

## Fitch Affirms HSH Finanzfonds & HSH Portfoliomanagement at 'AAA'; Outlooks Stable

Fitch Ratings-Frankfurt/London-27 October 2017: Fitch Ratings has affirmed HSH Finanzfonds AoeR and HSH Portfoliomanagement AoeR Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'AAA' with Stable Outlooks and Short-Term Foreign- and Local-Currency IDRs at 'F1+'. The senior unsecured bond ratings have been affirmed at 'AAA'. Fitch has also assigned a Long-term rating of 'AAA' to the entities' EUR2 billion multi-issuer Debt Issuance Programme.

HSH Finanzfonds AoeR's and HSH Portfoliomanagement AoeR's ratings are equalised with those of the two German federated States of Hamburg (AAA/Stable/F1+) and Schleswig-Holstein (AAA/Stable/F1+), reflecting the states' 50% ownership in each of the issuers and their important role they fulfill on behalf of HSH Nordbank AG (BBB-/Negative/F3), which is a bank indirectly 89.35% co-owned by the two states.

HSH Finanzfonds AoeR and HSH Portfoliomanagement AoeR benefit from a deficiency guarantee (Gewährtraegerhaftung) and a maintenance obligation (Anstaltslast) from both states. The ratings also take into consideration their tight control by both states and the states' guarantees provided as collateral for all senior unsecured bonds already issued and to be issued by both issuers.

HSH Finanzfonds AoeR and HSH Portfoliomanagement AoeR are rated as credit-linked entities under Fitch's criteria for 'Rating of Public-Sector Entities Outside the United States'. The Stable Outlook reflects that on the two states as well our expectation that the entities will issue only state-guaranteed debt.

### KEY RATING DRIVERS

The rating equalisation reflects the unconditional, irrevocable and unsubordinated guarantee issued by Hamburg and Schleswig-Holstein to secure any debt issued by both entities. This means that the guaranteed debt of the two issuers ranks equally with all the guarantors' other unsubordinated and unsecured liabilities. Both guarantors are equally and severally, but not jointly, liable. The guarantees are issued for an indefinite period and are governed by the laws of the Federal Republic of Germany (AAA/Stable).

The states' 'AAA' ratings are based on the strong support mechanisms that apply to all members of the German Federation, and the extensive liquidity facilities they benefit from, which ensure timely debt and debt service payment as well as servicing guarantees if they are called. For further details, see Fitch's Rating Approach for the German Laender dated 18 August 2015 at [www.fitchratings.com](http://www.fitchratings.com)

The Federal Republic of Germany, represented by the federal government (Bund) and the 16 federated states, which includes Hamburg and Schleswig-Holstein, are all members of the German Federation benefiting from the support mechanism. All Laender are equally entitled to financial support in the event of financial distress irrespective of differences in economic and financial performances.

Hamburg and Schleswig-Holstein founded HSH Finanzfonds AoeR on 22 April 2009 pursuant to a state treaty, a public law institution (Anstalt oeffentlichen Rechts; AoeR), for the purpose of providing capital support to HSH Nordbank AG on behalf of the two states and to provide guarantees to a specific portfolio of assets of HSH Nordbank AG.

HSH Portfoliomanagement AoeR, another public law institution, was founded pursuant to a state treaty 22 December 2015 by the two states for the purpose of the acquisition, profit-oriented realisation and liquidation of risk positions of HSH Nordbank AG, its domestic and foreign subsidiaries and their legal successors. This is aimed at stabilising the bank and supporting the stabilisation of the capital markets (pursuant to section 8b, paragraph 1 of the capital market stabilisation fund law (Finanzmarktstabilisierungs-fondsgesetz). As a result HSH Portfoliomanagement AoeR is authorised to raise loans for the acquisition of such risk positions, and the commencement of operations and ongoing business activities for up to EUR4.9 billion.

### RATING SENSITIVITIES

A downgrade of the sovereign ratings could lead to a downgrade of the Laender and consequently the ratings of HSH Finanzfonds AoeR and HSH Portfoliomanagement AoeR. An adverse change to an important institutional feature (solidarity principle, equalisation system, liquidity exchange mechanism) would result in a review of the German Laender ratings and in turn the issuers' ratings. Any change to the legal status of the two issuers or the existing guarantee scheme will also result in a review of the ratings.

Contact:  
Primary Analyst  
Guido Bach

Senior Director  
+49 69 768076 111  
Fitch Deutschland GmbH  
Neue Mainzer Strasse 46-50  
D - 60311 Frankfurt am Main

Secondary Analyst  
Dorota Dziedzic  
Director  
+48 22 338 62 96

Committee Chairperson  
Christophe Parisot  
Managing Director  
+34 1 44 29 91 34

Media Relations: Peter Fitzpatrick, London, Tel: +44 20 3530 1103, Email: [peter.fitzpatrick@fitchratings.com](mailto:peter.fitzpatrick@fitchratings.com).

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016) (<https://www.fitchratings.com/site/re/878660>)

Rating of Public-Sector Entities – Outside the United States (pub. 22 Feb 2016) (<https://www.fitchratings.com/site/re/877128>)

### **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form (<https://www.fitchratings.com/site/dodd-frank-disclosure/1031382>)

Solicitation Status (<https://www.fitchratings.com/site/pr/1031382#solicitation>)

Endorsement Policy (<https://www.fitchratings.com/regulatory>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings)

(<https://www.fitchratings.com/understandingcreditratings>). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM)

(<https://www.fitchratings.com>). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory) (<https://www.fitchratings.com/site/regulatory>).

FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the

time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

#### **Solicitation Status**

Fitch Ratings was paid to determine each credit rating announced in this Rating Action Commentary (RAC) by the obligatory being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated, except for the following:

**Endorsement Policy** - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.