANK AG Deutsche Zentral-Genossenschaftsbank

Issuer Credit Rating AA-/Negative/A-1+ AA-/Stable/A-1+

**Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed**

**R+V Versicherung AG**

**KRAVAG-LOGISTIC Versicherungs AG**

Issuer Credit Rating		
Local Currency	AA-/Negative/--	AA-/Stable/--
Financial Strength Rating		
Local Currency	AA-/Negative/--	AA-/Stable/--

**\*\*\*\*\* Deutsche Pfandbriefbank AG \*\*\*\*\***

**Ratings Affirmed**

**Deutsche Pfandbriefbank AG**

Issuer Credit Rating	A-/Negative/A-2
Resolution Counterparty Rating	A/--/A-1

**\*\*\*\*\* S-Finanzgruppe Hessen-Thuringen (All Core Banks)\*\*\*\*\***

**Ratings Affirmed**

Issuer Credit Rating	A/Stable/A-1
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**Ratings Affirmed; Outlook Action**

	To	From
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**DekaBank Deutsche Girozentrale**

Issuer Credit Rating	A+/Negative/A-1	A+/Stable/A-1
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**\*\*\*\*\* Grenke AG \*\*\*\*\***

**Ratings Affirmed**

**Grenke AG**

Issuer Credit Rating	BBB+/Stable/A-2
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**\*\*\*\*\* Hamburg Commercial Bank AG \*\*\*\*\***

**Ratings Affirmed**

**Hamburg Commercial Bank AG**

Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB+/-/A-2

**\*\*\*\*\* UniCredit SpA \*\*\*\*\***

**Ratings Affirmed**

**UniCredit Bank AG**

Issuer Credit Rating	BBB+/Negative/A-2
Resolution Counterparty Rating	A/--/A-2

**UniCredit SpA**

Issuer Credit Rating	BBB/Stable/A-2
Certificate Of Deposit	
Foreign Currency	BBB/A-2
Local Currency	BBB
Resolution Counterparty Rating	BBB+/-/A-2

**Outlooks On Various German Banks Revised To Negative On Rising Banking Sector Risks; Ratings Affirmed**

**\*\*\*\*\* Volkswagen AG \*\*\*\*\***

**Ratings Affirmed**

**Volkswagen Bank GmbH**

Issuer Credit Rating                      A-/Negative/A-2

**Volkswagen Finans Sverige AB**

Issuer Credit Rating

Nordic Regional Scale                      --/--/K-1

**\*\*\*\*\* Wuestenrot & Wuerttembergische AG \*\*\*\*\***

**Ratings Affirmed**

**Wuestenrot Bausparkasse AG**

Issuer Credit Rating                      A-/Stable/A-1

N.B.--This list does not include all the ratings affected. For a full list of the cooperative bank entities, see "Cooperative Banking Sector," Feb. 4, 2019. For a full list of savings bank, "S-Finanzgruppe Hessen-Thuringen Outlook Revised To Stable From Positive On Weaker Capital Forecast; Affirmed At 'A/A-1'," Aug. 14, 2019.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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