



Rating_Action: Moody's assigns (P)Baa2 senior unsecured MTN programme ratings to Oldenburgische Landesbank

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Frankfurt am Main, February 14, 2023 – Moody's Investors Service (Moody's) has today assigned (P)Baa2 long-term domestic and foreign currency senior unsecured MTN programme ratings, (P)Baa3 domestic and foreign currency junior senior unsecured MTN programme ratings, and (P)Ba1 domestic and foreign currency subordinate MTN programme ratings to Oldenburgische Landesbank AG's (OLB) €1.5 billion multi-currency debt issuance programme.

All other ratings of OLB were unaffected by today's rating action.

RATINGS RATIONALE

-- ASSIGNMENT OF PROGRAMME RATINGS

The assigned (P)Baa2 senior unsecured MTN programme ratings, (P)Baa3 junior senior unsecured MTN programme ratings, and (P)Ba1 subordinate MTN programme ratings reflect OLB's baa3 Baseline Credit Assessment (BCA) and Adjusted BCA, as well as the application of Moody's Advanced Loss Given Failure (LGF) analysis, which takes into account the severity of losses faced by the different liability classes in resolution. In its Advanced LGF analysis, Moody's has considered its expectations as to the development of OLB's liability structure, also considering its announced acquisition of Degussa Bank AG (Degussa Bank).

The rating agency's Advanced LGF analysis results in one notch of rating uplift for OLB's senior unsecured liabilities from the baa3 BCA and Adjusted BCA. OLB's senior unsecured liabilities, including its €400 million senior unsecured bond issued at the start of 2023, benefit from the subordination provided by subordinated and junior senior unsecured debt instruments, as well as from the volume of junior deposits, which rank alongside senior unsecured debt under German bank insolvency law. At the same time, Moody's Advanced LGF analysis results in the assignment of junior senior unsecured MTN programme ratings at the level of the bank's Adjusted BCA, supported by the subordination provided by OLB's capital instruments, including its Tier 2 and Additional Tier 1 bonds, whereas a more limited subordination and tranche size results in Moody's assigning OLB's subordinate MTN programme ratings one notch below the bank's Adjusted BCA.

OLB's senior unsecured MTN programme ratings do not benefit from government support uplift because of the bank's small size in the context of the German banking sector, while the absence of government support for OLB's junior senior unsecured MTN and subordinate MTN programme ratings is in line with Moody's general approach to assessing government support for instruments designed to absorb losses in bank resolution.

OLB's baa3 BCA reflects Moody's expectation that OLB will be able to absorb a measured increase in currently low problem loans through its sound capitalisation and improving pre-provision income. The bank's BCA further reflects a sound funding and liquidity profile, supported

by its strong access to retail deposits and compliance with regulatory minimum requirements for funding and liquidity, despite tight management of its liquid resources.

-- RATING OUTLOOK

The programme ratings Moody's has assigned to OLB's debt issuance programme do not carry rating outlooks. At the same time, the €400 million Baa2-rated senior unsecured bond issued under this programme, as well as the Baa2 issuer and deposit ratings of OLB carry a positive outlook, which reflects the strengthening of OLB's pre-provision income generation capacity and the supportive effects of the bank's announced acquisition of its smaller domestic peer Degussa Bank on the bank's funding and liquidity base.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

OLB's programme ratings may be upgraded in case of an upgrade of its baa3 BCA. OLB's senior unsecured MTN programme ratings and junior senior unsecured MTN programme ratings could also be upgraded following a sizable increase in either their respective issuance volumes or in that of the lower-ranking liabilities within OLB's liability structure. OLB's subordinate MTN programme ratings could primarily be upgraded in case OLB's preference shares were to represent a higher share of the bank's total liabilities.

A BCA upgrade could result if the bank sustainably improved its standalone intrinsic strength by maintaining its achieved solvency, which is principally subject to keeping sound levels of capitalization, and to the extension of a track record of profit generation without incurring significant renewed asset risks, overseen by a stable management team.

OLB's programme ratings could be downgraded if the bank's BCA is downgraded. OLB's senior unsecured MTN programme ratings could also be downgraded if the bank were to not replace maturing junior senior unsecured liabilities by other unsecured liabilities to the extent currently expected by the rating agency, because this increases the loss severity for senior unsecured instrument such that it could lead to a less favourable outcome under Moody's Advanced LGF analysis. OLB's junior senior unsecured MTN programme ratings could be downgraded in case the share of subordinate and preference share liabilities within OLB's funding structure was to decline below the rating agency's current expectations within the context of the announced merger with Degussa Bank.

OLB's BCA could be downgraded following a pronounced negative deviation of OLB's future financial performance from the solvency and liquidity metrics that Moody's currently expects, for instance if the integration of Degussa Bank proves to be disruptive to OLB's financial profile. Alternatively, a BCA downgrade could result from continued high turnover in OLB's management team in case Moody's concludes this is indicative of a lack of a coherent strategic direction or of weak governance at OLB.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/api/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the

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