With the Whitsun holiday approaching
...we'll be taking a short break!
The next edition of the CSV
will be published on **29 May 2024**

Covered Bond & SSA View

NORD/LB Floor Research

15 May 2024 ♦ 17/2024

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NORD/LB: SSA/Public Issuers Research

Bloomberg: RESP NRDR <GO>

Market overview
Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

Primary market: Still periods of calm followed by a sudden surge of activity!?
To a certain extent, the primary market is still stuck in a stop-and-go pattern or at least the timing of bond issues leads us to this conclusion. The decision on the date for opening the trading book is also undoubtedly affected by the various public holidays. Accordingly, having experienced a period of calm in the previous trading week, Monday was so busy that it was possible in our opinion that individual projects would even have to be deferred. All the same, five deals were still placed on the market on the week's first trading day. At the same time, the unusual, historically speaking, pattern of floating rate covered bonds accounting for a high proportion of issues also continued. As in the previous week, we shall comment on the covered bonds in FRN format in the text but will not include them in the standard displays because variable rate bonds are excluded from the benchmark iBoxx EUR Covered index. On Monday, a bank whose covered bonds are not based on a legal framework, namely UBS (Switzerland), opened its books for a dual tranche (2.9y; FRN; guidance: 3mE +28bp area & 7.1y; guidance: ms +43bp area). Ultimately, it placed EUR 750m (FRN) at 3mE +23bp and EUR 1.0bn at ms +36bp, respectively. Santander UK also ventured onto the market with a dual tranche (please refer to our Issuer View). The UK-based bank also opted for the combination of a short floater (2.9y; guidance: 3mE +25bp area) with a longer dated deal with a fixed coupon (6.9y; guidance: ms +40bp area). A perceptible tightening was possible during the marketing of the FRN in particular, meaning that the deal was priced at 3mE +18bp for a final amount of EUR 500m. The issuer chose an issuance amount of EUR 1.0bn for the longer dated bond, which was placed in the market at ms +35bp. BPCE SFH (FR) also approached investors with a "genuine" long-dated bond (10.0y). The books for a green EUR benchmark opened with a guidance of ms +44bp area. Here too, a significant tightening was achieved during the marketing, meaning that the reoffer spread stood at ms +35bp. Obviously, BCPE only responded to the demand for longer dated bonds in part with an amount of EUR 1.5bn and an order book of EUR 6.4bn. On Tuesday, further impetus was provided by the appearances of ING Bank (NL; please refer to our Issuer View) and Sparebanken Vest (NO) on the market. ING opted for a ten-year maturity and opened the books at ms +38bp area. EUR 1.25bn was finally priced at ms +32bp. Finally, the Norwegians approached their investors with a deal worth EUR 500m (5.0y; WNG). In our opinion, a reoffer spread of ms +22bp (guidance: ms +30bp area; NIP: ±0bp) and an order book amounting to EUR 1.7bn indicated significant demand from investors.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
ING Bank	NL	14.05.	XS2821667719	10.0y	1.25bn	ms +32bp	AAA / Aaa / AAA	-
Sparebanken Vest	NO	14.05.	XS2824740778	5.2y	0.50bn	ms +22bp	- / Aaa / -	-
UBS Switzerland	CH	13.05.	CH1348614111	7.1y	1.00bn	ms +36bp	AAA / - / -	-
Santander UK	GB	13.05.	XS2823118018	6.9y	1.00bn	ms +35bp	AAA / Aaa / AAA	-
BPCE SFH	FR	13.05.	FR001400Q6Q8	10.0y	1.50bn	ms +37bp	- / Aaa / AAA	X

Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

Secondary market: Active start to the week boosts momentum

This momentum on the primary market also had an impact on trading desks in the last two trading days in particular. Even following the flurry of activity on the primary market, the supply of bonds was still easily absorbed while secondary market activities also remained stable. There were even signs of a slight tightening trend across virtually the entire range of maturities and jurisdictions in the course of trading activities. Headline risks also faded somewhat more into the background. We also see indications of this in the latest movements in spreads for the Pfandbriefe issued by the Pfandbriefbank (PBB).

vdp: German property prices dropped by 7.2% in 2023

Developments on international property markets are still being viewed with some trepidation in the covered bond segment. Even though there are signs of a certain easing in some places and in some jurisdictions, we would still not talk of any normalisation of the situation. A few days ago, the Verband deutscher Pfandbriefbanken (vdp) published current figures for its closely monitored Property Price Index. It showed a fall of 5.3% Y/Y for Q1 2024, while the change on the previous quarter was far more moderate, at -0.3%. A comparison with the peak of the index in Q2 2022 shows that the "price correction" on the German property market amounts to a fall of 10.3%. In the opinion of the vdp, the trend in prices for commercial property, which are still being closely watched by the Pfandbrief market, does not yet show any sign of bottoming out: Compared with the previous year, the setback is virtually in double digits (-9.6% Y/Y), while the fall on the previous quarter was still 0.8%. For vdp CEO Jens Tolckmitt one thing is certain: "Commercial property prices can be expected to fall in subsequent quarters too". He does not expect the situation to ease until the beginning of 2025. This assessment of the situation is not surprising, and it is therefore – as we have already frequently remarked in our weekly publication – important to make distinctions with regard to the fundamental assessment of the credit quality of Pfandbriefe. This also applies not least against the background of the continuing valuation buffer resulting from deviations from the market value and mortgage lending value.

Scope produces critical appraisal of CRE risks with Pfandbriefe

The risk experts at Scope recently presented their assessment of the challenges posed by developments on the (international) market for commercial properties. In current comments, the rating agency also highlighted CRE risks outside Germany in the cover pools of German Pfandbrief issuers. Scope concluded that CRE portfolios were unlikely to pose a threat to "safe haven" status. At the same time, it expressed certain concerns with regard to banks' (international) exposure in the office property asset class – especially for those financing or investing in real estate. In our opinion, the issue of CRE risks will also continue to preoccupy the Pfandbrief segment in particular and the covered bond market in general. Nevertheless, we continue to argue that investors should adopt a holistic approach here that also takes account of the risk-mitigating elements of the covered bond frameworks.

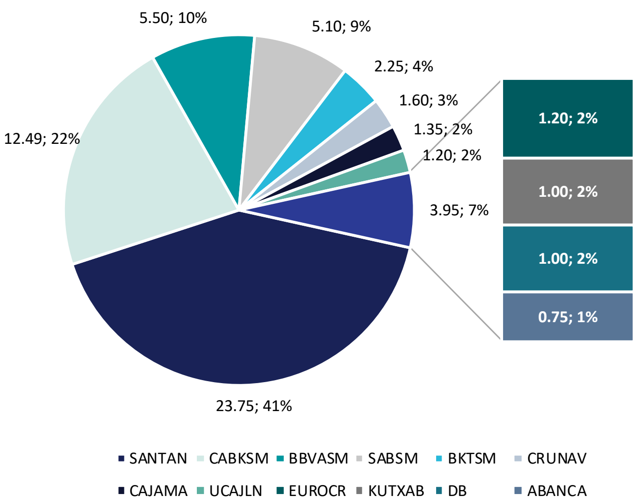
APAC region picks up speed: Something is happening there!

In recent days and weeks, news of increased activity in the Asia-Pacific region has definitely attracted attention. We were delighted to report in March that a new issuer, namely Maybank from Singapore, had held out the prospect of issuing an EUR benchmark for the first time (please refer to our Covered Bond & SSA View dated 27 March). Another promising issuer, namely Standard Chartered Bank Singapore, is also offering the prospect of a first bond here. We reported on it briefly last week and will look more closely at the potential new issuer in a focus article in the current issue of our weekly publication. The report by the Bank of Queensland that it is going to "change lane" is also more than a side note for us. Apparently, the issuer is now planning to switch to the market standard of a soft bullet structure for its covered bonds. The new programme will therefore replace the only CPT structure in Australia. With a view to the momentum in the EUR benchmark segment, APAC issuers have been somewhat restrained so far in 2024. To date, new benchmarks worth EUR 4.8bn have been placed. Over the year as whole, however, we believe there is potential for new bonds from Australia, New Zealand, Japan, South Korea and Singapore, meaning that a respectable EUR 14.8bn should be reported at the year-end (net supply: EUR 5.0bn).

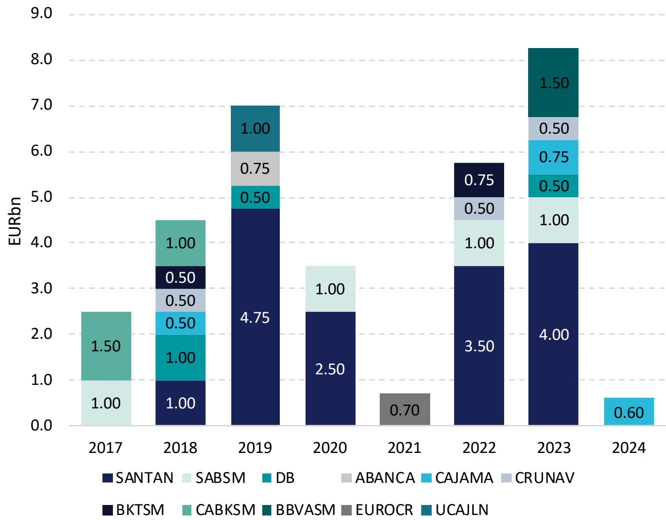
Moody's: An examination of Spain's covered bond sector

As part of its regular sector analysis, the risk experts at Moody's recently focused on the Spanish covered bond market. According to the agency, it still rates 22 issuance programmes here with an associated volume of covered bonds amounting to more than EUR 200bn. For all bonds or programmes, Moody's awards an "Aa1" rating where the ratings are capped by the sovereign ceiling (also Aa1) in the context of Moody's rating methodology. Economically, the risks experts highlight developments in the property sector. House prices have recovered since 2015, which was also helped by demographic change and a drop in supply. The rating agency also gives the Spanish banking market a stable outlook. With regard to lending activity, the agency highlights the strong labour market and more stringent lending standards. In terms of the covered bond segment, Spain ranks among those jurisdictions for which the minimum standards of the European covered bond market have contributed to a significant strengthening of the legal framework. In addition to the amended requirements for suitable cover assets, Moody's also emphasises the new role of trustee. The design of the 180 days' liquidity buffer must also be rated as a relative strength in the international context. Ultimately, its scope is derived from the original maturity of soft bullet bonds, and this does not lead to a "grandfathering" rule for existing bonds, which could have reduced the buffer. In the current year, only one bank has approached investors with a benchmark so far. We definitely expect new bonds from Spain in 2024 but expect activity to pick up in the second half of the year. Nevertheless, at this point, we must express our surprise that activity has been somewhat restrained even in comparison with its peers such as Portugal.

EUR BMK: Outstanding volume – Spain (in EURbn)[1]



EUR BMK: Spanish issues (in EURbn)[1]



Source: Bloomberg, market data, Fitch, NORD/LB Floor Research
[1] Excluding multi-cedulas

Estonia: Coop Pank wishes to diversify funding with covered bonds

In our opinion, the Baltic covered bond market also ranks among the promising niche markets. To be sure, the countries of Estonia, Latvia and Lithuania have far less potential with regard to covered refinancing than the markets in the Asia-Pacific region, for example, because of the size of their economies. Nevertheless, the "Pan-Baltic concept", i.e., the cross-border use of cover assets, could provide additional impetus for growth here. Following the network concept, this will benefit from new issuers. While the covered bond market has still not really become established in Latvia and Lithuania, there are signs of somewhat more activity in Estonia. There are already two issuers active in the EUR sub-benchmark and EUR benchmark segment for covered bonds, namely LHV Bank and Luminor, respectively. According to latest market reports (please refer to the press release dated 13 May), Coop Pank has applied for a covered bond licence. Admittedly, the approval process may take another six months. However, for Paavo Truu (CFO der Coop Pank) the size of the bank's own property portfolio has reached a size that would allow the issue of covered bonds. In Q1 2024, the bank reported a loan book amounting to EUR 1.531bn, which contained EUR 622m worth of private mortgage loans.

Market overview
SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann // Lukas-Finn Frese

KfW: Promotional business figures for Q1/2024

Kreditanstalt für Wiederaufbau (KfW; ticker: KFW) published the key figures for its promotional business in the first quarter of 2024 at the start of May. The press release reveals that the national promotional bank achieved a new business volume totalling EUR 17.5bn for the first three months of this year (Q1/2023: EUR 40.0bn). Promotional business volume was therefore back at the level of the pre-crisis years. The year-on-year decline was mainly due to the development of domestic promotion, which stood just under a third of the previous year's volume (Q1/2024: EUR 10.7bn; Q1/2023: EUR 32.8bn). Private clients continued to have strong interest in financing for energy efficiency and renewable energies, which amounted to EUR 4.3bn in the first quarter (Q1/2023: EUR 3.0bn). The increase compared with the prior-year period was mainly due to the Climate-friendly Construction programme. Commitments for private clients in the amount of EUR 2.8bn were made here in the first quarter of 2024 (Q1/2023: EUR 0.6bn). With a commitment volume of around EUR 1.6bn, new business in the Customised Finance and Public Clients business sector normalised significantly compared with the previous year, which had been dominated by energy subsidies (Q1/2023: EUR 21.6bn). Decisive factors for the previous year's high figure were extensions and the associated restructuring of existing mandated energy transactions as well as high disbursements under the gas and heat price brake. KfW IPEX-Bank, which is responsible for the Export and project finance business sector and provides financing to support German and European businesses on the global markets, also had a very good start to the year. At EUR 6.1bn at the end of the first quarter, its new commitments remained approximately on a par with the same period last year (Q1/2023: EUR 6.7bn). KfW recorded encouraging consolidated earnings of EUR 461m in the first three months of the year, thereby exceeding the average for the last five years (Q1/2023: EUR 394m). Consolidated profit was based on a strong operating result and exceeded the promotional bank's expectations. With regard to regulatory capital ratios, the total capital ratio was 28.6% and the Common Equity Tier 1 capital ratio was 28.5%. Both ratios had stood at 27.9% as at year-end 2023. KfW raised EUR 35.6bn in the international capital markets to fund its promotional business in the first quarter of 2024. That equates to an increase of EUR 7.5bn on the previous year's volume and corresponds to around 38% of its planned funding volume of EUR 90bn to EUR 95bn for the whole of 2024. The funding share in the domestic currency of the euro was 54% in the first quarter. At 34%, the USD funding volume was significantly above the average USD volume of recent years. Revenue from the issue of green bonds amounted to EUR 2.9bn, representing a share of 8% of the total funding volume. In total, KfW has already issued three green bonds in three different currencies (USD, AUD and NOK). We recently reported on the transaction in EUR in our Covered Bond & SSA View of 08 May. KfW also held its Global Investor Broadcast last Monday.

Bremen fulfils restructuring obligations

The Free Hanseatic City of Bremen (ticker: BREMEN) has been receiving federal restructuring aid to the tune of EUR 400m each year since 2020. In return, the federal state committed to certain restructuring obligations. The statutory restructuring obligations include Bremen making a budgetary repayment of at least EUR 50m each year and totalling EUR 400m over a period of five years as a minimum. Bremen must also implement measures to strengthen its economy and financial capacity. As outlined in the restructuring assistance report approved by the senate on 30 April, the Bremen made the requisite repayments of EUR 80m for 2023 as well, despite the current exceptional circumstances. Within the report, the Senator for Finance, Björn Fecker, specified measures through which Bremen had increased its economic and financial strength in 2023. A distinction was made between two categories: First, measures that maintain or boost the population and second, measures that secure jobs and create new ones. The first category includes the residential construction concept for the completion of around 1,700 to 1,800 new homes a year. For securing and creating jobs, the industry development programme is a key measure. In the last year alone, this helped to secure 1,115 jobs and create 295 new positions. "Bremen has been compliant. While we did have to take on loans in 2023 due to crises, we nonetheless successfully repaid EUR 80m in 2023. We rely on the annual restructuring aid of EUR 400m. This helps Bremen ensure compliance with the provisions under Art. 109(3) of the Basic Law for the Federal Republic of Germany regarding a debt brake. It is therefore all the more important that we take successive steps to improve our financial position. Even in this difficult time of multiple crises and their consequences, we will not leave off strengthening our economic and financial power through targeted measures", Fecker explained. The report was sent to the Federal Ministry of Finance, which will now verify whether conditions have been met for granting the restructuring assistance. Other Laender receiving support from the federal budget alongside Bremen include Saarland (ticker: SAARLD). For further information on the budget situations and the federal financial equalisation system, please refer to our Issuer Guide – German Laender 2023.

NIB: Growth in new business due to InvestEU

During the first three months of this year, the Nordic Investment Bank (ticker: NIB) signed EUR 954m in new lending and disbursed EUR 643m. The lending was distributed across various sectors and countries, including NIB's first disbursements to InvestEU loans. Net profit increased by +26% on the first quarter of 2023 to EUR 82m. This increase in net profit is mainly due to higher net interest income. Total assets and equity were also both up slightly when compared with the same period in 2023. During the first quarter of 2024, the European Commission and NIB signed an InvestEU guarantee amendment whereby NIB has also become the implementing partner for Norway and Iceland. These are the first non-EU countries to participate in the programme (cf. Covered Bond & SSA View of 07 February). On the funding side, NIB raised new funding of EUR 4.0bn overall in the first three months of the year, including a EUR-denominated green bond with a maturity of seven years and a volume of EUR 500m (cf. Covered Bond & SSA View of 24 January). NIB's funding plan for 2024 as a whole estimates a volume of EUR 8.5bn.

EIB: Financial Report 2023 published

On 08 May, the European Investment Bank (ticker: EIB) published its financial report for last year. In 2023, new financing signed by the EIB amounted to EUR 75.1bn (of which, EUR 73.9bn under the bank's own resources), close to the upper end of the target range set in the Operational Plan 2023-2025. As at the reporting date, the EIB generated a positive financial result, booking an annual surplus of EUR 2.3bn (2022: EUR 2.4bn). The annual surplus is fully retained, contributing to the bank's own funds and supporting its long-term financing capacity. The net interest income generated by the bank amounted to EUR 3.2bn and was therefore improved by EUR 213m year on year. This is primarily explained by the rising interest rate environment observed in 2023. The EIB's balance sheet totalled EUR 547.3bn at the end of 2023, representing a slight increase versus 2022 (EUR 544.6bn). The EIB's Common Equity Tier 1 (CET1) ratio decreased from 35.1% at the end of 2022 to 33.1% at the end of the last financial year. This is principally due to the delivery of higher-risk new business and a review of the regulatory capital treatment of equity fund investments partially compensated by the retained annual surplus. The leverage ratio increased to 12.1% at the end of 2023, mainly due to the increase in Tier 1 capital from the annual surplus accumulation (2022: 11.8%). Over the course of last year, the bank raised EUR 49.8bn on the international capital markets to finance its lending activities (2022: EUR 44.3bn). The EIB was particularly active in the ESG segment, having issued EUR 14.6bn in Climate Awareness Bonds and Sustainability Awareness Bonds (2022: EUR 19.9bn). This represented 29% of the total issuance volume in 2023 (2022: 45%). Over the course of the current year, a funding volume target of up to EUR 65bn has been set.

Mecklenburg-Western Pomerania: Municipal investment up in 2023

Last year's municipal finance report for the federal state of Mecklenburg-Western Pomerania (ticker: MECVOR) was the subject of a discussion in the state parliament at the end of April. According to the report, the federal states municipalities successfully raised their level of investment on that of 2022. After the municipalities as a whole for the first time crossed the EUR 1.0bn threshold with investment of around EUR 1.2bn in 2022, the figure for 2023 was now almost EUR 1.3bn. This equates to an investment rate of 18.7%. When compared with the other non-city states in Germany, the municipalities of Mecklenburg-Western Pomerania ranked second behind only Bavaria (22.5%) and ahead of Baden-Wuerttemberg (16%). For context: in 2018, municipal investment only amounted to EUR 544m, which corresponds to an investment ratio of 12%. "It is important for the federal state that the municipalities are increasingly able to draw on the budget surpluses generated in the past for investment purposes. For example, municipal budget law was amended at the end of last year to permit the use of up to EUR 600m of municipal budget surpluses. We expect this to generate additional investment momentum, which should then have a positive effect on the regional economy. We especially hope to see benefit for the construction industry in Mecklenburg-Western Pomerania", said the states Minister of Finance, Dr Heiko Geue. One focus of investment for the Land and municipalities in the coming years will be the school building programme. Last November, it was agreed that EUR 400m would be made available for the building of schools by 2027. For further information on the budget situation of Mecklenburg-Western Pomerania and in German municipalities, please refer to our Issuer Guide – German Laender 2023.

Primary market

SSA primary market activity continued to be strong as we look back on the past trading week. As can be seen in the table below, the four new issuances with an aggregate volume of EUR 9bn from rather diverse jurisdictions ensured there were plenty of fresh deals on the market. Completing the picture were two transactions in the subbenchmark segment. Last week, we highlighted the mandate from the federal state of Baden-Wuerttemberg (ticker: BADWUR), for which the bond marketing then started last Wednesday: EUR 1bn was being sought for a maturity of five years. Following an initial guidance of ms +5bp area, the final pricing narrowed by two basis points to ms +3bp with a corresponding order book of EUR 1.2bn. The bond is already the third EUR benchmark bond from the German state this year and the first with a fixed coupon. After the primary market had been somewhat quieter following the public holiday, momentum picked up again yesterday, on Tuesday. First off the mark was the European Union (ticker: EU) with its fifth syndicated transaction for 2024 (cf. Funding plan for H1/2024). The EU was seeking EUR 6bn to be raised for a long maturity of 30 years. As expected, investor demand for the bond, which was fixed with a coupon of 3.375%, was high and the order book filled to EUR 86bn by the end of the bookbuilding process. The pricing was ultimately three basis points narrower versus the guidance at ms +88bp. The ESG segment was replenished by the Spanish autonomous community of Galicia (ticker: JUNGAL) with a new bond in a sustainable format (cf. Sustainable Finance Framework). With a maturity of seven years, EUR 500m ultimately moved to investor accounts at SPGB +22bp area (corresponds to approximately ms +48bp). The order book amounted to EUR 1.5 bn, putting the bid-to-cover ratio at 3x. This transaction is the first new bond to be issued by Galicia this year and the fourth from a Spanish region. Last on the scene was the Canadian province of British Columbia (ticker: BRCOL) with its second EUR benchmark in 2024. The Canadians placed EUR 1.5bn with a maturity of 15 years (guidance: ms +62bp area). The order book filled to EUR 4bn, causing the deal to be ultimately priced at ms +60bp. Rating agency S&P had only recently felt compelled to downgrade the rating for BRCOL, which we reported on in our Covered Bond & SSA View of 17 April. We also noted two transactions in a subbenchmark format. First, in the German agencies segment, the Investitions- und Strukturbank Rheinland-Pfalz (ticker: ISBRLP) raised EUR 250m with a 10-year maturity at ms +22bp. Second, the federal state of North Rhine-Westphalia (ticker: NRW) secured EUR 250m over three years at a spread of ms -2bp. As Germany's constitution turns 75 this year, the bond was therefore called "Grundgesetzanleihe" (constitution bond) to commemorate the special milestone. The following mandates are also being issued for the near future: AFDB (EUR 500m WNG, 4y, ESG) and BRABUR (EUR 500m, 10y). Before taking some time off for Whitsun, we would like to give advance notice to our readers of the EU's next bond auction on 27 May.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BRCOL	CA	14.05.	XS2824742048	15.0y	1.50bn	ms +60bp	AA+u / Aaa / AA-	-
JUNGAL	ES	14.05.	ES0001352634	7.0y	0.50bn	ms +48bp	- / Baa1 / A	X
EU	SNAT	14.05.	EU000A3K4EY2	30.3y	6.00bn	ms +88bp	AAA / Aaa / AA+	-
BADWUR	DE	08.05.	DE000A14JZ38	5.0y	1.00bn	ms +3bp	- / - / AA+	-

Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

Covered Bonds
Standard Chartered Bank Singapore boosts APAC growth

Authors: Dr. Frederik Kunze // Lukas Kühne

Standard Chartered Bank Singapore announces its first EUR benchmark

As reported in our last weekly publication, Standard Chartered Bank Singapore (SC Bank Singapore) has announced that it will hold a series of virtual and face-to-face discussions with investors from 13 May with the aim of placing its first EUR benchmark covered bond on the market following the roadshow. The issue will probably have a three-to-five-year maturity and feature a soft bullet structure. The covered bond programme has received provisional ratings from Moody's and S&P of Aaa and AAA, respectively. By joining the group of issuers reporting under the "Covered Bond Label", SC Bank Singapore will ensure that all requirements of Article 14 of the European Covered Bond Directive are met. The prospect of the bank's first benchmark covered bond is reason enough for us to look at the newcomer from the APAC region in greater detail.

Focus on the issuer

SC Bank Singapore was established in 1859 as a subsidiary of the Standard Chartered PLC (SCPLC) Group and is the largest foreign bank in Singapore. It has been regarded as a "Domestic Systemically Important Bank" (D-SIB) since 2015 and has been managed as the sole "Enhanced Significant Rooted Foreign Bank" (ESRFB) by the Monetary Authority of Singapore since 2020. It is regarded as one of the highest revenue-generating banks in the SCPLC Group. The Group as the parent company is one of the leading major international banks, employing more than 85,000 staff and operating in 52 markets worldwide. It is listed in both London and Hong Kong and has committed to achieving net zero. The Group operates in the "Corporate and Investment Banking" and "Wealth and Retail Banking" segments, which each comprise various sub-categories. SC Bank Singapore's loan portfolio focuses on the areas "Housing" (FY/2023: 34% of the total portfolio) and "Professionals and private individuals" (30%). At the same time, the quality of its assets can be described as robust. In the last three financial years, in each case at least 95.1% of the assets' total exposure were attributed to Stage 1 (according to ISFR 9 expected credit loss framework) and less than 1.1% to Stage 3. The credit default rate can also be classified as rather low, at 0.08%.

Issuer (SG)	**Cover Pool** (SGDm)	**Outst. Volume** (SGDDm)	**OC** (%)	**LCR level / Risk weight**[3]	**LTV** (unindexed; %)	**Moody's Collateral Score**[4]	**Number of loans**	**Long-Term Issuer rating** (Fitch / Moody's / S&P)[5]	**Covered Bond rating** (Fitch / Moody's / S&P)
DBS Bank[1]	22,325	12,993	71.8	2A / 20%	52.0	4.0%	30,665	AA-/ Aa1 / AA-	AAA / Aaa / -
OCBC[2]	6,635	917	623,8	2A / 20%	49.7	4.0%	11,277	AA-/ Aa1 / AA-	AAA/ Aaa / -
United Overseas Bank[2]	11,153	7,404	50.6	2A / 20%	52.2	4.0%	18,278	AA-/ Aa1 / AA-	-/ Aaa / AAA
Maybank Singapore	*2,089*	-	*187.1*	*2A / 20%*	*57.3*	*4.0%*	*2,630*	*- / A1 / A*	*- / Aaa / AAA*
Standard Chartered Singapore	*1,895*	-	-	*2A / 20%*	*54.6*	*4.0%*	*1,889*	*A+ / A1 / A+*	*- / Aaa /AAA*

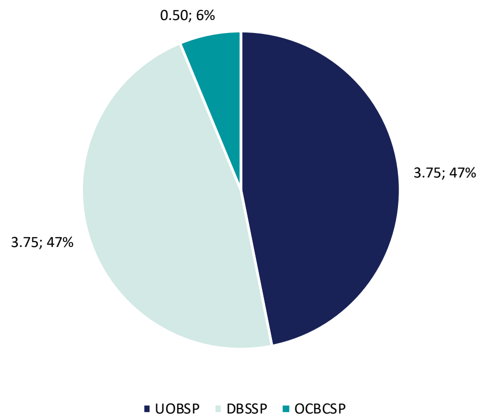
Source: Institute, rating agencies, NORD/LB Floor Research

1 Cover pool data on 09.04.2024; 2 Cover pool data on 31.03.2024; 3 Regulatory treatment of EUR benchmarks; 4 From: Moody's Covered Bonds Sector Update – Q1 2024; 5 Rating definitions Fitch (Long-Term Issuer Default Rating), Moody's (LT FC Bank Deposits Rating), S&P (LT FC Issuer Credit Rating)

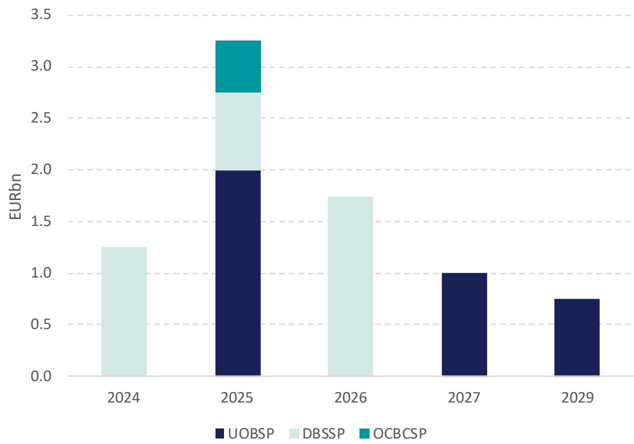
EUR benchmark issuers from Singapore – an overview

Besides Standard Chartered Bank Singapore, three further issuers from Singapore are active on the market so far. The majority of the outstanding EUR benchmark volume of EUR 8.0bn in total is attributable to United Overseas Bank (UOB) and DBS Bank (DBS). Both currently have covered bonds outstanding of EUR 3.8bn each. The Overseas Chinese Banking Corporation (OCBC) is also active in the EUR benchmark segment. Maybank Singapore has also presented its covered bond programme recently (please refer to the Covered Bond & SSA View focus article) and likewise plans to approach investors with its first EUR benchmark in the near future. This year to date, only DBS has placed a covered bond on the market (of EUR 1.0bn), as the sole issuer from Singapore.

EUR benchmarks SG outstanding (EUR bn)



EUR benchmarks SG (maturities; EUR bn)



Source: Market data, NORD/LB Floor Research

Covered bond programme of Standard Chartered Bank Singapore

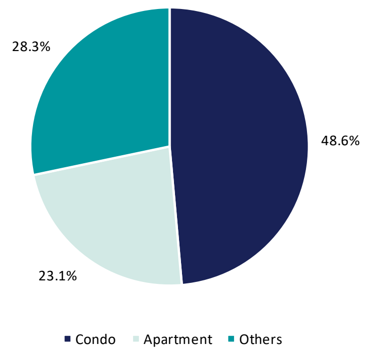
The covered bond programme of SC Bank Singapore was established on 18 April 2024 and has a total volume of USD 5.0bn It was awarded top ratings by Moody's and S&P (Aaa/AAA). The indicative cover pool consists of 1,889 residential mortgage loans (located in Singapore without exception) with an average loan size of SGD 1.0m (approximately EUR 685m). In total, the covered bond programme of SC Bank Singapore has a cover pool worth SGD 1.895bn (approx. EUR 1.298bn) on 18 April 2024. The receivables included in the cover pool have an average weighted residual term of 22.2 years and an average weighted age of 2.5 years. Based on the value of the cover assets, the weighted non-indexed LTV was given as 54.6%, while the LTV for the indexed case amounts to 46.0%. At almost 50%, the largest share of the mortgage loans in the cover pool is attributable to owner-occupied apartments (48.6%), followed by apartments (23.1%). In our understanding, a EUR benchmark issued by Standard Chartered Bank Singapore would qualify as a Level 2A asset for LCR management purposes. A risk weighting of 20% would also apply under CRR based on the rating for the issuer's EUR benchmarks.

Programme data

18 April 2024	Mortgage
Covered bonds outstanding	-
Cover pool volume	SGD 1,895m (EUR 1,298m)
Current OC (nominal / legal)	- / 3.0%
Type	100% Residential
Main country	100% SG
Number of loans	1,889
Average Principal Balance	SGD 1,003m (EUR 687m)
NPL	0.0%
Weighted Average Seasoning (Cover Pool / CBs)	2.5y / -
WAL (Cover Pool / CBs)	22.2y / -
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Floor Research

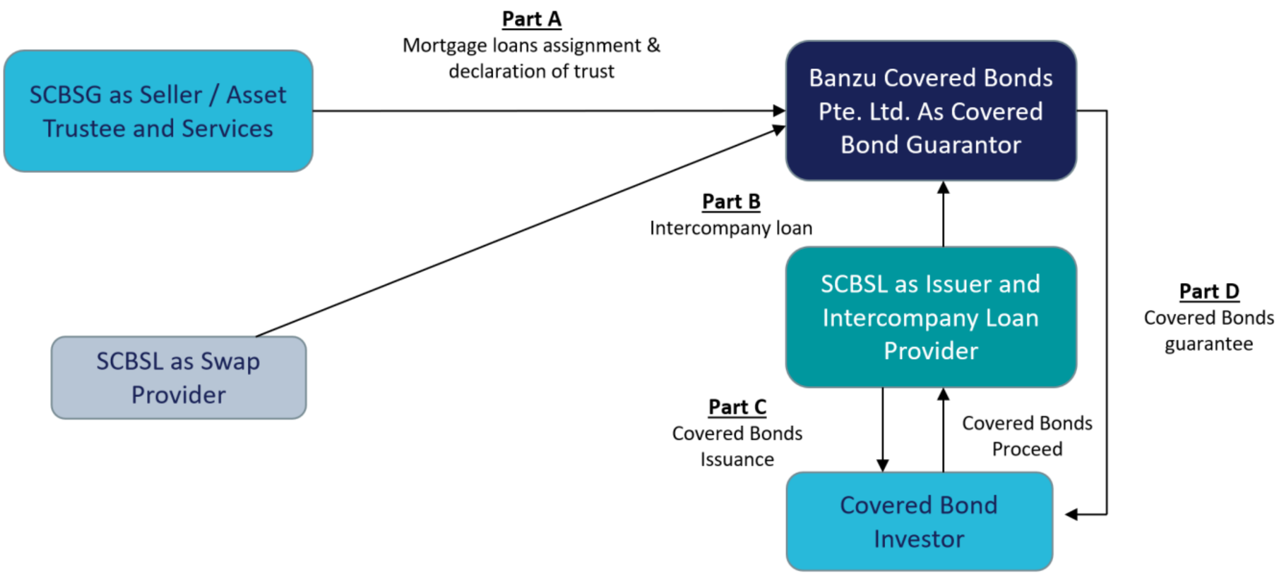
Property Types in Cover Pool



Cover assets: relevant admission criteria

The mortgage loans must meet specific criteria for inclusion in the SC Bank Singapore cover pool, some of which we will describe here. All the loans included in the cover pool must be denominated in SGD and may not have been issued before 1 January 2016. They must also be first class mortgage loans located in Singapore that are fully utilised by the borrowers and may not be loaned on. Certain loans such as those to the Housing Development Board or Juron Town Corporation are excluded. None of the loans may be classified as a non-performing loan (NPL) or non-recoverable loan and at least one monthly repayment must have been made by the borrower. Furthermore, none of the loans may be construction loans (unless they have been fully drawn), renovation loans, overdrafts or similar. Mortgage loans with employee terms are also excluded from the cover pool.

Programme structure of Standard Chartered Bank Singapore



Source: Issuer, NORD/LB Floor Research

Conclusion and outlook

In addition to Maybank, SC Bank Singapore is the second bank from Singapore this year to present its new covered bond programme. Particularly given the fact that it is one of the smaller covered bond jurisdictions when compared with the rest of the world (current outstanding volume: EUR 8.0bn) with only three new issues in the last two years, another potential first EUR benchmark in 2024 is very gratifying from our perspective. Just as with Maybank, the preconditions for an issue in the near future have now been met. Following SC Bank's affiliation to the ECBC Covered Bond Label and the resulting self-imposed reporting requirements, compliance with article 14 of the Covered Bond Directive is guaranteed, which should make it easier for investors to check the LCR capability. For the Singaporean market as a whole we expect maturities of EUR 1.3bn for 2024 in total with new issues of EUR 2.5bn. With a resulting new net supply of EUR 1.2bn worth of EUR benchmarks and the announcement of the first benchmark from SC Bank Singapore, there is no longer anything to prevent the growth of the covered bond market in Singapore in our opinion. In fact, we see the announced activities of SC Bank Singapore not only as a signal of growth for the jurisdiction of Singapore, but rather also as a sign of the increasing importance of covered bonds for the Asia-Pacific region as a whole.

SSA/Public Issuers
Stability Council convenes for 29th meeting

Authors: Christian Ilchmann // Lukas-Finn Frese

Introduction

On 6 May 2024, the 29th meeting of the Stability Council was held under the chairmanship of the Finance Minister of the State of Rhineland-Palatinate, Doris Ahnen, and the Federal Minister of Finance, Christian Lindner. The meeting focused on securing the long-term debt sustainability of public budgets, particularly in light of the ongoing challenges and the changed European framework conditions.

Macroeconomic framework

In its press release, the Stability Council states that fiscal policy must continue to play a role in a very challenging environment as a result of the crisis-related pressures of recent years as well as higher interest rates, weak economic development and increasing structural issues. After a price-adjusted decline in economic output of 0.3% last year, only a moderate economic recovery is expected for 2024. Following the rapid rise in prices over the past two years, the inflation rate should gradually stabilise around the ECB's target of 2%. The fiscal projection presented by the Stability Council makes it clear that public budgets continue to face major challenges. This includes the necessary normalisation of fiscal policy after the crises, the development of fiscal buffers, the strengthening of internal and external security and the stabilisation of social security systems against the backdrop of demographic change and decarbonisation – while at the same time reducing the debt ratio.

Financing deficit upper limit expected to be breached by 2028

For 2024, the Stability Council forecasts a general government financing deficit of 1.75% of gross domestic product (GDP). In 2025, the general government deficit is expected to be reduced to around 1% of GDP. Adjusted for cyclical and one-off effects, the structural financing deficit in 2024 would be around 1.25% of GDP, initially decreasing in 2025 to around 0.75% of GDP and increasing slightly again in the following years. At the end of the projection period in 2028, this would amount to around 1% of GDP. The medium-term budgetary objective (MTO) and the deficit ceiling (structural deficit of 0.5% of GDP) anchored in the Stability and Growth Pact (SGP) would therefore not be achieved over the entire period. According to the Stability Council Act, it would therefore be necessary for the Stability Council to propose measures that are suitable for eliminating the excessive deficit. With the reform of the SGP, which came into force on 30 April 2024, the MTO is no longer subject to European budgetary surveillance. The operational target for the new regulations is net primary expenditure. The country-specific paths for the development of this are to be defined by the Member States for the first time in autumn 2024 in their medium-term fiscal structural plans and confirmed by the Council. The concrete net expenditure path can only be set once the European Commission has issued the reference paths for the Member States, which is expected to be on 21 June. This means that it is currently not possible to make sufficiently precise statements about Germany's compliance with the future European targets.

Estimate of general government structural budget balance pursuant to Sec. 7 Stability Council Act (as % of GDP)

	2023	2024	2025	2026	2027	2028
General government structural financing balance	-2	-1.25	-0.75	-1	-1.25	-1
General government financing balance	-2.5	-1.75	-1	-1.25	-1.5	-1
Of which:						
Federal government	-2.3	-1.25	-0.75	-0.75	-0.5	-1
Laender	-0.2	-0.25	-0.25	-0.25	-0.25	0
Municipalities	-0.3	-0.25	-0.25	-0.25	-0.25	-0.25
Social security	0.2	0	0	-0.25	-0.5	-0.25

For the function of the Stability Council, its key metrics and definitions, see the latest Issuer Guide – German Laender 2023.
Source: Stability Council, NORD/LB Floor Research

Decrease in overall budget deficit in 2023

The overall public budget includes the core budgets of the federal government, the Laender and the municipalities as well as their respective extra budgets. In 2023, the budget balance for the overall public budget was EUR -94.6bn, which is around EUR 39.9bn lower than the deficit recorded in 2022 (EUR -134.5bn). The improvement in the budget balance in 2023 compared to 2022 was primarily due to the reduction in the federal deficit by approximately EUR 61.9bn. The core budget contributed to this with an improvement of around EUR 51.1bn. Federal budget expenditure in 2023 fell short of the previous year's level by 4.9% (approx. EUR 23.6bn). A significant part of the lower expenditure is due to the fact that measures in connection with the COVID-19-pandemic were scaled back. This was reflected in particular in lower allocations to the social insurance funds for "federal government payments to the health fund for burdens caused by the SARS-CoV-2 pandemic" (approx. EUR -29.7bn) as well as in the EUR 12.9bn lower expenditure on COVID-19-related assistance for businesses. By contrast, the approximately EUR 22.4bn increase in interest expenses compared to 2022 had a negative impact. At the same time, revenue increased significantly in 2023 compared to the previous year by around 7.6% (approx. EUR +27.6bn), mainly due to an increase in tax revenue (+5.6% or approx. EUR +18.9bn). The deficits for the Laender and municipalities, including extra budgetary funds, increased in 2023 compared to the previous year (budget balance compared to previous year: Laender EUR -12.5bn and municipalities EUR -9.5bn).

Outlook: development of the federal budget from 2024

A deficit of EUR -103.5bn is expected for the federal government in the current year, which represents a deterioration of around EUR 16bn compared to 2023. The budget balance of the federal government amounts to EUR -49.5bn (target) and is therefore approximately EUR 15.5bn "better" than the previous year's result. By contrast, the deficits of the federal government's extra budgets will increase by approx. EUR 31.5bn. The "Economic Stabilisation Fund-COVID-19" (WSF-COVID-19) with higher loans, the "Federal Climate and Transformation Fund" (KTF) and the "Special Fund for the Federal Armed Forces" contribute to this in particular. This will be offset by the dissolution of the "Economic Stabilisation Fund for Energy" (WSF-Energie) with the elimination of expenditure of EUR 41.5bn. In 2025, the federal government's budget balance will improve by around EUR 83.5bn according to the projection. This is mainly due to the federal government's extra budgets. The WSF-COVID-19 budget balance will increase as a result of a forecast significant increase in loan repayments. In addition, the KTF has EUR 60bn less in reserves at its disposal since the judgement of the Federal Constitutional Court. As the KTF is expected to use up most of its remaining reserves in 2024, it was assumed that it will balance its expenses with its income in 2025.

Budget balance of the Laender deteriorated significantly compared to the previous year

The budget balance of the Laender budgets (including extra budgets) deteriorated to EUR -0.1bn in 2023 compared to 2022 with a surplus of around EUR 12.4bn. This deterioration resulted almost entirely from the core budget. While expenses remained almost at the same level as in 2022, income fell by around -2.3% compared to the previous year. The decline in revenue is due in particular to the reduction in COVID-19-related aid from the federal government and a fall in tax revenue of around -1.0%. In the current year, the core budgets of the Laender are expected to have a financing deficit totalling approximately EUR 6.5bn and therefore register a further deterioration compared to the previous year. According to the projection, expenditure would amount to approximately 3.5% and be slightly higher than revenue growth (approx. +3%). It is assumed that personnel expenses in particular will increase significantly by 7% due to the effects of the collective pay agreement between the Laender. In the years 2025 to 2027, the deficits of the Laender as a whole will be between EUR -4bn and EUR -3bn. A balanced budget will be achieved by the end of the projection period.

Municipal core budgets in deficit for the first time since 2011

The municipal core budgets closed 2023 with a deficit for the first time since 2011. The budget balance totalled EUR -6.2bn (2022: EUR 2.2bn). Although income exceeded the previous year's level by approximately 6.7%, this was not enough to compensate for the increase in expenditure (+9.5%). There was a significant increase in spending, particularly in the areas of personnel, capital expenditure and social services. The forecast for the current year is that income and expenses will each be around 4.5% compared to the previous year, meaning that the budget balance will remain at the previous year's level. In 2025, the municipalities on aggregate could reduce the deficit to EUR 3bn, which would stabilise at EUR 2bn in subsequent years. The sharp increase in the Other Income item in the current year is mainly due to higher current and investment-related allocations from the Laender, including the funds channelled through from the federal government to deal with the flood damage in 2021. On the expenditure side, this income contributes in particular to higher investments in property, plant and equipment as well as asset transfers to third parties.

Statement by the Advisory Board: criticism of methodology and lack of European context

The independent Advisory Board of the Stability Council agrees with the Stability Council that there is no acute need for action in terms of compliance with the European (debt) rules based on the projection presented. However, it sees a considerable need to act on budgetary policy in order to actually achieve the projected deficits. For example, the spending requests of various departments clearly exceed the scope of the last financial plan. The federal government's financial plan from summer 2023 already shows an unresolved need for action in the tens of billions. Furthermore, it is unclear how the NATO commitments and the climate policy planned to date are to be funded. This also applies to the repayment of EU debt due from 2028. The Advisory Board would also have expected more detailed analyses of compliance with European rules, including discussions on how the Stability Council interprets the European requirements and why it sees the projected development in the current year and in the further planning period as being in line with the European requirements. It is therefore appropriate to anchor the new EU rules in national law, for example in the German Budgetary Principles Act (HGrG). In this context, the Advisory Council refers to its suggestion that the working methods of the Stability Council should also be reviewed. In particular, it is important to provide the public with much more transparent information about the finances of the federal government and the Laender.

Projection as defined in the National Accounts (VGR)

The national budget (federal government, Laender, municipalities and social security funds including the respective extra budgets) recorded a financing deficit of around 2.5% of GDP in 2023. This deficit was mainly attributable to the federal government (including extra budgets). By contrast, the Laender, municipalities and social security funds only recorded moderate deficits or even surpluses. According to the current projection, the general government deficit in 2024 would be approximately 1.75% of GDP and in the coming year 2025, according to this projection, would be reduced to around 1% of GDP. The decline in the deficit ratio in 2024 is primarily due to an improvement in the federal government's budget balance. This is due to the dissolution of the WSF-Energy as at 31 December 2023. The decline in the deficit ratio compared to 2023 will be dampened by higher deficits in the "Special Fund for the Federal Armed Forces" and the KTF. The decrease in the deficit ratio in 2025 compared to 2024 is largely attributable to the federal government, in particular due to the reduced deficit at the KTF. In 2026 and 2027, the projection assumes a slight increase in the deficit ratio (+0.25 percentage points each year), which is attributable in particular to social security. In the last year of the projection period, the deficit would increase again to approximately 1% of GDP. To determine the structural budget balance, the nominal balance is adjusted for cyclical factors and one-off effects in accordance with the standardised EU methodology. The structural budget balance would therefore be -1.25% of GDP in 2024 and would improve to around -1% of GDP in 2028 according to the projection. This would mean that the upper limit for the general government structural deficit of 0.5% of GDP in accordance with the HGrG would not be met over the entire projection period. The development of the budget balance is also reflected in the development of the Maastricht debt ratio; for accounting reasons, however, the development between the two key figures could also diverge in individual years. After 66.1% in 2022, the debt ratio fell to 63.6% of GDP in 2023. In 2024, according to the current projection, it should initially rise slightly to approximately 64% of GDP. The decisive factor for the development of the government debt ratio is the new public debt in cash terms. In contrast to the Maastricht deficit, expenditure on financial transactions also has the effect of increasing the debt level. Accordingly, the build-up of generational capital, for example, would have an effect on the Maastricht debt ratio, which would be 0.25% of GDP higher in 2024 than without generational capital. From 2025, the expected debt ratio is expected to fall and would be around 62% of GDP in 2028.

Presentation of new measures included in the projection and their financial impact (as % of GDP)

List of new measures	Impact on the national budget compared to German budget planning				
	2024	2025	2026	2027	2028
Strengthening partner countries in the areas of security, defence and stabilisation*)	-0.08				
Federal government package for future-proof finances, social security and future investments**)	0.12	0.13	0.12	0.12	0.12
Federal government's electricity price package for energy-intensive companies	-0.11	-0.11	-0.04	-0.04	-0.04
Establishment of a capital stock to stabilise the contribution rate development of the statutory pension insurance***)	-0.28	-0.28	-0.28	-0.28	-0.28
Act to strengthen growth opportunities, investment and innovation as well as tax simplification and tax fairness ("Wachstumschancengesetz")	-0.02	-0.08	-0.09	-0.08	-0.07

*) Change compared to the government draft 2024, which arose during the parliamentary consultations on the 2024 federal budget.
**) Based on the agreement of the Federal Government of 19 December 2023 and the further agreement of 4 January 2024 as well as the adjustments in the parliamentary procedure; excluding equity increase at Deutsche Bahn AG.
***) Not recognised as a deficit in the National Accounts (VGR).
Source: Stability Council, NORD/LB Floor Research

New measures will have a negative impact on the projection

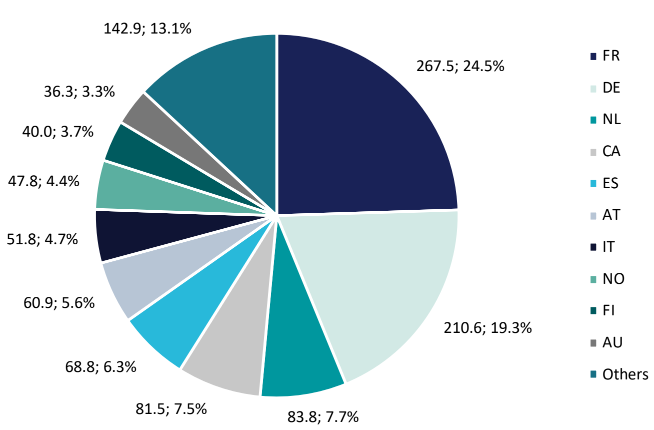
The following measures, which are new compared to October 2023, will have a negative impact of 0.1% of GDP on the general government budget balance in 2024, and again in 2025. From 2026, the effects will be roughly neutral. The loan to build up a capital stock to stabilise the contribution rate development of the statutory pension insurance (-0.28% of GDP per year) does not affect the deficit in the National Accounts. Of the new political measures included in the BMF's projection, the planned “Act to stabilise pension levels and build up intergenerational capital for the statutory pension insurance scheme” and the “Act to strengthen growth opportunities, investments and innovation as well as tax simplification and tax fairness" (Growth Opportunities Act) make reference to long-term demographic-related costs as defined in the BMF's report on the sustainability of public finances. To build up a capital stock, EUR 12bn will be added to the generational capital from 2024 in the form of loans from the federal budget (amount rising dynamically by 3% per year), which will increase the federal government's debt level. From the mid-2030s onwards, the expected future income from the generational capital will dampen the development of the contribution rate for the statutory pension insurance scheme. Without this measure, the contribution rate would rise more sharply in future, and with it the rule-based benefits paid by the federal government to the statutory pension insurance scheme. The first-mentioned law will also guarantee a permanent statutory pension level of 48%. The introduction of this guarantee reinforces the projected increase in age-related expenditure and widens the sustainability gap. This measure worsens the long-term sustain- ability of public finances. The Growth Opportunities Act, which burdens the federal budget through reduced tax revenues, could contribute to strengthening the sustainability of finances in the long term. Overall, the demographic-related effects of the new measures in the current projection on the long-term sustainability of the national budget are estimated to be neutral to slightly negative.

Conclusion

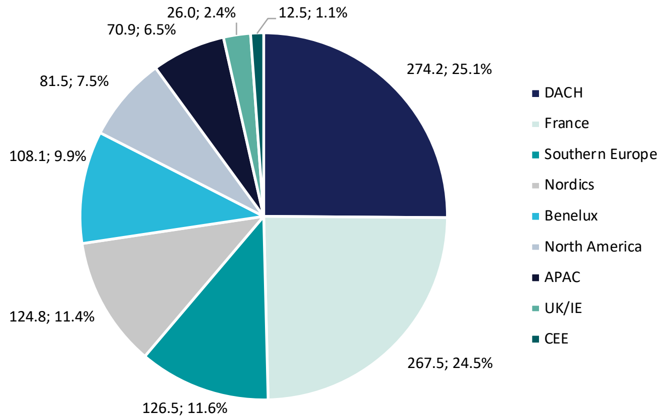
In the course of its 29th meeting, the Stability Council reiterated that public budgets continue to face major challenges. With regard to compliance with European requirements for budgetary surveillance, the Stability Council referred to the reform of the Stability and Growth Pact. The concrete net expenditure path can only be set once the European Commission has issued the reference paths for its Member States (expected to be on 21 June). This means that it is currently not possible to make sufficiently precise statements about Germany's compliance with the future European targets, and so the Stability Council is currently of the opinion that specific recommendations for suitable measures would not be opportune and targeted at the present time. Irrespective of this, the general recommendation to the federal government and the Laender – in view of the fact that the deficit targets and the requirements of the new Stability and Growth Pact have been breached in the projection – is to consistently pursue a medium-term budget strategy geared towards debt sustainability, and to combine this with investments and reforms that are conducive to sustainably higher growth. The Stability Council does not comment on the two-city state of Bremen, which has been an ongoing source of concern. Instead, however, we have addressed this topic in a separate section in this issue.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



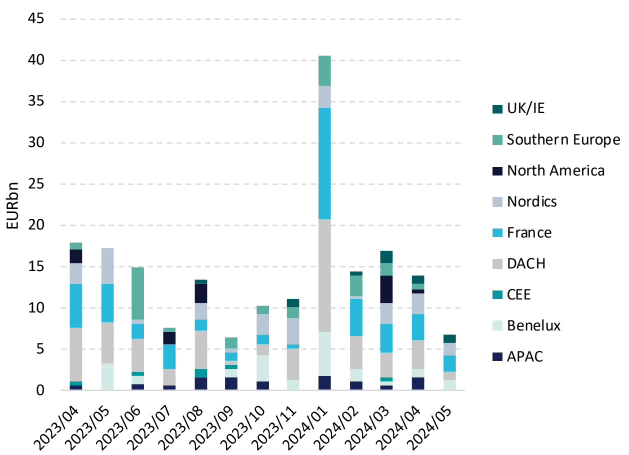
EUR benchmark volume by region (in EURbn)



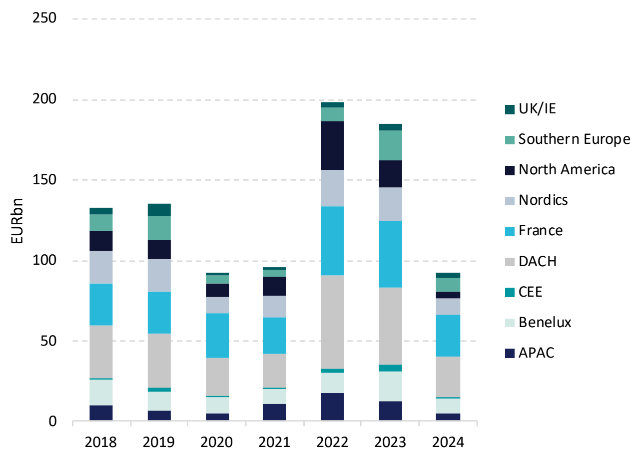
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	267.5	258	26	0.97	9.3	4.9	1.43
2	DE	210.6	299	41	0.65	7.8	4.0	1.39
3	NL	83.8	84	3	0.94	10.4	6.0	1.32
4	CA	81.5	60	1	1.33	5.6	2.7	1.31
5	ES	68.8	54	5	1.15	11.2	3.2	2.07
6	AT	60.9	102	5	0.59	8.1	4.3	1.50
7	IT	51.8	65	4	0.77	8.5	3.7	1.82
8	NO	47.8	58	12	0.82	7.3	3.6	0.99
9	FI	40.0	45	4	0.87	6.9	3.7	1.69
10	AU	36.3	34	0	1.07	7.2	3.3	1.68

EUR benchmark issue volume by month

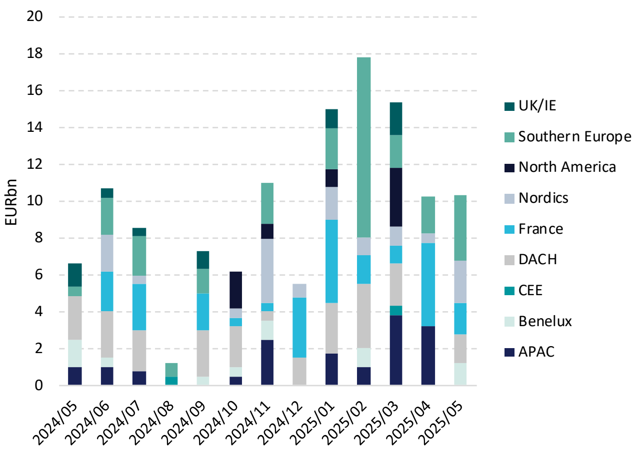


EUR benchmark issue volume by year

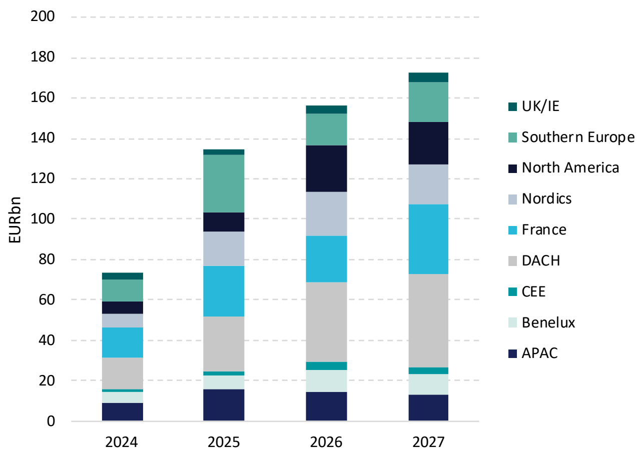


Source: market data, Bloomberg, NORD/LB Floor Research

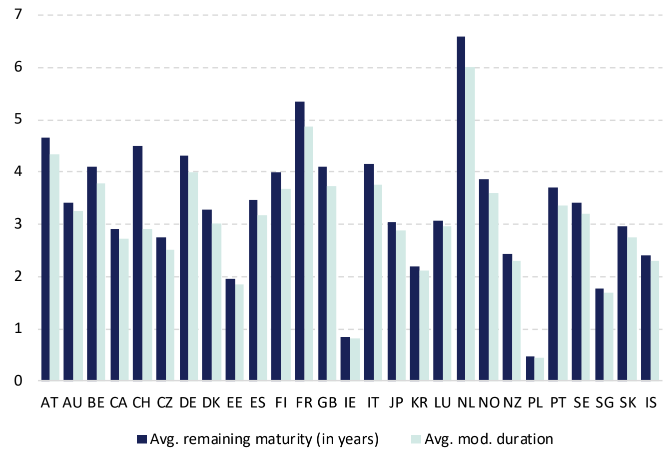
EUR benchmark maturities by month



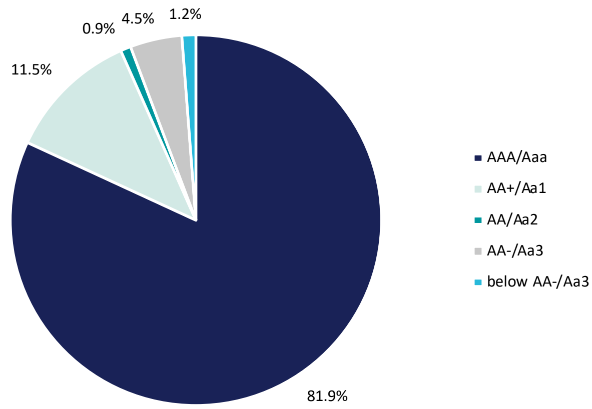
EUR benchmark maturities by year



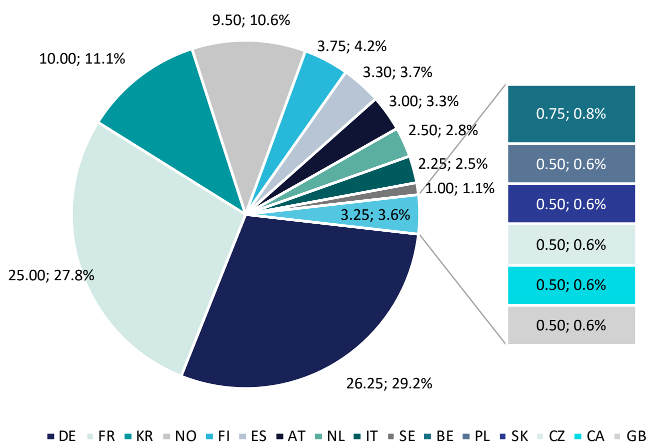
Modified duration and time to maturity by country



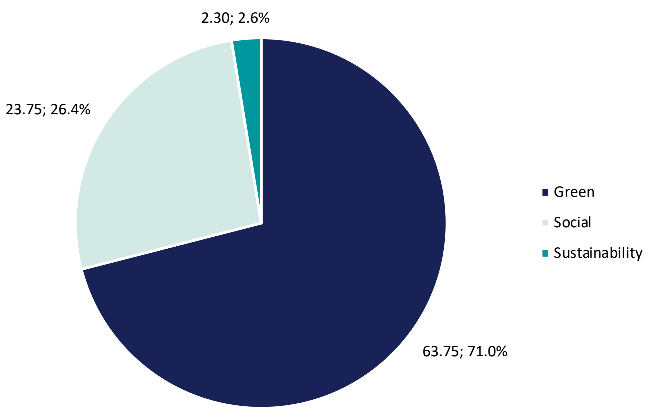
Rating distribution (volume weighted)



EUR benchmark volume (ESG) by country (in EURbn)

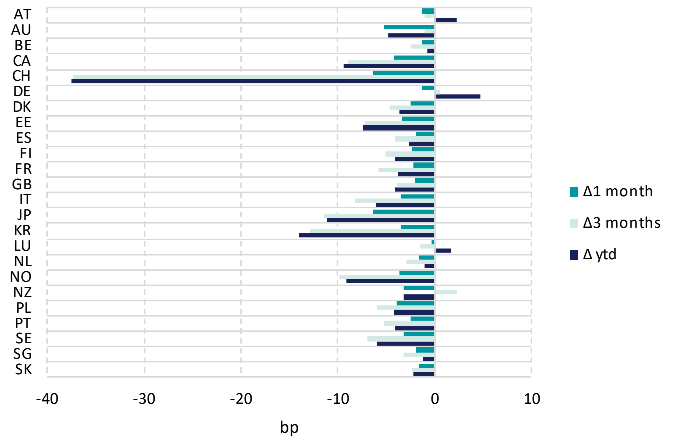


EUR benchmark volume (ESG) by type (in EURbn)

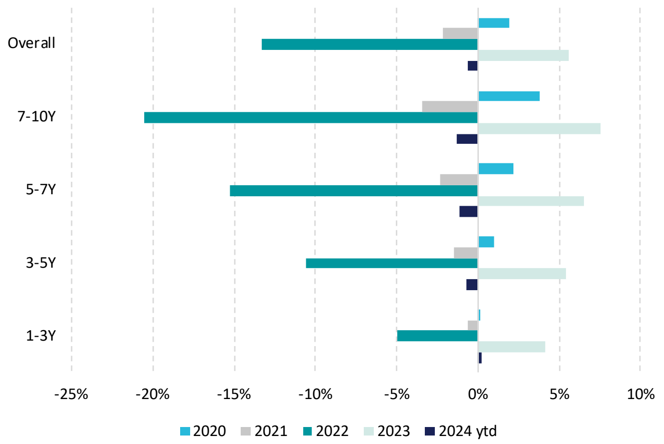


Source: market data, Bloomberg, NORD/LB Floor Research

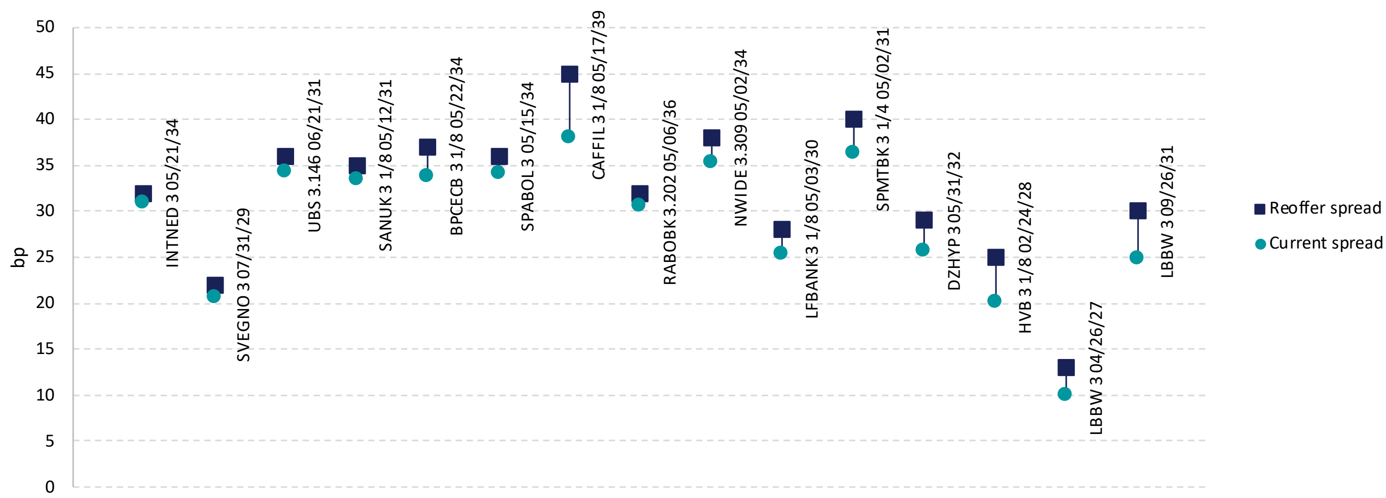
Spread development by country



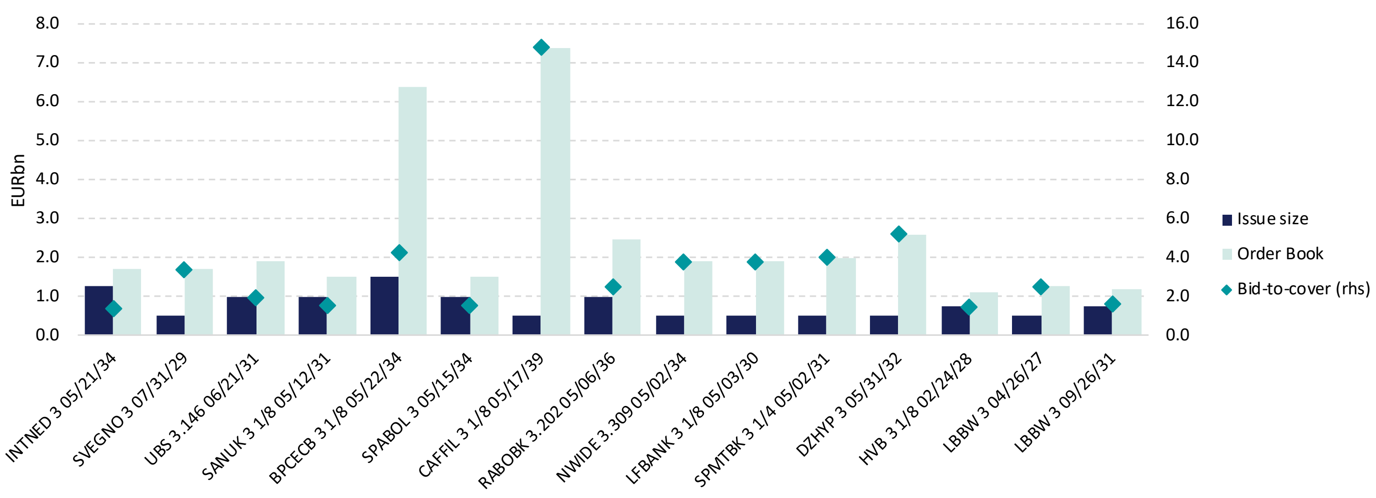
Covered bond performance (Total return)



Spread development (last 15 issues)



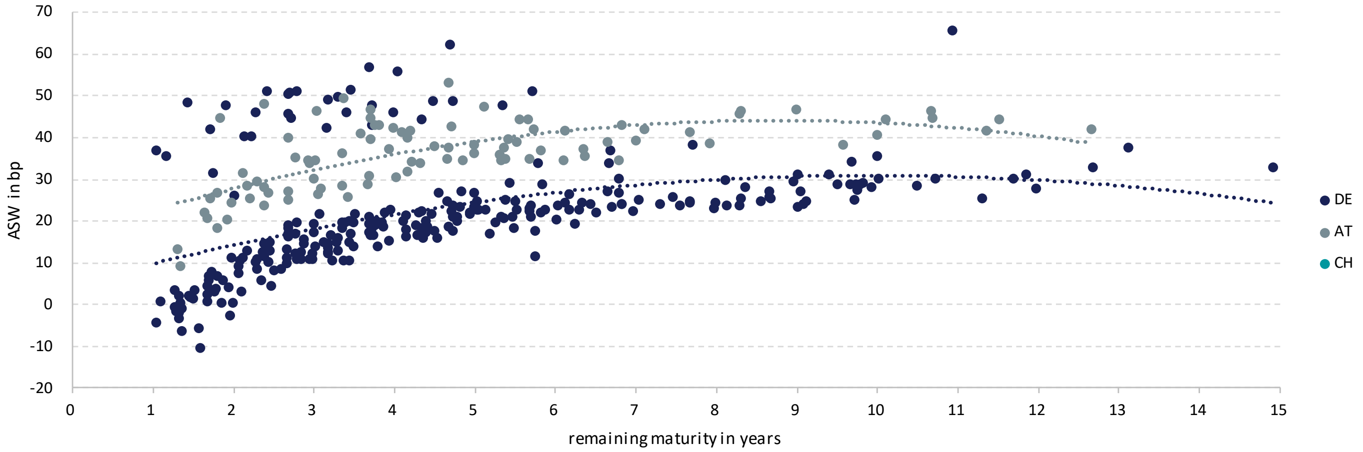
Order books (last 15 issues)



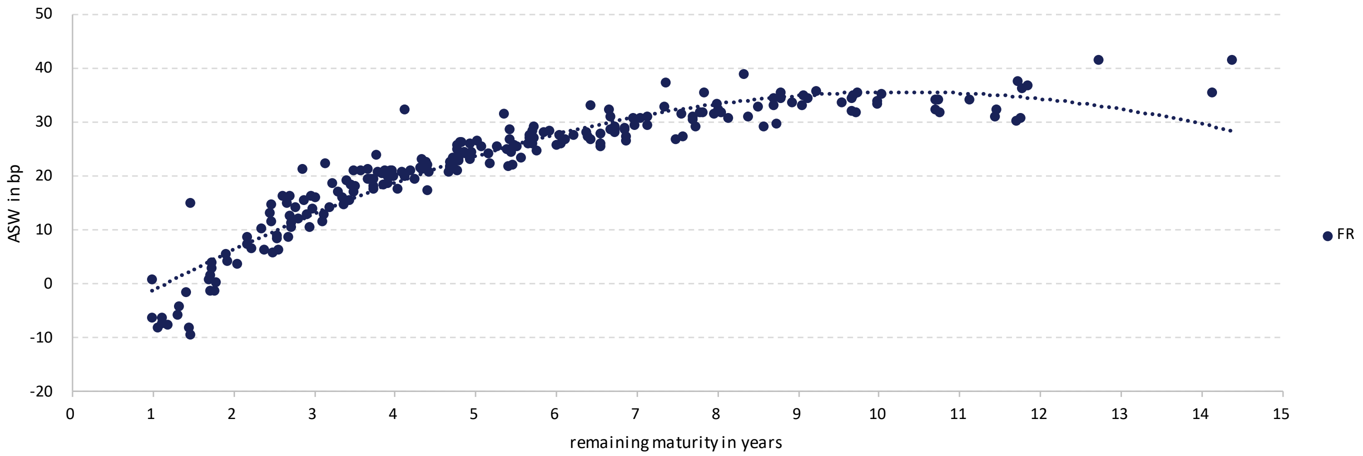
Source: market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

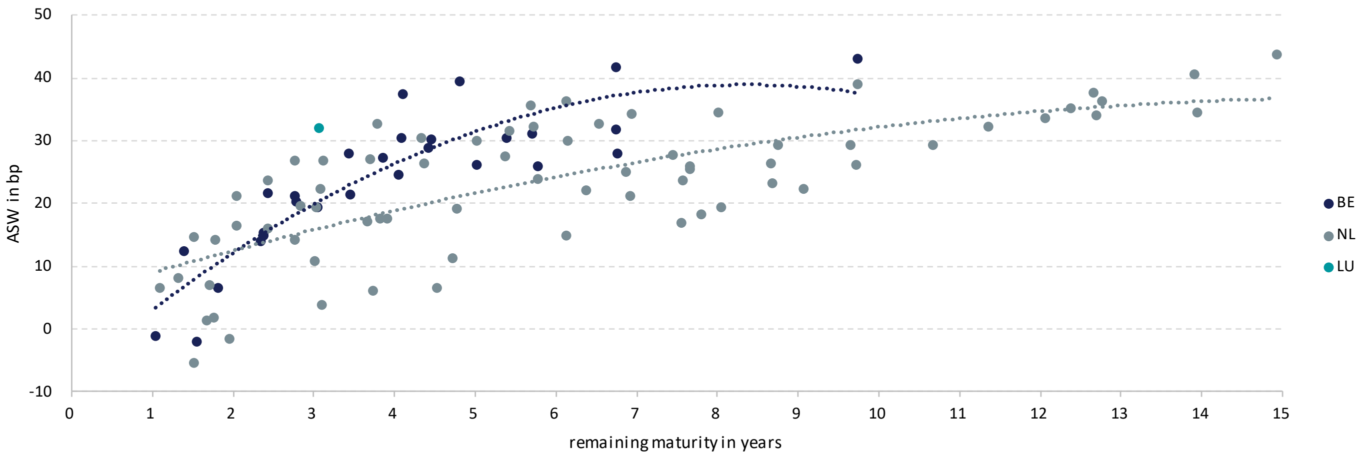
DACH



France

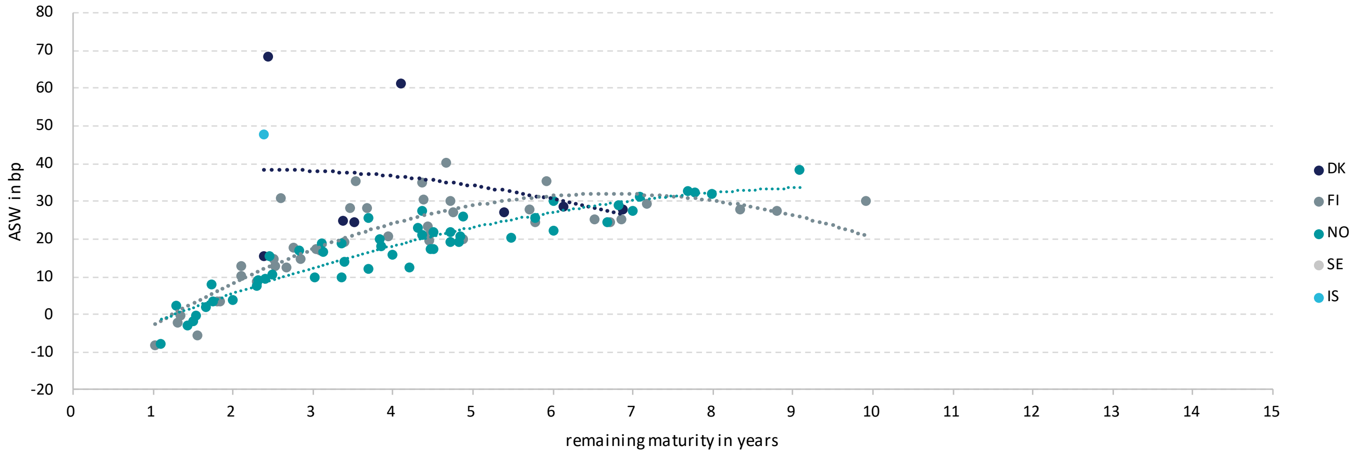


Benelux

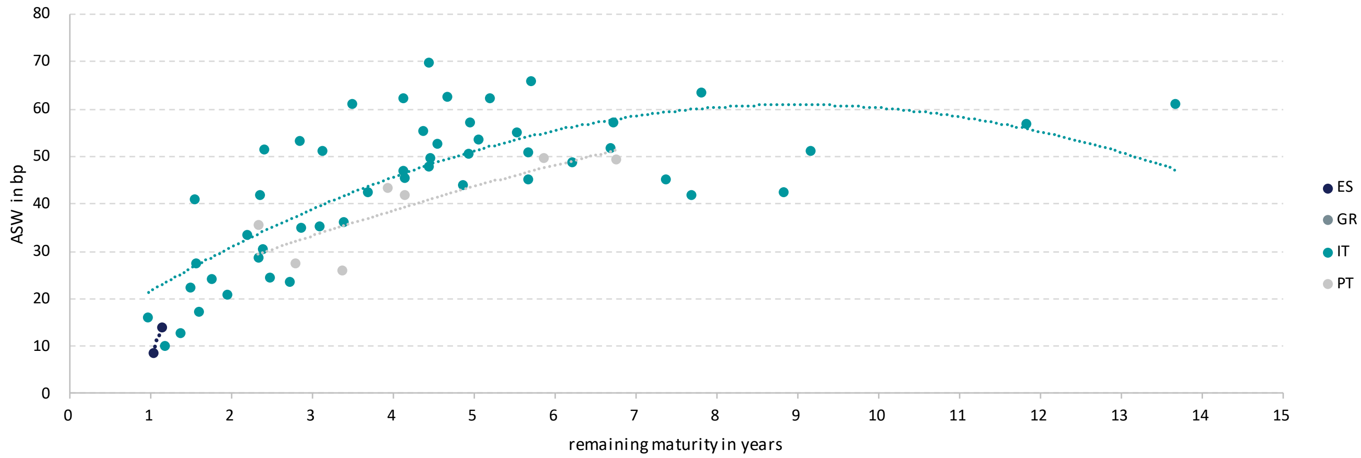


Source: market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

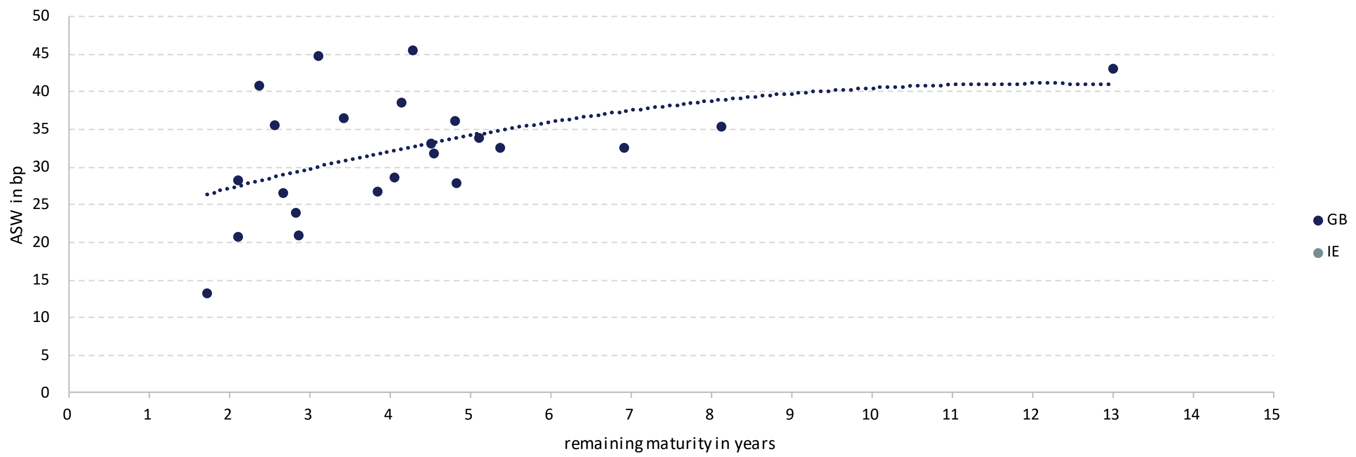
Nordics



Southern Europe

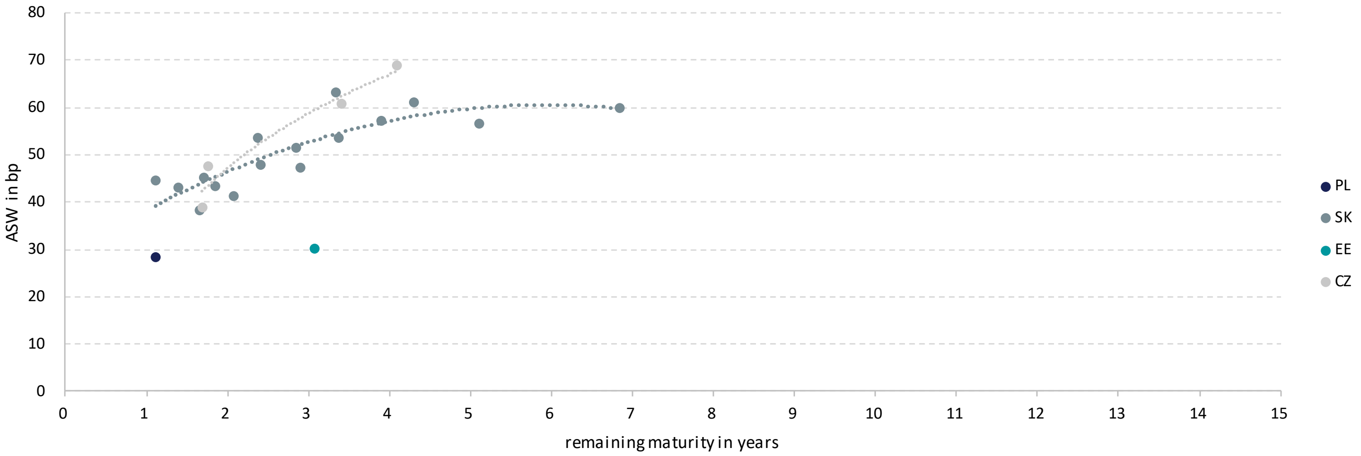


UK/IE

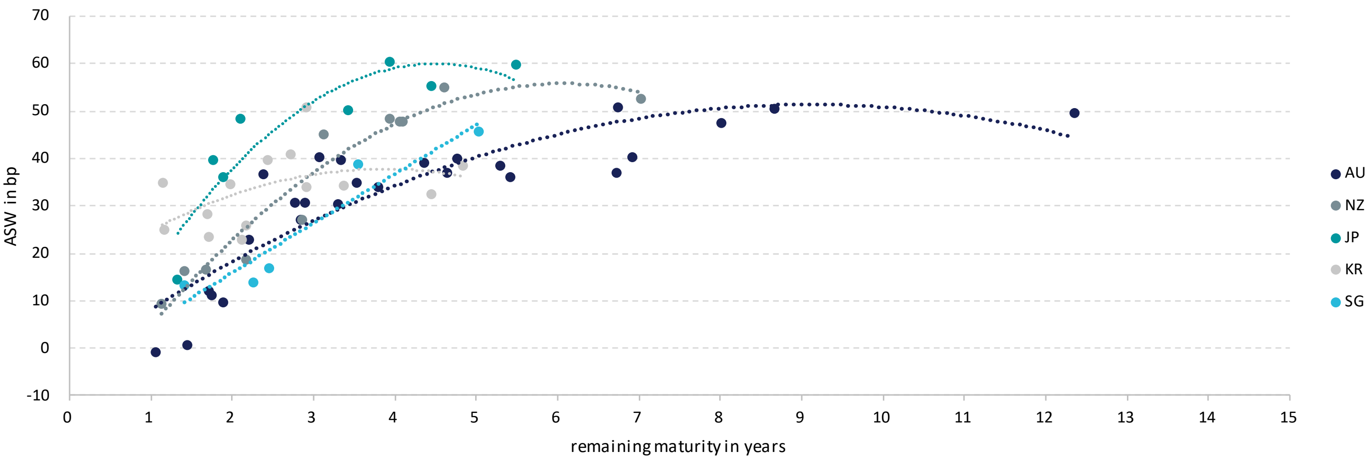


Source: market data, Bloomberg, NORD/LB Floor Research

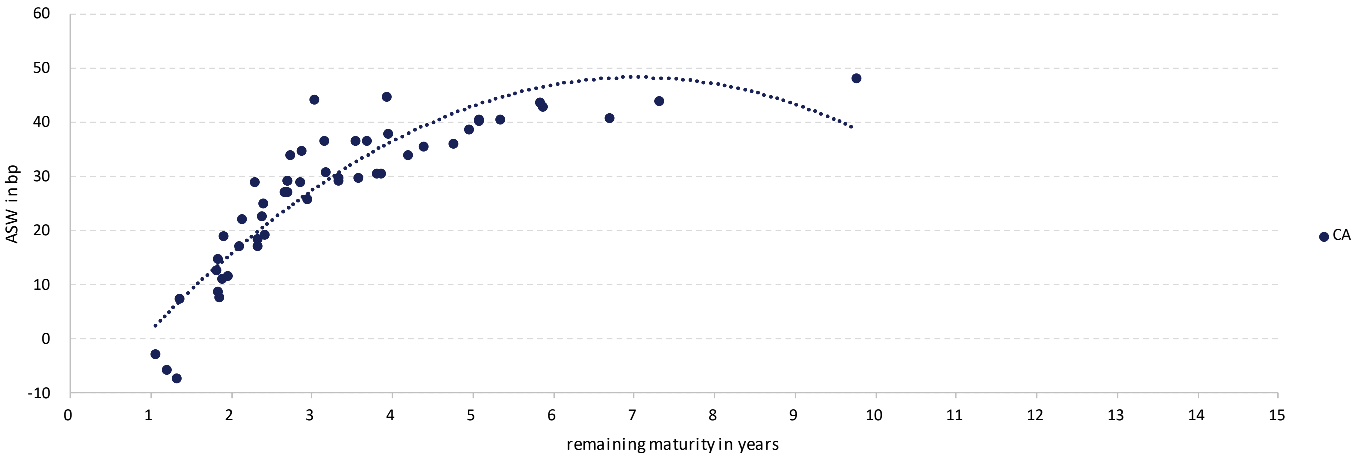
CEE



APAC



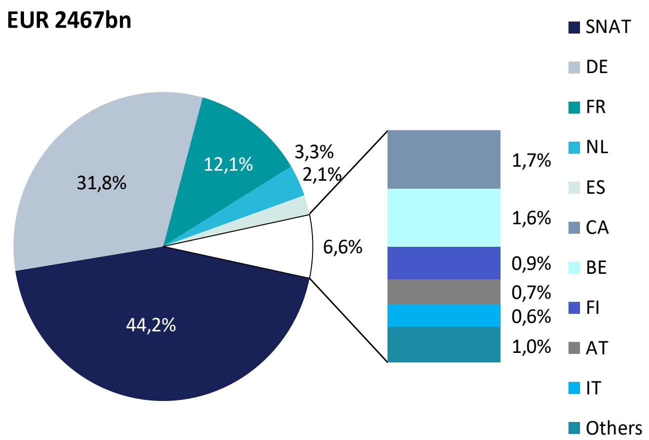
North America



Source: market data, Bloomberg, NORD/LB Floor Research

Charts & Figures
SSA/Public Issuers

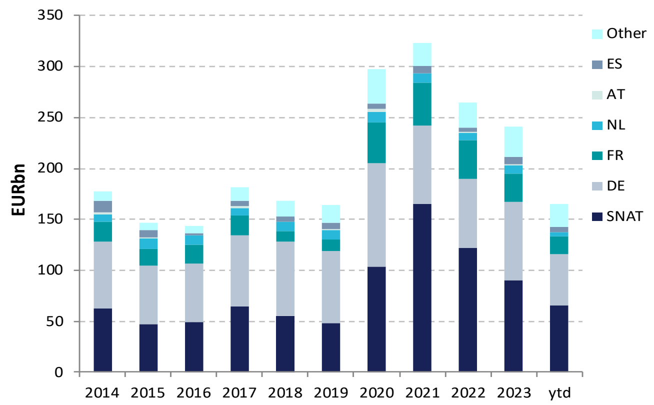
Outstanding volume (bmk)



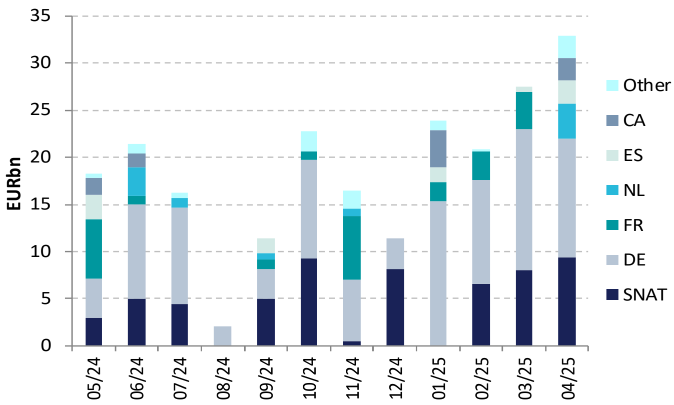
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	1.089,7	234	4,7	8,1
DE	784,2	583	1,3	6,2
FR	298,4	201	1,5	5,9
NL	80,8	68	1,2	6,5
ES	51,0	69	0,7	4,8
CA	41,2	29	1,4	4,7
BE	40,3	43	0,9	10,5
FI	23,0	24	1,0	4,6
AT	17,8	22	0,8	4,1
IT	15,2	19	0,8	4,3

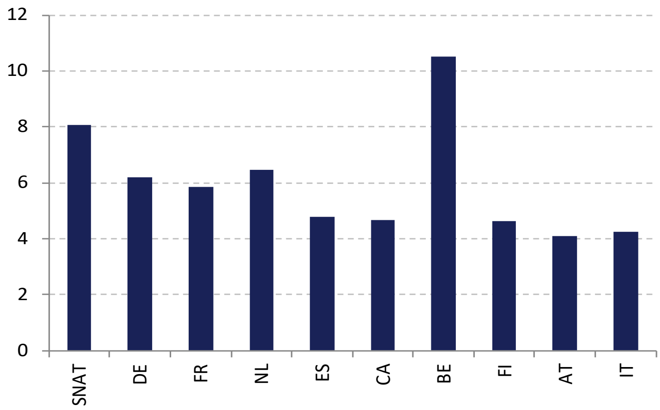
Issue volume by year (bmk)



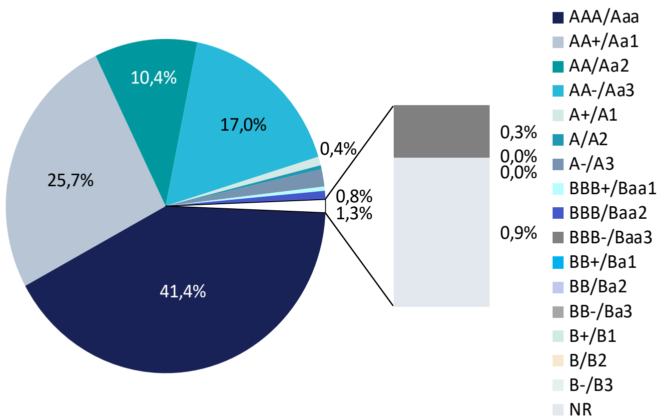
Maturities next 12 months (bmk)



Avg. mod. duration by country (vol. weighted)

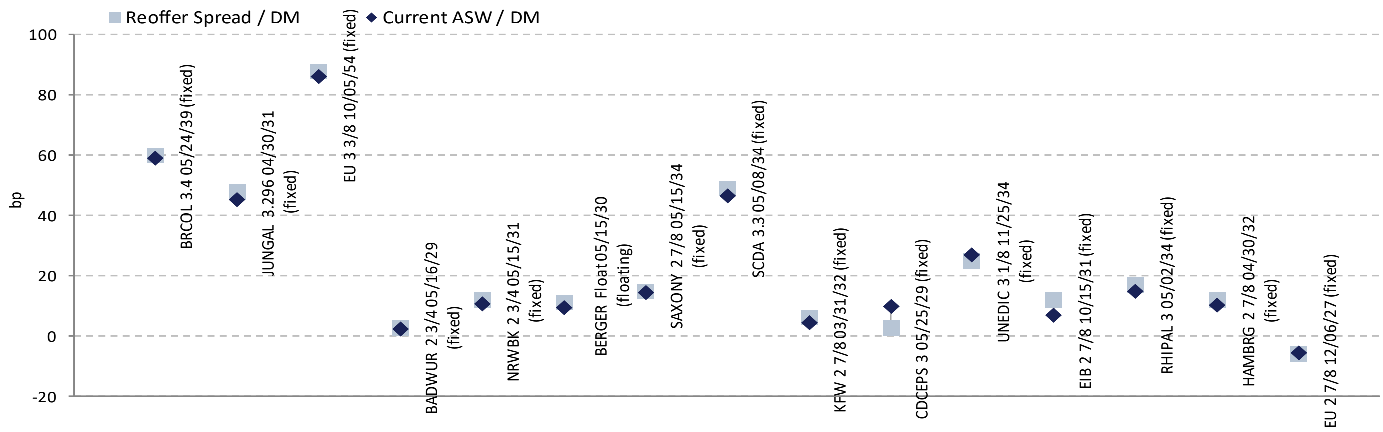


Rating distribution (vol. weighted)

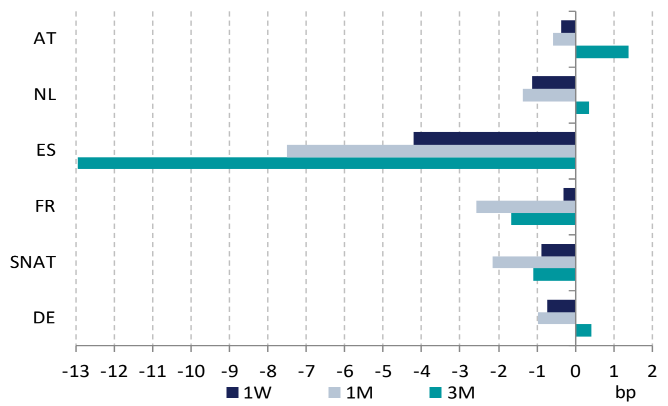


Source: Bloomberg, NORD/LB Floor Research

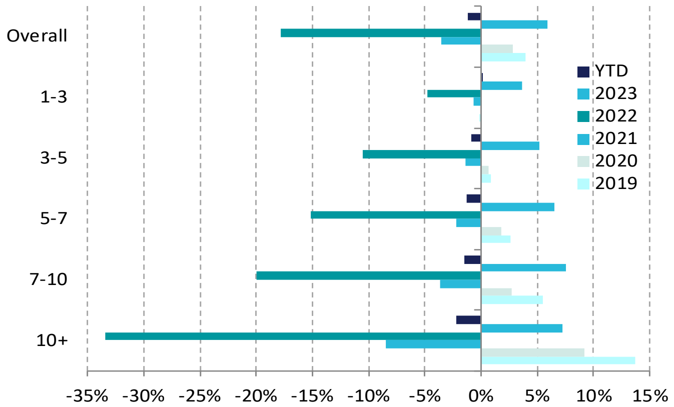
Spread development (last 15 issues)



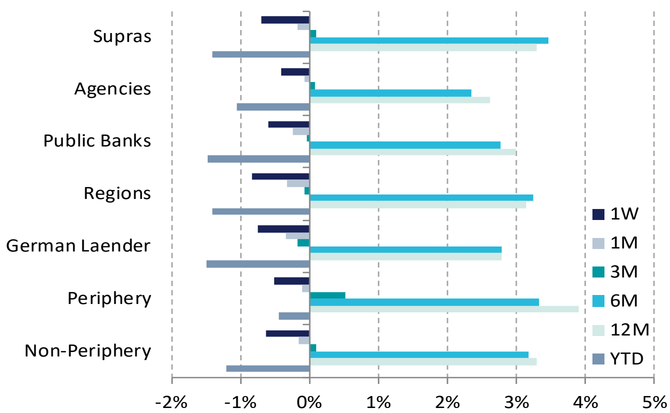
Spread development by country



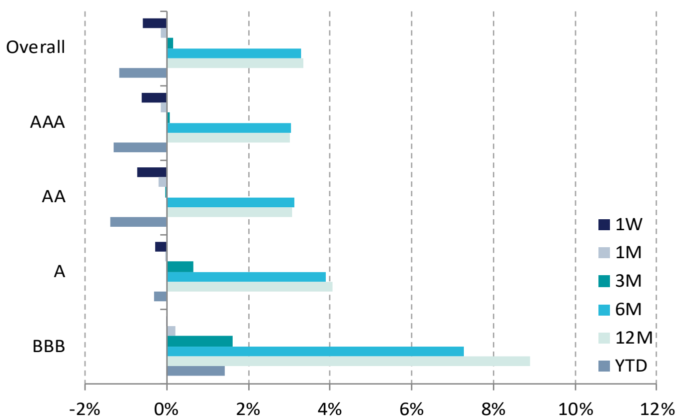
Performance (total return)



Performance (total return) by segments

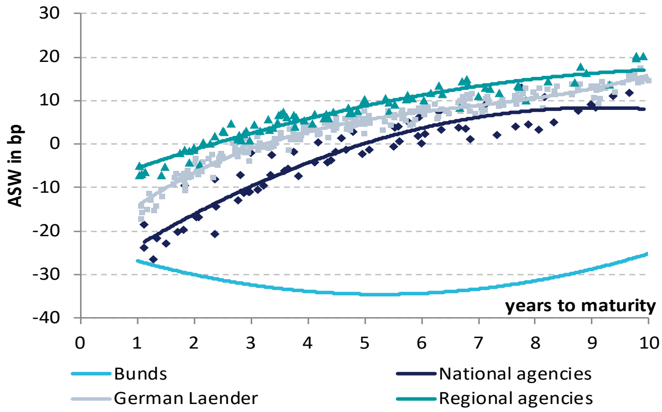


Performance (total return) by rating

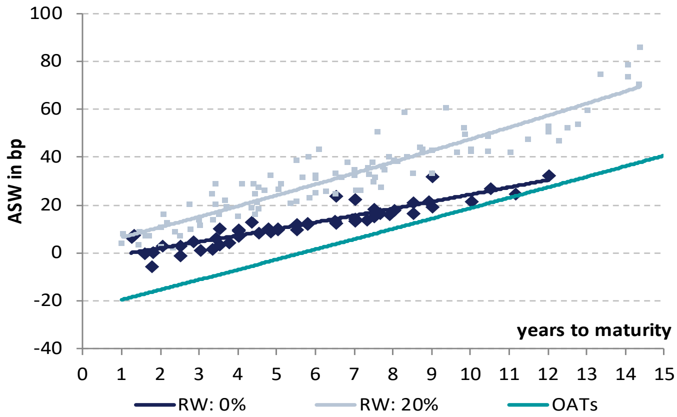


Source: Bloomberg, NORD/LB Floor Research

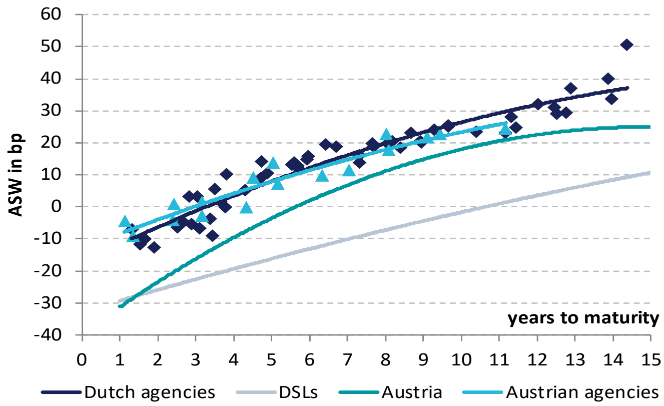
Germany (by segments)



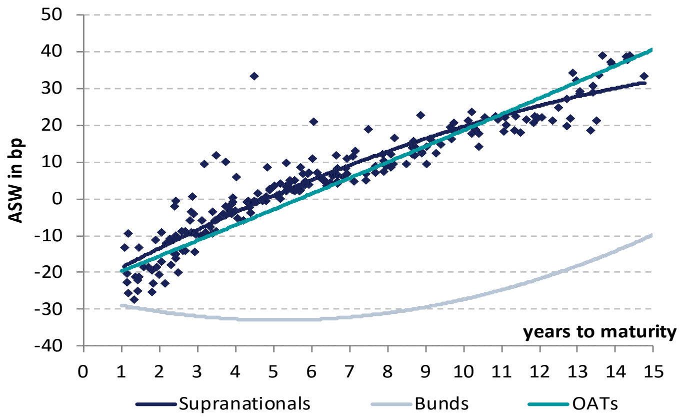
France (by risk weight)



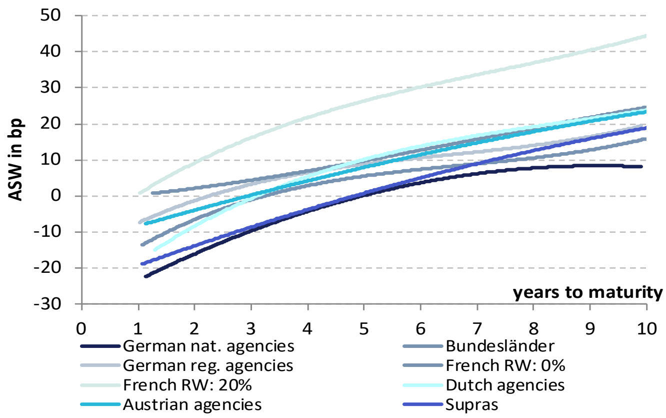
Netherlands & Austria



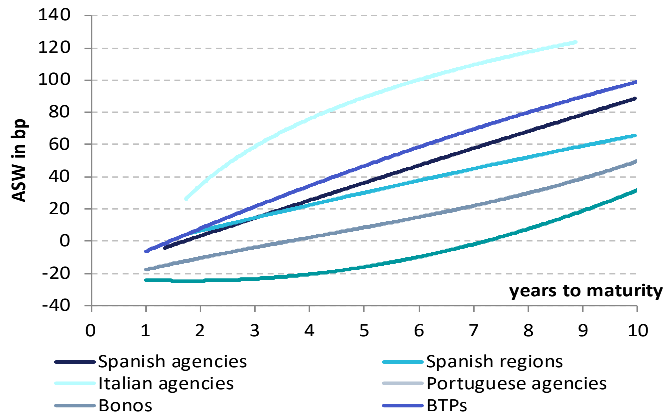
Supranationals



Core



Periphery



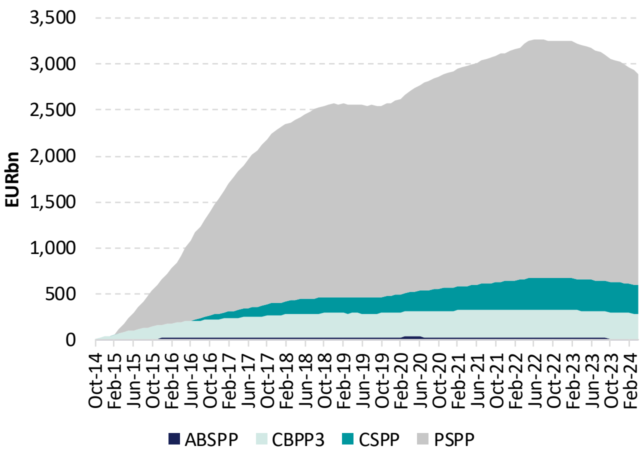
Source: Bloomberg, NORD/LB Floor Research

ECB tracker

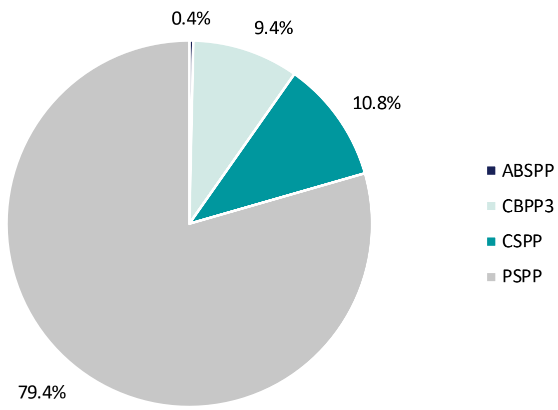
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Mar-24	10,537	274,499	316,207	2,330,298	2,931,541
Apr-24	10,161	272,685	312,679	2,301,586	2,897,111
Δ	-377	-1,814	-3,529	-28,712	-34,432

Portfolio development

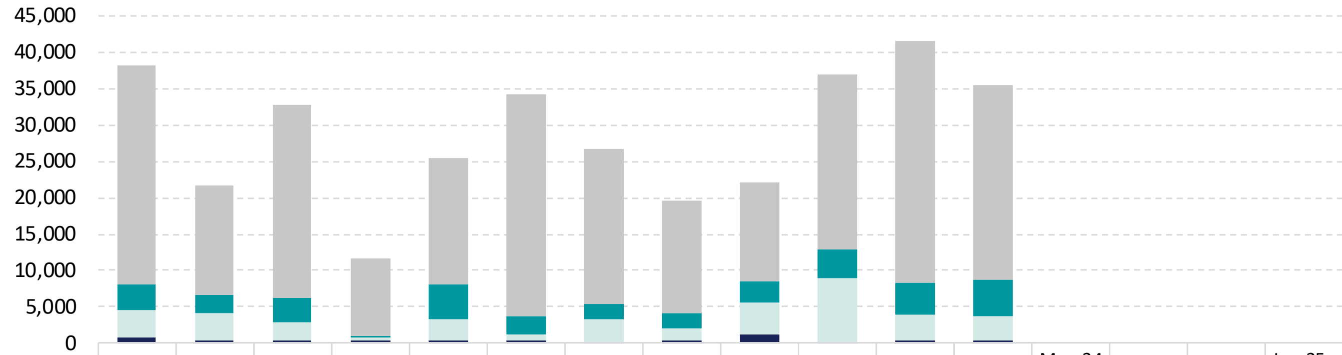


Portfolio structure



Source: ECB, NORD/LB Floor Research

Expected monthly redemptions (in EURm)

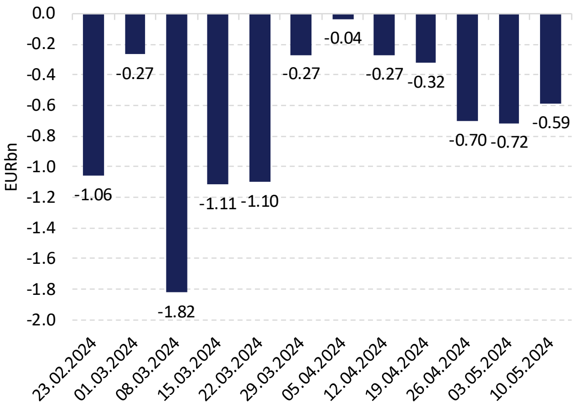


	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-24 - Apr-25	2023	2024	Jan-25 - Apr-25
APP	38,258	21,648	32,762	11,589	25,501	34,346	26,693	19,634	22,070	36,947	41,634	35,499	346,581	331,565	334,097	59,017
PSPP	30,194	14,974	26,645	10,533	17,434	30,578	21,298	15,573	13,463	24,021	33,345	26,671	264,729	255,025	264,250	37,484
CSPP	3,463	2,462	3,204	244	4,738	2,613	2,031	1,944	2,973	4,076	4,279	5,137	37,164	31,251	31,379	7,049
CBPP3	3,836	3,777	2,558	541	2,993	736	3,136	1,790	4,335	8,635	3,709	3,373	39,419	35,147	32,173	12,970
ABSPP	765	435	355	271	336	419	228	327	1,299	215	301	318	5,269	10,142	6,295	1,514

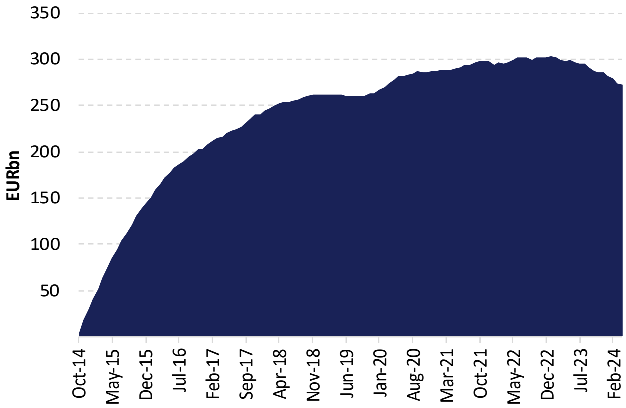
Source: ECB, Bloomberg, NORD/LB Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

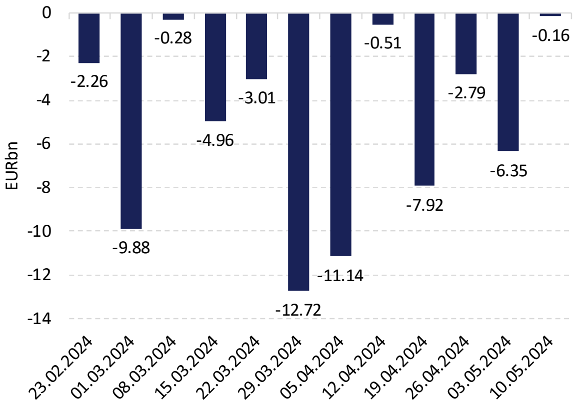


Development of CBPP3 volume

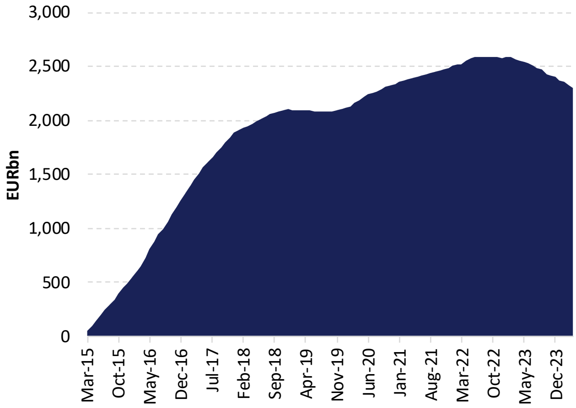


Public Sector Purchase Programme (PSPP)

Weekly purchases



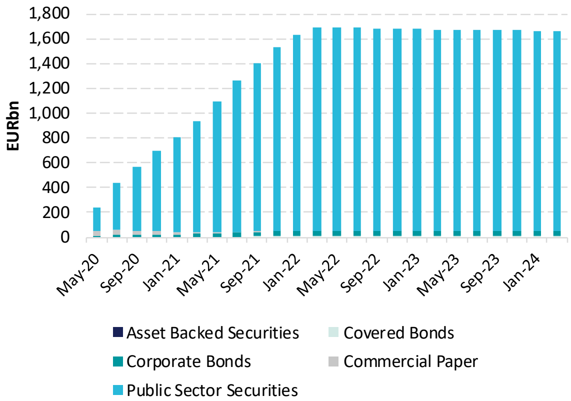
Development of PSPP volume



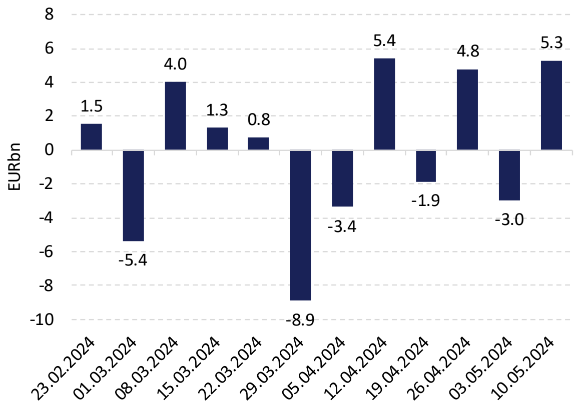
Source: ECB, Bloomberg, NORD/LB Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Source: ECB, Bloomberg, NORD/LB Floor Research

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
16/2024 ♦ 08 May	▪ Whats happening away from the benchmark? ▪ Teaser: Issuer Guide - Dutch Agencies 2024
15/2024 ♦ 24 April	▪ A covered bond view of Portugal: Welcome back! ▪ Credit authorisations of the German Laender for 2024
14/2024 ♦ 17 April	▪ Moody's covered bond universe: An overview ▪ SSA review: EUR-ESG benchmarks in Q1/2024
13/2024 ♦ 10 April	▪ A review of Q1 in the Covered Bond segment ▪ A review of Q1 in the SSA segment
12/2024 ♦ 27 March	▪ Maybank: New covered bond issuer from Singapore ▪ A closer look at Export Development Canada (Ticker: EDC)
11/2024 ♦ 20 March	▪ Covered bond jurisdictions “Down Under” in the spotlight ▪ Collective Action Clauses (CACs) – An (Italian) update
10/2024 ♦ 13 March	▪ Spotlight on Pfandbrief issuers in the savings bank sector ▪ NGEU: Green Bond Dashboard
09/2024 ♦ 06 March	▪ Transparency requirements §28 PfandBG Q4/2023 ▪ Current LCR classification for our SSA coverage
08/2024 ♦ 28 February	▪ New UK player on the EUR covered bond market ▪ Teaser: Issuer Guide – Non-European supras (MDBs) 2024
07/2024 ♦ 21 February	▪ Covered bond jurisdictions in the spotlight: A look at Austria ▪ Hope for hybrids? New SSA sub-asset class for MDBs
06/2024 ♦ 14 February	▪ Development of the German property market (vdp Index) ▪ Update: Joint Laender (Ticker: LANDER)
05/2024 ♦ 07 February	▪ January 2024: Record start to the new covered bond year ▪ SSA January recap: issuance volume at record level
04/2024 ♦ 31 January	▪ The Pfandbrief market at the start of 2024: caution thrown to the wind ▪ Teaser: Issuer Guide – Other European Agencies 2024
03/2024 ♦ 24 January	▪ The “V” in the LTV calculation: Differing approaches persist despite EU Directive ▪ 28th meeting of the Stability Council (December 2023)
02/2024 ♦ 17 January	▪ Pfandbrief market: potential newcomer Evangelische Bank ▪ Review: EUR-ESG benchmarks 2023 in the SSA segment
01/2024 ♦ 10 January	▪ ECB: Annual review of 2023 – no end to high rates? ▪ Covered Bonds: Annual review of 2023 ▪ SSA: Annual review of 2023
37/2023 ♦ 13 December	▪ Our view of the covered bond market heading into 2024 ▪ SSA outlook 2024: ECB, NGEU and the debt brake in Germany

NORD/LB:
Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
RESP NRDR <GO>

Appendix
Publication overview

Covered Bonds:

Issuer Guide – Covered Bonds 2023

Covered Bond Laws

Covered Bond Directive: Impact on risk weights and LCR levels

Risk weights and LCR levels of covered bonds (updated semi-annually)

Transparency requirements §28 PfandBG Q4/2023 (quarterly update)

Transparency requirements §28 PfandBG Q4/2023 Sparkassen (quarterly update)

SSA/Public Issuers:

Issuer Guide – German Laender 2023

Issuer Guide – German Agencies 2023

Issuer Guide – Canadian Provinces & Territories 2024

Issuer Guide – European Supranationals 2023

Issuer Guide – French Agencies 2023

Issuer Guide – Dutch Agencies 2024

Issuer Guide – Non-European Supranationals (MDBs) 2024

Beyond Bundeslaender: Belgium

Beyond Bundeslaender: Greater Paris (IDF/VDP)

Beyond Bundeslaender: Spanish regions

Fixed Income Specials:

ESG-Update 2023

ECB decision: Between interest rate-Scylla and inflation-Charybdis

Appendix
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Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9660
Frequent Issuers	+49 511 9818-9640

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

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Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

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