

Morningstar DBRS Confirms NORD/LB's Long-Term Issuer Rating at A (high), Stable Trend; Intrinsic Assessment Raised to BBB (high)

BANKING ORGANIZATIONS

DBRS Ratings GmbH (Morningstar DBRS) confirmed its credit ratings on Norddeutsche Landesbank Girozentrale (NORD/LB or the Bank), including the Bank's Long-Term Issuer Rating at A (high), the Senior Non-Preferred Debt credit rating at "A", and the Short-Term Issuer Rating at R-1 (middle). The trends on all credit ratings remain Stable. The credit ratings and the trends are all in line with those of the Sparkassen-Finanzgruppe (SFG). NORD/LB's Intrinsic Assessment (IA) raised to BBB (high) from BBB while its Support Assessment remains unchanged at SA1. The SA1 Support Assessment reflects the membership in SFG and the support from SFG's Institutional Protection Scheme (IPS). For a complete list of credit ratings, please see the table at the end of this press release.

KEY CREDIT RATING CONSIDERATIONS

The confirmation of NORD/LB's credit ratings reflects the floor rating of SFG and support from its IPS. Each member of the IPS, including NORD/LB, is generally rated at the floor level, which is currently A (high) with a Stable trend.

NORD/LB's IA is now BBB (high). This reflects the successful conclusion of the Bank's strategic overhaul and transformation plan. This included expansion in core business segments, improved revenue diversification, cost discipline, and strengthening of the capital position. In addition, NORD/LB made progress enhancing its operational and digital infrastructure, including the development of a new in-house bank steering system, which is targeted for implementation in 2026. The Bank's asset quality weakened somewhat in F2024, although from a low level, and it was mainly driven by the Bank's commercial real estate (CRE) and corporate exposures in the context of global macroeconomic headwinds and a sluggish economy in Germany.

The IA at BBB (high) reflects NORD/LB's role as a central institution and a clearing bank for the savings banks in the region as well as its commercial banking franchise in Northern Germany, complemented by a well-established international specialty finance business. In Morningstar DBRS' view, the Bank's liquidity and funding profiles remain well managed and benefit from NORD/LB's membership in the SFG and its established covered bond franchise, offsetting the risk from a largely corporate deposit base. At the end of 2024, the Bank's capital ratios were at the higher end of its peer group. The Stable trend reflects Morningstar DBRS' view that risks are broadly balanced.

NORD/LB's IA of BBB (high) is at the midpoint of the Intrinsic Assessment Range, as Morningstar DBRS views NORD/LB's credit fundamentals and performance as commensurate with those of similarly rated peers.

CREDIT RATING DRIVERS

NORD/LB's Issuer Ratings benefit from the SFG's IPS. An upgrade of SFG's credit ratings would lead to an upgrade of NORD/LB's credit ratings. Morningstar DBRS would consider an upgrade of the Bank's IA if the Bank shows further progress in profitability and efficiency while maintaining solid capital cushions.

NORD/LB's Issuer Ratings benefit from the SFG's IPS. A downgrade of SFG's credit ratings would lead to a downgrade of NORD/LB's credit ratings. Morningstar DBRS would consider a downgrade of the IA if there is a significant deterioration in the Bank's risk profile,

capitalisation, as well as an inability to sustain profitability growth. In addition, any major disruptions in the implementation of its new bank steering system could result in downward pressure on the IA.

CREDIT RATING RATIONALE

Franchise Combined Building Block Assessment: Good/Moderate

NORD/LB is a public-sector state bank, primarily serving Northern Germany as well as international clients through its specialised finance franchise. With total assets of EUR 114 billion as of YE2024, the Bank ranks as Germany's fourth-largest Landesbank and amongst the country's 10-largest banking institutions. While mainly a commercial bank, NORD/LB also acts as the clearing institution for the savings banks within its operating regions. As a member of Germany's largest decentralised banking organisation, SFG, NORD/LB benefits from the support of its IPS. Under the new management team, the Bank made significant progress in its strategic overhaul focused on cost optimisation, operational streamlining, and the disposal of high-risk exposures, including its shipping and aircraft loan portfolios. Reflecting its focus on efficiency and capital optimisation, NORD/LB recently closed its Singapore office.

NORD/LB is a diversified universal bank with extensive expertise in a range of markets. This includes a diversified Corporate segment that benefits from cross-selling opportunities with regional savings banks. Additionally, NORD/LB is a well-established and long-standing player in European CRE through Deutsche Hypo. The Bank's Structured Finance division is a key player in renewable energy finance and project finance worldwide, capitalising on the energy transition. The Bank's offerings are further completed by its Markets division, focused on institutional clients and savings banks, as well as its Private Customers division under Braunschweigische Landessparkasse (BLSK). The latter grants NORD/LB access to retail deposits and services, including wealth management.

Earnings Combined Building Block Assessment: Moderate/Weak

In Morningstar DBRS' view, NORD/LB has successfully navigated its transformation phase and strengthened its business model, positioning the Bank for improved earnings capacity and less volatile results. Previously constrained by low margins and a high cost base, the Bank is now benefitting from cost-efficiency measures and robust new business generation. While Morningstar DBRS notes that the Bank still lags European peers in terms of profitability, these measures have helped to close the gap further, especially in the context of a challenging macroeconomic environment and sluggish economy in Germany.

In 2024, the Bank reported a net profit of EUR 627 million, up from EUR 224 million in 2023, driven by an increase in core revenues (+12% year over year (YOY)), a positive effect from fair value measurement, and supported by expense reduction (-6% YOY). This could offset the increase in loan loss provisions (LLPs) of EUR 144 million compared with EUR 99 million booked in 2023. This resulted in the cost-income ratio, as calculated by Morningstar DBRS, improving to 62% in 2024 from 71% a year earlier, mainly on the back of higher revenues. The net result was also supported by tax revenues of EUR 271 million in 2024 compared with a tax expense of EUR 47 million in 2023, on the back of the capitalisation of deferred taxes for the Bank's domestic operations. Furthermore, return on equity after taxes grew to 8.8% in F2024 from 3.4% in F2023. In F2024, the Corporate & Savings Network division continued to be the main contributor to both revenues and consolidated profits, followed by the Structured Finance segment.

Risk Combined Building Block Assessment: Good

In Morningstar DBRS' view, NORD/LB has strengthened its credit risk profile by divesting risky and nonstrategic assets while improving diversification of its lending portfolio. However, asset quality deteriorated in F2024, particularly across its domestic corporate lending (service industries and manufacturing) and CRE exposures, reflecting the worsening economic environment in Germany and the turmoil in the commercial property sector. The Bank's loan book is fairly diversified; however, its exposure to CRE (EUR 18.8 million at YE2024) is large at around 16% of NORD/LB's total exposure at default.

The nonperforming loan (NPL) ratio, as calculated by Morningstar DBRS, was 2.4% at YE2024, up from 1.6% at YE2023. The stock

of NPLs increased to EUR 1.8 billion at YE2024. Reflecting the difficult operating environment, NORD/LB set aside LLPs of EUR 144 million, up 45% YOY, particularly in the Private and Commercial Customers, Corporate Customers, Real Estate, and Structured Finance segments. In terms of the NPL coverage ratio, as per Morningstar DBRS' calculation, it was moderate at 44% at the end of 2024 compared with 62% at the end of 2023, but this was offset by high levels of collateralisation. Furthermore, the stock of Stage 2 loans decreased by 19% YOY, but remains relatively high.

Funding and Liquidity Combined Building Block Assessment: Good

NORD/LB's liquidity and funding profile remains solid. The funding profile predominantly consists of wholesale funding and corporate deposits. While the Bank lacks a large retail franchise with granular and stable deposits, it effectively manages its corporate deposits, limiting concentration risks and exposure to less stable deposits. Reflective of its business model, NORD/LB's deposit funding is more limited compared with peers' deposits at 48% of total funding at YE2024. NORD/LB's loan-to-deposit ratio, as calculated by Morningstar DBRS, was 100.4%. The Bank benefits from its covered bond franchise and access to interbank funding through SFG. Moreover, the Bank maintains good access to the wholesale market. Throughout F2024, the Bank successfully issued five benchmark issuances, including the first Tier 2 in more than 10 years, as well as an inaugural senior non-preferred and three covered bonds. The Bank also started 2025 with three benchmark issuances in Q1 2025 and expects to continue throughout the rest of the year.

At YE2024, NORD/LB reported a liquidity coverage ratio of 132% and a net stable funding ratio of 113%, both comfortably exceeding the regulatory minimum of 100%.

Capitalisation Combined Building Block Assessment: Good/Moderate

NORD/LB strengthened its capital position in 2024, as evidenced by improved earnings retention, capital ratios exceeding those of its peers, as well as reinforced and solid capital cushions. In Morningstar DBRS's view, the Bank's ability to raise external capital, if needed, might be challenging under the current shareholding structure.

NORD/LB's CET1 ratio as of YE2024 was 16.4%, up from 15.0% at YE2023, as retained earnings continued to offset the increase in risk-weighted assets to EUR 43 billion from EUR 41 billion at YE2023, mainly driven by higher counterparty risks from business growth. The CET1 ratio is well above the regulatory requirement of 9.4% and positions NORD/LB at the higher end of its peer group. The total capital ratio was 19.2% at YE2024, up from 17.1% at YE2023, well above the requirement of 14.1%. NORD/LB's MREL ratio was 45.0% at YE2024, also well above the regulatory requirement of 21.3%.

Further details on the Scorecard Indicators and Building Block Assessments can be found at <https://dbrs.morningstar.com/research/456349>.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

Environmental, social, and governance (ESG) considerations had a relevant effect on the credit analysis.

Governance (G) Factors

Since the last credit rating action, the relevance or significance of the Governance factor changed. Morningstar DBRS considers that the Bank has made significant progress in terms of corporate governance reflected in the successful conclusion of its transformation programme under its new management team.

The following Governance factor had a significant effect on the credit analysis: pass-through governance credit considerations. The Governance factor affects NORD/LB as the ESG factors for SFG are passed through to NORD/LB.

The subfactor Corporate Governance is relevant to SFG's credit ratings, which is reflected in the franchise grid grades for the Bank. In Morningstar DBRS' view, the ownership mix and the parliamentary process involved in decision making at the Landesbanken has

made it difficult at times for SFG to swiftly react to challenges. In addition, SFG's level of transparency and financial disclosure is limited compared with that of international peers.

There were no Environmental or Social factors that had a significant or relevant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025) at <https://dbrs.morningstar.com/research/454196>.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology is the Global Methodology for Rating Banks and Banking Organisations (23 May 2025), <https://dbrs.morningstar.com/research/454637>. In addition, Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings, <https://dbrs.morningstar.com/research/454196> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for these credit ratings include Morningstar, Inc. and company documents. Other sources include NORD/LB's F2024 presentation and NORD/LB's 2019 to 2024 annual reports. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' trends and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/456348>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit <https://dbrs.morningstar.com>.

Ratings

NORD/LB Luxembourg S.A. Covered Bond Bank

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
17-Jun-25	Long-Term Issuer Rating	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Debt	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Deposits	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Long-Term Deposits	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Long-Term Senior Debt	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>

Norddeutsche Landesbank Girozentrale

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
17-Jun-25	Long-Term Issuer Rating	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Long-Term Deposits	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Senior Non-Preferred Debt	Confirmed	A	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Debt	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Short-Term Deposits	Confirmed	R-1 (middle)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Subordinated Debt	Confirmed	A (low)	Stb	<div>EU</div> <div>U</div>
17-Jun-25	Long-Term Senior Debt	Confirmed	A (high)	Stb	<div>EU</div> <div>U</div>

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