Covered Bond & SSA View

NORD/LB Floor Research

4 September 2024 ♦ 27/2024

Marketing communication (see disclaimer on the last pages)

NORD/LB

Agenda

Floor analysts:

Covered Bonds/Banks

Dr Frederik Kunze
frederik.kunze@nordlb.de

Lukas Kühne
lukas.kuehne@nordlb.de

Alexander Grenner
alexander.grenner@nordlb.de

SSA/Public Issuers

Dr Norman Rudschuck, CIIA
norman.rudschuck@nordlb.de

Christian Ilchmann
christian.ilchmann@nordlb.de

Lukas-Finn Frese
lukas-finn.frese@nordlb.de

NORD/LB:
Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
RESP NRDR <GO>

Market overview
Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne // Alexander Grenner

Primary market: issuers increasingly approach investors after end of summer break

Primary market activities have been picking up again recently. In the reporting period covering the past ten trading days, the first deal was placed by ABN Amro (NL), which sought investors for a benchmark (EUR 1.25bn; 3y) on 21 August. This deal was well received (bid-to-cover ratio: 2.6x; >100 investors) and narrowed during the marketing process to eventually be priced at ms +13bp. A similarly well-filled order book was reported by BPER Banca (IT) for its deal placed on 27 August (cf. Issuer View). This was worth EUR 500m (4.9y; WNG) priced at ms +50bp (bid-to-cover ratio: 2.9x). The same day, SpareBank1 Boligkreditt (NO) approached investors with its second EUR benchmark in 2024. While the issuer opted for a maturity of 10 years back in May, on this occasion it chose five years. In the end, a volume of EUR 1bn was placed at ms +26bp. Another fresh benchmark from the direction of Italy, and Mediobanca to be specific, then appeared on our screens on 28 August. A volume of EUR 750m was eventually placed at a final spread of ms +60bp (guidance: ms +63bp area). The calculated new issue premium for the 7y deal amounted to +3bp. At more or less exactly the same time, Toronto Dominion (TD) finally awoke the Canadian primary market from its slumber lasting several months, opting for its second triple tranche of 2024 in the process. As was the case back in March, the Canadian issuer's triple tranche comprised two bonds with a fixed interest rate and one floater (FRN). For the two bonds with a fixed rate, the bank opted for a volume of EUR 1.75bn for the 3y deal and EUR 1.5bn for the deal with a term of more than six years. The FRN bond has a volume of EUR 1bn and also comes with a term to maturity of three years. All three deals narrowed by five basis points against the original guidance in the course of the marketing process. The calculated new issue premiums were at a low level. The two shorter-dated bonds were priced on the curve, while the longer deal was placed just a single basis point above fair value. The French issuer CRH brought a very busy week to a close with its bond worth EUR 1.25bn (6y), which was placed at ms +38bp (guidance: ms +42bp area; new issue premium +3bp).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BANCO DESIO	IT	03.09.	IT0005610941	5.0y	0.50bn	ms +62bp	AA / - / -	-
Lloyds Bank	DE	03.09.	DE000A383G15	5.0y	0.50bn	ms +30bp	- / Aaa / -	-
CFF	FR	02.09.	FR001400SGD2	8.5y	1.00bn	ms +48bp	- / Aaa / AAA	-
LBBW	DE	02.09.	DE000LB4W4W5	3.2y	0.75bn	ms +14bp	- / Aaa / -	-
CBAAU	AU	02.09.	XS2897315474	6.2y	1.50bn	ms +40bp	AAA / Aaa / -	-
ING-DiBa	DE	02.09.	DE000A2YNWE3	5.0y	1.00bn	ms +27bp	- / Aaa / -	-
CRH	FR	29.08.	FR001400SF15	6.0y	1.25bn	ms +38bp	AAA / Aaa / -	-
TD	CA	28.08.	XS2895482201	6.6y	1.50bn	ms +41bp	AAA / Aaa / -	-
TD	CA	28.08.	XS2895480411	3.0y	1.75bn	ms +25bp	AAA / Aaa / -	-
Mediobanca	IT	28.08.	IT0005611063	7.0y	0.75bn	ms +60bp	AA / - / -	-
SpareBank 1 Boligkreditt	NO	27.08.	XS2894232227	5.0y	1.00bn	ms +26bp	- / Aaa / -	-
BPER	IT	27.08.	IT0005611048	4.8y	0.50bn	ms +50bp	- / Aa3 / -	-
ABN AMRO Bank NV	NL	21.08.	XS2889321589	3.0y	1.25bn	ms +13bp	AAA / Aaa / -	-

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

...which means that our supply forecast for 2024 as a whole remains realistic
Momentum picked up in the current trading week, with as many as five banks active on the primary market on Monday. From Germany, ING-DiBa approached investors seeking to raise EUR 1bn (5.0y), while LBBW opted for a bond with a term of three years. The deals were finally priced at ms +27bp (ING-DiBa) and ms +14bp (LBBW) respectively. Following hot on their heels was the Commonwealth Bank of Australia (CBA), which issued a fresh bond following an absence on the market of just under 12 months. The 6y term selected by this issuer is certainly on the long side for this jurisdiction. The deal for EUR 1.5bn was finally priced at ms +40bp. CFF from France also made a successful appearance on the market on Monday (EUR 1.0bn; 8.5y). Yesterday, on Tuesday, we then saw a fresh bond from Banco Desio (IT; EUR 500m; WNG; 5.0y; re-offer spread: ms +62bp) in addition to the Pfandbrief debut of Lloyds Bank (EUR 500m; WNG; 5.0y; cf. focus article) at ms +30bp. Including yesterday's trading activities, the volume of benchmark issues in the current year now stands at EUR 126.2bn (excluding taps and floaters). As such, in our view, our original supply forecast for the full year 2024 (approximately EUR 170bn) remains realistically achievable. Towards the end of the year, it is not unusual for some issuers to have completed their funding plans for the current year. Nevertheless, in the majority of jurisdictions we do not consider the process to be fully completed for all issuers. In fact, some issuers will increasingly start to consider the possibility, or perhaps even necessity, of pre-funding activities by the time the year starts to draw to a close.

Secondary market: "wider" at the longer end?
It is clear that the spate of new issuance activity is having an impact on the secondary market. This is indicated by a greater degree of dynamism on the seller side. Figuratively speaking, some investors are seeking to making space by, for example, selling short-dated bonds or bonds maturing within a year. On balance, the performance of the fresh supply is rather subdued, which against the backdrop of lower oversubscription ratios and modest new issue premiums does not really come as a surprise. Overall, the market remains receptive to freshly placed deals. In this environment, we believe that our expectations have been confirmed: high level issuance activities are contributing to a gentle widening trend. Anecdotal evidence suggesting that fresh supply is driving the longer end up slightly at current spread levels is also striking.

Toronto Dominion provides a boost to the Canadian primary market
The market for EUR benchmarks in Canada has been rather restrained in the current year. So far, we have only been able to welcome Toronto Dominion (TD) in March with a triple tranche (comprising two fixed coupon issues and a floater), Equitable Bank (EUR benchmark debut) and Federation des Caisses Desjardins du Quebec to the market. The deals performed well on the secondary market, which can also be put down to well-filled order books. For example, Equitable Bank attracted investor interest across the board (bid-to-cover ratio: 8.0x). Nevertheless, primary market activities in 2024 could only be described as fairly subdued so far. Our supply forecast of EUR 12bn for the full year 2024 has had to be regarded as almost a little too progressive at times. However, the new TD deal helped to breathe new life into the market last Wednesday (cf. section included earlier in this article). From our perspective, the lofty issuance volume that the issuer evidently decided upon called for a multi-tranche deal. TD also focused on the shorter end (two deals with terms of three years) in this bond issue. As it transpired, the two fixed-coupon bonds boosted the new issue volume from Canada this year from EUR 5bn to EUR 8.3bn in one fell swoop. As a result, we now expect "only" an extra EUR 3.7bn in fresh supply from Canada over the rest of 2024.

Natixis Pfandbriefbank issues blockchain covered bond

Last week, Natixis Pfandbriefbank (Natixis) became the second Pfandbrief issuer to successfully issue a blockchain Pfandbrief with a volume of EUR 100m. Previously, Berlin Hyp had already approached investors with a blockchain Pfandbrief, when it also placed a volume of EUR 100m. DekaBank, which was also responsible for the registration and payment transactions related to the issuance, was the sole buyer of the Pfandbrief issued by Natixis. Both Berlin Hyp and Natixis turned to the private blockchain offered by SWIAT to issue their first digital Pfandbrief. SWIAT is a subsidiary of a joint venture between DekaBank, LBBW, SC Ventures (Standard Chartered) and Comyno (software company). According to Martin K. Müller (member of the Board of Directors at DekaBank), SWIAT should make a contribution to the digital transformation process of the traditional securities business. The plan is for bonds in a volume of EUR 1.0bn to be placed on the market via the SWIAT blockchain up to 2025.

vdp: new loan commitments indicate increased demand for residential property

An upward trajectory is in evidence on the German property market. This can be seen in particular from the figures in relation to lending on the part of the member institutes of the Association of German Pfandbrief Banks (vdp) (cf. vdp press release). Accordingly, an increase of +15.6% was reported in newly valued real estate financing in the second quarter of 2024. While the volume of new business still came to EUR 27bn in the second quarter of 2023, the dynamics of the same reporting period this year were noticeably higher, at EUR 31.2bn. In our opinion, the comparison of the half-year figures for 2023 (EUR 52.8bn) with the figures for 2024 (EUR 58.2bn) also confirms the upward trajectory in relation to new lending. The momentum in new business was largely driven by the residential real estate financing category, which is a direct consequence of increased demand for home ownership. According to vdp data, however, there is no sign of a recovery in the area of commercial real estate. In fact, the subcategories of office real estate (-26.5% Y/Y) and hotels (-62.5% Y/Y) continued to record significant declines in comparison with the same quarter last year. From our point of view, this development does not come as a surprise. In terms of commercial real estate, there is by no means excess demand comparable to that seen for residential property in the current market environment. Moreover, we are of the view that investors in the commercial real estate space are far more sensitive to interest rate developments.

APAC covered bonds: Fitch presents latest quarterly report...

The risk experts at Fitch regularly publish region-specific quarterly reports for the covered bond programmes rated by the agency. A few days ago, Fitch presented its latest report for the programmes based in the Asia-Pacific region. In so doing, the rating agency highlighted, among other aspects, that the rating buffers for the covered bond ratings have increased for five Australian programmes, which is due to corresponding upgrades in the bank ratings. In total, all 20 rated programmes boast the top rating of AAA. Fitch rates covered bonds in Australia (10 programmes), New Zealand (5), South Korea (3) and Singapore (2). The quarterly report also compares the programmes based on the key figures relevant to the rating process.

...and Moody's discusses the credit protection of APAC programmes

Moody's risk considerations are also relevant with regard to the potential for "third country equivalence" for APAC covered bond programmes in the future compared with the EEA programmes that are aligned with minimum standards in the wake of the EU harmonisation process. In the APAC region, with the exception of Japan, all active jurisdictions (Australia, New Zealand, Singapore and South Korea) have legislative frameworks in place. In a recent sector analysis, Moody's arrives at the conclusion, among other aspects, that there are no legal requirements in the APAC region with regard to liquidity buffers or possible maturity deferrals. However, these risk mitigation instruments are implemented on a contractual basis by the APAC programmes. In the view of the risk experts, this implementation also helps to correspondingly reduce the relevant risks. APAC programmes also have higher currency mismatches on average, as the cover assets are usually denominated in the domestic currency, while the bonds tend to be placed in foreign currencies. These are accordingly hedged by using derivatives, with both external (in South Korea) and internal counterparties ("swap providers") being common aspects of the APAC market.

Fitch offers its view on the risk implications of the EU Covered Bond Directive

In a recent report, the risk experts from Fitch looked into the implications of the EU Covered Bond Directive and also discussed third-country equivalence. Despite the lack of legal requirements, Fitch highlights that the corresponding risk mitigation elements are contractually agreed. The risk experts also foresee the need to adjust legal frameworks in "third countries" once a corresponding equivalence regime has been finalised. In terms of the implementation of the requirements of the directive in the EU, Fitch takes the jurisdictions of Spain and Portugal as an example of the possible influence on ratings. The programmes in both countries now benefit from an improved payment continuity uplift (PCU) at Fitch, which in turn can lead, or in some cases has already led, to a rating upgrade provided that the corresponding OC ratios are satisfied. Since the programmes in Germany and Denmark already had the top rating of AAA, the improved PCU ratio only served to increase the buffers for the relevant programmes in these jurisdictions.

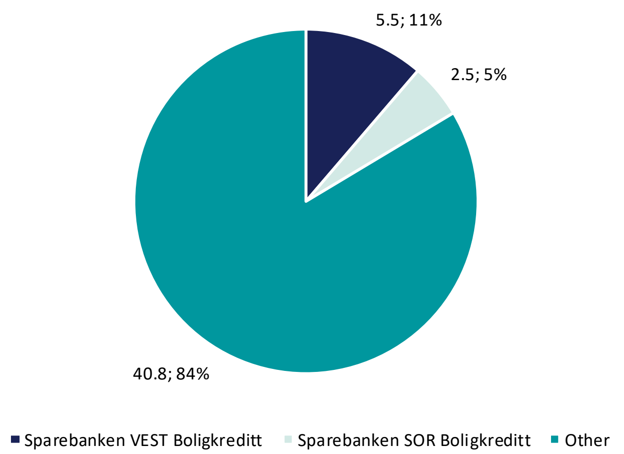
CRE crisis: Standard & Poor's presents risk assessment for European covered bonds

As the vdp figures for Germany outlined above also indicate, the challenges in the CRE segment remain high. This does not only apply to Germany, meaning that the risk experts at S&P recently opted to focus on this issue more broadly. In a recent article, the rating agency explains how ongoing price corrections in the European CRE market have also led to increased credit risks. Overall, however, S&P continues to see only a minor impact on the covered bond programmes that it rates. In a country analysis, the risk experts for Germany point to the generally high CRE exposure of Pfandbrief issuers, but contextualise this by citing the low LTV ratios. With regard to Austria, S&P states that commercial cover assets can certainly be found in the cover pools. However, the rating agency puts the risk potential - especially in relation to the regional banks - into perspective due to the narrow regional focus and the rather low share of office and retail properties. In terms of Spanish programmes, the risk experts note that CRE exposures have decreased significantly since the implementation of the Covered Bond Directive. Looking at covered bond programmes in Sweden, S&P notes that the "multi-family housing" category accounts for a high share and that LTV ratios have recently stabilised in the programmes.

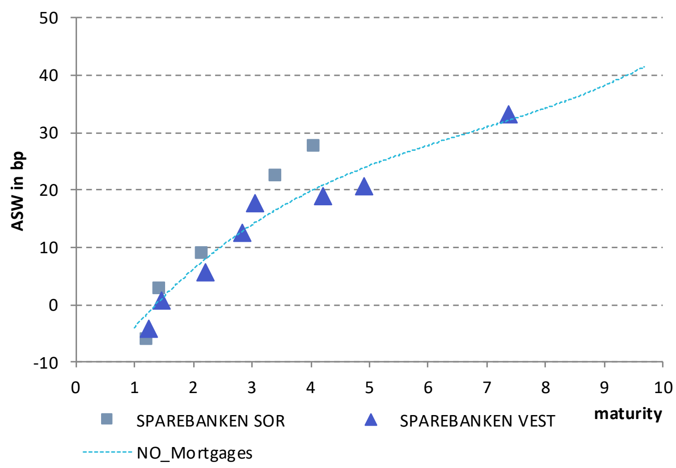
Sparebanken consolidation in Norway: merger agreed between Sor and Vest

On 28 August 2024, the boards of directors of Sparebanken Vest and Sparebanken Sor approved a merger plan, which is to be finalised before the end of the first half of 2025. This will lead to the creation of Norway's largest savings bank, with the new name of the merged institution to be determined as part of the merger process. The merger is intended to generate further growth and strengthen the banking offering for all customer groups. The new institution will have 67 branches and two main offices in Bergen and Kristiansand. In geographical terms, there is practically no overlap in the business areas of the two banks. As a result, neither bank will be forced to close branches in the future, according to information from both parties. In actual fact, the institutions intend to grow their business areas moving forward. Both banks are active as issuers in the EUR benchmark segment via subsidiaries and currently have outstanding covered bonds with a volume of EUR 8.0bn. The merger of the two Sparebanken marks a further consolidation process among Norwegian banks in this sector. As a reminder, a merger between SpareBank 1 Sorost-Norge with SpareBank 1 SRBANK ASA to form SpareBank 1 Sor-Norge had already been announced in October last year (cf. Covered Bond & SSA View focus article).

Outstanding BMK volume Norway (EURbn)



Spread overview (BMK) – Norway



Source: Bloomberg, NORD/LB Floor Research

Creation of Norway's third largest covered bond issuer in the EUR benchmark segment

At present, six Norwegian issuers have outstanding covered bonds in the EUR benchmark segment. Following the merger of Sparebanken Vest and Sparebanken Sor, Norway's third largest covered bond issuer will be created (EUR 8bn). Leading the way in this regard is SpareBank 1 Boligkreditt AS (outstanding volume: EUR 15.5bn), with DNB Boligkreditt (EUR 13.5bn) in second place. One of the parties to the merger, namely Sparebanken Vest, has already been active on the market this year, when it opted to place a covered bond (5.2y) with a volume of EUR 500m. In contrast, Sparebanken Sor's most recent primary market appearance was quite some time before this (November 2022). In addition to placements in EUR, both issuers also have outstanding covered bonds denominated in their domestic currency. We also expect brisk issuance activity on the part of the new entity in the EUR benchmark segment. For the Norwegian covered bond market, we still anticipate further issuance activity totalling EUR 2.3bn for the rest of 2024 (issuance volume in the current year: EUR 5.8bn).

Moody's publishes covered bond sector profile for Sweden and Portugal

A few days ago, Moody's published up-to-date profiles on the covered bond jurisdictions of Sweden and Portugal. In the associated publication series, the risk experts cover key factors that influence the credit quality of covered bonds. For example, a macro profile with the rating "Strong-" is awarded to Portugal, while Sweden is rated at "Strong+". The EU Covered Bond Directive also led to significant legislative adjustments in the case of Portugal, whereas the adjustments for Sweden were less comprehensive. For the latter, Moody's classifies the legal framework for covered bonds as "moderately strong" in comparison with the EU. For its part, Portugal's covered bond legislation is rated "average" in the majority of subcategories. We also consider Portugal to be one of the markets in the EUR benchmark segment that is on the comeback trail. As part of our coverage, we currently analyse four programmes from Portuguese issuers. In the current year, three of these have approached investors with the prospect of benchmark-size deals, with Novo Banco's most recent bond issue being nearly 10x oversubscribed.

Internal matters: review of the NORD/LB Capital Market Conference 2024...

At this point, we would like to take the opportunity to thank you for your participation and cooperation in this year's NORD/LB Capital Market Conference. We are pleased to report on highly compelling keynote speeches and panel discussions, while the in-depth discussions that occasionally involved an element of controversy also did not disappoint. With regard to the covered bond segment, we would particularly like to thank you for your participation and interest in the panel discussions entitled "Bond markets for Banks in 2024: Navigating central bank policies and elections", "ESG regulation - a lack of balance?" and "CRE Academy: Mission real estate markets". A recap of all the important information on these and other agenda items can be found here: „Mission: (Im)Possible?".

...and looking ahead to the ECBC Plenary Meeting and Covered Bond Congress in Porto

Following on from the NORD/LB event last week, our focus now clearly turns to the 35th ECBC Plenary Meeting (11 September) and the Covered Bond Congress 2024 (12 September) in Porto. We are looking forward to fascinating speeches and panel discussions in Portugal. We are certain that questions with relevance beyond the covered bond segment will be discussed across both days and that solutions to current challenges will also be proposed. For example, the further development of the institutional framework for the covered bond market, as well as active monitoring and support of the green transformation, both come to mind here. Feel free to drop by and visit us at our NORD/LB exhibition stand.

Market overview
SSA/Public Issuers

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

NORD/LB Capital Market Conference 2024 at Schloss Herrenhausen

Our annual Capital Market Conference took place in Hanover on 27 and 28 August. We again welcomed almost 300 capital market participants with a broad range of topics for discussion. We had invited various "special agents" and guests for a two-day conference under the title "Mission: (Im)Possible?". One stand-out highlight for the SSA segment aside from the keynote speeches on the first day was obviously "Mission Sustainability: into the future without any investment backlog?" together with the state of Hesse and the Association of Taxpayers. Thanks to two warm-up presentations, we were able to get a better understanding of both Hesse itself and the problems surrounding the public purse. On the second day, the focus was on a classic panel discussion entitled "Mission Future: promotional banks as reliable partners of the transformation". Here we debated with Wirtschafts- und Infrastrukturbank Hessen, NRW.Bank, Investitionsbank Schleswig-Holstein and Fitch Ratings. Apart from the rating method and challenges for the market in general, the issue of individual profile was of great interest: IB.SH sets great store by social housing, while we discussed digital bonds with WIBank. After all, the latter was the first promotional bank to issue a digital registered bond (dNSV). A start-up provides the technology used to tokenise the registered bond, in order to make it digital. NRW.Bank from Düsseldorf in turn had a great deal to report on ESG-related topics, touching not just on the general transformation but also on its green and social bonds. In other words, we were able to cover almost the entire breadth of the German agency market with just three issuers. In addition, thanks to questions from the floor, we were able to work out that hardly anybody in the market already has a new product process underway in order to be able to invest digitally. Market penetration in this area is unlikely to increase before 2025/26 at the earliest. The driver for this is a test phase for financial transactions begun in May by the ECB in which distributed ledger technology (DLT) is being used. The aim is to test technical solutions and to gather practical findings. With its Trigger Solution, the German Bundesbank is offering a platform for these tests which links DLT transactions with the conventional payment system.

Eleventh edition of the Issuer Guide – German Laender

The Issuer Guide – German Laender, which is now to be published on a yearly basis once again, is part of a series of NORD/LB Floor Research products covering individual issuers and market segments in the global bond market. Following on from the first issue in 2013, and an unplanned break in 2019, this latest publication is the eleventh edition in this format. As was previously the case, the 16 German Laender continue to represent by far the largest sub-sovereign market in Europe with an outstanding bond volume equivalent to around EUR 413bn, split across 818 separate bond deals. The outstanding volumes and annual issuance volumes of the German Laender segment are higher than at any other sub-national level. Traditionally characterised by a steady supply of new bonds and (high) relative attractiveness versus Bunds, the Laender segment has always represented an interesting alternative to sovereign bonds. As a result, this sub-segment is among the most liquid, albeit not necessarily the most complex, markets in the European segment for supranationals, sub-sovereigns and agencies (SSA).

Hesse increases stake in WIBank

At the end of April, the state of Hesse (ticker: HESSEN) already announced that it was planning to increase its stake in Landesbank Hessen-Thüringen (Helaba). In concrete terms, the concept worked out for this purpose envisaged ending the existing capital investment contracts and carrying out a capital increase. This would involve Hesse subscribing to a Helaba capital increase with a cash investment of EUR 1.5bn and moreover acquiring a EUR 500m AT1 bond issued by the Landesbank. In line with the debt brake, corresponding additional borrowing of EUR 2bn was planned for the measure in Hesse's supplementary budget for 2024. The transaction finally took place at the beginning of August in accordance with the plans. This has led to changes in the ownership structure. Hesse's stake in the share capital has increased from a previous level of 8.10% to 30.08% at the expense of the stakes held by savings banks associations, trustees and the Free State of Thuringia. This has direct implications for one issuer highlighted in our recently published Issuer Guide – Germany Agencies 2024, namely Wirtschafts- und Infrastrukturbank Hessen (WIBank, ticker: WIBANK). The bank is part of Helaba as a legally dependent public law institution (Anstalt öffentlichen Rechts) with organisational and financial independence. As such, the change in the ownership structure also has a direct impact on WIBank. As guarantor, Hesse is hoping that the capital increase will earn it much higher dividends, which could have a positive impact on the future income development of the federal state. Apart from regional promotional institutions such as WIBank, the German agency market is characterised by national promotional banks (e.g. KfW) and winding-up agencies (e.g. EAA). While the promotional banks such as KfW have traditionally played a highly significant role in the direction of economic policy at the level of both federal government (Bund) and the individual Laender, the winding-up agencies only came into existence a matter of years ago. All in all, as at the reporting date, the total volume of outstanding bonds issued by the German agencies included in our coverage amounted to the equivalent of around EUR 674bn split across 1,502 separate bond issues.

EAA presents interim report for H1/2024

The aforementioned Erste Abwicklungsanstalt (EAA, ticker: ERSTAA) has presented its official interim report for the first six months of the current year. The EAA's financial situation in H1/2024 was mainly impacted by its winding-up activities. The relevant metric for the winding-up vehicle was therefore a decline in the nominal volume of the portfolio. The nominal volume of the banking book declined by -4.2% to EUR 6.0bn as against 31 December 2023. The nominal volume of the trading portfolio fell by -4.8% during the same period to EUR 47.5bn. The net result for the year of EUR -3.9m was said to be mainly brought about by general administrative expenses of EUR 29.0m and net commission income of EUR -10.1m. This was mainly offset by a net interest result of EUR 10.7m, results from financial assets and shareholdings and earnings from the reversal of loan loss provisions which together amounted to EUR 17.2m. The -35.9% decline in net interest income against H1/2023 mainly reflected the ongoing portfolio reduction. Total assets fell from EUR 13.8bn at the end of 2023 to EUR 13.1bn as at 30 June 2024. EEA put this down to both the reduction in the bank book and reduction in trading portfolio. In terms of issuance activities in H1/2024, the freshly raised funds included a new three-year benchmark in the amount of EUR 500m (cf. weekly publication of 28 February).

Kommuninvest: quarterly report on "municipal debt management"

The Swedish municipal financier Kommuninvest (ticker: KOMINS) has posted its quarterly report on the debt management of municipalities in Sweden for Q2/2024. The report is based on Kommuninvest's loans and transactions that are registered by the municipalities and regions (and their companies) in the in-house debt-management tool "KI Finans". The data analysed most recently for Q2/2024 includes 8,977 loans, commercial paper and bonds with a total value of SEK 671bn (equivalent to EUR 60.7bn) along with 1,610 derivatives valued at SEK 205bn. The report shows that the average maturity of outstanding Swedish municipal loans stands at 2.5 years. This relatively short maturity suggests that debt-financed investments generally have to be refinanced several times. In addition, 29% of the loan portfolio falls due within the next 12 months, which represents an increase of five percentage points against the first quarter of the year. Financing terms, moreover, have become vastly more expensive in the last two years on the back of higher interest rates, even though conditions have now eased slightly. The average interest rate for new transactions in Q2, including derivatives was 3.5%, i.e. 26 basis points lower than the previous quarter. Kommuninvest analyst Mattias Bokenblom is therefore optimistic about the future: "Many municipal borrowers were hit hard by higher interest costs in 2023 and 2024. We therefore welcome the fact that interest rates for the municipal sector and new debt are now falling fast. Lower financing costs offer scope for more investment in future". Apart from the report on municipal debt management, Kommuninvest has also presented its half-year results. According to the report, profit before tax for the first six months of the current financial year amounted to SEK 240.3m (H1/2023: SEK 195.7m). Operating income, defined as total profit excluding unrealised changes in market value, expected credit losses and risk tax amounted to SEK 363.9m (H1/2023: SEK 365.8m). The Swedish sustainability loan portfolio therefore continued its positive development. As at 30 June of this year, the green portfolio included 679 projects amounting to SEK 120.5bn, issued to 196 municipalities and regions.

FMO posts half-year results

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO, ticker: NEDFIN), the Dutch promotional development bank, released its interim results for the first six months of this year on 15 August. The financial results for H1/2024 show a net profit of EUR 134m (H1/2023: EUR 44m). According to the bank, the appreciation of the USD against the EUR also had a positive impact on the financial result, since it simultaneously led to an upward adjustment in the private equity portfolio. Whereas regular income fell against the same period of the prior year on the back of lower net interest income (H1/2024: EUR 109m; H1/2023: EUR 113m), FMO made substantial savings on the cost front, leading to a lower cost-income ratio. The common equity tier 1 (CET1) ratio at the end of the reporting period stood at 21.8%, i.e. slightly lower than it still was at the end of December (22.0%). The total committed portfolio amounted to EUR 13.5bn overall in H1/2024 (EUR 13.0bn in H1/2023). Growth was recorded in both the commitment portfolio for the reduction of inequality and the green commitment portfolio.

Primary market

No rest for the wicked, as the saying goes, in the SSA primary market: KfW (ticker: KFW) kicked things off with a green bond (5.1y) worth EUR 3bn priced at ms +3bp. Meanwhile, the EUR 5bn (10y) Climate Awareness Bond from EIB (same ticker) was placed at ms +26bp. Svensk Exportkredit (ticker: SEK) also opted for a green label: EUR 500m (7y) changed hands at a final price of ms +33bp. The French issuer Bpifrance (ticker: BPIFRA) was also active with a fresh issue in the ESG segment, although it opted for a social format: EUR 1.5bn (4.7y) which came in at OAT +22bp (equivalent to around ms +38bp). Two issuers from the German Laender segment were also active: The Free State of Thuringia (ticker: THRGN) issued a fresh bond of EUR 500m (5y) at ms +8bp, while North Rhine-Westphalia (ticker: NRW) successfully raised EUR 1bn (10y) at a final spread of ms +23bp. Activity from Scandinavia came from municipal lender Municipality Finance (ticker: KUNTA), which issued EUR 1bn (5y) at ms +17bp. It was followed by the Danish municipal lender KommuneKredit (ticker: KOMMUN) which placed EUR 750m (7.5y) at ms +22bp. Sweden's Kommuninvest (ticker: KOMINS) got down to business with a fresh issue of EUR 1bn (4.1y) at ms +10bp. Two European supranationals, ESM and EFSF, also approached investors: ESM issued a EUR 2bn (10y) bond with a final price of ms +26bp. EFSF completed its funding for 2024 in the form of a dual tranche, consisting of a EUR benchmark in the amount of EUR 3bn (3.3y) priced at ms +4bp and a tap deal for its EFSF 2.875% 05/28/2031 totalling EUR 2bn at ms +19bp. Moreover, there were further taps from Sächsische Aufbaubank (ticker: SABFOE), Agence Française de Développement (ticker: AGFRNC) and from the European Union (ticker: EU) in the context of its latest bond auction. SABFOE decided to increase the volume of its 2031 bond by EUR 250m at ms +22bp. Meanwhile, AGFRNC decided to tap its 2034 bond by EUR 400m at OAT +22bp. The EU tapped two bonds – EU 3.125% 05/12/2028 and EU 3% 04/12/2034 – by EUR 2.183bn and EUR 2.275bn respectively. We have made a note of the follow new mandates: The Development Bank of Japan (ticker: DBJJP) is planning to issue a sustainability bond (4y), for which original price thoughts are in the area of ms +33bp. NWB (ticker: NEDWBK) from the Netherlands is planning to place a three-year EUR benchmark. In the supras segment, Nordic Investment Bank (ticker: NIB) mandated for a five-year green bond and the EU sent out an RfP to relevant banking groups for a forthcoming transaction. Meanwhile, the City of Munich (ticker: MUENCH) is planning to issue a green bond of at least EUR 250m and is conducting investor talks to that effect. Finally, Schleswig-Holstein has mandated (ticker: SCHHOL, EUR BMK, 6y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
KOMMUN	Nordics	03.09.	XS2897406513	7.5y	0.75bn	ms +22bp	- / Aaa / AAA	-
KOMINS	Nordics	03.09.	XS2897313263	4.1y	1.00bn	ms +10bp	- / Aaa/ AAA	-
ESM	SNAT	02.09.	EU000A1Z99U9	10.0y	2.00bn	ms +26bp	AAA / Aaa / AAA	-
SEK	Nordics	29.08.	XS2895769086	7.0y	0.50bn	ms +33bp	- / Aa1 / AA+	X
NRW	DE	29.08.	DE000NRW0PN7	10.0y	1.00bn	ms +23bp	AAA / Aa1 / AA	-
EIB	SNAT	28.08.	EU000A3L2773	10.0y	5.00bn	ms +26bp	AAA / Aaa / AAA	X
EFSF	SNAT	27.08.	EU000A2SCAQ2	3.3y	3.00bn	ms +4bp	AA- / Aaa / AA-	-
BPIFRA	FR	27.08.	FR001400SCU5	4.7y	1.50bn	ms +38bp	AA- / Aa2 / -	X
THRGN	DE	27.08.	DE000A383QT6	5.0y	0.50bn	ms +8bp	AAA / - / -	-
KUNTA	Nordics	22.08.	XS2889897885	5.0y	1.00bn	ms +17bp	- / Aa1 / AA+	-
KFW	DE	21.08.	XS2887903966	5.1y	3.00bn	ms +3bp	AAAu / Aaa / AAA	X

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

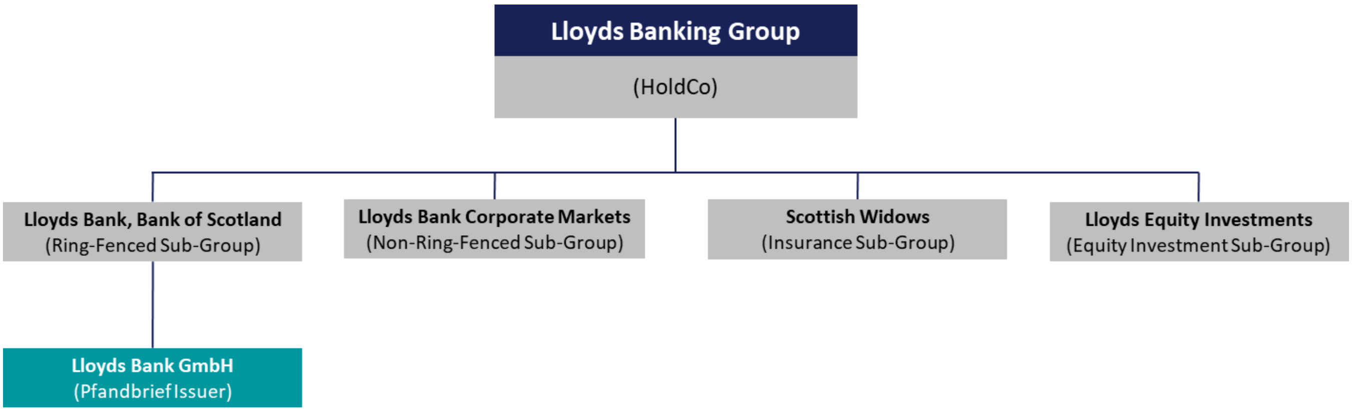
Covered Bonds
New Pfandbrief issuer: Lloyds Bank GmbH

Author: Lukas Kühne

Lloyds Bank makes its EUR benchmark debut

Lloyds Bank GmbH launched its first deal in the EUR benchmark segment at the beginning of the week. Even though most market participants should be well acquainted with Lloyds Bank PLC as a UK issuer of covered bonds, it is likely that very few people would have been aware of the Lloyds Banking Group's German subsidiary until it announced its Pfandbrief debut. After the announcement, the bank took around one week for investor work before placing a EUR 500m Pfandbrief with investors on Tuesday. In the following article, we propose to look a little closer at the issuer and its Pfandbrief programme in order to shed more light on the new issuer’s business model and cover assets.

Lloyds Banking Group structure



Source: Issuer, NORD/LB Floor Research

Spotlight on Lloyds Bank: business mainly in Germany and the Netherlands

Lloyds Bank GmbH, headquartered in Berlin and Amsterdam, is a fully owned subsidiary of the Lloyds Banking Group. As a purely online bank, it offers a million or so private customers deposit and credit products. Geographically, the bank focuses its business activities exclusively on the German and Dutch market. The product range at the end of 2023 consisted of overnight money, consumer loans, mortgages and car finance (only on offer in Germany). The product range was extended in 2024 to include credit lines for corporate customers. Whereas the bank is active in the Netherlands exclusively under the Lloyds Bank brand, it pursues a dual-brand strategy in Germany with Lloyds Bank (mortgage lending business) and Bank of Scotland (deposits and consumer credits). The bank’s funding consists mostly of customer deposits domiciled in Germany (FY 2023: 69% of the funding mix) and the Netherlands (12%). For the purpose of a greater diversification of its business model, the bank has held a Pfandbrief licence since June 2023 and successfully placed its first EUR 500m Pfandbrief on the market on 03 September 2024.

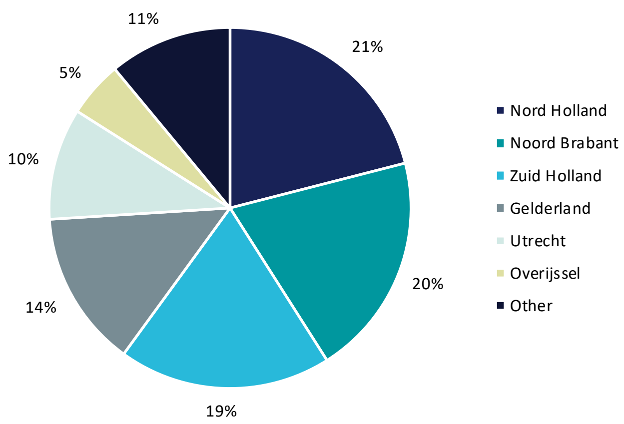
Moody's assigns provisional rating of Aaa to the covered bond programme

In July 2024, the risk experts at Moody's presented a rating for Lloyds Bank GmbH for the first time. Moody's set the bank's Long Term Deposit Rating at A3, with a stable outlook. In its rating report, the agency draws particular attention to the solid quality of the credit portfolio and to the fact that the bank's private customer deposits mostly enjoy a legal guarantee. The challenges seen by the rating agency include the bank's strong business focus on mortgage lending in the Netherlands and hence a resulting lack of income diversification. Aside from the issuer, Moody's also rates the covered bond programme of Lloyds Bank. It has a provisional rating of Aaa and a collateral score of 3.5%.

Programme data

August 2024	**Mortgage**
Covered bonds outstanding	-
Cover pool volume	EUR 543m
Current OC (nominal / legal)	- / 2.0%
Type	100% Residential
Main country	100% Netherlands
Main region	21% Nord Holland
Number of loans	3,099
LTV (based on mortgage lending value)	58.2%
NPL	0.0%
Fixed interest (Cover Pool / CBs)	100% / -
WA Remaining Terms (Cover Pool)	26.8y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -

Geographical breakdown of cover pool assets



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

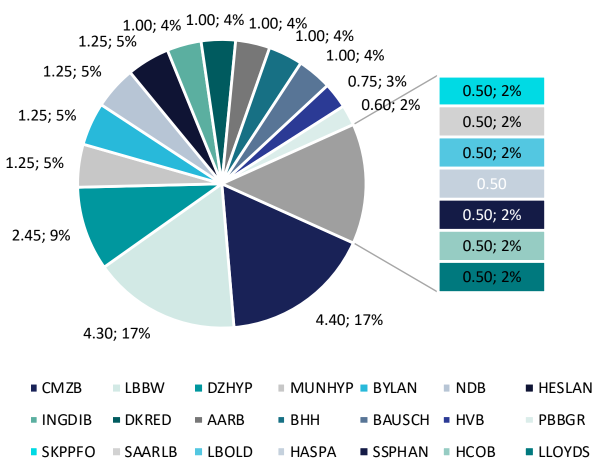
Lloyds Bank cover pool: an overview

Lloyds Bank has held a Pfandbrief licence since June 2023 and published cover pool data for its Pfandbrief programme for the first time in August 2024 – in the wake of the announcement of its first benchmark deal. The cover pool amounted to a total of EUR 542.8m in August 2024 and consists exclusively of residential mortgages domiciled in the Netherlands. As regards the regional breakdown, it is worth noting that the largest proportion of the assets in the cover pool are in the North Holland region (21%), followed by North Brabant (20%) and South Holland (19%). The fact that assets in Lloyds Bank's cover pool are exclusively Dutch assets seems rather unusual. In order to meet the requirements of the Pfandbrief Act (PfandBG), the assets included in the cover pool must be valued in accordance with the rules of the Mortgage Valuation Ordinance and keep to a loan-to-value ratio of 60% (§14 PfandBG). To this end, properties are first valued by the Nederlands Woning Waarde Instituut in order to ensure that they comply with regulations in the Netherlands. Subsequently, Lloyds Bank assets will be checked for their cover pool eligibility and, if the answer is positive, the mortgage valuation will be calculated as per §25 BelWertV. Based on the mortgage lending value, the bank had a weighted loan-to-value of 58.2% in August 2024.

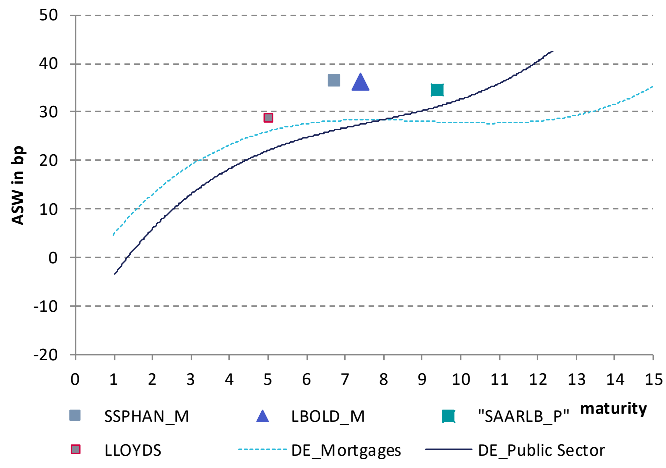
Increase in the number of Pfandbrief issuers

Lloyds Bank is the fourth new Pfandbrief issuer in the benchmark segment this year. As early as January, Landesbank Saar (8.0y; EUR 500m) and Oldenburgische Landesbank (10.0y; EUR 500m), two banks which had already been active in the EUR sub-benchmark segment, issued their first benchmark bond. In May, they were followed by a third new-comer to the benchmark segment in the form of Sparkasse Hannover (7.0y; EUR 500m). In our view, these three new issuers impressively demonstrate a trend in the German Pfand-brief market of issuers previously active in the EUR sub-benchmark segment moving over to also issuing Pfandbriefe in benchmark format. In contrast, last Tuesday, Lloyds Bank (5.0y; EUR 500m) opted for another way and went straight for the issue of a benchmark, instead of starting off in the sub-benchmark segment. With the exception of Landesbank Saar's deal, all the new issues involved mortgage Pfandbriefe. In our view, this trend shows strong growth in the German Pfandbrief market which is unlikely to come to an abrupt end in the near future. We also take the view that the growing number of German issuers in the EUR sub-benchmark segment (Sparkasse Bremen, Sparkasse Dortmund) can be seen as an indication of this.

Pfandbrief issues ytd (EURbn)



Spread overview (BMK) – Germany (four newcomers)



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

Conclusion

The German Pfandbrief market continues to grow this year with Lloyds Bank's first Bench-mark transaction. In our view, however, the slightly unusual cover pool for a German Pfandbrief, consisting exclusively as it does of mortgage loans domiciled in the Nether-lands, should not be equated with a lower quality of cover pool assets. The assets meet all the requirements set out by the Pfandbrief Act, especially the requirements concerning mortgage valuation and the related valuation approach. For the Pfandbrief market, Lloyds Bank's benchmark debut represents a further diversification of issuers and, in our view, should be seen as a further indication of the growth trend in this market segment.

SSA/Public Issuers
Agencies and resolution instruments of the BRRD

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

On 15 April 2014, the EU Parliament passed a Directive for the recovery and resolution processes of banks and investment firms: the BRRD

At a meeting of the Economic and Financial Affairs Council in the summer of 2013, the Council of the European Union agreed on a joint Bank Recovery and Resolution Directive (BRRD) for banks and investment firms. The European Parliament adopted the BRRD on 15 April 2014. The Directive aims to provide national institutions with powers and instruments to pre-emptively avoid banking crises and to resolve any financial institution in an orderly manner in the event of failure, while minimising taxpayers' exposure to losses and preserving essential bank operations. The BRRD was introduced and transposed into national law in accordance with Art. 130 of the BRRD as of 01 January 2015. In Germany, this was implemented via the Act for the Recovery and Resolution of Institutions and Financial Groups (SAG). In contrast, the deadline for the introduction of the bail-in instrument (see below) via transposition into national law was extended until 01 January 2016.

Instruments at three levels of crisis:
preparatory and preventative (I), early intervention (II) and resolution (III)

The Directive provides national resolution institutions with powers at three levels. As preparatory and preventative measures, financial institutions are required to draw up recovery plans and update them annually (I). These plans must set out the procedures the institutions would implement to restore their financial position in the event of significant deterioration. Resolution authorities will have to prepare resolution plans for each financial institution. These actions would be applied if an institution were to meet the conditions for resolution. The relevant guidelines for this level are covered by Articles 4 to 26 in the BRRD. The level of early intervention (II), which is covered by Articles 27 to 30 of the BRRD, grants resolution authorities the power to appoint special managers to an institution if its financial situation were to deteriorate significantly or if there were serious violations of the law. The following four instruments will be available in future at the level of resolution (Articles 31 to 86 of BRRD).

Core element of the resolution plan

The core element of the resolution plan is provided by the potential resolution measures, for which the four instruments are available:

- Sale of Business
- Bridge institution
- Asset separation
- Bail-in

Directive (EU) 2016/1075 additionally highlights further essential content. A resolution can only take place when the above-mentioned resolution conditions are fulfilled and the objectives of a resolution are complied with.

Resolution instruments – an overview

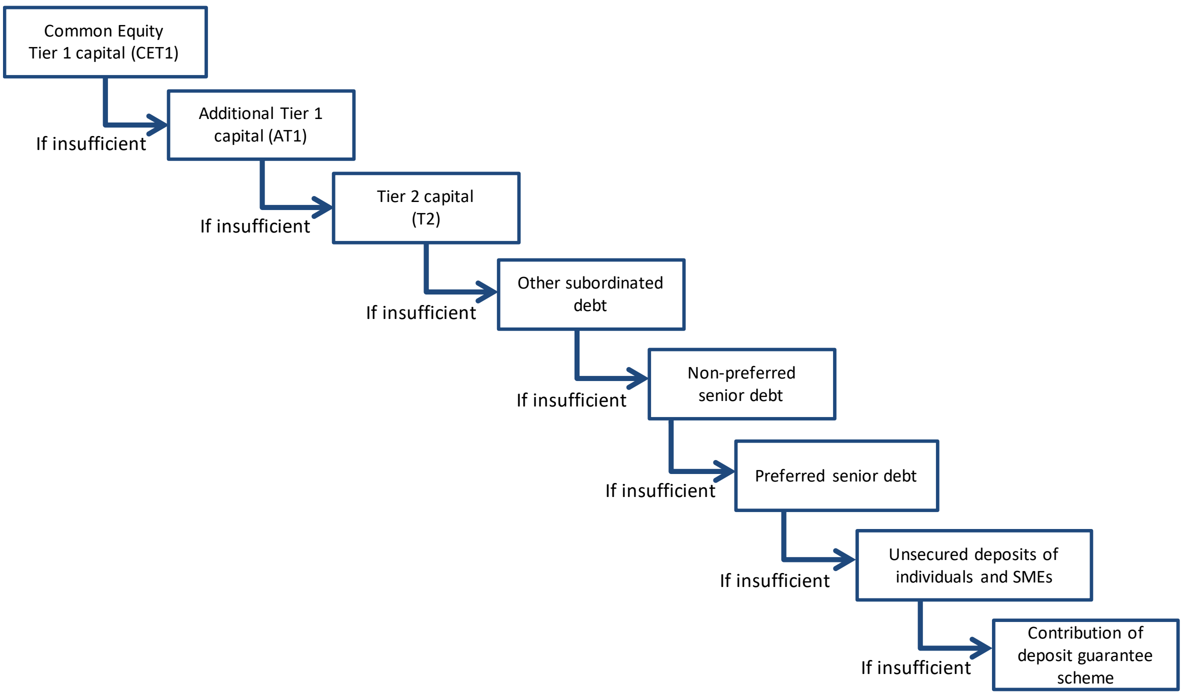
	Sale of Business (Art. 38-39 BRRD)	Bridge institution (Art. 40-41 BRRD)	Asset separation (Art. 42 BRRD)	Bail-in (Art. 43ff. BRRD)
Basic idea	Transferring shares in the institution subject to resolution, or some or all assets or liabilities of the institution, to an existing acquiring legal entity	Continuing viable parts of the company	Spinning off parts of the company or an established bridge institution to an asset management vehicle (AMV) under official control	Improving the capital basis of the institution by reducing liabilities or converting liabilities into equity capital
Description	Generally (exceptions possible) on commercial terms; prior valuation. Considerations to institution or previous shareholders officially by resolution authority; acquiring legal entity takes the position of the institution subject to resolution with regard to licences, memberships, etc.	Bridge institution is set up by the resolution authority and controlled by it or other public authorities. Transfer of shares or assets/ liabilities to the bridge institution under rules similar to the sale of business. Bridge institution is licensed as a bank and subject to supervision. Purpose: continuity of certain or all functions, services and activities of the institution subject to resolution	Includes both assets and liabilities. Difference to bridge institution: goal of the AMV is sale or orderly liquidation, not continuation of operations. Consideration (can also consist of the AMV's debt instruments) for the institution is set by the resolution authority following valuation.	Reduction/conversion of liabilities is based on the hierarchy of liability and the required capital

Source: BRRD, German Bundesbank, NORD/LB Floor Research

Bail-in instrument with biggest implications for agencies

The bail-in instrument affects agencies the most as it introduces the risk of write-downs of debt issued by an agency. Specifically, creditors may end up participating in the resolution process of an agency via haircuts if upstream liability levels prove to be insufficient. However, legal exceptions of the bail-in instrument allow for a certain degree of leeway on a discretionary basis, which we believe could be particularly relevant for agencies.

Simplified hierarchy of liability for the bail-in instrument



Source: NORD/LB Floor Research

Exclusions from bail-in stipulated by law (Article 44 (2) of the BRRD) (Abbreviated summary)

Covered deposits // secured liabilities (including covered bonds) up to the value of the collateral

Fiduciary liabilities and similar // interbank liabilities with an original maturity of less than seven days

Liabilities arising from participation in payment and securities settlement systems as defined in Directive 98/26/EC

Liabilities resulting from fixed elements of remuneration // liabilities arising from goods or services that are critical to the daily functioning of

Liabilities resulting from tax and social security, provided that those liabilities are protected under the applicable insolvency or civil law

Contributions due for deposit guarantee mechanisms

Source: BRRD, German Bundesbank, NORD/LB Floor Research

Exclusions from bail-in, provided that… (Article 44 (3) of the BRRD)

…it is not possible to bail-in that liability within a reasonable time, despite genuine attempts on the part of the resolution authority,

…the exclusion is necessary and appropriate to ensure continuity of critical functions and core business areas so that the ability of the institution subject to resolution to continue its most important business, services and transactions is maintained

…the exclusion is necessary and appropriate to avoid giving rise to an extensive contagion - above all in relation to recoverable deposits from natural persons, micro-enterprises and SMEs - that would severely disrupt the functioning of financial markets, including financial market infrastructure, in a manner that could cause a serious disturbance to the economy of a Member State or the EU, or...

…the application of the bail-in instrument to these liabilities would cause destruction in value to such an extent that the losses to be absorbed by other creditors would be higher than if these liabilities were to be exempted from a bail-in.

Source: BRRD, NORD/LB Floor Research

Direct participation of the national resolution institution by means of covering losses or acquiring shares

If the national resolution authority decides not to apply a specific liability to the bail-in on the strength of one of the four reasons for exclusion, the national resolution fund may participate directly in the resolution. It is then possible that the resolution fund covers the losses that were not covered by the liabilities already included in the bail-in. It may also purchase shares or similar instruments of ownership in the institution under resolution in order to recapitalise the institution. There are basically two conditions for direct participation: firstly, a bail-in of at least 8% of total liabilities (including equity capital) must already have been carried out. Secondly, the contribution made by the resolution fund may amount to no more than 5% of total liabilities (including equity capital).

For which agencies do implications arise from the BRRD?

Essentially, the BRRD affects all agencies that fall under the EU's definition of credit institutions and investment firms. Investment firms are defined in Article 2 (1) (2) of the BRRD in conjunction with Article 4 (1) (2) of the CRR. The definition of credit institutions to which the BRRD applies is indicated in Article 2 (1) (2) of the BRRD in conjunction with Article 4 (1) (1) of the CRR: a credit institution is an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account. The Directive provides for exceptions of the BRRD under Article 2 (1) (2) of the BRRD, with reference to Article 2 (5) of the CRD. This explicitly lists institutions that are exempt from the scope of the CRD and therefore also from the BRRD. This list was revised in Directive (EU) 2019/879 with effect from 07 June 2019. The following institutions are therefore excluded from the BRRD:

BRRD exceptions

Country/region	Exceptions
EU	Central banks of Member States
EU	Post office giro institutions
Denmark	Eksport Kredit Fonden, Eksport Kredit Fonden A/S, Danmarks Skibskredit A/S and KommuneKredit
Germany	Kreditanstalt für Wiederaufbau (KfW), Landwirtschaftliche Rentenbank, Bremer Aufbau-Bank GmbH, Hamburgische Investitions- und Förderbank, Investitionsbank Berlin, Investitionsbank des Landes Brandenburg, Investitionsbank Schleswig-Holstein, Investitions- und Förderbank Niedersachsen — NBank, Investitions- und Strukturbank Rheinland-Pfalz, Landeskreditbank Baden-Württemberg — Förderbank, LfA Förderbank Bayern, NRW.BANK, Saarländische Investitionskreditbank AG, Sächsische Aufbaubank — Förderbank, Thüringer Aufbaubank, entities recognised under the "Wohnungsgemeinnützigkeitsgesetz" as bodies of State housing policy and are not mainly engaged in banking transactions, and undertakings recognised under that law as non-profit housing undertakings
Estonia	Hoiu-laenuühistud, as cooperative undertakings that are recognised under the "hoiu-laenuühistu seadus"
Ireland	Strategic Banking Corporation of Ireland, credit unions and friendly societies
Greece	Tamio Parakatathikon kai Danion
Spain	Instituto de Crédito Oficial (ICO)
France	Caisse des Dépôts et Consignations (CDC)
Croatia	"Kreditne unije" and "Hrvatska banka za obnovu i razvitak"
Italy	Cassa Depositi e Prestiti (CDP)
Latvia	Krājaizdevu sabiedrības, undertakings that are recognised under the "krājaizdevu sabiedrību likums" as cooperative undertakings rendering financial services solely to their members
Lithuania	Kredito unijos other than the centrinės kredito unija
Hungary	MFB (Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság) and Magyar Export-Import Bank Zártkörűen Működő Részvénytársaság (EXIM)
Malta	Malta Development Bank
The Netherlands	Nederlandse Investeringsbank voor Ontwikkelingslanden NV, NV Noordelijke Ontwikkelingsmaatschappij, NV Limburgs Instituut voor Ontwikkeling en Financiering, Ontwikkelingsmaatschappij Oost-Nederland NV and credit unions (kredietunies)
Austria	Undertakings recognised as housing associations in the public interest and Österreichische Kontrollbank (OeKB)
Poland	Spółdzielcze Kasy Oszczędnościowo – Kreditowe and Bank Gospodarstwa Krajowego (BGK)
Portugal	Caixas Económicas existing on 01 January 1986, with the exception of those incorporated as limited companies and Caixa Económica Montepio Geral
Slovenia	SID-Slovenska izvozna in razvojna banka, d.d., Ljubljana (SID Bank)
Finland	Teollisen yhteistyön rahasto Oy/Fonden för industriellt samarbete AB and Finnvera Oyj/Finnvera Abp
Sweden	Svenska Skeppshypotekskassan
United Kingdom	National Savings and Investments (NS&I), CDC Group plc, Agricultural Mortgage Corporation Ltd, Crown Agents for overseas governments and administrations, credit unions and municipal banks

Source: CRD, NORD/LB Floor Research

Some German promotional banks "escape" ECB supervision

As is clear from the above list, some German promotional banks are exempted from BRRD regulations. In this context, national regulations apply to these institutions. However, we do not expect any major impact from this circumstance, particularly because the national supervisory bodies do not differ materially from the BRRD in this respect. For further information on the regulatory treatment of German promotional institutions, please refer to our Issuer Guide – German Agencies 2024.

Explicit and implicit guarantee arrangements are likely to avoid bail-in; no application of the BRRD for non-financial agencies
In addition to the defined exclusions from the BRRD, we expect that the bail-in instrument at least would not apply in the case of institutions that have a liability mechanism. We believe that, in this scenario, the mechanism would take effect before a bail-in would be necessary. We would also not expect a bail-in for agencies that have implicit liability, such as EP status in France. In our view, the regulations covering institutional liability (Anstaltslast), guarantor liability (Gewährträgerhaftung), maintenance obligation and the French EP status would also result in a bail-in not being applied to the relevant agencies. The BRRD does not apply to agencies that are not operating as credit institutions.

BRRD highly relevant to financial agencies without an explicit or implicit guarantee
In our view there is uncertainty with respect to agencies that act as banks and do not have any explicit or implicit guarantee. The BRRD is therefore likely to be highly relevant for BNG, NWB and SEK, in particular. However, we expect that these institutions would receive state support if difficulties were to arise. These agencies are too important to their respective state or public sector for a bail-in to apply. Nevertheless, were a bail-in to apply, we expect that the ratings of financial agencies without an explicit or implicit guarantee would in future not be equated with the ratings of the respective state. We also see a contagion risk: if a bail-in were to apply to the BNG or NWB, for example, we believe this would have disastrous consequences for the other agency, which would then experience a significant rise in spreads and the cost of funding. This would in turn have a highly adverse effect on financing terms for the public sector in the Netherlands. On a national level, there would therefore certainly be scope for excluding senior debt from any bail-in, especially in view of the fact that the exception provisions can be applied in the event of risk of contagion. In our opinion, a similar picture would emerge for the SEK, which is the main instrument of Swedish export promotion. If a bail-in were to apply in this case, it could jeopardise the entire state-sponsored export financing system. This would have a direct effect on the Swedish export industry. In this instance, too, we see a high risk of contagion, which would provide national resolution institutions with the leeway to exclude senior debt from any bail-in.

Application of the BRRD/bail-in instruments at European agencies

Agency	Country	Financial	BRRD exception	Guarantee	Equity ratio	Equity ratio (incl. subordinated debt)
KfW	Germany	Yes	Yes			BRRD does not apply
Rentenbank	Germany	Yes	Yes	Explicit		BRRD does not apply
FMS-WM	Germany	No				BRRD does not apply
EAA	Germany	No				BRRD does not apply
NRW.BANK	Germany	Yes	Yes	Explicit		BRRD does not apply
L-Bank	Germany	Yes	Yes	Explicit		BRRD does not apply
WIBank	Germany	Yes	No	Explicit		Do not expect application of bail-in
LfA	Germany	Yes	Yes	Explicit		BRRD does not apply
IB.SH	Germany	Yes	Yes	Explicit		BRRD does not apply
BayernLabo	Germany	Yes	No	Explicit		Do not expect application of bail-in
IBB	Germany	Yes	Yes	Explicit		BRRD does not apply
ILB	Germany	Yes	Yes	Explicit		BRRD does not apply
SAB	Germany	Yes	Yes	Explicit		BRRD does not apply
ISB	Germany	Yes	Yes	Explicit		BRRD does not apply
IFBHH	Germany	Yes	Yes	Explicit		BRRD does not apply

NB: Data as at 31 December 2023.
Source: BRRD, CRD, issuers, NORD/LB Floor Research

NORD/LB

Application of the BRRD/bail-in instruments at European agencies (continued)

Agency	Country	Financial	BRRD exception	Guarantee	Equity ratio	Equity ratio (incl. subordinated debt)
CADES	France	No				BRRD does not apply
AFD	France	Yes	No	Implicit		Do not expect application of bail-in
Unédic	France	No				BRRD does not apply
CDC	France	Yes	Yes			BRRD does not apply
Bpifrance	France	Yes	No	Implicit		Do not expect application of bail-in
SAGESS	France	No				BRRD does not apply
AFL	France	Yes	No	Explicit		Do not expect application of bail-in
SFIL	France	Yes	No	Implicit		Do not expect application of bail-in
SGP	France	No				BRRD does not apply
3CIF	France	Yes	No	Explicit		Do not expect application of bail-in
BNG	The Netherlands	Yes	No	-	4.09%	4.10%
NWB	The Netherlands	Yes	No	-	2.71%	3.14%
FMO	The Netherlands	Yes	No	Implicit		Do not expect application of bail-in
OeKB	Austria	Yes	Yes			BRRD does not apply
ÖBB-Infrastruktur	Austria	No				BRRD does not apply
ASFiNAG	Austria	No				BRRD does not apply
KBN	Norway					Do not expect application of bail-in
SEK	Sweden	Yes	No	-	6.66%	6.66%
Kommuninvest	Sweden	Yes	No	Explicit		Do not expect application of bail-in
MuniFin	Finland	Yes	No	Explicit		Do not expect application of bail-in
KommuneKredit	Denmark	Yes	No	Explicit		Do not expect application of bail-in
Finnvera	Finland	Yes	Yes			BRRD does not apply
ICO	Spain	Yes	Yes			BRRD does not apply
FADE	Spain	No				BRRD does not apply
ADIF-AV	Spain	No				BRRD does not apply
CORES	Spain	No				BRRD does not apply
CDP	Italy	Yes	Yes			BRRD does not apply
REFER	Portugal	No				BRRD does not apply
BGK	Poland	Yes	Yes			BRRD does not apply
EXIM	Hungary	Yes	Yes			BRRD does not apply
DCL	Belgium/ France	Yes	No			Do not expect application of bail-in
JFM	Japan					BRRD does not apply because agency is outside of Europe.
DBJ	Japan					BRRD does not apply because agency is outside of Europe.
KDB	South Korea					BRRD does not apply because agency is outside of Europe.
KEXIM	South Korea					BRRD does not apply because agency is outside of Europe.
IBK	South Korea					BRRD does not apply because agency is outside of Europe.
EDC	Canada					BRRD does not apply because agency is outside of Europe.
CDB	China					BRRD does not apply because agency is outside of Europe.

NB: Data as at 31 December 2023.
Source: BRRD, CRD, issuers, NORD/LB Floor Research

Resolution fund support requires prior bail-in of at least 8% of balance sheet total

Before a national resolution fund would be able to directly participate in an institution and thereby support the relevant agency, a prior bail-in of at least 8% of the respective balance sheet total would be required. For financial agencies without an explicit or implicit guarantee, this means that, in future, the equity ratio and the proportion of subordinate liabilities ranked above senior debt in the hierarchy of liability would become increasingly prominent in the fundamental analysis. If the ratio of equity and subordinate capital to the balance sheet total exceeds 8%, participation of the resolution fund in crisis situations without a write-down of senior debt would be conceivable in principle.

BNG and NWB under special scrutiny

The capital ratios clearly indicate that BNG, NWB and SEK, in particular, are coming under slight pressure due to the BRRD. The capital ratios of the above agencies are significantly below 8%. This results in an inherent risk due to application of the bail-in instrument, since national resolution funds could not intervene without a minimum bail-in of 8%. In 2017 and previously, NWB had not adhered to the leverage ratio of 3% that is required under Basel III from 01 January 2018, which resulted in the equity capital buffer being increasingly expanded. Meanwhile, in the past financial year, BNG reached a value of more than 4%. For further information on the relevant balance sheet ratios of Dutch municipal banks, please refer to our Issuer Guide – Dutch Agencies 2024. In general, an improvement in the capital ratios can therefore be expected in these cases. However, in view of the extremely low-risk business model, we believe that it is unlikely that an equity ratio (even including subordinate capital) of 8% would be reached. Instead, we anticipate that fundamental analysis will increasingly come to the forefront at BNG, NWB and SEK. Features which all the institutions share, namely a conservative business model and a solid financial situation, are likely to remove a large part of the uncertainty surrounding application of the BRRD or the risk of a bail-in to these agencies. In addition, a model has been agreed for European promotional banks that enables them to fulfil the leverage ratio based on a modified procedure. As we understand it, the (promotional) institutions have had to meet an “adjusted” leverage ratio since mid-2021 that does not take into account pass-through loans, for example. Dutch agencies in particular invariably benefited from this in the past.

Advantage: state or public sector as owner

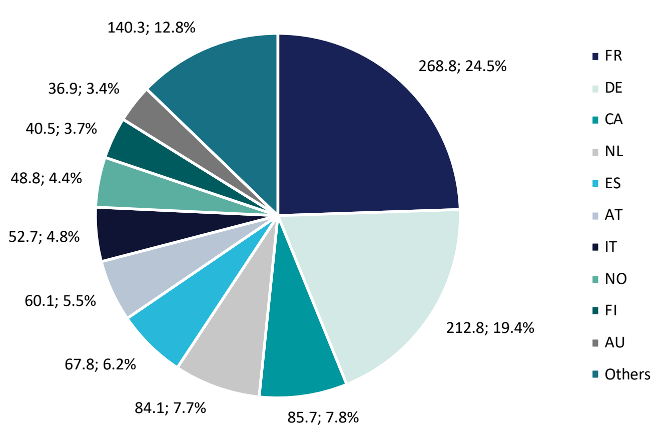
In this context, we also regard the ownership structure as a strength of the agencies. This structure is dominated by the state or public sector in the case of BNG, NWB and SEK. We expect that support measures would be implemented if there was any substantial deterioration in the financial situation, even before the conditions for resolution under BRRD are met.

Conclusion and comments

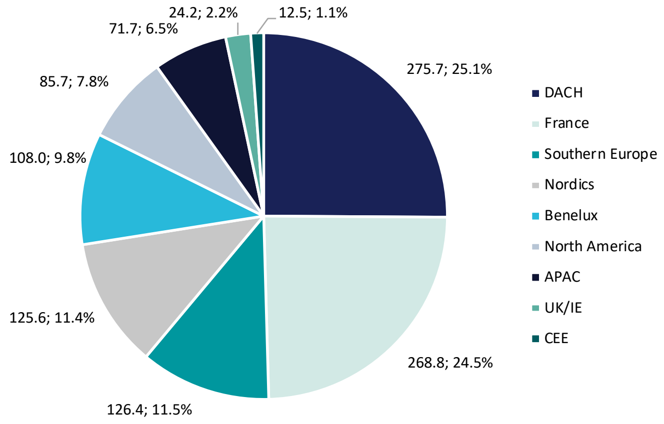
Although the BRRD has a direct effect on European agencies, a few institutions are excluded from the BRRD. However, the bail-in instrument, which is certainly the most potent implication of the BRRD from a valuation viewpoint, is likely to apply to only a few agencies. We expect that explicit and implicit liability arrangements would apply before any bail-in. Some regional German promotional banks are now explicitly exempt, meaning that the BRRD is, in our view, only of subordinate significance for the valuation of fair spreads. However, in our opinion, the implications for agencies that act as credit institutions and do not have any explicit or implicit guarantee are all the greater. Among the biggest European issuers, this is likely to affect the Dutch municipal banks BNG and NWB and the Swedish export financier SEK. At least from a legal viewpoint, we believe that a bail-in at these institutions could be conceivable. However, we fundamentally believe that there is scope for special arrangements under which senior debt could be excluded from any bail-in, provided further conditions are met. We nevertheless also expect that support measures by the state or public sector would be implemented if there was any indication of a substantial deterioration in the financial situation of the agencies. Unlike the scenario for private banks, it would certainly be possible in these cases that the state or the public sector would inject capital to prop up the relevant agency, even before a crisis situation escalates. Our view is that, due to the BRRD, the importance of fundamental analysis for BNG, NWB and SEK will increasingly come to the fore, even though the issuers have so far pursued a conservative business model and maintained a solid financial situation. Overall, we regard the BRRD as being of relatively minor importance in determining fair spread levels.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



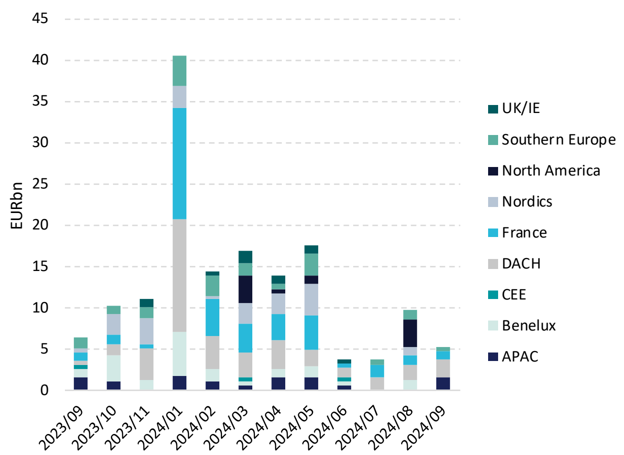
EUR benchmark volume by region (in EURbn)



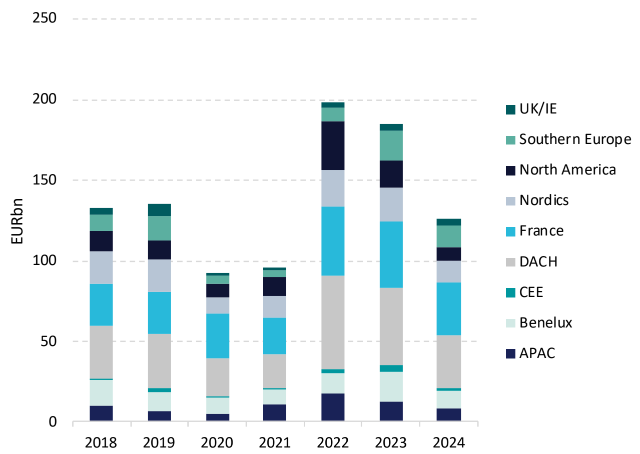
Top-10 jurisdictions

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	268.8	259	26	0.98	9.3	4.7	1.46
2	DE	212.8	300	43	0.66	7.7	3.9	1.48
3	CA	85.7	63	1	1.34	5.5	2.6	1.38
4	NL	84.1	85	3	0.93	10.4	5.9	1.37
5	ES	67.8	53	5	1.16	11.2	3.2	2.16
6	AT	60.1	101	5	0.59	8.1	4.2	1.54
7	IT	52.7	68	5	0.76	8.4	3.8	1.95
8	NO	48.8	59	12	0.83	7.3	3.5	1.06
9	FI	40.5	46	4	0.87	6.9	3.4	1.72
10	AU	36.9	34	0	1.09	7.1	3.3	1.85

EUR benchmark issue volume by month



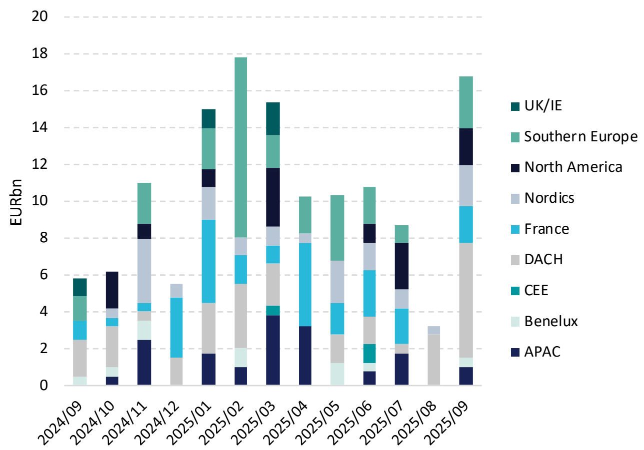
EUR benchmark issue volume by year



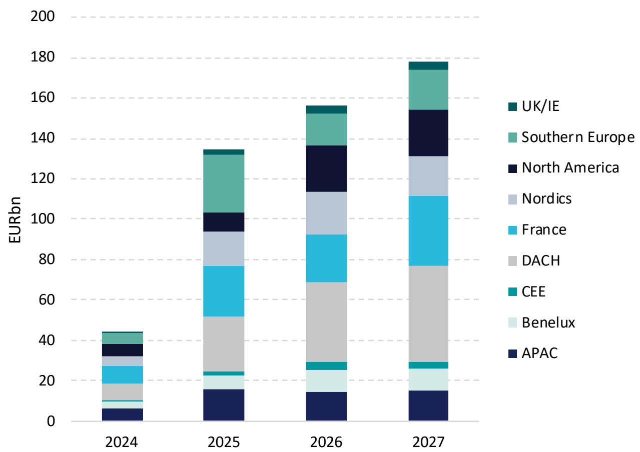
Source: Market data, Bloomberg, NORD/LB Floor Research

NORD/LB

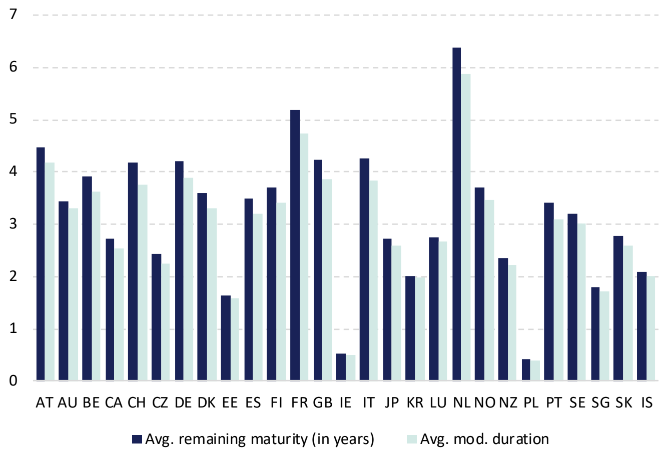
EUR benchmark maturities by month



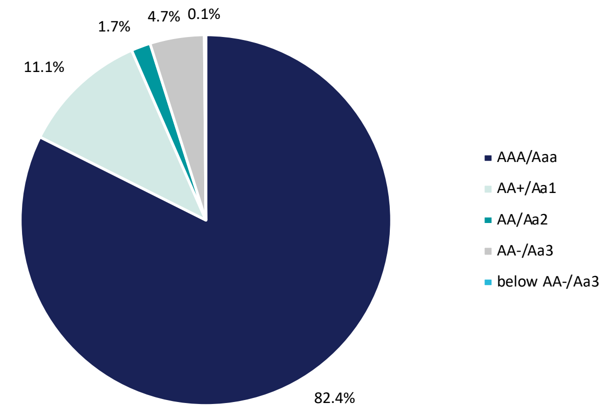
EUR benchmark maturities by year



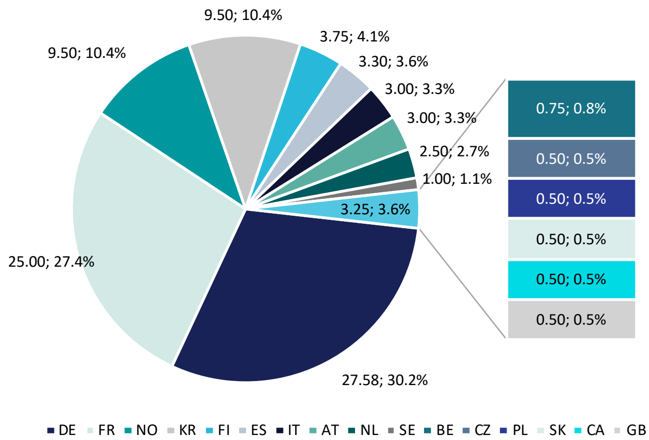
Modified duration and time to maturity by country



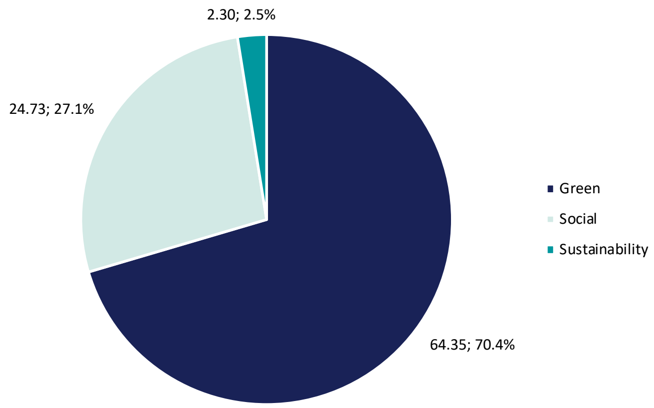
Rating distribution (volume weighted)



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

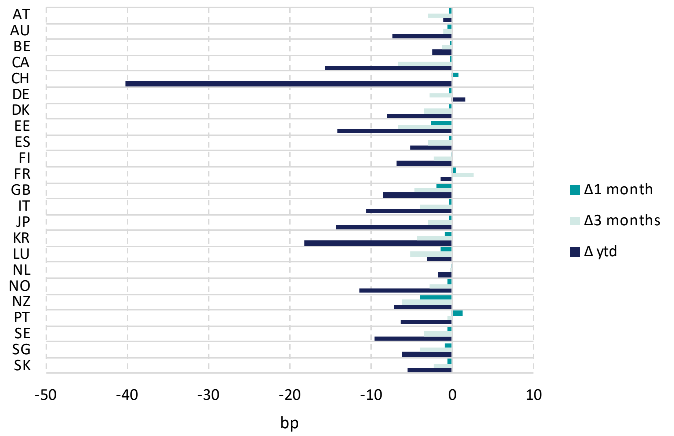


EUR benchmark volume (ESG) by type (in EURbn)

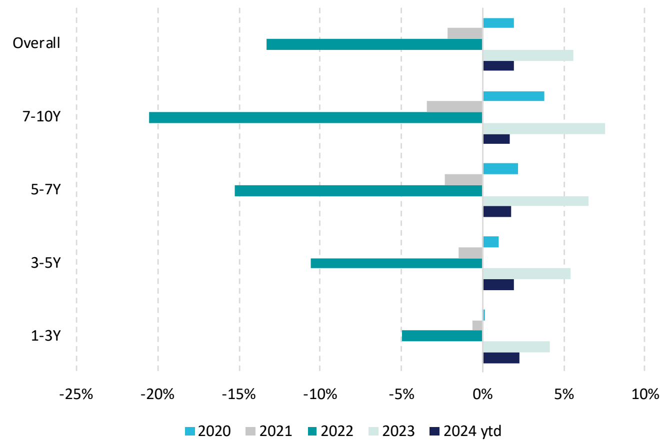


Source: Market data, Bloomberg, NORD/LB Floor Research

EUR benchmark emission pattern

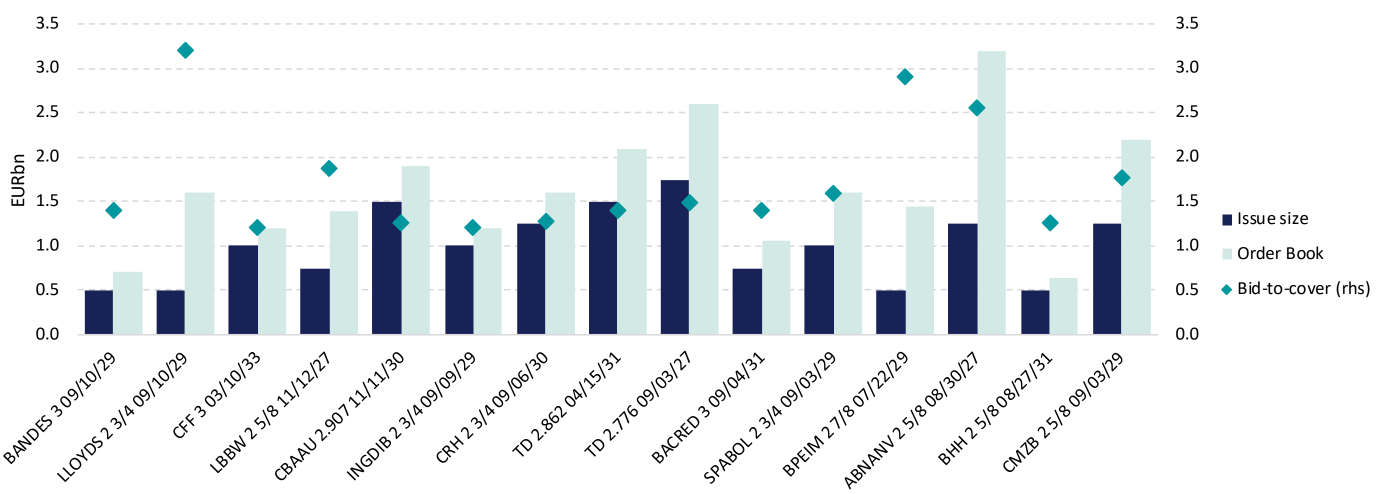


Covered bond performance (Total return)



Spread development (last 15 issues)

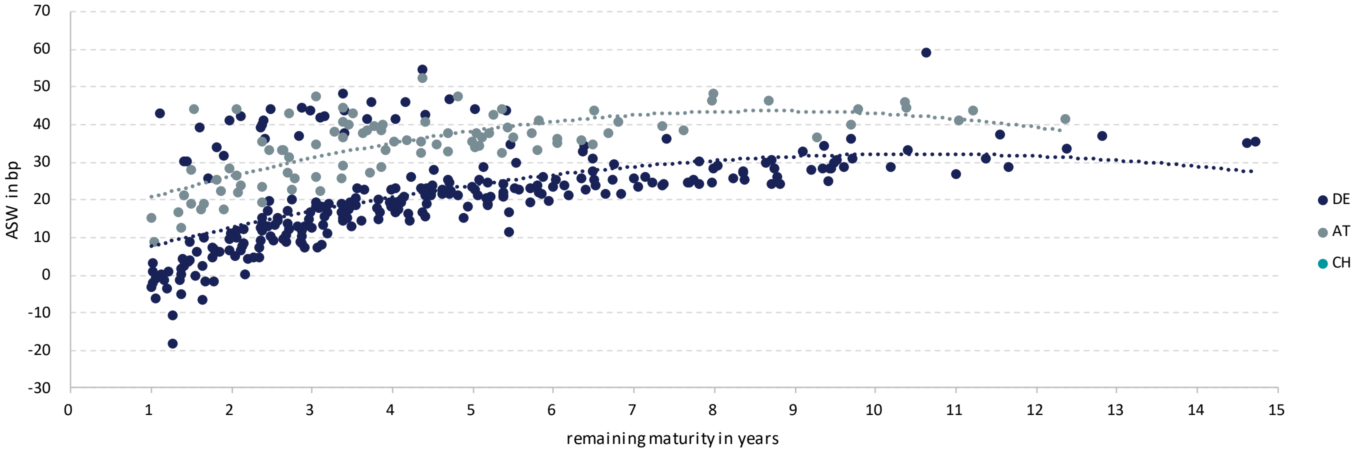
Order books (last 15 issues)



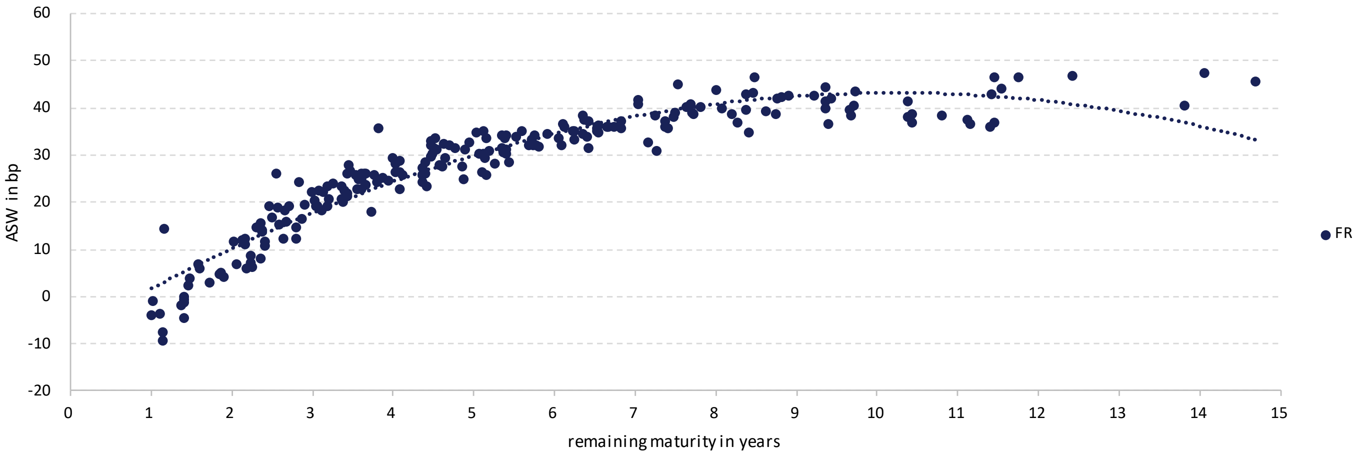
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

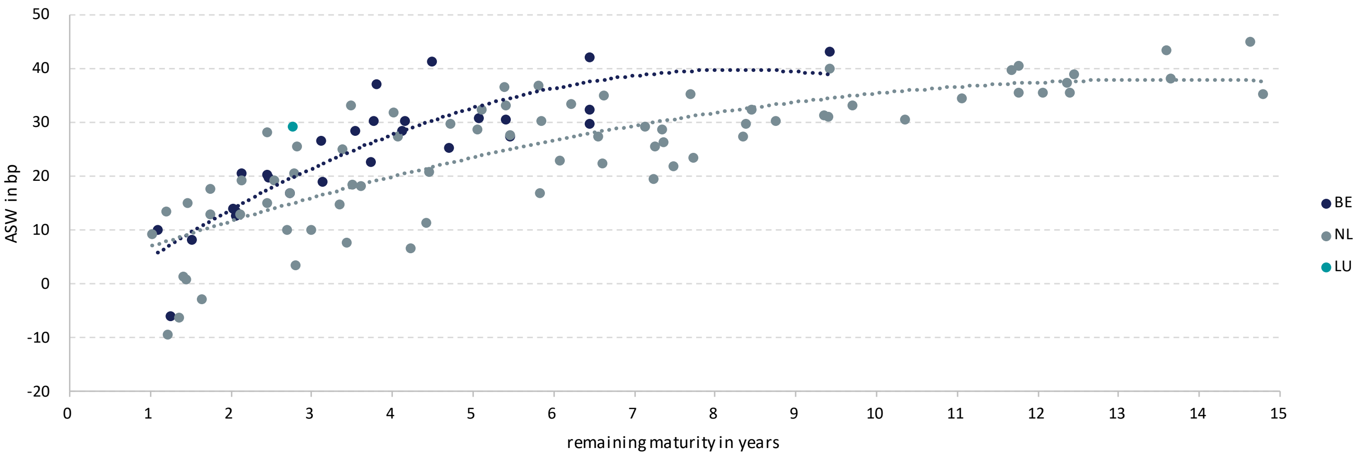
DACH



France



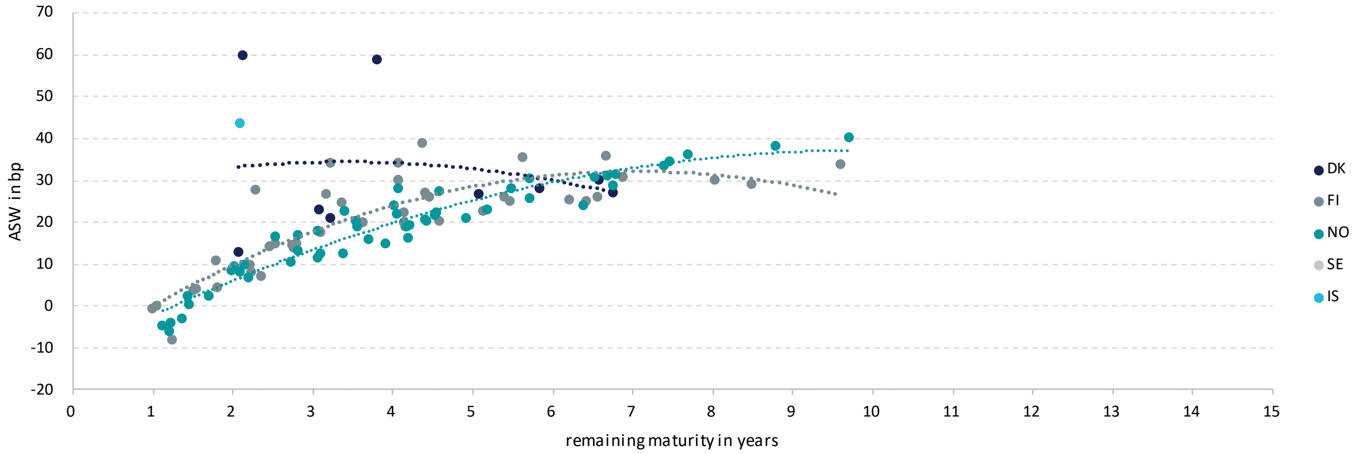
Benelux



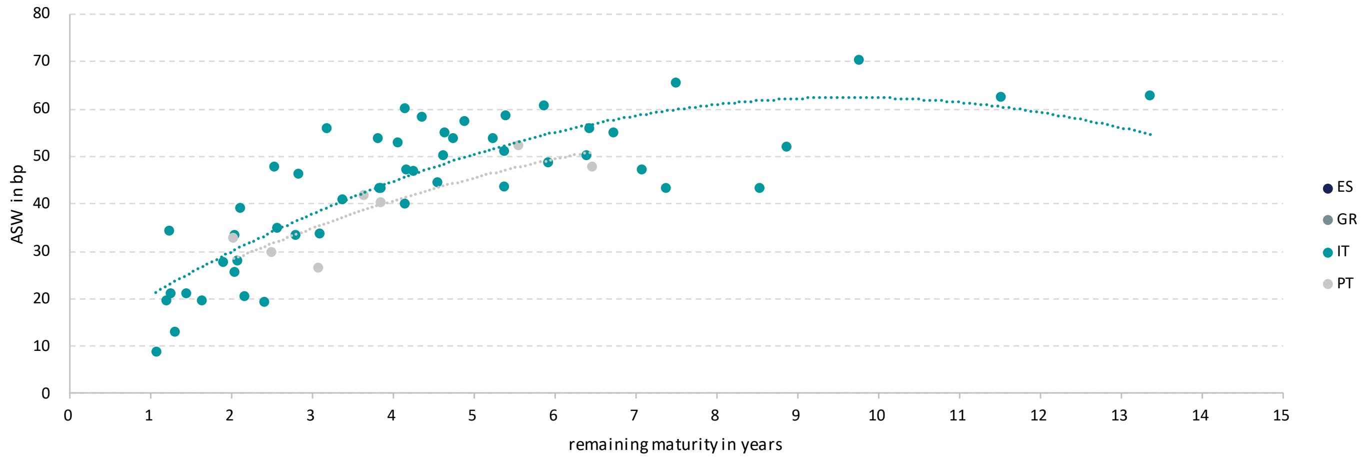
Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

NORD/LB

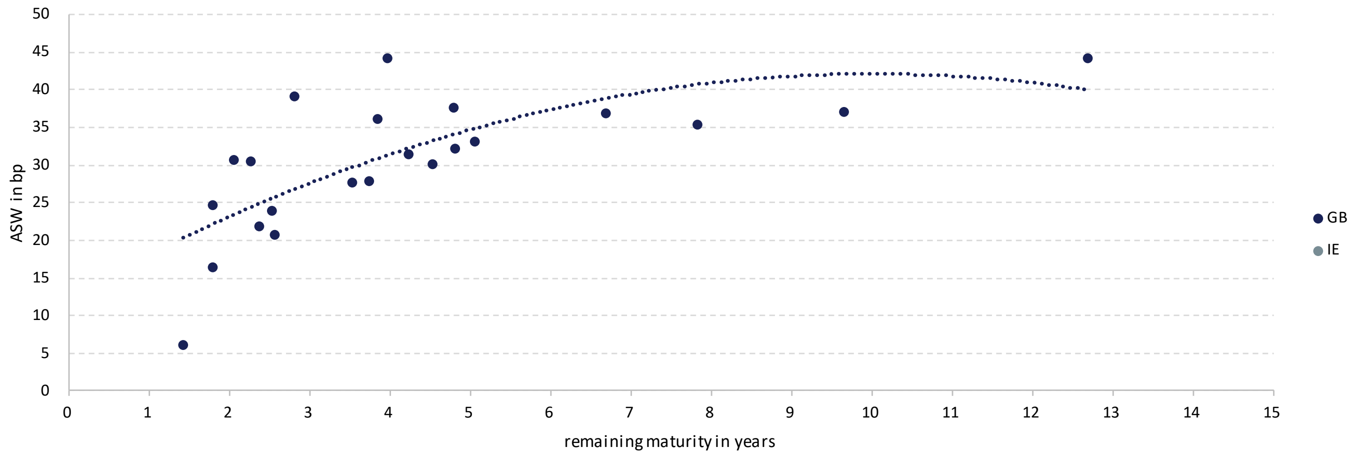
Nordics



Southern Europe

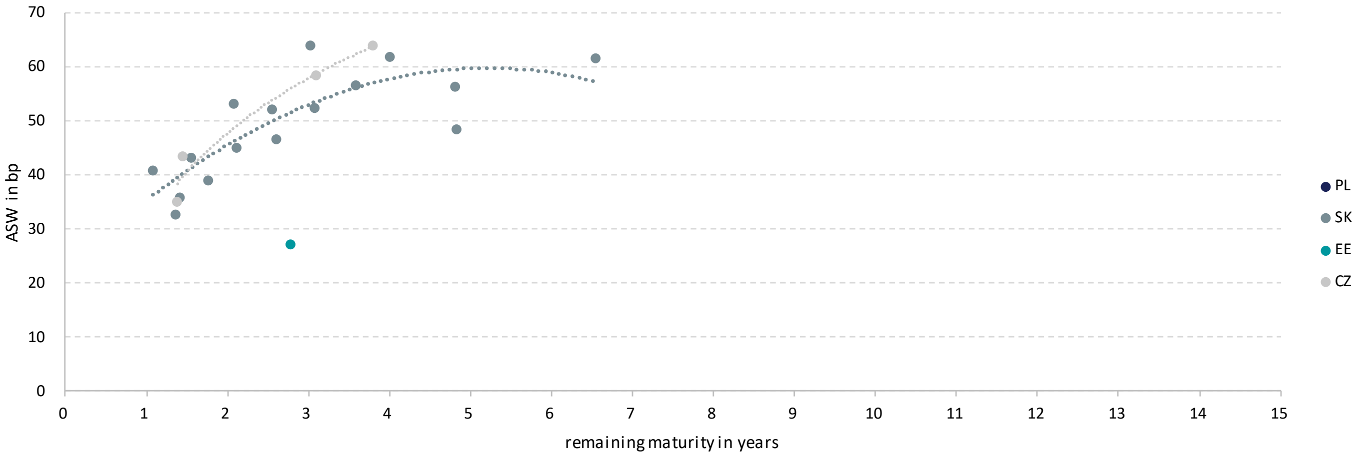


UK/IE

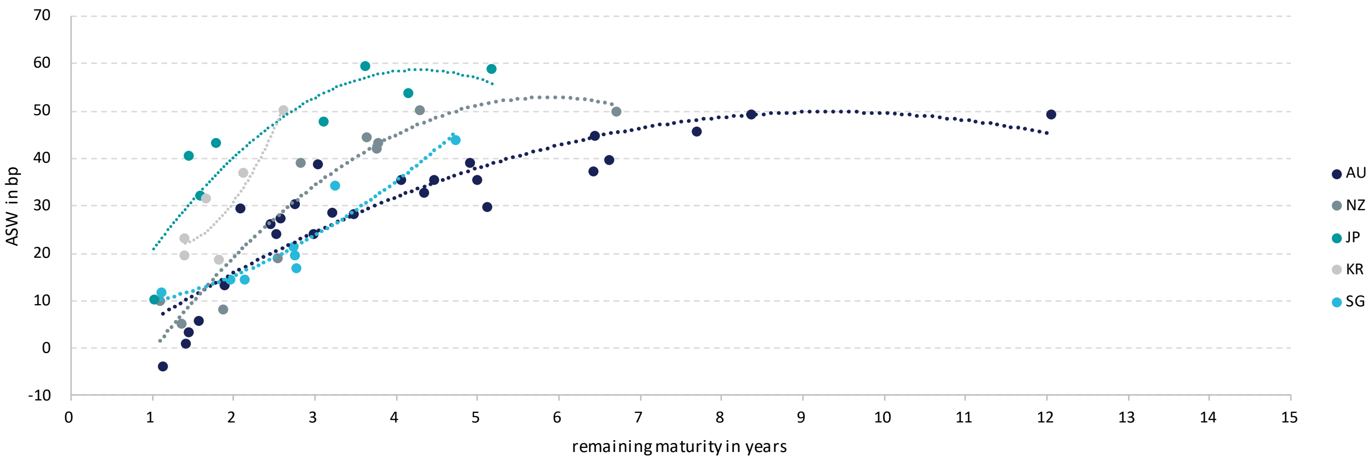


Source: Market data, Bloomberg, NORD/LB Floor Research

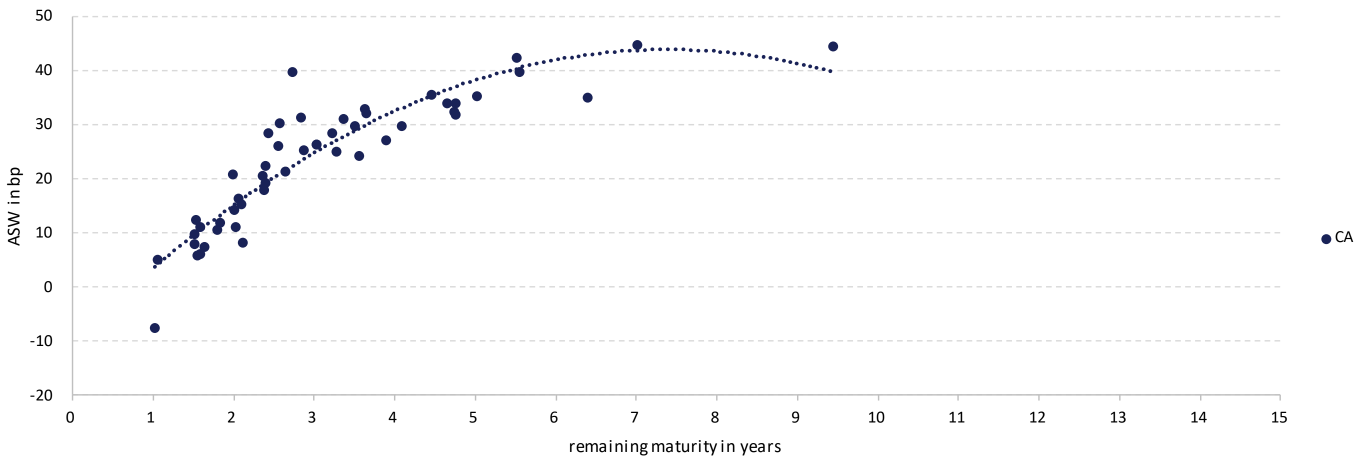
CEE



APAC



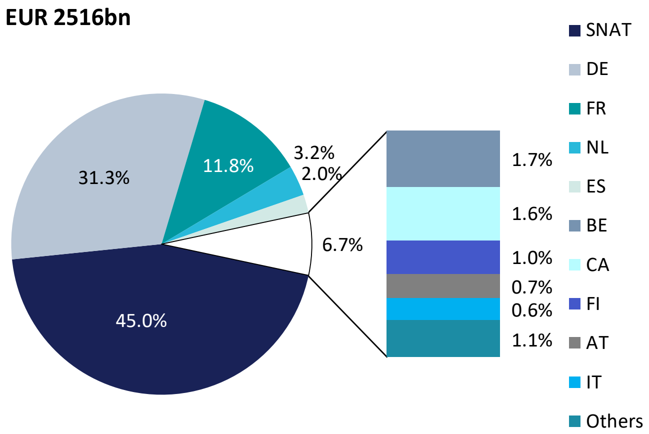
North America



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

Charts & Figures
SSA/Public Issuers

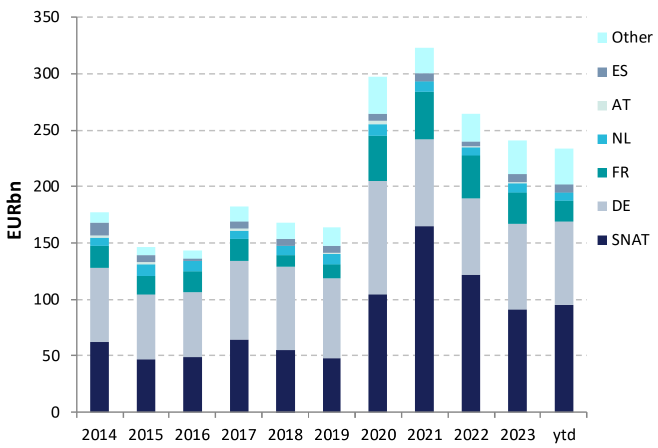
Outstanding volume (bmk)



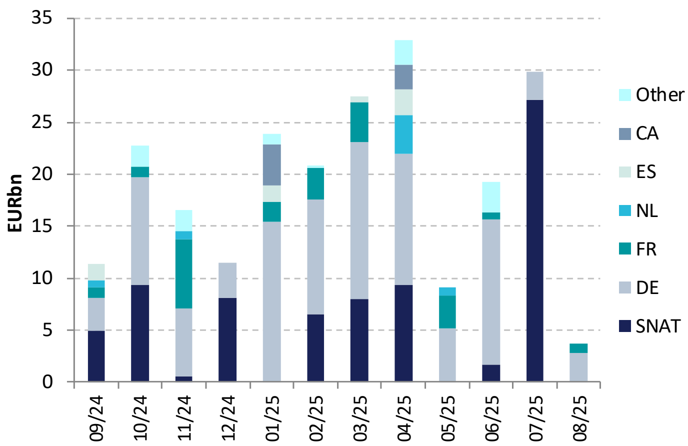
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,133.4	241	4.7	7.9
DE	786.5	589	1.3	6.2
FR	296.9	198	1.5	5.7
NL	81.7	68	1.2	6.6
ES	50.0	70	0.7	4.8
BE	41.6	45	0.9	10.6
CA	39.5	28	1.4	5.2
FI	25.2	26	1.0	4.4
AT	17.8	22	0.8	3.8
IT	15.6	20	0.8	4.5

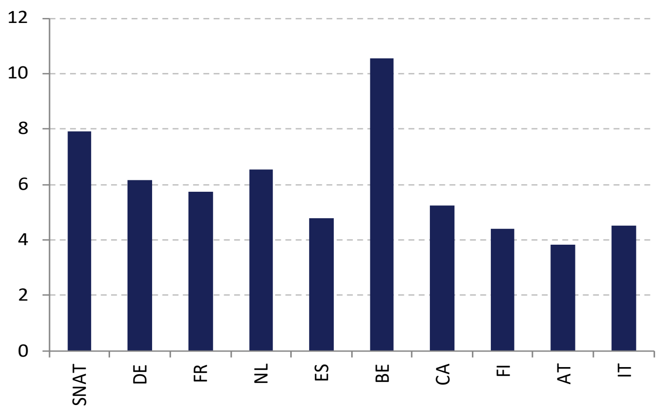
Issue volume by year (bmk)



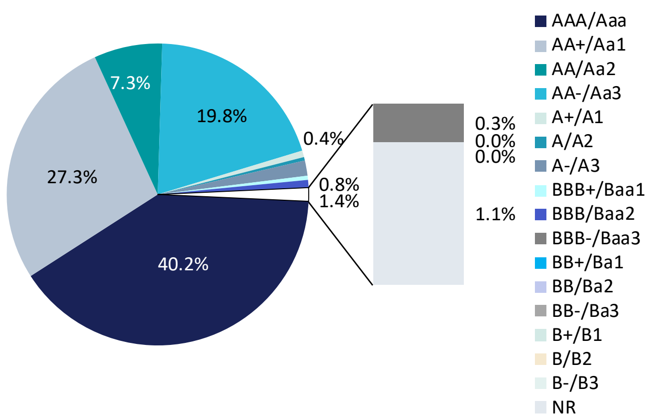
Maturities next 12 months (bmk)



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

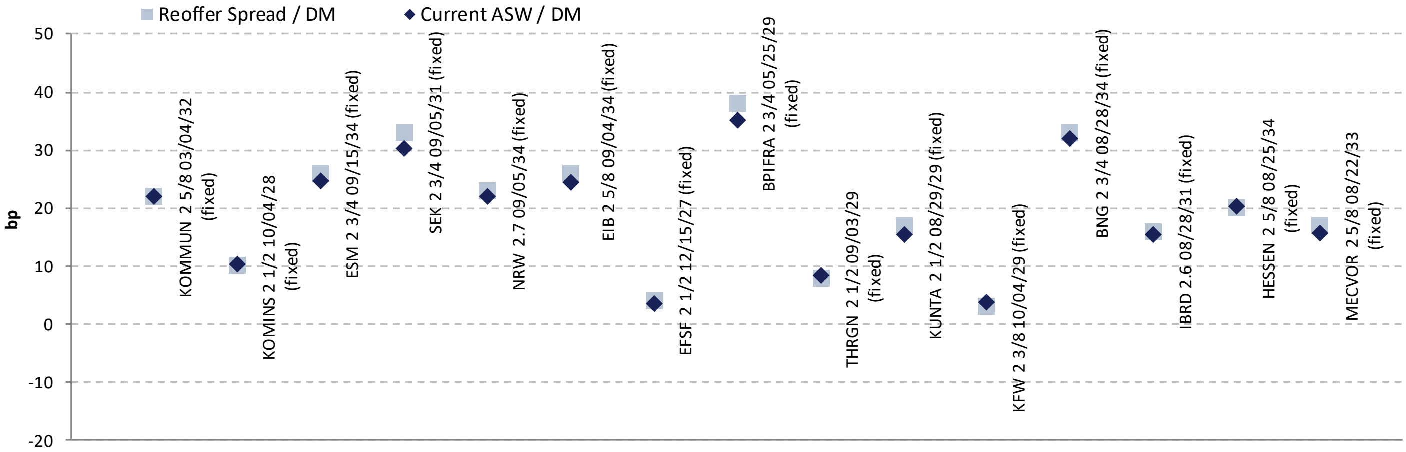


Rating distribution (vol. weighted)

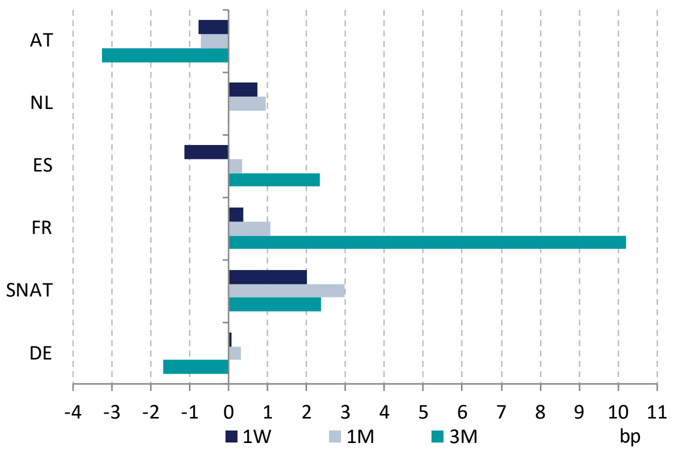


Source: Bloomberg, NORD/LB Floor Research

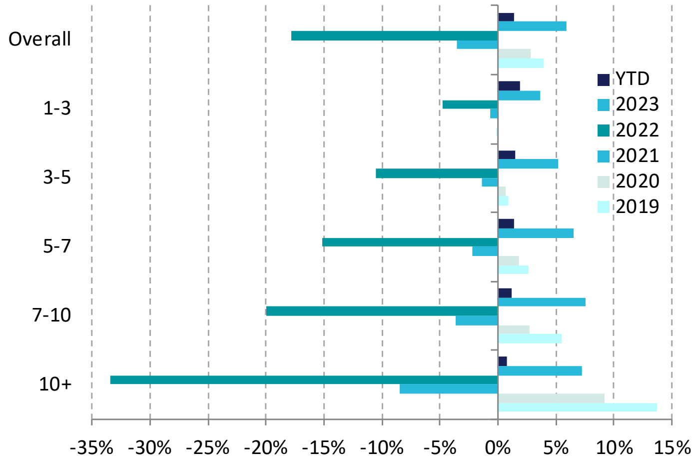
Spread development (last 15 issues)



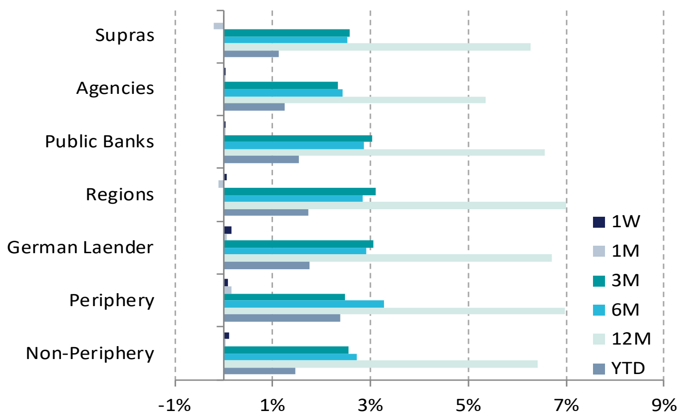
Spread development by country



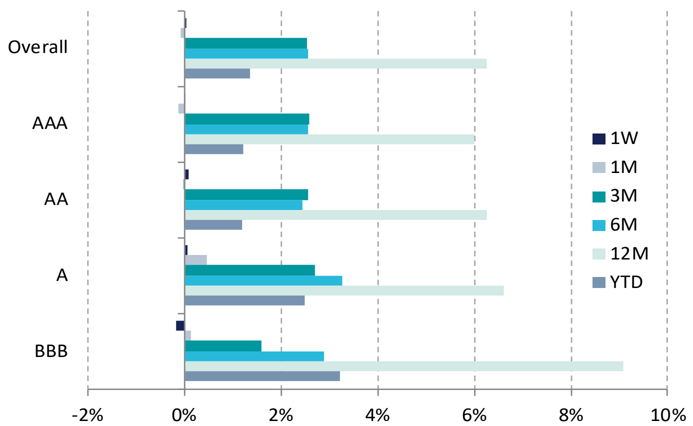
Performance (total return)



Performance (total return) by segments

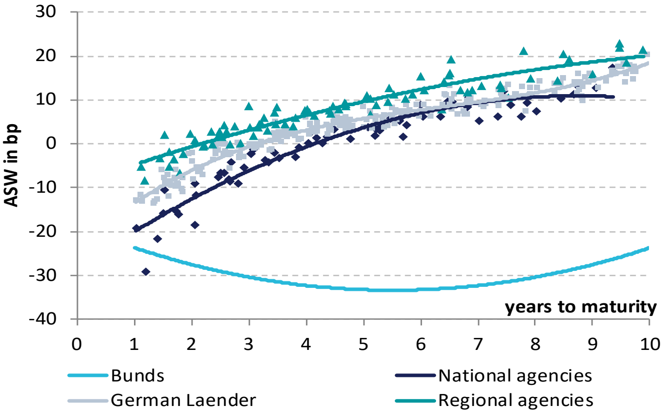


Performance (total return) by rating

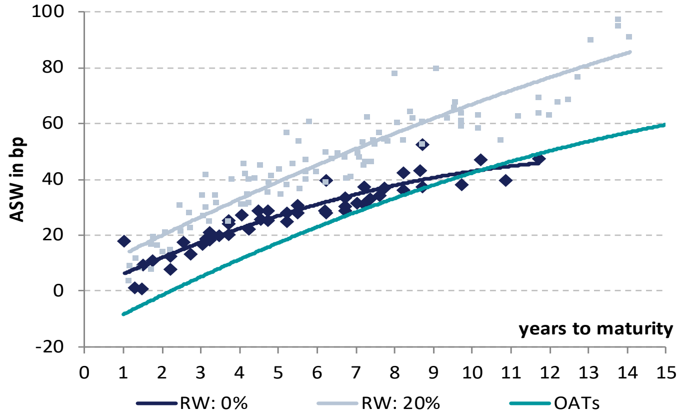


Source: Bloomberg, NORD/LB Floor Research

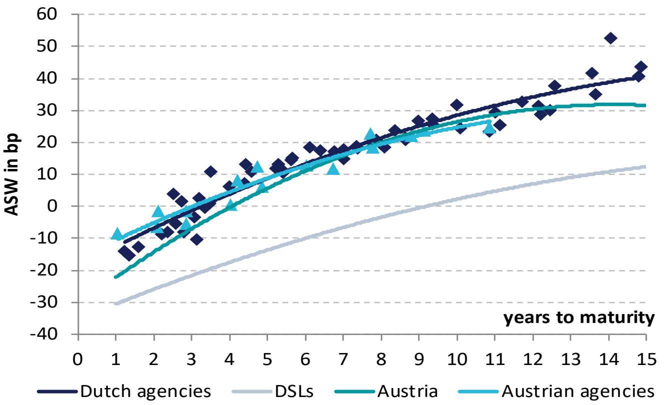
Germany (by segments)



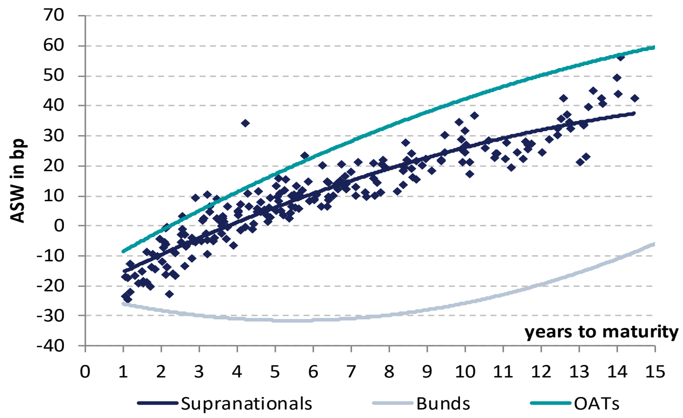
France (by risk weight)



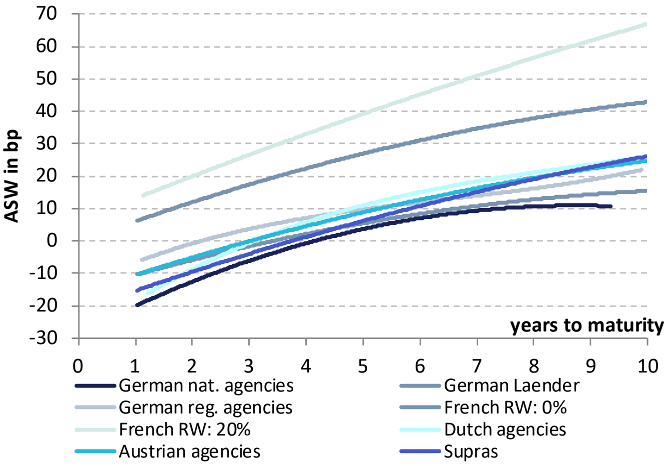
Netherlands & Austria



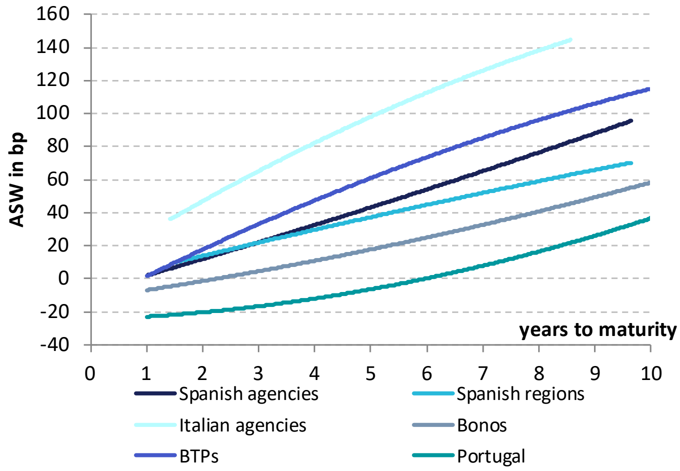
Supranationals



Core



Periphery



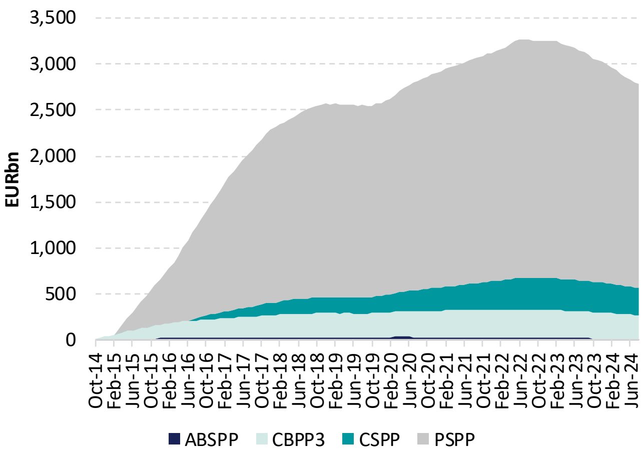
Source: Bloomberg, NORD/LB Floor Research

ECB tracker

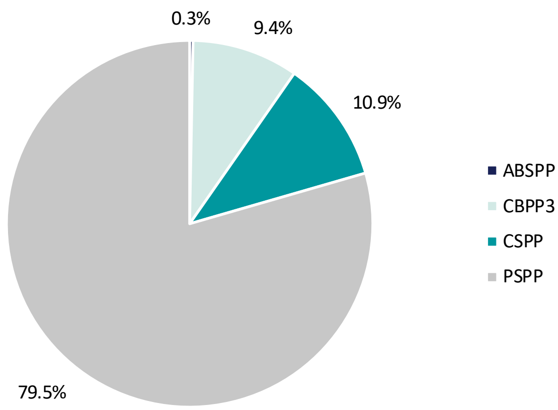
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Jul-24	8,641	262,403	303,010	2,227,758	2,801,812
Aug-24	8,398	261,861	302,758	2,217,196	2,790,213
Δ	-243	-541	-252	-10,562	-11,598

Portfolio development

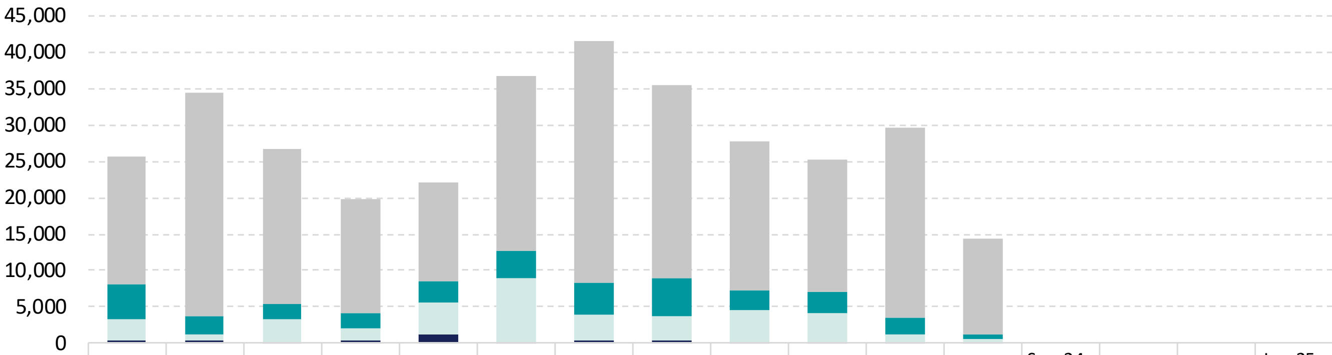


Portfolio structure



Source: ECB, NORD/LB Floor Research

Expected monthly redemptions (in EURm)

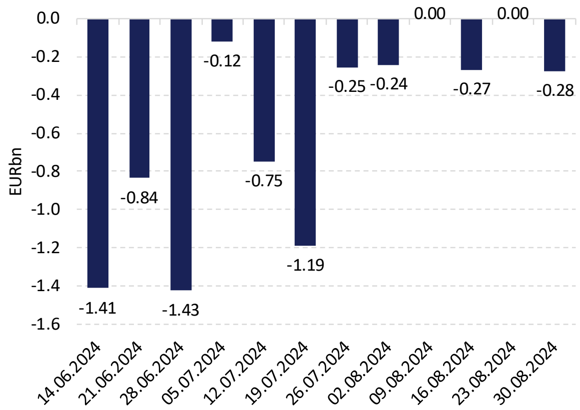


	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-24 - Aug-25	2023	2024	Jan-25 - Aug-25
APP	25,590	34,358	26,695	19,721	22,039	36,658	41,660	35,527	27,846	25,290	29,618	14,310	339,312	331,565	334,302	334,255
PSPP	17,505	30,578	21,298	15,643	13,463	24,021	33,379	26,671	20,541	18,261	26,161	13,114	260,635	255,025	264,480	253,586
CSPP	4,738	2,613	2,031	1,944	2,973	3,788	4,279	5,137	2,699	2,940	2,156	562	35,860	31,251	31,380	34,499
CBPP3	2,993	736	3,136	1,790	4,335	8,635	3,709	3,373	4,448	3,864	1,135	468	38,622	35,147	32,173	42,332
ABSPP	354	431	230	344	1,268	214	293	346	158	225	166	166	4,195	10,142	6,269	3,838

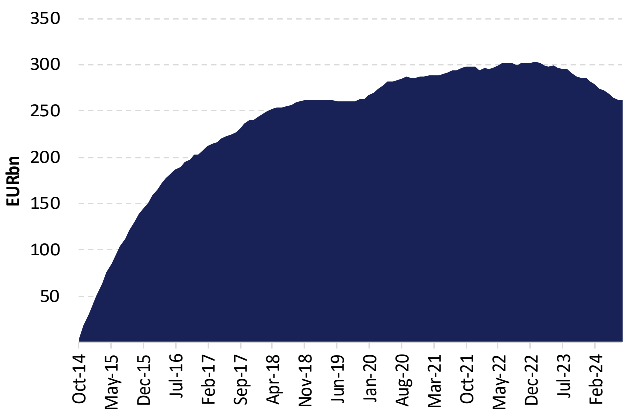
Source: ECB, Bloomberg, NORD/LB Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

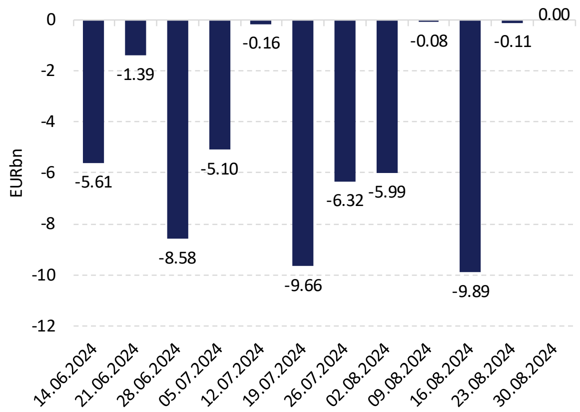


Development of CBPP3 volume

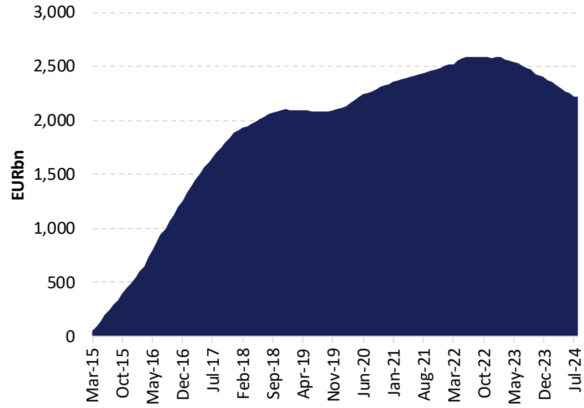


Public Sector Purchase Programme (PSPP)

Weekly purchases



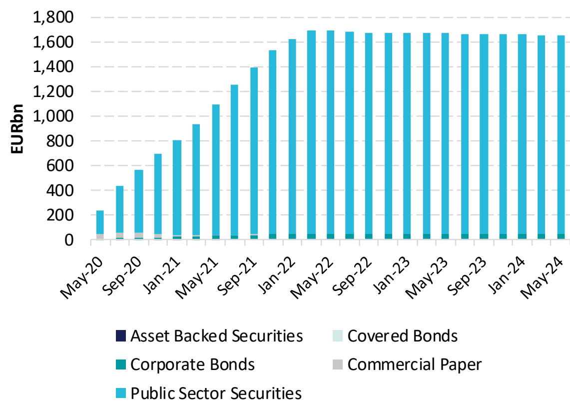
Development of PSPP volume



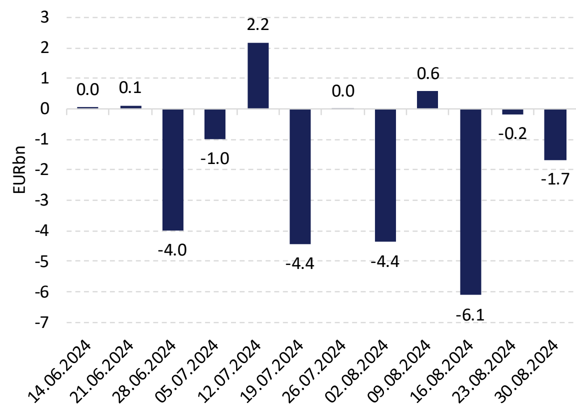
Source: ECB, Bloomberg, NORD/LB Floor Research

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
26/2024 ♦ 21 August	▪ Central bank eligibility of covered bonds ▪ Teaser: Issuer Guide – German Agencies 2024
25/2024 ♦ 14 August	▪ Development of the German property market (vdp index) ▪ Classification of Supranationals and Agencies under Solvency II
24/2024 ♦ 07 August	▪ Transparency requirements §28 PfandBG Q2/2024 ▪ Teaser: Issuer Guide – Spanish Agencies 2024
23/2024 ♦ 10 July	▪ Repayment structures on the covered bond market: An update ▪ SSA review: EUR-ESG benchmarks in H1/2024
22/2024 ♦ 03 July	▪ Covereds: Half-year review and outlook for the second half of 2024 ▪ SSA half-year review 2024
21/2024 ♦ 26 June	▪ The covered bond universe of Moody's: An overview ▪ Teaser: Issuer Guide – Austrian Agencies 2024
20/2024 ♦ 19 June	▪ New EUR benchmark issuer from Slovakia ▪ ECB repo collateral rules and their implications for Supranationals & Agencies
19/2024 ♦ 12 June	▪ ESG covered bonds: Green deals continue to dominate ▪ Teaser: Issuer Guide - Nordic Agencies 2024
18/2024 ♦ 29 May	▪ Transparency requirements §28 PfandBG Q1/2024 ▪ Development of the German property market (vdp Index) ▪ Spotlight on the EU as a mega issuer
17/2024 ♦ 15 May	▪ Standard Chartered Bank Singapore boosts APAC growth ▪ Stability Council convenes for 29th meeting
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

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 Q2/2024 (quarterly update)

Transparency requirements §28 PfandBG Q2/2024 Sparkassen (quarterly update)

SSA/Public Issuers:

Issuer Guide – German Laender 2024

Issuer Guide – German Agencies 2024

Issuer Guide – Canadian Provinces & Territories 2024

Issuer Guide – European Supranationals 2023

Issuer Guide – French Agencies 2023

Issuer Guide – Nordic Agencies 2024

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 2024

ECB: Taylor Swift and the inflation, or...

Appendix
Contacts at NORD/LB

Floor Research

Dr Frederik Kunze
Covered Bonds/Banks

+49 172 354 8977
frederik.kunze@nordlb.de

Lukas Kühne
Covered Bonds/Banks

+49 176 152 90932
lukas.kuehne@nordlb.de

Alexander Grenner
Covered Bonds/Banks

+49 157 851 65070
alexander.grenner@nordlb.de

Dr Norman Rudschuck, CIIA
SSA/Public Issuers

+49 152 090 24094
norman.rudschuck@nordlb.de

Christian Ilchmann
SSA/Public Issuers

+49 157 851 64976
christian.ilchmann@nordlb.de

Lukas-Finn Frese
SSA/Public Issuers

+49 176 152 89759
lukas-finn.frese@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
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

Sales Wholesale Customers

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

Treasury

Liquidity Management/Repos	+49 511 9818-9620 +49 511 9818-9650

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oek@nordlb.de

Disclaimer

The present report (hereinafter referred to as "information") was drawn up by NORDDEUTSCHE LANDESBANK GIROZENTRALE (NORD/LB). The supervisory authorities responsible for NORD/LB are the European Central Bank (ECB), Sonnemannstraße 20, D-60314 Frankfurt am Main, and the Federal Financial Supervisory Authority in Germany (Bundesanstalt für Finanzdienstleitungsaufsicht; BaFin), Graurheindorfer Str. 108, D-53117 Bonn and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main. The present report and the products and services described herein have not been reviewed or approved by the relevant supervisory authority.

The present information is addressed exclusively to Recipients in Austria, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Poland, Portugal, Singapore, Portugal, Spain, Sweden, Switzerland, the Republic of China (Taiwan), Thailand, the United Kingdom and Vietnam (hereinafter referred to as "Relevant Persons" or "Recipients"). The contents of the information are disclosed to the Recipients on a strictly confidential basis and, by accepting such information, the Recipients shall agree that they will not forward it to third parties, copy and/or reproduce this information without the prior written consent of NORD/LB. The present information is addressed solely to the Relevant Persons and any parties other than the Relevant Persons shall not rely on the information contained herein. In particular, neither this information nor any copy thereof shall be forwarded or transmitted to the United States of America or its territories or possessions, or distributed to any employees or affiliates of Recipients resident in these jurisdictions.

The present information does not constitute financial analysis within the meaning of Art. 36 (1) of the Delegate Regulation (EU) 2017/565, but rather represents a marketing communication for your general information **within the meaning of Art. 36 (2) of this Regulation. Against this background, NORD/LB expressly points out that this information has not been prepared in accordance with legal provisions promoting the independence of investment research and is not subject to any prohibition of trading following the dissemination of investment research.** Likewise, this information does not constitute an investment recommendation or investment strategy recommendation within the meaning of the Market Abuse Regulation (EU) No. 596/2014**.**

This report and the information contained herein have been compiled and are provided exclusively for information purposes. The present information is not intended as an investment incentive. It is provided for the Recipient's personal information, subject to the express understanding, which shall be acknowledged by the Recipient, that it does not constitute any direct or indirect offer, recommendation, solicitation to purchase, hold or sell or to subscribe for or acquire any securities or other financial instruments nor any measure by which financial instruments might be offered or sold.

All actual details, information and statements contained herein were derived from sources considered reliable by NORD/LB. For the preparation of this information, NORD/LB uses issuer-specific financial data providers, own estimates, company information and public media. However, since these sources are not verified independently, NORD/LB cannot give any assurance as to or assume responsibility for the accuracy and completeness of the information contained herein. The opinions and prognoses given herein on the basis of these sources constitute a non-binding evaluation of the employees of the Floor Research division of NORD/LB. Any changes in the underlying premises may have a material impact on the developments described herein. Neither NORD/LB nor its governing bodies or employees can give any assurances as to or assume any responsibility or liability for the accuracy, appropriateness and completeness of this information or for any loss of return, any indirect, consequential or other damage which may be suffered by persons relying on the information or any statements or opinions set forth in the present Report (irrespective of whether such losses are incurred due to any negligence on the part of these persons or otherwise).

Past performance is not a reliable indicator of future performance. Exchange rates, price fluctuations of the financial instruments and similar factors may have a negative impact on the value and price of and return on the financial instruments referred to herein or any instruments linked thereto. Fees and commissions apply in relation to securities (purchase, sell, custody), which reduce the return on investment. An evaluation made on the basis of the historical performance of any security does not necessarily provide an indication of its future performance.
The present information neither constitutes any investment, legal, accounting or tax advice nor any assurance that an investment or strategy is suitable or appropriate in the light of the Recipient's individual circumstances, and nothing in this information constitutes a personal recommendation to the Recipient thereof. The securities or other financial instruments referred to herein may not be suitable for the Recipient's personal investment strategies and objectives, financial situation or individual needs.

Moreover, the present report in whole or in part is not a sales or other prospectus. Accordingly, the information contained herein merely constitutes an overview and does not form the basis for any potential decision to buy or sell on the part of an investor. A full description of the details relating to the financial instruments or transactions which may relate to the subject matter of this report is given in the relevant (financing) documentation. To the extent that the financial instruments described herein are NORD/LB's own issues and subject to the requirement to publish a prospectus, the conditions of issue applicable to any individual financial instrument and the relevant prospectus published with respect thereto as well NORD/LB's relevant registration form, all of which are available for download at www.nordlb.de and may be obtained free of charge from NORD/LB, Georgsplatz 1, 30159 Hanover, shall be solely binding. Furthermore, any potential investment decision should be made exclusively on the basis of such (financing) documentation. The present information cannot replace personal advice. Before making an investment decision, each Recipient should consult an independent investment adviser for individual investment advice with respect to the appropriateness of an investment in financial instruments or investment strategies subject to this information as well as for other and more recent information on certain investment opportunities.

Each of the financial instruments referred to herein may involve substantial risks, including capital, interest, index, currency and credit risks in addition to political, fair value, commodity and market risks. The financial instruments could experience a sudden and substantial deterioration in value, including a total loss of the capital invested. Each transaction should only be entered into on the basis of the relevant investor's assessment of his or her individual financial situation as well as of the suitability and risks of the investment.

NORD/LB and its affiliated companies may participate in transactions involving the financial instruments described in the present information or their underlying basis values for their own account or for the account of third parties, may issue other financial instruments with the same or similar features as those of the financial instruments presented in this information and may conduct hedging transactions to hedge positions. These measures may affect the price of the financial instruments described in the present information.

If the financial instruments presented in this information are derivatives, they may, depending on their structure, have an initial negative market value from the customer's perspective at the time the transaction is concluded. NORD/LB further reserves the right to transfer its economic risk from a derivative concluded with it to a third party on the market by means of a mirror-image counter transaction.

More detailed information on any commission payments which may be included in the selling price can be found in the "Customer Information on Securities Business" brochure, which is available to download at www.nordlb.de.

The information contained in the present report replaces all previous versions of corresponding information and refers exclusively to the time of preparation of the information. Future versions of this information will replace this version. NORD/LB is under no obligation to update and/or regularly review the data contained in such information. No guarantee can therefore be given that the information is up-to-date and continues to be correct.
By making use of this information, the Recipient shall accept the terms and conditions outlined above.

NORD/LB is a member of the protection scheme of Deutsche Sparkassen-Finanzgruppe. Further information for the Recipient is indicated in clause 28 of the General Terms and Conditions of NORD/LB or at www.dsgv.de/sicherungssystem.

Additional information for Recipients in Australia:
NORD/LB IS NOT A BANK OR DEPOSIT TAKING INSTITUTION AUTHORISED UNDER THE 1959 BANKING ACT OF AUSTRALIA. IT IS NOT SUPERVISED BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY. NORD/LB does not provide personal advice with this information and does not take into account the objectives, financial situation or needs of the Recipient (other than for the purpose of combating money laundering).

Additional information for Recipients in Austria:
None of the information contained herein constitutes a solicitation or offer by NORD/LB or its affiliates to buy or sell any securities, futures, options or other financial instruments or to participate in any other strategy. Only the published prospectus pursuant to the Austrian Capital Market Act should be the basis for any investment decision of the Recipient. For regulatory reasons, products mentioned herein may not be on offer in Austria and therefore not available to investors in Austria. Therefore, NORD/LB may not be able to sell or issue these products, nor shall it accept any request to sell or issue these products to investors located in Austria or to intermediaries acting on behalf of any such investors.

Additional information for Recipients in Belgium:
Evaluations of individual financial instruments on the basis of past performance are not necessarily indicative of future results. It should be noted that the reported figures relate to past years.

Additional information for Recipients in Canada:
This report has been prepared solely for information purposes in connection with the products it describes and should not, under any circumstances, be construed as a public offer or any other offer (direct or indirect) to buy or sell securities in any province or territory of Canada. No financial market authority or similar regulatory body in Canada has made any assessment of these securities or reviewed this information and any statement to the contrary constitutes an offence. Potential selling restrictions may be included in the prospectus or other documentation relating to the relevant product.

Additional information for Recipients in Cyprus:
This information constitutes an analysis within the meaning of the section on definitions of the Cyprus Directive D1444-2007-01 (No. 426/07). Furthermore, this information is provided for information and promotional purposes only and does not constitute an individual invitation or offer to sell, buy or subscribe to any investment product**.**

Additional information for Recipients in the Czech Republic:
There is no guarantee that the invested amount will be recouped. Past returns are no guarantee of future results. The value of the investments may rise or fall. The information contained herein is provided on a non-binding basis only and the author does not guarantee the accuracy of the content.

Additional information for Recipients in Denmark:
This Information does not constitute a prospectus under Danish securities law and consequently is not required to be, nor has been filed with or approved by the Danish Financial Supervisory Authority, as this Information either (i) has not been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market within the meaning of the Danish Securities Trading Act or any executive orders issued pursuant thereto, or (ii) has been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market in reliance on one or more of the exemptions from the requirement to prepare and publish a prospectus in the Danish Securities Trading Act or any executive orders issued pursuant thereto.

Additional information for Recipients in Estonia:
It is advisable to closely examine all the terms and conditions of the services provided by NORD/LB. If necessary, Recipients of this information should consult an expert.

Additional information for Recipients in Finland:
The financial products described herein may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, in the case of shares, such shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act (746/2012, as amended). The value of investments may go up or down. There is no guarantee of recouping the amount invested. Past performance is no guarantee of future results.

Additional information for Recipients in France:
NORD/LB is partially regulated by the "Autorité des Marchés Financiers" for the conduct of French business. Details concerning the extent of our regulation by the respective authorities are available from us on request. The present information does not constitute an analysis within the meaning of Article 24 (1) Directive 2006/73/EC, Article L.544-1 and R.621-30-1 of the French Monetary and Financial Code, but does represent a marketing communication and does qualify as a recommendation pursuant to Directive 2003/6/EC and Directive 2003/125/EC.

Additional information for Recipients in Greece:
The information contained herein gives the view of the author at the time of publication and may not be used by its Recipient without first having confirmed that it remains accurate and up to date at the time of its use. Past performance, simulations or forecasts are therefore not a reliable indicator of future results. Investment funds have no guaranteed performance and past returns do not guarantee future performance.

Additional information for Recipients in Indonesia:
This report contains generic information and has not been tailored to the circumstances of any individual or specific Recipient. This information is part of NORD/LB's marketing material.

Additional information for Recipients in the Republic of Ireland:
This information has not been prepared in accordance with Directive (EU) 2017/1129 (as amended) on prospectuses (the "Prospectus Directive") or any measures made under the Prospectus Directive or the laws of any Member State or EEA treaty adherent state that implement the Prospectus Directive or such measures and therefore may not contain all the information required for a document prepared in accordance with the Prospectus Directive or the laws.

Additional information for Recipients in Japan:
This information is provided to you for information purposes only and does not constitute an offer or solicitation of an offer to enter into securities transactions or commodity futures transactions. Although the actual data and information contained herein has been obtained from sources which we believe to be reliable and trustworthy, we are unable to vouch for the accuracy and completeness of this actual data and information.

Additional information for Recipients in South Korea:
This information has been provided to you free of charge for information purposes only. The information contained herein is factual and does not reflect any opinion or judgement of NORD/LB. The information contained herein should not be construed as an offer, marketing, solicitation to submit an offer or investment advice with respect to the financial investment products described herein.

Additional information for Recipients in Luxembourg:
Under no circumstances shall the present information constitute an offer to purchase or issue or the solicitation to submit an offer to buy or subscribe for financial instruments and financial services in Luxembourg.

Additional information for Recipients in New Zealand:
NORD/LB is not a bank registered in New Zealand. This information is for general information only. It does not take into account the Recipient's financial situation or objectives and is not a personalised financial advisory service under the 2008 Financial Advisers Act.

Additional information for Recipients in the Netherlands:
The value of your investment may fluctuate. Past performance is no guarantee for the future.

Additional information for Recipients in Poland:
This information does not constitute a recommendation within the meaning of the Regulation of the Polish Minister of Finance Regarding Information Constituting Recommendations Concerning Financial Instruments or Issuers thereof dated 19 October 2005.

Additional information for Recipients in Portugal:
This information is intended only for institutional clients and may not be (i) used by, (ii) copied by any means or (iii) distributed to any other kind of investor, in particular not to retail clients. The present information does not constitute or form part of an offer to buy or sell any of the securities covered by the report, nor should it be understood as a request to buy or sell securities where that practice may be deemed unlawful. The information contained herein is based on information obtained from sources which we believe to be reliable, but is not guaranteed as to accuracy or completeness. Unless otherwise stated, all views contained herein relate solely to our research and analysis and are subject to change without notice.

Additional information for Recipients in Sweden:
This information does not constitute (or form part of) a prospectus, offering memorandum, any other offer or solicitation to acquire, sell, subscribe for or otherwise trade in shares, subscription rights or other securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The present information has not been approved by any regulatory authority. Any offer of securities will only be made pursuant to an applicable prospectus exemption under the EC Prospectus Directive (Directive (EU) 2017/1129), and no offer of securities is being directed to any person or investor in any jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, other offer documentation, registrations or other actions.

Additional information for Recipients in Switzerland:
This information has not been approved by the Federal Banking Commission (merged into the Swiss Financial Market Supervisory Authority (FINMA) on 1 January 2009). NORD/LB will comply with the Directives of the Swiss Bankers Association on the Independence of Financial Research (as amended). The present information does not constitute an issuing prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations. The information is published solely for the purpose of information on the products mentioned herein. The products do not qualify as units of a collective investment scheme pursuant to the Federal Act on Collective Investment Schemes (CISA) and are therefore not subject to supervision by FINMA.

Additional information for Recipients in the Republic of China (Taiwan):
This information is provided for general information only and does not take into account the individual interests or requirements, financial status and investment objectives of any specific investor. Nothing herein should be construed as a recommendation or advice for you to subscribe to a particular investment product. You should not rely solely on the information provided herein when making your investment decisions. When considering any investment, you should endeavour to make your own independent assessment and determination on whether the investment is suitable for your needs and seek your own professional financial and legal advice. NORD/LB has taken all reasonable care in producing this report and trusts that the information is reliable and suitable for your situation at the date of publication or delivery. However, no guarantee of accuracy or completeness is given. To the extent that NORD/LB has exercised the due care of a good administrator, we accept no responsibility for any errors, omissions, or misstatements in the information given. NORD/LB does not guarantee any investment results and does not guarantee that the strategies employed will improve investment performance or achieve your investment objectives.

Information for Recipients in the United Kingdom:
NORD/LB is subject to partial regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Details of the scope of regulation by the FCA and the PRA are available from NORD/LB on request. The present information is "financial promotion". Recipients in the United Kingdom should contact the London office of NORD/LB, Investment Banking Department, telephone: 0044 / 2079725400, in the event of any queries. An investment in financial instruments referred to herein may expose the investor to a significant risk of losing all the capital invested.

Time of going to press: 04 September 2024 (08:49)