

FITCH UPGRADES S-VERBUND'S INDIVIDUAL RATING TO 'B'

Fitch Ratings-Frankfurt/London-24 May 2011: Fitch Ratings has upgraded S-Finanzgruppe Hessen-Thuringen's (S-Verbund HT) Individual Rating to 'B'. At the same time, the agency has affirmed all other S-Verbund HT's ratings.

The agency has also affirmed the ratings of S-Verbund's largest member Landesbank Hessen-Thuringen Girozentrale (Helaba), as well as the Irish subsidiary of the regional savings banks associations (SGVHT, Sparkassen- und Giroverband Hessen-Thuringen) - NASPA Dublin. A full list of rating actions is at the end of this release.

The upgrade of S-Verbund HT's Individual Rating reflects its strong track record through the financial crisis, which highlights the strength of the core savings bank retail franchise, prudent lending and demonstrated solid risk management practice. The rating also reflects S-Verbund HT's resilient although somewhat moderate core profitability, clear strategy, strong and diversified franchise and adequate risk profile and solid real capitalisation. The Individual Rating also takes in consideration some degree of risk in Helaba's international wholesale banking business, especially in commercial real estate activities, although this came through the crisis relatively unscathed.

S-Verbund HT's on-balance-sheet credit exposure is dominated by exposure to commercial real estate, followed by granular retail and SME loans, loans to the public sector, large corporates and financial institutions. At end-2010, out of the group's EUR19bn foreign commercial real estate exposure, EUR8.6bn and EUR3.6bn related to the US and the UK respectively, which are more volatile markets than the German one. However, although there has been some minor deterioration in the risk profile of the real estate portfolio in the last few years, overall the shift has been relatively insignificant set in relation to the group's profitability and capital and in comparison to other banks active in real estate activities.

The proportion of hybrid capital was high at 25% of regulatory Tier 1 capital at end-2010. However, given that hybrid capital is entirely loss absorbing, mainly undated and invested by the state of Hessen, and considering S-Verbund HT's equity reserves not disclosed under German GAAP, Fitch considers the group's capitalisation to be at a strong level in real terms.

Helaba's owners are working to ensure that the bank will not fail the European Banking Authority (EBA) stress test, which excludes silent participations from core capital. The agency expects that the owners will transform their silent participations into instruments that would be accounted for under common equity under the new EU Capital Requirements Directive. For further details see "No Ratings Impact Expected if Capital Definition Results in a Landesbank Failing EBA Stress Test", dated 13 April 2011 at www.fitchratings.com. The upcoming transformation of silent participations into core capital instruments will bring the benefits of increased transparency as well as financial and strategic flexibility.

S-Verbund's Long-term IDR is based on the group's intrinsic viability but is also at its Support Rating Floor. S-Verbund HT's Support Ratings are based on implicit support that would be provided by the German states of Hesse and Thuringia in case of need. As such, S-Verbund HT Support Rating Floor is entirely based on the agency's view on the creditworthiness of the German Laender underpinned by the stability of the German solidarity system and linking their creditworthiness to that of the Federal Republic of Germany ('AAA'/Stable/'F1+'). In view of S-Verbund HT's vital role in the German states of Hesse and Thuringia, the group's strong regional market share, and its relationship with both states, Fitch considers it extremely likely that Hesse and Thuringia would support the group.

NASPA Dublin's IDRs are based solely on the high likelihood of support that the small Dublin-based bank would receive, in case of need, from the SGVHT. NASPA Dublin is not a

member of S-Verbund, but the bank would be supported by SGVHT due to its legal status as an unlimited company. SGVHT, as a public sector entity and integral part of S-Verbund HT, ultimately benefits from the same level of implicit support from the German state of Hesse as S-Verbund HT and its member banks. Fitch notes SGVHT's plans to wind down NASPA Dublin's portfolio.

The Long-term ratings for the guaranteed obligations reflect the grandfathering of the statutory support (the state guarantee (Gewährtraegerhaftung) provided until 18 July 2005) that would be provided by the state of Hesse and Thuringia in case of need to ensure that the payments due until maturity are met. As such, Fitch's rating of the guaranteed obligations is entirely based on the agency's view on the creditworthiness of the German Laender underpinned by the stability of the German solidarity system and linking their creditworthiness to that of the Federal Republic of Germany.

S-Verbund HT is a banking group formed in 2003 by Helaba and its 85% owner, the Sparkassen- und Giroverband Hessen-Thuringen (SGVHT, or savings bank association), which represents the region's municipality-owned savings banks. S-Verbund HT offers retail banking in Hesse and Thuringia, is banker to these states and provides commercial wholesale banking services.

The ratings actions are as follows:

S-Verbund HT

Long-term Issuer Default Rating (IDR) affirmed at 'A+'; Outlook Stable

Short-term IDR affirmed at 'F1+'

Individual Rating upgraded to 'B' from 'B/C'

Support Rating affirmed at '1'

Support Rating Floor affirmed at 'A+'

Helaba and NASPA Dublin

Long-term IDR affirmed at 'A+'; Outlook Stable

Short-term IDR affirmed at 'F1+'

Support Rating affirmed at '1'

The ratings of the group's 50 savings banks (as listed below) have been affirmed at:

Long-term IDR 'A+'; Outlook Stable

Short-term IDR 'F1+'

Fitch has also affirmed Helaba's obligations guaranteed by the states of Hesse and Thuringia ('AAA'/Stable) at Long-term 'AAA'. Helaba's other obligations are affirmed as follows:

Senior unsecured at Long-term 'A+'

Short-term at 'F1+'

Subordinated at Long-term 'A'

Market linked securities - Guaranteed notes at Long-term 'AAAemr'

Market linked securities at Long-term 'A+emr'

The group's 50 savings banks are:

Sparkasse Altenburger Land

Sparkasse Arnstadt-Ilmenau

Sparkasse Bad Hersfeld-Rotenburg

Sparkasse Battenberg (Eder)

Sparkasse Bensheim

Stadtsparkasse Borken

Stadt- u. Kreis-Sparkasse Darmstadt

Sparkasse Dieburg

Sparkasse Dillenburg

Kreissparkasse Eichsfeld

Stadtsparkasse Felsberg

Frankfurter Sparkasse

Sparkasse Fulda

Kreissparkasse Gelnhausen
Sparkasse Gera-Greiz
Sparkasse Giessen
Kreissparkasse Gotha
Stadtsparkasse Grebenstein
Kreissparkasse Gross-Gerau
Sparkasse Gruenberg
Sparkasse Hanau
Kreissparkasse Hildburghausen
Sparkasse Jena-Saale-Holzland
Kasseler Sparkasse
Kyffhausersparkasse Artern-Sondershausen
Sparkasse Langen-Seligenstadt
Sparkasse Laubach-Hungen
Kreissparkasse Limburg
Sparkasse Marburg-Biedenkopf
Sparkasse Mittelthuringen
Nassauische Sparkasse
Kreissparkasse Nordhausen
Sparkasse Odenwaldkreis
Staetische Sparkasse Offenbach am Main
Zweckverbandssparkasse Rhoen-Rennsteig
Kreissparkasse Saale-Orla
Kreissparkasse Saalfeld-Rudolstadt
Kreissparkasse Schluechtern
Kreissparkasse Schwalm-Eder
Stadtsparkasse Schwalmstadt
Sparkasse Sonneberg
Sparkasse Starkenburg
Taunus-Sparkasse
Sparkasse Unstrut-Hainich
Sparkasse Waldeck-Frankenberg
Wartburg-Sparkasse
Kreissparkasse Weilburg
Sparkasse Werra-Meissner
Sparkasse Oberhessen
Sparkasse Wetzlar

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Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 13 August 2010, 'Short-Term Ratings Criteria for Corporate Finance ', dated 2 November 2010, and 'Rating Criteria for European Banking Structures Backed by Mutual Support Mechanisms', dated 11 April 2011, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685

Short-Term Ratings Criteria for Corporate Finance — Amended

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726

Rating Criteria for Banking Structures Backed by Mutual Support Mechanisms

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=591785

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