Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview
Covered Bonds

Authors: Lukas Kühne // Dr Frederik Kunze

Primary market: attention turns towards the start of 2025

It should come as no surprise to anyone that once again no issuers came to the market over the past five trading days. This is all the confirmation we need to state that we are well and truly in the midst of the winter break, with attention starting to now turn towards the new year. We expect brisk issuance activity at the start of 2025 with a distinct focus on the medium maturity segment. In addition, it once again seems highly likely that the first mandates for the new year will be communicated before the current year is out. German Pfandbrief banks are likely to once again take centre stage in this regard. The question of "attractive" pricing will also inevitably arise for investors, while some issuers will also be keeping an eye on the execution risk. In this respect, they could accordingly act with regard to the selected term, price communication and the announced issue size. In this context, we believe that new issue premiums from the trading month of January 2024 (average: +6.1bp) or January 2023 (+6.4bp) are more likely to serve as suitable benchmarks than the corresponding metrics from 2022 (+1.3bp) or 2021 (-0.2bp). Nevertheless, differentiations by issuer, term and jurisdiction will also be important aspects to take into account. Once again, new issue premiums will be higher at the long end. This is due to the fact that the repricing movement was stopped in its tracks before it really even got going on account of the winter break and general market situation. Our expectations for 2025 can be found in our NORD/LB Covered Bond Outlook, which we published in the previous week.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

Secondary market: quiet end to the year?

Over on the secondary market, it can certainly be said that the quiet end to the year's trading is continuing. Here and there, we would even say that the market has become conciliatory to a certain degree. With low sales overall, there is ultimately a preponderance of purchase inquiries. However, some sales have been observed at the short end, with a few in the longer maturity segment too. At the start of 2025, new issuance activities and the expected increase in new issue premiums associated with this should also have an impact on the secondary market. In particular, we expect the curves to widen in relatively moderate fashion in the maturity segment of three to seven years.

Fitch: low issuance volume from the APAC region in Q3 2024

The rating experts from Fitch have presented their report covering events in the covered bond segment across the APAC region in the third quarter of 2024. In this context, Fitch focused in particular on issuance activities in the APAC region, which overall, can be described as low during the reporting period. According to Fitch, this led to lower weighted residual maturities in all APAC jurisdictions, with the exception of South Korea. As a result of this development, increased issuance volumes can be expected in the coming years. Fitch confirmed the rating of seven issuers (rating: AAA) and sees no need for any changes due to the recent adjustment it made to its own rating methodology.

Rating outlook 2025: S&P expects stable covered bond ratings

Last week, the rating experts from S&P presented their covered bond outlook for 2025, in which they projected an issuance volume for benchmarks from Europe of around EUR 140bn. According to S&P, the slight decline in the new business forecast compared with issuance activities in the present year is primarily due to growing deposit business and continued stagnation in the lending sector. With regard to the real estate markets relevant to the quality of the cover pools, S&P notes a stabilisation or increase in real estate prices. However, the rating experts also state that this assessment does not apply equally to all markets; Germany, for example, continues to show weaker development. According to S&P, while the performance of the commercial assets in the cover pools remains largely stable, tension continues to shape the overall situation on the commercial real estate market. In terms of the covered bond ratings of French programmes, no significant impact on the downgrade of the central government was identified by S&P. One reason for this are the OC ratios, which remain perfectly adequate. In addition, the covered bond programmes rated by S&P have an average of two unused notches of uplift as protection against a potential issuer downgrade. According to the rating experts, a similar picture emerges as far as any potential downgrade of a central government is concerned. On average, the sovereign rating can be lowered by 2.5 notches without entailing a downgrade of the covered bond programme. According to S&P, there would be no change to roughly 75% of all covered bond ratings in the event that the central government or issuer were downgraded by a single notch. Mortgage-backed covered bonds from Greece, Italy and Spain, as well as public covered bonds from Belgium, France and the UK, would be more strongly impacted by a downgrade of the central government.

...while Moody’s anticipates that credit quality will remain strong

In addition to the risk experts at S&P, last week the rating agency Moody’s published a covered bond outlook for 2025 of its own. In terms of the credit quality of the covered bonds included in the cover pools, Moody’s expects a continuation of the robust situation. Mortgage cover pool values are in particular likely to benefit from falling inflation and declining unemployment figures, as well as rising property prices. According to Moody’s, there should be a greater focus in 2025 on credit risks from commercial real estate financing. The predominantly stable or positive rating outlooks of most covered bond issuers are seen as supporting factors for the covered bond segment. A similar trend to that seen in issuer ratings can also be observed in relation to sovereign ratings, Moody’s explains. In this respect, only three countries in which Moody’s also rates at least one covered bond issuer have a negative outlook. Globally speaking, issuer ratings could be lowered by 3.5 notches on average without leading to a downgrade in the ratings of covered bond programmes. The number of unused notches of uplift varies considerably from country to country. Regarding the regulatory implications for the covered bond segment, the rating experts are of the view that the implementation of the latest Basel III reforms is credit positive for covered bonds, as these should help to curb overheating tendencies in the real estate sector. According to Moody’s, higher demand for mortgages and impending maturities will support issuance activities in 2025. Conversely, from a relative value perspective, the high deposit base of European banks and the current spread landscape could well have an opposite effect on issuance behaviour across the coming year.

Market overview
SSA/Public Issuers
Authors: Dr Norman Rudschuck, CIIA // Lukas-Finn Frese

ECB preview 2025: Downhill with Lagarde, but no speeding, please

What a year it has been – again! Not a single topic was fully resolved, meaning that all monetary policy, geostrategic and political issues will roll over to next year.

- Federal elections in Germany will take place in February instead of September, including expected unstable majorities.
- A resulting Bund-swap-spread that has historically reversed but now appears to have at least for now bottomed out.
- Developments in France that almost no one can keep up with. There is only no progress in budget consolidation.
- Ukraine, the EU and the U.S. – Europe would be at a loss on its own, not just financially, as raising more money would also mean a lack of money elsewhere.
- Reform of the German debt brake for more investments, etc.

Accordingly, the ECB is not to be envied when it meets tomorrow, Thursday, given that the rate of inflation is currently (expected to be) going up again and the ECB faces having to make several finely tuned interest rate cuts in 2025. As part of our ECB Preview, we described our expectations for the final meeting of the ECB's Governing Council in 2024 as well as for the coming year. We assume the ECB's Governing Council will conclude that all three key rates will need to be cut by -25bp each again. This means that the current deposit facility rate (DFR) of 3.25% will be reduced to 3%, the main refinancing rate of 3.4% to a still unusually round 3.15% and the marginal lending facility rate of 3.65% to 3.4%. Regular readers of our publication are already familiar with a mantra we have grown fond of – cut, sleep, repeat. Therefore, we expect that key rates will not be adjusted at the next meeting in January 2025. Rather, the next cut will be implemented in March 2025. The bottom line is that, in line with this cycle, we expect a maximum of four interest rate cuts in the coming year.

MADRID receives first rating from Scope

European rating agency Scope has expanded its coverage to include a credit rating for the Spanish region of Madrid (ticker: MADRID) in its publications. A rating of A was affirmed for the region, with a stable outlook. The risk experts highlighted the sub-sovereign's strong credit profile, in particular. The agency stated that Madrid displayed sound financial management as well as a robust budgetary performance. Additional stability is provided by the region's diversified economy, which is carried by high-quality sectors and considerable foreign direct investments. Compared with other Spanish regions, Madrid benefits from excellent access to the international capital markets. Scope's experts also explained that the region depends on state financial support to a minimal extent, since it repaid all its debt to the central government by 2020. The rating agency additionally emphasised Madrid's high fiscal autonomy in combination with favourable funding conditions. Nevertheless, Scope pointed out some future challenges for the region: for example, the debt burden in absolute terms remains high, despite recent efforts to improve its debt metrics.

Berlin: status report on budget emergency as at the end of October 2024

In all probability, the German federal state of Berlin (ticker: BERGER) will close the current fiscal year with a budget deficit of EUR -4.2bn. This emerged from the updated status report on the budget situation as at the reporting date of 31 October 2024. On presentation by the Minister of Finance (Senator) Stefan Evers, Berlin's Senate approved the budget in its meeting on 03 December 2024. The presentation was based on estimates from the second supplementary budget as well as the updated projections in relation to the annual financial statements regarding the city state's overall budget. According to the latest results of the tax revenue estimate of last October, Berlin expects a positive figure of EUR 45m as a result of slightly higher tax receipts. Regarding other revenue including asset capitalisation, additional revenue of EUR 345m more than budgeted is projected, primarily in view of the higher contribution of the federal government (Bund) to district transfer payments. However, on the spending side, it was calculated that the consumption expenditure would exceed estimates by EUR 1.8bn.

Schleswig-Holstein presents 2030 climate action plan

Climate action has advanced in Schleswig-Holstein (ticker: SCHHOL) with specific projects. On 03 December 2024, the regional government presented an agenda with its 2030 Climate Action Plan (Klimaschutzprogramm, KSP), which defines clear-cut steps towards the federal state becoming a climate neutral industrial region in this decade. Implementation of the measures is set to occur in different acts of law and regulations. According to the regional government's information, the KSP heralds a paradigm shift in climate and environmental policy. To date, the status quo in terms of climate policy was described annually as part of the "Monitoringbericht Energiewende und Klimaschutz" (monitoring report on energy transition and climate protection). It only provided information as to whether the sub-sovereign had met the previous year's targets and remained "on course". The KSP is a climate policy tool that allows a glimpse into the future for the first time. In it, the regional government explains how greenhouse gas emissions will need to be reduced by 2030 in the sectors of energy industry, industry, buildings, transport and agriculture to ensure progress towards climate neutrality, as well as restoring carbon sinks. A broadly-based participation scheme has turned climate protection into a joint task of the regional government and of Schleswig-Holstein as a whole in the past two years. Each government department and all economic, social and environmental associations, science and, by means of a public consultation, civil society were involved in the debate. Some of the most important measures for reducing emissions include replacing coal-fired utility boilers in Flensburg and Wedel, expanding electromobility/electric vehicle infrastructure and local public transport as well as promoting the hydrogen core network in order to drive forward the transition in industry. Daniel Günther, Minister President of Schleswig-Holstein, said: "Our government has a concrete plan for implementing climate action targets in the coming years. At the same time, we will further expand the advantage of Schleswig-Holstein's location as a green energy hub of the future in northern Europe. The 2030 Climate Action Plan is more than a package of measures. It is a 'climate policy order book' of the regional government, which all departments will be putting into practice full steam ahead." Whether issuance of ESG bonds is linked to the financing of this package of measures under the KSP in the long term cannot be inferred from the information available at this point. Schleswig-Holstein has not drawn up the relevant framework up to now. At present, five of the 16 German Laender have such a framework in place. In view of the growing importance of climate change and environmental protection, we see substantial potential for improvement at the level of the Laender in this context.

The Bahamas become the 22nd member country of CAF
The Corporación Andina de Fomento (ticker: CAF) has extended its group of shareholders. Following the inclusion of The Bahamas, the multilateral development bank (MDB) now has 22 member countries and according to information provided by CAF, is on the right track to becoming the MDB with the most expansive presence in Central and South America. This is reflected, in particular, in more support for green and sustainable development projects. The government of The Bahamas completed the procedure for admission on 27 November 2024 and has since been a Series C Shareholder. This is to facilitate enhanced access to agile, flexible and innovative financing. For further information, please refer to our NORD/LB Issuer Guide – Non-European Supranationals (MDBs) 2024.

SSA Advent bonds: EUR benchmark bond issues in December since 2014
December is generally considered to be a very weak month when it comes to bond issues. That is, if any issuers at all dare to venture onto the metaphorically icy trading floor in the run-up to Christmas. Nevertheless, from time to time, opportunities do arise in the last month of the year to conclude funding transactions for the current year or to carry out pre-funding activities for the year ahead. All in all, market activities are always fairly limited. Since 2014, we have recorded EUR benchmark bond issues worth EUR 14bn in total, divided across 12 different ISINs in December (taking into account the securities mentioned in the next section). A single transaction of the EU from 2022 (EUR 6.5bn, 15y, ms +21bp) accounts for just under half of this total amount. The deal represented both the last issue of social bonds by the European Union under the SURE programme and the last benchmark bond issue launched in December up to today’s publication. Last year, no deals of that order came onto our screens. Overall, there have been three years (2015, 2019 and 2023) in the eleven trading years since 2014 when no new benchmark bond issues were placed in December. Other December issuers have further included the EIB and Eurofima.

Primary market
After the SSA primary market floor was too icy in the previous week, the German Laender donned their metaphorical ice skates and successfully navigated the market. We mentioned the issue of a floating rate note from Baden-Wuerttemberg (ticker: BADWUR) in the last edition of our weekly publication. The federal state was looking to raise EUR 500m with a maturity just short of three years, which it successfully raised in line with the guidance at +19bp against the six-month Euribor. Next up was the Free State of Bavaria (ticker: BAYERN), which approached investors with its first EUR benchmark bond since 2020. In this transaction, a total of EUR 500m changed hands at ms +32bp with a maturity of slightly over eight years. At the start of this week, the Free Hanseatic City of Bremen (ticker: BREMEN) then increased the volume of its 2029 bond issued in mid-November by EUR 250m at ms +30bp. Away from primary market activities, KfW (ticker: KFW) announced its funding target for the coming year of EUR 65-70bn during the bank’s Global Investor Broadcast. Of this, a sum of EUR 10bn is again to be raised by means of green bonds. Furthermore, the EU also published its funding requirement for H1/2025. It emerged from the relevant funding planning that the European Union intends to raise fresh funds amounting to EUR 90bn during this period. The EU’s global investor call is scheduled for tomorrow.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BAYERN	DE	05.12.	DE0001053908	8.1y	0.50bn	ms +32bp	- / Aaa / AAA	-
BADWUR	DE	04.12.	DE000A3H25Y6	2.8y	0.50bn	6mE +19bp	- / Aaa / AA+	-

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

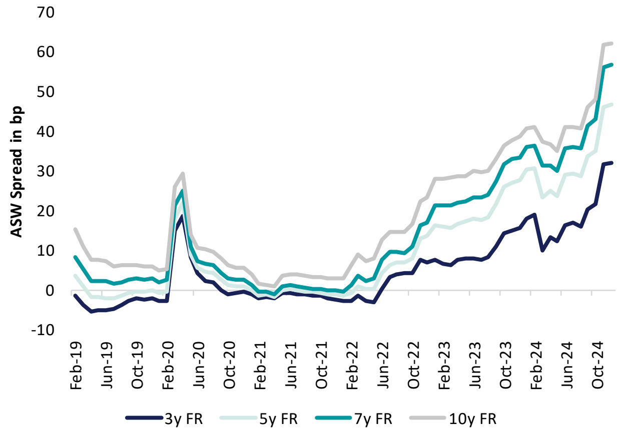
Covered Bonds
Focus on France: Covered bond view of Groupe CCF

Authors: Lukas Kühne // Dr Frederik Kunze

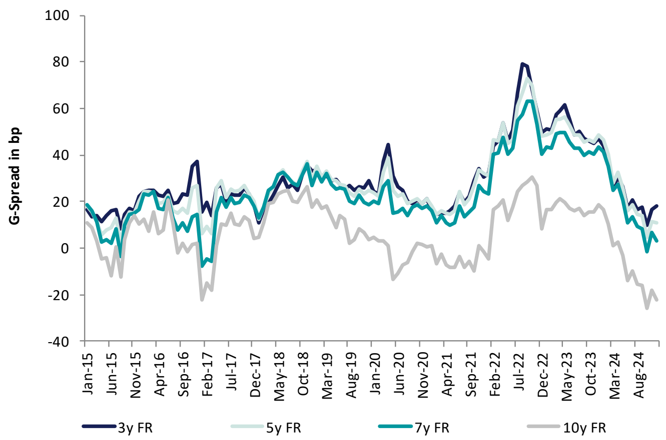
The market for French covered bonds in EUR benchmark format in 2024

As 2024 draws to a close, we are taking the opportunity to look again at France, a jurisdiction where the movement in spreads and issuance activity has been heavily influenced, in our opinion, by the news situation. Over the course of the year, the widening in covered bond spreads here has been disproportionately large compared with German Pfandbriefe for example. Over the same period, however, the generic G-Spread in France, which is the difference between OATs and French covered bonds, tightened considerably in all four maturity bands under review. At the long end in particular, the generic spread even went into negative territory. Since the start of 2024, the French primary market has been on a remarkable journey. After a strong showing from French institutions in the first half of the year, which we believe eased some of the funding pressure after the summer break, political and fiscal uncertainty and associated media coverage notably dampened the willingness of covered bond issuers in France to place deals. Ultimately, French issuers placed EUR benchmarks with a volume of EUR 38.5bn (36 bonds) in the primary market in 2024, with these activities attributable to 11 covered bond programmes overall. The total market for EUR benchmarks from France currently stands at EUR 268.8bn. In total, 15 issuance programmes in France currently have outstanding bonds. The fact that some “active pools” did not issue any new deals in 2024 can be put down to a number of reasons. In this issue of our weekly publication, we examine one group in France, whose “inactivity” in the last two years we believe is due to an extensive restructuring process. Since this process is now complete, it is highly likely that the CCF Group, which has two active issuance programmes, will be more active with bond issues in the future.

ASW spreads FR: covered bonds (generic; EUR BMK)

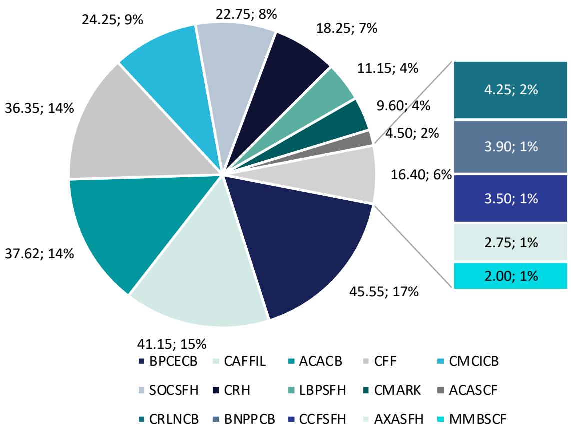


Spreads FR: covereds vs. OAT (generic; EUR BMK)

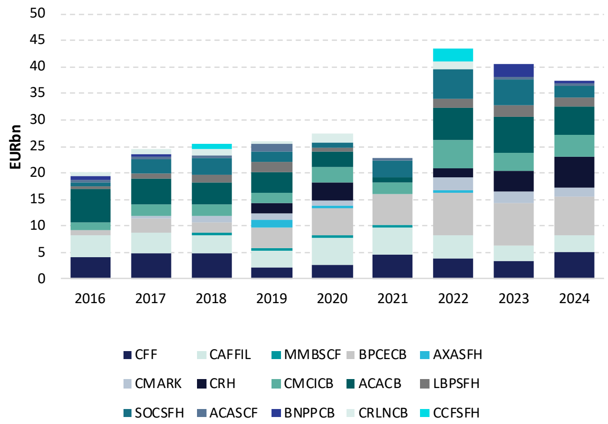


Source: Market data, Bloomberg, NORD/LB Floor Research

EUR-benchmarks FR: outstanding volume (EURbn)



EUR-benchmarks FR: issues (EURbn)



Source: ECBC, NORD/LB Floor Research

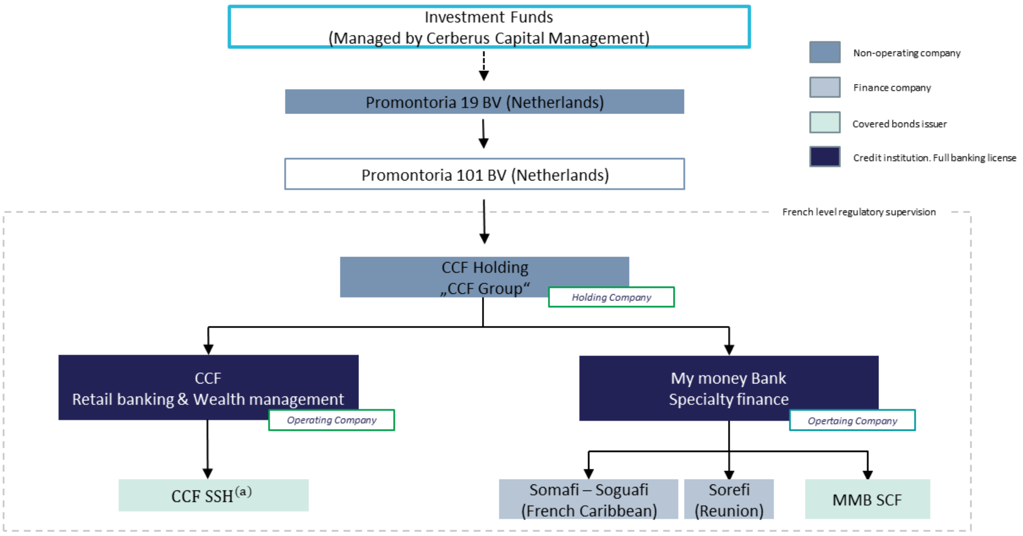
CCF Group: active in the Retail Banking and Specialty Finance segments

Group CCF, which at present has two covered bond issuance programmes, underwent restructuring in 2024 and is active in the Retail Banking and Speciality Finance segments via the entities CCF and My Money Bank. The current group structure results, among other factors, from the takeover of the French retail banking operations of HSBC Continental Europe by My Money Group (please also refer to the current Investor Presentation). My Money Group was renamed Group CCF and now functions as the holding company for the operating units CCF (retail banking and wealth management) and My Money Bank (specialty finance). The private equity company, Cerberus Capital, owns CCF Group via two holding companies. Overall, the group has assets of EUR 33bn, of which 79% (EUR 26bn) is attributable to the retail banking operations of CCF, while 21% (EUR 7bn) is attributable to My Money Bank and its subsidiaries Somafi-Soguafi and Sorefi. As total assets have now exceeded the EUR 30bn threshold, from 1 January 2025 Group CCF will come under the supervision of the ECB. CCF focuses on granting residential loans to private individuals. According to the bank, it has an excellent market position in affluent urban centres and among clients of high net worth in particular and also boasts recognised expertise in the area of wealth management. Through its branch network, CCF is mainly represented in larger French towns and cities where it has a market share of 5-10% among high-net-worth clients. This client group accounts for 83% (May 2024) of all deposits as well as 77% of all sales (figure based on historic data). Unlike CCF, the business model of My Money Bank focuses on specialty finance for the refinancing of mortgage loans, auto and consumer finance in French overseas territories as well as granting mortgage loans, mainly for financing commercial projects in the Paris region. With regard to the refinancing of mortgage loans, the bank has a leading market position in France with a share of 40% (FY 2023). Its market share for auto and consumer finance in French overseas territories and for unsecured funding is cited at 18% and 7% respectively. The group's funding mix primarily comprises customer deposits (30 June 2024: 70% of total assets), followed by covered bonds with a volume of EUR 5.1bn (15%).

CCF Group credit highlights as at 30 June 2024

In its latest Covered Bond Investor Presentation from November 2024, CCF Group highlights the group's "simple and low-risk business model". As at the reporting date of 30 June 2024, the capitalisation ratios were stated as 17.7% (CET1 ratio) and 20.8% (total capital ratio) respectively. The regulatory requirements governing liquidity were easily met at 649% (LCR) and 180% (NSFR), with these metrics ranking among the highest in Europe. The liquidity positions include the item "Cash and HQLA (after haircut)" with a volume of EUR 11.3bn. CCF Group also stated that 92% of receivables are secured, while 81% of mortgage loans are also guaranteed by the financing company Credit Logement.

CCF corporate structure



Source: Issuer, NORD/LB Floor Research

CCF Group positioned in market with two covered bond programmes

Both CCF and My Money Bank have covered bond programmes with outstanding EUR-benchmarks. As is common in France, the covered bonds are placed in the market via specialist institutions (Etablissement de Credit Specialites). In principle, there are three legal forms for these in France (see NORD/LB Issuer Guide Covered Bonds 2024 for a tabular overview): 1. Societes de Financement a l'Habitat (SFH), 2. Societes de Credit Foncier (SCF), and 3. Caisse de Refinancement de l'Habitat (CRH). While French covered bonds are issued as Obligations a l'Habitat (OH) via CCF SFH, My Money Bank offers investors deals in OF format (Obligations Foncieres) via the covered bond specialist institution MMB SCF. In the case of MMB SCF, the cover pool portfolio comprises refinanced mortgage loans with first ranking security whose underlying assets are located in mainland France. For CCF SFH, the cover assets comprise residential property loans which are guaranteed by the financing company Credit Logement. The finance guarantee from Credit Logement is based on the principle of risk communitisation which is achieved by all borrowers contributing to the Fonds Mutuel de Garantie (mutual guarantee funds).

Both MMB SCF and CCF SFH issue European Covered Bonds (Premium)

The covered bonds issued by both MMB SCF and CCF SFH carry the best ratings from rating agency Standard & Poor's (AAA). On this basis, in accordance with CRR a preferential risk weight of 10% applies to the covered bonds. Moreover, the benchmark bonds of both programmes qualify as Level 1 assets for LCR management. The covered bonds from the issuers are also eligible as collateral in the context of transactions with the ECB. The covered bonds issued by both MMB SCF and CCF SFH can be marketed under the European Covered Bond (Premium) label, while the two issuers also belong to the European Covered Bond Council (ECBC) and their reporting is governed by the uniform reporting standard of the Covered Bond Label. All of the outstanding covered bonds from the institutions have a soft bullet structure on the basis of French covered bond legislation. This legislation permits a maturity extension of 12 months, which can only be triggered in line with legal requirements.

Cover pool assets located exclusively in France

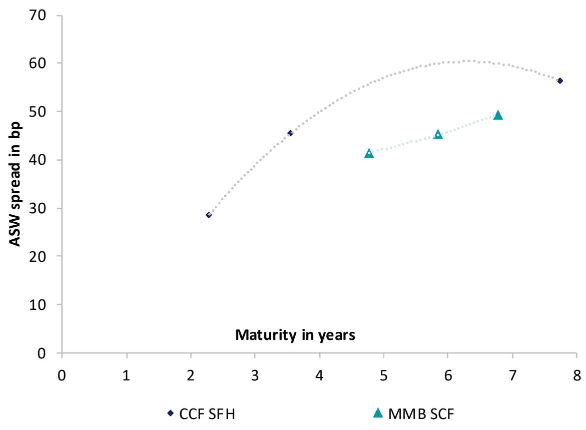
As mentioned earlier, the cover pools of the two covered bond issuers differ in line with the SFH and SCF legal forms used. Primary cover pool assets which are exclusively attributable to the category of residential property loans make up 96.3% of the cover pool of CCF SFH. As at 30 September 2024, the covered bond programme of CCF SFH had cover assets with a volume of EUR 4.7bn. With an outstanding issuance volume of EUR 3.5bn, this produces a calculated OC ratio of 33.2%. In total, 71.5% of the loans were for owner-occupied residential property, while 12.6% related to the buy-to-let category. In contrast, the primary cover pool of MMB SCF exclusively comprises refinanced mortgage loans which are supplemented by substitute cover. As at the same reporting date of 30 September 2024, the cover pool assets amounted to EUR 2.9bn, while the outstanding covered bond volume totalled EUR 2.4bn. This produces a calculated OC ratio of 21.7%. As with CCF SFH, most of the financed assets relate to owner-occupied residential property. The cover pool assets of both covered bond programmes are located exclusively in France. In addition, the regional focus of both programmes is the Ile-de-France region, whereby at 48.1% the share for CCF SFH is much higher than at MMB SCF with 18.9%. There are no non-performing loans in the cover pools.

Programme data

30 September 2024	CCF SFH	MMB SCF
Covered bonds outstanding	EUR 3.500bn	EUR 2.400bn
Cover pool volume	EUR 4.664bn	EUR 2.921bn
Current OC (nominal / legal)	33.2% / 5.0%	21.7% / 5.0%
Type	71.5% Owner Occupied	95.3% Owner Occupied
Main country	100% France	100% France
Main region	48.1% Ile-de-France	18.9% Ile-de-France
Number of loans	38,095	27,111
Share top 10 exposures	0.2%	0.4%
NPL	0.00%	0.00%
Fixed interest (Cover Pool / CBs)	100% / 100%	95.6% / 100%
WAL (Cover Pool / CBs)	6.4y / 3.0y	9.4y / 4.5y
CB Rating (Fitch / Moody's / S&P)	- / - / AAA	- / - / AAA

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

Spread overview (BMK; maturity >1) – CCF SFH & MMB SCF



CCF Group represented in the current iBoxx EUR Covered index with six bonds

The group is currently represented in the December composition of the iBoxx EUR Covered index with six bonds totalling EUR 4bn overall. These can be broken down into three deals issued by CCF SFH (outstanding volume: EUR 2.5bn) and three by MMB SCF (EUR 1.5bn). Two EUR-benchmark deals of the group with maturities of less than one year no longer form part of the coverage of the iBoxx EUR Covered index. These are set to mature in April and October 2025, respectively. The bond maturing in April is a deal issued by CCF SFH in 2018 with a volume of EUR 1bn. The covered bond maturing in October from MMB SCF was also issued in 2018 and has an outstanding volume of EUR 500m. The last time an issuer from the CCF Group appeared in the primary market is now more than two years ago, when CCF SFH placed a EUR 500m covered bond in October 2022. The 10-year deal was well received by the market and had a final bid-to-cover ratio of 3.8x. The last deal from MMB SCF was even longer ago in September 2021 when it successfully placed a EUR 500m bond in the primary market. While CCF SFH exclusively has benchmark size deals, MMB SCF is also active with private placements (total volume according to current covered bond investor presentation: EUR 100m spread across three deals). Given the volume of benchmark bonds maturing in 2025 and completion of restructuring within CCF Group, we would expect both issuers to play a more active role in the market for covered bonds again, especially in the EUR benchmark segment.

Conclusion and outlook for 2025

Despite the particular challenges for the French covered bond market, especially the ambiguous budget situation and political uncertainty, France was once again the most active jurisdiction in the EUR benchmark segment with a new issuance volume of EUR 38.5bn. While we are not expecting an abrupt end to this trend in 2025, we do not anticipate any further rise in the new issuance volume either. In fact, with new deals amounting to EUR 37.5bn, France would again take the top spot among the jurisdictions in the EUR benchmark segment. With regard to the number of active issuers in the primary market, new issues are also possible from CCF SFH and MMB SCF, which have not been active in the market since 2022 and 2021 respectively. This would be a very welcome extension to the issuer group. Given that the restructuring of CCF Group is complete and there are bonds maturing in 2025, we believe it is entirely possible that we could see a benchmark deal from one or both of these issuers.

SSA/Public Issuers
Teaser: Issuer Guide – French Agencies 2024

Authors: Dr Norman Rudschuck, CIIA // Lukas-Finn Frese // assisted by Maike Maas

French agency market characterised by institutions with a diverse range of activities

The French agency market is the second largest of its kind in Europe. The outstanding volume of the organisations covered in the soon-to-be-published Issuer Guide amounts to the equivalent of around EUR 373bn, spread across 516 separate bond issues. In part, there are huge differences between the market players active in France: the market is dominated, in particular, by institutions closely associated with the French social security system (e.g. Caisse d'Amortissement de la Dette Sociale [CADES] and Unédic). Financial institutions such as Caisse des Dépôts et Consignations (CDC) and Bpifrance are also important players. Over the course of 2015, another benchmark issuer joined the market: the regional financing partner Agence France Locale (AFL), which focuses on lending to French regional governments and local authorities (RGLAs). In 2016, Société de Financement Local (SFIL) and Action Logement Services (ALS) were both added, before Société des Grands Projets (SGP; formerly Société du Grand Paris) became active in 2018 as a green issuer.

French agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weight
Caisse d'Amortisation de la Dette Sociale (CADES)	Deficit and debt amortisation fund	100% France	EP status	0%
Agence Française de Développement (AFD)	Promotional development bank	100% France	EP status	20%
Unédic	Institution of the social security system	50% employer associations, 50% trade unions	Explicit guarantee of the EMTN programme	0%
Caisse des Dépôts et Consignations (CDC)	Other financial institute	100% France	ES status	0%
Bpifrance	Promotional bank	49.2% EPIC Bpifrance [Owner: 100% France], 49.2% Caisse des Dépôts [Owner: 100% France], 1.4% private banks, 0.2% Bpifrance	Explicit guarantee for the EMTN programme (through EPIC Bpifrance)	20%
Société anonyme de gestion de stocks de sécurité (SAGESS)	Administrator of strategic oil reserves	46% refineries and European distribution companies, 37% hypermarkets, 17% independents	-	20%
Agence France Locale (AFL)	Municipal financier	99.9999% Agence France Locale – Société Territoriale 0.0001% metropolitan region of Lyon	Explicit guarantee (through AFL – ST) and limited joint and several guarantee (through members of AFL – ST)	0%
Société de Financement Local (SFIL)	Municipal banks and export financiers	99.99% Caisse des Dépôts, 0.01% French state	Maintenance obligation	20%
Société des Grands Projets (SGP)	Infrastructure operator	100% France	EP status	20%
Caisse Centrale du Crédit Immobilier de France (3CIF)	Winding-up vehicle	99.99% (CIFD), 0.01% six natural persons	Explicit guarantee	0%
Action Logement Services (ALS)	Other financial institution	100% Action Logement Group	Maintenance obligation	20%

Source: Issuers, NORD/LB Floor Research

Various legal forms and liability mechanisms

The French agencies covered in this publication feature five different legal forms in total: Société Anonyme (S.A.), Association loi de 1901 (association), Établissement public à caractère administratif (EPA), Établissement public à caractère industriel et commercial (EPIC) and Établissement spécial (ES).

Société Anonyme (S.A.)

The legal form S.A. is equivalent to a public limited company. Key principles such as shareholder liability up to the amount of their respective stake are reminiscent of regulations defined in German law.

Association loi de 1901 (association)

The legal form of an Association loi de 1901 is based on the French law from 01 July 1901, which created the legal framework for French non-profit organisations and associations. Unédic is the only French agency included in this Issuer Guide to operate under this legal form. Its remit is in the area of public service.

Établissement public à caractère administratif (EPA)

An EPA operates as an institution established under public law in the context of service and administrative activities. It has a certain degree of administrative and financial autonomy in order to fulfil tasks in the public interest that are of a non-commercial nature. They are generally financed in full by public funds. In the case of agencies with this legal status, Banque de France allows a risk weight based on the standard approach of CRR/Basel III of 0%, provided that they are treated as an ODAC (Organisme divers d'administration centrale) with an administrative nature. In terms of national accounting processes, ODACs are recorded as "other state agencies" and perform specialised functions at national level. They are managed and usually also financed by the state.

Établissement public à caractère industriel et commercial (EPIC)

Similar to EPAs, EPICs operate in the form of institutions established under public law. In this context, their mission is to provide services of an industrial or commercial nature that cannot be provided by a private company subject to competition. The usual sources of revenue for EPICs are turnover and user fees. EPICs are permitted to generate profits.

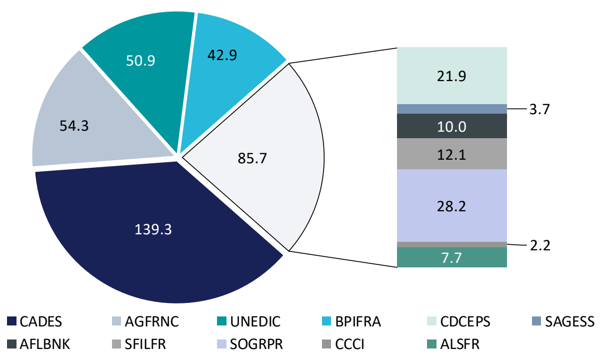
Établissement spécial (ES)

The legal form of Établissement spécial (ES) is unique to France. Only CDC operates in the form of an ES. The rules that govern an Établissement public (EP) also apply to the legal form ES, covering regulations in connection with liability, among other aspects.

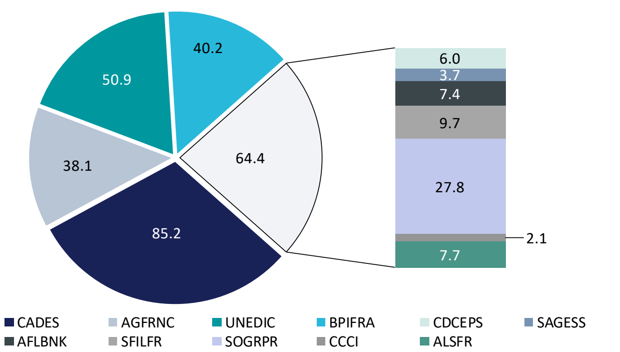
Varying risk weights under CRR/Basel III

Due to the extensive granularity in the liability and guarantee frameworks of the French agencies presented above, it must be noted that the risk weight also differs from issuer to issuer. Banque de France provides a list of the institutions for which it is possible to apply a risk weight of 0%. Conversely, we determine that the risk weights for all other agencies amount to 20% (see table above). The varying classification of French agencies under the CRR also impacts the divergent classification of issuers in accordance with the LCR Regulation. In contrast to German and Austrian agencies, there is no standardised classification as "preferred" with regard to the status of French agencies within the context of Solvency II.

A comparison of outstanding bond volumes (EURbn)



A comparison of outstanding EUR benchmarks (EURbn)



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn
Source: Bloomberg, NORD/LB Floor Research

French agencies – an overview (EURbn/EUR equivalent)

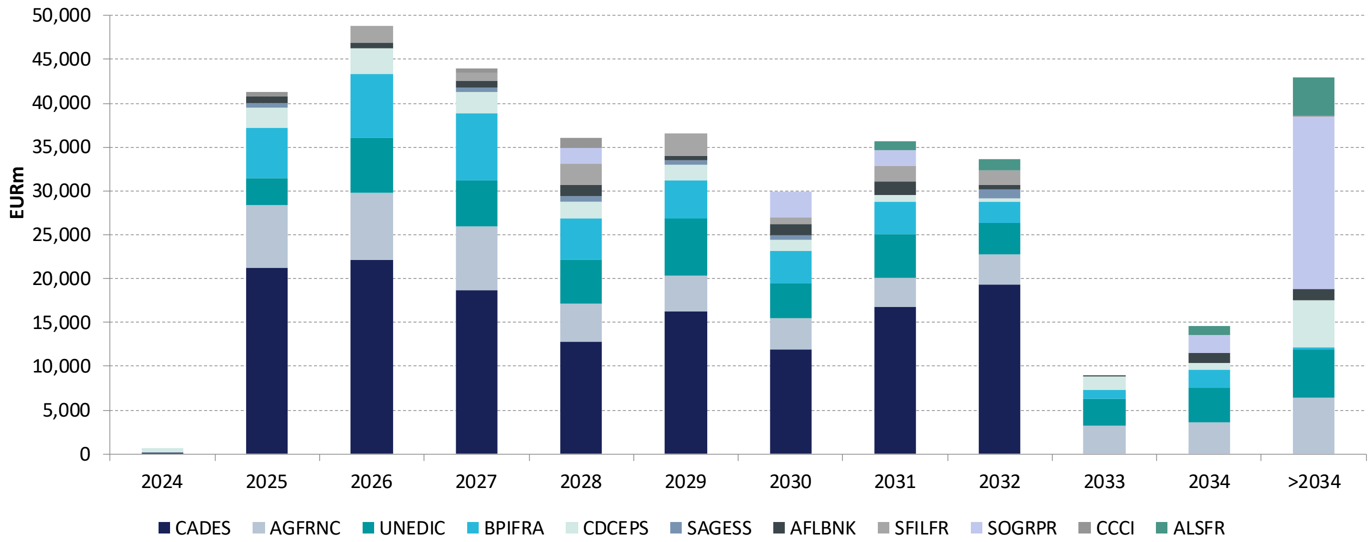
Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding Volume	Of which in EUR volume	Funding target 2024	Maturities 2024	Net Supply 2024	Number of ESG bonds	ESG volume
CADES	CADES	AA-u/Aa2/AA-	139.3	86.2	20.0	21.5	-1.5	32	121.4
AFD	AGFRNC	AA-/-/AA-	54.3	39.7	9.0	5.6	3.4	13	19.5
Unédic	UNEDIC	AA-/Aa2/-	50.9	50.9	1.0	4.1	-3.1	12	30.0
CDC	CDCEPS	AA-/Aa2/AA-	21.9	13.1	4.0	2.3	1.7	6	3.5
Bpifrance	BPIFRA	AA-/Aa2/-	42.9	41.4	10.0	3.4	6.6	8	11.1
SAGESS	SAGESS	-/-/AA-	3.7	3.7	0.0	0.6	-0.6	0	0.0
AFL	AFLBNK	AA-/-/AA-	10.0	8.4	2.5	0.8	1.7	6	1.8
SFIL	SFILR	-/Aa2/AA-	12.1	9.7	4.0	2.0	2.0	3	2.3
SGP	SOGRPR	AA-/Aa2/-	28.2	28.2	4.5	0.0	4.5	22	28.2
3CIF*	CCCI	AA-u/Aa2/AA-u A/Baa2/-	2.2	2.2	0.8	1.1	-0.3	0	0.0
ALS	ALSFR	AA-/Aa2/-	7.7	7.7	1.5	0.0	1.5	8	7.7
Total			**373.2**	**291.2**	**57.3**	**41.4**	**15.9**	**110**	**225.5**

* 3CIF has both guaranteed and non-guaranteed bonds outstanding. NB: Foreign currencies are converted into EUR at rates as at 10 December 2024. On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Floor Research

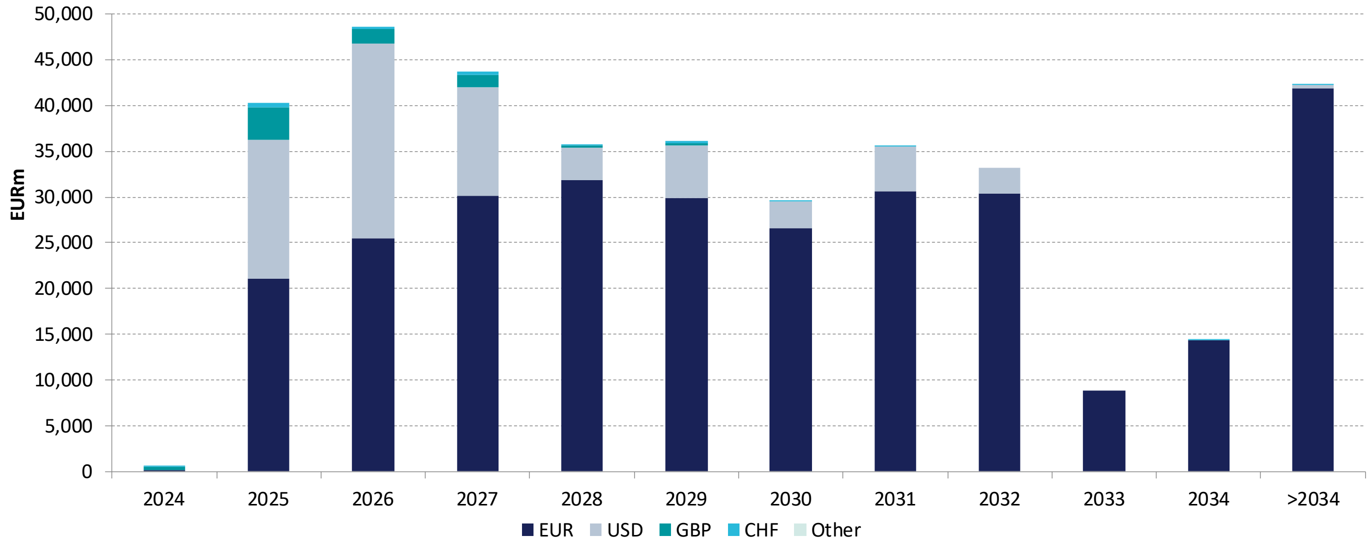
Comment

All in all, there is a broad supply of bonds within the French agency market extending across all maturity segments. As mentioned at the top of this article, the total volume of approximately EUR 373bn at the time of preparing this report is split across 516 separate ISINs. The EUR is especially important in this respect: roughly 78% or EUR 291bn of the outstanding volume is denominated in the European single currency. In terms of foreign currencies, the USD plays a dominant role with an outstanding volume equivalent to around EUR 68bn, followed by the GBP at just under EUR 8bn. There is a distinct focus on the next three years as far as the maturity structure is concerned: across the period 2025-2027, liabilities amount to approximately EUR 134bn, which corresponds to roughly 36% of the overall outstanding bond volume. As such, we expect increasing funding requirements on the part of French agencies over the next few years. Moreover, we should also acknowledge the high ESG volume, especially in the social segment.

French agencies: outstanding bonds by issuer



French agencies: outstanding bonds by currency



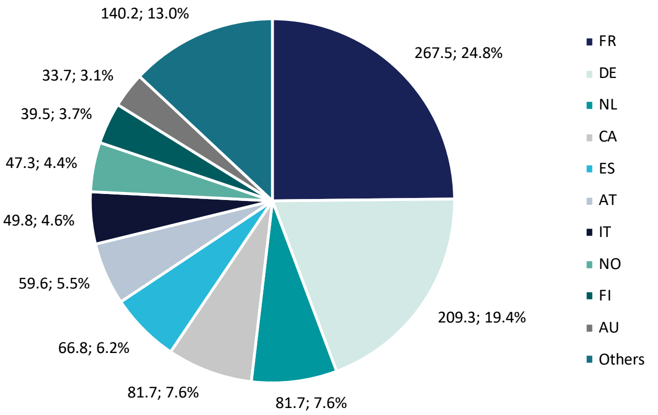
NB: Foreign currencies are converted into EUR at rates as at 10 December 2024.
Source: Bloomberg, NORD/LB Floor Research

Conclusion

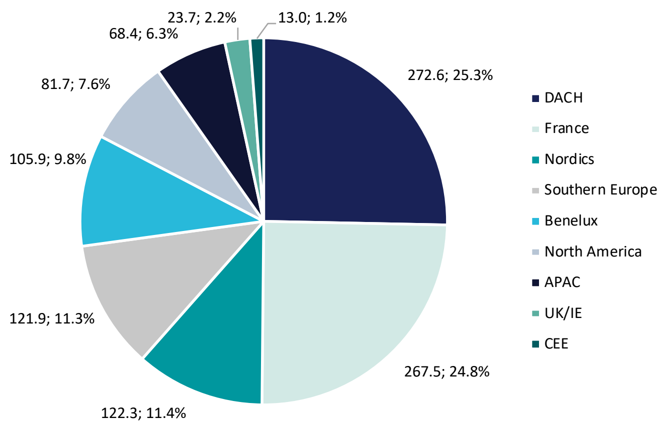
The French agency market is the second largest in Europe thanks to a high level of outstanding EUR bonds, in addition to an abundant supply of FX bonds. Owing to the funding targets of CADES, AFD and Bpifrance, fresh supply is also at a high level. In our view, the various special aspects of EP status should be noted. While this status may not constitute an explicit guarantee, we believe that it does, in general, represent a strong implicit liability mechanism. The fact that both risk weights under the CRR differ (either 0% or 20%) and that LCR classifications are also divergent results in the regulatory framework conditions varying to a greater extent in France than is the case for the national agency market of any other jurisdiction. All details on the market, the guarantee structures as well as all the issuers themselves can be found in the upcoming Issuer Guide, which is set to be published before the end of 2024.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



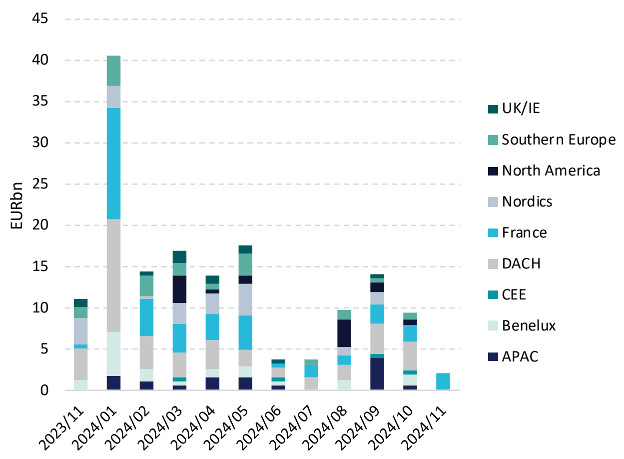
EUR benchmark volume by region (in EURbn)



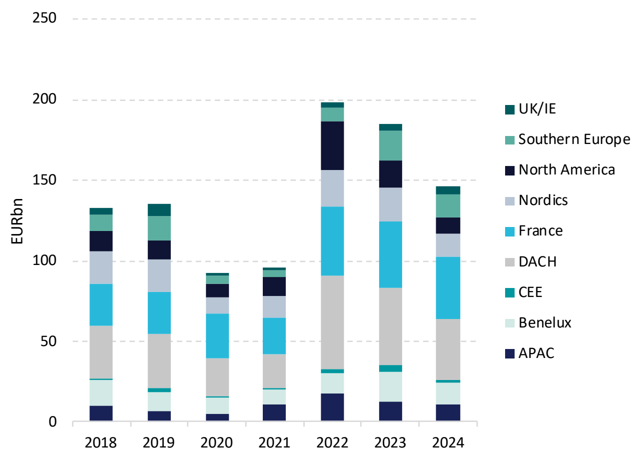
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	267.5	257	29	0.98	9.2	4.6	1.49
2	DE	209.3	296	45	0.65	7.8	3.8	1.54
3	NL	81.7	82	3	0.93	10.5	5.9	1.40
4	CA	81.7	60	1	1.34	5.6	2.6	1.43
5	ES	66.8	53	5	1.14	11.1	3.1	2.19
6	AT	59.6	100	5	0.59	8.0	4.0	1.56
7	IT	49.8	64	5	0.76	8.5	3.9	2.01
8	NO	47.3	58	12	0.81	7.2	3.4	1.11
9	FI	39.5	45	4	0.86	6.7	3.4	1.77
10	AU	33.7	32	0	1.05	7.2	3.8	1.79

EUR benchmark issue volume by month

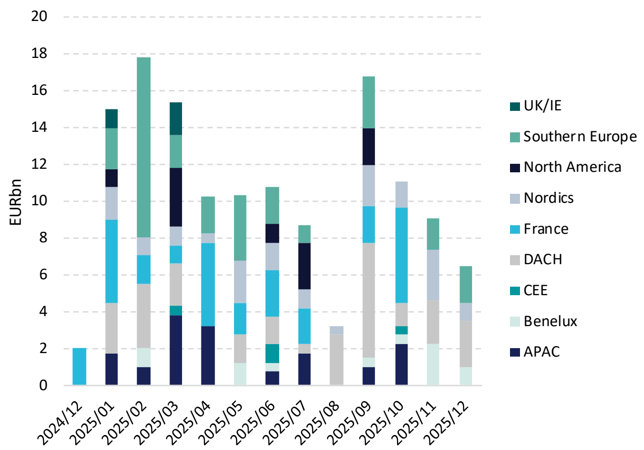


EUR benchmark issue volume by year

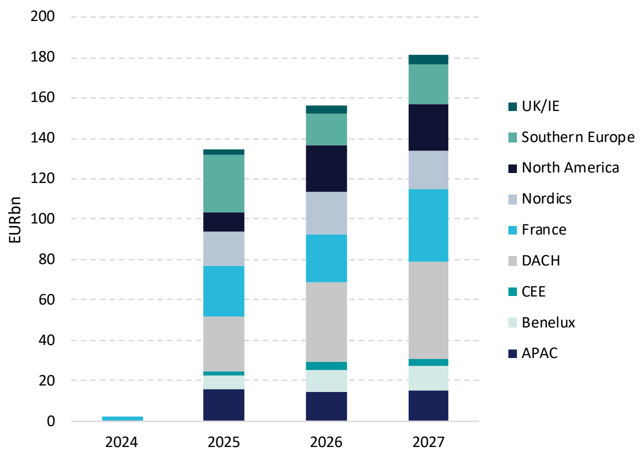


Source: Market data, Bloomberg, NORD/LB Floor Research

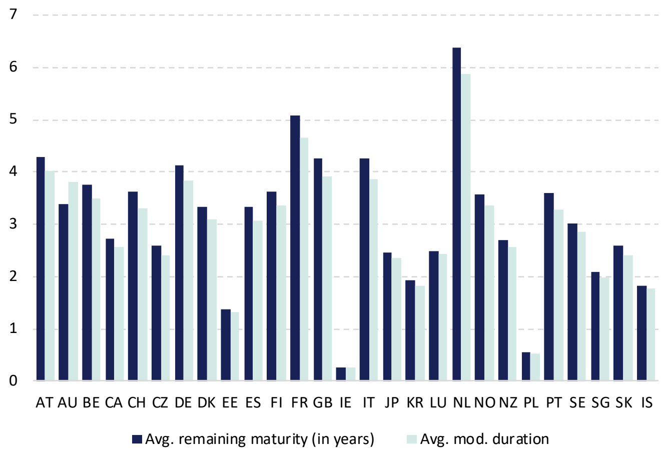
EUR benchmark maturities by month



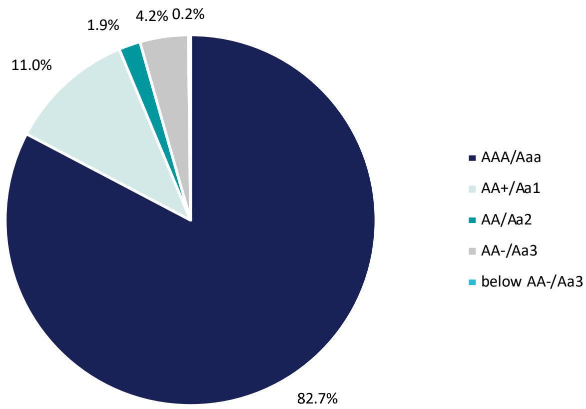
EUR benchmark maturities by year



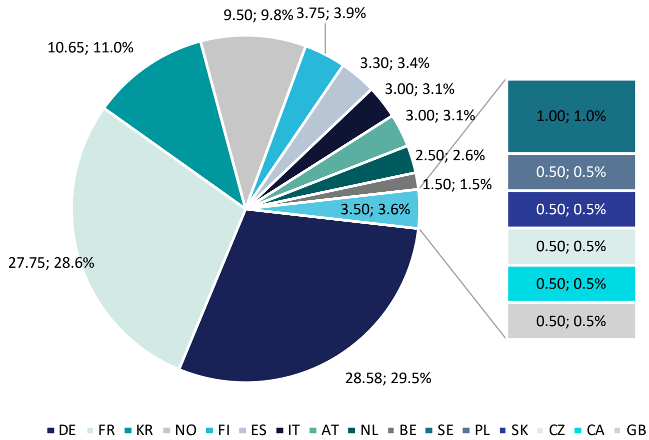
Modified duration and time to maturity by country



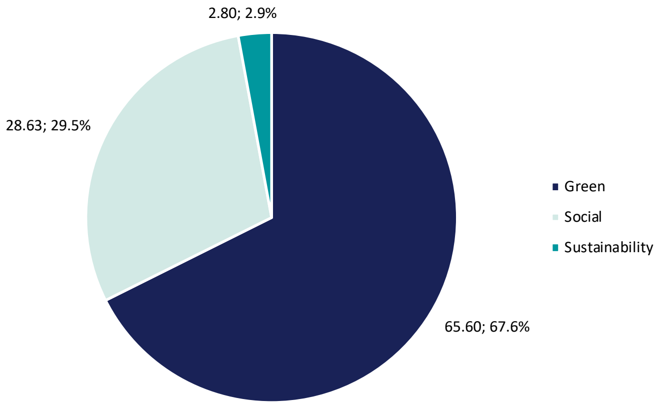
Rating distribution (volume weighted)



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

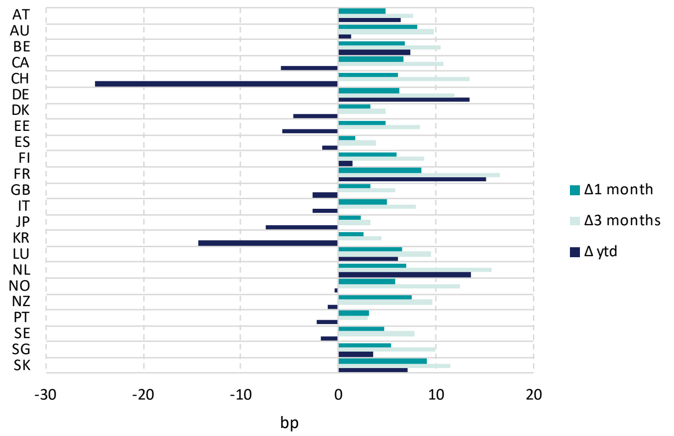


EUR benchmark volume (ESG) by type (in EURbn)

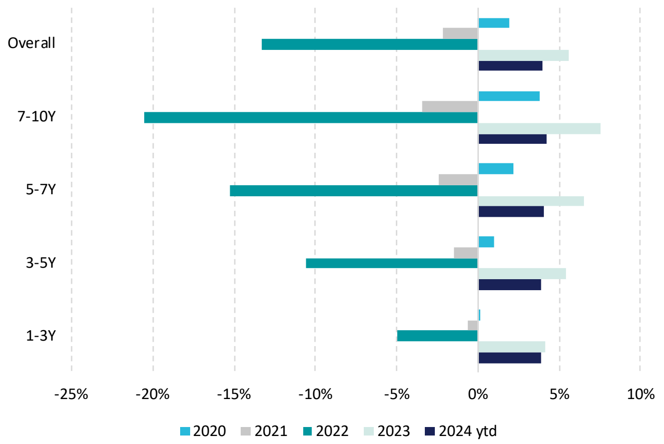


Source: Market data, Bloomberg, NORD/LB Floor Research

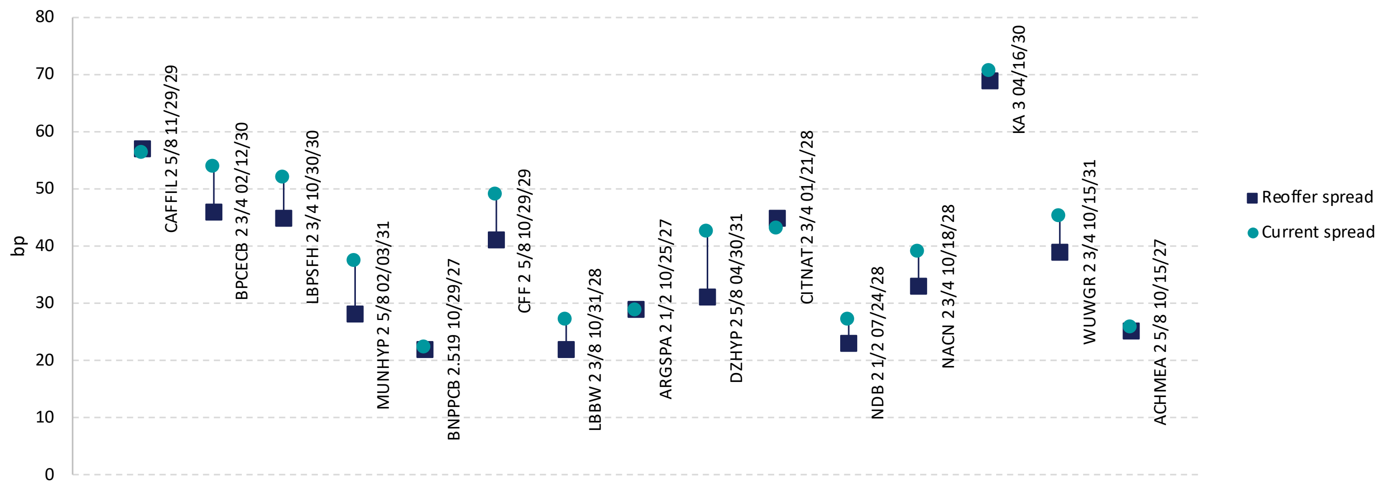
EUR benchmark emission pattern



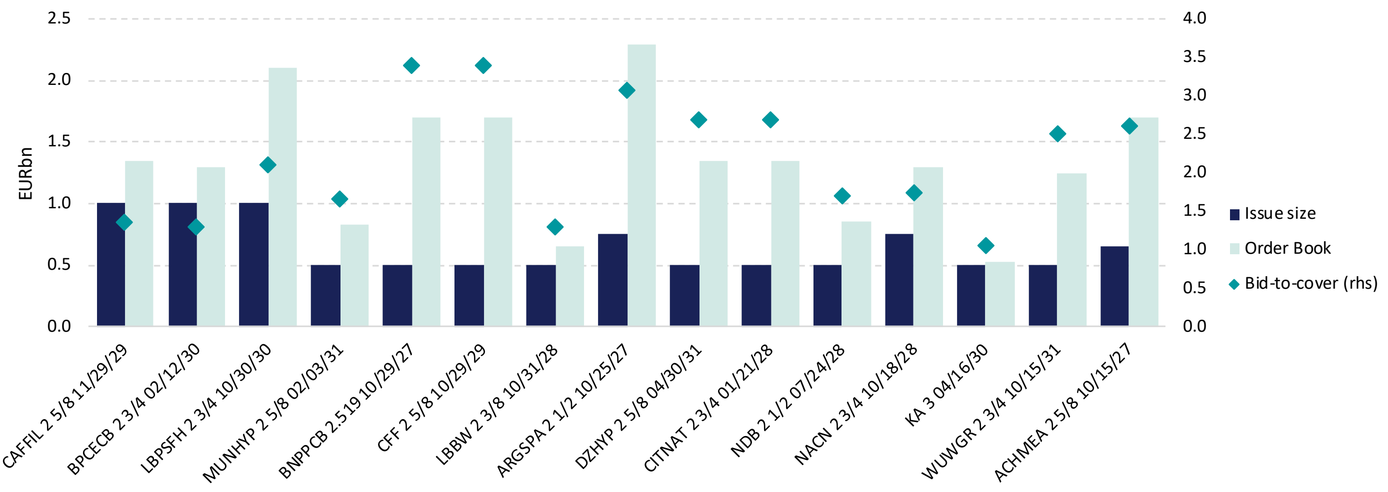
Covered bond performance (Total return)



Spread development (last 15 issues)



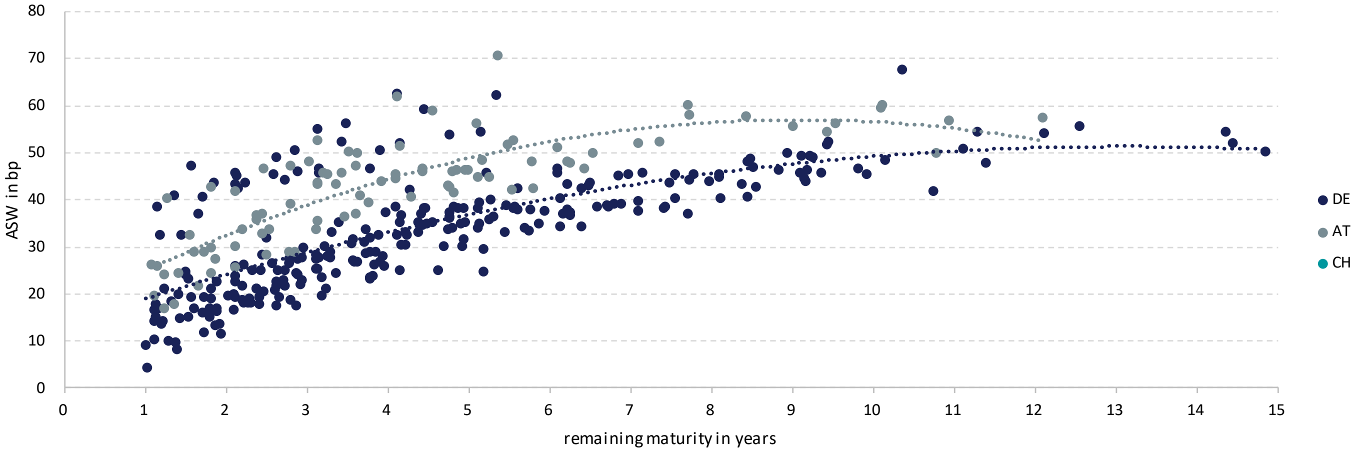
Order books (last 15 issues)



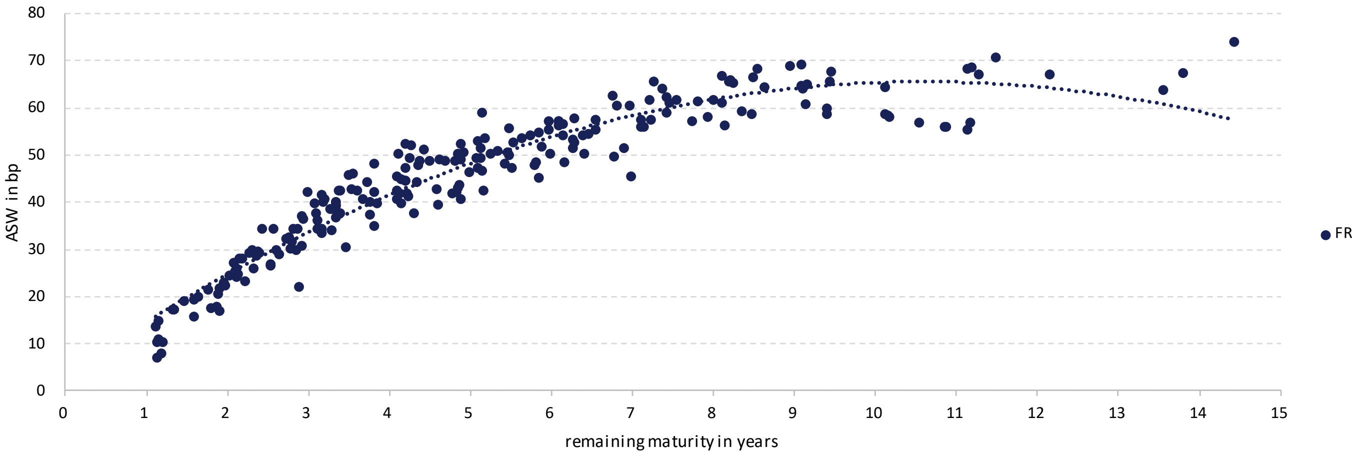
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

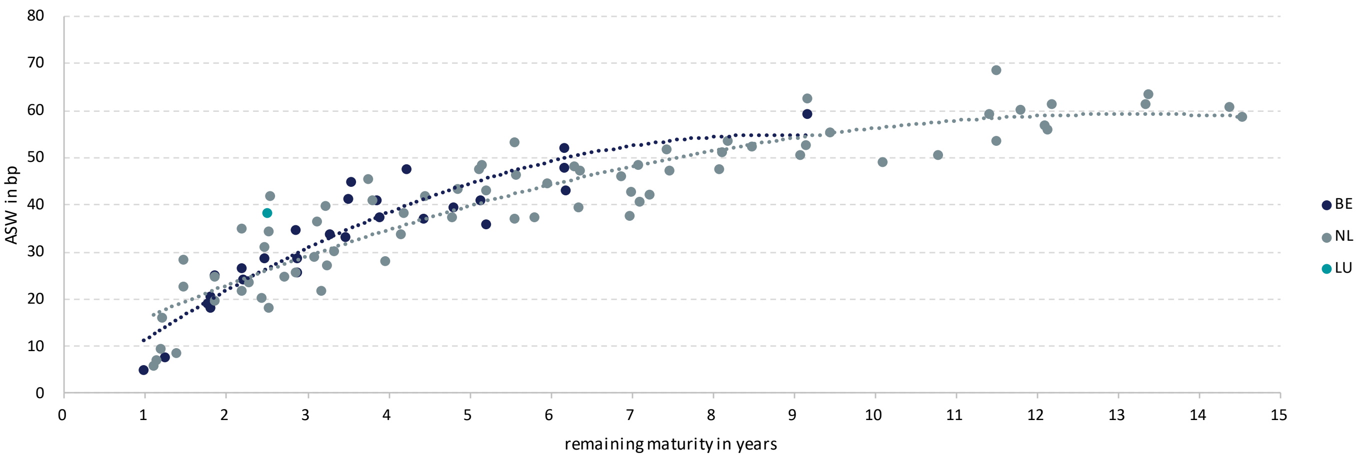
DACH



France

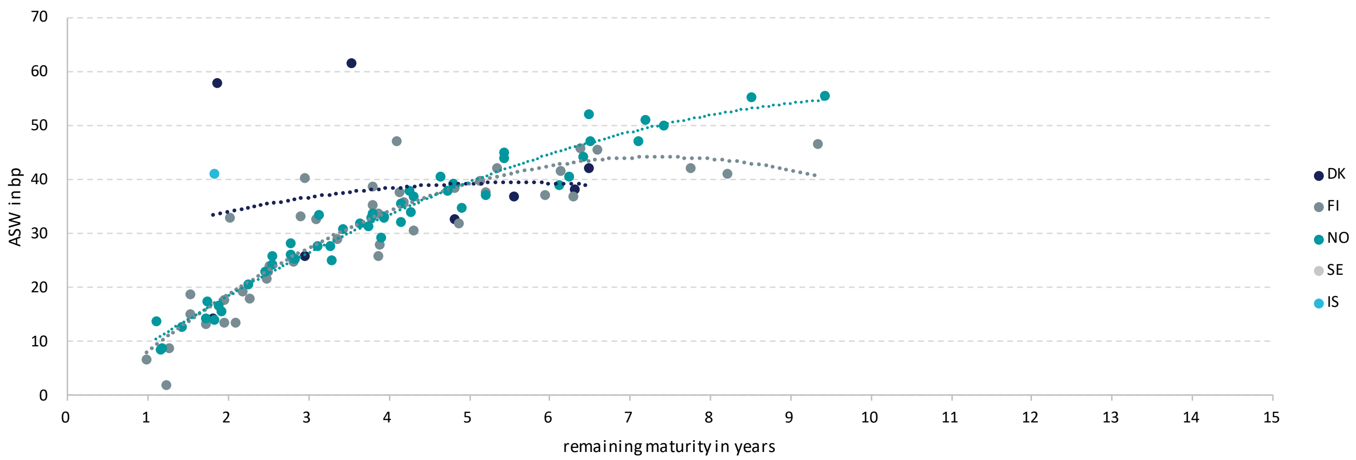


Benelux

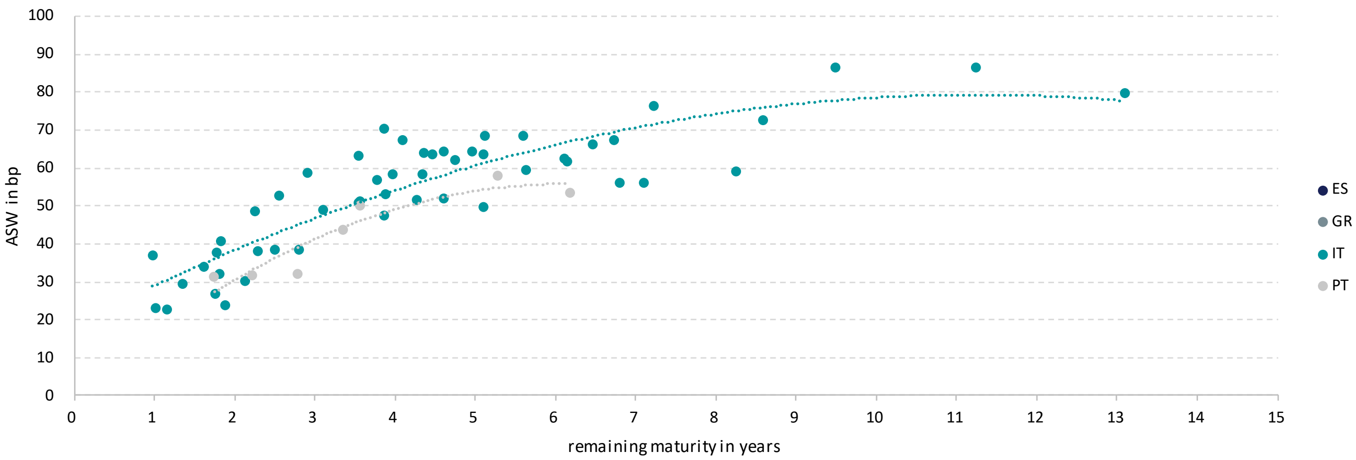


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

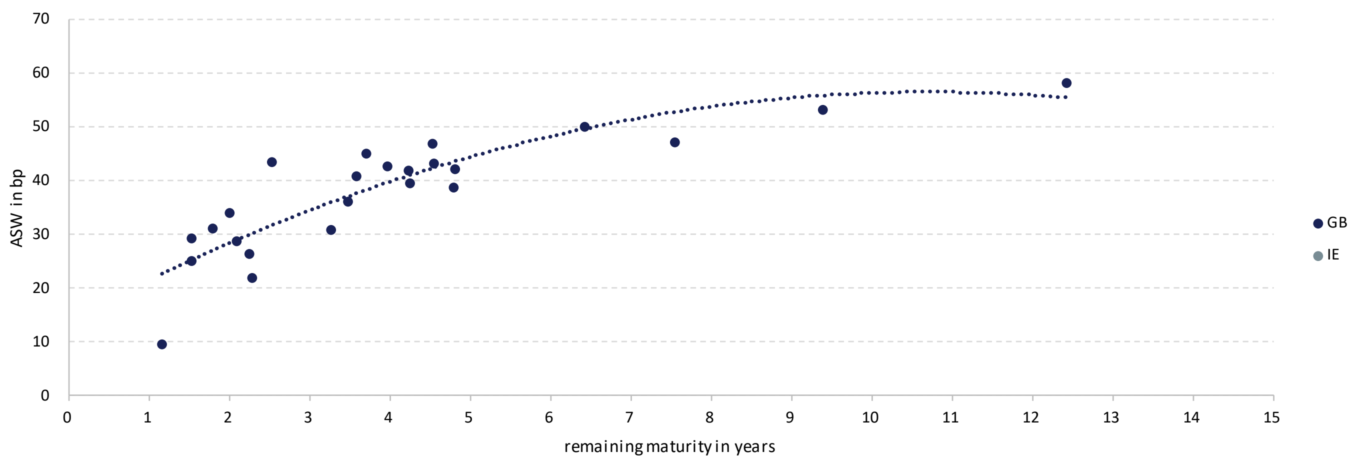
Nordics



Southern Europe

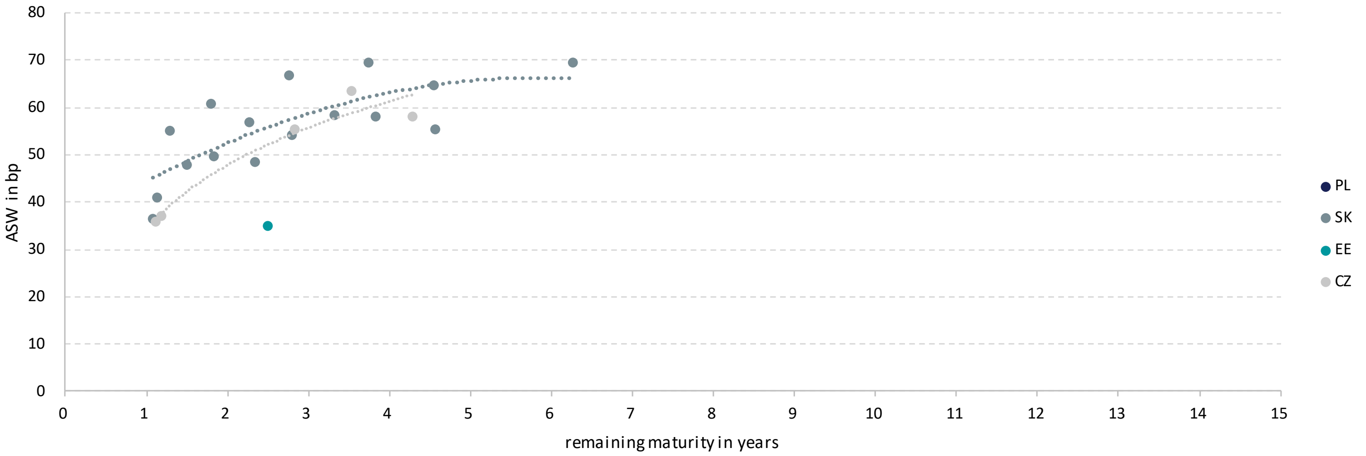


UK/IE

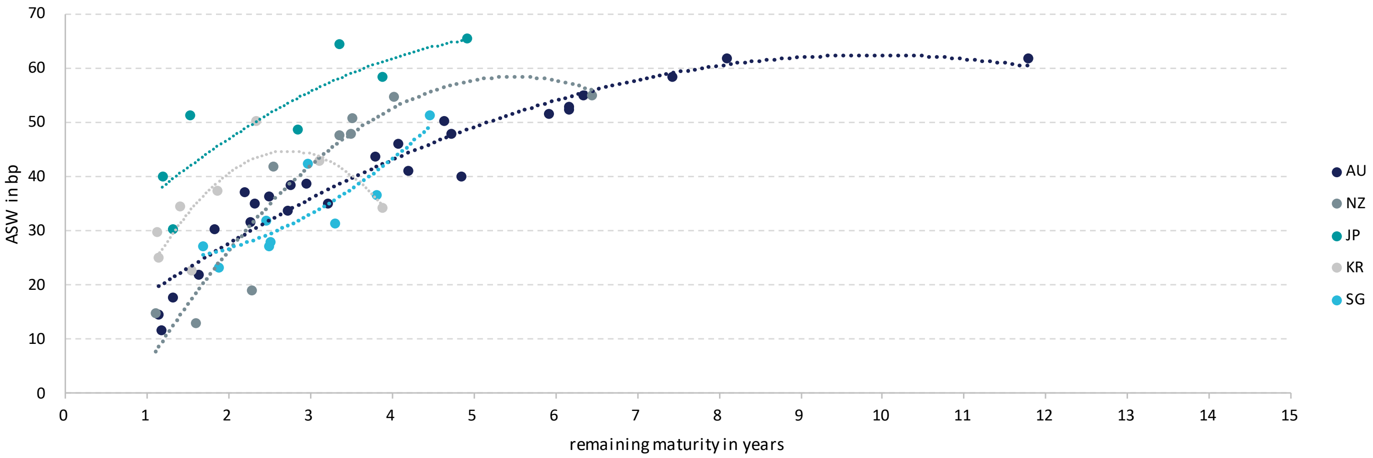


Source: Market data, Bloomberg, NORD/LB Floor Research

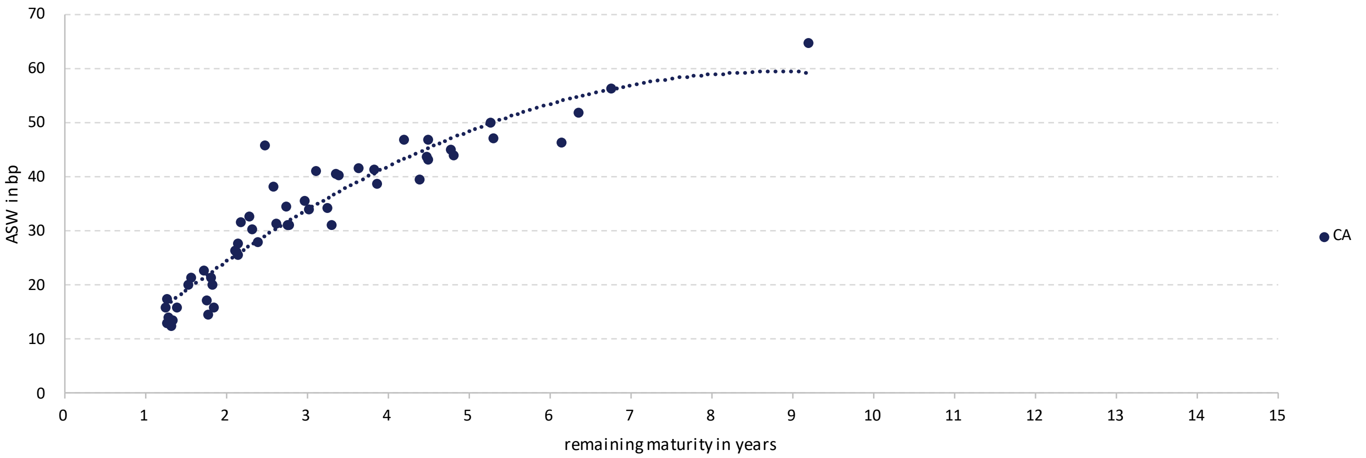
CEE



APAC



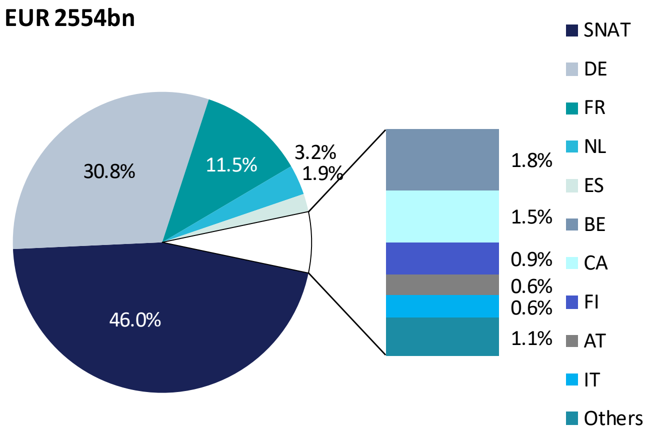
North America



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

Charts & Figures
SSA/Public Issuers

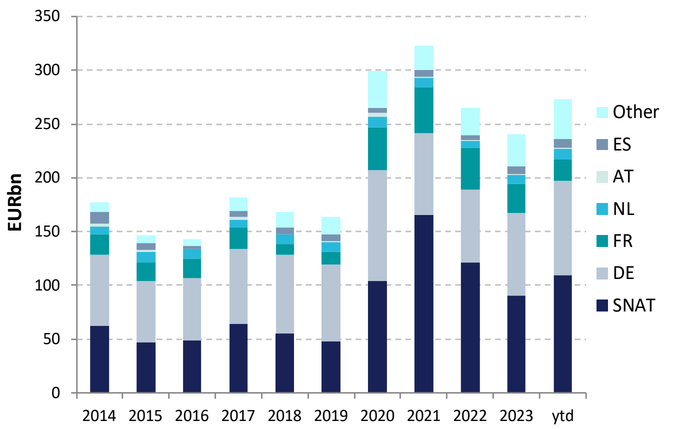
Outstanding volume (bmk)



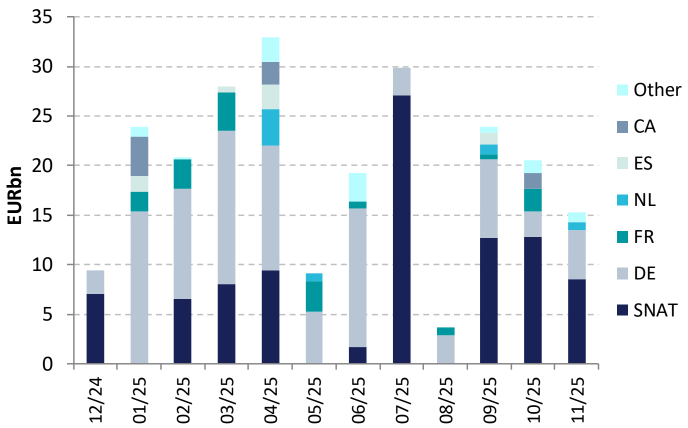
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,175.4	243	4.8	7.9
DE	785.8	592	1.3	6.1
FR	294.2	198	1.5	5.7
NL	82.3	67	1.2	6.4
ES	49.4	69	0.7	4.8
BE	45.0	46	1.0	10.1
CA	39.1	28	1.4	4.7
FI	23.3	25	0.9	4.5
AT	16.0	21	0.8	4.9
IT	15.6	20	0.8	4.3

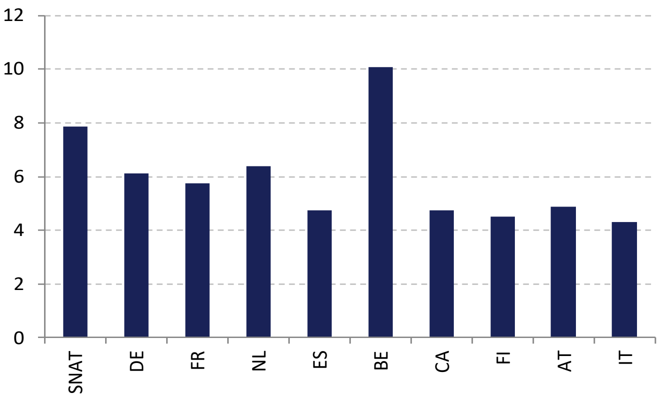
Issue volume by year (bmk)



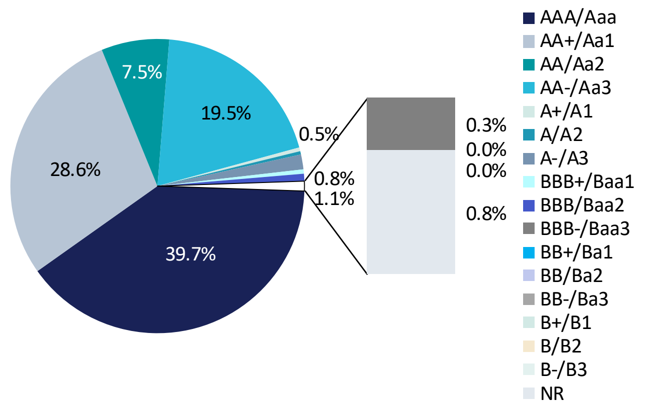
Maturities next 12 months (bmk)



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

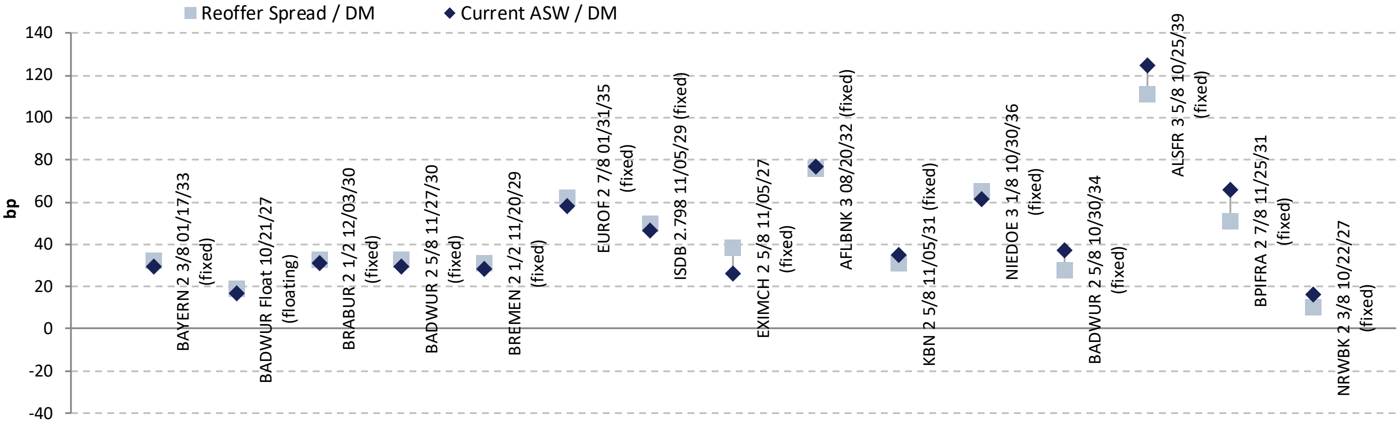


Rating distribution (vol. weighted)

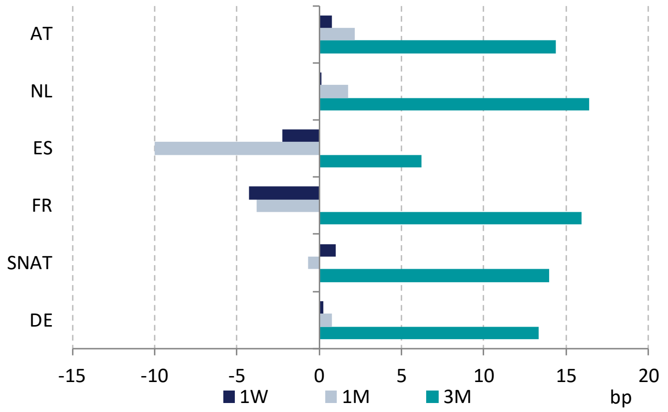


Source: Bloomberg, NORD/LB Floor Research

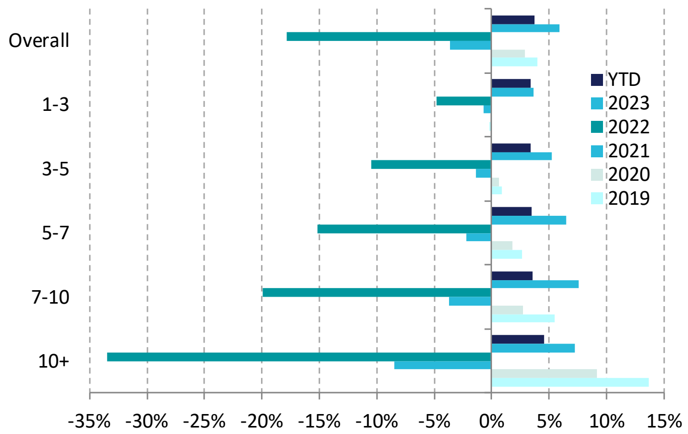
Spread development (last 15 issues)



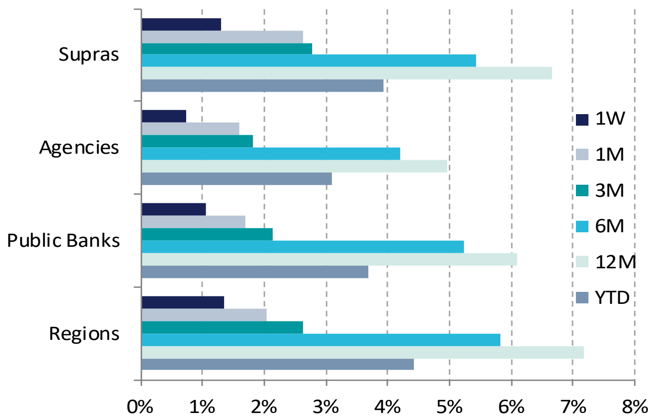
Spread development by country



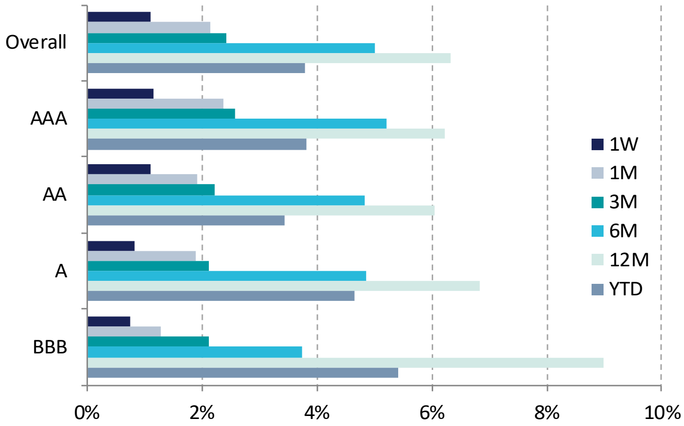
Performance (total return)



Performance (total return) by segments

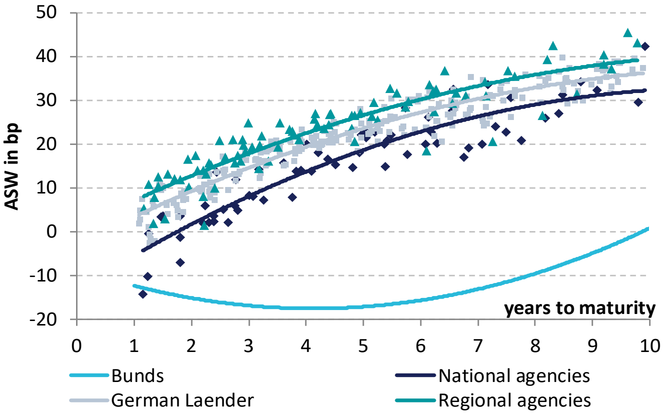


Performance (total return) by rating

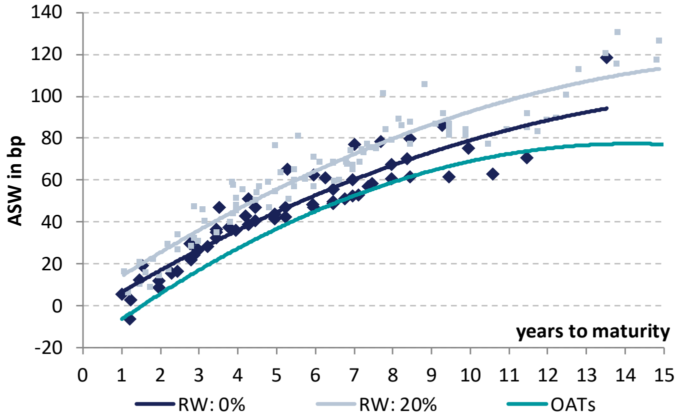


Source: Bloomberg, NORD/LB Floor Research

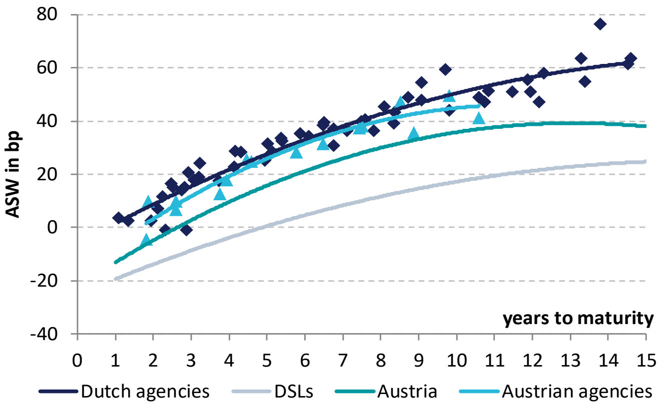
Germany (by segments)



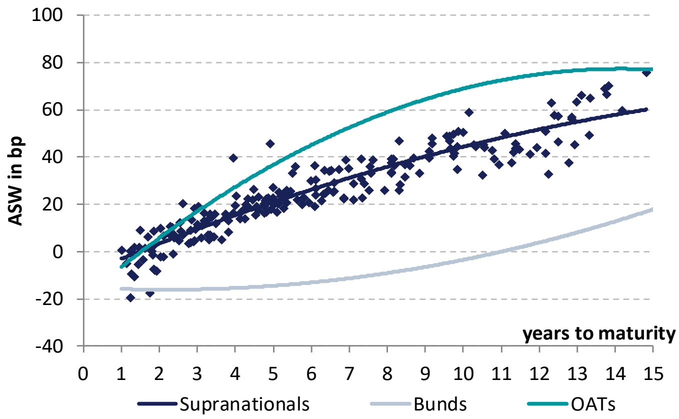
France (by risk weight)



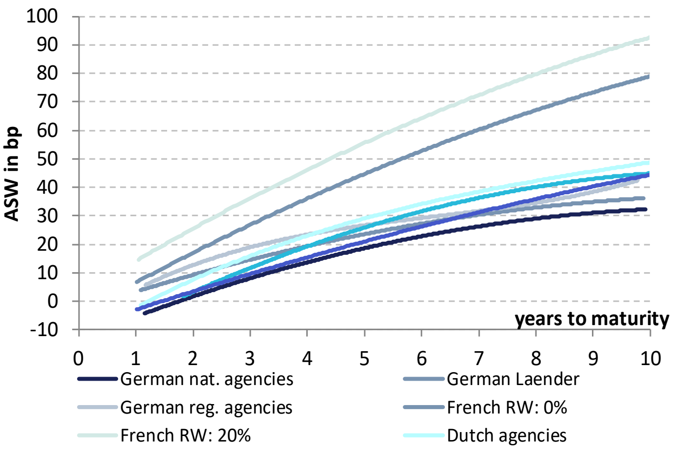
Netherlands & Austria



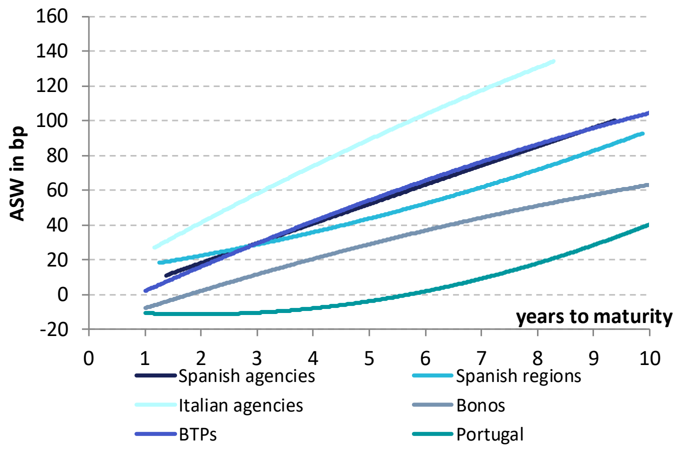
Supranationals



Core



Periphery



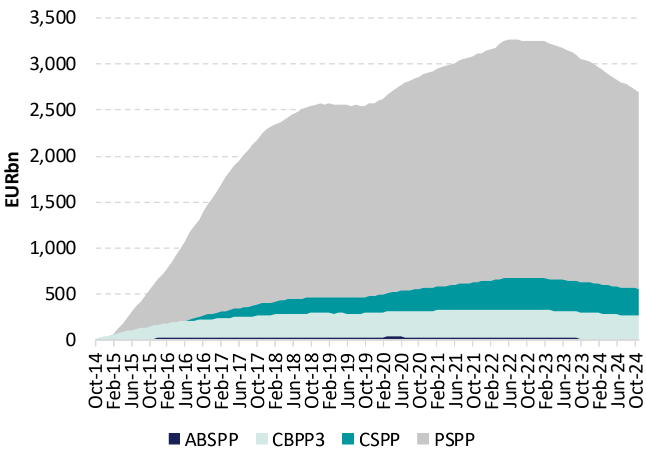
Source: Bloomberg, NORD/LB Floor Research

ECB tracker

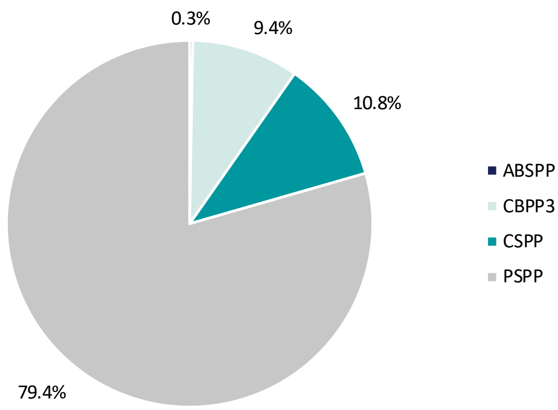
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Oct-24	7,607	258,032	294,507	2,165,737	2,725,883
Nov-24	7,425	254,896	292,299	2,143,646	2,698,266
Δ	-182	-3,136	-2,208	-22,091	-27,617

Portfolio development

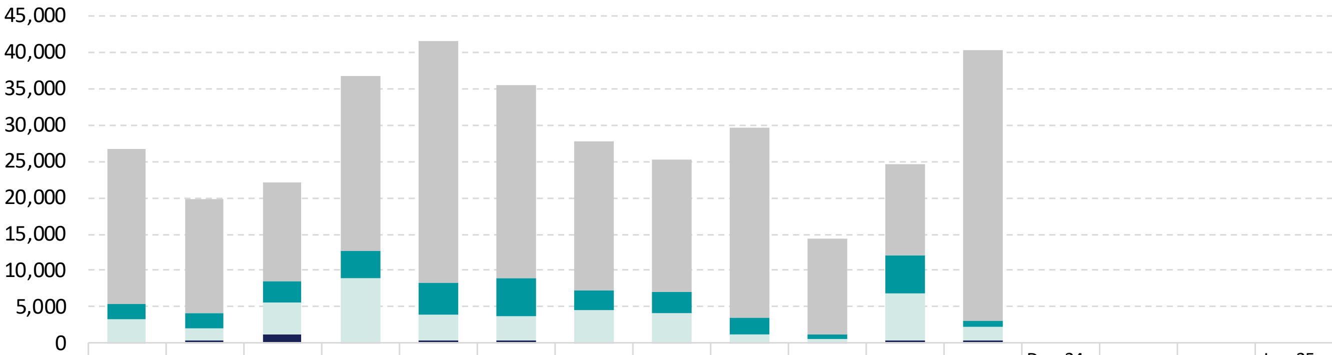


Portfolio structure



Source: ECB, NORD/LB Floor Research

Expected monthly redemptions (in EURm)

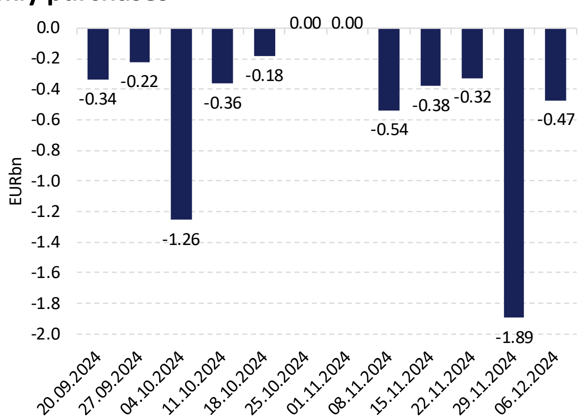


	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-24 - Nov-25	2023	2024	Jan-25 - Nov-25
APP	26,695	19,721	22,039	36,658	41,660	35,527	27,846	25,290	29,618	14,310	24,596	40,249	344,209	338,664	323,141	341,959
PSPP	21,298	15,643	13,463	24,021	33,379	26,671	20,541	18,261	26,161	13,114	12,568	37,073	262,193	260,705	255,173	260,955
CSPP	2,031	1,944	2,973	3,788	4,279	5,137	2,699	2,940	2,156	562	5,259	1,005	34,773	31,158	30,772	34,750
CBPP3	3,136	1,790	4,335	8,635	3,709	3,373	4,448	3,864	1,135	468	6,492	1,864	43,249	36,226	30,791	42,219
ABSPP	230	344	1,268	214	293	346	158	225	166	166	277	307	3,994	10,575	6,405	4,035

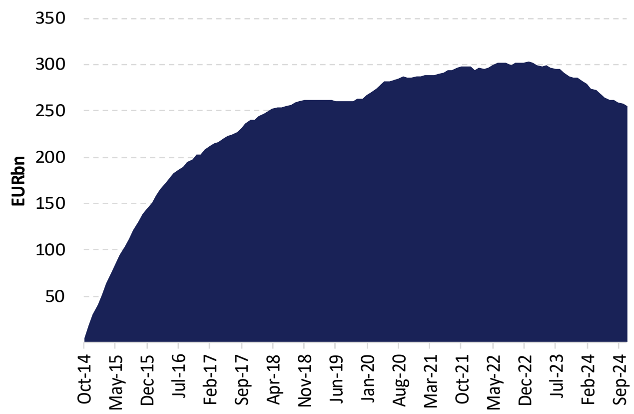
Source: ECB, Bloomberg, NORD/LB Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

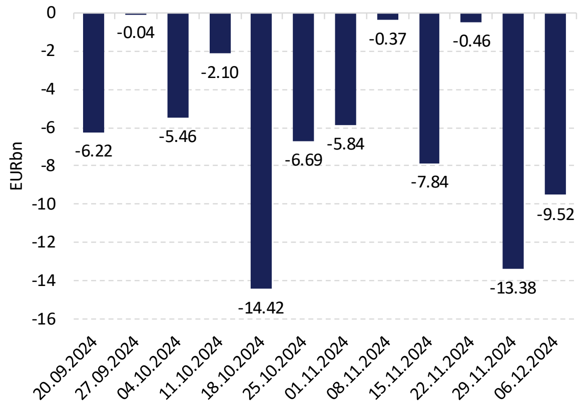


Development of CBPP3 volume

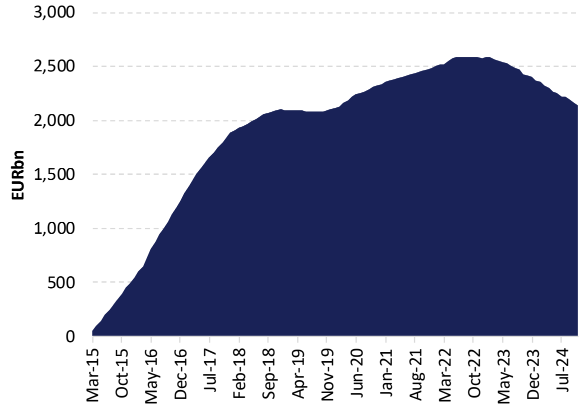


Public Sector Purchase Programme (PSPP)

Weekly purchases



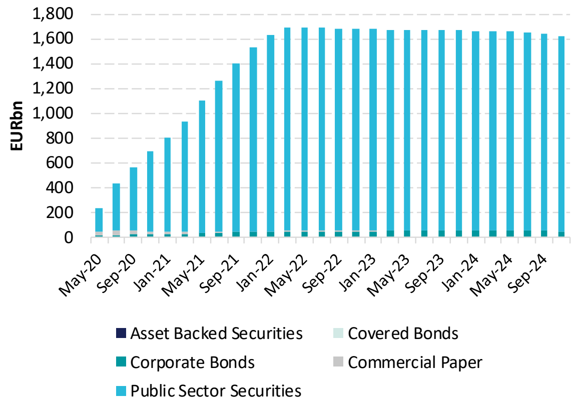
Development of PSPP volume



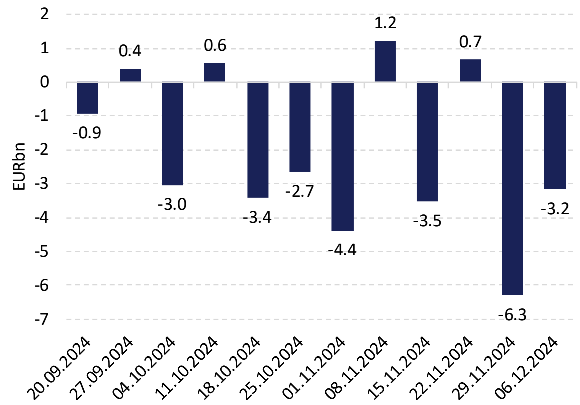
Source: ECB, Bloomberg, NORD/LB Floor Research

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
40/2024 ♦ 04 December	▪ Our outlook for the covered bond market in 2025 ▪ SSA Outlook 2025: Risk premiums are back in town
39/2024 ♦ 27 November	▪ What's going on outside of the EUR benchmark segment? ▪ Teaser: Issuer Guide – Down Under 2024
38/2024 ♦ 20 November	▪ Transparency requirements §28 PfandBG Q3/2024 ▪ ECB repo collateral rules and their implications for Supranationals & Agencies
37/2024 ♦ 13 November	▪ Development of German property market (vdp index) ▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO
36/2024 ♦ 06 November	▪ ESG covered bonds: Benchmark segment on a growth trajectory ▪ Current LCR classification for our SSA coverage
35/2024 ♦ 30 October	▪ Maturities the future driver in the primary market? ▪ German-speaking Community of Belgium – spotlight on DGBE
34/2024 ♦ 23 October	▪ A relative value investigation of covered bonds ▪ Current risk weight of supranationals & agencies
33/2024 ♦ 16 October	▪ The covered bond universe of Moody's: an overview ▪ Teaser: Issuer Guide – European Supranationals 2024
32/2024 ♦ 09 October	▪ A look at the CEE covered bond market ▪ NGEU: Green Bond Dashboard
31/2024 ♦ 02 October	▪ A review of Q3 in the Covered Bond segment ▪ Teaser: Beyond Bundeslaender – Spanish Regions
30/2024 ♦ 25 September	▪ The EUR benchmark segment after the summer break ▪ Update on German municipality bonds: DEUSTD and NRWGK
29/2024 ♦ 18 September	▪ ECBC publishes annual statistics for 2023 ▪ Sukuk bonds – an update on sharia-compliant investments
28/2024 ♦ 11 September	▪ Banca Sella joins the EUR sub-benchmark segment ▪ Teaser: Beyond Bundeslaender – Autonomous Portuguese regions
27/2024 ♦ 04 September	▪ New Pfandbrief issuer: Lloyds Bank GmbH ▪ Agencies and resolution instruments of the BRRD
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

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 2024]

[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 Q3/2024] (quarterly update)

[Transparency requirements §28 PfandBG Q3/2024 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 2024]

[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 preview 2025: Downhill with Lagarde, but no speeding, please]

NORD/LB:	**NORD/LB:**	**NORD/LB:**	**Bloomberg:**
Floor Research	Covered Bond Research	SSA/Public Issuers Research	RESP NRDR <GO>

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Time of going to press: 11 December 2024 (08:51)