FINANCIAL INSTITUTIONS

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
14 February 2024

Update

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RATINGS

Oldenburgische Landesbank AG

Domicile	Oldenburg, Germany
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Baa1
Type	Senior Unsecured - Dom Curr
Outlook	Stable
Long Term Deposit	Baa1
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Oldenburgische Landesbank AG

Update following upgrade of ratings

Summary

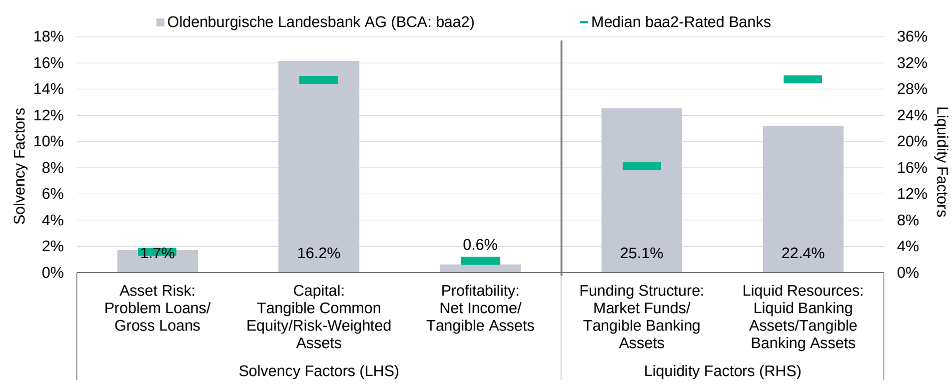
On 6 February 2024, we upgraded the deposit, issuer, and senior unsecured ratings of Oldenburgische Landesbank AG (OLB) to Baa1 from Baa2. The outlook on the ratings is stable. Concurrently, we upgraded the bank's Baseline Credit Assessment (BCA) and Adjusted BCA to baa2 from baa3, among others.

OLB's Baa1 deposit, issuer, and senior unsecured ratings reflect its baa2 BCA and Adjusted BCA, as well as one notch of rating uplift from our Advanced Loss Given Failure (LGF) analysis, which incorporates the relative loss severity of a liability class. OLB's ratings do not benefit from government support uplift because of the bank's small size in the context of the German banking sector.

OLB's baa2 BCA reflects the asset risk from the bank's corporate lending and commercial real estate exposures as well as certain niche lending operations, which could lead to a measured uptick in problem loans and, hence, in loan loss provisions in the deteriorating operating environment. OLB is expected to absorb these asset risks with its improved pre-provision income, however. In addition, we expect OLB to continue to exhibit solid capitalisation following the planned acquisition of OLB's smaller domestic peer Degussa Bank AG (Degussa Bank). Furthermore, OLB's BCA benefits from a sound funding and liquidity profile supported by the bank's strong access to retail deposits.

Exhibit 1

Rating Scorecard - Key financial ratios as of 30 September 2023



Source: Moody's Investors Service and company filings

Credit strengths

» Moderate problem loan ratio, reflecting the bank's focus on the domestic market, which performed well in recent years

» Solid capitalisation, which will decline somewhat, however, following the Degussa Bank acquisition

» A developing track record of improved profitability

» Low dependence on wholesale funding, reflecting the bank's strong access to retail deposits

Credit challenges

» A recessionary operating environment in Germany and exposure to concentration risks in its corporate loan book

» Increasing capital requirements should OLB become systemically important following the Degussa Bank acquisition

» Maintaining sound liquidity balances post the repayment of €1.3 billion of TLTRO III funds

» Integrating Degussa Bank and implementing swift cost cuts at the acquired entity

Outlook

The stable outlook reflects our view that OLB's fundamental credit strength, as expressed in its BCA and Adjusted BCA, will remain broadly stable over the outlook horizon despite headwinds from the recessionary operating environment in Germany. We also consider that OLB will maintain sufficient volumes of bail-in-able liabilities safeguarding the currently assigned rating uplift resulting from our Advanced LGF analysis.

Factors that could lead to an upgrade

» An upgrade of OLB's long-term ratings could result from an upgrade of its baa2 BCA and Adjusted BCA. An upgrade of select ratings could also be triggered by additional rating uplift as a result of our Advanced LGF analysis.

» OLB's BCA and Adjusted BCA could be upgraded if the bank's problem loan formation remains contained in the more challenging economic environment and if its profitability improves sustainably further, while the bank's capitalisation, funding, and liquidity profiles remain sound.

» OLB's ratings may also be upgraded if the volume of debt instruments designed to absorb losses prior to the respective debt classes increases sufficiently in relation to the bank's tangible banking assets, which could result in additional rating uplift resulting from our Advanced LGF analysis.

Factors that could lead to a downgrade

» A downgrade of OLB's ratings could be triggered following a downgrade of the bank's baa2 BCA and Adjusted BCA, or as a result of fewer notches of rating uplift from our Advanced LGF analysis.

» The bank's BCA and Adjusted BCA could be downgraded because of a pronounced decline in the quality of OLB's investment and loan portfolios, or because of integration risks materialising from the Degussa Bank acquisition. In addition, levels of capital and earnings substantially below our expectations, as well as a higher-than-expected reliance on market funding and materially lower liquid resources, could trigger a downgrade of the BCA and Adjusted BCA.

» OLB's ratings could be downgraded if the combined volume of debt instruments designed to absorb losses prior to the respective debt classes declines sufficiently, which would lead to lower rating uplift from our Advanced LGF analysis. A lower volume of outstanding senior unsecured instruments could also lead to lower rating uplift for the bank's more senior liability classes.

Key indicators

Exhibit 2
Oldenburgische Landesbank AG (Consolidated Financials) [1]

	09-23[2]	12-22[2]	12-21[2]	12-20[2]	12-19[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	25.0	24.1	23.3	20.2	19.3	7.1[4]
Total Assets (USD Billion)	26.5	25.7	26.3	24.7	21.7	5.5[4]
Tangible Common Equity (EUR Billion)	1.6	1.4	1.2	1.1	1.1	10.7[4]
Tangible Common Equity (USD Billion)	1.6	1.5	1.4	1.3	1.2	9.0[4]
Problem Loans / Gross Loans (%)	1.5	1.5	1.7	2.2	2.3	1.8[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.2	15.0	12.5	12.5	12.0	13.6[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	15.9	17.2	21.7	27.4	29.3	22.3[5]
Net Interest Margin (%)	2.0	1.8	1.7	1.7	1.5	1.7[5]
PPI / Average RWA (%)	3.6	3.3	2.4	2.0	1.9	2.6[6]
Net Income / Tangible Assets (%)	0.8	0.7	0.5	0.3	0.6	0.6[5]
Cost / Income Ratio (%)	44.9	45.3	57.8	62.7	66.1	55.4[5]
Market Funds / Tangible Banking Assets (%)	25.7	25.1	32.6	29.9	29.4	28.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	21.8	22.4	25.0	20.2	19.3	21.7[5]
Gross Loans / Due to Customers (%)	118.7	116.1	126.1	127.7	128.9	123.5[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

OLB is a universal bank in Germany's north-western Weser-Ems region in Lower Saxony with niche expertise in specialised lending markets.

On 14 September 2022, OLB announced the pending acquisition of German mortgage lender and worksite bank Degussa Bank, based on Common Equity Tier 1 (CET1) capital of €357 million at closing for a €220 million cash consideration. According to OLB, the regulatory approval and closing of this transaction is now expected during the first half of 2024. With Degussa Bank, OLB will service close to one million retail and corporate customers, up around 50% from its current standalone operations. As of 30 September 2023, OLB had around 1,240 full-time equivalent employees, down from 1,648 as of year-end 2021. Its network of 40 branches as of 30 September 2023 caters primarily to regional retail and small and medium-sized enterprise (SME) banking activities. The bank also has five offices in major German cities (Hamburg, Berlin, Düsseldorf, Frankfurt, and Munich), which complement the Oldenburg-based headquarters in sourcing corporate and specialised lending opportunities on a national scale.

The bank's operations are split into two segments, Private & Business Customers, which serves retail, SME, and private banking customers via a multi-channel offering, and Corporates & Diversified Lending, which provides corporate lending as well as more specialised acquisition, commercial real estate, wind power, football, shipping, and fund finance.

As a preparatory measure for a potential public stock listing, the bank started to report its financials under International Financial Reporting Standards (IFRS) as of June 2022 as well as retroactively from 2019 on. As of 30 September 2023, shareholders associated with the Teacher Retirement System of Texas, Apollo Global Management Inc., and Grovepoint Investment Management held a combined 94% of OLB's share capital.

Weighted Macro Profile of Strong (+)

OLB has a clear focus on the German market and we, therefore, assign the bank a Weighted Macro Profile of Strong (+), which is in line with the Strong (+) Macro Profile of Germany. Since Degussa Bank is also focused on the German market, the acquisition will not lead to a change in the Weighted Macro Profile of the combined entity.

Detailed credit considerations

Sound asset quality that could deteriorate somewhat in the recessionary operating environment

We assign a ba1 Asset Risk score, six notches below the a1 initial score. Our assigned score incorporates OLB's regional market concentration within the retail and SME business, the bank's exposure to more cyclically sensitive asset-based lending activities, including mid-cap leveraged buyout financing, football finance, and shipping, and our expectation that problem loans across the German banking industry will increase moderately in 2024.

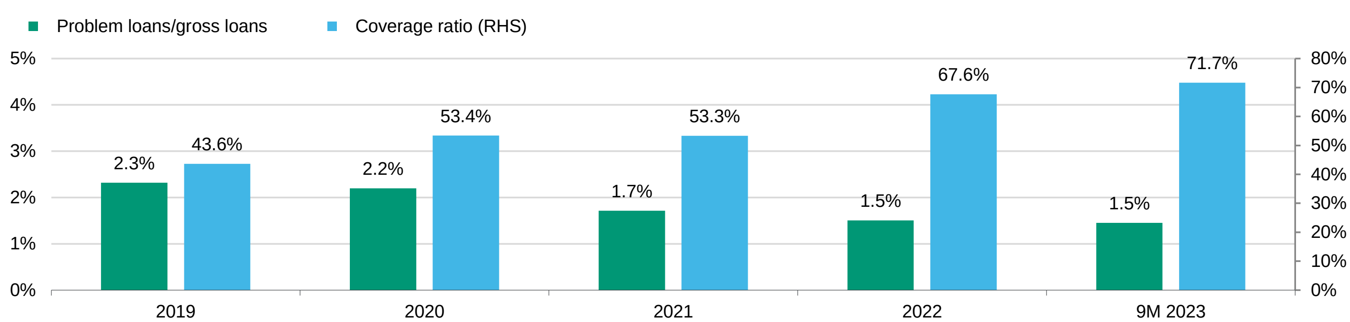
Through the announced acquisition of Degussa Bank, OLB will mainly add residential mortgage loans to its portfolio, together with some consumer and multifamily housing loans. Furthermore, the acquisition will provide some geographical diversification, also in terms of branch network footprint, to OLB's regionally concentrated retail and SME lending book. OLB aims for a balanced mix between its retail and SME lending exposures, and its corporate and diversified lending activities. Organic growth of OLB's domestic residential mortgage loan book has been more difficult to achieve after a pronounced increase in German mortgage lending rates and significant weakening in housing affordability for German households. At the same time, OLB's Dutch residential mortgage loan originations, which exhibit a defensive risk profile despite their platform-reliant origination process, have gained traction in 2023.

In view of the difficult economic environment, we expect OLB's corporate and diversified lending activities to expose the bank to higher problem loans. In underwriting loans in this segment, OLB benefits from the in-house specialist expertise of, for example, its commercial real estate lending and acquisition finance teams, which maintained sound credit costs even in the difficult economic environment following the coronavirus pandemic.

As of 30 September 2023, OLB's problem loan ratio stood at 1.5%, unchanged from the year-end 2022 level and down from 1.7% as of year-end 2021, reflecting both a solid performance of the corporate lending book and positive mix effects from the growth in OLB's strongly performing residential mortgage book. With the adoption of IFRS 9 accounting in 2022, the bank also significantly improved the loan loss reserve coverage of its problem loans to a sound 72% as of 31 September 2023.

Exhibit 3

OLB's problem loan ratio has remained stable; loan loss reserve coverage was strengthened upon the adoption of IFRS 9 in 2022
Data in percentages



The problem loan ratio is in accordance with our definition. The coverage ratio compares total loan loss reserves with problem loans.
Sources: Moody's Investors Service and company filings

Solid capitalisation, which is expected to soften, however, following the Degussa Bank acquisition

We assign an a2 Capital score, three notches below the aa2 initial score, which is derived from OLB's tangible common equity (TCE) to risk-weighted assets (RWA) ratio of 16.2% as of 30 September 2023. The assigned score reflects that OLB's capitalisation will deteriorate following the acquisition of Degussa Bank because the additional RWA from Degussa Bank will outweigh the acquisition gain from negative goodwill.

OLB applies the standardised approach to calculate credit risk weights for a range of its loan portfolios, which leads to a still comparatively high RWA to tangible assets density, which stood at 38.4% as of 30 September 2023. Over the next three years, we expect the bank to maintain a broadly stable mix between retail and SME assets on one side and corporate and diversified lending exposures on the other. At the same time, OLB will gradually reduce its current RWA density, because the bank will benefit from regulatory changes and RWA optimisation measures, including a further extension of the use of internal models.

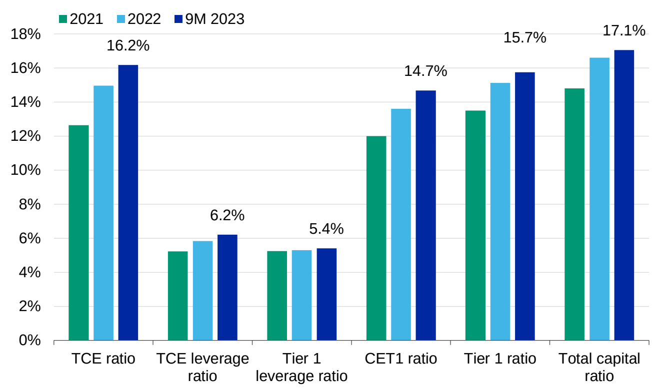
At the same time, the bank's capital requirements will potentially increase because OLB could be designated an other systemically important institution (O-SII) following the Degussa Bank acquisition, which could result in an O-SII buffer add-on of 0.25% or more. At present, the bank's capital requirements contain a 1% Pillar 2 Requirement (P2R) on a total capital basis as a result of the Supervisory Review and Evaluation Process (SREP). In addition, the bank has a combined buffer requirement of 3.36%, which includes the 2.5% capital conservation buffer, a 0.15% systemic risk buffer, and a 0.71% countercyclical capital buffer. The latter two reflect the introduction of a specific 2% systemic risk add-on requirement for residential housing loans in Germany and a 0.75% countercyclical buffer requirement for all domestic exposures. Overall, this results in a 8.42% capital requirement on a CET1 capital basis, 10.11% on a Tier 1 capital basis, and 12.36% on a total capital basis. With a CET1 ratio of 14.7%, a Tier 1 ratio of 15.7%, and a total capital ratio of 17.1% as of 30 September 2023, OLB comfortably exceeds its risk-weighted capital requirements at present.

Following the acquisition of Degussa Bank, we expect that the CET1 ratio of the combined entity will decline to about 13% as of year-end 2024 and thereby remain above management's minimum target level of 12.25%. Likewise, we expect that our TCE ratio will stay above 13%, which is commensurate with an a2 score.

Exhibit 4

OLB's risk-weighted capitalisation improved strongly ahead of the planned closure of the Degussa Bank acquisition

As a percentage of RWA, tangible assets (for the TCE leverage ratio) and leverage exposure (for the Tier 1 leverage ratio)

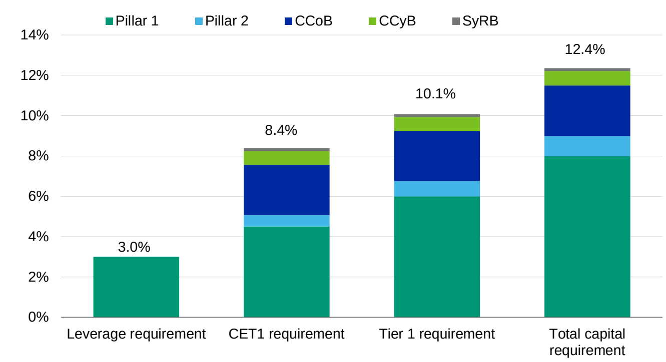


TCE = Tangible common equity (our calculation); CET1 = Common Equity Tier 1 capital; the TCE leverage ratio compares TCE with tangible banking assets.
Source: Moody's Investors Service and company filings

Exhibit 5

OLB's regulatory total capital requirements as of 30 September 2023

As a percentage of RWA



CCoB = Capital Conservation Buffer; CCyB = Countercyclical Capital Buffer; SyRB = Systemic Risk Buffer.
Sources: Moody's Investors Service and company filings

Net income improvements have been driven by cost cutting measures and higher interest rates

We assign a baa2 Profitability score, in line with the initial score. The assigned score reflects our expectation that OLB's cost reduction measures will help the bank absorb and likely more than offset earnings pressure and additional risk costs in the strained economic environment.

OLB has benefitted from higher variable rates on interest rate swaps, as well as from a repricing of its non-mortgage loan book and limited repricing dynamics within its retail-focused deposit base. The €7.8 billion of mortgage loans that the bank had granted to customers as of 30 September 2023 will reprice more gradually because they are mostly long-term fixed-rate loans. However, OLB's year-on-year net interest margin improvement by 26 basis points to 2.68% in 9M 2023 might not advance materially further in 2024 given that interest rates are expected to be cut again starting in mid-2024, a scenario OLB is actively positioning itself for through its hedging strategy.

OLB's cost reduction measures have been increasingly reflected in an improved reported cost-to-income ratio, which stood at 43% in the first nine months of 2023 (9M 2023), down from 63% in 2021 and 75% in 2019. We expect the bank to make additional progress towards its target cost-to-income ratio of 40%[1], which will result in an improved capacity to absorb future cost inflation or unexpectedly high credit losses.

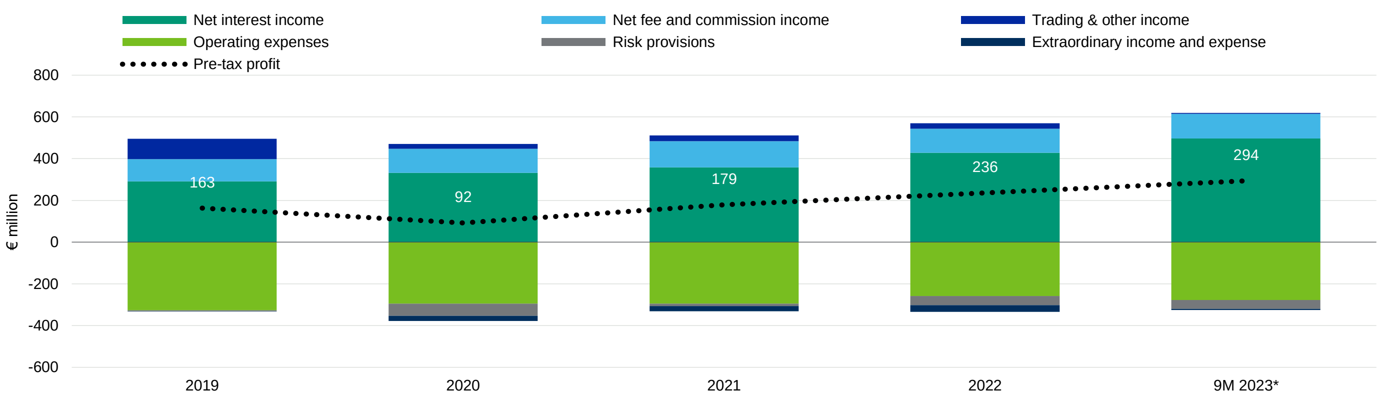
The acquisition of Degussa Bank focuses on significant cost reduction opportunities at that bank, which reported a cost-to-income ratio of about 75% in 2022. We also expect integration risks to be moderate because Degussa Bank's setup has already been simplified through the sale of non-banking subsidiaries before the closing of the acquisition. In addition, both banks operate the same core banking systems, which reduces IT integration risks. Finally, further net interest income improvement potential could be derived from the around €5 billion in customer deposits of Degussa Bank.

In 9M 2023, on a Moody's-adjusted basis, OLB's net profit reached €149 million, up 6.3% year-on-year, and the bank's pretax profit reached €220 million, up 12.4%. The improved result was driven by 17.2% higher net interest income of €373 million, while net fee and commission income declined by 3.3% to €89 million, operating expenses increased by 2.9% to €209 million, and loan loss provisions increased by 50% to €35 million. Overall, OLB recorded a return on tangible assets of 0.8% in 9M 2023 and we expect that the bank will continue to generate a return between 0.7% to 0.8% in 2024 despite the economic headwinds and the integration of Degussa Bank.

Exhibit 6

OLB's efficiency measures and revenue growth have been driving its improving pretax profit

Data in € millions



* 9M 2023 data is annualised.

Sources: Moody's Investors Service and company filings

Strong access to retail deposits limits the bank's dependence on wholesale funding

We assign an a3 Funding Structure score, two notches above the baa2 initial score. The assigned score takes into account that we do not regard development bank funding, which is included in our initial calculation of market funds, as confidence-sensitive market funding. Furthermore, we exclude the bank's remaining TLTRO III drawings, which will be repaid in H1 2024, from market funds, but at the same time we reflect that OLB will likely issue additional market funding instruments in the future, Finally, we positively consider OLB's granular and stable deposit base in the assigned score.

The integration of Degussa Bank will add around €5 billion of customer deposits to OLB's funding base, which the bank will seek to diversify further with select capital market issuances. One such tool is OLB's mortgage covered bond programme, launched in 2019. In April 2022, OLB issued a €350 million covered bond, which was complemented by the issuance of a €500 million benchmark covered bond in January 2024. Furthermore, in January 2023, OLB issued a first-time €400 million senior unsecured bond.

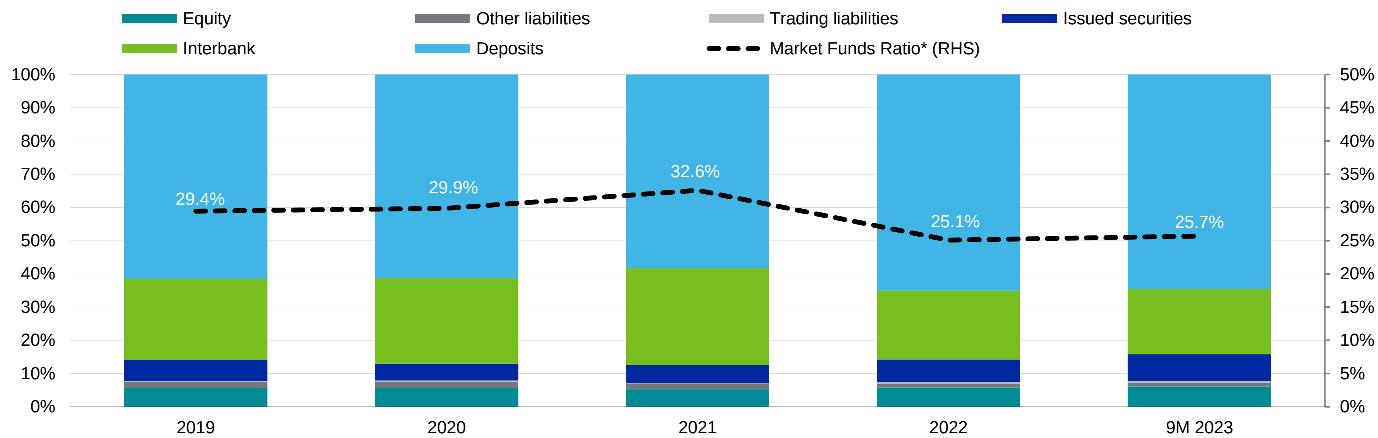
As of 30 September 2023, OLB's market funds of €6.4 billion were largely comprised of €4.9 billion of interbank liabilities, which contained €2.1 billion of development bank funding and €1.3 billion of TLTRO III funding. The bank's market funds further comprised €0.9 billion of bearer bonds, registered bonds, and promissory notes, €0.9 billion of covered bonds, and €0.1 billion of derivative liabilities. OLB's main funding source remains its retail-focused customer deposit base, however, which amounted to €16.1 billion as of 30 September 2023 and thus refinanced almost two-thirds of the bank's balance sheet.

With the purpose of creating collateral eligible for ECB funding purposes through the retained senior notes, OLB also sponsored several securities backed by SME loans (SME ABS). In April 2023, OLB issued secured financial debt instruments under its Weser Funding program. Weser Funding S.A., Compartment No. 4 (Senior floating and fixed rate notes rated Baa1(sf)) and Weser Funding

S.A., Compartment No. 6 (Senior floating rate note rated A2(sf)) are revolving cash securitisations of SME loans; Weser Funding S.A., Compartment No. 5 (rated Baa2), is a €200 million (increasable up to €600 million) repackaging of a collateralized pass-through note guaranteed by OLB. Also in H1 2023, OLB redeemed Weser Funding S.A., Compartment No. 2, whereas the €400 million revolving cash securitisation of SME loans Weser Funding S.A., Compartment No. 3 (Class A rated Aa2(sf)) remains outstanding.

Exhibit 7

OLB is largely deposit funded and the market funding dependence reduced again following TLTRO repayments
As a percentage of tangible banking assets



*Market Funds Ratio = Market funds/tangible banking assets.
Sources: Moody's Investors Service and company filings

Liquidity has been efficiently managed with sound buffers to regulatory requirements

We assign a baa3 Liquid Resources score, two notches below the baa1 initial score. The assigned score considers that we deduct the bank's encumbered assets and potentially illiquid Level 3 assets from our initial calculation of liquid banking assets. Conversely, we incorporate the bank's overcollateralisation of its mortgage cover pool, which would enable OLB to issue retained covered bonds at short notice in order to generate additional liquidity if required.

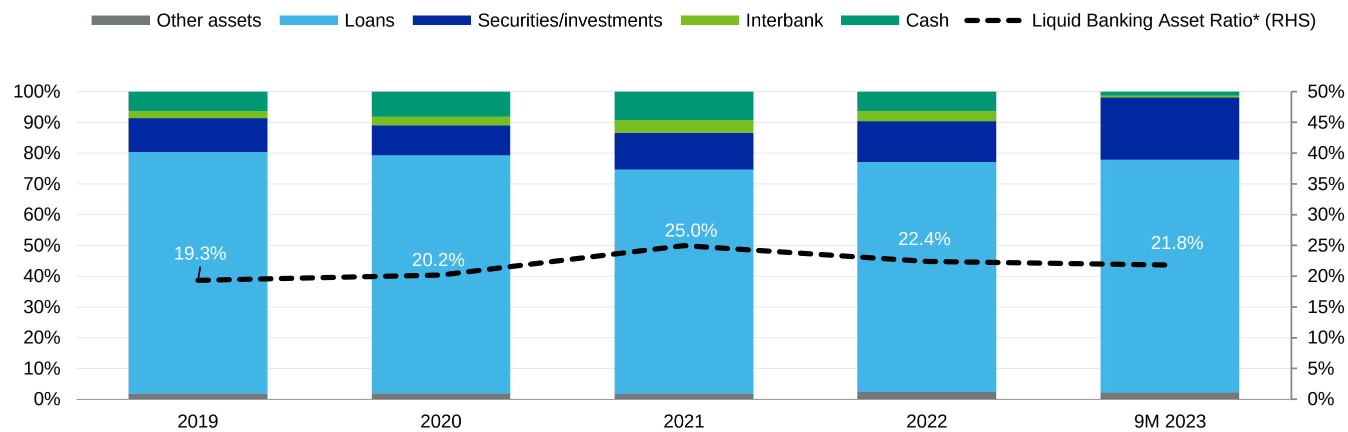
As of year-end 2022, OLB's liquidity coverage ratio was a solid 174% and it rose further to 177% as of 30 September 2023. Upon the repayment of the temporary TLTRO III funding, we do not expect that OLB's liquidity metrics will change materially because the bank will likely further build out its investment portfolio, taking advantage of the more remunerative interest rate environment. As of 30 September 2023, the bank's €5.0 billion securities portfolio was entirely held in the fair value through other comprehensive income (OCI) accounting category, and OLB had only very moderate losses recognised in OCI, reflecting the strong offsetting effects of interest rate swaps employed as micro and macro hedges, which OLB built up significantly during 2021. In addition to the bank's investment portfolio, we also include its €0.3 billion cash position and its €0.1 billion of interbank receivables as of 30 September 2023 in our calculation of liquid banking assets.

Following the establishment of OLB's mortgage covered bond programme, the bank could in principle add further collateral to the programme's cover pool, which would improve its ability to source additional funds, if required, through new covered bond placements either with third-party investors or with the ECB as retained covered bonds. As of 30 September 2023, €1.5 billion of mortgage loans and other collateral had been added to the cover pool, providing security for €1.1 billion of outstanding covered bonds, of which €0.2 billion were retained covered bonds pledged to the ECB as collateral for the bank's TLTRO III funding. With the €500 million covered bond issued in January 2024, the bank's overcollateralisation will likely have receded, but we still believe that the bank would have leeway to issue additional retained covered bonds at short notice if required, which we reflect in our baa3 assigned score.

Exhibit 8

Liquidity levels improved following TLTRO drawings and remained solid despite the partial repayment of those funds

As a percentage of tangible banking assets



*Liquid Banking Assets Ratio = Liquid banking assets/tangible banking assets.

Sources: Moody's Investors Service and company filings

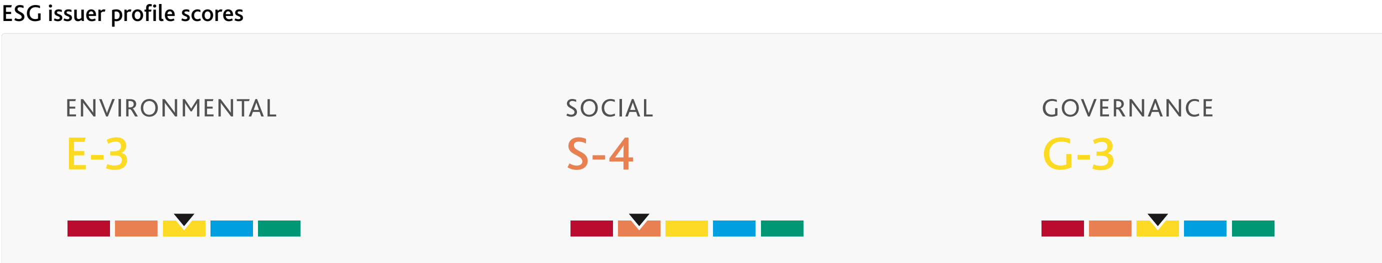
ESG considerations

Oldenburgische Landesbank AG's ESG credit impact score is CIS-3

OLB's CIS-3 reflects the limited credit impact of environmental and social factors on the ratings to date with greater potential for governance risks to strain the rating over time, in particular if the bank were to experience renewed management turnover as seen during 2020 and 2021 and if integrations risk following the closure of the Degussa Bank acquisition were to materialise.

Exhibit 9

ESG issuer profile scores



Source: Moody's Investors Service

Environmental

OLB faces moderate exposure to environmental risks primarily because of its portfolio exposure to carbon transition risks as a diversified bank operating mainly in Germany. In line with its peers, OLB is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. As a result, OLB is engaging in developing its climate risk framework and optimising its loan portfolio towards less carbon-intensive assets.

Social

OLB faces high industrywide social risks related to customer relations and associated regulatory risk, litigation exposure and high compliance standards in its diversified operations. These risks are mitigated by OLB's developed policies and procedures. High cyber and personal data risks are mitigated by technology solutions and organisational measures to prevent data breaches.

Governance

OLB faces moderate governance risks. The bank has experienced a high turnover in top management ranks during 2020 and 2021 but has operated with a stable management team since then. In February 2023, OLB also announced the extension of the contracts of the bank's CEO and CFO until 2026, and in December 2023, the contracts of two additional management board members were extended until 2027. These measures signal the supervisory board's intent to strengthen the bank's limited track record of management continuity. The bank's strategic setup itself is sufficiently stable, and it is not exposed to key-person risk. OLB's risk management, policies, and procedures are also in line with industry practices and commensurate with its banking model that focuses on both standardised retail and SME banking as well as strongly customised niche corporate banking. Nonetheless, the German Federal Financial Supervisory Authority (BaFin) identified several risk management shortcomings in 2023, which the bank has fully addressed in the meantime, however. OLB is controlled by a group of private equity investors and is therefore exposed to potential outsized influence by the controlling shareholders on the bank's management and board. This risk is mitigated by the presence of independent directors and Germany's developed institutional framework.

Support and structural considerations

Affiliate support

We regard the probability that OLB's main shareholders – the Teacher Retirement System of Texas, Apollo Global Management Inc. (A2 stable)[2], and Grovepoint Investment Management – would support the bank in case of need as low, which does not result in any uplift for OLB's ratings from affiliate support. Support from its owners is illustrated by their degree of involvement in OLB's strategy, management, and operations, but we do not expect further capital injections, in case of need.

Loss Given Failure analysis

OLB is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider to be an Operational Resolution Regime. We therefore apply our Advanced LGF analysis, under which we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution.

In our Advanced LGF analysis, we consider the results of both the formal legal position (pari passu, or 'de jure' scenario), to which we assign a 75% probability, and an alternative liability ranking, reflecting resolution authority discretion to prefer deposits over senior unsecured debt (full depositor preference, or 'de facto' scenario), to which we assign a 25% probability.

We further assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets, a 25% run-off in “junior” wholesale deposits and a 5% run-off in preferred deposits. These ratios are in line with our standard assumptions. In addition, we assume that only a very small percentage (10%) of the deposit base can actually be considered junior and qualify as bail-in-able under the BRRD.

The results of our Advanced LGF analysis are:

» For CRR liabilities, our Advanced LGF analysis indicates an extremely low loss given failure, leading us to position their Provisional Rating Assessment at a2, three notches above the baa2 Adjusted BCA.

» For deposits and senior unsecured debt, our Advanced LGF analysis indicates a low loss given failure, leading us to position their Provisional Rating Assessments at baa1, one notch above the baa2 Adjusted BCA.

» For junior senior unsecured debt, our Advanced LGF analysis as of 30 September 2023 indicated a high loss given failure. However, with the issuance of a €170 million Tier 2 bond in January 2024, we expect that the subordination for junior senior unsecured debt will stay above the 4% threshold in the future and we therefore continue to assume a moderate loss given failure, leading us to position the Provisional Rating Assessment of junior senior unsecured debt at baa2, in line with the baa2 Adjusted BCA.

» For subordinated debt, our Advanced LGF analysis indicates a high loss given failure, leading us to position its Provisional Rating Assessment at baa3, one notch below the baa2 Adjusted BCA.

Additional notching for Additional Tier 1 (AT1) instruments

We rate the €100 million AT1 notes issued by OLB Ba2 (hyb). This rating is three notches below OLB's baa2 Adjusted BCA and reflects our assessment of the instruments' undated deeply subordinated claim in liquidation, the issuer's ability to redeem under certain conditions the securities at a level below par in case they have been affected by a write-down, and the securities' non-cumulative coupon deferral features. The securities' principal is subject to a partial or full write-down on a contractual basis if OLB's CET1 ratio at the consolidated or single entity level falls below 5.125%; the issuer receives public support; or OLB's supervisory authority determines that the conditions for a full write-down of the instrument are fulfilled and orders such a write-down as a precautionary measure to prevent insolvency.

Government support considerations

Since the introduction of the BRRD, we have only very selectively assigned moderate expectations of support that the government might provide to a bank in Germany in the event of need. Because of its small size relative to the German banking system and its limited degree of systemic interconnectedness, we continue to assign a low systemic support probability assumption to OLB, which does not result in any rating uplift from government support.

Counterparty Risk Ratings (CRR)

OLB's CRR are A2/P-1

The CRR are three notches above OLB's baa2 Adjusted BCA, based on the extremely low loss given failure from the volume of instruments that are subordinated to CRR liabilities. OLB's CRR do not benefit from government support, in line with our support assumption on deposits.

Counterparty Risk (CR) Assessment

OLB's CR Assessment is A2(cr)/P-1(cr)

OLB's A2(cr) CR Assessment is three notches above the baa2 Adjusted BCA, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments, primarily senior unsecured debt and junior deposits. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology we use in rating OLB was the Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10
Oldenburgische Landesbank AG

Macro Factors						
Weighted Macro Profile	**Strong +**	**100%**				

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.7%	a1	↔	ba1	Geographical concentration	Quality of assets
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.2%	aa2	↓↓	a2	Expected trend	Risk-weighted capitalisation
Profitability						
Net Income / Tangible Assets	0.6%	baa2	↔	baa2	Return on assets	Expected trend
Combined Solvency Score		a1		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.1%	baa2	↑	a3	Extent of market funding reliance	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	22.4%	baa1	↔	baa3	Asset encumbrance	Additional liquidity resources
Combined Liquidity Score		baa2		baa1		
Financial Profile				baa2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				0		
Adjusted BCA				baa2		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	5,746	24.2%	6,881	29.0%
Deposits	16,210	68.4%	15,075	63.6%
Preferred deposits	14,589	61.5%	13,859	58.4%
Junior deposits	1,621	6.8%	1,216	5.1%
Senior unsecured bank debt	487	2.1%	487	2.1%
Junior senior unsecured bank debt	331	1.4%	331	1.4%
Dated subordinated bank debt	130	0.5%	130	0.5%
Preference shares (bank)	100	0.4%	100	0.4%
Equity	711	3.0%	711	3.0%
Total Tangible Banking Assets	23,715	100.0%	23,715	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	12.5%	12.5%	12.5%	12.5%	3	3	3	3	0	a2
Counterparty Risk Assessment	12.5%	12.5%	12.5%	12.5%	3	3	3	3	0	a2 (cr)
Deposits	12.5%	5.4%	12.5%	7.4%	1	1	1	1	0	baa1
Senior unsecured bank debt	12.5%	5.4%	7.4%	5.4%	1	0	1	1	0	baa1
Junior senior unsecured bank debt	5.4%	4.0%	5.4%	4.0%	-1	-1	-1	0	0	baa2
Dated subordinated bank debt	4.0%	3.4%	4.0%	3.4%	-1	-1	-1	-1	0	baa3
Non-cumulative bank preference shares	3.4%	3.0%	3.4%	3.0%	-1	-1	-1	-1	-2	ba2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a2	0	A2	A2
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	1	0	baa1	0	Baa1	Baa1
Senior unsecured bank debt	1	0	baa1	0	Baa1	(P)Baa1
Junior senior unsecured bank debt	0	0	baa2	0	(P)Baa2	(P)Baa2
Dated subordinated bank debt	-1	0	baa3	0	Baa3	(P)Baa3
Non-cumulative bank preference shares	-1	-2	ba2	0	Ba2 (hyb)	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
OLDENBURGISCHE LANDESBANK AG	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	Baa1/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured MTN	(P)Baa2
Subordinate -Dom Curr	Baa3
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)
ST Issuer Rating	P-2

Source: Moody's Investors Service

Endnotes

1 Excluding €17.9 million of costs related to the Degussa Bank acquisition and considering the bank tax paid in January 2023 on a pro rata basis, OLB already achieved a cost-to-income ratio of 38.8% in 9M 2023.

2 The rating shown is the asset manager's long-term issuer rating and outlook.

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