

Rating Action: Deutsche Hypothekbank AG

Moody's upgrades Deutsche Hypo to Aa3

BFSR downgraded to C- and rating review concluded

Frankfurt, February 27, 2008 -- Moody's Investors Service has today upgraded the debt and deposit rating of Deutsche Hypothekbank ("Deutsche Hypo") to Aa3 from A2 and the ratings of its subordinated debt to A1 from A3. At the same time, Moody's has downgraded Deutsche Hypo's Bank Financial Strength Rating (BFSR) to C- from C. All ratings carry a stable outlook. The Prime-1 short-term rating was affirmed. Today's rating actions conclude the review for possible upgrade initiated on 14 November 2007.

Moody's rating actions are in response to the takeover of Deutsche Hypo by Norddeutsche Landesbank ("NORD/LB"; rated Aa2/C-/Prime-1), which currently owns roughly 98% of Deutsche Hypo and intends to rapidly increase its stake to 100%.

"Moody's upgrade of Deutsche Hypo's senior debt and deposit ratings to Aa3 from A2 reflects (i) the incorporation of parent support from NORD/LB in Deutsche Hypo's ratings and (ii) the rating agency's assumption of a very high likelihood of parent support in the event of need, hence the four-notch uplift of Deutsche Hypo's Aa3 senior debt and deposit rating compared with its BFSR of C- (which translates into a Baseline Credit Assessment of Baa1)," says Uwe Barth, AVP-Analyst in Moody's Financial Institutions Group.

Moody's further says that the downgrade of the BFSR to C- from C reflects the fact that NORD/LB's acquisition above market value will position Deutsche Hypo as NORD/LB's commercial real estate arm and thereby more than double the commercial real estate portfolio of Deutsche Hypo. At the same time, the transaction could increase the pressure on Deutsche Hypo to improve profitability, which could in turn result in a heightened risk profile in the absence of significant cost synergies, especially as cross-selling and revenue synergies have yet to be demonstrated. The downgrade of the BFSR therefore also aligns the BFSR of Deutsche Hypo with that of its new parent. In addition, Moody's notes that risk-weighted profitability and capitalisation levels leave room for improvement.

Deutsche Hypo is headquartered in Hannover, Germany and reported assets of EUR34.7 billion and a net profit of EUR39 million at year-end 2006.

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