

Rating Action: Moody's Downgrades Deutsche Bank Mexico's and Deutsche Securities Mexico's supported ratings; stable outlook

Global Credit Research - 05 Aug 2014

Mexico, August 05, 2014 -- Moody's de México has downgraded Deutsche Bank México, S.A.'s (DB Mexico) long-term deposit ratings to Baa3 from Baa2. Moody's also downgraded the bank's long-term Mexican National Scale deposit ratings to Aa2.mx from Aa1.mx. Additionally, DB Mexico's short-term global scale ratings were downgraded to Prime-3 from Prime-2 and its short-term Mexican National Scale rating was downgraded to MX-2 from MX-1.

At the same time, Moody's de México downgraded Deutsche Securities Mexico, S.A. de C.V.'s (DS Mexico) long-term issuer rating to Baa3 from Baa2, and its long-term national scale issuer rating to Aa2.mx from Aa1.mx. The short-term global scale issuer ratings were downgraded to Prime-3 from Prime-2, and the short-term national scale issuer ratings were lowered to MX-2 from MX-1. The outlooks for both DB Mexico and DS Mexico have been revised to stable. These rating actions conclude the reviews for downgrade initiated on 8 May 2014.

LIST OF RATINGS AFFECTED

The following ratings of DB Mexico were downgraded

- Long-term global local currency deposit rating to Baa3 from Baa2, stable outlook
- Long-term foreign currency deposit rating to Baa3 from Baa2, stable outlook
- Short-term global local currency deposit to Prime-3 from Prime-2
- Short-term foreign currency deposit to Prime-3 from Prime-2
- Long-term Mexican National Scale deposit rating to Aa2.mx from Aa1.mx, stable outlook
- Short-term Mexican National Scale deposit rating to MX-2 from MX-1

The following ratings of DS Mexico were downgraded:

- Long-term global local currency issuer rating to Baa3 from Baa2, stable outlook
- Long-term Mexican National Scale issuer rating to Aa2.mx from Aa1.mx, stable outlook
- Short-term global local currency issuer rating to Prime-3 from Prime-2
- Short-term Mexican National Scale issuer rating from MX-2 from MX-1

RATINGS RATIONALE

The downgrades of DB Mexico's and DS Mexico's supported ratings follow last week's lowering of Deutsche Bank AG (Deutsche)'s baseline credit assessment (BCA) to baa3 from baa2. Notwithstanding the downgrades, DB Mexico and DS Mexico's long-term ratings continue to benefit from two and three notches of uplift respectively because of Moody's assessment of a very high probability of support from Deutsche, which is the 100% direct parent of both entities. For further details on the rating action on Deutsche, please refer to Moody's press release "Moody's downgrades Deutsche Bank senior debt and deposit ratings to A3" issued July 29, 2014.

DB Mexico's Baa3 supported ratings are based on the bank's standalone BCA of ba2, which takes into account the bank's limited-scope business model centered on trading and wholesale banking, particularly fixed income, derivatives trading and hedging, equity trading and equity derivatives, and trust and advisory services. Relative to more diversified bank operations (e.g. universal banks with a retail component), DB Mexico's core earnings are less predictable. Nevertheless, the bank's financial performance has remained consistent over time as its positioning in its core markets has improved. The standalone credit assessment is also underpinned by the bank's high degree of integration with its parent and other entities of the Deutsche Bank network, to which it transfers a

significant portion of the risks related to its trading and investment banking activities. The bank's standalone BCA was not subject to the review.

DS Mexico's Baa3 supported ratings are based on its standalone BCA of ba3, which reflects the brokerage house's limited franchise value on a standalone basis. However, DS Mexico is seen as a line of business that complements the product offering of its sister company, DB Mexico, with which it is highly integrated. The two entities share infrastructure, staff, risk management practices, and a customer base. DS Mexico's market share and business potential would be very limited if not for the revenue, cost, business and operational synergies it derives from its relationship with DB Mexico.

The long-term Mexican National Scale ratings of Aa.mx indicate issuers or issues with very strong creditworthiness relative to other domestic issuers. The short-term Mexican National Scale ratings of issuers rated MX-2 indicate above average ability to repay short-term senior unsecured debt obligations relative to other domestic issuers.

The methodologies used in this rating were Global Banks published in May 2013, and Global Securities Industry Methodology published in May 2013. Please see the Credit Policy page on www.moody.com.mx for a copy of these methodologies.

The period of time covered in the financial information used to determine the rating is between 1 January 2009 and 31 March 2014 (source: Moody's, Deutsche Mexico and Deutsche Securities).

The sources and items of information used to determine the rating include 2014 interim financial statements (source: Moody's, Deutsche Mexico and Deutsche Securities); year-end 2012 and 2013 audited financial statements (source: Moody's, Deutsche Mexico and Deutsche Securities, audited by KPMG Cárdenas Dosal, S. C. member of KPMG International); financial statements and information on market position (source: CNBV); regulatory capital information (source: Banxico).

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".mx" for Mexico. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in October 2012 entitled "Mapping Moody's National Scale Credit Ratings to Global Scale Credit Ratings".

DB Mexico is headquartered in Mexico City, Mexico. As of 31 March 2014 it had total assets of Mx\$276.6 billion and total shareholder's equity of Mx\$3.2 billion.

DS Mexico is headquartered in Mexico City, Mexico. As of 31 March 2014 it had total assets of Mx\$1.8 billion and total shareholder's equity of Mx\$1.3 billion.

REGULATORY DISCLOSURES

Information sources used to prepare the rating are the following: parties involved in the ratings and public information.

The ratings have been disclosed to the rated entities prior to public dissemination.

A general listing of the sources of information used in the rating process, and the structure and voting process for the rating committees responsible for the assignment and monitoring of ratings can be found in the Disclosure tab in www.moody.com.mx.

The date of the last Credit Rating Action was 08 May 2014.

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