

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Norddeutsche Landesbank - Girozentrale -'s deposit and senior unsecured ratings at Aa2; outlook remains stable

26 Feb 2025

Baseline Credit Assessment upgraded to ba1 from ba2

Frankfurt am Main, February 26, 2025 -- Moody's Ratings (Moody's) has today affirmed Norddeutsche Landesbank - Girozentrale -'s (NORD/LB) long-term deposit, long-term issuer, and senior unsecured ratings at Aa2; the outlook on these ratings remains stable. At the same time, we affirmed the bank's long-term Counterparty Risk Ratings (CRR) at Aa2, the junior senior unsecured rating at A1, and the subordinate rating at Baa1. Concurrently, we affirmed the bank's short-term CRR, short-term deposit, and Commercial Paper ratings at P-1.

In addition, we upgraded NORD/LB's Baseline Credit Assessment (BCA) to ba1 from ba2. Furthermore, we affirmed the bank's Adjusted BCA at a3, its long-term Counterparty Risk Assessment (CR Assessment) at Aa2(cr), and its short-term CR Assessment at P-1(cr).

Finally, we affirmed NORD/LB's backed subordinate rating at Aa1.

A full list of affected ratings and assessments, which also pertain to Bremer Landesbank Kreditanstalt Oldenburg GZ, Deutsche Hypothekenbank (Actien-Gesellschaft), NORD/LB Luxembourg S.A. Covered Bond Bank, and Norddeutsche Landesbank GZ, New York Branch, can be found at the end of this press release.

RATINGS RATIONALE

-- UPGRADE OF THE BCA

The upgrade of NORD/LB's BCA to ba1 from ba2 reflects the bank's resilience in its improved combined solvency profile despite the headwinds from the challenging operating environment in Germany. While asset quality has weakened, we expect that the bank's improved pre-provision profitability, the build-up of post-model

management adjustments in recent years, and the bank's solid risk-weighted capitalisation will provide a sufficient buffer against a further rise in asset risks. The BCA also takes into account NORD/LB's elevated market funding dependence, while its sound liquid resources continue to provide a sufficient mitigant against potential funding challenges. In addition, we continue to incorporate a one notch negative corporate behaviour adjustment in NORD/LB's BCA, reflecting the bank's corporate governance risks that mainly stem from residual execution risks related to its "fit - future investment in technology and transformation program" and the lack of a longer-term track record regarding the viability of its amended strategy.

-- AFFIRMATION OF THE ADJUSTED BCA

The affirmation of NORD/LB's Adjusted BCA at a3 incorporates the upgrade of the bank's BCA and the very high probability of cross-sector support from Sparkassen-Finanzgruppe (S-Finanzgruppe; Corporate Family Rating Aa2 stable, BCA a2) in case of need, which results in four notches of rating uplift from affiliate support, and an Adjusted BCA that is kept at one notch below the BCA of S-Finanzgruppe. Previously, the very high support assumption yielded the same Adjusted BCA, but with five notches of rating uplift.

-- AFFIRMATION OF RATINGS

The affirmation of NORD/LB's ratings follows the affirmation of NORD/LB's Adjusted BCA and incorporates unchanged results from our Advanced Loss Given Failure (LGF) analysis and unchanged assumptions for government support.

Because of NORD/LB's high share of capital market funding and the resulting meaningful volume of bail-in-able debt instruments, our Advanced LGF analysis continues to yield three notches of rating uplift for the CRR, the CR Assessment, deposits, and senior unsecured debt, and two notches of rating uplift for junior senior unsecured liabilities. Because subordinated debts do not benefit from protection beyond equity and face a high loss severity, they are rated one notch below the Adjusted BCA.

The unchanged moderate government support assumption for liabilities ranking above junior senior unsecured debt and the resulting one notch of rating uplift reflects the bank's membership in the systemically important S-Finanzgruppe.

-- AFFIRMATION OF BACKED RATINGS

The affirmation of NORD/LB's backed subordinate rating at Aa1 continues to reflect our interpretation of the deficiency guarantee that was granted by the bank's owners at the time of issuance and its assessment of the capacity, likelihood, willingness, and timeliness of support by the guarantors.

OUTLOOK

The stable outlook on NORD/LB's long-term deposit, long-term issuer, and senior unsecured ratings reflects the stable outlook of S-Finanzgruppe. The stable outlook further incorporates our expectation of a broadly unchanged liability structure of NORD/LB.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of NORD/LB's long-term ratings could be triggered by an improvement in the financial strength of S-Finanzgruppe. NORD/LB's junior senior unsecured and subordinate ratings could potentially also be upgraded if the bank were to issue substantial additional volumes of capital instruments, such that it reduces the loss severity for these instrument classes.

An upgrade of the BCA could result if NORD/LB manages to maintain its current financial strength in the challenging operating environment by keeping problem loan formation in check, defending its sound capitalisation, reporting sustainably improved profitability, and maintaining its current combined liquidity profile. However, an upgrade of NORD/LB's BCA would not result in an upgrade of its Adjusted BCA or its ratings.

NORD/LB's ratings would be downgraded following a downgrade of the Adjusted BCA, either as a result of a deterioration in the financial strength of S-Finanzgruppe or caused by a materially weaker BCA of NORD/LB. Furthermore, a shift in the liability structure towards non-bail-in-able instruments, such that it increases the loss severity for a respective debt class and results in reduced rating uplift from our Advanced LGF analysis, could result in a downgrade.

The BCA could be downgraded in case of a further material weakening of NORD/LB's asset quality, a concurrent decline in capitalisation and profitability, and a deterioration of the bank's combined liquidity profile.

LIST OF AFFECTED RATINGS

Issuer: Norddeutsche Landesbank - Girozentrale -

..Upgrades:

... Baseline Credit Assessment, Upgraded to ba1 from ba2

..Affirmations:

... LT Counterparty Risk Rating (Foreign Currency), Affirmed Aa2

... LT Counterparty Risk Rating (Local Currency), Affirmed Aa2

... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-1
.... LT Bank Deposits (Foreign Currency), Affirmed Aa2 STA
.... LT Bank Deposits (Local Currency), Affirmed Aa2 STA
.... ST Bank Deposits (Foreign Currency), Affirmed P-1
.... ST Bank Deposits (Local Currency), Affirmed P-1
.... LT Counterparty Risk Assessment, Affirmed Aa2(cr)
.... ST Counterparty Risk Assessment, Affirmed P-1(cr)
.... LT Issuer Rating (Foreign Currency), Affirmed Aa2 STA
.... Adjusted Baseline Credit Assessment, Affirmed a3
.... Senior Unsecured (Local Currency), Affirmed Aa2 STA
.... Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)Aa2
.... Junior Senior Unsecured (Foreign Currency), Affirmed A1
.... Junior Senior Unsecured (Local Currency), Affirmed A1
.... Junior Senior Unsecured Medium-Term Note Program (Local Currency), Affirmed (P)A1
.... Subordinate (Local Currency), Affirmed Baa1
.... Backed Subordinate (Local Currency), Affirmed Aa1
.... Subordinate Medium-Term Note Program (Local Currency), Affirmed (P)Baa1
.... Commercial Paper (Foreign Currency), Affirmed P-1
.... Commercial Paper (Local Currency), Affirmed P-1
.... Other Short Term (Local Currency), Affirmed (P)P-1

..Outlook Actions:

....Outlook, Remains Stable

Issuer: Bremer Landesbank Kreditanstalt Oldenburg GZ

..Affirmations:

.... Junior Senior Unsecured (Local Currency), Affirmed A1 (assumed by Norddeutsche Landesbank - Girozentrale -)

.... Backed Subordinate (Local Currency), Affirmed Aa1 (assumed by Norddeutsche Landesbank - Girozentrale -)

..Outlook: NOO

Issuer: Deutsche Hypothekenbank (Actien-Gesellschaft)

.... Senior Unsecured (Local Currency), Affirmed Aa2 STA (assumed by Norddeutsche Landesbank - Girozentrale -)

.... Junior Senior Unsecured (Local Currency), Affirmed A1 (assumed by Norddeutsche Landesbank - Girozentrale -)

..Outlook Actions:

....Outlook, Remains Stable

Issuer: NORD/LB Luxembourg S.A. Covered Bond Bank

..Upgrades:

.... Baseline Credit Assessment, Upgraded to ba1 from ba2

..Affirmations:

.... LT Counterparty Risk Rating (Foreign Currency), Affirmed Aa2

.... LT Counterparty Risk Rating (Local Currency), Affirmed Aa2

.... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

.... ST Counterparty Risk Rating (Local Currency), Affirmed P-1

.... LT Bank Deposits (Foreign Currency), Affirmed Aa2 STA

.... LT Bank Deposits (Local Currency), Affirmed Aa2 STA

.... ST Bank Deposits (Foreign Currency), Affirmed P-1

.... ST Bank Deposits (Local Currency), Affirmed P-1

.... LT Counterparty Risk Assessment, Affirmed Aa2(cr)

.... ST Counterparty Risk Assessment, Affirmed P-1(cr)

.... LT Issuer Rating (Foreign Currency), Affirmed Aa2 STA

... LT Issuer Rating (Local Currency), Affirmed Aa2 STA

... ST Issuer Rating (Foreign Currency), Affirmed P-1

... ST Issuer Rating (Local Currency), Affirmed P-1

... Adjusted Baseline Credit Assessment, Affirmed a3

..Outlook Actions:

...Outlook, Remains Stable

Issuer: Norddeutsche Landesbank GZ, New York Branch

..Affirmations:

... LT Counterparty Risk Rating (Foreign Currency), Affirmed Aa2

... LT Counterparty Risk Rating (Local Currency), Affirmed Aa2

... ST Counterparty Risk Rating (Foreign Currency), Affirmed P-1

... ST Counterparty Risk Rating (Local Currency), Affirmed P-1

... LT Counterparty Risk Assessment, Affirmed Aa2(cr)

... ST Counterparty Risk Assessment, Affirmed P-1(cr)

... Commercial Paper (Local Currency), Affirmed P-1

..Outlook: NOO

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moodys.com/rmc-documents/432741>.

Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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