

**FITCH AFFIRMS NORD/LB AND BREMER LB AT 'A'/STABLE;  
VR ALSO AFFIRMED**

Fitch Ratings-Frankfurt/London-02 February 2012: Fitch Ratings has affirmed Germany-based Norddeutsche Landesbank Girozentrale (NORD/LB) and its subsidiaries Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale (Bremer LB) and NORD/LB COVERED FINANCE BANK's (NORD/LB CFB) Long-term Issuer Default Rating (IDR) at 'A' with a Stable Outlook. Fitch has also affirmed NORD/LB's and Bremer LB's Support Rating at '1', Support Rating Floor (SRF) at 'A', Short-term IDR at 'F1' and guaranteed obligations at 'AAA'. NORD/LB's Viability Rating (VR) has been affirmed at 'bbb-' and Bremer LB's VR has been affirmed at 'bbb'. A full list of rating actions is at the end of this comment.

The affirmation of NORD/LB's IDRs reflects Fitch's view that there would be an extremely high probability of support from the State of Lower Saxony if required. The recent capital measures which led to the State of Lower Saxony increasing its stake in NORD/LB to 56.03% from 41.75%, is an example of its propensity to support. During the financial crisis NORD/LB did not require external capital support and had no immediate need to restructure its business model. In Fitch's view, a downgrade of the three banks' IDRs could result from a significant change in the ability or propensity of the State of Lower Saxony to support the bank. The IDRs of Bremer LB and NORD/LB CFB are based on the extremely high probability of support that would be provided by its ultimate owners if required. Bremer LB is part of the joint liability system, the Guarantee System of the Savings Bank Association (DSGV). For NORD/LB CFB there exist declarations of Support (Patronatserklärung) from NORD/LB and Norddeutsche Landesbank Luxembourg S.A.

NORD/LB's VR reflects its improving but still moderate profitability. The improvement in 9M11 was driven by a significant reduction of loan impairment charges and the sale of equity in DekaBank Deutsche Girozentrale. NORD/LB's performance remained subject to income volatility with regard to its derivatives exposure and fair value accounting. Fitch expects that NORD/LB's asset quality and performance to be vulnerable to a potential further deterioration of the sovereign crisis in the eurozone and the negative connotations for the German economy and global trade, specifically due to NORD/LB's sizeable shipping and commercial real estate portfolios and its exposure to southern European sovereigns. In addition, the bank is exposed to further cyclical asset classes such as aviation and the automotive industry. These factors could lead to additional impairment charges.

Fitch believes that this vulnerability is somewhat balanced by the improved quality of NORD/LB's capital. In this context, the EU's decision to require major European banks to strengthen their core Tier 1 capital to 9% by end-June 2012, has forced NORD/LB to take various capital-strengthening measures. At end-2011 the bank had strengthened its core capital by converting silent participations and other capital instruments of EUR1.1bn and from an equity increase by EUR0.6bn. The bank plans to increase its core capital by a further c. EUR1.0bn by June-2012 to fulfil the EU requirement and achieve a core Tier 1 capital ratio of 9.5%, which Fitch considers as manageable.

While the bank is highly reliant on wholesale funding, Fitch considers the investor base as well-diversified. In addition, the bank's reliance on wholesale funds is mitigated by its access to the German savings bank network with its large deposit base and the historically stable Pfandbrief market, one major source of NORD/LB's capital market funding. However, Fitch notes that the high amount of grandfathered debt expiring by 2015 will pressure earnings due to increasing funding costs.

Bremer LB's VR of 'bbb' reflects the bank's solid performance in 2011 based on a stable revenue contribution from its core customer businesses and its strong franchise in its region and in selected asset-based lending markets. Nevertheless, in Fitch's view Bremer LB's profitability will remain vulnerable to changes in the credit cycle due to the limited diversification of income streams. Fitch

considers Bremer LB's asset quality as moderate. However, with regard to the bank's sizeable exposure to ship finance, asset quality remains vulnerable in light of a worsening global economic environment in 2012.

The Long-term ratings for NORD/LB's guaranteed senior and subordinated obligations as well as Bremer LB's senior obligations reflect the grandfathering of the statutory support (the state guarantee (Gewährträgerhaftung) provided until 18 July 2005) that would be provided by the owners if required to ensure that the payments due until maturity are met. As such, Fitch's rating of the guaranteed obligations is entirely based on the agency's view on the creditworthiness of the German Laender underpinned by the stability of the German solidarity system and linking their creditworthiness to that of the Federal Republic of Germany.

The rating actions are as follows:

**NORD/LB:**

Long-term IDR affirmed at 'A'; Outlook Stable  
Short-term IDR affirmed at 'F1'  
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'  
Senior market-linked securities affirmed at 'A emr'

**Bremer LB:**

Long-term IDR affirmed at 'A'; Outlook Stable  
Short-term IDR affirmed at 'F1'  
Support Rating Floor affirmed at 'A'  
Support Rating affirmed at '1'  
Guaranteed obligations affirmed at 'AAA'  
Senior Debt affirmed at 'A'

**NORD/LB CFB:**

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

**Contact:**

**Primary Analyst**

Christian van Beek  
Director  
+49 69 768076 248  
Fitch Deutschland GmbH  
Taunusanlage 17  
D-60325 Frankfurt

**Secondary Analyst**

Patrick Rioual  
Director  
+49 69 768076 123

**Committee Chairperson**

Alain Branchey  
Senior Director  
+33 1 44 29 91 41

Media Relations: Michelle James, London, Tel: +44 0203 530 1574, Email: Michelle.James@fitchratings.com.

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 13 August 2011 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=649171](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171)

2012 Outlook: German Banks

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=659900](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=659900)

German Landesbanks – Refocusing on Core Strength

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=654275](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=654275)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.