

## **FITCH AFFIRMS NORD/LB AT 'A'; OUTLOOK STABLE**

Fitch Ratings-London/Frankfurt-31 January 2013: Fitch Ratings has affirmed the Long-term Issuer Default Ratings (IDRs) of Norddeutsche Landesbank Girozentrale (NORD/LB) and its subsidiary NORD/LB Covered Finance Bank (NORD/LB CFB) at 'A' with a Stable Outlook. A full list of rating actions is at the end of this rating action commentary.

### **RATING DRIVERS AND SENSITIVITIES - IDRS, NATIONAL RATINGS AND SENIOR DEBT**

The affirmation of the IDRs reflects the fact that Fitch's view of the extremely high likelihood of state support for NORD/LB is unchanged, in light of the high systemic importance of the bank to its local regions as well as the strategic stake the federal state holds in the bank.

NORD/LB's IDRs, SRF and guaranteed debt rating are sensitive to a change in Fitch's view of the propensity and ability of the state of Lower Saxony ('AAA'/Stable) to provide support. The creditworthiness of Lower Saxony is underpinned by the strength of the German solidarity system, which links the creditworthiness of each federal state to that of the Federal Republic of Germany ('AAA'/Stable). As such the support-driven ratings of NORD/LB are also sensitive to any change to Fitch's rating of the Federal Republic of Germany.

### **RATING DRIVERS AND SENSITIVITIES - VIABILITY RATING (VR)**

NORD/LB's VR reflects the bank's strong regional franchise, high degree of co-operation with the local savings banks and adequate overall risk profile. NORD/LB's underlying profitability is low but improving.

The VR is negatively affected by the risks arising from the bank's substantial exposure to cyclical industries, especially real estate and shipping. The bank's dependence on wholesale funding also means funding costs are vulnerable to market fluctuations and the long-term asset profiles and low growth environment mean that it takes time to pass increased funding costs onto the revenue side.

The VR is particularly sensitive to the degree of progress the bank is able to make in reducing exposure to such higher-risk sectors. Further deterioration in the outlook for the shipping industry could also result in a downgrade. Impairment charges for the shipping portfolio have increased substantially and would have to increase further if the medium-term outlook for the shipping industry worsens. The bank's modest profit level means that these charges may erode bank capital and undo the improvement in capitalisation the bank has undergone in 2012.

### **NORD/LB CFB's RATING DRIVERS AND SENSITIVITIES**

NORD/LB CFB's IDR is based on the extremely high likelihood of support from Norddeutsche Landesbank Luxembourg S.A. and NORD/LB, the bank's direct and ultimate owner, respectively, reflected in the declaration of backing (Patronatserklärungen) for NORD/LB CFB from both entities. Fitch does not assign a VR to NORD/LB CFB as a result of the strong support and degree of integration of the bank with NORD/LB Group.

NORD/LB CFB's ratings are sensitive to a change in Fitch's view of the likelihood of support from NORD/LB. Due to the high degree of integration between the two banks a rating action on NORD/LB CFB would most likely be caused by any rating action on NORD/LB.

Fitch may have provided another permissible service to the rated entity or its related third parties. Details of this service can be found on Fitch's website in the EU regulatory affairs page.

The rating actions are as follows:

**NORD/LB**

Long-term IDR affirmed at 'A'; Outlook Stable

Short-term IDR affirmed at 'F1'  
Viability Rating: affirmed at 'bbb-'  
Support Rating Floor affirmed at 'A'  
Support Rating affirmed at '1'  
Guaranteed senior and subordinated obligations affirmed at 'AAA'  
Guaranteed medium-term notes affirmed at 'AAA'  
Senior debt affirmed at 'A' / 'F1'

NORD/LB CFB

Long-term IDR affirmed at 'A'; Outlook Stable  
Short-term IDR affirmed at 'F1'  
Support Rating affirmed at '1'

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria 'Global Financial Institutions Rating Criteria', dated 15 August 2012, 'Assessing and Rating Bank Subordinated and Hybrid Securities', dated 5 December 2011, 'Evaluating Corporate Governance', dated 12 December 2012, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=686181](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181)  
Assessing and Rating Bank Subordinated and Hybrid Securities  
[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=695542](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=695542)  
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