

**Rating Action: Moody's upgrades to Aaa from Aa1 "grandfathered" State of Hesse-guaranteed debt instruments**

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**Places on review with direction uncertain 3 instruments that erroneously incorporated direct rating uplift from State of Hesse**

Frankfurt am Main, June 12, 2017 -- Moody's Investors Service has today upgraded to Aaa from Aa1 long-term guaranteed debt obligations issued by Landesbank Hessen-Thüringen GZ (Helaba, deposits Aa3 stable/senior unsecured A1 stable, Baseline Credit Assessment baa3) that directly benefit from German sub-sovereign government guarantees provided by the State of Hesse (unrated) and the State of Thuringia (unrated). This rating action was based on an improved creditworthiness of the State of Hesse. The outlook on these guaranteed senior unsecured ratings is stable.

At the same time, Moody's placed on review with direction uncertain selected long-term guaranteed debt obligations. Moody's has identified that the ratings of the affected bonds erroneously incorporated an uplift from a guarantee linked directly to Helaba's sub-sovereign owners, State of Hesse and State of Thuringia. This has been corrected and the review will incorporate an assessment of the creditworthiness of the bank's direct guarantor for these instruments, the savings banks association Sparkassen- und Giroverband Hessen-Thüringen (unrated), including an assessment of the creditworthiness of the related municipalities.

All other ratings of Helaba remain unaffected by this rating action.

For a full list of affected ratings please refer to the end of this Press Release.

**RATINGS RATIONALE**

**UPGRADE OF INSTRUMENTS GUARANTEED BY THE STATE OF HESSE AND THE STATE OF THURINGIA**

Moody's has upgraded Helaba's backed senior unsecured and backed subordinated debt instruments that are guaranteed by the German State of Hesse and the State of Thuringia.

Following the end of statutory guarantees -- as a result of an agreement between the EU Commission and the German government in 2001 -- Moody's ratings for state-guaranteed senior unsecured and subordinated debt in Germany are derived from the guarantors' creditworthiness, i.e., the respective German federal state or municipality and the maturity of the respective debt instrument: (i) until their respective maturity if issued on or before 18 July 2001; (ii) until 31 December 2015 if issued between 18 July 2001 and before 18 July 2005. As a result, changes to the creditworthiness of German sub-sovereigns have direct implications for the grandfathered securities of Helaba, based on the credit substitution approach in place.

The ratings benefit from a joint and several guarantee of Helaba's sub-sovereign owners, the State of Hesse, the State of Thuringia and the Sparkassen- und Giroverband Hessen-Thüringen. Today's actions reflect a stronger creditworthiness of the State of Hesse, based on (1) its improving financial performance; (2) the benign economic development in Germany, and (3) very high support assumptions from the Federal Government for German Federal States. The new equalization system agreed in 2016, the introduction of the debt break mechanism in 2010, and the proved effectiveness of the stability council have resulted in an increased cohesion within the sector and strengthened support.

**OUTLOOK FOR THESE INSTRUMENTS IS STABLE**

The outlook on the guaranteed senior unsecured ratings is stable, reflecting Moody's expectations on the guarantors' stable creditworthiness.

**REVIEW WITH DIRECTION UNCERTAIN FOR SELECTED GUARANTEED INSTRUMENTS**

Moody's has placed on review with direction uncertain selected long-term guaranteed debt obligations, both for

Aa1 backed senior unsecured and Aa1 backed subordinated ratings. For the affected instruments, which were issued between 1990 and 2000, the relevant guarantee is not directly linked to the State of Hesse or the State of Thuringia, but to the savings banks association Sparkassen- und Giroverband Hessen-Thuringen and the respective municipalities, guaranteeing the local savings banks' liabilities at the time.

During the review period, Moody's will assess the impact on the creditworthiness of the two senior and one subordinated bonds.

#### WHAT COULD CHANGE THE RATINGS UP/DOWN

The Aaa rated instruments are already rated at the upper end of the rating scale. Downward pressure on the ratings could develop in case the guarantors' creditworthiness weakens.

For the instruments under review, upward rating pressure is likely to develop in case the guarantors' creditworthiness is established at the Aaa level. Downward rating pressure is likely in case the guarantors' creditworthiness is established below Aa1, though the potential impact should be limited to a single notch.

#### LIST OF AFFECTED RATINGS

- Issuer: Landesbank Hessen-Thuringen GZ

..Upgrades

. BACKED Senior Unsecured Ratings (ISINs XS0123713652, XS0128170379) upgraded to Aaa from Aaa1, Outlook Stable

.. BACKED Subordinate Ratings (ISINs XS0128218327, XS0128429619, XS0130374183, XS0132805762) upgraded to Aaa from Aaa1

..Placed on Review with Direction Uncertain

.. BACKED Senior Unsecured Bond / Debenture (ISIN XS0106052458), currently rated Aa1, outlook changed to Rating under Review from Stable

.. BACKED Senior Unsecured Bond / Debenture (ISIN XS0107933946), currently rated Aa1, outlook changed to Rating under Review from Stable

.. BACKED Subordinate Bond / Debenture (ISIN ES0257763005), currently rated Aa1

. Outlook changed to Stable (m) from Stable

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in January 2016. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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