

MOODY'S

RATINGS

Rating Action: Moody's Ratings places ratings of Oldenburgische Landesbank AG on review for upgrade

21 Mar 2025

Frankfurt am Main, March 21, 2025 -- Moody's Ratings (Moody's) has today placed the Baa1 long-term deposit, senior unsecured, and long-term issuer ratings of Oldenburgische Landesbank AG (OLB) on review for upgrade; previously, the outlook on these ratings was positive. Concurrently, we placed OLB's baa2 Adjusted Baseline Credit Assessment (BCA), its A2(cr) long-term Counterparty Risk Assessment (CR Assessment), its A2 long-term Counterparty Risk Ratings (CRR), its (P)Baa1 senior unsecured MTN ratings, its (P)Baa2 junior senior unsecured MTN ratings, its Baa3 subordinate rating, its (P)Baa3 subordinate MTN ratings, and its Ba2(hyb) preferred stock non-cumulative rating on review for upgrade. Furthermore, we placed the bank's P-2 short-term deposit and short-term issuer ratings on review for upgrade.

OLB's baa2 BCA and its P-1(cr) short-term CR Assessment and P-1 short-term CRR were unaffected by today's rating action.

The review for upgrade reflects the announcement made on 20 March 2025 by OLB that it will be acquired by the French banking group Credit Mutuel Alliance Federale (CMAF) via its German subsidiary TARGO Deutschland GmbH (TARGO), with the completion of the acquisition being subject to usual closing conditions and regulatory approvals [1].

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

-- KEY DRIVERS OF THE REVIEW FOR UPGRADE

OLB announced that its current shareholders – the Teacher Retirement System of Texas, Apollo Global Management Inc. (long-term issuer rating A2 stable), and Grovepoint Investment Management – have reached an agreement to sell the entire share capital of OLB to TARGO, a subsidiary of the mutualist group CMAF.

If the deal successfully closes, OLB will become part of a stronger banking group.

CMAF holds its specialized subsidiaries such as TARGO through Banque Federative du Credit Mutuel (BFCM; long-term deposit/senior unsecured ratings A1 stable, BCA a3). With BFCM's credit strength, as expressed in its a3 BCA, being two notches above OLB's baa2 BCA, the incorporation of affiliate support uplift from BFCM is likely to result in a higher Adjusted BCA for OLB and in upwards rating pressure for most ratings of the bank. Furthermore, if OLB and TARGO were to form a joint resolution perimeter, it could result in additional rating uplift from our Advanced Loss Given Failure (LGF) analysis for certain ratings of OLB.

-- FOCUS OF THE RATINGS REVIEW

During the ratings review, we will investigate the future role, organizational structure, and legal setup of OLB within TARGO and within CMAF at large, in order to assess the appropriate level of affiliate support that will depend, among other factors, on the resolution strategy envisaged for CMAF's German subsidiaries.

Furthermore, we will investigate whether OLB will form a combined resolution perimeter with TARGO and whether this could result in additional rating uplift from our Advanced LGF analysis for certain liability classes and, hence, certain ratings of OLB.

Since the process to obtain all regulatory approvals and complete the acquisition could be prolonged, the select ratings could remain under review for upgrade for an extended period of time in 2025 or even into 2026.

-- OUTLOOK

Previously, the outlook on the long-term deposit, senior unsecured, and long-term issuer ratings was positive, reflecting upwards rating pressure from a strengthened financial profile of OLB and our expectation of a broadly stable liability structure of the bank on a standalone basis.

As reflected in the review for upgrade on most ratings and the Adjusted BCA of OLB, the incorporation of affiliate support from BFCM and potentially higher rating uplift from our Advanced LGF analysis for certain liability classes could exert upwards rating pressure.

The ratings could be confirmed if the acquisition is cancelled due closing conditions not being met or if regulatory approvals are not obtained.

OLB's ratings could be downgraded if the acquisition is cancelled and OLB concurrently experiences a material weakening of its financial profile or a change in its liability structure such that it results in lower protection and consequently fewer notches of rating uplift from our Advanced LGF analysis.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November

2024 and available at <https://ratings.moodys.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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The Global Scale Credit Rating(s) discussed in this Credit Rating Announcement was(were) issued by one of Moody's affiliates outside the UK and is(are) endorsed for use in the UK in accordance with the UK CRA Regulation.

REFERENCES/CITATIONS

[1] Press Release (OLB to be acquired by Crédit Mutuel Alliance Fédérale via its subsidiary TARGO Deutschland GmbH), Oldenburgische Landesbank AG 20-Mar-2025

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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