

# Rating Report

## Norddeutsche Landesbank Girozentrale

DBRS Morningstar  
18 December 2020

### Contents

3	Franchise Strength
5	Earnings Power
8	Risk Profile
10	Funding and Liquidity
11	Capitalisation
12	Company Financials
14	Ratings
14	Related Research

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### Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	A	Confirmed Dec. '20	Positive
Short-Term Issuer Rating	R-1 (low)	Confirmed Dec. '20	Positive
Intrinsic Assessment	BBB (low)	Maintained Dec. '20	--

### Rating Drivers

#### Factors with Positive Rating Implications

- NORD/LB's Issuer Ratings benefit from the SFG's IPS. Any change in the ratings of the SFG would lead to a change in NORD/LB's ratings.
- An upgrade of the Intrinsic Assessment (IA) is unlikely in the short-term, given the significant execution risk involved in the current restructuring programme. However, if the Bank is successful in restoring sustainable profitability, while maintaining its current asset quality and capital, the IA would be upgraded.

#### Factors with Negative Rating Implications

- NORD/LB's Issuer Ratings benefit from the SFG's IPS. Any change in the ratings of the SFG would lead to a change in NORD/LB's ratings.
- The IA would be downgraded should the Bank experience a noticeable deterioration in revenues or fail to execute its restructuring programme in a timely manner, or if credit losses increase to an extent that it would lead to a significant reduction in the Bank's capital buffer.

### Rating Considerations

#### Franchise Strength (Moderate)

- NORD/LB has a diverse corporate and commercial client base in Northern Germany, as well as revenues from more global business lines. In early 2019, the Bank embarked on a large-scale restructuring programme, which will significantly reduce the Bank's size and carries significant execution risk

#### Earnings Power (Moderate/Weak)

- NORD/LB's earnings generation were under pressure pre-COVID-19 given the ongoing restructuring process, and the Bank was not expected to reach meaningful profitability until 2022. Additional revenue pressure may arise due to the COVID-19 pandemic.

#### Risk Profile (Moderate)

- The major risk for NORD/LB had been its significant exposure to the shipping sector which has been eliminated, significantly improving the Bank's credit risk profile. However, the execution risk from the current restructuring programme has significantly increased and the exposure to aircraft finance might pose additional risks due to the repercussions from COVID-19.

#### Funding and Liquidity (Good)

- The predominantly wholesale funding profile is balanced by established wholesale funding relationships within the SFG and the access to stable Pfandbrief funding. The balance sheet shrinkage will also reduce funding needs.

#### Capitalisation (Moderate/Weak)

- The 2019 capital increase has raised all capital ratios comfortably above regulatory minimum ratios.
- However, capital generation capacity is expected to remain very weak.

## Financial Information

<b>Norddeutsche Landesbank Girozentrale</b>	<b>2020H1</b>	<b>2019Y</b>	<b>2018Y</b>	<b>2017Y</b>	<b>2016Y</b>
EUR Millions					
Total Assets	133,527	139,619	154,012	163,825	174,732
Equity Attributable to Parent	5,932	5,824	3,430	6,278	6,232
Income Before Provisions and Taxes (IBPT)	130	432	28	1,330	1,086
Net Attributable Income	11	(75)	(2,362)	79	(1,648)
IBPT over Avg RWAs (%)	0.63	0.97	1.76	2.19	1.76
Cost / Income ratio (%)	78.00	68.72	97.21	46.28	50.55
Return on Avg Equity (ROAE) (%)	0.37	-1.62	-48.66	1.22	-22.42
Gross NPLs over Gross Loans (%)	9.17	12.58	14.75	15.08	16.10
CET1 Ratio (Fully-Loaded) (%)	13.60	14.46	6.57	11.52	9.93

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## Issuer Description

[Norddeutsche Landesbank Girozentrale](#) (NORD/LB) is a German public-sector Bank and member of the Sparkassen Finanzgruppe. It ranks among the top ten banks in Germany by assets. The Bank's commercial banking activities span across a diversified range of businesses including retail, corporate, markets, commercial real estate, and specialty finance. The Bank is currently undergoing a large-scale recapitalisation and restructuring programme.

## Rating Rationale

NORD/LB's ratings reflect its membership in the SFG and in the Institutional Protection Scheme (IPS) of the SFG. Each member of the IPS, including NORD/LB, is generally rated at the floor level, which is currently "A" with a Positive trend.

The BBB (low) IA takes into account NORD/LB's well established franchise as a commercial Bank in the region of Northern Germany, its role as a central institution and clearing Bank for the savings banks in this region, as well as a global footprint in its specialty finance business. The Bank also benefits from a solid liquidity position due to its membership in the SFG and its established covered bond franchise as well as a substantial capital buffer above regulatory minimum requirements. However, it also incorporates the Bank's limited earnings power and business diversification along with a large scale restructuring programme, which, although it has reduced credit risk to a large extent, continues to pose significant execution risk.

## Franchise Strength

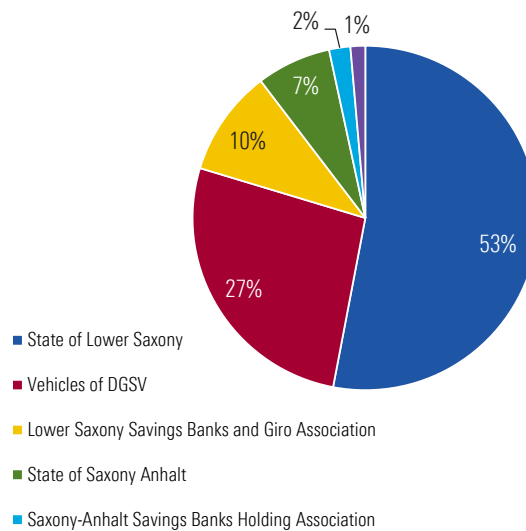
### Grid Grade: Moderate

NORD/LB ranks as among the top ten banks in Germany by assets. As the fourth largest of 5 Landesbanken and a member of the Sparkassen Finanzgruppe<sup>1</sup> it is an institution incorporated under German public law with legal capacity (rechtsfähige Anstalt des öffentlichen Rechts, AöR) and acts as a central Bank, Landesbank and commercial Bank. NORD/LB performs central banking and clearing functions for the savings Bank associations of Lower Saxony, Mecklenburg-Western Pomerania and Saxony Anhalt. Within Saxony Anhalt and Mecklenburg-Western Pomerania it also handles promotional loans for the state. The Bank is currently undergoing a large-scale restructuring programme.

**Exhibit 1** NORD/LB Geographic Focus



**Exhibit 2** NORD/LB Ownership Structure (As of September 2020)



Source: DSGV.

Source: DBRS Morningstar, Company Documents.

NORD/LB has significant commercial banking activities which span a diversified range of businesses including corporate, markets, commercial real estate, and specialty finance. NORD/LB's retail business is currently undertaken through Braunschweigische Landessparkasse, a savings Bank in the Braunschweig region, with a network of around 100 branches and self-service centers. However, a potential spin-off of the savings Bank is currently being discussed.

In DBRS Morningstar' view, NORD/LB's franchise benefits from the local economies of its core regions in Northern Germany, complemented by revenues from more global business lines. The overall diversification of the franchise provided a fairly evenly distributed revenue profile in 2019 (see Exhibit 5). However, bottom-line profitability was negatively impacted for a long time by the prolonged downturn in the shipping industry.

<sup>1</sup> see our Rating Report: Sparkassen-Finanzgruppe, May 20, 2020.

The Bank was recapitalised in December 2019 by the current owner States and the DSGV (Deutscher Sparkassen- und Giroverband), as part of an effort to remove the problematic shipping loans from the balance sheet. In order to avoid EU State Aid procedures, the Bank also had to implement a far-reaching transformation programme, which is expected to result in a significantly smaller, regionally focused, profitable Bank as shown in the following chart.

### Exhibit 3 New NORD/LB Financial Targets 2024

<b>EUR 95bn</b> Total Assets	<b>EUR 43bn</b> RWAs	<b>&lt;50%</b> Cost- Income Ratio	<b>EUR 625m</b> Costs	<b>EUR 1.35bn</b> Earnings	<b>&gt;7%</b> ROE	<b>&gt;14%</b> CET1 ratio	<b>2,800 - 3,000</b> Staff
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Source: DBRS Morningstar, Company Documents.

In DBRS Morningstar's view, the profitability targets are ambitious. Achieving an ROE of 7% and a cost-income ratio of below 50% requires the Bank to preserve most of its revenues while aggressively cutting costs and shedding assets. Assets are expected to decline to EUR 95 billion from the 9M 2020 level of EUR 129 billion, while the target staff number is 2,800 - 3,000, down from a level of 4,498 at the end of 9M 2020. The Bank has previously implemented its "One Bank" transformation programme in order to increase efficiency and is on track to exceed costs saving targets for 2020. However, the new "NORD/LB 2024" programme is more far-reaching and DBRS Morningstar has some concerns that the cost cuts could negatively affect the franchise and revenue generation capabilities.

A complete wind-down of the Bank's shipping portfolio as well as a reduced footprint in aviation finance will lower the Bank's exposure to cyclical business segments. In addition, the Bank plans to divest non-core businesses, simplify the corporate structure and increase balance sheet productivity. If successfully executed, DBRS Morningstar is of the opinion that NORD/LB will be a less risky, more focused and more efficient Bank.

### Exhibit 4 NORD/LB Business Segments

<b>Corporate Customers</b> <ul style="list-style-type: none"> <li>Corporate and Commercial Customer Business in Germany</li> <li>Major Clients</li> <li>Agricultural Banking</li> <li>Corporate Finance</li> </ul>	<b>Special Finance</b> <ul style="list-style-type: none"> <li>Renewable Energies</li> <li>Infrastructure</li> <li>Aircraft Finance</li> </ul>	<b>Private &amp; Commercial Customers</b> <ul style="list-style-type: none"> <li>(BLSK) / Private Customers</li> </ul> <b>Savings Banks network</b> <ul style="list-style-type: none"> <li>Syndication Loans, Giro – Centre Function, Municipal Clients</li> </ul>	<b>Markets</b> <ul style="list-style-type: none"> <li>Capital Market Business for Institutional Customers</li> </ul>	<b>Real Estate Banking Customers</b> <ul style="list-style-type: none"> <li>Commercial Real Estate (Deutsche Hypothekenbank)</li> <li>Corporate Housing</li> </ul>
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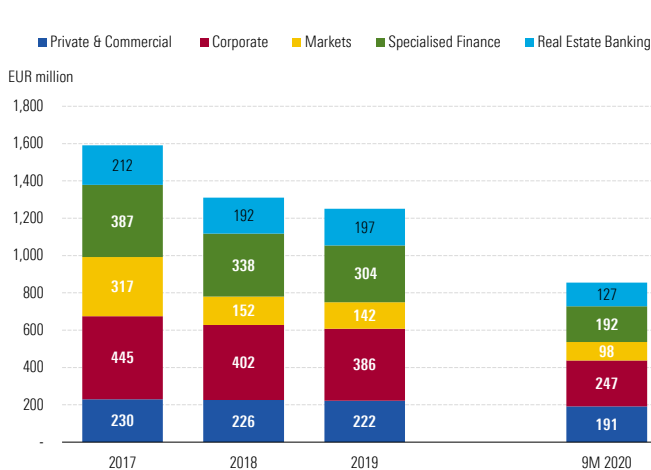
Source: DBRS Morningstar, Company Documents.

## Earnings Power

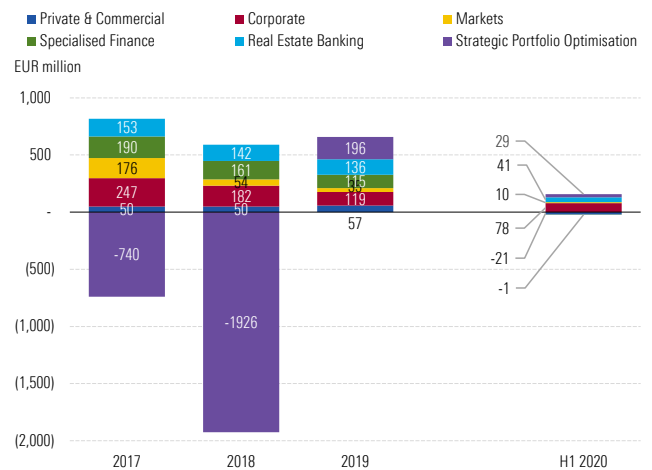
### Grid Grade: Moderate/Weak

NORD/LB's moderate earnings generation ability has been supported by its wide and diverse wholesale banking franchise. DBRS Morningstar notes that the stable performance of the Bank's corporate and other business segments, have in the past often counterbalanced the earnings volatility from the shipping business (Strategic Portfolio Optimisation). With the winding down of the shipping portfolio, DBRS Morningstar expects NORD/LB's financial performance to become less cyclical. However, this is partly offset by the challenges to preserve revenues in light of the far-reaching restructuring programme. In the near future, DBRS Morningstar also expects earnings generation to be hampered by the impact from the COVID-19 pandemic and the ultra-low rate environment that is likely to persist for longer.

**Exhibit 5** Revenues by Business Segment



**Exhibit 6** Consolidated Profit by Business Segment



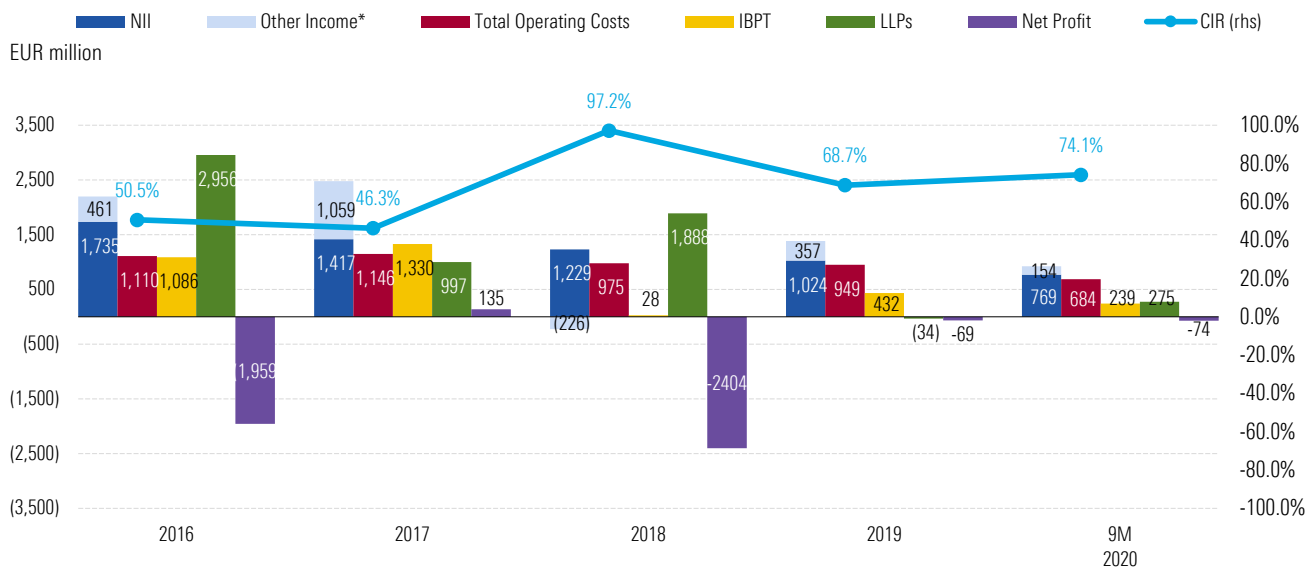
Source: DBRS Morningstar, Company Documents.

Note: Revenues consists of Net interest income before loan loss provisions, Net commission income and Profit/loss from financial instruments at fair value through profit or loss.

### 9M 2020 results

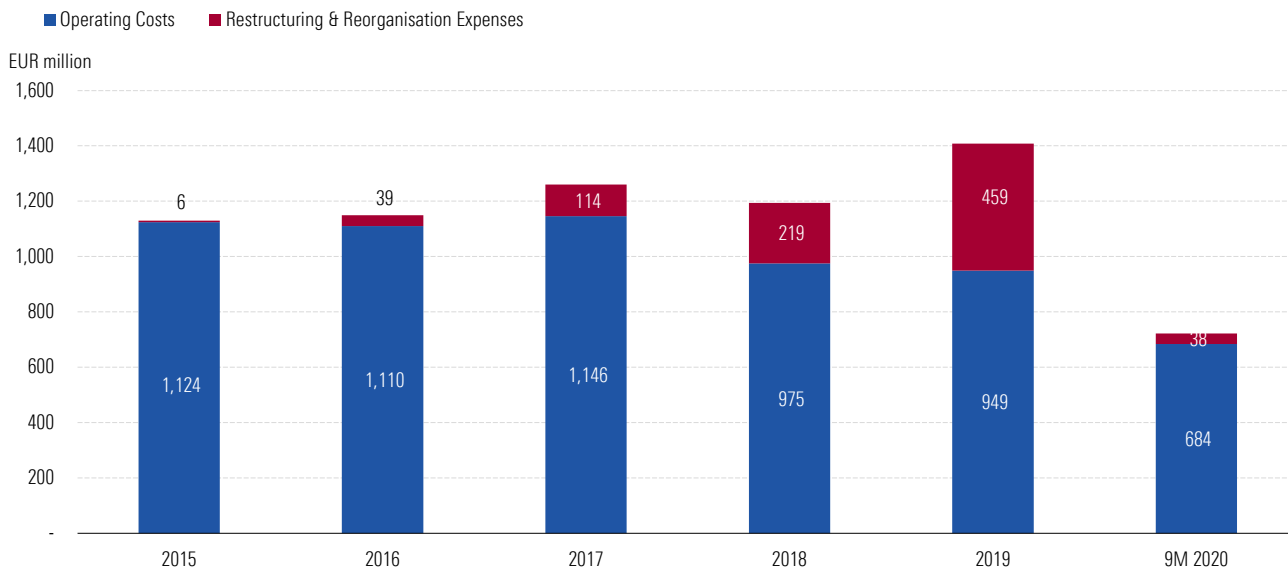
For the first 9 months of 2020, the Bank reported a net loss of 74 million, which was affected by the COVID pandemic in various ways. Despite a decline in balance sheet, net interest income (NII) increased by 3% YoY to EUR 769 million, benefitting from factors such as amortisation effects of derivatives and the USD exchange rate. NORD/LB has also been able to maintain its margins on new underwriting. Net commission income was a negative EUR 30 million down from EUR 57 million a year earlier, as the EUR 130 million in guarantee fees was only partly offset by a benefit from the termination of two securitisation. Profits from financial assets at fair value dropped by EUR 49 million YoY to EUR 243 million, however, this included a positive valuation effect for credit guarantees of appr. EUR 100 million. Risk provisioning increased from EUR 4 million to EUR 275 million. While 9M 2019 benefitted from reserve releases in relation to the winddown of the shipping portfolio, 9M 2020 was characterised by precautionary risk provisioning to prepare for a likely deterioration in asset quality as a result of the COVID pandemic. To some degree the fair value changes and the risk provisions offset each other.

**Exhibit 7 Profitability**



Source: Company Documents, S&P Global Market Intelligence. CIR: DBRS Morningstar, S&P Global Market Intelligence.  
 Notes: \* Operating Income, excl. NII.

**Exhibit 8 Cost Development**



Source: Company Documents, S&P Global Market Intelligence.  
 Notes: \* Includes NII and Net Fees & Commissions; \*\* Includes Net Trading Income, Net Insurance Income, Valuation Adjustments.

The Bank also reported a further reduction of administrative expenses by 5% YoY to EUR 684 million for 9M 2020, as lower personnel costs were partly offset by higher pension costs.

The current cost reductions are a reflection of the previously implemented One Bank programme and do not yet reflect the new measures. The cost to income ratio (CIR) as calculated by DBRS Morningstar was 74.1%.

Overall, the Bank's bottom line was in line with expectations, despite the significant loan loss provisions taken. However, much of the performance was driven by what we consider noncore items, such as various valuation and amortisation effects. DBRS Morningstar notes that guarantee fees will continue to negatively affect earnings, albeit to a lesser extent (EUR 80 million in 2021 and EUR 27 million in 2022). It is important to note, that these guarantee fees, which total EUR 350 million over a 6-year period and accrue to the State of Lower Saxony, will be reinvested in order to support capital.

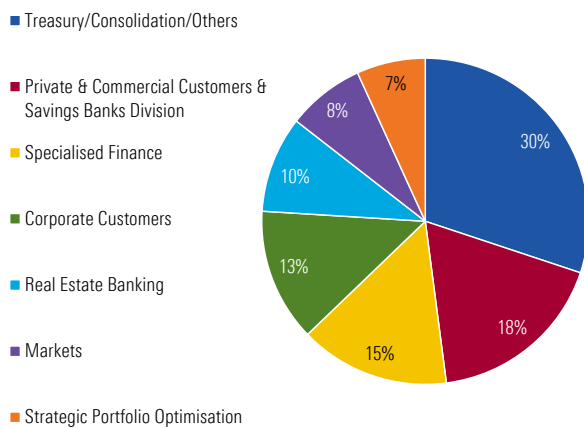
## Risk Profile

### Grid Grade: Moderate

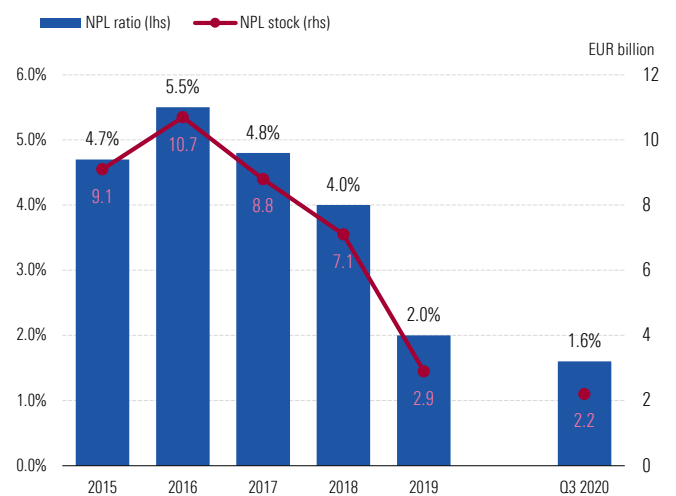
DBRS Morningstar notes that NORD/LB has significantly improved its credit risk profile in recent years through divestments of risky assets and various portfolio guarantees. As a result, exposure to shipping has been virtually eliminated and approximately half of the aviation portfolio is protected by guarantees. However, given its wholesale banking franchise, the Bank continues to maintain sizeable exposures to cyclical sectors that include more lumpy exposures. In addition, NORD/LB has embarked on an ambitious restructuring programme which entails significant execution risk. Both credit risk and operational risk have increased as a result of the COVID-19 pandemic.

NORD/LB's reported non-performing loans (NPL) declined to EUR 2.2 billion at end-Q3 2020, down from EUR 2.9 billion at end-2019 and from a peak level of EUR 10.7 billion reached at end-F2016, with improvement in shipping NPL accounting for most of the improvement as shown in exhibit 12 and 14. The Bank's total NPL ratio improved to 1.6% at end-September 2020 from 2.0% at end-2019.

**Exhibit 11** Asset breakdown by segment, H1 2020



**Exhibit 12** NPL ratio (%) & NPLs (EUR bn)



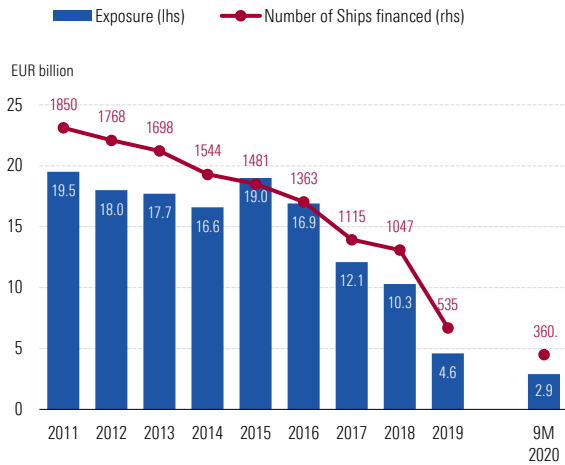
Source: Company Documents.

Shipping was still the biggest contributor to NPLs with EUR 1.5 billion classified as non-performing at end-9M 2020. The loans have been written down to fair value and are covered by a reserve of EUR 965 million. DBRS Morningstar views the remaining risk from shipping as relatively small. As shown in Exhibit 14, the market value of the collateral combined with loan loss provisions exceed the total nonperforming shipping exposure on an EaD basis. In addition, guarantees provided by the Bank's State owners are expected to completely shield the Bank from further losses. DBRS Morningstar also notes that the Bank has been able to reduce its shipping exposure from EUR 4.6 billion at end-2019 to EUR 2.9 billion at end-9M 2020 despite the disruptions from COVID-19. The

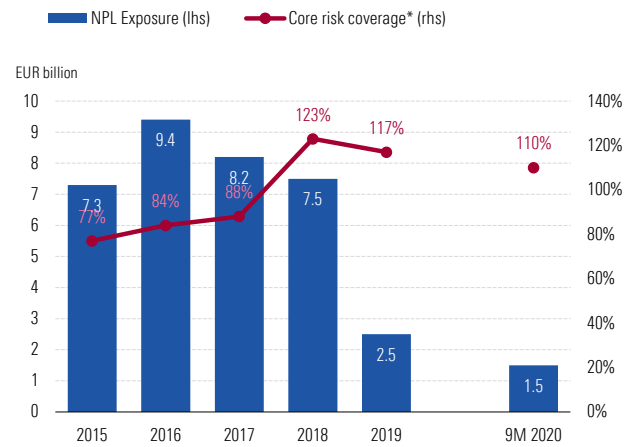


Bank expects the total portfolio to reach EUR 0.6 billion by the end of 2021. The NPL portfolio is expected to decline to almost zero by the end of 2021.

**Exhibit 13** Shipping Portfolio



**Exhibit 14** Shipping NPLs



Source: Company Documents.

Notes: Exhibit 14: \*Core risk coverage: (market value of ships + loan loss provisions) / NPL-EaD.

More recently, aircraft lending has become a focus, with air travel being one of the segments most affected by the COVID-19 pandemic. Total exposure was EUR 4.1 billion as of end 9M 2020, of which EUR 2.2 billion are covered by guarantees provided by the State of Lower Saxony. Payments of EUR 105 million have been deferred, which corresponds to an Exposure at Default of EUR 874 million for the underlying exposures (21% of the total portfolio).

Of the EUR 1.9 billion exposure not covered by guarantees, 9% (EUR 170 million) was nonperforming at end-9M 2020. A further 26% of the portfolio falls into the ‘intensive support category’ which is subject to close oversight. Currently, the company has built loan loss reserves of EUR 159 million. DBBS Morningstar will be closely monitoring developments in the aviation portfolio.

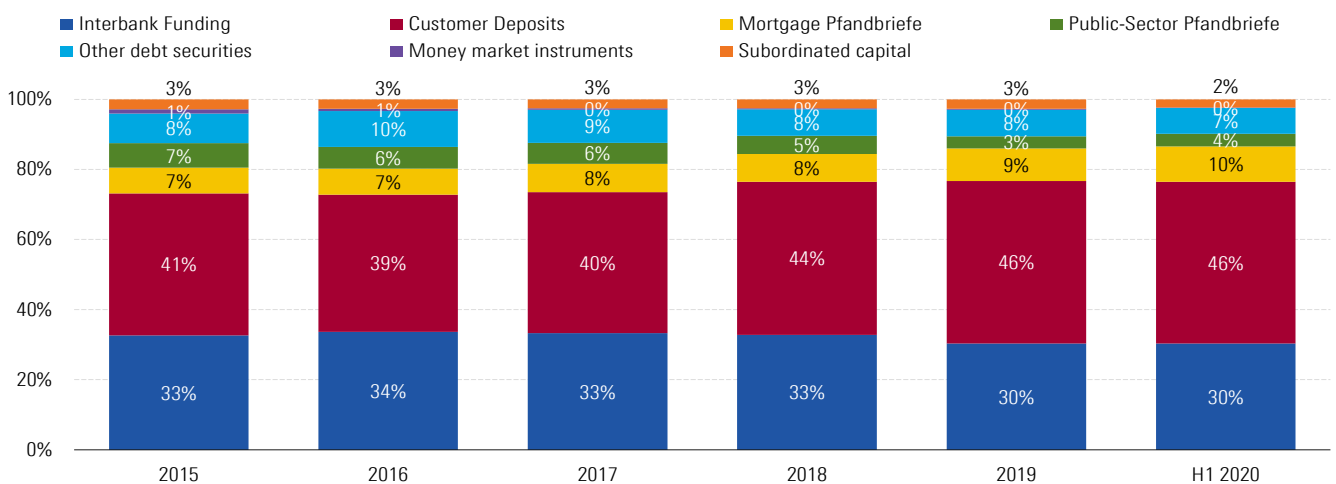
## Funding and Liquidity

### Grid Grade: Good

NORD/LB's liquidity and funding profile is satisfactory. The predominantly wholesale-funding based liquidity profile is balanced by access to stable Pfandbrief funding and established wholesale funding relationships within the Sparkassen-Finanzgruppe. This intra-group lending is helped by regulatory zero-risk weighting within the Group and can reduce the dependence of Landesbanken on volatile wholesale market funding. While intra-group funding decisions over the course of normal business may be driven by the individual risk appetite of each institution, in DBRS Morningstar's view it can help Landesbanken manage through periods of stress and thereby adds stability to their funding profile.

Characteristic of a Landesbank and reflective of its business model, NORD/LB's deposit funding is at the lower end of the peer group with customer deposits representing 46% of total funding at end-H1 2020, and the loan to deposit ratio was 154%. A large part of the Bank's funding comes from interbank funding from affiliated Sparkassen, reflecting the Bank's role as a central Bank for the savings banks association of Lower Saxony, Saxony Anhalt and Mecklenburg-Western Pomerania. Funding is undertaken individually by each of NORD/LB's main legal entities (e.g. Deutsche Hypo, NORD/LB Luxembourg). NORD/LB has access to stable Pfandbrief funding through its mortgage and public-sector cover pools. In DBRS Morningstar's view the future funding structure of NORD/LB is subject to change in the context of the current restructuring. However, given the shrinking of the balance sheet, liquidity is not a concern.

**Exhibit 15** Funding Mix Evolution



Source: Company Documents.

The Bank maintained an adequate liquidity buffer of approximately EUR 20.8 billion in the form of securities which are eligible for repo transactions with the European Central Bank. As of end-Q3 2020 the liquidity coverage ratio (LCR) stood at 161.9%, both ratios are in line with peers and above internal targets.

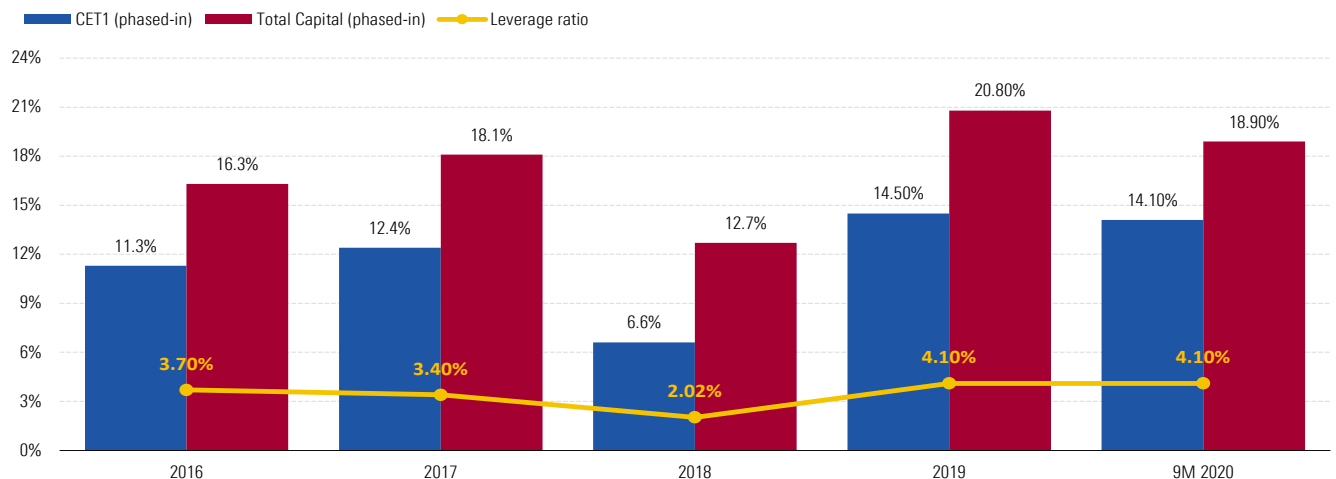
## Capitalisation

### Grid Grade: Moderate / Weak

In DBRS Morningstar's view NORD/LB's sound capital cushion is partly offset by the fact that the Bank is currently not able to generate capital from earnings and has very limited ability to raise external capital. A common equity tier 1 (CET1) ratio of 14.1%<sup>2</sup> at the end of Q3 2020 positions NORD/LB at the upper end of its peer group and provides the Bank with a buffer relative to its current SREP requirement of 8.92%. However, the capital cushion is needed given the risk related to the execution of the Bank's ambitious restructuring programme, additional challenges from the COVID-19 pandemic as well as regulatory changes due to final Basel III rules.

Risk weighted assets (RWAs) increased to EUR 40.3 billion at the end of Q3 2020 from EUR 39.8 billion at yearend 2019 despite a decline in total assets by EUR 10.7 billion to EUR 128.9 billion during the same period due to an increase in credit and market risk related to COVID-19. This, as well as the reported loss of EUR 74 million for 9M 2020, resulted in a decline in the CET1 ratio from 14.5% to 14.1%. The total capital ratio declined from 20.8% to 18.9%. However, current capital levels are supported by the fact that guarantee fees paid by NORD/LB are being reinvested as capital. As part of NORD/LB's recapitalisation in December 2019, the state of Lower Saxony, the Bank's main owner, provided guarantees for various transportation portfolios for a total of EUR 4.9 billion assets (or EUR 3.7 billion in RWAs) contributing EUR 700 million in capital-relief measures. For 9M 2020, the guarantee fees amounted to EUR 130 billion. NORD/LB's MREL ratio was 15.9% at 9M 2020, well above the regulatory requirement of 8.0% for 2020.

**Exhibit 16** Capital Ratios



Source: Company Documents.

<sup>2</sup> Fully loaded CET 1 ratio: 14.0%

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2020H1	2019Y	2018Y	2017Y	2016Y
Balance Sheet	6/30/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Cash and Deposits with Central Banks	6,823	3,454	1,519	2,436	1,447
Lending to/Deposits with Credit Institutions	15,810	20,701	25,406	27,660	21,746
Financial Securities	24,301	25,333	30,154	30,740	38,338
Financial Derivatives Instruments	6,618	5,897	5,488	6,152	7,951
Net Lending to Customers	75,609	80,049	85,168	91,608	101,844
- Gross Lending to Customers	76,961	81,644	89,139	95,116	105,640
- Loan Loss Reserves	1,352	1,595	3,971	3,508	3,796
Investment in Associates or Subsidiaries	485	499	511	602	285
Total Intangible Assets	131	139	136	137	154
Fixed Assets	446	461	471	569	504
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	3,304	3,086	5,159	3,921	2,463
Assets	133,527	139,619	154,012	163,825	174,732
Deposits from Banks	33,306	35,517	44,244	45,550	49,683
Deposits from Central Banks	NA	NA	NA	NA	NA
Deposits from Credit Institutions	NA	NA	NA	NA	NA
Deposits from Customers	50,137	53,633	58,506	56,466	57,301
Issued Debt Securities	25,812	26,794	31,103	36,565	38,689
Issued Subordinated Debt	2,538	3,137	3,456	3,531	3,984
Financial Derivatives Instruments	6,755	6,333	5,833	6,471	9,683
Insurance Liabilities	0	0	0	0	0
Other Liabilities	9,040	8,367	7,508	9,025	9,416
Equity Attributable to Parent	5,932	5,824	3,430	6,278	6,232
Minority Interests	7	14	-68	-61	-256
Liabilities & Equity	133,527	139,619	154,012	163,825	174,732

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2020H1	2019Y	2018Y	2017Y	2016Y
Income Statement	6/30/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Interest Income	2,430	5,430	5,999	6,529	7,246
Interest Expenses	1,887	4,406	4,770	5,112	5,511
Net Interest Income	543	1,024	1,229	1,417	1,735
Net Fees and Commissions	-27	71	52	112	219
Results from Financial Operations	143	193	-242	813	418
Equity Method Results	1	37	22	85	-2
Net Income from Insurance Operations	0	0	0	0	0
Other Operating Income	-69	56	-58	49	-174
Total Operating Income	591	1,381	1,003	2,476	2,196
Staff Costs	250	516	535	576	537
Other Operating Costs	178	368	389	509	506
Depreciation/Amortisation	33	65	51	61	67
Total Operating Expenses	461	949	975	1,146	1,110

Income Before Provisions and Taxes (IBF)	130	432	28	1,330	1,086
Loan Loss Provisions	96	-34	1,888	997	2,956
Securities & Other Financial Assets Impair	3	5	5	-6	-44
Other Impairments	0	32	23	30	0
Other Non-Operating Income (Net)	-25	-459	-219	-114	-39
Income Before Taxes (IBT)	6	-30	-2,107	195	-1,865
Tax on Profit	2	39	297	60	94
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	-7	6	-42	56	-311
Net Attributable Income	11	-75	-2,362	79	-1,648

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2020H1	2019Y	2018Y	2017Y	2016Y
Other Items	6/30/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
NPLs	2,184	2,804	6,954	8,704	10,584
Assets Under Management	NA	NA	NA	NA	NA
No. of Employees (end-period)	NA	5,163	5,670	6,453	6,427
Risk-Weighted Assets (RWA)	41,592	39,840	44,895	46,813	59,896
RWA over Total Assets (%)	31.15	28.53	29.15	28.58	34.28

Source: DBRS Morningstar Analysis, Copyright © 2020, S&P Global Market Intelligence.

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
	2020H1	2019Y	2018Y	2017Y	2016Y
<b>Earnings Power</b>					
<b>Earnings</b>					
Net Interest Margin (%)	0.81	0.71	0.79	0.85	0.98
Yield on Average Earning Assets (%)	3.63	3.78	3.86	3.92	4.11
Cost of Interest Bearing Liabilities (%)	2.99	3.18	3.16	3.20	3.28
IBPT over Avg Assets (%)	0.19	0.29	0.02	0.78	0.61
IBPT over Avg RWAs (%)	0.63	0.97	0.06	2.46	1.76
<b>Expenses</b>					
Cost / Income ratio (%)	78.00	68.72	97.21	46.28	50.55
Operating Expenses by Employee	NA	183,808	171,958	177,592	172,709
LLP / IBPT (%)	73.85	-7.87	6,742.86	74.96	272.19
<b>Profitability Returns</b>					
Return on Avg Equity (ROAE) (%)	0.37	-1.62	-48.66	1.22	-22.42
Return on Avg Assets (ROAA) (%)	0.01	-0.05	-1.52	0.08	-1.09
Return on Avg RWAs (%)	0.02	-0.16	-5.20	0.25	-3.17
Dividend Payout Ratio (%)	NA	NA	NA	NA	NA
Internal Capital Generation (%)	NA	NA	NA	NA	NA
<b>Risk Profile</b>					
Gross NPLs over Gross Loans (%)	9.17	12.58	14.75	15.08	16.10
Net NPLs over Net Loans (%)	4.44	5.75	7.16	7.93	9.41
NPL Coverage Ratio (%)	61.90	56.88	57.10	40.30	35.87
Net NPLs over IBPT (%)	320.00	279.86	10,653.57	390.68	625.05
Net NPLs over CET1 (%)	14.69	20.87	100.24	89.52	100.53
Texas Ratio (%)	29.95	37.72	94.83	89.50	108.31
Cost of Risk (%)	0.23	-0.04	2.01	0.98	2.81
Level 2 Assets/ Total Assets (%)	14.18	13.97	14.95	15.76	18.24
Level 3 Assets/ Total Assets (%)	2.87	2.91	2.71	0.29	0.41
<b>Funding and Liquidity</b>					
Bank Deposits over Funding (%)	29.79	29.83	32.22	32.05	33.07
- Interbank over Funding (%)	NA	NA	NA	NA	NA
- Central Bank over Funding (%)	NA	NA	NA	NA	NA
Customer Deposits over Funding (%)	44.85	45.04	42.61	39.73	38.14
Wholesale Funding over Funding (%)	25.36	25.13	25.17	28.21	28.80
- Debt Securities over Funding (%)	23.09	22.50	22.65	25.73	25.75
- Subordinated Debt over Funding (%)	2.27	2.63	2.52	2.48	3.05
Liquid Assets over Assets (%)	35.15	35.45	37.06	37.13	35.21
Non-Deposit Funding Ratio (%)	60.70	59.91	61.16	64.17	66.05
Net Loan to Deposit Ratio (%)	153.94	152.70	149.07	166.35	178.09
LCR (Phased-in) (%)	154.51	156.00	184.30	177.85	110.30
NSFR (%)	NA	NA	NA	NA	NA
<b>Capitalisation</b>					
CET1 Ratio (Phased-In) (%)	13.61	14.54	6.63	12.40	11.27
CET1 Ratio (Fully-Loaded) (%)	13.60	14.46	6.57	11.63	9.93
Tier 1 Capital Ratio (Phased-In) (%)	14.16	15.33	7.53	13.31	11.89
Total Capital Ratio (Phased-In) (%)	19.36	20.76	12.67	18.07	16.32
Tang. Equity / Tang. Assets (%)	4.35	4.09	2.10	3.71	3.33
Leverage Ratio (DBRS) (%)	4.47	4.35	2.01	3.69	4.09
<b>Growth</b>					
Net Attributable Income YoY (%)	NA	NA	NA	NA	NA
Net Fees and Commissions YoY (%)	NA	36.5	-53.6	-48.9	-6.4
Total Operating Expenses YoY (%)	-2.3	-2.7	-14.9	3.2	-1.2
IBPT YoY (%)	-27.0	1,442.9	-97.9	22.5	-21.2
Assets YoY (%)	-4.4	-9.3	-6.0	-6.2	-3.5
Gross Lending to Customers YoY (%)	-5.7	-8.4	-6.3	-10.0	-2.1
Net Lending to Customers YoY (%)	-11.5	-6.1	-7.2	-8.0	-3.0
Loan Loss Provisions YoY (%)	NA	NA	89.4	-66.3	323.5
Deposits from Customers YoY (%)	-12.3	-7.3	0.4	-1.6	-4.5

Source: DBRS Morningstar Analysis, Copyright © 2020, S&amp;P Global Market Intelligence.

## Rating Methodology

The applicable methodology is the *Global Methodology for Rating Banks and Banking Organisations* (8 June 2020), which can be found on our website under Methodologies.

## Ratings

Issuer	Debt	Rating Action	Rating	Trend
Norddeutsche Landesbank Girozentrale	Long-Term Issuer Rating	Confirmed	A	Positive
Norddeutsche Landesbank Girozentrale	Short-Term Issuer Rating	Confirmed	R-1 (low)	Positive
Norddeutsche Landesbank Girozentrale	Long-Term Senior Debt	Confirmed	A	Positive
Norddeutsche Landesbank Girozentrale	Short-Term Debt	Confirmed	R-1 (low)	Positive
Norddeutsche Landesbank Girozentrale	Long-Term Deposits	Confirmed	A	Positive
Norddeutsche Landesbank Girozentrale	Short-Term Deposits	Confirmed	R-1 (low)	Positive
Norddeutsche Landesbank Girozentrale	Senior Non-Preferred Debt	Confirmed	A (low)	Positive
Norddeutsche Landesbank Girozentrale	Subordinated Debt	Confirmed	BBB (high)	Positive

## Ratings History

Issuer	Debt	Dec. 2020	Jan. 2020	2019	2018	2017	2016
Norddeutsche Landesbank Girozentrale	Long-Term Issuer Rating	A	A	A*	A	-	-
Norddeutsche Landesbank Girozentrale	Short-Term Issuer Rating	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)	-	-
Norddeutsche Landesbank Girozentrale	Long-Term Senior Debt	A	A	A*	A	A	A
Norddeutsche Landesbank Girozentrale	Short-Term Debt	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)	R-1 (low)	R-1 (low)
Norddeutsche Landesbank Girozentrale	Long-Term Deposits	A	A	A*	A	-	-
Norddeutsche Landesbank Girozentrale	Short-Term Deposits	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)	-	-
Norddeutsche Landesbank Girozentrale	Senior Non-Preferred Debt	A (low)	A (low)	A (low)*	A (low)	-	-
Norddeutsche Landesbank Girozentrale	Subordinated Debt	BBB (high)	BBB (high)	BBB (high)*	BBB (high)	-	-

Notes: \*Rating Under Review with Negative Implications.

## Previous Actions

- [DBRS Morningstar Confirms NORD/LB's Issuer Ratings at A/R-1 \(low\), Trend Remains Positive](#), 8 December 2020.
- [DBRS Morningstar confirms NORD/LB's Issuer Ratings at A/R-1 \(low\), Trend returned to Positive](#), 6 January 2020.
- [DBRS Maintains its Review with Negative Implications of NORD/LB's Ratings](#), 20 May 2019.
- [DBRS Places NORD/LB's Ratings Under Review – Negative Implications](#), 31 January 2020.

## Related Research

- [Higher Liquidity Drives Increase in Deposits at European Banks](#), 13 October 2020.
- [Domestic Bank Mergers Likely in Europe; Cross Border Consolidation Still Difficult](#), 1 October 2020.
- [European Banks' Cost of Risk Increases in Q2; Provisioning Approach Still Varies](#), 10 September 2020.
- [Higher Cost of Risk at European Banks in Q1: Trend to Continue](#), 8 June 2020.
- [DBRS Morningstar: Navigating Bank Ratings During a Global Pandemic](#), 27 March 2020.
- [European Banking: Key Themes in 2020](#), 14 January 2020.
- [DBRS Morningstar: EU approves Nord/LB's capital raise](#), 9 December 2020.

### **Previous Reports**

- [Norddeutsche Landesbank Girozentrale: Rating Report](#), 7 October 2019.
- [Norddeutsche Landesbank Girozentrale: Rating Report](#), 26 July 2018.

### **European Bank Ratios & Definitions**

- [European Bank Ratios & Definitions](#), 11 June 2019.

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