Various German Banks' Snr Unsecured Debt Lowered/Affirmed After Notes Review; Off Watch; Four Banks Remain On Watch

Primary Credit Analysts:
Bernd Ackermann, Frankfurt (49) 69-33-999-153; bernd.ackermann@spglobal.com
Giles Edwards, London (44) 20-7176-7014; giles.edwards@spglobal.com

Secondary Contacts:
Richard Barnes, London (44) 20-7176-7227; richard.barnes@spglobal.com
Harm Semder, Frankfurt (49) 69-33-999-158; harm.semder@spglobal.com
Markus W Schmaus, Frankfurt (49) 69-33-999-155; markus.schmaus@spglobal.com
Heiko Verhaag, Frankfurt (49) 69-33-999-215; heiko.verhaag@spglobal.com

OVERVIEW
• We've reviewed the documentation for each long-term senior unsecured debt instrument we rate that is issued by nine German banks, after placing various issue and issuer credit ratings on CreditWatch on Dec. 15, 2016.
• As a result, we are lowering our ratings on seven banks' debt that we have reclassified as senior subordinated and affirming our ratings on those banks' instruments we determined to be senior unsecured, while removing all those ratings from CreditWatch negative.
• Our long-term issuer credit ratings on Commerzbank AG, Deutsche Bank AG, Deutsche Pfandbriefbank AG, and UniCredit Bank AG, and related issue ratings on these banks' long-term senior unsecured debt, remain on CreditWatch pending our review of debt classification and the size and sustainability of the banks' additional loss-absorbing capacity (ALAC).
Positive, Various Banks' Snr Unsecured Debt On Watch Developing Or Neg, Pending Notes Review" on RatingsDirect). Our ratings on Commerzbank AG, Deutsche Bank AG, Deutsche Pfandbriefbank (PBB), and UniCredit Bank AG remain on CreditWatch pending our review of these four banks, which will be concluded before end-March 2017.

More specifically, we have lowered by one notch our ratings on 454 instruments we reclassified as senior subordinated, and affirmed our ratings on 28 issues we will continue to treat as senior unsecured debt, that were issued by seven German banks or bank subsidiaries: Deutsche Apotheker- und Aerztebank eG (ApoBank), Deutsche Genossenschafts- Hypothekenbank AG (DG Hyp), DVB Bank SE, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Landesbank Hessen-Thuringen Girozentrale (Helaba) except grandfathered guaranteed senior debt, Volkswagen Financial Services (including Volkswagen Bank GmbH), and WL BANK AG Westfaelische Landschaft Bodenkreditbank. We have removed these debt ratings from CreditWatch negative.

In addition, we have raised our long-term issuer credit rating (ICR) on DekaBank Deutsche Girozentrale to 'A+' from 'A' and affirmed the 'A-1' short-term ICR. As a result, we have raised to 'A+' our issue ratings on nine of DekaBank's senior unsecured issuances. We affirmed our ratings on other issuances we reclassified to senior subordinated.

At the same time, we assigned a rating of 'BBB-' to senior subordinated debt under Grenke AG's medium-term notes program, while affirming our 'BBB+' ratings on Grenke's senior unsecured debt and removing them from CreditWatch negative.

We have kept our issue ratings on senior unsecured instruments issued by Commerzbank, Deutsche Bank, PBB, and UniCredit Bank AG on CreditWatch developing and our ICRs on the four banks on CreditWatch positive.

RATIONALE
The rating actions follow our review of German banks' senior unsecured debt in light of a law that, as of Jan. 1, 2017, turned certain long-term senior unsecured bonds into subordinated instruments in a resolution and liquidation. The CreditWatch placements followed our assessment that those instruments will be economically equivalent to senior subordinated debt that we rate in other European countries and which we usually include in banks' ALAC buffers. The subordination under the law led us to reclassify the affected instruments as senior subordinated debt.

We have now reviewed the terms and conditions of the nine banks' rated senior unsecured issuances to determine whether to reclassify them as senior subordinated debt. For these banks, we do not currently envisage any possibility of an uplift in the ICRs for ALAC support, mainly because we anticipate they will not be subject to a bail-in process if they failed or because uplift from group support is greater than from ALAC. Our understanding of the instruments' legal status reflects the interpretation guide prepared...
jointly by the German regulator (BaFin), the German central bank, and the German resolution authority, on the classification of certain liabilities of institutions that have to meet capital requirements regulation (under insolvency law pursuant to section 46f 5 to 7 of the German Banking Act, published Nov. 7, 2016, on www.bafin.de).

The key characteristics of senior subordinated instruments are that they are mainly standard term instruments that have either a fixed coupon or carry a floating interest rate based on the most common reference rates. By contrast, instruments that continue to rank pari passu with other senior unsecured liabilities have non-standard coupon types (including, among other features, a cap and collar structures) or an original term that does not exceed 365 days.

For the senior subordinated instruments, we now use the same starting point to rate them as we do for the banks' other hybrid capital instruments. We then deduct one notch for subordination, given that the starting point for rating all nine banks is 'bbb-' or higher.

For DekaBank, the same subordination considerations apply. However, in a separate rating action, we have today raised our long-term ICR on DekaBank because of our view of its sustained and increasing integration into the German savings banks sector (see "German DekaBank Upgraded To 'A+' On Continued Alignment With German Savings Banks; Outlook Stable"). We take the ICR as the starting point for notching to derive the ratings on DekaBank's debt, given that we view DekaBank as a core subsidiary of the German savings banks sector and believe that sector support would cover the bank's subordinated debt instruments as well as senior unsecured debt. In particular, we believe that the German savings banks would seek to prevent a bail-in scenario at DekaBank because of its important role for the sector.

With regards to Grenke, today's rating actions affect only our rating on the debt issuance program, since we do not rate any senior unsecured notes Grenke has issued directly. The program allows for senior unsecured as well as senior subordinated notes. We will continue to rate potential senior unsecured notes at 'BBB+'. Potential senior subordinated notes would be rated two notches lower at 'BBB-', given that the company's stand-alone credit profile (SACP), which is the starting point for notching to derive the rating on hybrid issues, is 'bbb', one notch below the long-term ICR.

CREDITWATCH
- Deutsche Bank AG, Commerzbank AG, UniCredit Bank AG, and PBB

Our ratings on four systemically important banks in Germany that might benefit from potential ALAC support remain on CreditWatch pending the completion of our review. We will continue to assess these banks' senior unsecured debt issuances and, importantly, the rating implications of their likely sizeable ALAC buffers, any consequences this might have for their business and funding
models, and each bank's overall credit strength versus that of similarly rated banks.

We aim to resolve the CreditWatch by the end of March 2017.

The CreditWatch positive status on these banks and certain of their subsidiaries continues to reflect the upside rating potential stemming from their ALAC buffers. We might raise or affirm our long-term ratings on each bank by up to two notches depending on our view of the likely size of the sustainable ALAC buffer. We expect to least affirm our ratings on any instrument that we continue to classify as senior unsecured debt, or even raise the ratings if we were to upgrade the issuing bank. Upon resolution of the CreditWatch, we would likely lower, by one notch, our ratings on any instrument we reclassify as senior subordinated debt. It might be two notches to 'BBB-' for debt issued by Deutsche Bank directly, given that the bank's 'bbb' SACP, which is the starting point for notching to derive the rating on senior subordinated debt, is one notch below the 'BBB+' long-term ICR (which includes a positive adjustment notch).

RELATED CRITERIA

• General Criteria: Guarantee Criteria, Oct. 21, 2016
• General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 01, 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
• Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
• General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
• General Criteria: Group Rating Methodology, Nov. 19, 2013
• Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
• Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
• Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 09, 2011
• Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 09, 2011
• Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 06, 2010
Criteria - Financial Institutions - Banks: Methodology For Mapping Short-And Long-Term Issuer Credit Ratings For Banks, May 04, 2010
General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
General Criteria: Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009

RELATED RESEARCH
German DekaBank Upgraded To 'A+' On Continued Alignment With German Savings Banks; Outlook Stable, Feb. 9, 2017
Four German Banks On Watch Positive, Various Banks' Srn Unsecured Debt On Watch Developing Or Neg, Pending Notes Review, Dec. 15, 2016
Credit FAQ: Rating Implications For German Banks Due To Evolving Bank Resolution Regulations, Dec. 15, 2016
Various Deutsche Pfandbriefbank Ratings On CreditWatch Pending Review Of Senior Unsecured Debt; Hybrids Upgraded, Dec. 15, 2016
GRE Criteria Review Of Six German And Austrian Banks' Grandfathered Debt Results In Four Downgrades And Two Affirmations, Sept. 20, 2012

Ratings List
Note: This list does not include all the ratings affected. In the following list the footnote symbol * denotes senior subordinated debt reclassified from senior unsecured.

** ** ** ** ** ** ** ** ** ** ** ** ** ** ** Commerzbank AG ** ** ** ** ** ** ** ** ** ** ** ** ** **
Ratings Remain On CreditWatch

Commerzbank AG
Counterparty Credit Rating BBB+/Watch Pos/A-2
Senior Unsecured BBB+/Watch Dev
Senior Unsecured BBB+p/Watch Pos
Senior Unsecured cnA+/Watch Dev
Commercial Paper A-2/Watch Pos

Commerzbank U.S. Finance Inc.

[1] Guaranteed by Commerzbank AG.

** ** ** ** ** Members of Cooperative Banking Sector Germany ** ** ** ** **
Ratings Lowered; Ratings Affirmed
<table>
<thead>
<tr>
<th>Bank/Institution</th>
<th>Rating</th>
<th>From Category</th>
<th>From Note</th>
<th>To Category</th>
<th>To Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>DZ BANK AG Deutsche Zentral-Genossenschaftsbank</td>
<td>Subordinated*</td>
<td>A+</td>
<td>AA-/Watch Neg</td>
<td>A/Watch Neg</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subordinated*</td>
<td>cnAA+</td>
<td>cnAAA</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>AA-</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commercial Paper</td>
<td>AA-</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Apotheker- und Aerztebank eG</td>
<td>Subordinated*</td>
<td>A+</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>AA-</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Genossenschafts-Hypothekenbank AG</td>
<td>Subordinated*</td>
<td>A</td>
<td>A+/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>A+</td>
<td>A+/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WL BANK AG Westfaelische Landschaft Bodenkreditbank</td>
<td>Subordinated*</td>
<td>A+</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>AA-</td>
<td>AA-/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DVB Bank SE</td>
<td>Subordinated*</td>
<td>A</td>
<td>A+/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>A+</td>
<td>A+/Watch Neg</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DekaBank Deutsche Girozentrale**

*Upgraded; Ratings Affirmed*

<table>
<thead>
<tr>
<th>Bank/Institution</th>
<th>Rating</th>
<th>From Category</th>
<th>From Note</th>
<th>To Category</th>
<th>To Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>DekaBank Deutsche Girozentrale</td>
<td>Counterparty Credit Rating</td>
<td>A+/Stable/A-1</td>
<td>A/Positive/A-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>A+</td>
<td>A/Watch Neg</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commercial Paper</td>
<td>A-1</td>
<td>A-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subordinated*</td>
<td>A</td>
<td>A/Watch Neg</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Deutsche Bank AG**

*Ratings Remain On CreditWatch*

<table>
<thead>
<tr>
<th>Bank/Institution</th>
<th>Rating</th>
<th>From Category</th>
<th>From Note</th>
<th>To Category</th>
<th>To Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Bank AG</td>
<td>Counterparty Credit Rating</td>
<td>BBB+/Watch Pos/A-2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Greater China Regional Scale</td>
<td>cnA+/Watch Pos/---</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Turkey National Scale</td>
<td>trAAA/---/trA-1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>BBB+/Watch Dev</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>BBB+/Watch Dev</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior Unsecured</td>
<td>cnA+/Watch Dev</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Certificate Of Deposit</td>
<td>BBB+/Watch Dev</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commercial Paper</td>
<td>A-2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deutsche Bank AG (Canada Branch</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Various German Banks’ Srn Unsecured Debt Lowered/Affirmed After Notes Review; Off Watch; Four Banks Remain On Watch

Deutsche Bank Trust Corp.
Deutsche Bank Trust Co. Delaware
Deutsche Bank Trust Co. Americas
Deutsche Bank National Trust Co.
Deutsche Bank Luxembourg S.A.
Deutsche Bank AG (Milan Branch)
Deutsche Bank AG (Madrid Branch)
Deutsche Bank AG (London Branch)
Deutsche Bank AG (Cayman Islands Branch)
Counterparty Credit Rating BBB+/Watch Pos/A-2

Deutsche Bank Securities Inc.
Counterparty Credit Rating
Local Currency BBB+/Watch Pos/A-2

Deutsche Bank Financial LLC

[1] Guaranteed by Deutsche Bank AG.

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

Ratings Remain On CreditWatch

Deutsche Pfandbriefbank AG
Counterparty Credit Rating BBB/Watch Pos/A-2
Senior Unsecured BBB/Watch Dev

* * * * * * * Landesbank Hessen-Thueringen Girozentrale * * * * * * * *

Ratings Lowered; Ratings Affirmed

To From
Landesbank Hessen-Thueringen Girozentrale
Subordinated* A- A/Watch Neg
Subordinated*[1] AA- AA-
Senior Unsecured A A/Watch Neg


* * * * * * * * * * UniCredit Bank AG * * * * * * * * * *

Ratings Remain On CreditWatch

UniCredit Bank AG
UniCredit Luxembourg S.A.
Counterparty Credit Rating BBB/Watch Pos/A-2

UniCredit Bank AG
Senior Unsecured BBB/Watch Dev

* * * * * * * * * * * * * * * Volkswagen Bank GmbH * * * * * * * * * * * * * *

Ratings Lowered; Ratings Affirmed

To From
Volkswagen Bank GmbH Subordinated* BBB+ A-/Watch Neg
Senior Unsecured A- A-/Watch Neg

Volkswagen Financial Services AG Subordinated* BBB BBB+/Watch Neg
Senior Unsecured BBB+ BBB+/Watch Neg

* * * * * * * * * * * * * * * Grenke AG * * * * * * * * * * * * * *

Ratings Affirmed; New Rating

Grenke AG
Senior Unsecured BBB+ BBB+/Watch Neg
Subordinated*[1] BBB-

[1] New debt type added to existing program.

*Previously rated as senior unsecured.

Additional Contact:
Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

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 for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at 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.