



## Fitch Affirms HSBC Trinkaus & Burkhardt at 'AA-/Stable

Fitch Ratings-Frankfurt-28 September 2018: Fitch Ratings has affirmed HSBC Trinkaus & Burkhardt AG's (HSBC Trinkaus) Long-Term Issuer Default Rating (IDR) at 'AA-' with a Stable Outlook. A full list of rating actions is at the end of this rating action commentary.

### KEY RATING DRIVERS

#### IDRs, SUPPORT RATING AND DEPOSIT RATINGS

HSBC Trinkaus's IDRs and Support Rating reflect Fitch's view that support from HSBC Holdings plc (AA-/Stable/F1+) via HSBC Bank plc (AA-/Stable/F1+) would be extremely likely in case of need. HSBC Trinkaus's primary role within the HSBC group is to develop the group's service coverage of internationally active large and medium-sized German corporate clients, notably by offering HSBC's broad range of financing and advisory products. HSBC Trinkaus is the group's German arm and therefore concentrates on exploiting the significant growth potential in the German market while utilising its parent's global network, infrastructure and balance sheet.

HSBC Trinkaus benefits materially from being an integral part of a large global banking group with a robust franchise and a solid financial structure. Its close integration into the HSBC group's global network and infrastructure, the group's strong geographic diversification and the marketing of HSBC products are key factors determining HSBC Trinkaus's business model. They also represent a competitive advantage for a bank operating in the saturated German corporate banking market, which is characterised by strong margin pressure.

Despite its modest size (1% of HSBC group's equity), HSBC Trinkaus provides the group with access to strategic German corporate and institutional clients. The significant and growing business volumes originated by various HSBC entities globally from referrals of German clients reflects HSBC Trinkaus's established distribution franchise. As a result, German clients' total contribution to group profits significantly exceeds that captured on HSBC Trinkaus's own statements. Measured by the latter, HSBC Trinkaus's profitability has been reliably stable and solid in recent years and we expect it to remain sound despite weaker commission income in 1H18 due to strong competitive pressure.

The Stable Outlook on HSBC Trinkaus's Long-Term IDR is aligned with those on HSBC Bank's and HSBC Holding's IDRs and reflects our view that the bank's strategic role and importance within the HSBC group is unlikely to change in the foreseeable future.

The Deposit Ratings are aligned with the bank's IDRs. In Fitch's opinion, the bank's debt buffers do not afford any obvious incremental probability of default benefit above the group's support benefit factored into the German subsidiary's IDRs. Furthermore, we have not assigned any uplift for above-average recovery prospects in the event of default because of the limited visibility on recovery in such circumstances.

### RATING SENSITIVITIES

#### IDRs, SUPPORT RATING AND DEPOSIT RATINGS

We believe the HSBC group's propensity or ability to support HSBC Trinkaus is unlikely to diminish as a result of a potential Brexit-related reorganisation of the group's EU entities. Our expectation is therefore that HSBC Trinkaus's IDRs will remain equalised and will continue to move in line with those of HSBC Bank plc and HSBC Holdings.

We could notch down HSBC Trinkaus's Long-Term IDR from the parent's and revise the bank's Support Rating downward if we estimate that its importance for the group diminishes. A notching differential could also result from tighter national regulations leading to weaker integration or from lower fungibility of capital and liquidity across the group, which we currently view as highly unlikely.

HSBC Trinkaus's Deposit Ratings are subject to the same sensitivities as the IDRs.

The rating actions are as follows:

HSBC Trinkaus & Burkhardt AG  
Long-Term IDR affirmed at 'AA-'; Outlook Stable  
Short-Term IDR affirmed at 'F1+'  
Support Rating: affirmed at '1'  
Deposit Ratings: affirmed at 'AA-/F1+'

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#### Applicable Criteria

Bank Rating Criteria (pub. 22 Jun 2018) (<https://www.fitchratings.com/site/re/10034713>)

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