

The Manager
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

10 June 2015

Dear Sir/Madam

NXBHD – Standard & Poor’s Credit Rating of Deutsche Bank AG

Please find attached a press release from Standard & Poor’s Ratings Services dated 9 June 2015 advising that it has revised its long and short term counterparty credit ratings on Deutsche Bank AG from “A/A-1” to “BBB+/A-2”.

Yours faithfully
NEXUS BONDS LIMITED

Signed for and on behalf of Nexus Bonds Limited



Name: *Rob Taylor*



Name: *TRACY UNWIN*

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RatingsDirect®

Research Update:

Deutsche Bank Ratings Lowered To 'BBB+/A-2' On Government Support Review, ALAC Criteria Implementation; Outlook Stable

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Table Of Contents

Overview

Rating Action

Rationale

Outlook

Rating Score Snapshot

Related Criteria And Research

Ratings List

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Overview

- We believe the prospect of extraordinary government support for German banks is now uncertain in view of the country's well-advanced and effective resolution regime.
- We are therefore removing the two-notch uplift that we had previously incorporated in the long-term counterparty credit rating on Deutsche Bank for government support.
- We consider that Deutsche Bank is unlikely to increase its additional loss-absorbing capacity (ALAC) above our 5.25% threshold within a four-year projection period.
- We are lowering the long- and short-term counterparty credit ratings on Deutsche Bank to 'BBB+/A-2' from 'A/A-1', and removing these ratings from CreditWatch with negative implications, where they were placed on Feb. 3, 2015.
- The stable outlook reflects our expectation that Deutsche Bank will maintain satisfactory risk and balance sheet metrics as it implements its new five-year strategic plan.

Rating Action

As previously announced on June 9, 2015, Standard & Poor's Ratings Services lowered its long- and short-term counterparty credit ratings on Germany-based Deutsche Bank AG to 'BBB+/A-2' from 'A/A-1'. The ratings were removed from CreditWatch with negative implications, where they were placed on Feb. 3, 2015. The outlook is stable.

Please see the ratings list for details of rating actions on Deutsche Bank's subsidiaries. The ratings on Tier 1 and Tier 2 capital instruments issued by Deutsche Bank and related entities are unaffected because they are notched down from the 'bbb+' unsupported group credit profile (GCP), which remains unchanged.

Rationale

We believe that the prospect of extraordinary government support for the German banking sector is now uncertain following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers, in January 2015. We do not completely exclude the possibility of support and we consider that systemically important German institutions such as Deutsche Bank

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face several more years of structural and balance sheet reforms to address their "resolvability" (mitigating the systemic impact if they fail). Nevertheless, we believe the German government's ability and willingness to provide support is lower and less predictable under the enhanced resolution framework. We have therefore reclassified the tendency of Germany to support private sector commercial banks as "uncertain" under our criteria, and removed the two notches that we previously included in the long-term counterparty credit rating on Deutsche Bank for government support.

We have not included notches in the long-term rating on Deutsche Bank under our additional loss-absorbing capacity (ALAC) criteria because we believe its ALAC ratio is unlikely to exceed our 5.25% threshold over a four-year projection period. We calculate that Deutsche Bank's ALAC was 2.4% of Standard & Poor's risk-weighted assets at year-end 2014. We include in this assessment the consolidated Deutsche Bank group's Tier 1 and Tier 2 capital instruments that were issued under German law or feature contractual recognition of bail-in. We believe these issues have capacity to absorb losses without triggering a default on senior obligations. We consider that the ALAC ratio is likely to rise into the 3.0%-4.0% range over our projection period as more jurisdictions implement resolution regimes we deem "effective" under our criteria and Deutsche Bank refinances maturing and callable capital instruments.

Important factors in our ALAC projection are our views that Germany's proposed law subordinating senior unsecured bonds is likely to pass and Deutsche Bank is likely to rely materially on these instruments to meet the regulatory total loss-absorbing capacity requirement. We would not view senior unsecured bonds as ALAC following the proposed law change because we would revise the issuer credit rating to 'D' or 'SD' (selective default) if an issuer were in default on any instrument other than hybrid capital instruments. An operating entity's senior unsecured obligations are not hybrid capital instruments, even if they could potentially be bailed-in as part of the resolution of a distressed entity.

Consistent with our criteria, we raised the threshold for one notch of ALAC uplift by 25 basis points to 5.25% because Deutsche Bank operates through multiple regulated legal entities worldwide and we believe this might constrain the flexible deployment of ALAC in a stress scenario. We extended the projection period to four years because we believe Germany is in an extended regulatory transition period in which banks will progressively build larger buffers of loss-absorbing capacity.

We have maintained the GCP at 'bbb+' because we believe that Deutsche Bank's new five-year strategic plan is consistent with our existing assessment of its stand-alone creditworthiness. Deutsche Bank considered divesting all its retail activities, but ultimately chose to maintain a universal banking strategy with a more focused range of products and geographies. Specifically, it intends to deconsolidate German retail banking subsidiary Deutsche Postbank AG, reduce the net leverage exposure of its investment bank division by about €130 billion-€150 billion, and target an additional €3.5 billion of gross cost

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savings. These measures are intended to raise the regulatory leverage ratio to 5% or above, maintain the common equity Tier 1 ratio at about 11%, and strengthen returns. We see the updated plan as a logical extension of Deutsche Bank's previous strategy, but its implementation is set to be a multi-year process involving material execution risks.

Outlook

The stable outlook reflects our expectation that Deutsche Bank will maintain satisfactory risk and balance sheet metrics as it implements its new five-year strategic plan. We expect that our risk-adjusted capital (RAC) ratio, which was 9.3% at year-end 2014, will remain in the 9.25%-9.75% range through year-end 2016 as core earnings offset extraordinary items including further litigation and restructuring charges. If we lower our Banking Industry Country Risk Assessment (BICRA) for Germany, which currently features a negative trend for economic risk, we would likely affirm the ratings based on updated peer comparisons.

We could raise the ratings if Deutsche Bank makes progress in delivering its revised strategy, leading to a more stable business model and a more predictable and transparent risk profile. We could also raise the ratings if Deutsche Bank builds a larger ALAC buffer than we currently expect or if its RAC ratio moves comfortably and sustainably above our 10% threshold.

We could lower the ratings if Deutsche Bank falters in implementing the new strategy or if outside litigation settlements pressure its business position or capital and earnings. We could lower the ratings if we see increased economic risks under our BICRA methodology, particularly in Deutsche Bank's home market of Germany, with no mitigating factors.

Rating Score Snapshot

Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb+
Anchor	a-
Business Position	Adequate (0)
Capital and Earnings	Adequate (0)
Risk Position	Moderate (-1)
Funding and Liquidity	Average and Adequate (0)
Support	(0)
ALAC Support	(0)
GRE Support	(0)
Group Support	(0)
Sovereign Support	(0)
Additional Factors	(0)

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Related Criteria And Research

Related criteria

- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- Group Rating Methodology, Nov. 19, 2013
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related research

- S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review, June 9, 2015
- How Standard & Poor's Applied Its Government Support And ALAC Criteria To U.K., German, Austrian, And Swiss Banks, June 9, 2015
- Watch Placements For Systemic Austrian, German, And U.K. Bank Operating Companies To Be Reviewed Around End May 2015, April 16, 2015
- S&P Takes Various Rating Actions On Certain U.K., German, Austrian, And Swiss Banks Following Government Support Review, Feb. 3, 2015
- The Rating Implications Of The Emerging Bank Resolution Frameworks In The U.K., Germany, Austria, And Switzerland, Feb. 3, 2015
- Austria, Germany, And The U.K. Are Set To Fast Track EU Bank Bail-In Rules, Sept. 29, 2014
- How The Regulatory Reform Process Could Reshape Banks' Business Models And Affect Issuer Ratings, Aug. 18, 2014
- Standard & Poor's Takes Various Rating Actions On European Banks Following Government Support Review, April 29, 2014
- The Rating Impact Of Resolution Regimes For European Banks, April 29, 2014

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Deutsche Bank AG		
Counterparty Credit Rating	BBB+/Stable/A-2	A/Watch Neg/A-1
Greater China Regional Scale	cnA+/--	cnAA+/Watch Neg/--
Certificate Of Deposit	BBB+/A-2	A/Watch Neg/A-1

Deutsche Bank AG (Canada Branch)

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Deutsche Bank Trust Corp.		
Deutsche Bank Trust Co. Delaware		
Deutsche Bank Trust Co. Americas		
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+/Stable/A-2	A/Watch Neg/A-1
Deutsche Bank Securities Inc.		
Counterparty Credit Rating		
Local Currency	BBB+/Stable/A-2	A/Watch Neg/A-1
Deutsche Bank AG		
Senior Unsecured	BBB+	A/Watch Neg
Senior Unsecured	BBB+p	Ap/Watch Neg
Senior Unsecured	cnA+	cnAA+/Watch Neg
Short-Term Debt	A-2	A-1/Watch Neg
Commercial Paper	A-2	A-1/Watch Neg
Deutsche Bank Financial LLC		
Commercial Paper*	A-2	A-1/Watch Neg
Downgraded; CreditWatch/Outlook Action; Ratings Affirmed		
	To	From
Deutsche Bank National Trust Co.		
Counterparty Credit Rating	BBB/Stable/A-2	A-/Watch Neg/A-2
Ratings Affirmed		
Deutsche Bank AG		
Subordinated	BBB-	
Subordinated	BBB-p	
Subordinated	cnA-	
Junior Subordinated	BB	
Deutsche Bank Cap Fdg Trust VIII		
Preferred Stock	BB	
Deutsche Bank Capital Finance Trust I		
Preferred Stock	BB+	
Deutsche Bank Capital Funding Trust I		
Preferred Stock	BB	
Deutsche Bank Capital Funding Trust IX		
Junior Subordinated*	BB	
Deutsche Bank Capital Funding Trust V		
Preferred Stock	BB	

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Deutsche Bank Capital Funding Trust VI Preferred Stock	BB
Deutsche Bank Capital Funding Trust VII Preferred Stock	BB
Deutsche Bank Capital Funding Trust XI Junior Subordinated*	BB
Deutsche Bank Contingent Capital Trust II Preferred Stock*	BB
Deutsche Bank Contingent Capital Trust III Preferred Stock*	BB
Deutsche Bank Contingent Capital Trust IV Preferred Stock*	BB
Deutsche Bank Contingent Capital Trust V Preferred Stock*	BB
Deutsche Bank Trust Corp. Subordinated	BBB-
*Guaranteed by Deutsche Bank AG.	

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