

FITCH DOWNGRADES EUROHYPO'S LT IDR TO 'A-'

Fitch Ratings-Frankfurt/London-10 March 2011: Fitch Ratings has downgraded Germany-based EUROHYPO AG's (EUROHYPO) and its 100%-owned Luxembourg-based subsidiary EUROHYPO Europaeische Hypothekenbank SA's (EUROHYPO Lux) Long-term Issuer Default Ratings (IDR) to 'A-' from 'A' and removed them from Rating Watch Negative (RWN). The Outlook is Stable. The agency has also downgraded EUROHYPO's subordinated debt rating to 'BB+' from 'A-' and removed it from RWN. A full list of rating actions is included at the end of this release.

The downgrade of the IDRs follows EUROHYPO's announcement that the profit it had targeted for 2011 will be delayed into 2012, which decreases the likelihood that the bank can successfully restore financial strength in the short term. The downgrade of the subordinated debt rating reflects Fitch's view that the new German bank resolution regime considerably lowers the likelihood of full support for subordinated debt holders in banks that could be faced with resolution.

At the same time, Fitch has affirmed EUROHYPO's and EUROHYPO Lux's Short-term IDRs at 'F1' and their Support Ratings at '1'. EUROHYPO's Support Rating Floor is also affirmed at 'A-'.

EUROHYPO's ratings are based on support and therefore the rating actions reflect Fitch's view of how further support, should it be required, is likely to flow into the bank. The Long-term IDR was previously based on potential support from EUROHYPO's parent bank, Commerzbank AG (Commerzbank; 'A+/'F1+') and is now at its Support Rating Floor. This reflects Fitch's view that the German authorities will now most likely need to find a way of resolving EUROHYPO separately from Commerzbank.

The European Commission requires Commerzbank to sell EUROHYPO by end-2014. In Fitch's view, the slow progress in turning EUROHYPO around increases the medium-term likelihood of a restructuring of EUROHYPO in connection with the new German bank resolution regime. In the meantime, EUROHYPO still benefits from a declaration of backing (Patronatserklaerung) from Commerzbank, expressing its commitment that it will ensure that EUROHYPO can meet its obligations. In addition, the profit and loss transfer agreement between Commerzbank and EUROHYPO is still in place. EUROHYPO draws on Commerzbank's resources for a substantial part of its unsecured funding.

Fitch's view that support for EUROHYPO from the German authorities remains highly probable is based on the bank's size and EUROHYPO's importance for the German Pfandbrief market. EUROHYPO is Germany's largest Pfandbrief issuer. Any changes in Fitch's view on external support would trigger further rating actions. EUROHYPO Lux's Support Rating is driven by institutional support from EUROHYPO due to EUROHYPO Lux's strategic importance to EUROHYPO as it provides access to an alternative funding source for its public sector lending business (Lettre de Gage Publique) and is strongly integrated within the group.

The 'CCC' rating of hybrid securities issued by EUROHYPO's Capital Funding Trust I and II has been affirmed and removed from RWN.

The rating actions are as follows:

EUROHYPO:

Long-term IDR: downgraded to 'A-' from 'A', removed from RWN, Outlook Stable

Short-term IDR: affirmed at 'F1'

Support Rating: affirmed at '1'

Support Rating Floor: affirmed at 'A-'

Senior unsecured debt: downgraded to 'A-' from 'A', removed from RWN

Subordinated debt: downgraded to 'BB+' from 'A-', removed from RWN

EUROHYPO Lux:

Long-term IDR: downgraded to 'A-' from 'A', removed from RWN, Outlook Stable

Short-term IDR: affirmed at 'F1'

Support Rating: affirmed at '1'

EUROHYPO Capital Funding Trust I/II preferred stock (XS0169058012, DE000A0DZJZ7):
affirmed at 'CCC', removed from RWN

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Additional information is available on www.fitchratings.com

Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2010, 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010, and 'Rating Hybrid Securities', dated 29 December 2009, 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

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

Rating Hybrid Securities

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=493086

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