



## RATING ACTION COMMENTARY

# Fitch Affirms Hamburgische Investitions- und Foerderbank at 'AAA'; Outlook Stable

Fri 04 Sep, 2020 - 7:56 AM ET

Fitch Ratings - Frankfurt am Main - 04 Sep 2020: Fitch Ratings has affirmed Hamburgische Investitions- und Förderbank's (IFB Hamburg) Long-Term Issuer Default Rating (IDR) at 'AAA' with a Stable Outlook.

A full list of rating actions is below.

## KEY RATING DRIVERS

### IDRS, SENIOR UNSECURED DEBT AND SUPPORT RATING (SR)

The IDRs of IFB Hamburg are based on extremely likely support from its sole owner, the State of Hamburg (Hamburg; AAA/Stable/F1+), in case of need. Hamburg's creditworthiness is underpinned by the strength of the German solidarity system, which links its creditworthiness to that of the Federal Republic of Germany (AAA/Stable/F1+).

The Stable Outlook mirrors that on the bank's owner and guarantor, Hamburg, and reflects our view that the nature of the state support is unlikely to change significantly in the medium term due to the strategic importance of IFB Hamburg to the local economy and its entrenchment in the financial system.

Hamburg explicitly and directly guarantees IFB Hamburg's liabilities. As with most peers IFB Hamburg is covered by a maintenance obligation (Anstaltslast), which ensures the entity's economic viability, and by a statutory guarantor's liability (Gewaehrtraegerhaftung) from Hamburg. Additionally, IFB Hamburg is covered by a statutory loss absorption obligation from its owner. Therefore, its yearly financial result is always at least balanced and its capitalisation protected from unexpected losses. Based on these guarantees, the bank's SR of '1' reflects the extremely high possibility of owner support, which is also underlined by the bank's specific policy role and the formal support arrangements with Hamburg, which have a high influence on Fitch's assessment of support propensity. IFB Hamburg is also insolvency-remote and can only be dissolved by law.

IFB Hamburg is a regional German development bank. Its primary mandate is to develop the economy in its region and provide promotional and development funding as outlined in the Law Concerning IFB Hamburg (IFB Law) and its statutes. IFB Hamburg's scope of activities includes funding for economic, social, environmental and affordable and energy-efficient real-estate lending in Hamburg as well as for business innovation. The vast majority of its loans, however, relate to its housing activities. In addition, IFB Hamburg takes on special tasks if requested by Hamburg and, to a smaller extent, participates in projects initiated by other European development institutions.

In 2019 IFB Hamburg increased its new business (loans and grants) by more than 25%, driven by its housing promotion. The bank has played an important role during recent months in supporting Hamburg's dedicated protective shield for its corporates and citizens against the negative impact of the COVID-19 pandemic.

Similar to other German development banks, Fitch does not assign a Viability Rating to IFB Hamburg as most of its operations are largely determined by its policy roles as a development bank.

IFB Hamburg's long-term senior unsecured debt rating is aligned with the bank's Long-Term IDR, which is at the highest possible level. The differentiation between senior preferred and senior non-preferred does not apply to IFB Hamburg, because the bank is not subject to insolvency proceedings or bail-in measures.

## **RATING SENSITIVITIES**

IDRs, SENIOR UNSECURED DEBT AND SR IFB Hamburg's ratings are primarily sensitive to changes in Hamburg's ratings, which in turn are linked to those of Germany. Factors that could, individually or collectively, lead to positive rating action/upgrade:

IFB Hamburg's ratings are at the highest levels on Fitch's rating scale and cannot be upgraded. Factors that could, individually or collectively, lead to negative rating action/downgrade: IFB Hamburg's IDRs and debt rating would be directly affected by a downgrade of the guarantor's or the sovereign's rating. The bank's ratings (including the SR) are also sensitive to changes in Fitch's assumptions about the owner's propensity to support the bank. This could notably result from a weakening of the terms of the owner's guarantee.

## BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>]

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

IFB Hamburg's ratings are aligned with those of Hamburg.

### RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Hamburgische Investitions- und Foerderbank	LT IDR	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable

ENTITY/DEBT	RATING			PRIOR
	ST IDR	F1+	Affirmed	F1+
	Support	1	Affirmed	1
● senior unsecured	LT	AAA	Affirmed	AAA

[VIEW ADDITIONAL RATING DETAILS](#)

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## APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 28 Feb 2020\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

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Hamburgische Investitions-und Foerderbank

EU Issued

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