MOODY'S
INVESTORS SERVICE

CREDIT OPINION
13 November 2020

Update

Rate this Research

RATINGS

Oldenburgische Landesbank AG

Domicile	Oldenburg, Germany
Long Term CRR	Baa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa2
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 to credit analysis

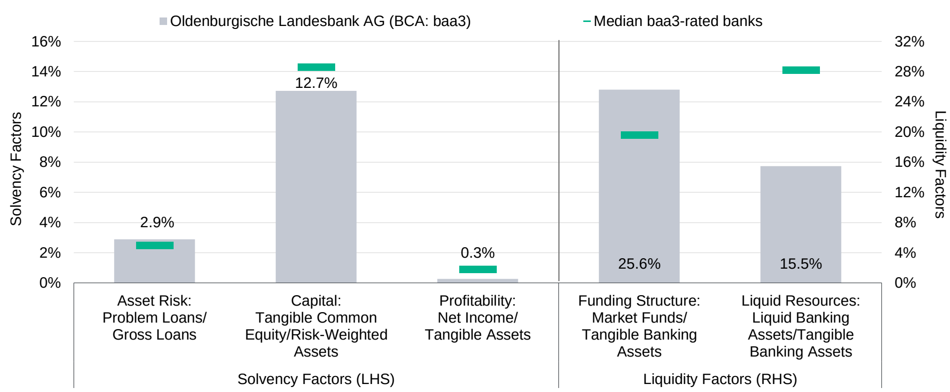
Summary

We assign Baa2(stable)/P-2 issuer and deposit ratings to Oldenburgische Landesbank AG (OLB). We further assign a baa3 Baseline Credit Assessment (BCA) and Adjusted BCA to OLB, as well as Baa1/P-2 Counterparty Risk Ratings (CRRs) and an A3(cr)/P-2(cr) Counterparty Risk (CR) Assessment.

OLB's Baa2 deposit and issuer ratings reflect its baa3 BCA and Adjusted BCA, and the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities. which results in a low loss-given-failure and one notch of uplift from the Adjusted BCA. OLB's ratings do not benefit from government support uplift because of its small size in the context of the German banking sector.

OLB's baa3 BCA reflects the bank's sound financial fundamentals underpinned by its strong access to retail deposit funding and by its solid capitalisation. At the same time, the baa3 BCA incorporates our expectation that OLB will continue to tightly manage liquidity safety buffers while the bank restructures its retail operations and increases the role of specialised lending portfolios, which will raise OLB's exposure to asset concentration risks. Our view on the bank's BCA could change if the coronavirus pandemic-induced credit shock led to a sustained erosion of OLB's solvency strengths.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Sound capitalisation, based on conservatively calculated risk weights

» Low dependence on wholesale funding as a result of its strong access to retail deposits

» Moderate problem loan ratio as a result of the bank's clear focus on the domestic market

Credit challenges

» The bank's business plan foresees strong growth of its specialty segments, leveraged and asset-based lending.

» The low interest rate environment weighs on OLB's net interest margins and encourages tight management of liquid resources.

» OLB is exposed to concentration risks as a result of its asset-based finance-focused business model.

Outlook

The outlook on the ratings is stable, reflecting our expectation of an overall stable development in the key financial ratios and OLB's credit profile over the next 12-18 months.

Factors that could lead to an upgrade

» An upgrade of OLB's ratings could be prompted by a higher BCA and Adjusted BCA; or a change in OLB's liability structure, which could prompt a better result from our Advanced LGF analysis, for example, through the issuance of senior (or junior senior) unsecured bonds.

» An upgrade of OLB's baa3 BCA could be prompted by the establishment of a sustained track record of achieving financial targets, including strong profitability, which would reflect the progress in the formation of a universal banking group; or sizeable retention of profit to achieve a higher capitalization than management currently targets.

Factors that could lead to a downgrade

» A downgrade of OLB's issuer and deposit ratings could be prompted by a BCA downgrade; or a weaker result from our Advanced LGF analysis as a result of a decline in the layer of instruments designed to absorb losses in case of a failure.

» OLB's BCA could be downgraded as a result of rising asset risks, particularly in case of a more pronounced shift in its asset composition towards higher-margin special lending than what we expect; a sustained decline in its capital ratios below management's current target in case of unexpectedly high risk-weighted asset (RWA) growth or transformative M&A activity; or a significant weakening in financial results.

Key indicators

Exhibit 2

Oldenburgische Landesbank AG (Consolidated Financials) [1]

	12-19[2]	12-18[2]	12-17[2]	12-16[2]	12-15[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	19.2	19.1	14.0	14.1	13.8	8.8[4]
Total Assets (USD Billion)	21.6	21.8	16.8	14.9	14.9	9.7[4]
Tangible Common Equity (EUR Billion)	1.1	1.0	0.7	0.7	0.6	15.8[4]
Tangible Common Equity (USD Billion)	1.3	1.2	0.8	0.7	0.7	16.8[4]
Problem Loans / Gross Loans (%)	2.5	2.7	3.5	4.6	--	3.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	12.7	11.9	13.6	12.2	11.2	12.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	30.2	32.0	45.4	58.4	--	41.5[5]
Net Interest Margin (%)	1.6	1.8	1.7	1.7	1.7	1.7[5]
PPI / Average RWA (%)	1.2	1.4	1.3	1.4	1.3	1.3[6]
Net Income / Tangible Assets (%)	0.3	0.2	0.2	0.2	0.2	0.2[5]
Cost / Income Ratio (%)	75.0	77.1	79.1	76.5	77.6	77.0[5]
Market Funds / Tangible Banking Assets (%)	25.6	29.9	31.6	33.5	38.1	31.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	15.5	24.7	20.3	20.7	21.5	20.5[5]
Gross Loans / Due to Customers (%)	120.2	124.5	130.7	130.7	140.8	129.4[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [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

Oldenburgische Landesbank AG (OLB) is a regional universal bank in Germany's north-western Weser-Ems region in Lower Saxony, where it operated a significant network of 126 branches as of year-end 2019, primarily dedicated to regional retail and small and medium-sized enterprise (SME) banking activities. The bank maintains nine offices in Germany's major cities, in addition to the Oldenburg-based headquarters, through which it sources corporate and specialised lending opportunities on a national scale.

In 2018, OLB, which was founded in 1869, merged with the six years older Bremer Kreditbank AG (BKB), as well as with Bankhaus Neelmeyer AG (BHN), and maintained its corporate name. Following the merger with the smaller Wuestenrot Bank AG Pfandbriefbank (WBP), the bank had total assets of €19.6 billion as of year-end 2019.

The bank operates four segments: Private and Business Customers, Private Banking and Wealth Management, Corporates and SMEs, and Specialised Lending.

Weighted Macro Profile of Strong+

OLB has a clear focus on the German market and, therefore, we assign the bank a Weighted Macro Profile of Strong+, in line with the Strong+ Macro Profile of Germany.

Recent developments

The coronavirus pandemic has caused unprecedented shock to the global economy. The full extent of the economic downswing will be unclear for some time; however, G-20 economies will contract in 2020. In Europe, the coronavirus pandemic adds to late-cycle risks for European banks. The recession in 2020 will weigh on banks' asset quality and profitability. We expect fiscal policy measures, as already announced by a variety of euro-area governments, to mitigate the economic contraction caused by the pandemic. In the current pandemic-induced recession and its aftermath, capital levels will be a key differentiator of credit profiles among banks. Generally, banks are facing a sharp deterioration in asset quality and reductions in profitability from already-low levels, while central banks are providing extraordinary levels of liquidity and governments have strong incentives to support banking systems to foster an eventual recovery. Thus, when comparing a bank to its peers, the level of capital with which it entered this recession and its ability to retain capital throughout the next several years take on particular importance.

The European Central Bank (ECB) announced a series of measures to help European Union (EU) economies weather the widening effects of the coronavirus pandemic, temporarily increasing banks' liquidity provisions, as well as lowering regulatory capital and liquidity requirements. As part of these temporary measures, the ECB increased its targeted long-term refinancing operations (TLTRO III) under more favourable terms as well as its financial asset purchase programme, while refraining from lowering the ultralow interest rates further. The temporary suspension of buffer requirements for regulatory capital and the liquidity coverage ratio (LCR) gives banks greater flexibility and additional leeway to absorb the economic impacts, such as asset-quality declines. Overall, the package aims to help the banks continue to finance corporates and small and medium-sized businesses suffering from the effects of the coronavirus outbreak. We believe that the ECB's measures will provide a limited relief for banks and their borrowers, and that it will require significant fiscal policy measures by the EU and its member states to avert higher default rates in banks' lending books.

Germany launched a large stimulus package and the government's support is crucial for corporate borrowers in industries immediately hurt by the coronavirus pandemic such as airlines, tourism, retail and the shipping sector, as well as smaller companies experiencing weak liquidity and high leverage. The scale of the support package is unprecedented and is far larger than the support provided during the financial crisis. At the same time, the government made it easier to access its short-work scheme (Kurzarbeit) and extended it to a broader pool of workers, which will limit the spike in unemployment and the fall in domestic consumption. The measures, which are adapted according to the evolution of the economic effects of the pandemic, add to Germany's already expansionary fiscal policy stance as well as to automatic stabilisers that support household incomes when unemployment increases.

On 13 August, OLB reported a net profit of €37 million for the first half of 2020 (H1 2019: €54.3 million). Prior-year comparables do not contain costs and revenue of WBP, which was integrated during H2 2019. OLB's interim result benefitted from higher net interest income of €169 million (H1 2019: €151 million), supported by a shift in the loan book mix towards higher-yielding assets, in line with management plans. At the same time, administrative expenses increased by €7 million to €157 million as the bank faced a higher bank levy and continued investment in upgrading its operations. Loan-loss provisions were very moderate at €15 million (H1 2019: net loan-loss provision reversal of €5.9 million), reflective of an annualised cost of risk of less than 20 basis points (bps) of year-end 2019 gross customer loans. Despite the insolvency of Wirecard AG, to which OLB had no direct exposure, the bank's H1 2020 cost of risk was unaffected by a short-term collateralised lending exposure during H1 2020 to a company controlled by former Wirecard CEO Markus Braun, which has been repaid in full.

OLB expects a pronounced increase in provisioning needs in the second half of the year. If OLB's cost of risk in 2020 were in the range of 40-60 bps of gross customer loans, as anticipated by many of Germany's larger banks, full-year loan-loss provisions could rise to between €60 million and €90 million. This would leave limited scope for further earnings retention, which helped add 80 bps to OLB's regulatory Common Equity Tier 1 (CET1) capital ratio during H1 2020, to 12.6%. OLB currently projects a positive full-year result.

During H1 2020, OLB's total asset growth of 11.6% to €21.9 billion exceeded the 8% growth of the German banking industry. The bank lists the origination of €400 million of guaranteed promotional lending and €540 million of new mortgage loans as growth drivers. Sectorwide, balance-sheet growth was in addition driven by growth in customer deposits, higher market values of derivatives and drawings under the June TLTRO III provided by the ECB.

Detailed credit considerations

OLB's transformative growth strategy will be more difficult to implement in the weak economic environment

We assign OLB a ba1 Asset Risk score, five notches below the a2 initial score. The adjustment reflects the geographical concentration of the bank's retail and SME business; our expectation of an increase in problem loans in the weak economic environment; and the bank's exposure to market risk through its sizeable liabilities related to defined-benefit pension plans.

As of 31 December 2019, OLB's problem loan ratio was 2.5%, with problem exposures in particular concentrated in the bank's legacy shipping loan book, which now accounts for only about 1% of total assets, following a cleanup of the portfolio and only selective new lending activity. Following its merger with BKB, OLB aims to leverage the specialist expertise of BKB's commercial real estate (CRE) lending and acquisition finance teams through a substantially greater role of these segments in the bank's overall lending portfolio. We believe OLB will consider resuming the growth of this portfolio subsegment once the currently depressed economic and market environment turns more favourable again. Future expansion into such inherently more cyclical lending areas will expose OLB to the risk of economic setbacks.

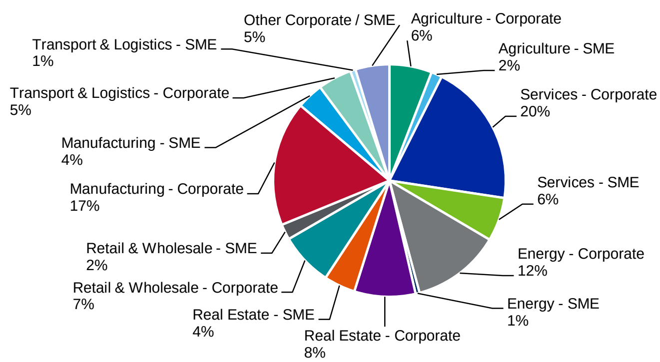
SMEs active in industry sectors that are highly vulnerable to lockdown measures were and still are subject to immediate liquidity shocks (that is, for example, companies in the tourism and retail sectors). Eventually, financially fragile SMEs, in terms of profitability and leverage, will be affected by Germany's recession, increasing the risk of insolvencies in all sectors that are most exposed to the global economic cycle.

OLB's main corporate sector concentrations as of 31 December 2019 included €3.1 billion of exposures to the services sector (including €0.7 billion to SMEs) and €2.5 billion to the manufacturing sector (including €0.4 billion to SMEs). Within OLB's €655 million of transport and logistics exposures, the bank maintains €240 million of claims against customers from the shipping segment. This subsegment has undergone restructuring and as of year-end 2019, had a nonperforming loan ratio of less than 20% (2018: one third). In aggregate, OLB's exposure to SMEs represents close to twice the bank's year-end 2019 TCE.

Exhibit 3

OLB's corporate lending exposures are well diversified by industry, but an extended downturn will challenge its asset quality

Breakdown of OLB's €12.1 billion of corporate credit exposures as of year-end 2019 by industry



Each 9% of credit exposure represented around 1x the bank's TCE as of year-end 2019.
Source: Company reports

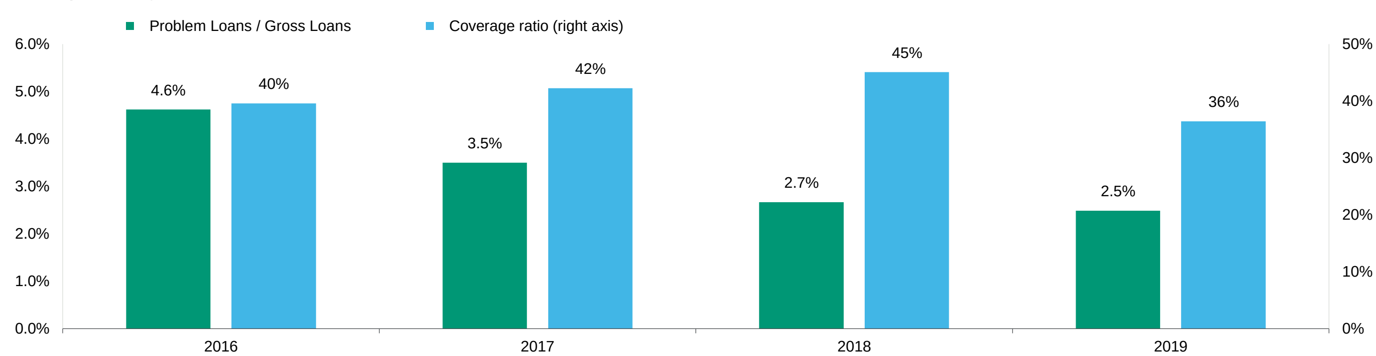
Complementing the current industry exposures, OLB started in 2020 to engage in football finance as a new niche business activity. The bank aims to build up a business volume of €200 million during the next 18 to 24 months and expand it to €500 million in the medium term.

In 2019, OLB transferred the largest part of its defined-benefit pension liabilities to an externally managed pension fund, which allowed the bank to reduce its pension reserves to €36 million as of year-end 2019 from €197 million a year earlier. While as of year-end 2019 OLB did not book a reserve against the transferred liabilities, the bank remains liable for the fulfilment of the transferred pension obligations in case the assets transferred to the fund fail to cover the future obligations. As per year-end 2019, the value of these assets was €11.9 million below the local GAAP (HGB) book value of the obligation.

Exhibit 4

OLB's problem loan ratio has declined, but its coverage ratio is only moderate

Data in percentage



Problem loan ratio in accordance with Moody's definition. The coverage ratio compares total loan-loss reserves to problem loans.
Sources: Company reports and Moody's Investors Service

Conservative risk weights and earnings retention plans support the bank's sound capitalisation

We assign an a3 Capital score, at the level of the initial score. The assigned score reflects our expectation that OLB will be able to maintain its risk-weighted TCE ratio, our central metric for core capital strength, above 12%.

Should the bank experience a lasting increase in its RWA because of weaker borrower credit quality, and as a result experience a sustained decline in its capitalisation below the bank management's target range, OLB's assigned Capital score and BCA could come under downward pressure.

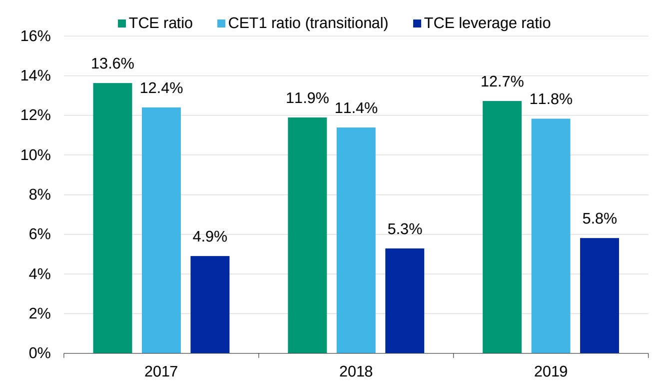
As of 31 December 2019, OLB's TCE ratio of 12.7% was above the bank's transitional CET1 ratio, but the latter ratio improved to 12.6% as of June 2020, as a result of the retention of the bank's H2 2019 net income. We understand that the bank aims to maintain at least a 12% CET1 ratio, which provides a significant buffer to the 7.33% CET1 requirement set by BaFin for 2020 based on a positive assessment under the Supervisory Review and Evaluation Process.

OLB applies the standardised approach to calculate credit risk weights for the portfolios contributed by BKB, which overall leads to a comparatively high RWA density. We expect the bank to maintain its current RWA density levels over the medium term as a result of the broadly offsetting effects from a shift in portfolio composition towards specialised lending, regulatory change and RWA optimisation measures, including an extension of the use of internal models.

Exhibit 5

OLB's risk-weighted capitalisation recovered moderately in 2019, after the 2018 integration of BKB with a higher RWA density

As a percentage of RWA



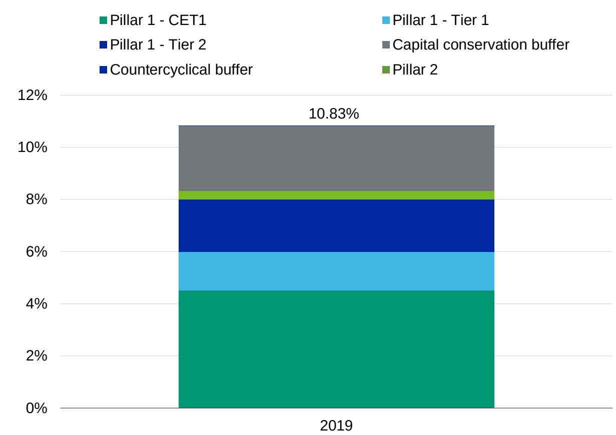
TCE = Tangible common equity (Moody's calculation); CET1 = Common Equity Tier 1; The TCE leverage ratio compares TCE to tangible banking assets.

Sources: Company reports and Moody's Investors Service

Exhibit 6

OLB's regulatory total capital requirements for 2019

As a percentage of RWA



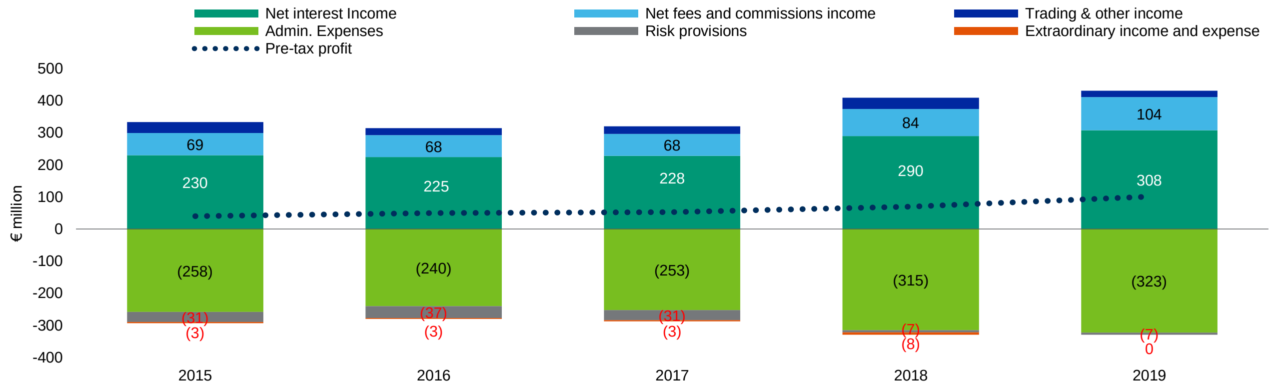
Sources: Company reports and Moody's Investors Service

Low interest rate environment and weak economy weigh on OLB's profit outlook

We assign OLB a b1 score for Profitability, two notches below the ba2 initial score. It reflects our expectation that OLB's cost-reduction measures will help the bank absorb earnings pressure and additional risk costs within the weaker economic environment. At the same time, the low interest rate environment continues to strain the bank's net interest margin. A likely increase in loan-loss provisions, which would help the bank improve its coverage of problem loans, will in addition weigh on OLB's profits.

In light of an increasingly difficult operating environment in Germany, marked by weakened economic conditions and rising credit risks at corporate and SME borrowers in particular, we believe OLB's plan to increase the lending activities of its specialist CRE and acquisition finance teams from BKB on the combined balance sheet may need to be scaled back.

Exhibit 7
OLB's operating expenses have so far exceeded its net interest income
Data in € millions, German local GAAP



Operating expenses include personnel, administrative expenses, and depreciations and amortisation.
Sources: Company reports and Moody's Investors Service

The low interest rate environment strains the profitability of OLB's retail and business client segment in particular because of the limited downward pricing flexibility of the bank's €12.7 billion of client liabilities as of year-end 2019. OLB's Moody's-adjusted net income of €60.6 million in 2019 reflected a cost-to-income ratio of 75% because operating expenses of €323 million exceeded the bank's net interest income of €308 million. We believe OLB will remain focused on raising the efficiency of its business operations while targeting a greater scalability and standardisation of these, in particular with respect to its multi-channel retail banking and its securities business.

The bank's 2019 reported net income of €109.8 million exceeded by far its 2018 net result of €20.6 million. While the prior-year result was burdened by one-off restructuring expenses, the bank's 2019 profit benefitted from one-off gains — derived from the acquisition of WBP, among others — and from securities sales.

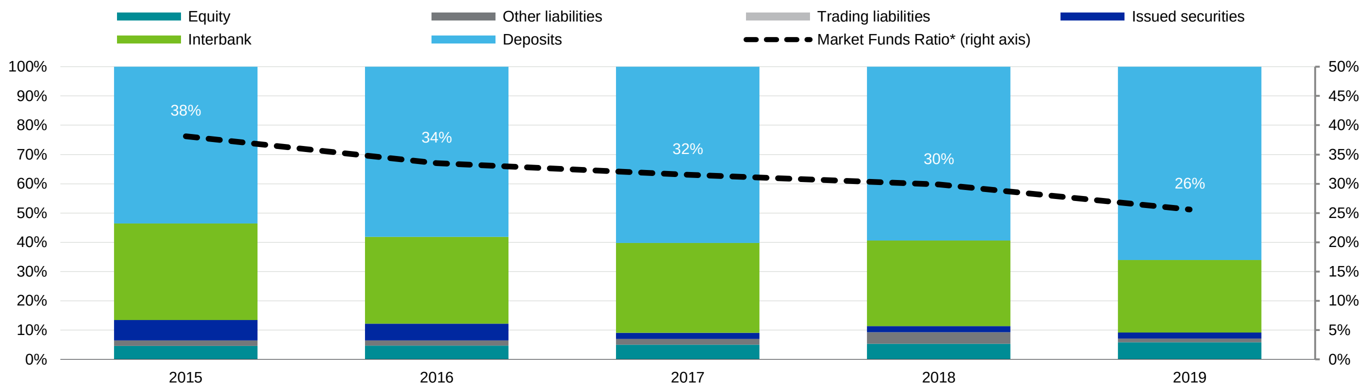
Strong access to retail deposits limits the bank's dependence on wholesale funding

We assign OLB an a3 score for Funding Structure, two notches above the initial score. The score reflects the strong focus on deposit funding and the fact that most of the current funding received from banks (14.1% of the bank's total liabilities) represents maturity-matched pass-through funding from development banks, in particular from the German federal development bank Kreditanstalt fuer Wiederaufbau (KfW, Aaa stable).

OLB's mortgage covered bond programme launched in 2019 provides additional diversification to the bank's funding options. As of year-end 2019, the bank had issued €181 million in registered covered bonds and had retained a €100 million mortgage covered bond. For 2020, the bank anticipated maturities of non-deposit funding in the order of €550 million. Thereof, around 70% should be refinanced through private placements under its covered bond programme, whereas the role of unsecured private placements will be very limited (5%), with the remaining 25% maturities to be refinanced with more client deposits.

The largest part of OLB's market funding year-end 2019 market funding was driven by interbank liabilities, of which €594 million were secured funds obtained from the ECB and in part secured with the senior tranche of BKB's SME securitisation vehicle Weser Funding S.A. Compartment No. 1 (A2(sf)). In May 2020, OLB set up its second securitisation transaction Weser Funding S.A. Compartment No. 2 (A2(sf))[1]. Together, these asset backed securities fund €1.5 billion in assets, and may be upsized to €1.7 billion by year-end 2020.

Exhibit 8
OLB is largely depositor funded and has limited reliance on market funding
As a percentage of tangible banking assets



*Market funding ratio = Market funds/tangible banking assets.
Sources: Company reports and Moody's Investors Service

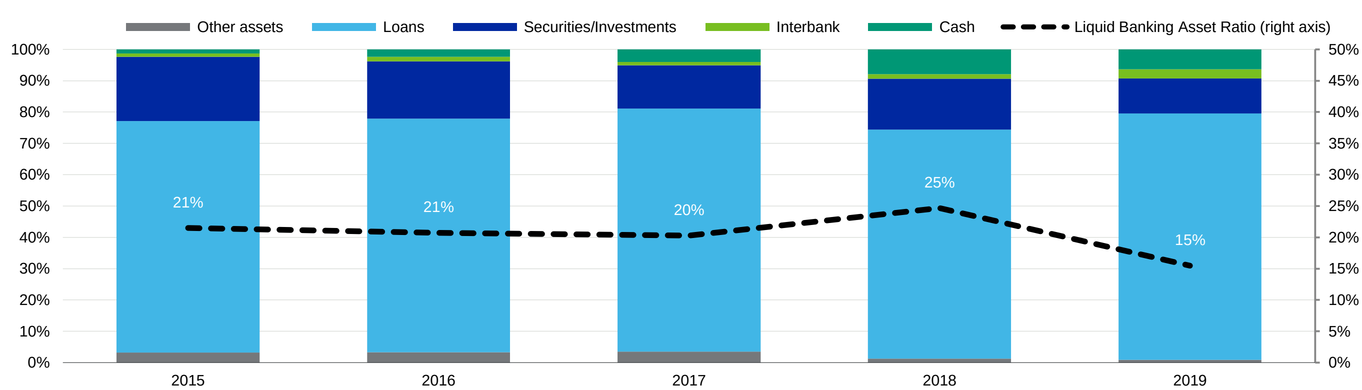
Liquidity will remain tightly managed in light of opportunity costs

We assign OLB a ba1 score for Liquidity, two notches below the initial score, to reflect in particular the fact that the snapshot year-end 2019 liquid resource levels were inflated above normal levels following the integration of WBP. As such, our assigned score is based on our understanding that OLB targets lower levels of liquid resources than reflected on its year-end 2019 balance sheet.

As of year-end 2019, OLB's snapshot liquidity coverage ratio (LCR) of 158.6% (as of year-end 2018: 171.7%) significantly exceeded the year-end 2017 level of 124.6% (excluding BKB, BHN and WBP) and the 12-month rolling averages of around 145% reported at quarter-end dates during 2019. We believe that the liquidity levels reported at year-end 2018 and year-end 2019 do not reflect OLB's management's medium-term target of an LCR of 120%-130% so that liquidity reserves/tangible banking assets will fall to levels close to, but above, 10%, in line with the assigned ba1 Liquidity score.

Following the establishment of OLB's mortgage covered bond programme, we believe 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. As of 30 June 2020, €451 million of mortgage loans had been added to the cover pool, providing security for €371 million of outstanding covered bonds.

Exhibit 9
Year-end 2018 and 2019 post-merger liquidity levels exceeded future targets
As a percentage of tangible banking assets



*Liquid banking assets ratio = Liquid assets/tangible banking assets.
Sources: Company reports and Moody's Investors Service

ESG considerations

In line with our general view on the banking sector, OLB has a low exposure to environmental risks (see our environmental risk heat map[2] for further information).

For social risks, we also place OLB in line with our general view on the banking sector, which indicates a moderate exposure. This includes considerations in relation to the rapid and widening spread of the coronavirus pandemic, given the substantial implications for public health and safety, and the deteriorating global economic outlook, which are creating a severe and extensive credit shock across many sectors, regions and markets. For further information see our social risk heat map[3]).

Governance[4] is highly relevant for OLB, as it is to all banks. OLB has an appropriate risk management framework commensurate with its risk appetite. We do not have any particular governance concern for OLB, and we do not apply any Corporate Behaviour adjustment to the bank.

Support and structural considerations

Affiliate support

We believe that there is a low probability that OLB's owners — the Teacher Retirement System of Texas, Apollo Global Management Inc. and Grovepoint Investment Management — would support the bank in case of need, which does not result in any uplift for OLB's ratings. 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 an operational resolution regime. Therefore, we apply our Advanced LGF analysis, where we consider the risks faced by the different debt and deposit classes across the liability structure should the bank enter resolution. We further assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits, and a 5% runoff in preferred deposits. These ratios are in line with our standard assumptions. In the case of OLB, we further assume that only a small percentage (10%) of the bank's deposit base can actually be considered junior and held by institutional investors.

For OLB's deposit and issuer ratings, at Baa2, our LGF analysis indicates a low loss given failure, leading to a one-notch uplift from its baa3 Adjusted BCA.

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 times of need. Because of its small size relative to the German banking system and its limited degree of interconnectedness, we continue to assign a low government support probability to OLB, which does not result in any rating uplift.

Counterparty Risk Ratings (CRRs)

CRRs are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect expected financial losses in the event that such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and issuer ratings because they reflect the fact that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

OLB's CRRs are positioned at Baa1/P-2

The CRRs are positioned two notches above OLB's baa3 Adjusted BCA, based on the very low loss given failure from the moderate volume of instruments that are subordinated to CRR liabilities. OLB's CRRs do not benefit from government support, in line with our support assumptions on deposits.

Counterparty Risk (CR) Assessment

The CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails and is distinct from debt and deposit ratings in that it: (1) considers only the risk of default rather than both the likelihood of default and the expected financial loss suffered in the event of default; and (2) applies to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

OLB's CR Assessment is positioned at A3(cr)/P-2(cr)

OLB's A3(cr) CR Assessment is positioned three notches above the baa3 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. To determine the CR Assessment, we focus purely on subordination, taking 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 November 2019.

About Moody's Bank Scorecard

Our Banks 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	2.9%	a2	←→	ba1	Geographical concentration	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	12.7%	a3	←→	a3	Risk-weighted capitalisation	Expected trend
Profitability						
Net Income / Tangible Assets	0.3%	ba2	←→	b1	Return on assets	Expected trend
Combined Solvency Score		baa1		baa3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.6%	baa2	←→	a3	Market funding quality	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	15.5%	baa2	←→	ba1	Asset encumbrance	Expected trend
Combined Liquidity Score		baa2		baa2		
Financial Profile				baa3		
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				baa2 - ba1		
Assigned BCA				baa3		
Affiliate Support notching				0		
Adjusted BCA				baa3		

Balance Sheet is not applicable.

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	-	-	-	-	-	-	-	2	0	baa1
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	a3 (cr)
Deposits	-	-	-	-	-	-	-	1	0	baa2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	baa1	0	Baa1	Baa1
Counterparty Risk Assessment	3	0	a3 (cr)	0	A3(cr)	
Deposits	1	0	baa2	0	Baa2	Baa2

[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	Baa1/P-2
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	Baa2
ST Issuer Rating	P-2

Source: Moody's Investors Service

Endnotes

1 The asset-backed securities ratings shown relate to the class A ratings of both transactions.

2 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages, and natural and man-made hazards (physical risks). Additionally, regulatory or policy risks, such as the impact of carbon regulations or other regulatory restrictions, including the related transition risks such as policy, legal, technology and market shifts, which could impair the evaluation of assets are important factors. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

3 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and social trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology costs, ageing population concerns in several countries that affect the demand for financial services or socially driven policy agendas that translate into regulations that affect banks' revenue bases.

4 Corporate governance is a well-established key driver for banks, and the related risks are typically included in our evaluation of banks' financial profiles. Further factors such as specific corporate behaviour, key-person risk, insider and related-party risk, strategy and management risk factors, and dividend policy may be captured in individual adjustments to the BCA, if deemed applicable. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates because of poor governance, such as a breakdown in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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