

07 FEB 2025

Fitch Affirms NORD/LB's Long-Term IDR at 'A+'; Upgrades VR to 'bbb-'

Fitch Ratings - Frankfurt am Main - 07 Feb 2025: Fitch Ratings has affirmed Nordeutsche Landesbank Girozentrale's (NORD/LB) Long-Term Issuer Default Rating (IDR) at 'A+' and its Shareholder Support Rating (SSR) at 'a+'. The Outlook on the Long-Term IDR is Stable. At the same time, Fitch has upgraded the Viability Rating (VR) to 'bbb-' from 'bb+'. A full list of rating actions is below.

The VR upgrade primarily reflects NORD/LB's stabilising business profile and improved profitability, due to the completion of its transformation programme at end-2024. Fitch believes the programme has enabled the bank to regain its capacity to generate new profitable business based on its revised business model. However, this model has yet to be fully tested through the economic cycle.

Key Rating Drivers

Support Drives IDRs: NORD/LB's IDRs and SSR are aligned with the IDRs of the German savings bank group Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/ Stable/F1+). This reflects Fitch's view of a very high probability of timely support from SFG, based on NORD/LB's membership of the Institutional Protection Scheme (IPS). The Stable Outlook on NORD/LB's Long-Term IDR mirrors that on SFG.

We believe support would also be available from the bank's other owners, the states of Lower Saxony (58% owner) and Saxony-Anhalt (6.25%). Fitch uses SFG's Long-Term IDR as the anchor rating because support would need to be forthcoming from both SFG and the regional owners to avoid triggering state-aid considerations and resolution under the German Recovery and Resolution Act if NORD/LB fails.

Wholesale-Oriented Business Profile: The VR reflects NORD/LB's largely wholesale-driven business profile, modest profitability, good but concentrated asset quality, as well as adequate capitalisation and funding underpinned by its IPS membership. The VR is one notch below the 'bbb' implied VR, due to its weaker business profile than peers', which has a high influence on the bank's credit profile.

Concentration Constrains Risk Profile: The bank's risk appetite is in line with Landesbanken peers' and limited by its owners' close scrutiny. NORD/LB's focus on wholesale banking leads to sector concentrations, in particular in commercial real estate (CRE). The latter benefits from conservative underwriting standards and good collateralisation.

Resilient Asset Quality: We estimate the bank's impaired loans ratio to have deteriorated slightly in 2024, due to continued challenging economic conditions. We expect the ratio to increase further but remain below 3% in the medium term. The deterioration will be driven by further risks materialising in

the bank's CRE lending, albeit to a lesser extent than in 2024, as well as in the corporate loan portfolio. Risk concentrations, including to the energy sector and CRE, are fairly high.

Improving Profitability but Modest: We expect the operating profit to remain above 0.5% of risk-weighted assets (RWAs) over the next two years, but still weaker than that of its larger Landesbanken peers. The bank's pricing power and thus profitability are structurally limited by intense competition in most of its business segments. The challenging operating environment in Germany remains a risk to NORD/LB's profitability, as it could weaken loan demand and lead to higher loan impairment charges (LICs).

Adequate Capitalisation: We expect the bank's common equity Tier 1 (CET1) ratio, which was 15.6% at end-September 2024, to remain above 15% in the medium term. This is comfortably above the regulatory requirement of 9.6%.

IPS Membership Underpins Funding: NORD/LB's predominantly wholesale funding benefits from its membership in SFG's IPS and is reflected in a moderately higher loans/deposits ratio than at commercial bank peers. The bank has re-established its funding franchise in the last year. Its liquidity profile is sound.

Rating Sensitivities

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

A downgrade of SFG's IDRs would likely lead to a downgrade of NORD/LB's IDRs and SSR.

The VR would likely be downgraded if NORD/LB's operating profit drops below 0.5% of RWAs without clear recovery prospects. A higher impaired loans ratio at above 3% and a CET1 ratio consistently below 12% would lead to negative rating pressure.

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

An upgrade of SFG's IDRs would likely lead to an upgrade of NORD/LB's IDRs and SSR.

An upgrade of the VR is unlikely unless the bank strengthens its franchise and profitability, without relaxing its risk standards. An upgrade would also require asset quality to remain resilient and broadly in line with peers; while maintaining capitalisation at current levels.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

NORD/LB's 'F1+' Short-Term IDR is the higher of two ratings mapping to its Long-Term IDR and is equalised with SFG's Short-Term IDR to reflect our view that propensity to support is more certain in the short term.

NORD/LB's Derivative Counterparty Rating (DCR), long-term deposit rating, and senior preferred debt ratings are one notch above its Long-Term IDR. This reflects the protection of preferred creditors arising from the bank's large resolution buffers, including senior non-preferred and more junior debt.

For the same reason, the senior non-preferred debt rating is in line with the bank's Long-Term IDR.

NORD/LB's short-term deposit rating and short-term senior preferred debt rating are the only short-term ratings mapping to the long-term deposit rating and the long-term senior preferred debt rating, respectively.

The 'AAA' ratings of NORD/LB's grandfathered state-guaranteed subordinated notes reflect our view of the creditworthiness of the state of Lower Saxony and the state of Saxony-Anhalt, which is closely linked to that of Germany (AAA/Stable), and our expectation that the federal states will honour the guarantee.

The rating of NORD/LB's non-guaranteed Tier 2 subordinated debt is notched down twice from NORD/LB's Long-Term IDR to reflect poor recoveries in case of non-performance. Fitch uses NORD/LB's Long-Term IDR rather than its VR as the anchor rating because we expect shareholder support from SFG to be extended to the bank's Tier 2 instruments under the revised statutes of the IPS, which we believe has reduced the likelihood of regulatory resolution measures at NORD/LB.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

NORD/LB's DCR, deposit, senior preferred and non-preferred debt ratings are sensitive to changes in its IDRs. We could also downgrade these ratings if we expect its junior and senior preferred debt buffer to fall below 10% of its RWAs on a sustained basis.

NORD/LB's subordinated debt is primarily sensitive to changes in SFG's IDR. The subordinated debt could also be downgraded if Fitch no longer believes that shareholder support would be extended to subordinated creditors, or that such support is moderately less likely for subordinated creditors than for senior creditors.

Adverse changes in Fitch's view of Lower Saxony's or Saxony-Anhalt's creditworthiness, which is closely linked to that of Germany, would lead to a downgrade of NORD/LB's guaranteed debt rating.

VR ADJUSTMENTS

The asset quality score of 'bbb' is below the 'a' implied category score, due to the following adjustment reason: concentrations (negative).

The earnings and profitability score of 'bbb-' is above the 'bb' implied category score, due to the following adjustment reason: historical and future metrics (positive).

The capitalisation and leverage score of 'bbb' is below the 'a' implied category score, due to the following adjustment reason: internal capital generation and growth (negative).

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

NORD/LB's ratings are driven by potential support from SFG.

NORD/LB's grandfathered state-guaranteed Tier 2 subordinated notes are linked to Fitch's assessment of Lower Saxony's and Saxony Anhalt 's creditworthiness and, by extension, to Germany's ratings.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation of the materiality and relevance of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Fitch Ratings Analysts

Caroline Herper

Associate Director

Primary Rating Analyst

+49 69 768076 176

Fitch Ratings – a branch of Fitch Ratings Ireland Limited Neue Mainzer Strasse 46 - 50 Frankfurt am Main D-60311

Justus Roppertz

Senior Analyst

Secondary Rating Analyst

+49 69 768076 232

Olivia Perney

Managing Director

Committee Chairperson

+33 1 44 29 91 74

Media Contacts



Peter Fitzpatrick

London

+44 20 3530 1103

peter.fitzpatrick@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Norddeutsche Landesbank Girozentrale	LT IDR	A+ 	Affirmed	A+ 
	ST IDR	F1+	Affirmed	F1+
	Viability	bbb-	Upgrade	bb+
	DCR	AA-(dcr)	Affirmed	AA-(dcr)
	Shareholder Support	a+	Affirmed	a+
• subordinated	AAA	Affirmed	AAA	
• subordinated	A-	Affirmed	A-	
• long-term deposits	LT AA-	Affirmed	AA-	
• Senior preferred	LT AA-	Affirmed	AA-	
• Senior non- preferred	LT A+	Affirmed	A+	

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• short-term deposits	ST	F1+	Affirmed	F1+
• Senior preferred	ST	F1+	Affirmed	F1+

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Norddeutsche Landesbank Girozentrale EU Issued, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (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>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including

definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

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. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case

rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on

behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.