

Rating Report

Norddeutsche Landesbank Girozentrale

DBRS Morningstar

15 December 2021

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Sonja Förster, CFA
 Vice President - Global FIG
 +49 69 8088 3510
 sonja.forster@dbrsmorningstar.com

Elisabeth Rudman
 Managing Director - Head of EU FIG - Global FIG
 +44 20 7855 6655
 elisabeth.rudman@dbrsmorningstar.com

Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	A (high)	Confirmed Nov. '21	Stable
Short-Term Issuer Rating	R-1 (middle)	Confirmed Nov. '21	Stable
Intrinsic Assessment	BBB (low)	Maintained Nov. '21	--

Rating Drivers

Factors with Positive Rating Implications

- NORD/LB's Issuer Ratings benefit from the SFG's IPS. An upgrade of SFG's ratings would lead to an upgrade of NORD/LB's ratings.
- The Intrinsic Assessment (IA) would be upgraded, if the Bank is successful in restoring sustainable profitability, while maintaining good asset quality and capital metrics.

Factors with Negative Rating Implications

- NORD/LB's Issuer Ratings benefit from the SFG's IPS. A downgrade of SFG's ratings would lead to downgrade of NORD/LB's ratings.
- The IA would be downgraded should the Bank fail to achieve a sustainable business model over the medium term. Any developments that would lead to a material deterioration of the Bank's liquidity or capital situation would also lead to a downgrade of the IA.

Rating Considerations

Franchise Strength (Good / Moderate)

- NORD/LB has a diverse corporate and commercial client base in Northern Germany, as well as revenues from more global business lines. The Bank is currently implementing a large-scale restructuring programme.

Earnings Power (Weak / Very Weak)

- NORD/LB's earnings generation is under pressure given the ongoing restructuring process and the repercussions of the COVID-19 pandemic. The Bank is not expected to reach meaningful profitability until 2022.

Risk Profile (Moderate / Weak)

- NORD/LB's risk from exposure to the shipping sector has been eliminated, significantly improving the Bank's credit risk profile. However, the Bank faces execution risk from the current restructuring programme.

Funding and Liquidity (Good / Moderate)

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

Capitalisation (Moderate / Weak)

- All capital ratios are comfortably above regulatory requirements. However, capital generation capacity is expected to remain very weak.

2020H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	S/G	M	G/M
Earnings	W/VW	W	W/VW
Risk	W/VW	M	M/W
Funding & Liquidity	G/M	M	G/M
Capitalisation	W/VW	M	M/W
Overall Assessment	Intrinsic Assessment Range (IAR)		Assigned IA
M/W	[BBH-BBB]		BBB (low)

Financial Information

Norddeutsche Landesbank Girozentrale	2021H1	2020Y	2019Y	2018Y	2017Y
EUR Millions					
Total Assets	116,749	126,491	139,594	154,012	163,825
Equity Attributable to Parent	5,829	5,819	5,790	3,430	6,278
Income Before Provisions and Taxes (IBPT)	(4)	500	395	28	1,330
Net Attributable Income	(45)	31	(109)	(2,362)	79
IBPT over Avg RWAs (%)	-0.02	1.22	1.76	2.19	2.46
Cost / Income ratio (%)	100.89	64.66	70.61	97.21	46.28
Return on Avg Equity (ROAE) (%)	-1.55	0.53	-2.36	-48.66	1.22
Gross NPLs over Gross Loans (%)	1.98	2.05	3.36	7.63	8.93
CET1 Ratio (Fully-Loaded) (%)	15.40	14.50	14.46	11.52	11.63

Source: DBRS Morningstar Analysis; Copyright © 2021, S&P Global Market Intelligence.

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 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 (high) with a Stable trend.

The IA takes into account NORD/LB's 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's liquidity position is solid and is supported by its membership in the SFG and its established covered bond franchise. Following the Bank's recapitalisation and de-risking, it now has substantial capital buffers above regulatory minimum requirements. The IA also considers that credit risk emanating from the Bank's shipping portfolio has been largely eliminated, however, increased credit risk related to aircraft finance and the general economic uncertainty could still lead to elevated credit losses. The Bank's main challenges remain its limited earnings power and the ambitious restructuring programme, which, while on track in terms of cost reduction and systems overhaul, continues to be subject to execution risk, including potential revenue losses. We expect 2022 to provide a clearer picture in relation to revenue generation capabilities, progress and impact of cost cuts, and the build-out of new IT systems.

Franchise Strength

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong / Good	Moderate	Good /Moderate

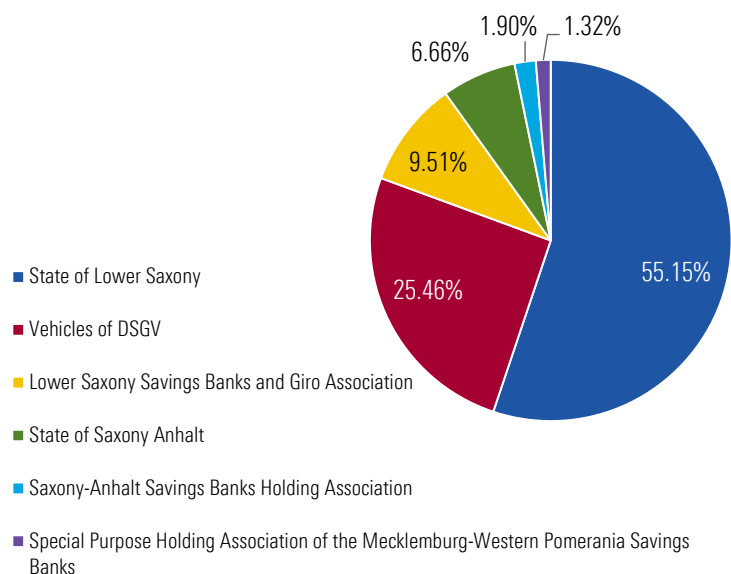
NORD/LB has a diverse corporate and commercial client base in Northern Germany, complemented by a savings bank segment and revenues from more global business lines. A large-scale restructuring programme (“NORD/LB 2024”), implemented in 2019 included an exit from the shipping business, which previously had been one of the Bank’s major business lines as well as a significant reduction in the Bank’s total assets to about EUR 110 billion by end-2024, down from EUR 145 billion in 2019. The programme also includes a complete overhaul of the Bank’s IT systems and carries significant execution risk. As of end November 2021, the Bank had fully integrated its commercial real estate subsidiary Deutsche Hypo, reduced the balance sheet size to EUR 117 billion and the shipping portfolio to EUR 1.1 billion, and prepared a number of measures that should start yielding visible P&L results in 2022.

NORD/LB ranks among the top ten banks in Germany by assets. As the fourth largest of 5 Landesbanken and a member of the Sparkassen Finanzgruppe¹ 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 June 2021)



Source: DSGV.

Source: DBRS Morningstar, Company Documents.

¹ See our Rating Report: Sparkassen-Finanzgruppe, May 21, 2021.

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.

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 2020 (see Exhibit 5). 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 NORD/LB Financial Targets 2024

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

*: Updated to EUR 110 billion, including the KfW pass-through loans.-

The "NORD/LB 2024" programme is far-reaching and includes a reduction of assets to EUR 110 billion from the 9M 2021 level of EUR 117 billion, while the staff number is targeted to reach 2,800 - 3,000 full-time equivalents (FTEs). At end-9M 2021 the Bank reported 4,047 FTEs, down from 4,446 and at YE 2020 and 5,489 at YE 2019. DBRS Morningstar has some concerns that the cost cuts could negatively affect the franchise and revenue generation capabilities. In DBRS Morningstar's view, the profitability targets are ambitious. Achieving an ROE of at least 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.

A complete wind-down of the Bank's shipping portfolio as well as a reduced footprint in aviation finance reduces the Bank's exposure to cyclical, but also higher margin business segments. The Bank has been divesting other non-core businesses, and is working on simplifying the corporate structure with the goal to 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

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

The Bank has now fully integrated Deutsche Hypo and the shipping portfolio has been wound down to EUR 1.1 billion. In terms of costs and profits, the Bank has been performing above plan so far, despite the significant loan loss provisions taken in 2020. However, much of the performance was driven by what we consider noncore items, namely various valuation effects and guarantee fees. Results include guarantee fees, totalling EUR 350 million over a 6-year period will accrue to the State of Lower Saxony, which has already pledged to reinvest them in order to support capital formation. Starting in 2022, we expect to see a clearer picture of revenues and earnings as the noise from valuation changes will subside.

Earnings Power

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Weak	Weak / Very Weak

Despite NORD/LB’s wide and diverse wholesale banking franchise, earnings generation ability has been only moderate. DBRS Morningstar notes that in the past the earnings volatility from the shipping business (Strategic Portfolio Optimisation) has masked the stable performance of the Bank’s corporate and other business segments. With the wind-down of the shipping portfolio and DBRS Morningstar expects less volatility however, the Bank is not likely to reach meaningful profitability until 2023. In DBRS Morningstar’s view NORD/LB’s earning generation ability remains under pressure, as the Bank is executing its restructuring programme, the low interest rate environment persists, and uncertainty related to COVID-19 pandemic continues to affect the economic environment. We will monitor carefully, whether the Bank will be able to generate sufficient revenues to support a viable business model, as the restructuring programme progresses.

Exhibit 5 Revenues by Business Segment

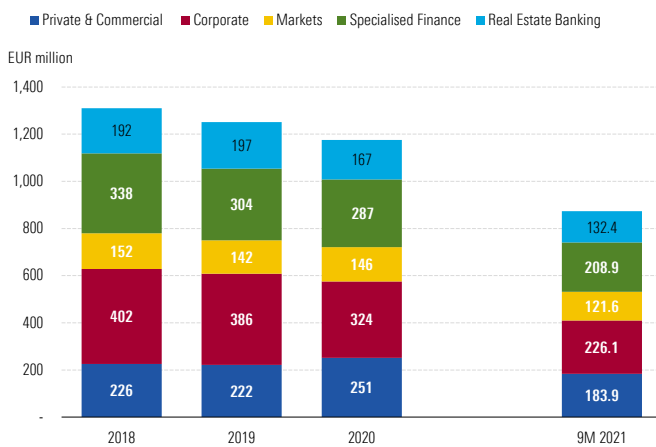
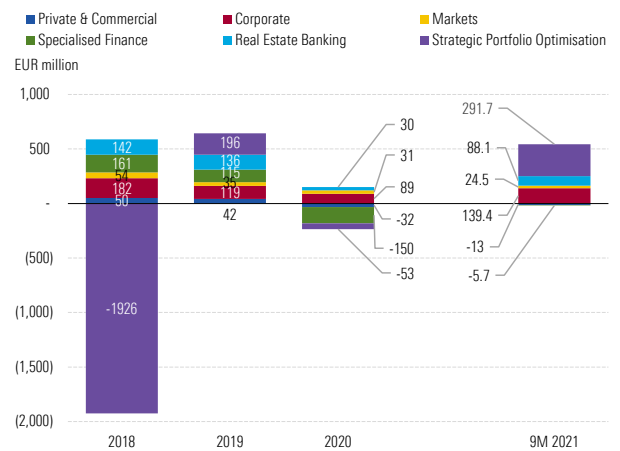


Exhibit 6 Consolidated Profit by Business Segment



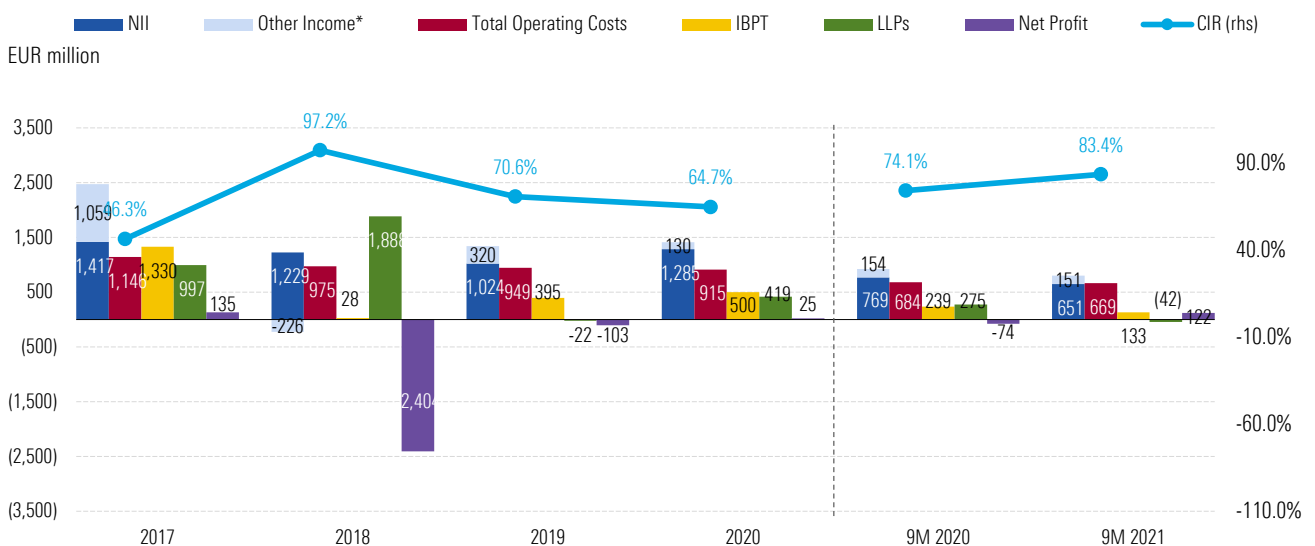
Source: Company Documents.

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 2021 results

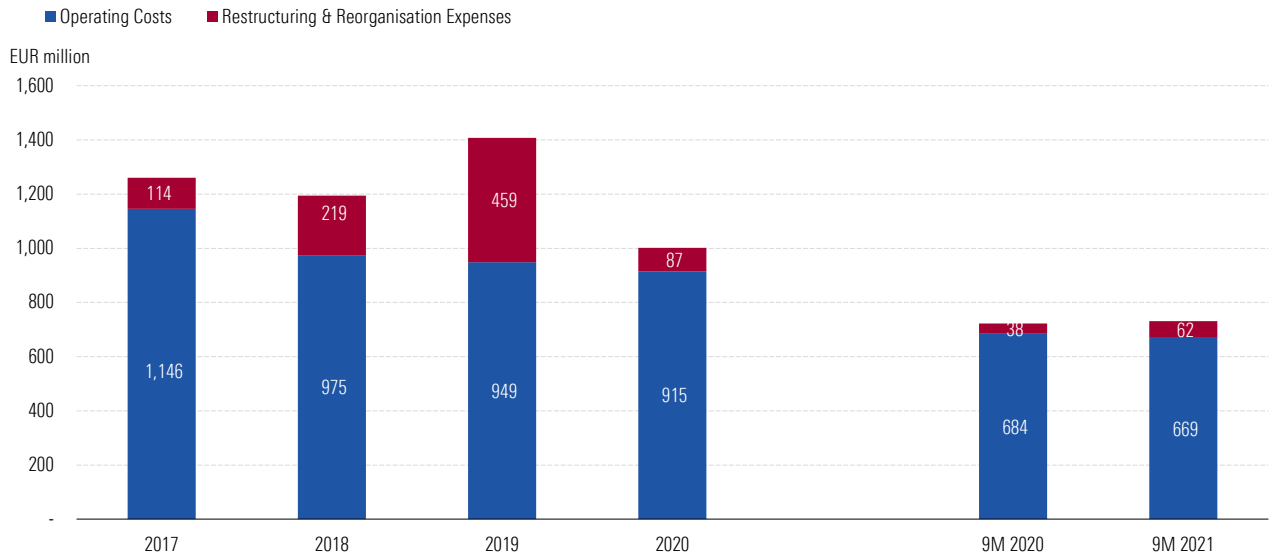
For the first 9 months of 2021, the Bank reported a net profit of EUR 122 million, up from a net loss of EUR 70 million a year earlier, driven by a reversal in risk provisions. Net interest income (NII) decreased by 15% YoY to EUR 651 million NORD/LB. This not only reflects the planned balance sheet shrinkage as part of the restructuring programme, but also a more conservative approach to lending and lower demand during the crisis. In addition, these lower lending volumes meant that the Bank has not been able to take advantage of the additional TLTRO III benefit. Net commission income was EUR 32 million, up from a negative EUR 30 million a year earlier, as guarantee fees paid to the State of Lower Saxony declined. Profits from financial assets at fair value dropped by EUR 82 million YoY to EUR 164 million, as the value of the guarantees declined. This was more than offset by a EUR 317 million reversal in risk provisions resulting in a release of EUR 42 million from negative EUR 275 million a year earlier. 9M 2020 included precautionary risk provisioning of EUR 180 million (management overlay) to prepare for a likely deterioration in asset quality as a result of the COVID-19 pandemic. Both periods included substantial provisions for the aviation segment, which, in 2021, was largely offset by releases related to the further reduction of the shipping portfolio in a strong market for ships. The Bank also reported a further reduction of administrative expenses by 2.2% YoY to EUR 669 million for 9M 2021, as lower personnel costs were partly offset by higher IT costs. The results of the current cost reductions should become more visible from 2022 onwards. For 9M 2021, the cost to income ratio (CIR) as calculated by DBRS Morningstar was 83.4%.

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.

Risk Profile

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Moderate	Moderate / Weak

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 more than half of the aviation portfolio is protected by guarantees. However, with an exposure not subject to guarantees of EUR 1.4 billion, aircraft finance currently represents one of the Bank’s larger credit risks. Overall, the Bank’s reported NPL ratio continued to improve to 1.0% at end-September 2021 from 1.3% at end-2020. Given its wholesale banking franchise, the Bank continues to maintain sizeable exposures to cyclical sectors that include more lumpy exposures. Credit risk could still increase as a result of delayed effects from the COVID-19 pandemic and operational risk associated with the large scale system changes also exists.

Exhibit 9 Asset breakdown by segment, H1 2021

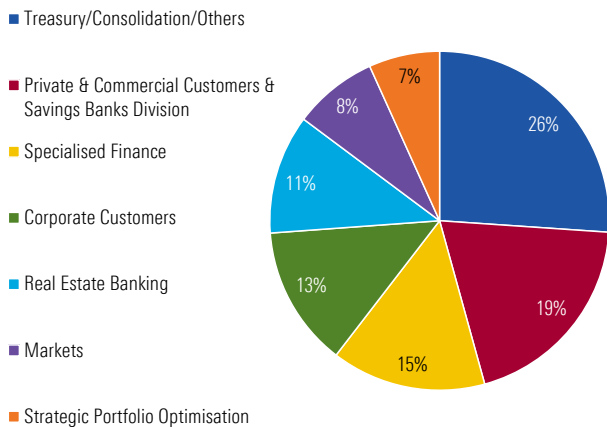
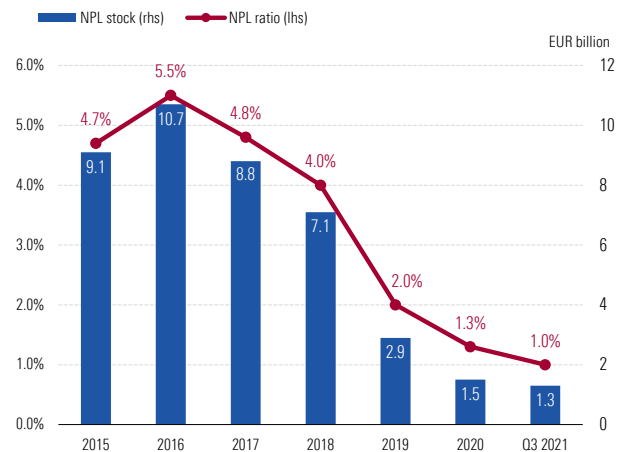
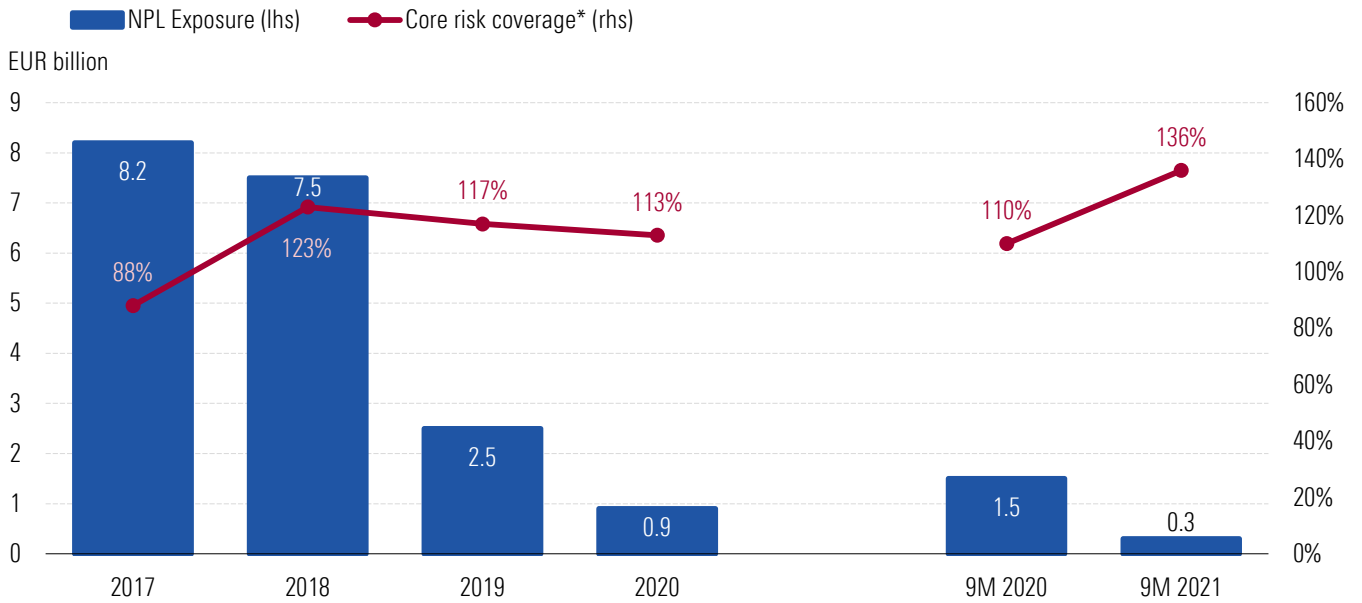


Exhibit 10 NPL ratio (%) & NPLs (EUR bn), as reported



Source: Company Documents.

NORD/LB’s reported non-performing loan (NPL) ratio declined to EUR 1.0% billion at end-Q3 2021, down from to EUR 1.3% at year-end and down from a peak at 5.5% reached at end-2016, with improvement in shipping NPLs accounting for most of the improvement as shown in exhibit 10 and 11. The shipping portfolio has shrunk to EUR 1.1 billion and NPLs to EUR 0.3 billion and the market value of the collateral combined with loan loss provisions exceed the total nonperforming shipping exposure on an EaD basis (see Exhibit 11). In addition, guarantees provided by the Bank’s State owners are expected to completely shield the Bank from further losses. As a result, DBRS Morningstar now views the remaining risk from shipping as negligible.

Exhibit 11 Shipping NPLs

Source: Company Documents .

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

Since the onset of the COVID-19 pandemic, aircraft lending has become a focus, with air travel being one of the segments most affected. Since end 9M 2020 the Bank has reduced its Exposure at Default (EaD) to EUR 3.1 billion from EUR 4.1 billion. EUR 1.7 billion is currently covered by guarantees provided by the State of Lower Saxony. Of the EUR 1.4 billion exposure not covered by guarantees, 11% (EUR 157 million) was nonperforming at end-9M 2021. A further 23% of the portfolio falls into the 'intensive support category' which is subject to close oversight. Currently, the Bank has loan loss reserves of EUR 159 million. DBRS Morningstar will be closely monitoring developments in the aviation portfolio.

The Bank also has a EUR 14.2 billion CRE portfolio (EaD) which is mainly focused on Germany (60%) and Western Europe (36%). Due to conservative underwriting, NPLs have been negligible so far. However, this is another segment we are paying attention to.

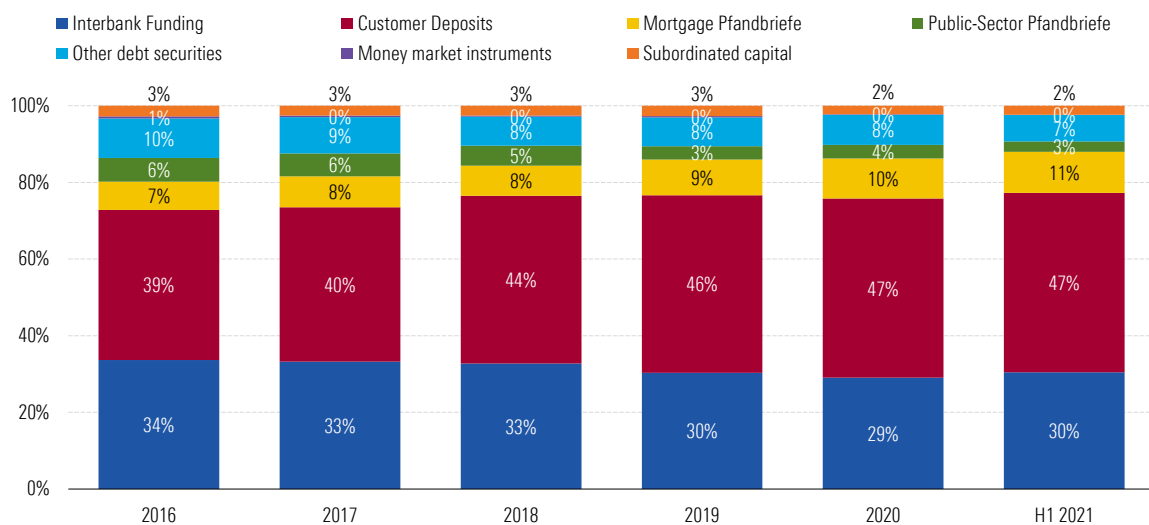
Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Moderate	Good /Moderate

NORD/LB’s liquidity and funding profile is satisfactory. The funding profile which predominantly consists of wholesale funding and corporate deposits is balanced by access to stable Pfandbrief funding, established wholesale funding relationships within the Sparkassen-Finanzgruppe, and healthy liquidity buffers above minimum requirements. The balance sheet shrinkage is also reducing funding needs. As of end-Q3 2021 the liquidity coverage ratio (LCR) stood at 149.2%, and for the first time, the Bank reported a net stable funding ratio (NSFR), which was 124.1%, both ratios were well above the 100% requirement.

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 47% of total funding at end-H1 2021, and the loan to deposit ratio was 148%. However, 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. 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. NORD/LB has access to stable Pfandbrief funding through its mortgage and public-sector cover pools.

Exhibit 12 Funding Mix Evolution



Source: Company Documents.

Capitalisation

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Weak / Very Weak	Moderate	Moderate / Weak

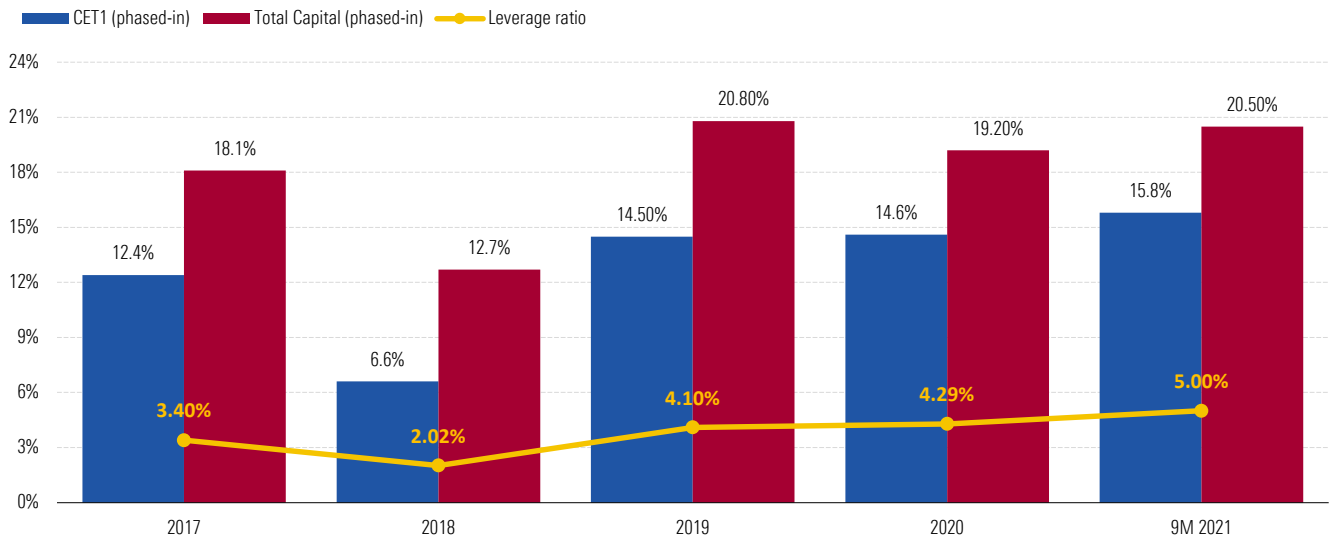
In DBRS Morningstar's view NORD/LB's sound capital cushion is partly offset by the fact that the Bank is currently not able to generate capital from earnings and has very limited ability to raise external capital. A common equity tier 1 (CET1) ratio of 15.8%² at the end of Q3 2021 was on the high side, and is likely to come down somewhat as RWAs are increasing. This represents a significant buffer relative to its current SREP requirement of 8.67% and position NORD/LB at the upper end of its peer group. However, in our view 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, including final Basel III rules.

Risk weighted assets (RWAs) decreased to EUR 36.7 billion at the end Q3 2021 from EUR 39.7 billion at year-end 2020 as total assets declined by EUR 9.7 billion to EUR 116.8 billion during the same period. This, as well as the reported profit of EUR 122 million for 9M 2021 resulted in an increase in the CET1 ratio from 14.6% to 15.8%. The total capital ratio increased from 19.2% to 20.5%. NORD/LB's MREL ratio was 53.3% at 9M 2021, well above the regulatory requirement of 22.59% for 2022.

Current capital levels are also supported by the fact that guarantee fees paid by NORD/LB are being reinvested as capital. For 9M 2021, the guarantee fees amounted to EUR 68 billion.

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. However, as these guarantees expire by 2024 the capital relief will be reversed, partly offset by a significant reduction in high-risk assets.

² Fully loaded.

Exhibit 13 Capital Ratios

Source: Company Documents.

Norddeutsche Landesbank Girozentrale

ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		Overall:	N N
Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		Overall:	N N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights:	N N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		Overall:	Y R
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
			Bribery, Corruption, and Political Risks:
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	Y	R
			Corporate / Transaction Governance:
		Consolidated ESG Criteria Output:	Y R

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Environmental

The environmental factor does not affect the rating or trend assigned to NORD/LB. The Bank is a signatory of the UNEP Principles for Responsible Banking and the UN Global Compact.

The Bank has committed not to finance coal power plants, nuclear power plants and hydro power plants in protected areas. Like all ECB regulated banks, NORD/LB will be subject to an annual supervisory stress test that will include a stress test exercise on climate risk in 2022.

Social

The social factor does not affect the rating or trend assigned to NORD/LB. We are not aware of any major product governance issues. Data Privacy and Security are an ongoing issue for all institutions, but no major issues have been reported for NORD/LB. There is some operational risk as the Bank is undertaking a complete overhaul of its IT systems as part of its large-scale restructuring programme.

Governance

This factor does currently not affect the rating or trend assigned to NORD/LB. There are no known material ethics or other corporate governance violations. However, the governance structure resulting from predominantly State ownership may have contributed to inadequate risk controls in the past.

NORD/LB

	1		2	3	4	5
2021H1	Scorecard Indicator	Scorecard Indicator Data	Scorecard Indicator Assessment	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	Adjusted Assets	133.741	G	S/G	M	G/M
	Sovereign Rating	20	VS			
Earnings	Return on Equity	-11.15%	W/VW	W/W	W	W/VW
	Return on Assets	-0.38%	W/VW			
	IBPT/Avg.Assets	0.33%	M/W			
Risk	Net NPLs/Net Loans	2.03%	G	W/VW	M	M/W
	Provisions/IBPT	86.25%	W/VW			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	140.6%	G/M	G/M	M	G/M
Capitalisation	Sovereign-Adjusted Capital Ratio	12.71%	S	W/VW	M	M/W
	NPL/Equity + Loan Loss Reserves	48.89%	G/M			
	5-Year Accumulated Net Income/Total Assets	-2.73%	W/VW			
		6		7		8
		Overall Assessment		Intrinsic Assessment Range (IAR)		Assigned IA
		M/W		BBB	BBB (low) BB (high)	BBB (low)

Notes: (1) based on financial data as of H1 2021. (2) For more information see Global Methodology for Rating Banks and Banking Organisations published on 19 July 2021.

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Balance Sheet	30/06/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Cash and Deposits with Central Banks	4,858	6,031	3,454	1,519	2,436
Lending to/Deposits with Credit Institutit	14,255	14,949	20,701	25,406	27,660
Financial Securities	20,506	23,046	25,333	30,154	30,740
Financial Derivatives Instruments	4,325	5,983	5,870	5,488	6,152
Net Lending to Customers	70,388	74,105	81,896	87,213	93,930
- Gross Lending to Customers	71,314	75,119	83,491	91,184	97,438
- Loan Loss Reserves	926	1,014	1,595	3,971	3,508
Investment in Associates or Subsidiaries	435	449	499	511	602
Total Intangible Assets	114	126	139	136	137
Fixed Assets	416	433	461	471	569
Insurance Assets	NA	NA	NA	NA	NA
Other Assets (including DTAs)	1,452	1,369	1,241	3,114	1,599
Assets	116,749	126,491	139,594	154,012	163,825
Deposits from Banks	29,752	30,460	35,517	44,244	45,550
Deposits from Central Banks	NA	NA	NA	NA	NA
Deposits from Credit Institutions	NA	NA	NA	NA	NA
Deposits from Customers	48,982	52,374	57,887	62,447	62,217
Issued Debt Securities	NA	25,221	26,794	31,103	36,565
Issued Subordinated Debt	2,243	2,258	3,137	3,456	3,531
Financial Derivatives Instruments	4,051	6,074	6,343	5,833	6,471
Insurance Liabilities	0	0	0	0	0
Other Liabilities	25,890	4,283	4,112	3,567	3,274
Equity Attributable to Parent	5,829	5,819	5,790	3,430	6,278
Minority Interests	2	2	14	-68	-61
Liabilities & Equity	116,749	126,491	139,594	154,012	163,825

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Income Statement	30/06/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Interest Income	2,041	4,784	5,430	5,999	6,529
Interest Expenses	1,614	3,499	4,406	4,770	5,112
Net Interest Income	427	1,285	1,024	1,229	1,417
Net Fees and Commissions	14	-38	71	52	112
Results from Financial Operations	81	232	156	-242	813
Equity Method Results	6	-24	37	22	85
Net Income from Insurance Operations	0	0	0	0	0
Other Operating Income	-77	-40	56	-58	49
Total Operating Income	451	1,415	1,344	1,003	2,476
Staff Costs	227	484	516	535	576
Other Operating Costs	193	358	368	389	509
Depreciation/Amortisation	35	73	65	51	61
Total Operating Expenses	455	915	949	975	1,146
Income Before Provisions and Taxes (IBP)	-4	500	395	28	1,330
Loan Loss Provisions	23	419	-22	1,888	997
Securities & Other Financial Assets Impa	-3	7	-7	5	-6
Other Impairments	0	0	32	23	30
Other Non-Operating Income (Net)	-35	-87	-459	-219	-114
Income Before Taxes (IBT)	-59	-13	-67	-2,107	195
Tax on Profit	-14	-38	36	297	60
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	0	-6	6	-42	56
Net Attributable Income	-45	31	-109	-2,362	79

	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
EUR Millions	2021H1	2020Y	2019Y	2018Y	2017Y
Other Items	30/06/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017
NPLs	1,412	1,544	2,804	6,954	8,704
Assets Under Management	NA	NA	NA	NA	NA
No. of Employees (end-period)	NA	4,963	5,489	5,670	6,453
Risk-Weighted Assets (RWA)	37,339	39,791	39,841	44,895	46,813
RWA over Total Assets (%)	31.98	31.46	28.54	29.15	28.58

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	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale	Norddeutsche Landesbank Girozentrale
	2021H1	2020Y	2019Y	2018Y	2017Y
Earnings Power					
Earnings					
Net Interest Margin (%)	0.72	0.98	0.71	0.79	0.85
Yield on Average Earning Assets (%)	3.42	3.66	3.78	3.86	3.92
Cost of Interest Bearing Liabilities (%)	2.90	2.84	3.18	3.16	3.20
IBPT over Avg Assets (%)	-0.01	0.38	0.27	0.02	0.78
IBPT over Avg RWAs (%)	-0.02	1.22	0.89	0.06	2.46
Expenses					
Cost / Income ratio (%)	100.89	64.66	70.61	97.21	46.28
Operating Expenses by Employee	NA	184,364	172,891	171,958	177,592
LLP / IBPT (%)	-575.00	83.80	-5.57	6,742.86	74.96
Profitability Returns					
Return on Avg Equity (ROAE) (%)	-1.55	0.53	-2.36	-48.66	1.22
Return on Avg Assets (ROAA) (%)	-0.07	0.02	-0.07	-1.52	0.08
Return on Avg RWAs (%)	-0.23	0.06	-0.23	-5.20	0.25
Dividend Payout Ratio (%)	NA	NA	NA	NA	NA
Internal Capital Generation (%)	NA	NA	NA	NA	NA
Risk Profile					
Gross NPLs over Gross Loans (%)	1.98	2.05	3.36	7.63	8.93
Net NPLs over Net Loans (%)	0.69	5.75	7.16	7.93	9.41
NPL Coverage Ratio (%)	65.58	65.69	56.88	57.10	40.30
Net NPLs over IBPT (%)	-6,075.00	105.92	306.08	10,653.57	390.68
Net NPLs over CET1 (%)	8.44	9.12	21.00	100.24	89.52
Texas Ratio (%)	20.90	22.58	37.90	94.83	89.50
Cost of Risk (%)	0.06	0.51	-0.03	2.01	0.98
Level 2 Assets/ Total Assets (%)	12.93	15.52	13.98	14.95	15.76
Level 3 Assets/ Total Assets (%)	2.41	3.22	2.89	2.71	0.29
Funding and Liquidity					
Bank Deposits over Funding (%)	NA	27.61	28.80	31.32	30.81
- Interbank over Funding (%)	NA	NA	NA	NA	NA
- Central Bank over Funding (%)	NA	NA	NA	NA	NA
Customer Deposits over Funding (%)	NA	47.48	46.93	44.21	42.08
Wholesale Funding over Funding (%)	NA	24.91	24.27	24.47	27.12
- Debt Securities over Funding (%)	NA	22.86	21.72	22.02	24.73
- Subordinated Debt over Funding (%)	NA	2.05	2.54	2.45	2.39
Liquid Assets over Assets (%)	33.94	34.81	35.45	37.06	37.13
Non-Deposit Funding Ratio (%)	55.84	56.60	56.73	58.55	60.52
Net Loan to Deposit Ratio (%)	143.70	141.49	141.48	139.66	150.97
LCR (Phased-in) (%)	154.37	158.92	156.00	184.30	177.85
NSFR (%)	NA	NA	NA	NA	NA
Capitalisation					
CET1 Ratio (Phased-In) (%)	15.42	14.59	14.45	6.63	12.40
CET1 Ratio (Fully-Loaded) (%)	15.40	14.50	14.46	6.57	11.63
Tier 1 Capital Ratio (Phased-In) (%)	15.55	14.71	15.25	7.53	13.31
Total Capital Ratio (Phased-In) (%)	20.04	19.20	20.67	12.67	18.07
Tang. Equity / Tang. Assets (%)	4.90	4.51	4.06	2.10	3.71
Leverage Ratio (DBRS) (%)	5.11	4.83	4.33	2.01	3.69
Growth					
Net Attributable Income YoY (%)	NA	NA	NA	NA	NA
Net Fees and Commissions YoY (%)	NA	NA	36.5	-53.6	-48.9
Total Operating Expenses YoY (%)	-1.3	-3.6	-2.7	-14.9	3.2
IBPT YoY (%)	NA	26.6	1,310.7	-97.9	22.5
Assets YoY (%)	-12.6	-9.4	-9.4	-6.0	-6.2
Gross Lending to Customers YoY (%)	-9.2	-10.0	-8.4	-6.4	-7.9
Net Lending to Customers YoY (%)	-10.0	-9.5	-6.1	-7.2	-8.0
Loan Loss Provisions YoY (%)	-76.0	NA	NA	89.4	-66.3
Deposits from Customers YoY (%)	-13.0	-9.5	-7.3	0.4	-1.6

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Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (19 July 2021) and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (3 February 2021) 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 (high)	Stable
Norddeutsche Landesbank Girozentrale	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Norddeutsche Landesbank Girozentrale	Long-Term Senior Debt	Confirmed	A (high)	Stable
Norddeutsche Landesbank Girozentrale	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Norddeutsche Landesbank Girozentrale	Long-Term Deposits	Confirmed	A (high)	Stable
Norddeutsche Landesbank Girozentrale	Short-Term Deposits	Confirmed	R-1 (middle)	Stable
Norddeutsche Landesbank Girozentrale	Senior Non-Preferred Debt	Confirmed	A	Stable
Norddeutsche Landesbank Girozentrale	Subordinated Debt	Confirmed	A (low)	Stable

Ratings History

Issuer	Debt	Dec. 2021	Mar. 2021	Dec. 2020	Jan. 2020	2019	2018
Norddeutsche Landesbank Girozentrale	Long-Term Issuer Rating	A (high)	A (high)	A	A	A*	A
Norddeutsche Landesbank Girozentrale	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)
Norddeutsche Landesbank Girozentrale	Long-Term Senior Debt	A (high)	A (high)	A	A	A*	A
Norddeutsche Landesbank Girozentrale	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)
Norddeutsche Landesbank Girozentrale	Long-Term Deposits	A (high)	A (high)	A	A	A*	A
Norddeutsche Landesbank Girozentrale	Short-Term Deposits	R-1 (middle)	R-1 (middle)	R-1 (low)	R-1 (low)	R-1 (low)*	R-1 (low)
Norddeutsche Landesbank Girozentrale	Senior Non-Preferred Debt	A	A	A (low)	A (low)	A (low)*	A (low)
Norddeutsche Landesbank Girozentrale	Subordinated Debt	A (low)	A (low)	BBB (high)	BBB (high)	BBB (high)*	BBB (high)

Note: *Rating Under Review with Negative Implications.

Previous Actions

- [DBRS Morningstar Confirms NORD/LB's Long-Term Issuer Rating at A \(high\)/R-1 \(middle\), Stable Trend, 3 December 2021.](#)
- [DBRS Morningstar Upgrades NORD/LB's Long-Term Issuer Rating to A \(high\), Trend Stable, 18 March 2021.](#)
- [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 Places NORD/LB's Ratings Under Review – Negative Implications, 31 January 2020.](#)

Related Research

- [European Banks' Cost of Risk Supported by Loan Loss Releases in Q3](#), 29 November 2021.
- [ESG Factors for Banks, Part Two: Governance Factors](#), 19 October 2021.
- [DBRS Morningstar Publishes Banks' Intrinsic Assessment Frameworks](#), 5 October 2021.
- [ESG Factors for Financial Institutions, Part One: Environmental Factors](#), 27 April 2021.
- [DBRS Morningstar: Gender Diversity at European Banking Boards: Still a Long Way to Go](#), 22 February 2021.

Previous Reports

- [Norddeutsche Landesbank Girozentrale: Rating Report](#), 18 December 2020.
- [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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