We wish our readers a blessed start to the new year 2025!

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Covered Bond & SSA View

NORD/LB Floor Research

8 January 2025 ♦ 01/2025

Marketing communication (see disclaimer on the last pages)

NORD/LB

Agenda

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Market overview
Covered Bonds

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

Primary market: can we now finally expect a flood of new issues?

Unfortunately, we are unable to yet report on the first appearances on the primary market for covered bonds in EUR benchmark format in the first edition of our weekly publication in 2025. Although there has been some activity in other asset classes and currencies, it must be stated that 2025 is starting just as sluggishly as 2024 ended – at least to begin with! At the time of going to print for today's edition of NORD/LB Covered Bond & SSA View, it is at least clear that the primary market is finally slipping into gear. For example, LBBW announced the imminent placement of a mortgage covered bond (5y). In 2024, this issuer was one of the first banks to break cover and open up the primary market in the new year with a deal placed on 2 January. Erste Bank from Austria and Commerzbank (dual tranche) also approached their investors on the same day. In 2023 (again, 2 January) and 2022 (4 January), the first deals were priced earlier than is the case for 2025. However, with a small wave of new issues now building up on the primary market, we are of the view that it is still too early to speak of a false start. In this context, we believe it is noteworthy that an Italian issuer in the shape of Credit Agricole Italia (ticker: CARPP) ranks among the "early birds" on the primary market. The details of this deal (expected volume of EUR 750m; 9y term) released in advance also contribute to the impression of a constructive opening of the market. However, neither the early foray onto the market nor the terms of the deal come as a surprise. For example, CARPP also appeared on the market in the first half of both January 2024 and 2022. In terms of the overall view of the market situation, it is worth looking back at previous starts to the year: in 2024, a total of EUR 40.6bn was recorded in January. The month of January in 2023 reached a similar level (EUR 39.7bn), while a volume of EUR 27.8bn was placed in 2022. January 2021 stands out as a special case. Influenced by the Covid-19 pandemic, the issuance volume of EUR 12.8bn is to be seen as the lower limit. While the issuance volume will not be anywhere near this low in 2025, at the same time it will not match the values recorded in 2024 and 2023.

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

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

Secondary market: the intriguing maturity question

In perfect harmony with the primary market, the secondary market has also remained in its period of slumber. With the announcement of fresh supply, however, we should now start to see a little more movement in the trading books. We expect issuers on the primary market to focus more on the shorter to medium maturity segments. Accordingly, trading inquiries are likely to be concentrated on this area, although we do also see some potential for surprises in longer maturity segments (>7y). With supply here expected to be thin on the ground overall, this would indicate a shortage. Nevertheless, significant demand for longer-term deals cannot be ruled out. In this respect, it is not surprising to us that buyers are occasionally trying to stock up on long-dated bonds on the secondary market. With the announced deal from CARPP – and other issuers potentially set to follow suit – this could herald the onset of a new dynamic here.

S&P: rise in DKK-denominated covered bond deals expected in 2025

At the end of the year, the rating experts from S&P took a look at the Danish covered bond market over the course of 2024 in addition to discussing aspects of relevance in 2025. The issuers active in what is (currently) the world's second largest covered bond market focus on transactions in their domestic currency (DKK), while benchmark deals denominated in EUR (total issuance volume in 2024 as per the S&P report: EUR 2bn) play only a minor role. For 2025, the rating experts expect EUR benchmark issues in a comparable volume from Denmark. However, due to a stronger housing market and more dynamic refinancing activities, driven by falling mortgage interest rates, an increase in covered bond issues in DKK is to be expected. Against the background of the high proportion of variable interest rate loans in Denmark, the affordability of real estate should, in the view of S&P, continue to increase over the course of next year. The projected increase in house prices – triggered primarily by a reduction in real estate transactions and a higher proportion of refinancing – should have a positive impact on the quality of the pools of covered bonds. The rating experts continue to view the CRE exposure of Danish banks as a systemic risk. Nevertheless, S&P is convinced that the current OC ratios are sufficient to absorb the expected losses from the CRE segment without entailing any changes to the ratings. In addition, the close ties between Danish banks and local investors support the Danish covered bond market. The majority of Danish covered bond programmes are rated AAA by S&P and have an average of around three unused notches of uplift against a downgrade to the issuer credit rating. In our forecast for 2025, we expect EUR benchmark issues to total EUR 2.5bn, which would be set against maturities in the amount of EUR 1.5bn.

Deutsche Hypo Real Estate Economic Index falls marginally in December

With regard to the latest developments on the German property market, we propose to look at the December figures published in relation to the Deutsche Hypo Real Estate Economic Index. The upwards trend observed since September did not continue in December 2024, with the result that in its most recent composition the real estate economic index fell by -1.9% compared with the November survey. With the exception of the Residential climate, which grew by +5.2% versus the prior month, all other asset classes recorded a negative development at the end of the year. Particularly sharp declines were recorded in the Retail (-5.7% M/M) and Investment climates (-3.4% M/M). Despite the decline of -4.9% month on month in the Office climate, this category was actually one of the winners when looking at the year as a whole. In fact, it recorded the highest growth rate, increasing by more than +45% compared with December 2023 (to 72.4 points) in the process. With the exception of the Logistics climate, all other sub-indices registered double-digit growth rates on an annual basis. The Residential climate remains top of the league among the asset classes in terms of overall points totals. Frank Schrader (Head of Deutsche Hypo – NORD/LB Real Estate Finance) states that while investment activity on the German real estate market may have picked up over the past year, "the transaction market has unfortunately not yet regained its strength." Looking ahead to 2025, Schrader expects that the "dynamics on the real estate market will continue to ramp up" once the federal election is out of the way, even if some uncertainties are set to remain in place.

Portugal: Fitch upgrades covered bond rating of Banco Comercial Portugues to AAA and Moody's presents New Issue Report for covered bonds from Caixa Geral de Depositos

The rating agency Fitch recently issued a press release in which it announced that the rating of the covered bonds (Obrigacoes Cobertas, ObC) issued by Banco Comercial Portugues (ticker: BCPPL) had been raised from AA+ to the top rating of AAA with a stable outlook. The rating upgrade is in line with the bank's Issuer Default Rating (IDR), which has also been upgraded by Fitch to now stand at BBB with a positive outlook (previously BBB-). The lowest OC ratio of BCP's covered bond programme (over the past 12 months) used by Fitch for the rating process was 18.6%. This value is above the break-even OC (minimum OC ratio required to secure a specific rating) of 18% for the AAA rating. To secure the previous AA+ rating, a value of 14.5% had been required. At the same time, the rating experts indicate that the risk of losses from differences in the ratio of assets to liabilities (ALM loss) amounts to 11%, while the equivalent value for credit losses is 6.8%. Other key figures such as PCU or recovery uplift remain unchanged. At present, Banco Comercial Portuguese has no outstanding covered bonds in either the EUR benchmark or EUR sub-benchmark segment, with its most recent deal placed back in 2017. At the start of the year, the risk experts at Moody's also presented a New Issue Report for the Portuguese mortgage programme of Caixa Geral de Depositos (rating: Aaa; pool volume: EUR 6.8bn). While this issuer (ticker: CXGD) did still have an outstanding EUR benchmark up to the beginning of 2022, in our view it is unlikely to play a major role in this sub-market in 2025. The total volume outstanding attributable to Portuguese banks in the EUR benchmark segment currently stands at EUR 5.4bn. For the current year, we expect new issues in the amount of EUR 3bn from Portugal, which in the absence of any maturities would simultaneously correspond to the net new issue volume for the year and therefore indicate a market on the growth trajectory.

Fitch I: greater use of uplifts above issuer ratings

In a recent edition of its "Covered Bond Protection Dashboard", the rating agency Fitch announced that the proportion of covered bonds with a rating featuring the maximum number of notches of uplift compared with the issuer rating has risen to 13.4%. The most recent measurement of this value in May 2024 came to 9.8%. This development can on the one hand be attributed to an improvement in covered bond ratings, although the programmes also benefit from upgraded issuer ratings at the same time. Of the total of 104 covered bond programmes publicly rated by Fitch, 14 were vulnerable to issuer downgrades of just one notch. Across the entire portfolio, issuers can be downgraded by an average of 3.7 notches without necessarily entailing any negative impact to the respective covered bond rating. Changes to issuer ratings are one of the main reasons for changes to covered bond ratings. As at November 2024, Fitch's coverage as a whole contained eight ratings with a positive outlook, while four programmes came with a negative outlook. Changes to the Fitch rating methodology are another, albeit less common, reason for covered bond rating changes. Fitch's average OC ratio for 66% of its rated programmes was at least double the break-even OC for the respective rating (average of 8%) in November, as against a value of 63% in May. As such, a majority of the programmes in the Fitch rating universe boast comfortable OC buffers.

Fitch II: Italian covered bond programmes now come with AA rating

Following changes to the internal "Covered Bonds Rating Criteria", the "European RMBS Rating Criteria" and the "Interest Rate Stresses Rating Criteria", the Italian covered bond programmes rated by Fitch have now all achieved the new, best possible rating of AA under the country cap for Italy. At present, most programmes feature a positive outlook, which is due to Italy's sovereign issuer default rating and sufficient buffers against potential downgrades. The above-mentioned adjustments to a range of rating criteria have led to changes in the break-even percentage required to maintain the AA rating of Italian covered bonds. However, the asset liability mismatch metric could be influenced as a loss component by factors such as revised assumptions on early repayments or the consideration of adjusted refinancing plans. Fitch currently rates seven soft bullet programmes and one conditional pass through (CPT) programme in Italy. We believe that the rating adjustments should have a positive impact on the Italian covered bond market, where we are initially forecasting an issuance volume of EUR 10.0bn for 2025. Set against maturities of EUR 9.5bn, this would accordingly produce a net new issuance volume of EUR 500m for the current year.

vdp issuance climate: Pfandbrief market expected to grow in 2025

The Association of German Pfandbrief Banks (vdp) carried out its survey on the outlook for Pfandbrief sales over the next six months for the fifth time. The experts from vdp member institutes interviewed for the survey expect an improvement in demand for Pfandbriefe (score +21 points) accompanied by growth in the property lending business (score +33 points). The overall scores, which measure sentiment in the market for Pfandbriefe and the capital market for the coming six months, in addition to the prior six-month period and the present, remain, at -14 points, in slightly negative territory, as was the case in the previous survey from June 2024. With a score of -18 points for mortgage bonds and -8 points for unsecured bank bonds, the results for the various asset classes are more divergent than in the previous survey. In this context, the range extends from -100 to +100 points. Sentiment deteriorated notably over the past six months in particular in terms of Pfandbrief sales (-43 points), while at -35 points the current score offers scant improvement in this regard. In terms of sales of unsecured bank bonds, the situation developed in the opposite direction: sentiment improved further from a score of +27 points for the last six months to +42 points at present. According to the survey, at the moment the main factor behind the negative outlooks for Pfandbriefe is the asset-swap level, which is unfavourable for the issuers' refinancing activities. Only a slight improvement is expected in this regard over the next six months. According to the survey respondents, interest rate developments in the next six months could also have a negative impact on sentiment for Pfandbriefe and unsecured bank bonds. Opinions on the specific amount of the interest rate cuts differ considerably. Overall, the vdp member institutions are planning to issue new deals amounting to EUR 49.9bn on the Pfandbrief market in 2025, as against maturities of EUR 45.8bn. According to Sascha Kullig, vdp Management Board member, robust demand for Pfandbriefe can be expected over the next six months despite the presence of some negative factors.

Market overview SSA/Public Issuers

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Selected German funding figures for 2025

A new year has only just begun, so this is the perfect time to take a look at planned funding figures that have so far been released by issuers in Germany. Though the Kreditanstalt für Wiederaufbau (KfW; ticker: KFW) had started 2024 with a planned refinancing requirement of EUR 90-95bn, it revised this downwards to EUR 80bn in the middle of the year. In 2025, Germany's largest promotional bank now only intends to secure around EUR 65-70bn on the capital market. Approximately EUR 10bn of this will be raised through the issuance of Green Bonds – Made by KfW. While the bank will continue to focus on benchmark issuances in EUR and USD, taps on existing EUR bonds totalling up to EUR 8bn are also envisaged from this year. KfW is also placing a particular emphasis on advancement in the digitalisation of its capital market activities. As part of this, central register securities will be the standard for new EUR benchmark bonds from 2025. KfW's redemptions amount to around EUR 75bn, which means that a negative net supply is ultimately likely to be posted. Landwirtschaftliche Rentenbank (ticker: RENTEN) is a second promotional bank in Germany and it expects a refinancing volume of EUR 10bn, with maturities of more than two years, for 2025. This target also includes a EUR-denominated Green Bond. Conversely, bond redemptions are expected to amount to just under EUR 11bn. Last year, Rentenbank raised EUR 8.2bn. Average bond maturity declined to 6.4 years (2023: 8.4 years). The proportion of its medium to long-term refinancing volume that it plans to raise via benchmarks in EUR and USD is unchanged at 50%. In terms of regional promotional banks, we expect NRW.BANK (ticker: NRWBK) to raise new funds of EUR 11-13bn. According to calculations by the Wirtschafts- und Infrastrukturbank Hessen (ticker: WIBANK), its medium and long-term refinancing requirements amount to EUR 1.5bn. Meanwhile, Investitionsbank Schleswig-Holstein (ticker: IBBSH) puts its annual funding target at EUR 1.6bn for this year.

Lower Saxony: state parliament adopts 2025 budget

On 13 December 2024, the state parliament of our owner, the federal state of Lower Saxony (ticker: NIESA), adopted the budget for 2025. The budget specifies a total volume of EUR 44.4bn, which represents an increase of EUR +1.9bn on the 2024 budget year. In terms of spending, the area of "education, science, research and culture" is set to receive the greatest share of EUR 11.4bn, followed by EUR 9.8bn for social services. Meanwhile, EUR 5.6bn is earmarked for municipal financial equalisation. The formal investment ratio will increase to 7.1% for this year, up from 5.9% in the 2024 budget year. Further investments will be made via the special funds that have been specifically established for this purpose. In order to offset the planned measures, the state parliament intends to use the entire portfolio of the general reserve, totalling around EUR 2.5bn, by the end of 2028. It will also fully exploit the scope for debt offered by the debt brake as part of cyclical adjustment. Both the budget for 2025 and medium-term financial planning are in accordance with the debt brake rule.

European supranationals expanding their funding programmes

Let us now turn our gaze to the four main institutions in Luxembourg, namely the EU, the EIB, the ESM and the EFSF. The respective funding targets for 2025 of the latter two were set a while ago now, at EUR 7bn (ESM) and EUR 21.5bn (EFSF). These issuers have even both released their targets for 2026 already, namely EUR 7bn and EUR 18bn, respectively. Given that ESM's redemptions will total EUR 12bn over the coming year, we expect a negative net supply of EUR 5bn. Meanwhile, bond redemptions for EFSF amount to EUR 21.5bn, putting the net supply at zero as a result. Moreover, we are expecting the ESM to once again bring a USD bond to the market in 2025. Now to the EU. We know that this major player moved to a new unified funding strategy in 2023: instead of the previous approach of allocating bonds to different individual programmes, these are now issued as general EU bonds. Only green bonds under the NextGenerationEU programme will continue to be classified as such. In H1/2025, the "mega-issuer" is planning to raise funds of EUR 90bn. In order for the EU to reach its stated target of EUR 160bn for 2025 as a whole, we expect a further EUR 70bn in the second half of the year. EU bills will always supplement this figure and are therefore not included. As a reminder, until 2020, the EU often had a neutral net supply in the course of its main operations. The bond redemptions of EUR 28.6bn in 2025 (net supply 2025: EUR 131.4bn) also include SURE and NGEU bonds for the first time. We are assuming that the latter, at least, will be extended. As part of the well-known bond auction, three different new bonds will be open to bid offers from Q2/2025. Next, the European Investment Bank: according to an EIB press release, the Board of Directors approved borrowing of EUR 60-65bn at its December meeting, allowing the bank some upside flexibility. EIB bond redemptions are projected to come in at EUR 62bn for 2025, which would result in a balanced or slightly positive net supply of up to almost EUR 3bn. In 2024, funding of the world's largest multilateral development bank amounted to EUR 63.4bn, of which an aggregate volume of EUR 18.3bn was raised through the issuance of Climate and Sustainability Awareness Bonds. The EU needs the support of the EIB to continue on its course of green transition as a community of states. We are therefore expecting supply in the ESG segment to once more remain high in the coming year.

Long-term funding plan incl. 2026 (EURbn)

	2024	2025	2026	∑
EFSF	20.0	21.5	18.0	**59.5**
ESM	6.0	7.0	7.0	**20.0**
∑	**26.0**	**28.5**	**25.0**	**79.5**

Time window for...

… syndicated EU bond issuances		**… syndicated EU bond issuances**	
CW 03	13-17 January	**CW 15**	07-11 April
CW 07	10-14 February	**CW 20**	12-16 May
CW 11	10-14 March	**CW 25**	16-20 June

… EU auctions

January 27	February 24	March 24	April 28
May 19	June 02	June 23	

Source: EU, ESM, EFSF, NORD/LB Floor Research

Bund published planning shortly after our last issue

While our tailored coverage in Floor Research of supranationals, sub-sovereigns and agencies (i.e. not countries) as well as covered bonds and financials means we do not take a detailed look at Germany as an issuer (Bund), its curve is the reference point for most of our institutional clients. We will therefore again pay due regard to the offering of the German Finance Agency this year: to finance its spending, the federal government plans to issue a volume of around EUR 380bn in federal securities via auctions in 2025. This would correspond to a year-on-year decline of almost 14% (2024: EUR 440bn). Of this amount, EUR 240bn is to be raised on the capital market and a further EUR 126bn on the money market. It is also planned to issue Green Federal Securities with a volume of EUR 13-15bn. This programme for inflation-linked federal bonds on the primary market has of course ended. Alongside auctions, the Bund plans to run two syndicated transactions over the course of the year, including the placement of a new conventional 30-year Federal bond. In the green segment, the issuance volume will also drop below the previous year's level. With the exception of March, August, November and December 2025, auctions will take place every month. Multi-ISIN auctions will be possible on these eight auction dates. The new issue of a green bond in the ten-year maturity segment is also envisaged. We already pointed out in the previous two years that the terms of issuance for German government bonds will change in the course of the planned introduction of single-limb collective action clauses (cf. weekly publication dated 20 March). The new terms will apply for new bonds on the first day of the second month after the agreement amending the ESM Treaty enters into force and will lead to the standard maturity dates for German government bonds being adjusted from the 15th to the 16th in the months of February, May, August and November. As usual, the exact maturity dates of new German government bonds will be announced in the issuance calendars of the corresponding quarterly reports. More now than ever before, the Bund's bond issuance planning can be termed "provisional", given that the ordinary budget for 2025 is not yet available. The (fiscal) policy ideas of the future federal government are also likely to determine the extent to which the planned issuance activities will ultimately be actually implemented.

Moody's downgrades 47 French sovereign issuers

In our last issue, we highlighted that France had been downgraded by the rating agency Moody's and also drew attention to possible adjustments to the credit ratings of issuers from the SSA segment. The foreseeable then occurred last year: a total of 47 issuers from the French sub-sovereign sector had their ratings downgraded from Aa2 to Aa3 with a stable outlook by Moody's. In our sub-sovereign coverage, this specifically concerns the Île-de-France (IDF) region and local authority Ville de Paris (VDP), which we shone a spotlight on in our NORD/LB Public Issuers Special – Beyond Bundeslaender: Greater Paris (IDF/VDP). Of the issuers in the agency segment, the ratings of Caisse d'Amortisation de la Dette Sociale (CADES), Unédic, Caisse des Dépôts et Consignations (CDC), Bpifrance, Société de Financement Local (SFIL), Société des Grands Projets (SGP), Caisse Centrale du Crédit Immobilier de France (3CIF) and Action Logement Services (ALS) were aligned with those of the French state. Due to the editorial deadline, it was too late to include these changes in our NORD/LB Issuer Guide – French Agencies 2024.

“Beyond Bundeslaender: Belgium 2024” published

At the start of the year, we published an update on the Belgian sub-sovereign segment as part of our established “Beyond Bundeslaender” series. At the time of writing, the regional market as a whole amounted to EUR 71.5bn, with Flanders (ticker: FLEMSH) accounting for EUR 28.1bn and Wallonia (ticker: WALLOO) for EUR 21.1bn, far ahead of the other issuers. This is followed by the Brussels-Capital Region (ticker: BRUCAP) with EUR 11.4bn and the French Community (ticker: LCFB) with EUR 9.2bn. The remainder is attributable to the tickers DGBE and FRBRTC, at EUR 1.1bn and EUR 0.3bn, respectively. We think the market has become an attractive alternative to German Laender, for example, especially for investors with a focus on the ESG segment. For full details on the Belgian economy, the regional bond market and all issuers, please refer to our NORD/LB Public Issuers Special – Beyond Bundeslaender: Belgium.

Primary market

New year, same story – but it’s a double up this time! On 17 December of last year, the federal state of Lower Saxony (ticker: NIESA) mandated a dual tranche consisting of a five-year and a ten-year bond to open the primary market in 2025 on the first day of trading in Europe. We were also positively surprised to see that the two bonds issued had a volume of EUR 1.5bn each. Both bonds could be priced directly on 02 January. While the five-year bond was ultimately issued at ms +30bp with an order book of around EUR 4.2bn, one basis point narrower than the guidance, the ten-year bond came to the market in line with the guidance at ms +43bp. One day later, the French promotional bank Bpifrance (ticker: BPIFRA) followed, placing a social bond of EUR 1.5bn with a term of four years at OAT +19bp (equivalent to ms +44bp) (guidance: OAT +22bp area, bid-to-cover ratio: 2.1x). From Germany, Kreditanstalt für Wiederaufbau (ticker: KFW) also came forward with a dual tranche: with a shorter maturity of three years, the EUR 6bn bond started the marketing phase with guidance in the region of ms +14bp and was ultimately issued at ms +12bp (order book: EUR 39.5bn, bid-to-cover ratio 6.6x). Thanks to the order book also being well filled at EUR 45.5bn, the ten-year bond with a volume of EUR 3bn was ultimately placed two basis points narrower at ms +37bp. The deal was therefore more than 15 times oversubscribed. For the coming week, however, the EU sent select banks an RfP for the first syndicated transaction in H1/2025 (cf. funding plan). From the Land of the Rising Sun, the Japan Finance Organization for Municipalities (ticker: JFM) has also announced that it will issue a green bond of EUR 500m with a five-year maturity in the near future. In terms of initial pricing thoughts, the issuer is hoping for something in the region of ms +49bp. Due to the new mandates that have been issued, we expect the following transactions to appear on screens shortly: EIB (BMK, 10y, Climate Awareness Bond, EARN), NRW (BMK, 5y; tap, EUR 1bn, WNG, 3% 03/2054) and ASIA (BMK, 7y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
KFW	DE	07.01.	DE000A383TE2	10.0y	3.00bn	ms +37bp	AAAu / Aaa / AAA	-
KFW	DE	07.01.	DE000A383TD4	3.3y	6.00bn	ms +12bp	AAAu / Aaa / AAA	-
BPIFRA	FR	03.01.	FR001400WJ56	4.1y	1.50bn	ms +44bp	AA- / Aa3 / -	X
NIESA	DE	02.01.	DE000A383XV8	10.0y	1.50bn	ms +43bp	AAA / - / -	-
NIESA	DE	02.01.	DE000A383XT2	5.0y	1.50bn	ms +30bp	AAA / - / -	-

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

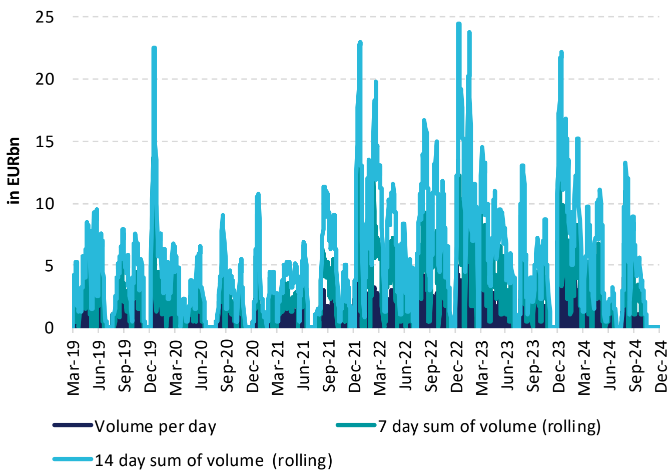
Covered Bonds
Annual review of 2024 – Covered Bonds

Authors: Alexander Grenner // Lukas Kühne

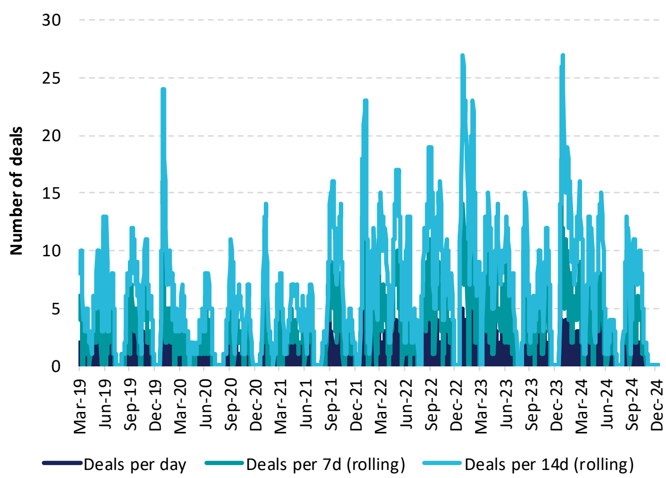
Review of the covered bond year 2024

It was a certainly a brilliant start to 2024, especially with regard to the new issuance volume on the primary market for covered bonds. In January alone, a volume of EUR 40.6bn (49 deals) was placed in the EUR benchmark segment. In terms of the new issuance volume, this made it the strongest start to the year since our records started in 2011. This dynamic environment persisted over the following months, albeit in a more moderate form. Among investors, thoroughly attractive spread levels, especially from a relative value perspective, generated strong demand. In addition to the "traditional" covered bond investors, such as bank treasuries and insurance companies, "credit" investors were increasingly interested in new issues on the primary market, meaning that the lack of demand from the ECB following the end of its purchasing programmes was easily offset. Intensive discussions about some Pfandbrief issuer's CRE exposure at the beginning of the year also led to the short-term spreads for these banks' covered bonds increasing briefly. Halfway through the year, in line with the seasonal pattern on the covered bond market, calm increasingly returned to the primary market. Despite activity picking up after the summer break, the primary market did not really get moving again in the second half of the year. This may have been attributable in part to uncertainties, such as the presidential election in the USA. However, a repricing process that took place across a very broad spectrum of asset categories had a far greater impact. We clearly associate the fact that only two deals worth a total of EUR 2.0bn were placed on the market in November 2024 with this. The primary market was brought to a veritable standstill by a drastically tightening Bund-swap-spread and the associated uncertainties with regard to pricing and execution risks. Ultimately, covered bonds seemed increasingly unattractive from a relative value perspective.

EUR BMK: daily issuance volume (EURbn)



EUR BMK: daily number of issues

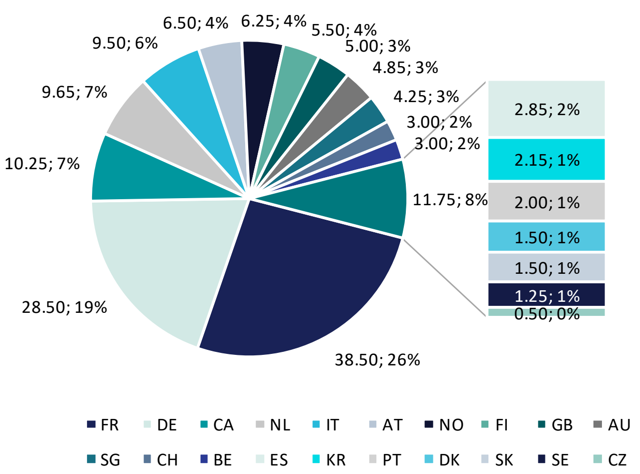


Source: Market data, NORD/LB Floor Research

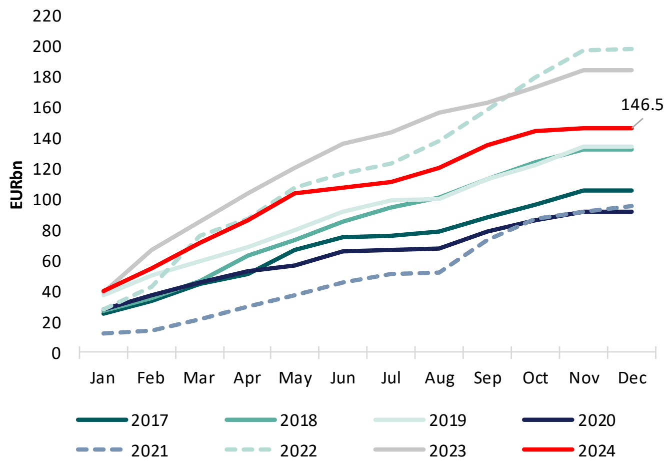
New issuance volume: a weak year?

Having initially performed spectacularly in January, the primary market continued buzzing in the following months as well. In addition to the maturities of three to five years chosen by most covered bond issuers at the beginning of 2024, Credit Agricole Home Loan placed a covered bond with a maturity of ten years on the market on the second trading day of the new year. Overall, around 30% of all covered bonds placed in 2024 had a maturity of seven or more years, while only 16% of all issues were attributable to this maturity segment in 2023. However, there are no signs of any return to the predominance enjoyed by covered bonds with a longer maturity at present. In the first quarter of 2024, in particular, issuers approached investors with longer dated covered bonds, while long-dated securities were in increasingly short supply over the rest of the year. The primary market was very active until the middle of the year. Accordingly, the new issuance volume totalled EUR 107.5bn as at 30 June 2024. Following the summer break, a certain momentum returned to the primary market only in September and October, meaning that just two issues were recorded across the final two months of the year. The total issuance volume of EUR 146.5bn at the end of the year ultimately fell well short of our forecast of EUR 171.5bn made halfway through the year. This can be explained by factors on both the demand and the supply side. While the diminished appeal of covered bonds from a relative value perspective is likely to have affected demand, some issuers deferred a possible appearance on the primary market in response to persistent uncertainties with regard to the actual prevailing spread level.

Issuance volume EUR BMK 2024 (EUR 146.5bn)



EUR BMK: issuance trend compared year-on-year

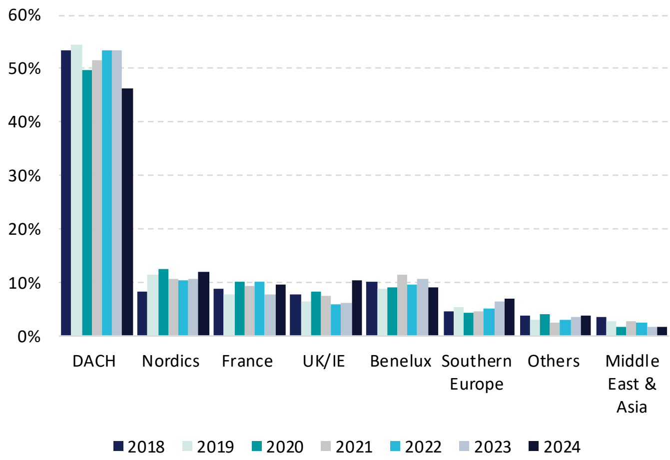


Source: Market data, NORD/LB Floor Research

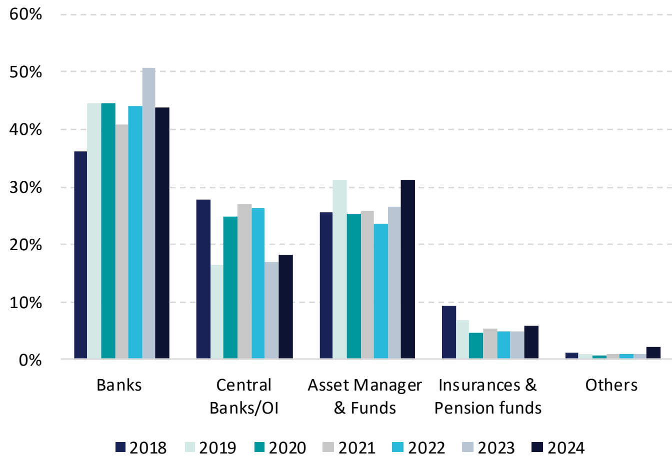
Positive net supply totalling EUR 40.8bn in 2024

With a view to net supply, market growth was shaped by the “usual suspects”, namely France (net supply: EUR 15bn), Germany (EUR 11bn) as well as Austria and the Netherlands (EUR 5bn each). While issuers from Canada slipped into negative territory (EUR -1bn) in net terms, this jurisdiction ranked third again in terms of the gross issuance volume (EUR 10bn). Only France (EUR 38bn) and Germany (EUR 29bn) boasted higher gross issuance volumes.

Primary market distribution by investor region



Primary market distribution by investor

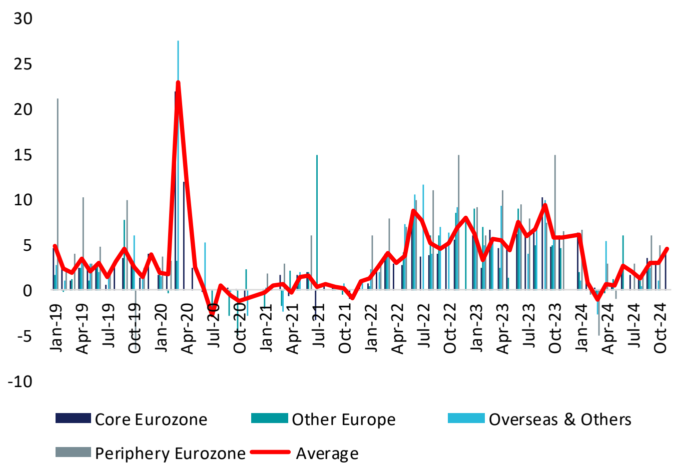


Source: Market data, NORD/LB Floor Research

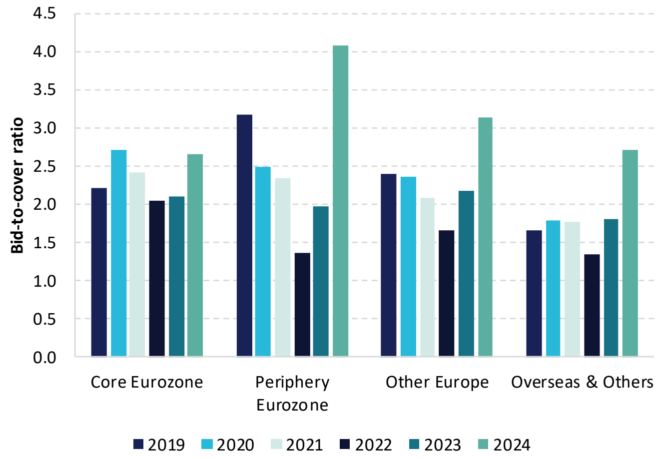
Spread level attracts new groups of investors after the beginning of the year

In the absence of demand from the ECB, the question for the primary market at the beginning of the year was which group of investors would absorb the substantial supply and whether this would require certain concessions from issuers in terms of spreads. In addition to traditional covered bond investors, such as real money investors, "credit" investors also demonstrated a keen interest in new issues to a certain extent. The emerging interest on the part of such investors was attributable not least to the attractive spread level on the covered bond market, which had risen sharply as a result of the substantial supply of new issues at the beginning of the year. There were no signs of any significant change in the distribution of the allocated volume due to the minor allocation of "credit" investors. Strong demand from this category of investors was reflected far more clearly in high bid-to-cover ratios and negative new issue premiums in some cases. While these were in the high single-digits or even in double digits at the beginning of the year, they fell sharply over the course of the first quarter. Having stood at +6.1bp in January, the average new issue premium turned negative in March and was quoted at -1.0bp. Strong demand led to well-filled order books, which even with a marked reduction in spreads in the marketing phase did not lead to any rapid declines in order books. The fact that negative new issue premiums should constitute more the exception than the rule on the primary market came true over the course of the rest of the year. The interaction between fair value and the reoffer spread, even in comparison with other asset categories, led to covered bonds becoming less attractive over the rest of the year in our opinion. This trend correlated with less well-filled order books and positive new issue premiums. With a view to the investor breakdown, we can say that banks or treasuries, in particular, still constitute the majority of investors on the primary market, even if their share has decreased somewhat in comparison with the previous year. In contrast, the largest increase is attributable to the investor category "asset managers & funds", which accounted for more than 30% of the allocated volume. The regional distribution of the allocated primary market volume is particularly relevant for the Pfandbrief segment, which is still dominated by accounts from the DACH region, from which we deduce a certain home bias for German Pfandbriefe among investors.

Net new issue premiums (in bp)



Bid-to-cover ratios

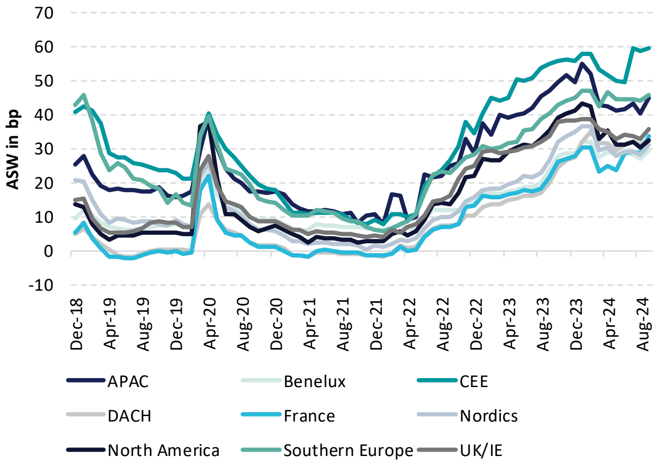


Source: Market data, NORD/LB Floor Research

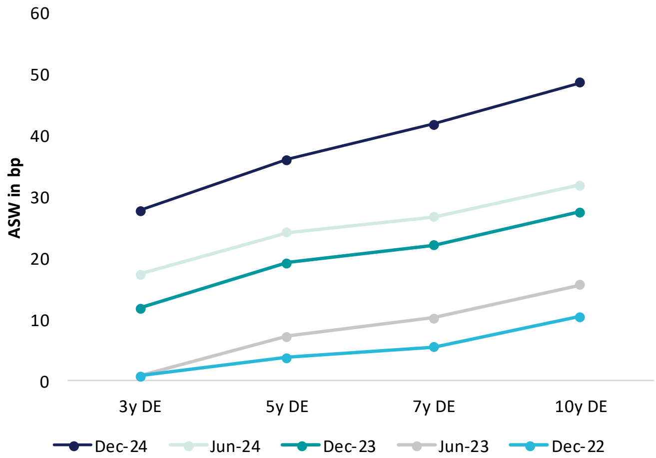
Spread developments on the secondary market: focus on relative value perspectives

Aside from the traditional covered bond specific supply and demand factors, changes in spreads in 2024 were significantly driven by relative value perspectives. Spread developments over the past 12 months can be roughly split into three phases. In the first phase, spreads widened further in response to the usual substantial supply at the beginning of a new year. Pfandbriefe, in particular, had a not inconsiderable amount of catching up to do as far as repricing was concerned, which materialised at the beginning of the year to a significant extent (key phrase: relative value Pfandbriefe). The debate about CRE exposure in the Pfandbrief segment also came to the fore (virtually simultaneously) and led to additional spread premiums here. After the first wave of issues had been digested, the market passed into a phase of spread tightening, which lasted into the summer. The previous sharp increase in spread levels made covered bonds look relatively attractive compared with other asset classes, which resulted in fairly considerable excess demand. Keen investor interest combined with a reduction in new issues meant that issuers could price increasingly tighter. Strong demand was driven by "credit" investors in addition to real money investors. At the end of the summer, there were increasing signs of a countermovement back to higher spread levels. In France, repricing even started somewhat sooner against the backdrop of the parliamentary elections and the ongoing budget debate. Widening spreads on French government bonds (OATs) put pressure on sub-sovereign issuers, which also entailed wider spreads on French covered bonds from relative value perspectives. The dominant topic at the end of the year was related to the trend in the Bund-swap-spread, which we will look at in more detail in the next section. From a relative value perspective, covered bonds looked increasingly less attractive, especially compared with issues from public issuers/SSA, where repricing had already set in beforehand. It is, however, important to state at this point, that the widening in spreads at year-end involves prices on the secondary market. Given the lack of issuance activity and low levels of trading, these must be interpreted with a certain degree of caution.

Trend in the ASW spread by region (5Y)



Covered bonds DE: spread curves



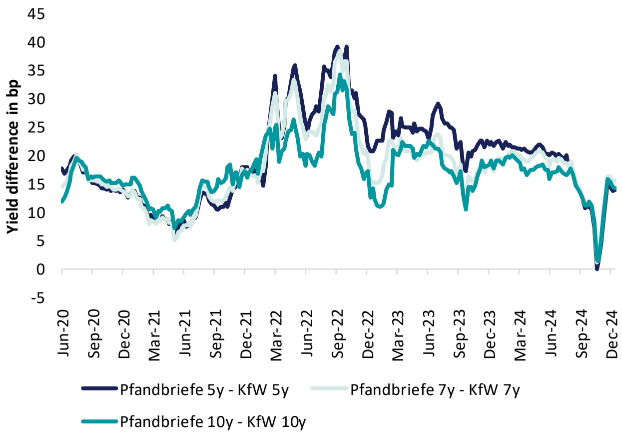
Source: Market data, NORD/LB Floor Research

Relative value: Bund-swap-spread as a catalyst

The dynamic increase in spreads on the covered bond market at the end of the year is, in our opinion, largely attributable to changes in the Bund-swap-spread. Following an extended downward trend, the Bund-swap-spread fell below the level of zero basis points for the first time in October 2024. This movement intensified a repricing process that had started earlier on the SSA market, but which had initially not yet affected covered bond spreads. The generic yield difference between Pfandbriefe and comparable KfW bonds can be seen for example from the pressure exerted on covered bond spreads by SSAs. Accordingly, the yield difference between the two sub-markets "disappeared" almost entirely in part before Pfandbriefe spreads widened noticeably and secondary market prices were back well above those of KfW at the end of the year. The increase in spreads on the covered bond market was driven by the yield/spread expectations of investors who want to see a significant pick-up compared with issues from sub-sovereign entities. In our opinion, the stabilisation of Bund-swap-spreads should not, in and of itself, trigger any further spread widening in 2025.

Bund-swap-spreads

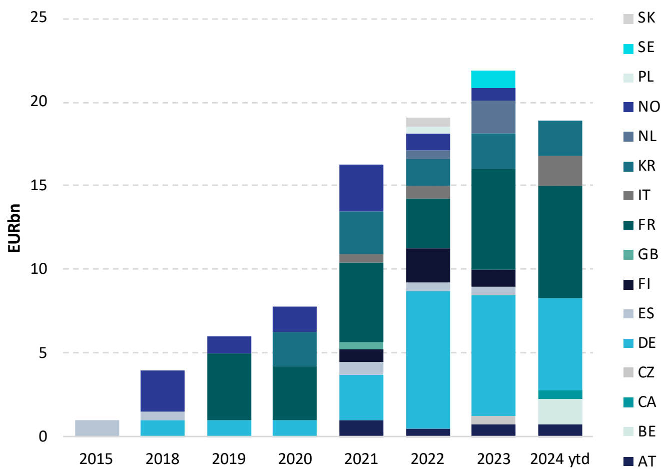
Yield difference: Pfandbriefe vs. KfW



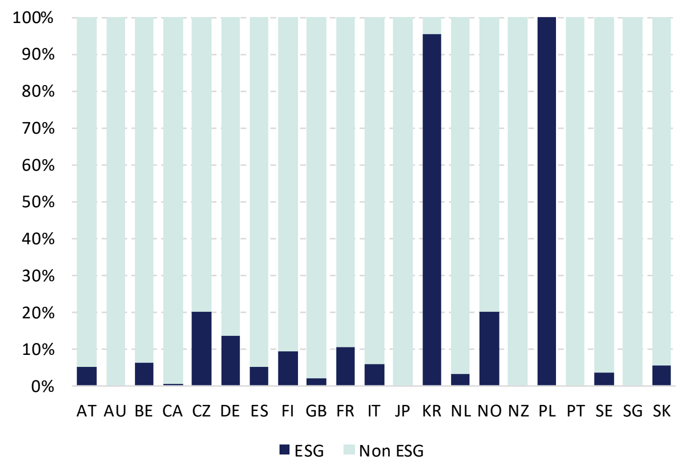
Source: Market data, Bloomberg, NORD/LB Floor Research

ESG segment also remains on growth trajectory in 2024 with issues of EUR 18.9bn
In absolute figures, 2024 was not a new record year for the ESG sub-market in the EUR benchmark segment for the first time since 2015. Accordingly, sustainable (“green”, “social” and “sustainability”) covered bonds worth EUR 18.9bn (spread across 29 issues) were placed on the market in the last twelve months. This figure was EUR 3bn down on the previous year’s level (EUR 21.9bn) and was once again dominated by green issues. Accordingly, EUR 10.8bn was attributable to the “green” segment (previous year: EUR 14.8bn), while EUR 7.7bn was attributable to the “social” category (previous year: EUR 7.1bn) and EUR 0.5bn to the “sustainability” category (previous year: EUR 0.0bn). The fact that the generic growth in the ESG segment is continuing in the case of EUR benchmarks is also clear from the newcomers to the market in 2024. A total of six issuers from five jurisdictions came to the market for the first time with “green” or “social” EUR benchmark deals. In particular, the first benchmark deal by Equitable Bank (Canada), which not only issued its inaugural EUR benchmark, but at the same time also issued the first Canadian EUR benchmark in sustainable format with its social covered bond, must be highlighted at this point. The proportion of ESG deals in the total EUR benchmark segment was around 9% at the end of 2024, while the distribution at jurisdiction level is very disparate. In terms of issuance volume, a share of around 13% was registered in 2024 (previous year: 14%).

EUR benchmarks (ESG): issuance volume



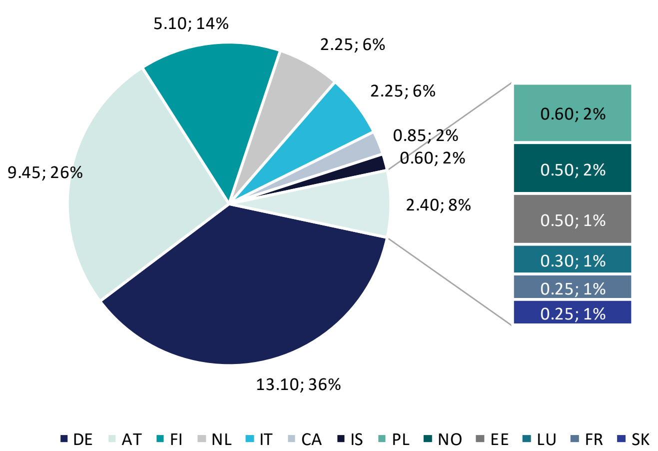
EUR benchmarks (ESG): shares of the total market



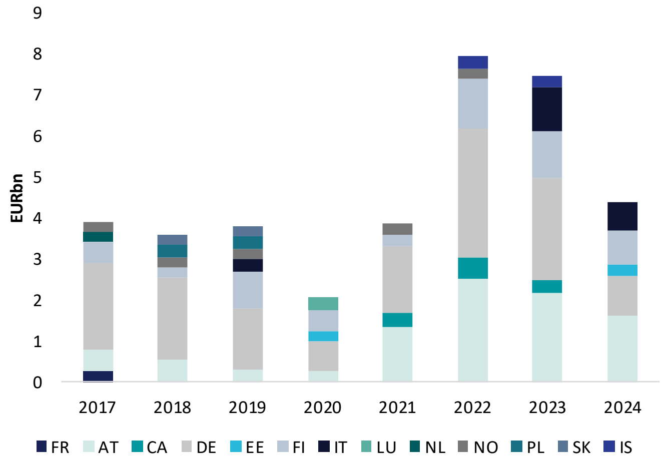
Source: Market data, Bloomberg, NORD/LB Floor Research

EUR sub-benchmark segment also enhanced by savings bank Pfandbriefe in 2024
The EUR sub-benchmarks segment was far more subdued in the last twelve months than in 2023. While new bonds worth EUR 7.5bn were placed on the market here in 2023, the issuance volume at the end of 2024 only came to EUR 4.4bn. Nonetheless, we believe that the EUR sub-benchmark segment remains on course for organic growth and base this assessment not least on the first-time issues in this sub-segment. Besides Banca Sella (IT) and Raiffeisen Bausparkasse Gesellschaft mbH (AT), three German savings banks also approached investors with inaugural deals in the EUR sub-benchmark segment. In addition to Sparkasse Dortmund and Sparkasse Bremen, Kreissparkasse Ludwigsburg also placed an EUR sub-benchmark on the market for the first time.

EUR sub-benchmark volume by country (EURbn)



EUR sub-benchmarks: issuance volume



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

NORD/LB Issuer Guide 2024 as a reference work for the covered bond market

In September 2024, we published the 12th edition of our NORD/LB Issuer Guide Covered Bonds. As usual, the publication provides a comprehensive overview of the covered bond market. The Issuer Guide focuses on the issuers of covered bonds and their corresponding cover pools. The guide includes information on 189 institutions that have EUR benchmark and/or sub-benchmark issues outstanding. Data was compiled on more than 220 cover pools in 27 jurisdictions. Moreover, as part of our regular publications "Transparency requirements §28 PfandBG" (issue Q3/2024), "Transparency requirements §28 PfandBG Sparkassen" (issue Q3/2024) as well as "Risk weights and LCR levels of covered bonds" (issue 02/2024), we also focused on specific data publications and regulatory aspects on a regular basis in the last twelve months. These and other publications can be found here: NORD/LB Floor Research. If you do not wish to miss out on the latest information, we are happy to include you in our Floor Research Newsletter distribution list. As part of our ESG Update 2024, we looked at current developments in the ESG segment and presented a detailed overview of the opportunities and challenges arising in this segment of the market.

Conclusion

The past twelve months also marked an extraordinary year for covered bonds: 2024 featured both volatile spreads and high issuance levels at the beginning of the year. While covered bonds with longer maturities were increasingly issued in the first half, long-dated securities were in rather short supply towards the end of the year. In addition to traditional covered bond investors, "credit" investors, in particular, generated significant excess demand following the beginning of the year, but this situation normalised once more towards the middle of the year, as spreads started to fall again. At year-end, the primary market ran out of steam against the backdrop of a sharp increase in spreads, triggered by the movement in the Bund-swap-spread and increased uncertainties, meaning that the new issuance volume ultimately came to EUR 146.5bn overall.

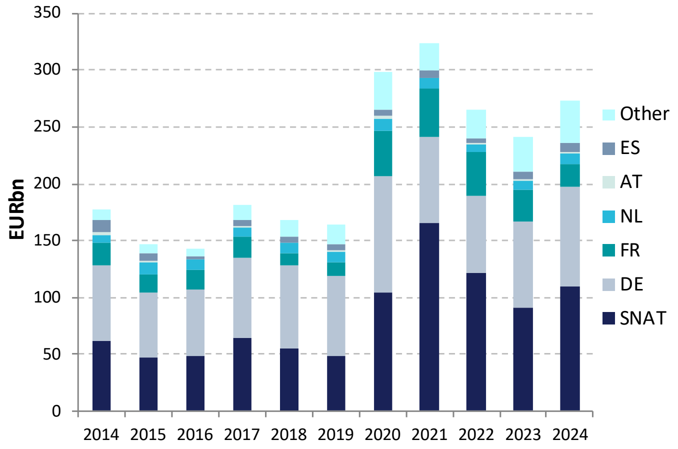
SSA/Public Issuers
SSA: Annual review of 2024

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

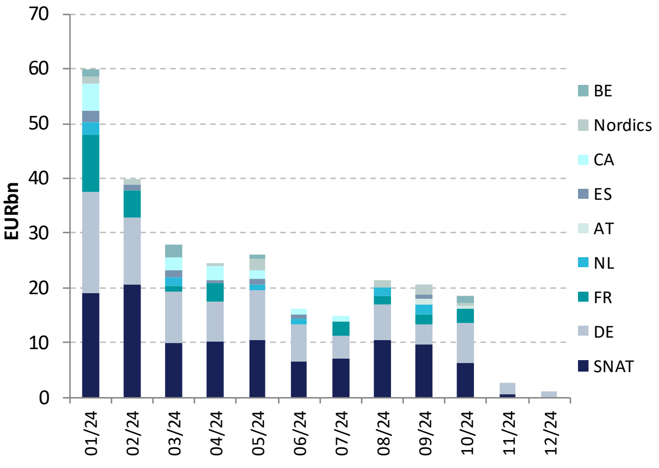
Introduction

As usual, we shall use our first issue of the new year to look back and recap the developments on the SSA market in 2024. Overall, the past year was characterised by an increase in spreads and consequently in funding costs too – especially in the second half – for the issuers included in our coverage. Political uncertainties, the economic weakness of certain European sovereigns and concerns about their budget situation have led to a repricing in the SSA segment, which at times even caused familiar patterns and established rules to disappear. Meanwhile, the ECB reversed its monetary policy last year and cut interest rates for the first time since 2019, while the reduction in the ECB's balance sheet is proceeding slowly. We categorise these effects and the continuing substantial supply of new bonds across the following pages.

EUR benchmark issuance volume



EUR benchmark issuance volume 2024



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

Sharp rise in issuance volume year on year

Having remained at a high level in 2022 and 2023, albeit lower than in 2021, the issuance volume increased by +14.0% Y/Y to EUR 282.9bn last year. As a result, 2024 ranks third in terms of issuance volume in a long-term comparison – it was only higher in 2020 and 2021, at EUR 303.8bn and EUR 326.3bn, respectively. The year is also well ahead as far as the number of EUR benchmark issues is concerned, ranking second historically speaking with a total of 200 transactions. The increase in funding measures is attributable, in particular, to two jurisdictions: supranationals – especially, the EU and EIB – issued significantly more than in 2023 with a total of EUR 110.8bn (2023: EUR 92.7bn) as did the German Laender and agencies with EUR 88.2bn (2023: EUR 76.7bn). In contrast, the French agencies – albeit at a lower absolute level – have reduced their EUR funding.

January 2024 – the most active SSA month of all time

The timing of issues again followed a familiar pattern in 2024. Admittedly, January is generally speaking the month that boasts the most issues in the year, however, it was particularly active last year: accordingly, EUR benchmark issues for the SSA segment totalled EUR 60.6bn in January 2024 (2023: EUR 52.5bn; 2022: EUR 44.5bn; 2021: EUR 55.2bn). To date, there have never been so many issues at the beginning of the year. February, the second-highest month for issues, more or less matched the level of 2023, at EUR 40.6bn, but it was well up on 2022 (EUR 21.5bn) and 2021 (EUR 11.0bn). March ranked third in this ranking at EUR 30.6bn, meaning that new bonds worth EUR 131.8bn in total were placed in Q1/2024. In Q2/2024 (EUR 67.3bn), primary market activity decreased significantly compared with the previous quarter before the summer break started. Both June (EUR 16.3bn) and July (EUR 15.5bn) were correspondingly quiet. The primary market only gained some momentum at times in August (EUR 22.1bn) and the following autumn months of September (EUR 22.9bn) and October (EUR 19.7bn) before issuance activity virtually came to a standstill in comparison with the other months in November (EUR 2.7bn) and December (EUR 1bn).

Inaugural deals on the SSA primary market

We again saw debut issues in EUR benchmark format in 2024. The Canadian province of Saskatchewan (ticker: SCDA), which raised EUR 1.25bn for the first time at ms +49bp (guidance: ms +52bp area) with a ten-year maturity, was one of the newcomers. Following Ontario, Quebec, British Columbia and Alberta, this makes SCDA the fifth Canadian province to place issues in this format. Export-Import Bank of China (ticker: EXIMCH) followed from the Far East and issued its first EUR benchmark of EUR 500m (3y) at ms +38bp. While EXIMCH has previously issued two EUR sub-benchmarks, this benchmark deal represents its largest outstanding EUR bond at present.

Publications in 2024

In addition to our regular comments on market-moving events, such as the landmark decision by the ECB for the coming year to cut rates again in December, the motto "A cobbler should stick to his last" also applied again in 2024: accordingly, we published the latest issue of the Issuer Guide – Deutsche Laender 2024 in August, which again – and we say this with a certain pride – proved very popular. Furthermore, we view your growing enthusiasm for niche products with interest. We therefore also worked hard on the "Beyond Bundeslaender" segment this year and focused in detail on the Belgian regions, Spanish regions, autonomous Portuguese regions and Greater Paris. We also looked beyond Europe and published reports on the sub-sovereigns in Down Under as well as on the Canadian Provinces & Territories. Issuer Guides categorised by individual sub-markets were also published within the agencies group of issuers, with reports covering German, Dutch, Austrian, Nordic, Spanish and other European agencies published in this context. In the supranationals segment, we also looked at both European and non-European supras. These annual studies were accompanied by a total of 42 issues of our weekly publication as well as digital spotlights on various selected topics. We were also delighted by the lively participation in our annual capital markets conference, which again took place in Herrenhausen Palace in August.

A brief overview of key issues in 2024

In terms of geopolitics, the war in Ukraine and the conflicts and uncertainties in the Middle East remained the defining issues of the year. Debates focusing on economic development and contentious issues with regard to dealing with budgetary situation led to the respective government falling in Germany and in France. Political uncertainty was and is correspondingly high – also in the context of the future approach to US economic policy under President-elect Donald Trump. In response to feeble economic growth by and large in the Eurozone and the gradual easing of inflationary pressure, the ECB initiated a change in monetary policy with the (historic!) adjustment to all three key interest rates (-25 basis points) in June. This interest rate move was not just historic because it was the first rate cut in the Eurozone since 2019 but also because the ECB cut rates ahead of the Federal Reserve for the first time. After further rates were put on the backburner for the time being during discussions between the ECB's central bankers in Sintra (Portugal), further cuts followed in September, October and December. With a view to funding, the EU again stood out and confirmed its role as a mega issuer in 2024 as well (EUR 140bn incl. taps). At EUR 80bn (2023: EUR 90bn), however, the funding volume of KfW, the dominant issuer in the German agencies segment, was far lower than the funding target of EUR 90-95bn announced at the beginning of the year. Over the rest of the article, we look at the matters that have moved both us and/or the market over the past twelve months.

Reform of EU fiscal rules

After a year of negotiating, the European Parliament approved the reform of the Stability and Growth Pact (SGP) in April. Ultimately, the "Maastricht Criteria" under which sovereigns may have maximum government debt of 60% and annual new borrowing of 3%, each measured against nominal GDP, remained unchanged. However, Member States that breach the agreed thresholds must now comply with individually tailored "debt ratio reference paths", which will be specified by the European Commission. These define how compliance with the fiscal requirements can be achieved over a period of four years (or seven years, if it can be demonstrated convincingly that investments and reforms that will support growth, resilience and sustainable government finances are being undertaken). Each of these adjusted plans provides for Member States with government debt of over 90% of GDP having to reduce their debt burden by 1 percentage point per year on average. Member States, whose debts stand at between 60% and 90% of GDP must reduce their debt ratio by 0.5 percentage points per year on average. All Member States are also required to keep their deficits below 1.5% of GDP to create a fiscal buffer to the official "3% limit".

EU opens deficit proceedings against seven Member States

On 26 July, the Council of the European Union announced that it had initiated deficit proceedings against seven Member States (Belgium, France, Italy, Malta, Poland, Hungary and Slovakia) that are to ensure that they comply with budgetary discipline and avoid excessive deficits. Previously, budget monitoring had been abandoned at times because of the COVID-19 pandemic and the Russian invasion of Ukraine. With the announcement of the second part of the European Semester Autumn Package, the European Commission had also repeatedly called for compliance with the debt rules and at the same time made recommendations to the Member States in question with respect to measures to correct their deficits.

End of the traffic light coalition in Germany

As a rule, we do not intend to comment on political events, however, at times, events do not give us any choice – especially not if they also affect SSA markets. The evening of 06 November will be remembered not just because of the result of the US elections but also because the German Chancellor announced that he wanted to end the traffic light coalition and signalled his intention to ask for a vote of confidence. This caused the collapse of the traffic light coalition. In essence, this was due to discussions about the draft budget for 2025 in the light of a financing shortfall of billions and disagreement on budgetary and fiscal policy with regard to compliance with the debt brake. The overall situation was accompanied by persistent economic weakness. According to the regular forecast of tax revenues in October, based on the German government's autumn forecast, far lower tax revenues were expected than in the May tax estimate, which will also have an impact on the – strained in some cases – financial situation of German sub-sovereigns. Germany is now facing weeks, if not months, of political uncertainty until a government is formed following the election on 23 February 2025. In the meantime, the principle of provisional budget management applies; according to the Minister of Finance, Dr Kukies, the German government is fully capable of acting even without a federal budget having been agreed.

French government crisis and persistent concerns about government borrowing

France does not have a budget for 2025 either following a vote of no confidence in the dispute about the planned austerity budget that brought Michel Barnier's centre-right government down. To recap: in June, President Macron dissolved the National Assembly in response to the results of the European election and called for snap parliamentary elections. After the right-wing "Rassemblement National" came top in the first round of voting, the left-wing alliance "Nouveau Front Populaire" surprisingly won the subsequent and decisive run-off. Since then, the National Assembly – including the political centre represented by Macron's "Renaissance" – has been split into three camps, none of which is capable of forming a majority but is implacably opposed to each other. Ultimately, a conservative Prime Minister, Michel Barnier, was appointed and – contrary to the results of the election – no one from the left-wing alliance. A few weeks after taking office, he announced that France would fail the debt rules on the budget deficit imposed by the EU by a long way and would probably not succeed in reducing annual new borrowing to a level of 3% of nominal gross national product (GDP) until 2029. Furthermore, the budget deficit could exceed 6% because of lower tax revenues and higher expenditure by local authorities and would therefore be significantly more than the 4.4% announced by the previous administration. This again fuelled concerns about France's budget situation and government borrowing, meaning that French agencies' spreads widened considerably – also in view of the downgrade to the French sovereign rating and the subsequent "downgrade cascade" – in the second half. In the meantime, the centrist politician François Bayrou, who is regarded as a confidant of President Macron, has been appointed as the new Prime Minister and has presented the new cabinet. However, it is obvious that Bayrou has not succeeded in achieving a dependable majority either and political uncertainty therefore remains high. It is therefore also uncertain whether he will actually succeed in adopting an austerity budget.

Rating changes – a look at France

There were also noteworthy rating changes last year: the most important of these does not relate directly to the SSA segment but had far-reaching consequences for it. The two rating agencies S&P and Moody's revised their assessment of France's creditworthiness in May and December, respectively. This entailed some inevitable consequences: as a result of increasing government debt, S&P cut the rating of the "Grande Nation" from AA to AA- with a stable outlook on 31 May. As in the previous year, this led, as expected, to an avalanche of downgrades, meaning that shortly afterwards, on 3 June, EFSF's rating was also cut from AA to AA- with a stable outlook. A day later, the ratings of a total of seven sub-sovereign French issuers were adjusted to the country's rating, all with a stable outlook (see weekly publication dated 12 June). In October, it was the turn of the risk experts at Fitch to downgrade France's outlook and consequently that of 26 sub-sovereign issuers from stable to negative. Moody's then also firstly amended France's outlook to negative in October, before finally cutting the rating from Aa2 to Aa3, albeit with a stable outlook, on 14 December. The downgrade reflected the fact that public finances are likely to be considerably weakened by the country's political fragmentation over the next few years and that a future government is likely to have difficulty in reducing the budget deficit significantly. Shortly afterwards, the ratings of a total of 47 sub-sovereign issuers were also amended. Since Moody's cut France's rating after our Issuer Guide – French Agencies 2024 went to press, the associated downgrades of the agency ratings have not been taken into consideration there. We have therefore listed the French agencies included in our coverage affected by the rating change as a result of the liability cascade with their current ratings as at year-end:

Ratings of French agencies – an overview

Name	Bloomberg ticker	Rating (Fitch/Moody's/S&P)
Caisse d'Amortisation de la Dette Sociale (CADES)	CADES	AA-u/Aa3/AA-
Agence Française de Développement (AFD)	AGFRNC	AA-/-/AA-
Unédic	UNEDIC	AA-/Aa3/-
Caisse des Dépôts et Consignations (CDC)	CDCEPS	AA-/Aa3/AA-
Bpifrance	BPIFRA	AA-/Aa3/-
Société Anonyme de Gestion de Stocks de Sécurité (SAGESS)	SAGESS	-/-/AA-
Agence France Locale (AFL)	AFLBNK	AA-/-/AA-
Société de Financement Local (SFIL)	SFILFR	-/Aa3/AA-
Société des Grands Projets (SGP)	SOGRPR	AA-/Aa3/-
Caisse Centrale du Crédit Immobilier de France (3CIF*)	CCCI	AA-u/Aa3/AA-u (guaranteed) A/Baa2/-
Action Logement Services (ALS)	ALSFR	AA-/Aa3/-

* 3CIF has both guaranteed and non-guaranteed bonds outstanding.

Source: Bloomberg, NORD/LB Floor Research

Further selected rating changes

Apart from France and the associated credit rating adjustments for government-related issuers and supranationals, there were also notable rating changes that we would like to share with you. We first turn to Belgium, where the expectation of a continued budget deficit prompted S&P to downgrade the credit rating of the Brussels-Capital Region (ticker: BRUCAP) from AA- (outlook: stable) to A+ (outlook: stable) on 22 March. We have also learned of further rating changes in Germany: during its regular rating review in October, S&P confirmed the existing AA rating for North Rhine-Westphalia (ticker: NRW) but lowered the outlook from stable to negative. According to S&P, the reason for this was the increasing risk that the expected tax revenue and the consolidation measures taken might not be sufficient to improve the budget situation in the long term. As a result of the existing liability cascades, the outlooks of the two agencies NRW.BANK (ticker: NRWBK) and Erste Abwicklungsanstalt (ticker: ERSTAA) were also lowered to "negative". One other notable rating change takes us across the Atlantic to Canada: The province of British Columbia (ticker: BRCOL) was downgraded once again by S&P on 08 April – on this occasion from AA (outlook: negative) to AA- (outlook: negative). As with the downgrade last year, the reason for this is the extensive investment as part of the budget plan, which will lead to a sharp increase in debt and the budget deficit over the next three years. Although it is not an immediate rating change, we still think this is worth mentioning: Investitionsbank Berlin (ticker: IBB) had its creditworthiness assessed by the rating agency Moody's for the first time last year. The risk experts gave IBB an Aa1 rating and a stable outlook, the same credit rating as its owner, the city state of Berlin (ticker: BERGER). The French municipal financier Agence France Locale (AFL, ticker: AFLBNK) has, on the other hand, replaced the rating from Moody's with a credit rating from Fitch (Rating: AA-, outlook: stable). In addition to Fitch, the municipal financier's creditworthiness is currently also rated by S&P (rating: AA-, outlook: stable).

Scope obtains authorisation – ratings also eligible for monetary policy purposes

In the issue of 07 February, we reported that the European rating agency Scope Ratings GmbH (Scope for short) had obtained authorisation at the end of 2023 after a thorough review by the European Securities and Markets Authority (ESMA) for the purposes described in the Eurosystem credit assessment framework (ECAF). However, as the ratings for asset-backed securities (ABS) issued by Scope did not initially meet the Eurosystem's eligibility requirements, the authorisation did not (initially) apply for the Eurosystem's monetary policy purposes. This was not relevant for the SSA segment - and so Scope was mandated by some issuers in our coverage over the course of last year. These included issuers from the German Laender segment such as North Rhine-Westphalia (ticker: NRW), Hesse (ticker: HESSEN) and Baden-Wuerttemberg (ticker: BADWUR). In June, Scope extended its coverage to include the French CADES (ticker: CADES), whose credit rating is assessed as AA with a negative outlook. In December, an assessment of the creditworthiness of the Spanish region of Madrid (ticker: MADRID) was also published for the first time (rating: A, outlook: stable). In the last issue we were then able to announce the completion. With the successful finalisation of the technical implementation, Scope's rating assessments can also be used for the assessment of eligible collateral since 16 December and can therefore be used in the course of monetary policy operations.

French sub-sovereigns qualify for risk weight of 0% since the beginning of July

Even though the news from France was dominated by negative headlines last year, there was still a ray of hope from an investor's perspective. At the beginning of July, the French financial market supervisory authority Autorité de contrôle prudentiel et de résolution (ACPR) decided that in future exposures to French sub-sovereigns would be treated in the same regulatory manner as exposures to French central government. According to the standardised approach under Regulation (EU) 575/2013 (CRR), this results in a risk weighting of 0% for municipalities, public bodies for intermunicipal cooperation with their own taxation, départments and regions in France, after 20% previously had to be applied for these. On this basis, a Level 1 classification in accordance with the LCR for bonds issued by French sub-sovereigns is possible. In this respect, regulatory parity with bonds issued by German Laender or Spanish regions that previously benefited from better treatment is therefore achieved. Agence France Locale (ticker: AFLBNK), which now also has a risk weight of 0% and is classified as a Level 1 asset due to its special liability mechanism, also benefited from these regulatory treatment changes. For a specific assessment of individual French issuers in our coverage, please refer to the Issuer Guide – French Agencies 2024 and the Public Issuers Special on the Greater Paris Area.

Risk weight of EU sovereigns

In our weekly publication of 23 October, we provided you with an update on the current risk weight of supranationals and agencies and in this context also pointed out the renewed extension of the transitional arrangement for the gradual increase of risk weights in the context of Article 500a and Article 114 CRR. Accordingly, for exposures of Member States where those exposures are denominated and funded in the domestic currency of another Member State, a risk weight of 0% applies until the end of 2024 pursuant to Article 500a of the CRR. This has gradually increased since and from 2027 the risk weight will be fully based on Article 114 of the CRR. For example, a risk weight of 0% therefore applies to EUR bonds from Poland until the end of 2024 pursuant to Article 500a of the CRR. From 2025, the risk weight applied to the exposure is 20% (2026: 50%) of the risk weight determined under Art. 114(2) of the CRR (20% of the current risk weight of 20% [4%]). From 2027, the risk weight determined pursuant to Art. 114(2) will apply in full.

IBB: lower valuation discounts for bonds issued by the promotional bank

Speaking of regulation - Investitionsbank Berlin (ticker: IBB) also had some news to report last year with regard to its regulatory treatment. IBB was classified as a "preferred" agency by the ECB in April, meaning it moved from haircut category IV to II, resulting in significantly lower valuation discounts across all maturities. According to IBB, the ECB's new rating is recognition of the promotional bank's increased presence on the capital market and the development of a liquid EUR benchmark curve. We recently took a closer look at the ECB's rules for repo collateral and their implications for supranationals and agencies in our weekly publication of 20 November.

A look at issuers outside our regular coverage

In our market overview, we have regularly focused on issuers who do not strictly fall under our coverage, but which we believe are nevertheless worth closer scrutiny - especially also because we put the spotlight on their guarantors in the Issuer Guide – German Laender 2024. For example, we presented the Hamburg-based social services organisation Fördern und Wohnen (F&W), tasked with providing housing, accommodation and social services for people in need of assistance. On the occasion of its 20th anniversary, we also looked at Investitions- und Förderbank Niedersachsen (NBank), which acts on behalf of the state of Lower Saxony as an informant, advisor, counsellor and promoter for structural and economic policy issues. We also introduced you to Investitionsbank Sachsen-Anhalt (IB), which ceased to be part of the NORD/LB Group in March 2023 and has operated as a legally independent entity since then. IB is an "institution under public law" (AöR) and supports Saxony-Anhalt as a central promotional institution providing funding for corporate, private and public clients. Last but not least, in the market environment we also looked at Bremer Aufbau-Bank (BAB), which has been the promotional institution of Bremen and Bremerhaven since 2001. As a legally independent subsidiary of WFB Wirtschaftsförderung Bremen GmbH, BAB supports the economic policy objectives of the two-city state, in particular with regard to state development such as structural, economic and housing development.

A brief look at the German municipal bond segment

There was little in the way of news to report from the German municipal bond segment in 2024. Only the Bavarian state capital Munich (Ticker: MUENCH) made an appearance with a sub-benchmark in the amount of EUR 300m and issued what it says is the first green bond from a German municipality in the form of its "Munich City Bond 2024". Entering the marketing phase with a guidance of ms +50bp area, the deal was finally closed at ms +47bp (order book: EUR 640m). In autumn, NRW Municipal Bond #8 (ticker: NRWGK) was also expected, although no placement was made despite the mandate.

Hybrid hope: new SSA sub-asset class for MDBs

As we also regularly provide an overarching insight into current developments on the capital market in our publications, in February we presented the structure and the pros and cons of hybrid bonds. The focus here was on the African Development Bank (ticker: AFDB), which placed its first hybrid bond, a mixture of bond and equity denominated in USD, at the beginning of the year. Hybrid bonds either have a very long maturity or no maturity limit at all and grant the issuer special termination rights. Similar to bonds, they carry a coupon, but payment can be suspended or postponed under pre-defined conditions, often depending on the issuer's profit and business performance. As they are subordinated debt instruments, hybrid bonds are only serviced after all other non-subordinated debt instruments have been serviced in the event of the debtor's insolvency, resulting in an increased risk of loss but also a higher yield. As the multilateral development banks of the G20 countries have been looking for new ways to increase their resources to support developing countries in dealing with crises such as climate change for some years now, hybrid bonds could be a suitable complement to traditional bonds: On the one hand, new investors are attracted by the attractive risk/return profile, while on the other hand they offer issuers the opportunity to optimise their capital structure and fulfil regulatory requirements. You can find further information in the weekly publication of 21 February.

Gemeinschaft deutscher Laender with two issues in 2024

An idiosyncrasy of the bond market in general, and one specific to the German sub-sovereign market, is the Gemeinschaft deutscher Laender issuance vehicle (ticker: LANDER). Within this framework, several sub-sovereigns issue joint bonds (known as "Laender jumbos"; issuance volumes starting from EUR 1bn), whereby each federal state assumes several (but not joint) liability for the issuance overall. The first time that several Laender grouped together to issue a joint bond of this kind was in 1996. Since then, the Gemeinschaft deutscher Laender has become an established issuer on the bond market and is an important player on the German Laender bond market with a current outstanding volume of EUR 17.75bn spread over 15 bonds. The LANDER ticker was also back on the primary market in 2024, after three bonds (#52 in March, #45 in May and #46 in September) fell due; at the end of January five issuers joined forces and raised EUR 1bn at ms +12bp by issuing bond #64 (7y) in line with the guidance. Bond #65 followed a few months later, in October. As a result, six of the seven Laender taking part in the joint issues approached investors with a EUR 1bn jumbo with a term of seven years. The deal went through at ms +22bp in line with the guidance.

Trial phase for the processing of DLT-based transactions completed

In May last year, the ECB launched a six-month exploration phase to test various technologies for settling DLT-based transactions in central bank money. The Bundesbank made its DLT-based "Trigger Solution" available for this purpose, which links such transactions with the conventional payment system and was already successfully tested in a similar form in 2021 together with Deutsche Börse and the Finance Agency. In addition to the German Bundesbank, Banque de France and Banca d'Italia also provided two other technical solutions. The start of this trial phase lasting several months was initially preceded by an expression of interest procedure, in which the interested institutions had to present their application scenarios and name the technical solution that they would like to use or test. Institutions from our coverage also took part in the trial phase following a successful application process: The first of these was Wirtschafts- und Infrastrukturbank Hessen (WIBank; ticker: WIBANK), which in June issued a digital registered bond, the first German promotional bank to do so. In October, it also successfully implemented a public blockchain to optimise processes for the issue of a traditional registered bond. Integrating blockchain technology in conjunction with the Bundesbank's Trigger Solution enabled real-time Delivery versus Payment (DvP). Besides WIBank, other promotional institutions such as Kreditanstalt für Wiederaufbau (ticker: KFW) and Landeskreditbank Baden-Württemberg – Förderbank (ticker: LBANK) participated in the trial phase and gained experience in dealing with the issue of digital bonds (cf. weekly publication of 10 July and 30 October). From the Laender segment, Saxony-Anhalt (ticker: SACHAN) also took part in the ECB project and issued a short-term digital bond in commercial paper format. Other issuers from our coverage also tried their hand at digital bonds: for example, the French agency Caisse des Dépôts (ticker: CDCEPS) and the European Investment Bank (ticker: EIB) completed their first digital bond issue during the Eurosystem's exploration phase. It will be exciting to see how the digitalisation of the capital markets progresses and how it is accepted by investors - we'll stay tuned for you!

Sukuk bonds – an update on sharia-compliant investments

Last year, we took the 50th anniversary of the Islamic Development Bank (IsDB, ticker: ISDB) as an opportunity to report once again on this growing segment of sharia-compliant investments, which is still relatively unknown in Germany. Globally, however, its importance has increased rapidly. In 2023, this niche market was worth around EUR 155bn. To recap: in November 2018, we had reported a total volume to date of EUR 118bn. In order for an investment to be deemed sharia-compliant, a recognised Islamic cleric must confirm compliance with strict rules. First and foremost among these rules is that earning interest is not allowed under Koranic rules. Moreover, Islam bans transactions with companies whose business involves alcohol, tobacco, weapons, pork, gambling, or anything of the kind. In order to meet these requirements, corresponding "sukuk bonds" are issued. Most of the sukuk bonds issued by the IsDB are denominated in USD (in total around USD 18bn). Until 2017, the EUR was only used in the form of private placements, for which the ceiling seemed to have been reached given heightened demand. The first EUR benchmark bond was then issued in November 2018 and the first green sukuk bond in December 2019. From a regulatory perspective, however, there could soon be changes in this niche market – provided that the draft of the sukuk Sharia Standard 62 introduced by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) is adopted. In our opinion, this would lead to a stronger fragmentation of the sukuk market. A significant increase in issuance volume is therefore conceivable before the standard comes into force.

German-speaking Community of Belgium

In our weekly publication of 30 October 2024, we took a closer look at the German-speaking Community of Belgium (ticker: DGBE). The region is economically characterised mainly by manufacturing industry and trade and is funded in large part from federal state transfers based on a lump sum fixed by law and the endowment of the Walloon Region for exercising the regional powers that have been transferred to it. The outstanding bond volume currently totals EUR 1.1bn, split across 58 different ISINs. All outstanding bonds are denominated in euro. A glance at the liability mechanism shows that the Belgian regions enjoy neither horizontal financial equalisation nor an explicit guarantee from the Kingdom of Belgium. However, bonds from the German-speaking Community of Belgium benefit from excellent treatment from a regulatory perspective: in the context of CRR/Basel III, they have a 0% risk weight and can be classified as Level 1 assets under the LCR.

MSCI unexpectedly decides not to include EU bonds in its sovereign bonds index

As the European Union's (ticker: EU) presence on capital markets has changed substantially in the last few years and a growing number of market participants have been treating EU bonds more as part of the govie market, this has thrown up the question of whether these should not also be represented in the corresponding indices. The global index provider MSCI announced in June last year that it had decided not to include EU bonds in its sovereign bonds indices. As a large number of market participants had apparently anticipated a different decision in advance, a widening of spreads could be observed in the aftermath of the announcement. The EU had certainly also hoped for a different decision, as inclusion in the index would probably also mean a reduction in financing costs. At the same time, MSCI announced that it would review the situation in a year's time, thus leaving the door open to inclusion at a later date.

The SSA segment as part of the PSPP/PEPP

As is generally known, the reinvestment of assets as part of the PSPP expired in July 2023 and a reduction in volumes for the PEPP also became apparent over the course of the year, meaning that a reduction in the ECB's balance sheet is slowly but surely progressing. Since the start of 2025, there has also been no more reinvestment under the PEPP programme. Looking at the Eurosystem's purchase list, there were no newcomers in 2024 and therefore few surprises overall: German Laender were the most sought-after sub-segment of the European SSA market. As of the end of 2024, 631 different German Laender bonds had been purchased by the ECB or the relevant central banks since 2015. This means that the total rose by 41 new ISINs from German Laender last year. Bonds from North Rhine-Westphalia (ticker: NRW) and Lower Saxony (ticker: NIESA) are most frequently represented, with 87 and 68 ISINs purchased respectively. Apart from German Laender, 147 bonds from other European regional issuers acquired since 2015 were on the Eurosystem's books at the end of 2024. Compared with 2023, ten ISINs were added. Bonds from the Spanish region of Madrid (ticker: MADRID) have been the most sought-after since the end of 2015 with 25 bonds, followed by the Belgian region of Wallonia (ticker: WALLOO) with 24 ISINs. Also lesser known tickers such as the Belgian LCFB and BRUCAP appear here. It is interesting to note that not a single bond from an Italian region had been acquired by the end of the programme last year.

ECB purchase list for the PSPP – regional European issuers

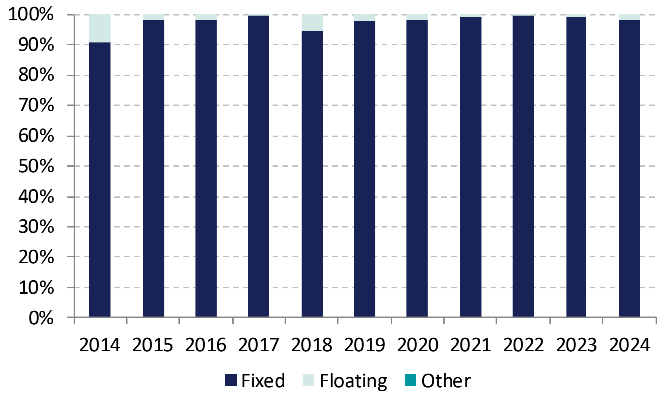
Issuer	Jurisdiction	No. of ISINs purchased	Issuer	Jurisdiction	No. of ISINs purchased
BADWUR	DE	28	IDF	FR	5
BAYERN	DE	14	VDP	FR	3
BERGER	DE	63	MADRID	ES	25
BREMEN	DE	57	CASTIL	ES	6
BRABUR	DE	28	BASQUE	ES	13
HESSE	DE	61	ARAGON	ES	1
HAMBRG	DE	30	ANDAL	ES	9
NIESA	DE	68	BALEAR	ES	1
MECVOR	DE	6	JUNGAL	ES	4
NRW	DE	87	NAVARR	ES	1
RHIPAL	DE	50	GENCAT/CANARY	ES	1 each
SAARLD	DE	13	WALLOO	BE	24
SCHHOL	DE	48	FLEMSH	BE	22
SAXONY	DE	12	LCFB	BE	8
SACHAN	DE	15	BRUCAP	BE	9
THRGN	DE	24	GOVMAD	PT	4
BULABO	DE	1	AZORES	PT	9
LANDER	DE	26	NIEDOE	AT	1
Total	**∑**	**631**	**Total**	**∑**	**147**

Source: ECB, NORD/LB Floor Research

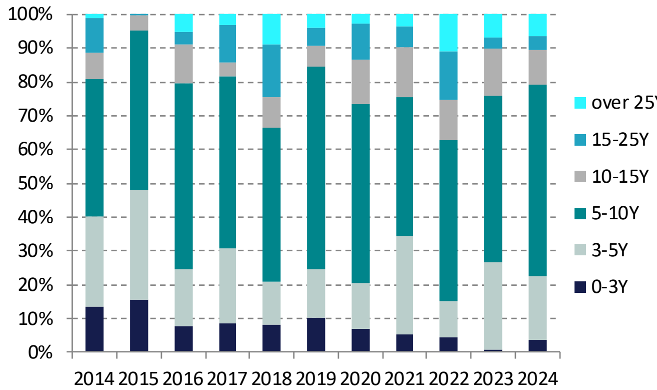
Fixed-coupon bonds continue to dominate issuance activities

With interest rates falling steadily since 2008, the importance of fixed-coupon bonds also increased continuously. Their share recently stabilised at an extremely high level. In 2018, there were signs of a minimal trend reversal in the short term: FRN issuance increased for the first time since 2014, but (almost) came to a standstill again the following year. At that time, the share of FRNs as a percentage of market volume was 5.4% and therefore remained at a low level. Since 2019, this share then fell from 2.2% to 1.9% (2020) and 0.8% (2021) to a low of 0.4% in 2022. However, since 2023, we have seen a slight increase in the share of FRNs. After 0.8% in 2023, the share of FRNs rose to 1.6% in 2024, meaning that around EUR 4.7bn of the total fresh EUR benchmark market volume (EUR 282.9bn) or nine of the 200 EUR benchmark bonds issued in 2024 had a variable interest rate. Overall, the proportion of FRNs therefore remains at a low level - also in terms of the long-term average, which stands at around 5.2% for the period 2008-2024 (median: 2.2%). Although refinancing via FRNs makes sense from an issuer's point of view in the midst of a cycle of falling interest rates or in anticipation of further falls in interest rates, it must also be possible to find corresponding buyers for these bonds on the purchasing side. This may well be possible to a certain extent, but we do not expect the share of FRNs to increase markedly in the coming year. They did not account for a large share of the market in the recent past either.

EUR benchmarks by coupon type



EUR benchmarks by maturity segment

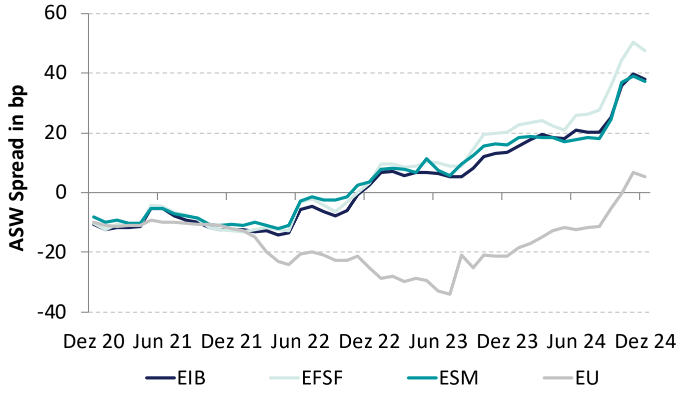


NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

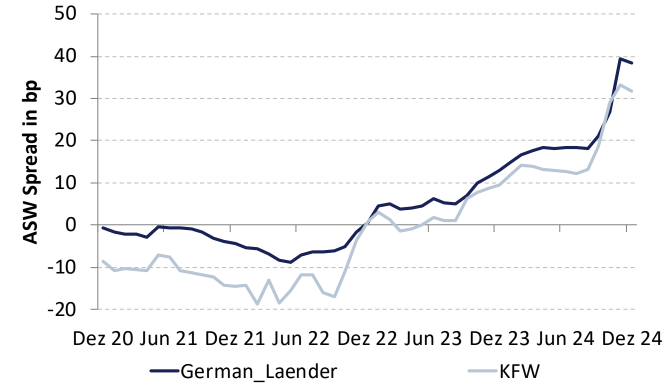
Maturity buckets trending towards medium terms

A glance at the changes in maturities shows that market players in 2024 tended to focus primarily on issues in the 5-10y maturity segment, which accounted for by far the largest share of around 57% and at the same time recorded the largest year-on-year increase of +7.4 percentage points. With an increase to a share of 3.5%, the 0-3y maturity segment also made a comeback - albeit only marginally - after steadily losing importance since 2020 and previously standing at just 0.6% (2023). By contrast, the 3-5y and 10-15y maturity bands, whose shares amounted to 18.8% (2023: 26.0%) and 10.5% (2023: 14.0%) respectively last year, lost ground. Interest in refinancing with long (15-25y) and ultra-long maturities (>25y) remained similarly lukewarm as in the previous year and was virtually unchanged at 3.8% and 6.5% respectively.

European supras: ASW Spreads 10y



German Laender & KFW: ASW Spreads 10y

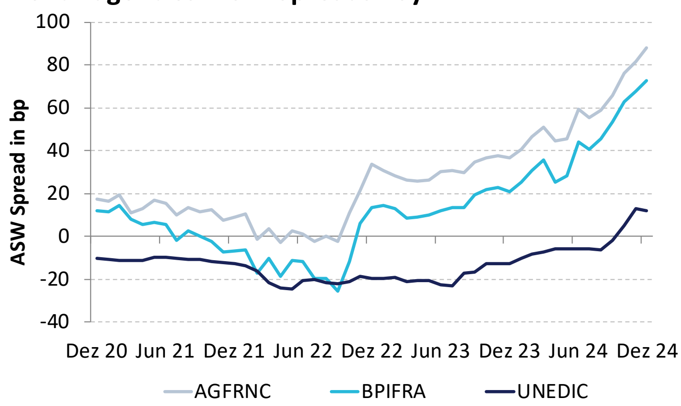


Source: Bloomberg, NORD/LB Floor Research. Data as at 30 December 2024

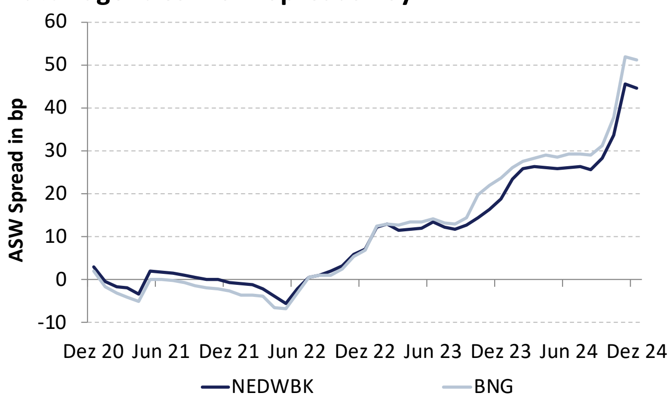
Significant spread widening in the second half of the year

The spread movements in the ten-year range for all sub-asset classes can be described as follows: after spreads had stabilised at a fairly constant level or risen only slightly up to the middle of the year, H2/2024 saw an in some cases significant widening trend. The ASW spreads of the supranationals - most notably those of the EFSF in the course of the down-grade - were also affected by this widening. While the ASW spreads of the EU were still negative in previous years, they have also turned positive since October 2024. Both in the German Laender segment and at KfW, we also observed sustained repricing from H2/2024, which at times caused familiar patterns and established rules to fall by the wayside. For example, German Laender in the ten-year segment were temporarily listed below KfW's ASW curve, before the situation "normalised" again in this respect at the end of year.

French agencies: ASW Spreads 10y



Dutch agencies: ASW Spreads 10y



Source: Bloomberg, NORD/LB Floor Research, data as at 30 December 2024

Similar pattern for French and Dutch issuers

Significant widening can also be observed for French and Dutch issuers. It is noticeable that UNEDIC has now also seen significant widening, although the level is still low in a historical context. The regulatory advantage (risk weight: 0%) over Bpifrance and AFD plays a role here. Spreads also widened further for Dutch agencies over the course of the year.

Outlook

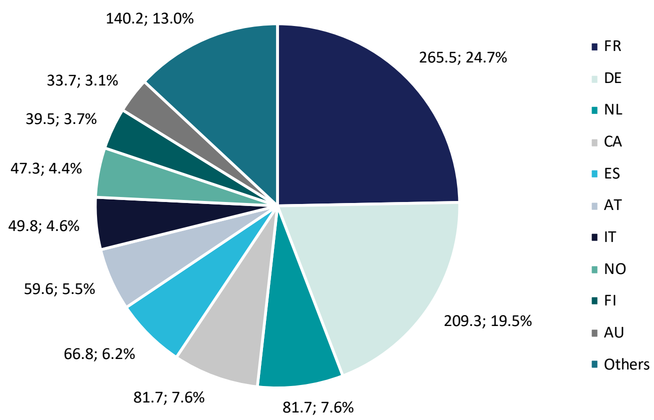
As outlined in one of our last weekly publications in 2024 with our SSA Outlook 2025, we expect the SSA segment in 2025 to continue to be dominated by current geopolitical crises, economic and budget policy challenges, ongoing interest rate cuts and the final end of reinvestments in the ECB's purchasing programmes. In our base scenario for 2025, we initially anticipate the possibility of a sustained widening of spreads in the SSA segment at least in Q1/2025. We are also curious about the seasonal patterns, such as how strong January will be and what spreads will be priced in after the strong repricing of recent weeks and months. In view of the maturity structure, the focus could be more on the months of March and April and the start to the new year could therefore be somewhat slower in terms of new issues. It remains difficult to predict the outcome of the debates surrounding the French budget and sovereign debt situation as well as the political situation in Germany in the context of the new federal elections on 23 February with the potential for protracted coalition negotiations that this brings. The situation in Ukraine could also develop in one direction or another after the inauguration of Donald Trump. There are therefore still significant uncertainties, but these could realistically be resolved by the middle of the year. In this respect, we expect a less volatile market situation from Q2/2025 at the earliest, which could accordingly have a positive effect on spread movements.

Conclusion

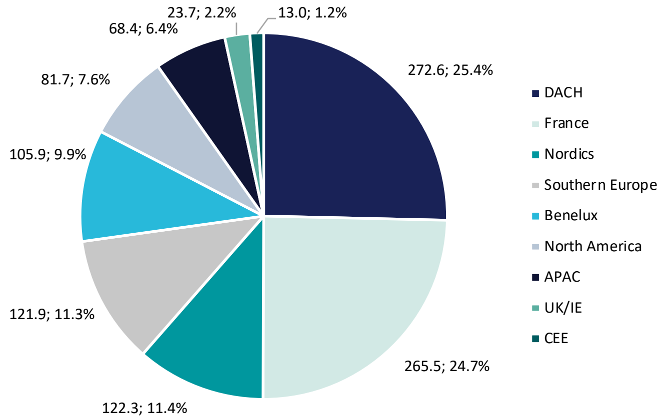
The past year 2024 was extraordinary in many respects and the many events are difficult to squeeze into a “short” annual review. Moreover, it is far too easy to forget what else existed and happened away from the wars and the series of political and economic crises. After the issuance volume remained at a high level in 2022 and 2023, but nevertheless declined after 2021, it rose by +14.0% to EUR 282.9bn last year. This puts 2024 in third place in terms of issuance volume based on a long-term comparison - it was only higher in the years 2020 and 2021 at EUR 303.8bn and EUR 326.3bn respectively. In terms of the number of EUR benchmark issues, the year is even in second place historically with a total of 200 issues. From our perspective, the main trends have hardly changed. In terms of maturity preferences, the focus remained on shorter and medium-term bonds rather than ultra-long-term bonds. Fixed-coupon bonds continued to dominate issuance activities in 2024. The share of FRNs remained at a low level. In addition, political uncertainty, the economic weakness of individual European countries and worries about their budgetary situation led to significant spread widening in the SSA segment, particularly in the second half of the year. We wish our readers a successful and, above all, healthy 2025!

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



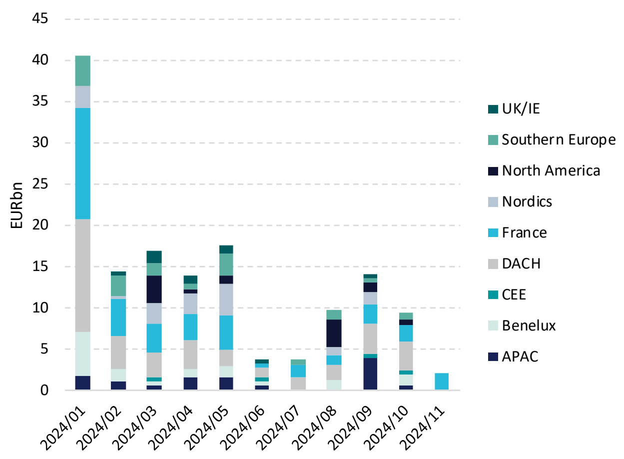
EUR benchmark volume by region (in EURbn)



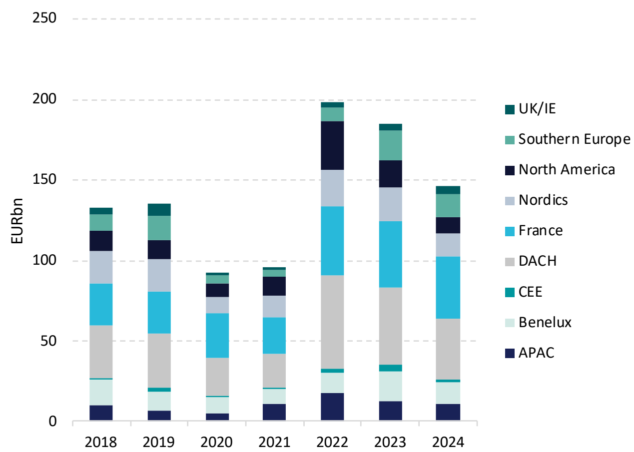
Top-10 jurisdictions

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	265.5	256	29	0.97	9.2	4.6	1.50
2	DE	209.3	296	45	0.65	7.8	3.8	1.54
3	NL	81.7	82	3	0.93	10.5	5.8	1.40
4	CA	81.7	60	1	1.34	5.6	2.5	1.43
5	ES	66.8	53	5	1.14	11.1	3.0	2.19
6	AT	59.6	100	5	0.59	8.0	3.9	1.56
7	IT	49.8	64	5	0.76	8.5	3.8	2.01
8	NO	47.3	58	12	0.81	7.2	3.3	1.11
9	FI	39.5	45	4	0.86	6.7	3.3	1.77
10	AU	33.7	32	0	1.05	7.2	3.1	1.79

EUR benchmark issue volume by month



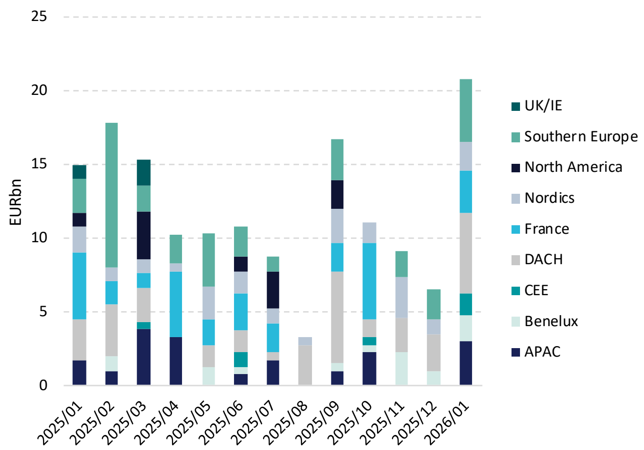
EUR benchmark issue volume by year



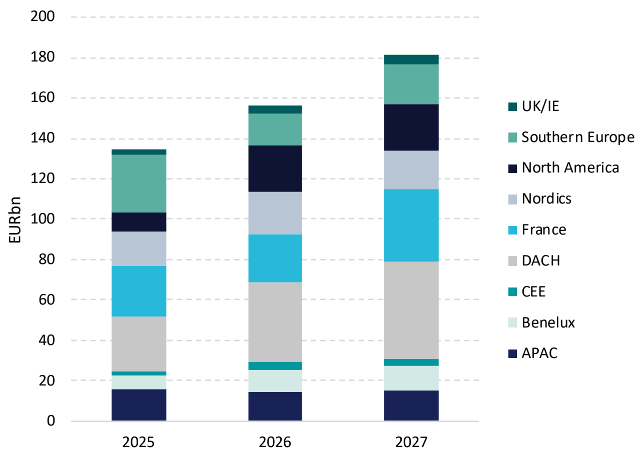
Source: Market data, Bloomberg, NORD/LB Floor Research

NORD/LB

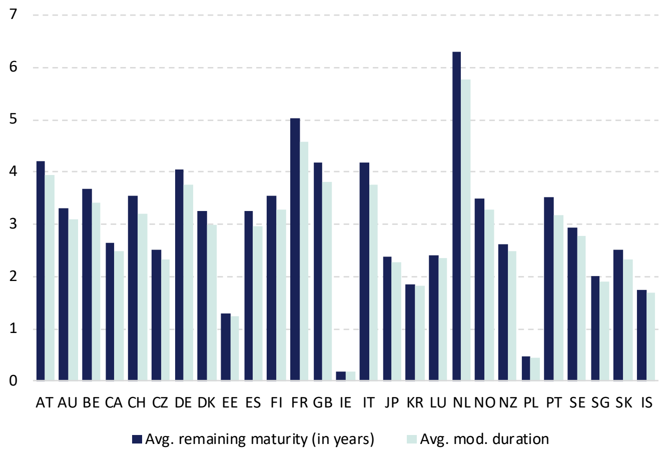
EUR benchmark maturities by month



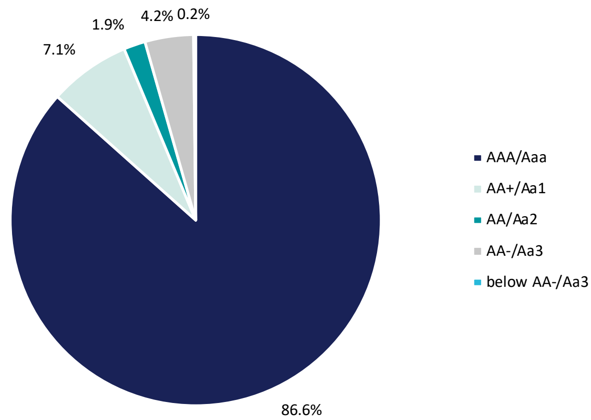
EUR benchmark maturities by year



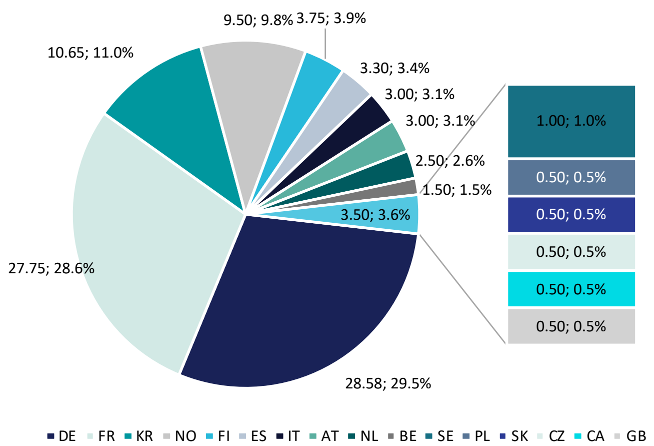
Modified duration and time to maturity by country



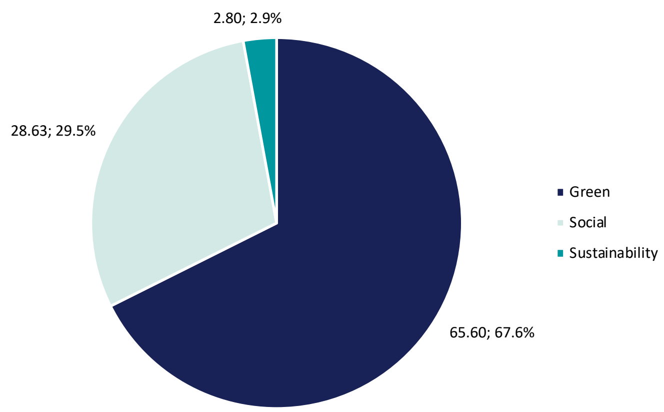
Rating distribution (volume weighted)



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

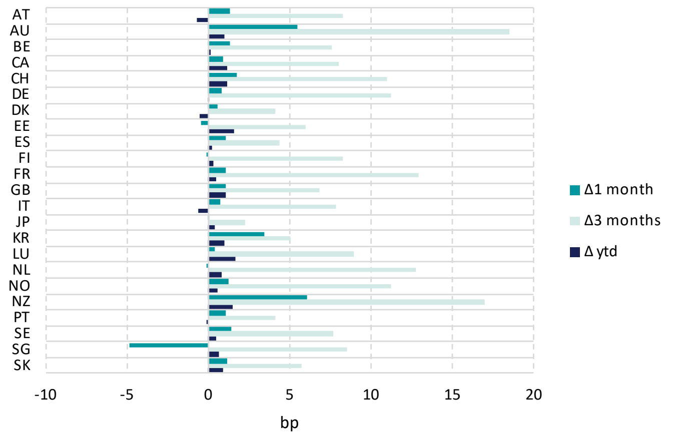


EUR benchmark volume (ESG) by type (in EURbn)

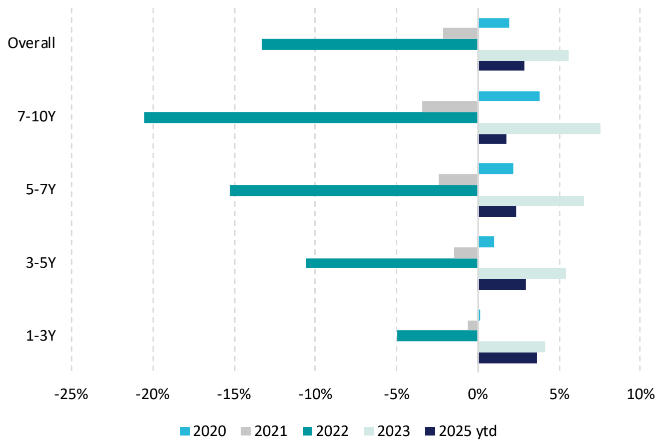


Source: Market data, Bloomberg, NORD/LB Floor Research

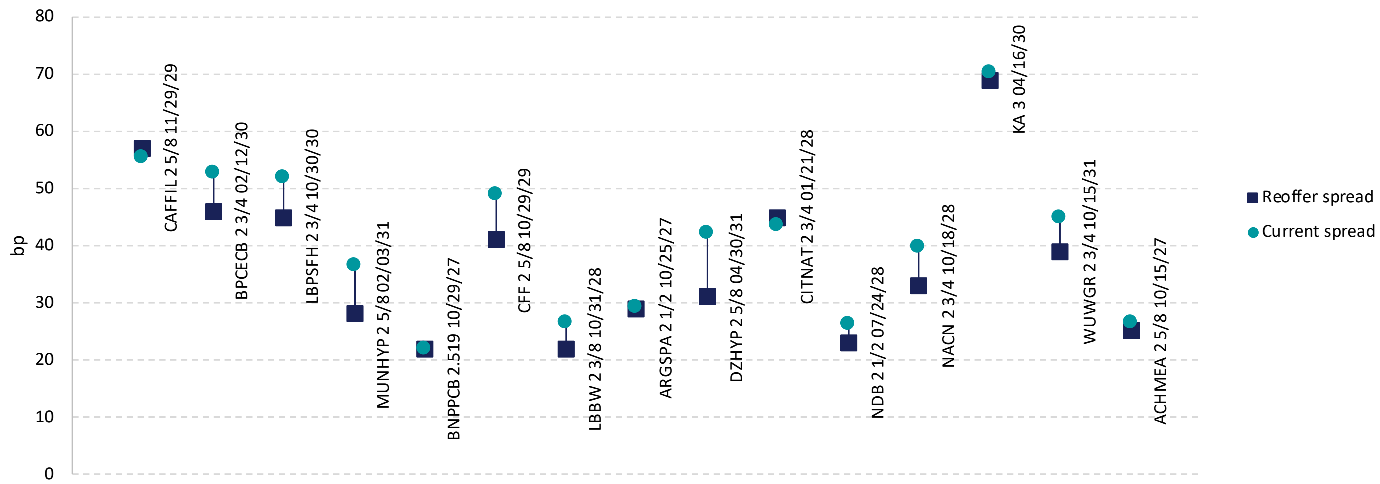
EUR benchmark emission pattern



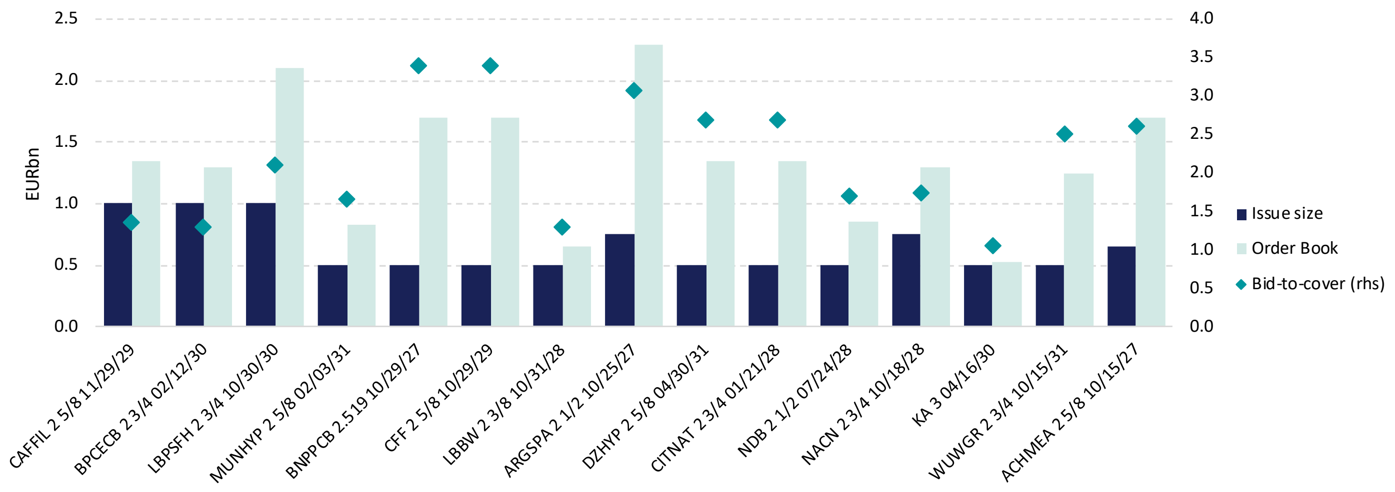
Covered bond performance (Total return)



Spread development (last 15 issues)



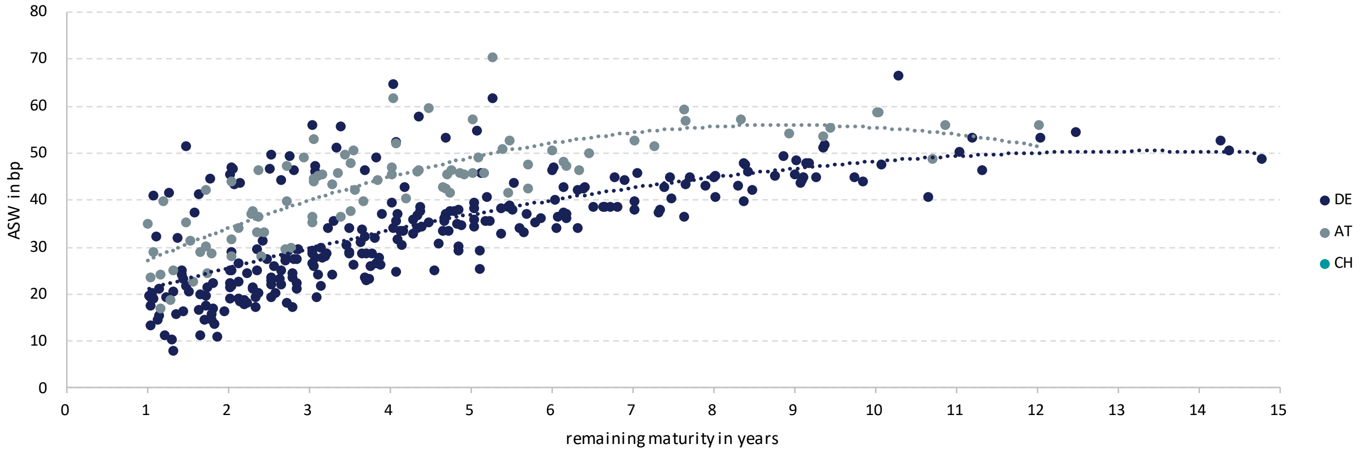
Order books (last 15 issues)



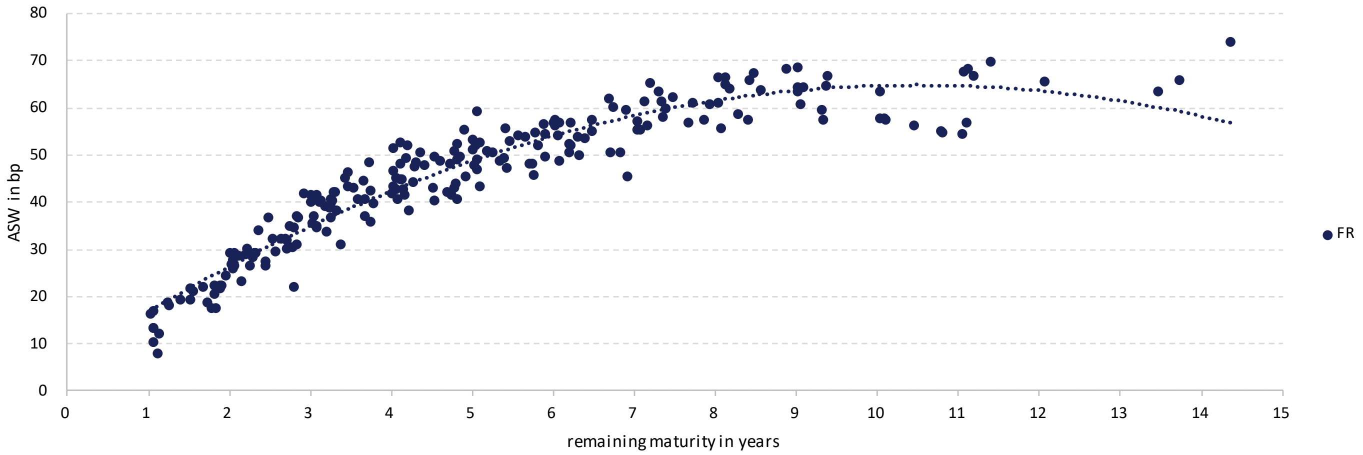
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

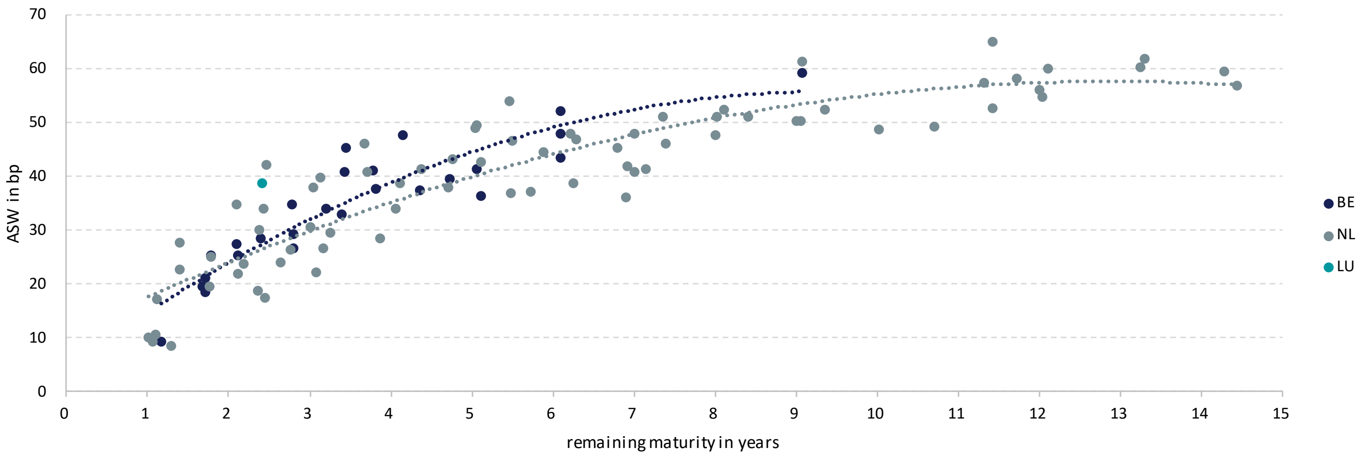
DACH



France

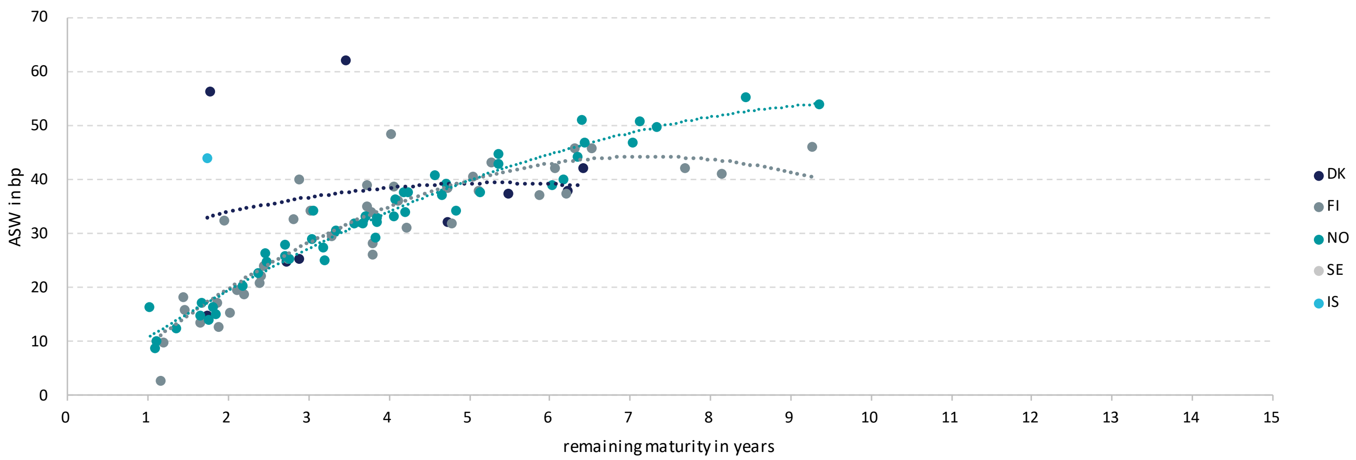


Benelux

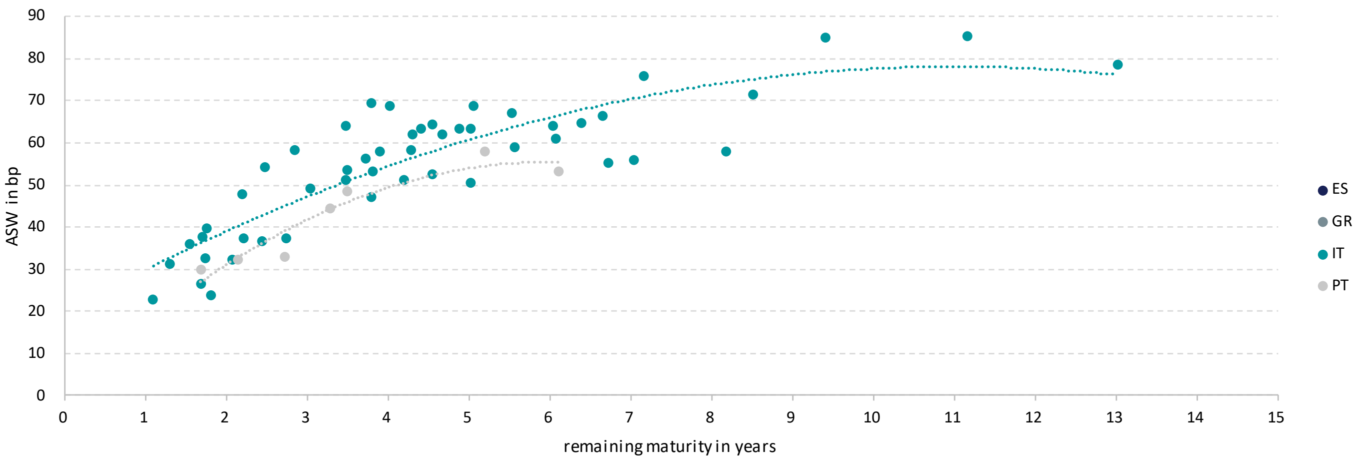


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

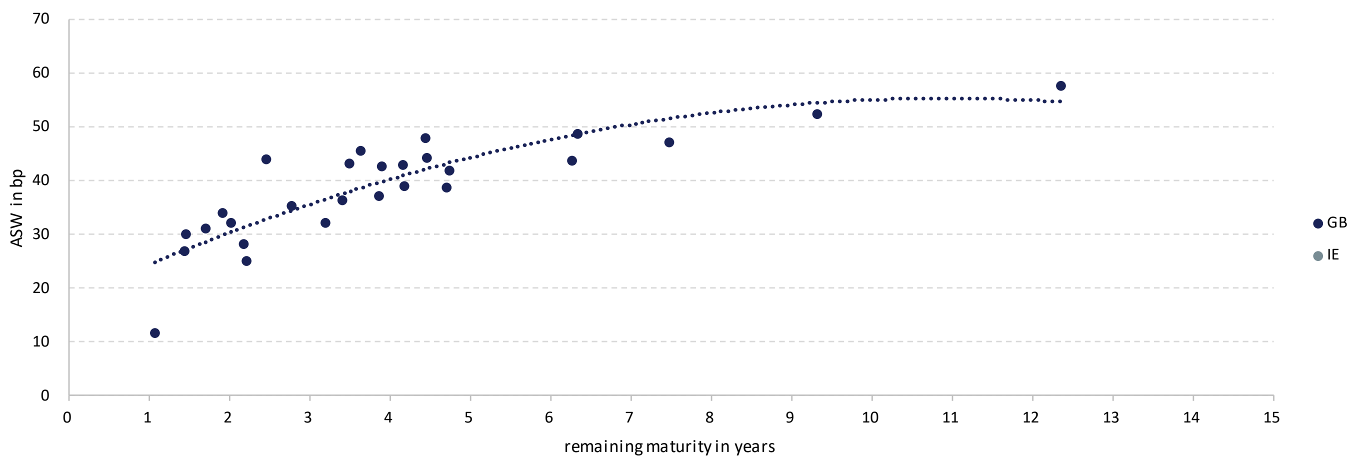
Nordics



Southern Europe

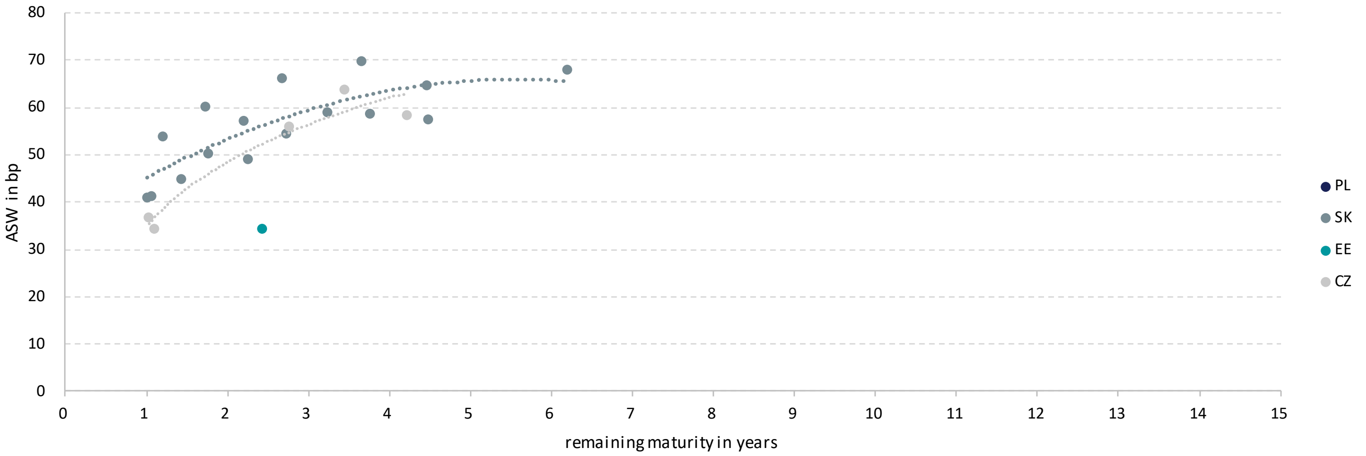


UK/IE

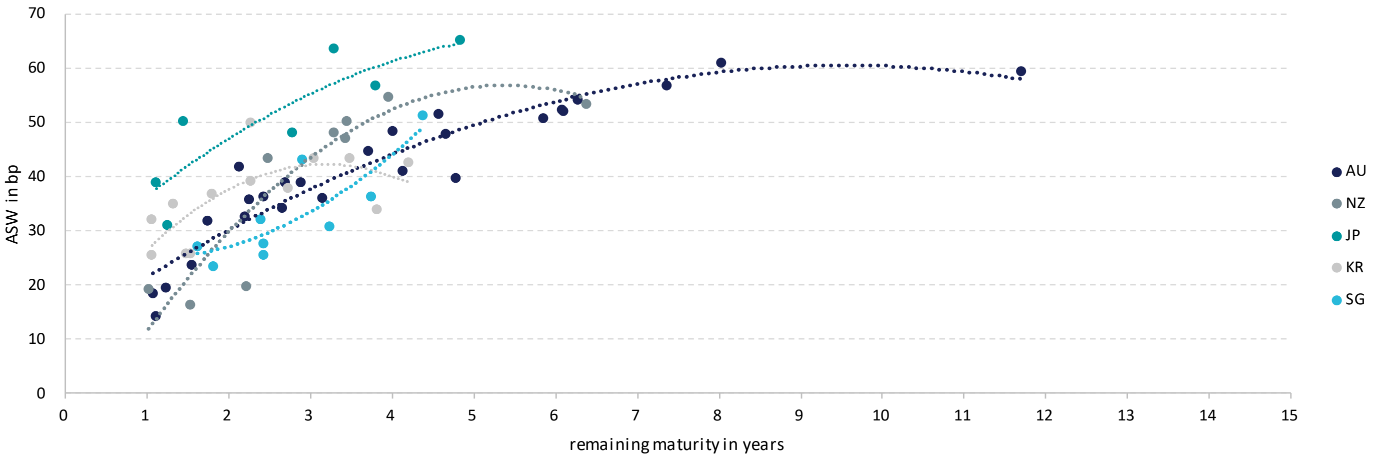


Source: Market data, Bloomberg, NORD/LB Floor Research

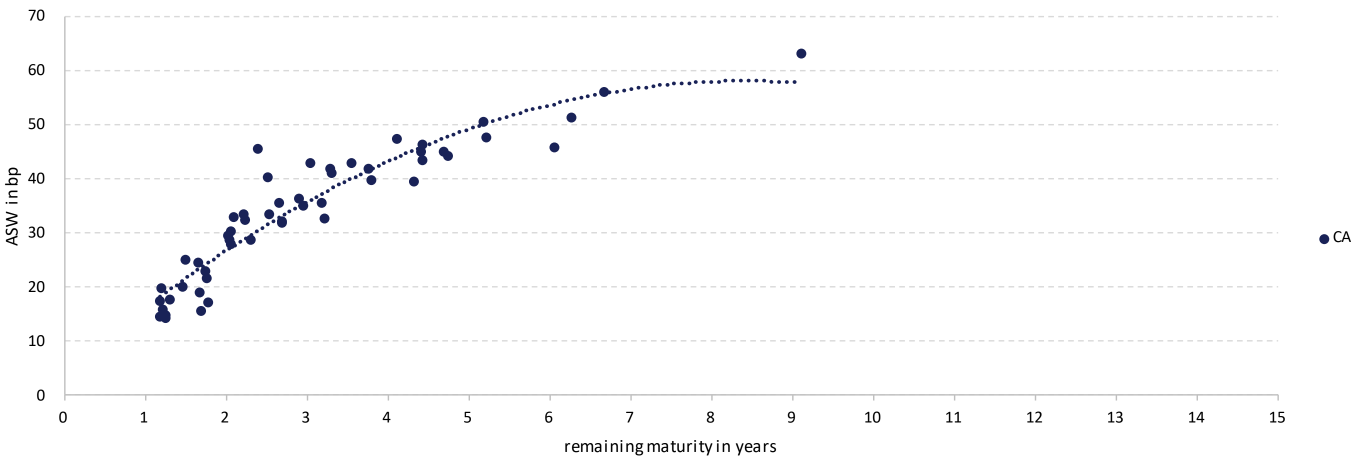
CEE



APAC



North America

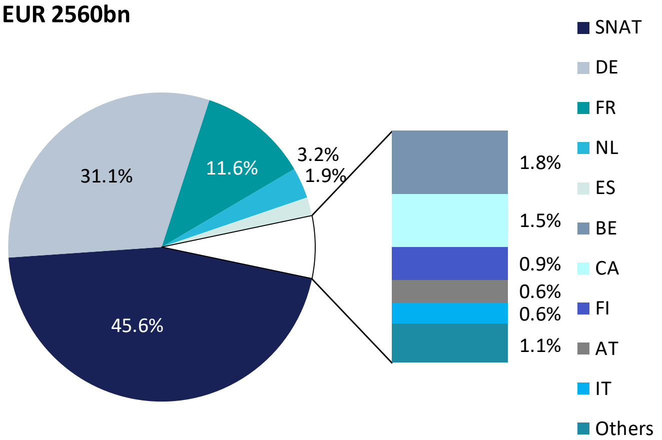


Source: Market data, Bloomberg, NORD/LB Floor Research

Charts & Figures
SSA/Public Issuers

Outstanding volume (bmk)

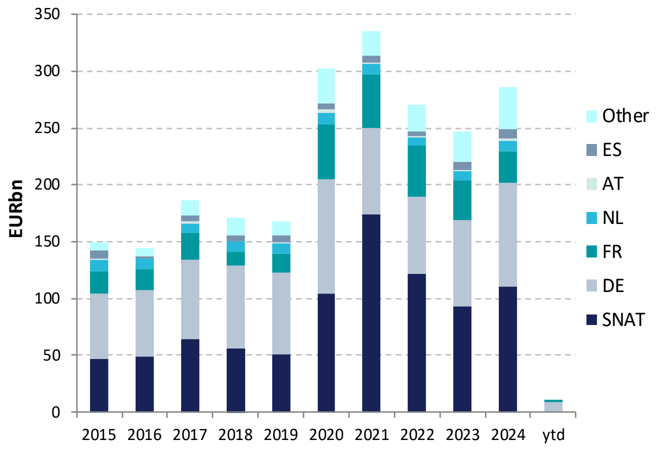
EUR 2560bn



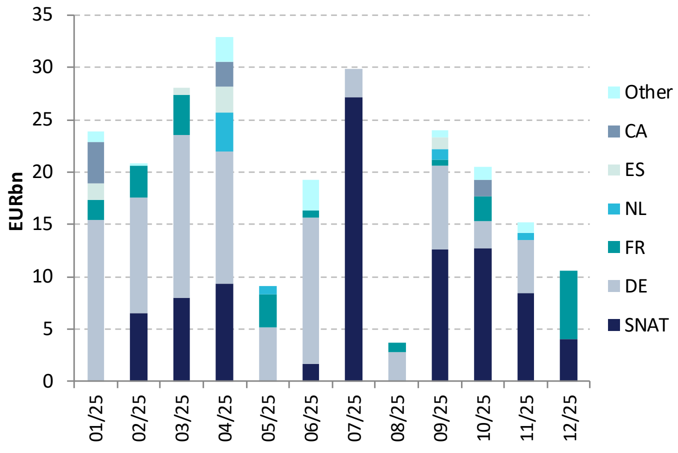
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,168.4	242	4.8	7.8
DE	796.7	594	1.3	6.0
FR	295.7	199	1.5	5.6
NL	82.3	67	1.2	6.3
ES	49.4	69	0.7	4.6
BE	45.1	46	1.0	9.9
CA	39.1	28	1.4	4.6
FI	23.3	25	0.9	4.4
AT	16.0	21	0.8	4.8
IT	15.6	20	0.8	4.2

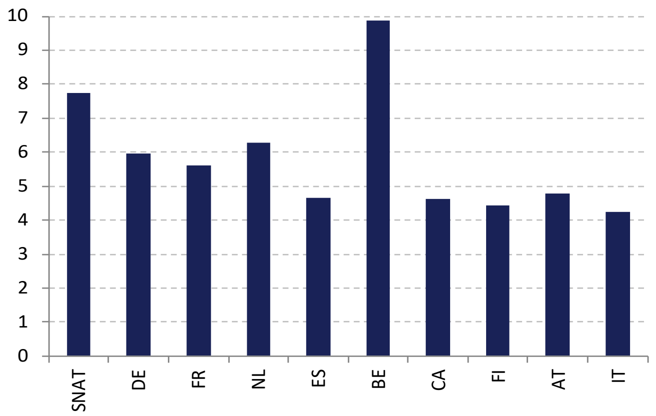
Issue volume by year (bmk)



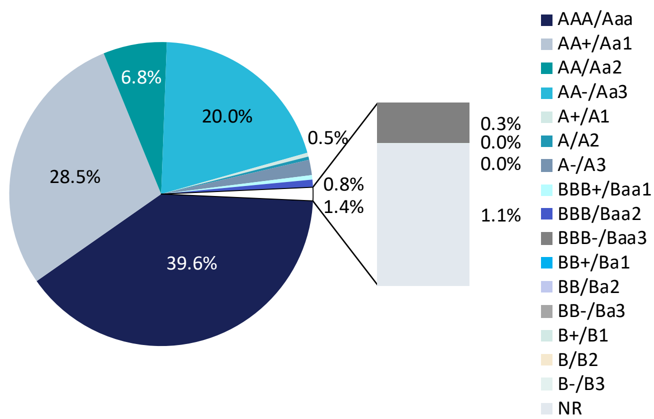
Maturities next 12 months (bmk)



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



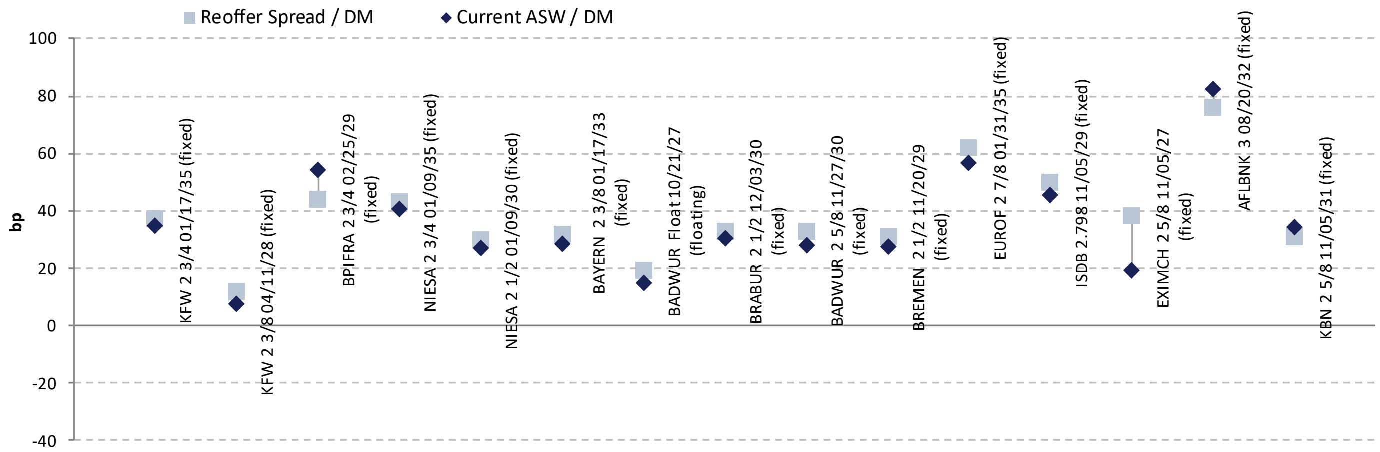
Rating distribution (vol. weighted)



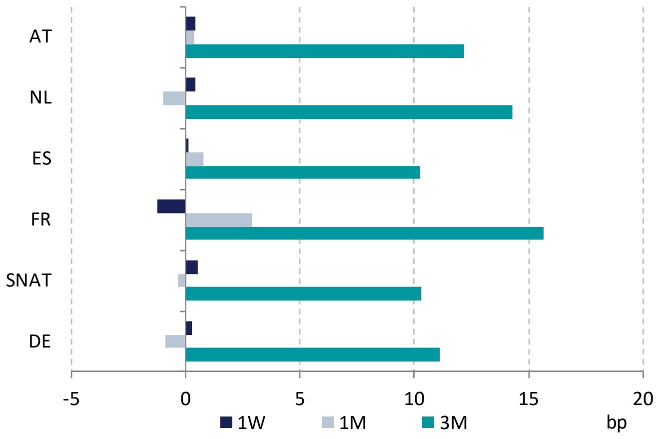
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

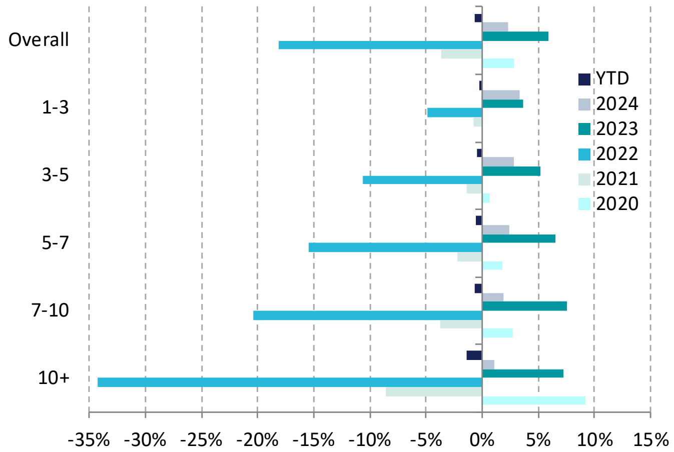
Spread development (last 15 issues)



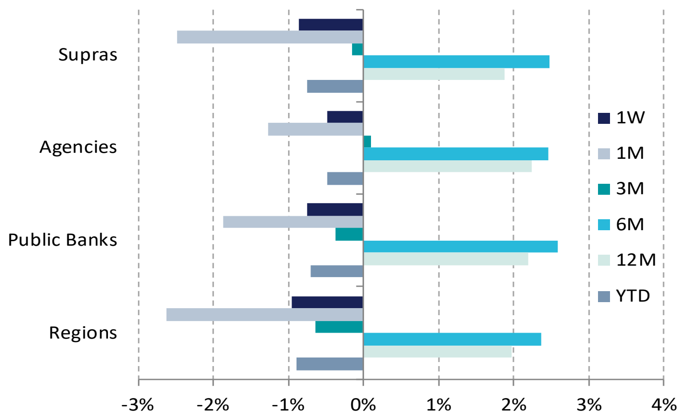
Spread development by country



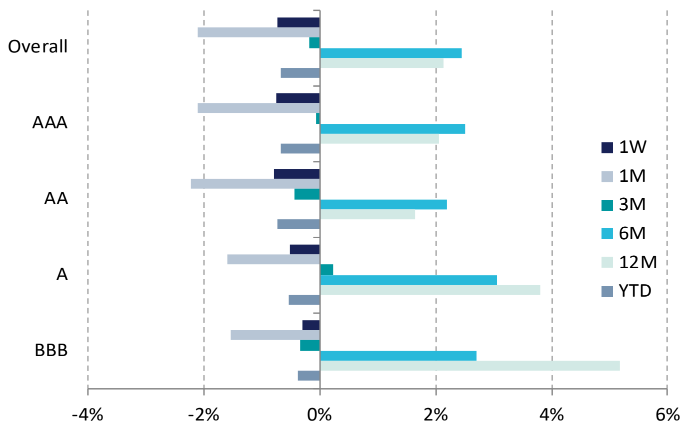
Performance (total return)



Performance (total return) by segments

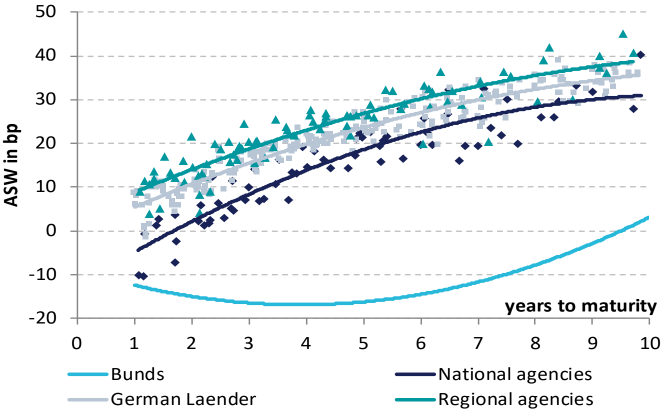


Performance (total return) by rating

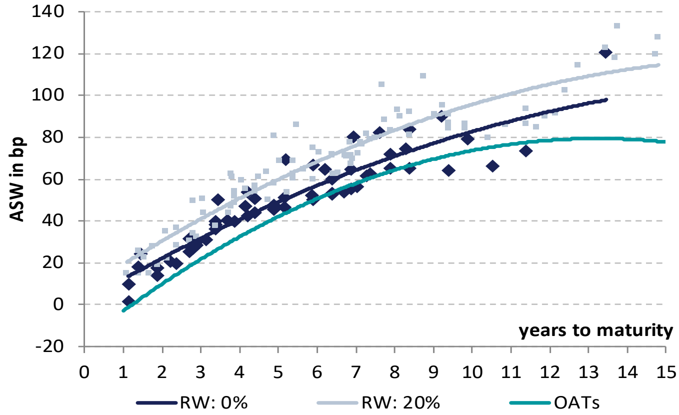


Source: Bloomberg, NORD/LB Floor Research

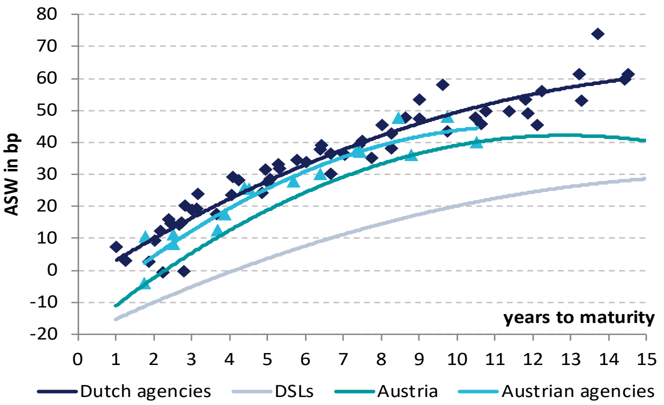
Germany (by segments)



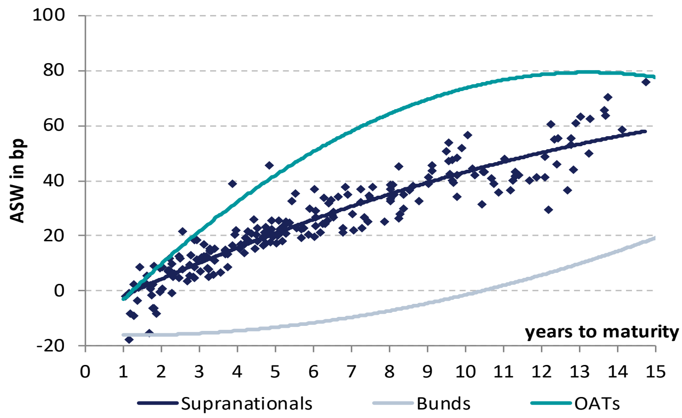
France (by risk weight)



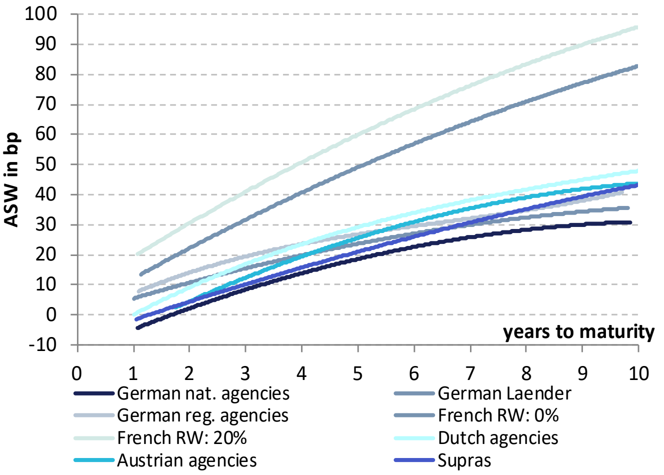
Netherlands & Austria



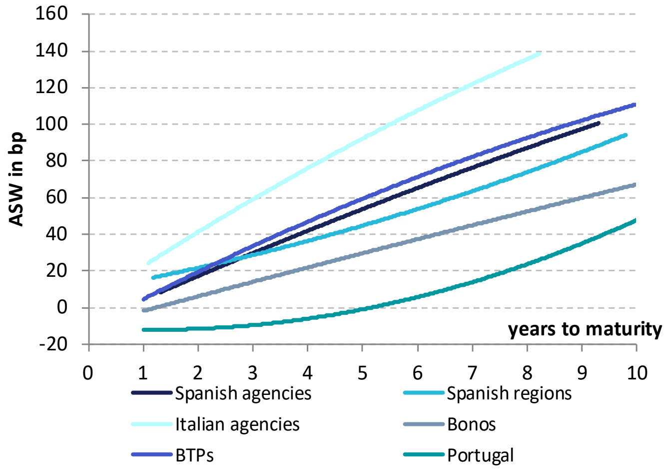
Supranationals



Core



Periphery



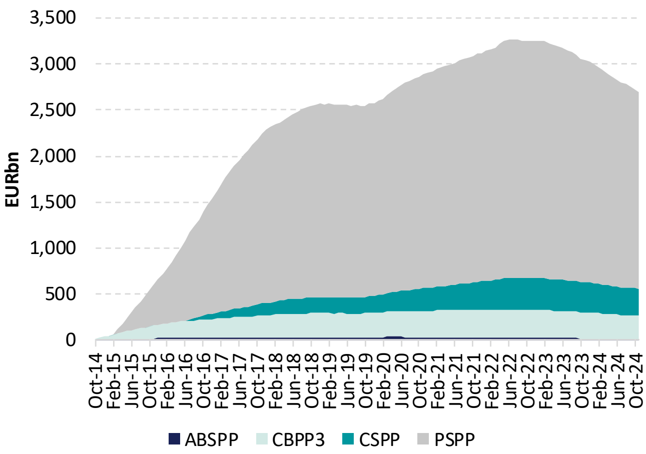
Source: Bloomberg, NORD/LB Floor Research

ECB tracker

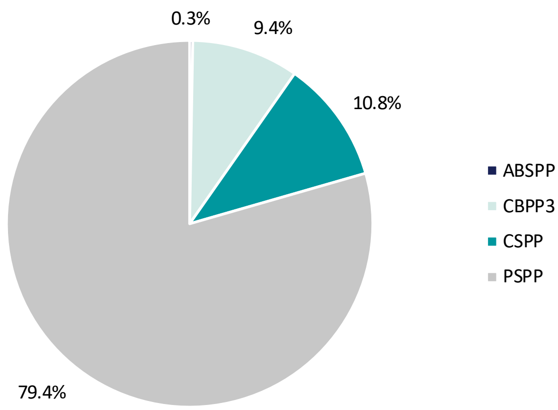
Asset Purchase Programme (APP)

	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

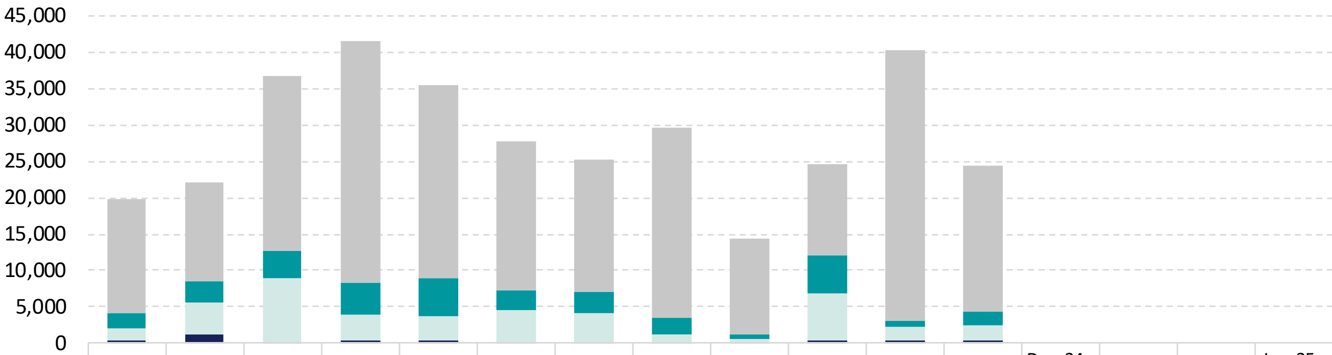


Portfolio structure



Source: ECB, NORD/LB Floor Research

Expected monthly redemptions (in EURm)

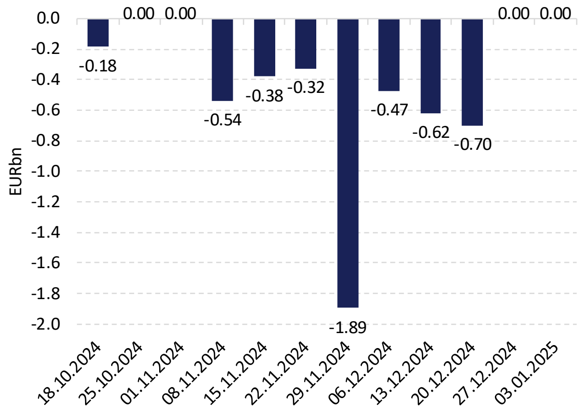


	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-24 - Nov-25	2023	2024	Jan-25 - Nov-25
APP	19,721	22,039	36,658	41,660	35,527	27,846	25,290	29,618	14,310	24,596	40,249	24,445	341,959	331,565	334,302	334,255
PSPP	15,643	13,463	24,021	33,379	26,671	20,541	18,261	26,161	13,114	12,568	37,073	20,060	260,955	255,025	264,480	253,586
CSPP	1,944	2,973	3,788	4,279	5,137	2,699	2,940	2,156	562	5,259	1,005	2,008	34,750	31,251	31,380	34,499
CBPP3	1,790	4,335	8,635	3,709	3,373	4,448	3,864	1,135	468	6,492	1,864	2,106	42,219	35,147	32,173	42,332
ABSPP	344	1,268	214	293	346	158	225	166	166	277	307	271	4,035	10,142	6,269	3,838

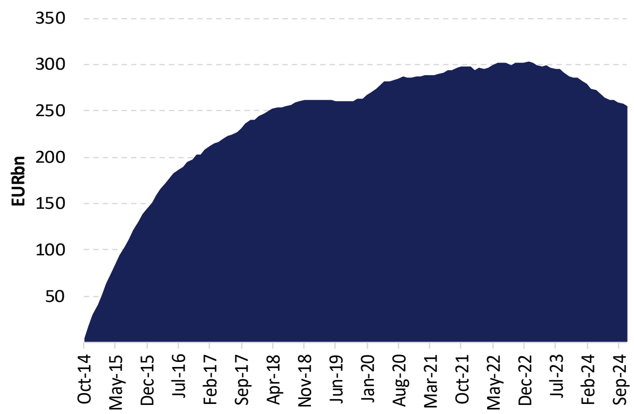
Source: ECB, Bloomberg, NORD/LB Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

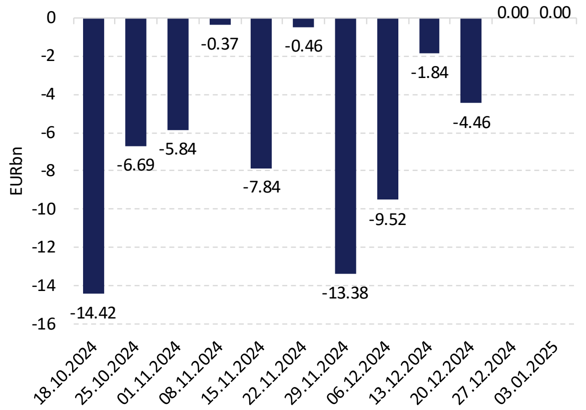


Development of CBPP3 volume

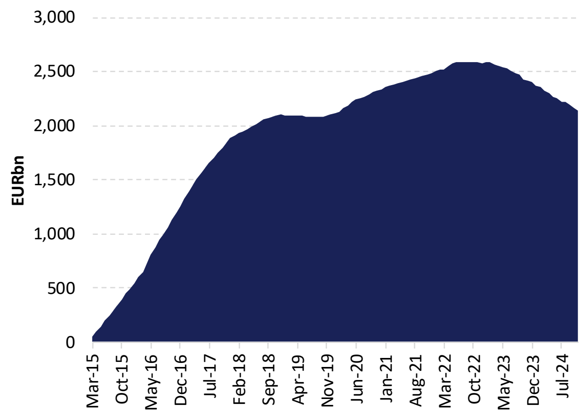


Public Sector Purchase Programme (PSPP)

Weekly purchases



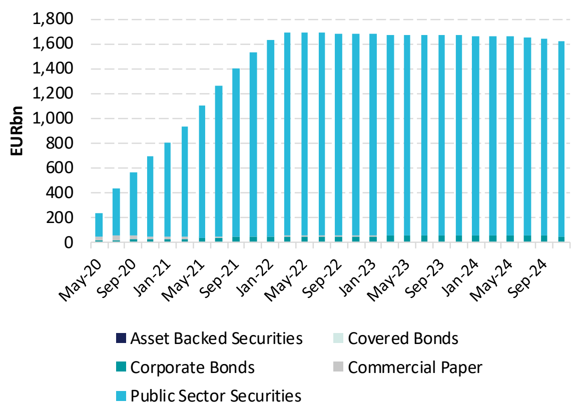
Development of PSPP volume



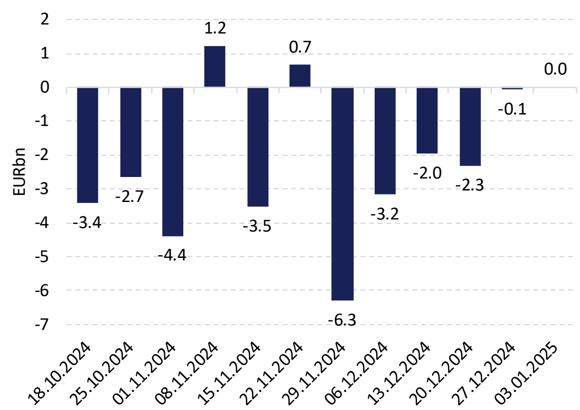
Source: ECB, Bloomberg, NORD/LB Floor Research

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
42/2024 ♦ 18 December	▪ A regulatory look at the iBoxx EUR Covered ▪ Teaser: Beyond Bundeslaender – Belgium
41/2024 ♦ 11 December	▪ Focus on France: Covered bond view of Groupe CCF ▪ Teaser: Issuer Guide – French Agencies 2024
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

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

Appendix
Publication overview

Covered Bonds:

- Issuer Guide – Covered Bonds 2024
- 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 – Canadian Provinces & Territories 2024
- Issuer Guide – Down Under 2024
- Issuer Guide – European Supranationals 2024
- Issuer Guide – Non-European Supranationals (MDBs) 2024
- Issuer Guide – German Agencies 2024
- Issuer Guide – French Agencies 2024
- Issuer Guide – Nordic Agencies 2024
- Issuer Guide – Dutch Agencies 2024
- Issuer Guide – Austrian Agencies 2024
- Beyond Bundeslaender: Belgium
- Beyond Bundeslaender: Greater Paris (IDF/VDP)
- Beyond Bundeslaender: Spanish regions

Fixed Income Specials:

- ESG-Update 2024
- Silent night, lower rates: ECB prepares for the new year

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

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

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Origination Corporates	+49 511 361-2911

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NORD/LB

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