

FITCH EXPECTS TO ASSIGN GERMANY'S FMSF-GUARANTEED ISSUES 'AAA'/'F1+' RATINGS

Fitch Ratings-London/Frankfurt-09 January 2009: Fitch Ratings expects to assign ratings of Long-term 'AAA' and Short-term 'F1+' to issues guaranteed by Germany's Financial Market Stabilisation Fund (FMSF, also known as Sonderfonds Finanzmarktstabilisierung or "SoFFin"). Established through the Financial Market Stabilisation Act (the Act) on 17 October 2008, FMSF is managed by the Financial Market Stabilisation Authority.

The Act has empowered the Federal Ministry of Finance to assume guarantees on behalf of the fund of up to EUR400bn in relation to debt issues undertaken by domestic financial institutions in the period between the day the Act came into force and 31 December 2009. The maximum tenor allowable for these debt issues is 36 months. In Fitch's opinion, FMSF is providing an unconditional, irrevocable and unsubordinated guarantee for the timely payment of principal and interest due on debt instruments. The guarantee also ranks at least pari passu with any other unsubordinated and unsecured obligations of FMSF (save for any other mandatory provisions of law). Accordingly, Fitch expects the ratings of such guaranteed debt issues to mirror the Long- and Short-term Issuer Default ratings of the Federal Republic of Germany (rated 'AAA'/'F1+').

The fund is of temporary nature and aims to overcome liquidity shortfalls, to facilitate the refinancing on the capital markets, and ultimately to safeguard financial stability. Provided that certain conditions are met, the fund has the ability to recapitalise financial institutions or can acquire risk positions from these entities. The fund has earmarked an aggregate of up to EUR80bn for recapitalisation and risk-taking measures. Conditions are primarily governed by a separate regulation. The European Commission has completed its review of the conditions associated with the stabilisation measures and has not raised any objections against the state aid (subsidies).

Several domestic banks successfully applied in Q408 for guaranteed issues under the above scheme, and the first issue is to be completed in early January 2009.

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