

Hamburgische Investitions- und Foerderbank

Update

Key Rating Drivers

Owner Support Drives Ratings: Hamburgische Investitions- und Foerderbank's (IFB Hamburg) ratings are based on support from its sole owner, the State of Hamburg (AAA/Stable/F1+). Hamburg provides an explicit and irrevocable, unlimited, unconditional and first-demand statutory guarantee covering all of IFB Hamburg's liabilities, a maintenance obligation (Anstaltslast), which ensures its continuation as an economic entity, and a statutory guarantor's liability (Gewehrtraegerhaftung).

Unlike other German state-owned development banks, IFB Hamburg is additionally covered by a statutory loss-absorption obligation from its owner, which offsets any annual loss. The owner's very strong ability and very high propensity to support IFB Hamburg drive the equalisation of the bank's ratings with Hamburg's.

Stable Outlook: The Stable Outlook on IFB Hamburg's Long-Term Issuer Default Rating (IDR) mirrors that of the bank's owner and guarantor, given that the nature of support from Hamburg is unlikely to change due to the bank's important role for Hamburg's economy. **Ratings Aligned with Germany's:** IFB Hamburg's ratings are indirectly linked to the German sovereign ratings (AAA/Stable/F1+). This is because the ratings of the German Laender (federal states), including Hamburg, are linked to those of Germany on the back of a strong mutual support system between the Laender and extensive financial equalisation among them, together with the solidarity principle.

Development Bank for Hamburg: IFB Hamburg's primary mandate is to provide funding and grants to support Hamburg's economic, environmental, social and business development, and to foster innovation. The main focus of its activities relates to housing and urban development. IFB Hamburg predominantly finances multi-family property projects, providing affordable housing across all income groups, including subsidised rental homes, in cooperation with its owner.

Its economic promotional activities also target entrepreneurs and small and medium-sized corporates in Hamburg. In addition, IFB Hamburg takes on tasks at the request of Hamburg and, to a lesser extent, participates in projects initiated by other European development institutions.

Support Compliant with EU Rules: Similar to that of its peers, IFB Hamburg's business model complies with EU state aid rules, as the bank exclusively undertakes non-competitive activities. A state guarantee framework agreed in 2002 by Germany and the European Commission allows German public development banks to receive state support

Legal Insolvency Protection: IFB Hamburg is insolvency-remote by law and, in line with peers, has been exempt from the capital requirement regulation since 2019, but must follow minimum capital standards set by the local regulator. It is exempt from the Single Resolution Mechanism, the Recovery and Resolution Act, and the Restructuring Fund Act.

Funding Access Benefits from Guarantee: Owing to the guarantee, banks and insurance companies investing in IFB Hamburg's debt benefit from 0% regulatory risk-weighting and level 1 treatment for their liquidity coverage ratios. This ensures IFB Hamburg's reliable access to debt markets.

No Viability Rating Assigned: As with other German state-owned development banks, Fitch Ratings does not assign a Viability Rating to IFB Hamburg, as its operations are determined by its policy role as a development bank.

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Shareholder Support Rating	aaa
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Sovereign Risk (Germany)

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

[Bank Rating Criteria \(March 2024\)](#)

Related Research

[Fitch Affirms Hamburgische Investitions- und Foerderbank at 'AAA'; Outlook Stable \(January 2023\)](#)

[Fitch Affirms German Development Banks' Joint Agency Social Bond at 'AAA' \(January 2023\)](#)

[German Development Banks - Peer Review 2023 \(November 2023\)](#)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

IFB Hamburg's ratings are primarily sensitive to negative changes in Hamburg's ratings, which are linked to those of Germany.

A downgrade of Hamburg's or Germany's IDRs would trigger a downgrade of IFB Hamburg's IDRs. IFB Hamburg's ratings are also sensitive to adverse changes in Fitch's assumptions about Hamburg's propensity to support. This could result from a weakening of the terms of the guarantee.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

IFB Hamburg's ratings are at the highest level on Fitch's rating scale and cannot be upgraded.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term	AAA

Source: Fitch Ratings

IFB Hamburg's senior unsecured debt rating is aligned with the bank's Long-Term IDR, which is at the highest level on Fitch's rating scale.

Significant Changes from Last Review

Housing Dominates Support

IFB Hamburg's support to corporates, SMEs and households remained substantial in 2023, with its promotional business totalling EUR1.4 billion (2022: EUR1.5 billion).

IFB Hamburg's core promotional lending business increased to EUR860 million in 2023 (2022: EUR393 million) and was dominated by the housing sector (EUR806 million). The latter reflects the scarcity of social housing stock – also due to rising interest rates, high inflation, and lower affordability.

IFB Hamburg supported the construction of about 2,400 housing units in 2023, and expects a further high demand for 2024, with a budgeted support for construction of over 3,000 housing units.

Liquidity Remains High

IFB Hamburg's liquidity is sound, as reflected in the liquidity coverage ratio of 310% at end-2023. IFB Hamburg's funding remains dominated by KfW pass-through loans, reflecting about 30% of its liabilities, followed by unsecured debt, including bearer bonds. IFB's issuance volume in these instruments increased to EUR600 million in 2023, within its target range.

Financials

Financial Statements

	31 Dec 23		31 Dec 22	31 Dec 21	31 Dec 20
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
Summary income statement					
Net interest and dividend income	73	67	58	57	57
Net fees and commissions	-1	-1	-1	0	1
Other operating income	33	30	48	51	21
Total operating income	105	96	106	107	79
Operating costs	66	61	71	77	42
Pre-impairment operating profit	39	36	34	30	37
Loan and other impairment charges	18	16	13	8	13
Operating profit	21	19	22	22	24
Other non-operating items (net)	-20	-18	-21	-22	-24
Tax	n.a.	n.a.	n.a.	n.a.	n.a.
Net income	1	1	1	1	1
Summary balance sheet					
Assets					
Gross loans	6,031	5,504	5,412	5,356	5,185
Net loans	6,031	5,504	5,412	5,347	5,175
Interbank	629	574	644	235	226
Other securities and earning assets	782	713	610	578	470
Total earning assets	7,441	6,792	6,667	6,160	5,871
Cash and due from banks	3	3	0	0	0
Other assets	93	85	165	123	115
Total assets	7,538	6,880	6,832	6,282	5,986
Liabilities					
Customer deposits	436	398	477	239	244
Interbank and other short-term funding	3,168	2,892	3,313	3,073	2,905
Other long-term funding	2,672	2,439	1,930	1,855	1,794
Total funding and derivatives	6,276	5,729	5,721	5,166	4,944
Other liabilities	362	330	291	297	224
Total equity	899	821	820	819	819
Total liabilities and equity	7,538	6,880	6,832	6,282	5,986
Exchange rate		USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963

Source: Fitch Ratings, Fitch Solutions, IFB Hamburg

Key Ratios

	31 Dec 23	31 Dec 22	31 Dec 21	31 Dec 20
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	0.6	0.7	0.7	0.7
Net interest income/average earning assets	1.0	0.9	0.9	1.0
Non-interest expense/gross revenue	63.0	67.6	71.8	53.3
Net income/average equity	0.1	0.1	0.1	0.1
Asset quality				
Growth in gross loans	1.7	1.0	3.3	3.8
Loan impairment charges/average gross loans	0.3	0.2	0.2	0.3
Capitalisation				
Common equity Tier 1 ratio	25.0	25.3	26.4	23.1
Tangible common equity/tangible assets	11.9	12.0	13.0	13.7
Funding and liquidity				
Gross loans/customer deposits	1,382.6	1,134.1	2,239.2	2,124.8
Liquidity coverage ratio	310	300	970	320
Customer deposits/total non-equity funding	7.0	8.3	4.6	4.9
Net stable funding ratio	126.2	121.5	120.6	n.a.

Source: Fitch Ratings, Fitch Solutions, IFB Hamburg

Support Assessment

Shareholder Support	
Shareholder IDR	AAA
Total Adjustments (notches)	0
Shareholder Support Rating	aaa
Shareholder ability to support	
Shareholder Rating	AAA/Stable
Shareholder regulation	Equalised
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	Equalised
Subsidiary performance and prospects	Equalised
Legal commitments	Equalised

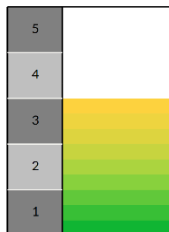
The colours indicate the weighting of each KRD in the assessment.

■ Higher influence ■ Moderate influence ■ Lower influence

The strong statutory support mechanisms and IFB Hamburg’s important strategic role for Hamburg’s economy have a high influence on the bank’s SSR, and drive the alignment of its IDRs with those of Hamburg.

Environmental, Social and Governance Considerations

Overall ESG

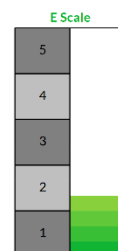


How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

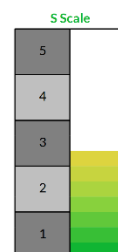
Environmental (E)

General Issues	Score	Impact	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1		n.a.	n.a.
Energy Management	1		n.a.	n.a.
Water & Wastewater Management	1		n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1		n.a.	n.a.
Exposure to Environmental Impacts	2		Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality



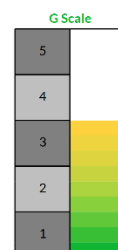
Social (S)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2		Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3		Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2		Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1		n.a.	n.a.
Exposure to Social Impacts	2		Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile



Governance (G)

General Issues	Score	Impact	Sector-Specific Issues	Reference
Management Strategy	3		Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3		Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3		Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3		Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)



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