Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview
Covered Bonds

Author: Dr Frederik Kunze

Primary market: ever more players on the pitch and a "Dernière" from Berlin

We can once again look back on another five busy days on the market for covered bonds in EUR benchmark format. Last Wednesday, the largest Pfandbrief issuer, DZ HYP, came to market (cf. Issuer View dated 21 January). The issuer selected a maturity of 7.1 years for its first benchmark transaction since October 2024, which started out in the marketing phase at ms +44bp area. Ultimately, the deal was placed with a volume of EUR 1bn at ms +37bp (bid-to-cover ratio: 2.0x). Thursday saw another Pfandbrief issuer get involved in the action in the shape of Landesbank Hessen-Thüringen (Helaba). The bank also allocated a volume of EUR 1bn with investors (order book: EUR 1.3bn). The deal with an initial term to maturity of six years was eventually priced four basis points narrower than the original guidance (re-offer spread: ms +36bp). On the same day, Slovenska Sporitelna (SLOSPO; cf. Issuer View dated 22 January) also provided some fresh supply. At the same time, this benchmark (EUR 500m; 4.0y; WNG) transaction represented the first deal from the CEE region in 2025. The final order book in the amount of EUR 3.5bn (bid-to-cover ratio: 7.0x) signalled a high level of demand on the investor side. Also noteworthy in this context is the obvious scope in the marketing phase. Based on the initial price thoughts (guidance: ms +60bp area), the final spread tightened to ms +48bp, which in turn implied a calculated new issue premium of -4bp. In the new trading week, we saw additional first activities at jurisdiction level, when Novo Banco opened up the Portuguese market and the Royal Bank of Canada (RBC) approached investors. For the first Canadian deal in 2025 (and first since October 2024), RBC chose a term of five years. The deal in the amount of EUR 1.5bn was eventually priced at ms +40bp (guidance: ms +46bp area). The Portuguese issuer opted for a volume of EUR 500m (WNG; 5.0y), with the marketing phase starting at ms +52bp area. In the end, the order book amounted to EUR 3.8bn overall and the spread came to ms +42bp. Following a protracted absence from the EUR benchmark segment, the issuer made its comeback in February 2024 and is now evidently going to be approaching investors somewhat more frequently again. On the same day, we saw a "Dernière" from an issuer: while Berlin Hyp is on the cusp of being integrated into its parent company (LBBW), it still found time for one last market appearance, raising a sum of EUR 1.5bn in a dual tranche format in the process (EUR 500m, 7.8y, WNG, green & EUR 1bn with a 4y term). The deals were placed at ms +39bp (guidance: ms +45bp area) and ms +28bp (ms +35bp area) respectively.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
Novo Banco	PT	28.01.	PTNOBOOM0008	5.0y	0.50bn	ms +42bp	- / Aaa / -	-
Berlin Hyp	DE	28.01.	DE000BHY4US2	7.8y	0.50bn	ms +39bp	- / Aaa / -	X
Berlin Hyp	DE	28.01.	DE000BHY3ND1	4.0y	1.00bn	ms +28bp	- / Aaa / -	-
Royal Bank of Canada	CA	28.01.	XS2992401930	5.0y	1.50bn	ms +40bp	AAA / Aaa / -	-
Slovenska Sporitelna	SK	23.01.	SK4000026787	4.0y	0.50bn	ms +48bp	- / Aaa / -	-
Helaba	DE	23.01.	XS2989306506	6.0y	1.00bn	ms +36bp	- / Aaa / -	-
DZ HYP	DE	22.01.	DE000A3825P2	7.1y	1.00bn	ms +37bp	- / Aaa / AAA	-

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

Secondary market: stabilisation meets saturation?

In terms of secondary trading, market participants remain clearly focused on the fresh supply. Moreover, there is in fact also robust demand for longer-term bonds, which is mainly due to the scarcity factor. The placement of the new deals by French issuers, which can certainly be described as successful, has also been able to provide some support to the spreads of what is the largest EUR benchmark jurisdiction as measured by volume. On balance, the overall picture is pretty mixed. In this context, both stabilisation and saturation tendencies are in evidence, with inflated order books continuing to be a feature of the most recent deals.

EUR sub-benchmark segment: Kreissparkasse Köln celebrates successful comeback

After Landesbank Berlin successfully opened the primary market for covered bonds in EUR sub-benchmark format on 21 January with a public sector Pfandbrief (EUR 250m), we can report on another transaction from the start of the trading week in this by no means insignificant sub-market. Kreissparkasse Köln celebrated its comeback to the market by also placing a deal worth EUR 250m with investors. The bank registered an impressive final order book amounting to EUR 2.4bn for its green mortgage Pfandbrief with an initial maturity of five years (bid-to-cover ratio: 9.6x). The re-offer spread came in at ms +40bp (guidance: ms +45bp area). As a result of Kreissparkasse Köln re-entering the EUR sub-benchmark segment, it will also return to our coverage – including as part of the NORD/LB Issuer Guide Covered Bonds. In actual fact, it is worth mentioning that the issuer's activity in this sub-market aligns with our general observation that both the EUR benchmark segment and the sub-benchmark sub-market are gaining in importance for the savings bank sector. The NORD/LB Floor Research team produces a series of Specials on the subject of "Transparency requirements §28 PfandBG" (for vdp member institutes and savings banks), which offers a regular source of reporting on the market for Pfandbriefe from this group of banks.

Moody's: risk experts examine property financing rules

In a recent report, the risk experts from Moody's shone a light on the easing of requirements for issuing real estate loans by the relevant supervisory bodies. The study focuses on less stringent financing conditions for Norway, Switzerland, the Netherlands, Sweden, Finland and the UK, and covers in particular the implications of higher LTV caps and/or reductions in interest rate premiums for stress scenarios. In their analysis, the rating experts focus on those jurisdictions where private household debt is at a high level, which further increases the risk potential of easing such conditions. In contrast, Moody's highlights as mitigating factors aspects such as the state of the relevant labour markets, the robust mortgage markets and commercial banks moving to bolster their capital base since 2008. We also consider the risk assessment from Moody's to be of relevance for the covered bond segment. After all, the varying regulatory standards with regard to the management of new lending also signal different dynamics in relation to the build-up of potential risks. We do not see this as conflicting with the European covered bond harmonisation project, but rather as confirmation of our view that, despite the achievement of far-reaching uniform requirements in covered bond legislation, specific monitoring of individual covered bond jurisdictions will continue to be required.

Scope: Covered Bond Outlook 2025

In its recently published outlook for the covered bond market in 2025, the rating agency Scope anticipates a high degree of stability in terms of its rating assessments. Ultimately, all of the programmes evaluated by the risk experts come with the top rating AAA and a stable outlook. From Scope's perspective, there will be no influence on covered bond ratings from, among other aspects, the regulatory side. Moreover, this applies both to the finalisation of Basel III (key word: CRR3) and with regard to revisions to the European Covered Bond Directive. In terms of the risk side, the agency sees an improvement in the situation on the markets for commercial real estate financing on the one hand, but on the other also warns of negative influences from deteriorating credit quality on the part of the public sector (focus here on sovereign ratings). Overall, however, the outlook for the ratings remains stable. For investors, however, Scope expects that the general headline risk will not be negligible with regard to spread developments.

European Mortgage Federation presents quarterly report on the mortgage market

A few days ago, the European Mortgage Federation (EMF) presented the most recent version of its quarterly review of the situation of the European mortgage markets. Even if the reporting period (Q3/2024) is some time ago now in terms of how recent the data is, we believe this does not diminish the market relevance of the report. After all, the Quarterly Reviews provide a comprehensive overview of the outstanding volumes of mortgage loans, their development and the situation on housing markets. According to EMF data, market coverage with regard to outstanding real estate financing stands at 95% (based on the universe comprising the EU27 + UK). As such, the report also facilitates the analysis of various trends in the jurisdictions relevant to our covered bond coverage. Among other aspects, the study authors point to the stabilisation of the situation in Germany, which was supported by only a moderate increase in interest rates and rising incomes in real terms. Conversely, the total volume of mortgage loans in France declined across the reporting period (compared with the previous year). At EUR 30.3bn, new lending was weaker than at any point since 2014. In terms of the covered bond markets that we report on as part of our coverage, we do not see any need to adjust our basic assessment of the fundamental situation based on the current publication of the EMF Quarterly Review. Nevertheless, as ever, we do still appreciate the added value that time-delayed monitoring of the mortgage markets brings.

Internal matters: NORD/LB Markets issues invitations to the "Regulatory Update 2025"

We are delighted to once again be able to invite you to this year's "NORD/LB Regulatory Update" event, which is set to take place in Hanover this February. Entitled "Stability, sustainability and crisis management – can we square the circle?", our aim this year is again to offer all participants a platform for exchanges with regard to regulatory developments. The programme for this year's event includes specialist presentations and keynote speeches, as well as fascinating workshops, which should all facilitate interactions with the speakers. If you are interested in attending but have not yet received a personal invitation, then please do get in touch with us at: (event-markets@nordlb.de).

ESG in the spotlight: five-point paper for a more practical EU taxonomy

As part of our regular coverage of the sub-market for green covered bonds in EUR benchmark format, we have repeatedly highlighted significant challenges and barriers arising for issuers in particular from the EU taxonomy and therefore also for the application of the EU Green Bond Standard (EUGBS). Yesterday (28.01.), the Association of German Pfandbrief Banks (vdp) issued a press release, which focused on the publication of a five-point paper for a more practical EU taxonomy and also looked at the recommendations made by the "Platform on Sustainable Finance" on changes to the taxonomy presented in a report on 08 January (link). The position paper was authored together with the Federal Association of German Housing and Real Estate Enterprise Registered Associations (GdW), which in its role as a "Federation of the Federations" represents the central association of the German housing industry. Specifically, the authors are critical of (1) the requirements for new buildings with regard to their primary energy requirements, (2) serious points of conflict between the EU taxonomy and the EU building directive, (3) the requirements for achieving taxonomy conformity and a failure to take account of transformation paths and efficiency gains from renewable energies, (4) the unjustified additional costs of the "Do No Significant Harm" (DNSH) criteria, and (5) the exclusive focus on ecological criteria. As part of the position paper, the GdW and vdp also formulate potential solutions to the criticisms outlined. The EU taxonomy and the EUGBS will have a significant impact on the European market for sustainable finance. In this context, the impacts on the asset classes that we cover will be fairly disparate. Not least because of this, we are focusing on these and other developments as part of a "Cross Asset" focus article in the present edition of our NORD/LB Covered Bond & SSA View.

Market overview SSA/Public Issuers

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

ECB preview: Frankfurt, 2025, clapper board, the first – director's cut

The environment in which the ECB's Governing Council must hold its upcoming monetary policy meeting continues to be characterised by a high degree of geopolitical uncertainty. As expected, geopolitical concerns in Ukraine and the Middle East have not gone away in 2025. They continue to cast a shadow over the usual monetary policy parameters and an (interim) ceasefire cannot compensate for this either. On top of this, we have the political concerns in Europe (in Germany of course, but also France and Austria etc.) and on the other side of the Atlantic – can the second Trump administration be relied on or not? Tariffs will not only restrict trade, but they will also stoke inflation. They are therefore of significance for economists and consumers, not just for exporters and central bankers. At present, it is not just the decision-makers at the ECB's headquarters in Frankfurt who are discussing whether January 2025 is the right time for another rate cut. As part of our preview of the upcoming central bank meeting, we explained that we would be happier with a policy of "cut, sleep, repeat". However, we do believe that it is unlikely that the ECB will opt not to cut rates this time. Too bad for our cherished mantra, which would also have been a kind of predetermination on our part, albeit at a significantly slower rate: we assume that the ECB's Governing Council will again be open-minded in its deliberations but will in turn conclude that it will cut all three key rates once more. As far as the ECB is concerned, figuratively speaking, we seem meanwhile to have arrived on a filmset where the director calls "cut, cut, cut" and the camera records an interest rate cut at every meeting of the Governing Council. President Lagarde ensures the respective "director's cut" with her vote and there is no sign of this changing any time soon.

RENTEN now rated by Scope

Landwirtschaftliche Rentenbank (ticker: RENTEN) has been rated by the European rating agency Scope since 17 January. It has awarded the development bank a rating of AAA with a stable outlook, thus equating it with the rating of the Federal Republic of Germany. A critical factor in this assessment reportedly was, in particular, the explicit guarantee from the German government, combined with the *Anstaltslast*, which is a unique liability mechanism for the German agency market. As an agency incorporated under public law, Rentenbank cannot be subject to insolvency proceedings either. With regard to its bank-specific metrics, the risk experts at Scope highlighted the excellent quality of its assets and its stable profits – despite a slight increase in its cost-income ratio in recent years. The agency is also very highly capitalised. At the end of Q2/2024, its CET1 ratio stood at 37.2%. However, it has been suggested that the ratio may fall slightly in the current year in response to regulatory changes resulting from the implementation of CRR III. Besides Rentenbank, in the German agency segment, KfW, LfA Förderbank Bayern and L-Bank have a publicly accessible rating from Scope. NRW.BANK's rating is not publicly accessible.

CADES: 2025 funding target

The French deficit and debt repayment fund Caisse d'Amortisation de la Dette Sociale (ticker: CADES) announced its indicative funding target for 2025 before the end of last year. Accordingly, the agency intends to raise EUR 10bn worth of medium and long-term liabilities on the capital market in the current year. These compare with maturities of EUR 21.3bn, meaning that the bottom line is likely to result in a negative net supply of EUR -11.3bn.

L-Bank presents its 2024 business promotion balance sheet

Landeskreditbank Baden-Württemberg – Förderbank (L-Bank; ticker: LBANK), which was mentioned on the previous page, provided an insight into its business promotion activities in 2024. Overall, new business in promoting predominantly small and medium-sized enterprises was ultimately down on the level recorded in 2023. This was attributable to a poor economic situation and the resultant reluctance on the part of companies to invest. The EU's aid schemes, and the high reference interest rate resulted in falling demand for some investment programmes. All in all, L-Bank approved funding of EUR 3.2bn (end of 2023: EUR 3.7bn) – excluding bearer bonds. It supported 11,188 companies in total with their modernisation and development projects (end of 2023: 14,420 companies). Despite the difficult economic environment, it succeeded in achieving promotional successes in key areas. These include the promotion of start-ups: a total of EUR 674m was approved for new companies under the "Startfinanzierung 80" programme, while the key transformation programme "Innovationsfinanzierung 4.0" also proved extremely popular. There was strong demand for funds from small and medium-sized companies in particular, meaning that ultimately more than EUR 732m was approved for 1,298 companies (end of 2023: 976 companies; EUR 693m). Climate protection also plays a key role for L-Bank and its customers. Demand for loans offering a "sustainability bonus" was therefore on the high side too: the agency approved financial aid totalling EUR 758m in this context (end of 2023: EUR 593m).

Berlin: 2024-2028 investment planning agreed

At its meeting on 14 January, the Berlin Senate (ticker: BERGER) agreed the investment planning for the period from 2024 up to and including 2028 presented by the Senator for Finance Stefan Evers. The programme provides an overview of the specific projects and initiatives, which the Berlin Senate plans to implement in the next few years. It aims to increase annual investment expenditure to EUR 4.4bn in the financial planning period, which would correspond to an investment ratio of around 11%. The German capital city aims to focus its investment on the construction of housing and schools, in particular, and on the expansion of its transport infrastructure. The investment programmes would be adjusted to the data available at the time independently of the two-year budgetary process. In so doing, measures may be brought forward as well as being deferred. This would depend, among other factors, on the respective planning progress, on available construction capacity and also on financial parameters. "For this coalition, securing ongoing investment measures is the highest priority. Although the budget situation, which requires savings of EUR 3bn this year alone, is historic, we have achieved this task. The clearing of investment planning and new funding reforms will also help us to cope with the budgetary challenges in future years," commented the Berlin Senator for Finance on the programme.

Mecklenburg-Western Pomerania: budgetary consolidation measures required

On 14 January, the state government of Mecklenburg-Western Pomerania (ticker: MECVOR) agreed the draft of the supplementary budget for 2025 at its cabinet meeting. Adjustments to the budget plan that had been adopted originally were required, as the sub-sovereign would by its own account have an income shortfall of EUR 563m. Stagnant tax revenues and the effects of the census were largely responsible for this. Savings must therefore be achieved, especially in the area of administration. The sub-sovereign will also have to turn to its reserves. Consequently, the state government has now estimated a reduction in its expenditure of EUR 128.6m. This reduction in expenditure across the board is also planned for the next two years. This would therefore generate savings of just under EUR 400m overall. Further cuts in expenditure are also planned – among other aspects, for staff in the state administration of EUR 142m. Mecklenburg-Western Pomerania also intends to defer scheduled repayment of the COVID-19 loan. Thanks to a substantial unscheduled repayment of EUR 875m, the state government has already repaid more debt than originally planned last year. As a result, the start of scheduled repayments can be deferred until 2028 and the burden on expenditure reduced by EUR 121.7m in the current year. The *Konjunkturausgleichsrücklage* (reserve for offsetting economic fluctuations) of EUR 175.1m would also help balance the budget. "We are setting clear priorities with these measures. First and foremost, we are making cuts to government and not to our citizens. Savings in administration, the use of reserves and no additional downpayment of debt in times of crisis will allow us to govern without raising more debt," commented Minister of Finance Dr Heiko Geue on the draft.

EBRD: Côte d'Ivoire becomes the 76th shareholder

Côte d'Ivoire first applied to become the 76th member of the European Bank for Reconstruction and Development (ticker: EBRD) in 2023. In addition to the European Union (EU) and the European Investment Bank (EIB), the multilateral development bank now has 74 national shareholders. The EBRD will be able to finalise the application as soon as the amendment comes into effect, which requires formal acceptance by a qualified majority of the EBRD's shareholders. As a recipient country, Côte d'Ivoire, which was previously known as the Ivory Coast, will benefit from the EBRD's financial and political support. EBRD President Odile Renaud-Basso said, "I am delighted to welcome Côte d'Ivoire as a shareholder of the bank. Our aim is to start our activities in countries south of the Sahara in 2025 and we look forward to applying our technical knowledge in supporting economic growth through the development of the private sector and political discussions." The EBRD was established in 1991 to support the transformation of the countries of Central and Eastern Europe into open, market-oriented economies following the end of the Cold War. Since this time, the EBRD has, for example, been involved in reforms to the banking sector and in numerous privatisation processes, whereby its regional focus has been gradually extended to Central Asia and most recently to the southern and eastern Mediterranean region. The promotional bank was operating in more than 35 countries most recently. The EBRD offers project financing for banks and companies. As a rule, up to 40% of the costs of a project are financed by the development bank. In contrast, the EBRD does not provide funding to cover budget deficits or to finance aid programmes. It does not offer soft loans either. As part of its sustainability initiative, the EBRD has also issued green bonds since 2010. The EBRD ranks as a preferential creditor for the loans made available. The bank plans net new issues of up to EUR 14.5bn for 2025.

Primary market

While the primary market was somewhat less dynamic in the previous trading week, there were still some new issues on the market to discuss. We can therefore report on eight new issues worth a total of EUR 6.75bn in addition to a tap deal. We will start in chronological order: The Free and Hanseatic City of Bremen (ticker: BREMEN) kicked things off by raising EUR 500m at ms +34bp (in line with guidance) with a maturity of eight years. Another German city state, namely the Free and Hanseatic City of Hamburg (ticker: HAMBRG) approached investors the following day with a bond worth EUR 500m (7y). Thanks to an order book of EUR 880m (bid-to-cover ratio: 1.8x), it was ultimately priced one basis point tighter at ms +31bp. It was followed by another German sub-sovereign, Lower Saxony (ticker: NIESA), which issued EUR 1bn (8.5y) at ms +34bp. Here, too, tightening of one basis point compared with guidance was achieved. The Canadian pension fund CPPIB Capital (ticker: CPPIBC) also ventured onto the market. It issued an EUR benchmark worth EUR 1.25bn with a seven-year maturity. Having started out in the marketing phase with guidance of ms +59bp area, the order book finally reached over EUR 10.6bn, meaning that this deal was more than 8.0x oversubscribed and tightening of two basis points was ultimately achieved. The Spanish rail network operator ADIF Alta Velocidad (ADIF-AV, ticker: ADIFAL) seized the moment too, raising a total of EUR 1.5bn via a dual tranche in the process. Of this, EUR 650m was raised in the form of a five-year bond at SPGB +45bp, which roughly corresponds to ms +75bp. In contrast, the longer-dated bond (10.25y) in the amount of an additional EUR 850m was issued at SPGB +43bp (corresponds approx. to ms +109bp). There were two further new issues yesterday (Tuesday) that we can report on: as described in our Cross Asset article in this edition of our weekly publication, Île-de-France Mobilités (ticker: IDFMOB) attracted attention by placing its first European green bond (EUR 1bn, 20y) in compliance with Regulation (EU) 2023/2631 on the European Green Bond Standard (EUGBS), which has been in force since December. This makes IDFMOB the first issuer in our coverage to issue a bond in this format. It was finally priced at OAT +19bp (corresponds to approx. ms +128bp). The Swedish export financier Svensk Exportkredit (ticker: SEK) also ventured onto the market with the aim of raising new funding of EUR 1bn over a term of ten years. The deal was completed at ms +58bp. In last week's edition, we also announced the first of a total of seven EU bond auctions planned in the first half of 2025. In this context, the European Union increased two of its bonds. In so doing, the volume of the 2029 bond with a coupon of 2.875% was increased by EUR 2.6bn and the 2034 bond (coupon: 3.0%) by EUR 1.9bn. The bid-to-cover ratios were 1.53x and 1.91x respectively. New mandates of interest: CADES (5y, Social), LCFB (EUR 500m, WNG, 15y), as well as VDP (EUR 350m, WNG, 11y, Sustainability).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SEK	Nordics	28.01.	XS2992041462	10.0y	1.00bn	ms +58bp	- / Aa1 / AA+	-
IDFMOB	FR	28.01.	FR001400X2F1	20.3y	1.00bn	ms +128bp	AA- / Aa3 / -	X
NIESA	DE	28.01.	DE000A4DE9D7	8.5y	1.00bn	ms +34bp	AAA / - / -	-
ADIFAL	ES	23.01.	ES0200002147	10.3y	0.85bn	ms +109bp	A- / Baa2 / -	-
ADIFAL	ES	23.01.	ES0200002139	5.0y	0.65bn	ms +75bp	A- / Baa2 / -	-
CPPIBC	CA	23.01.	XS2989446427	7.0y	1.25bn	ms +57bp	- / Aaa / -	-
HAMBRG	DE	23.01.	DE000A3MQTA3	7.0y	0.50bn	ms +31bp	AAA / - / -	-
BREMEN	DE	22.01.	DE000A30V4B8	8.0y	0.50bn	ms +34bp	AAA / - / -	-

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

Cross Asset
ESG pilot project: First EU Green Bond in our coverage

Authors: Lukas-Finn Frese // Lukas Kühne

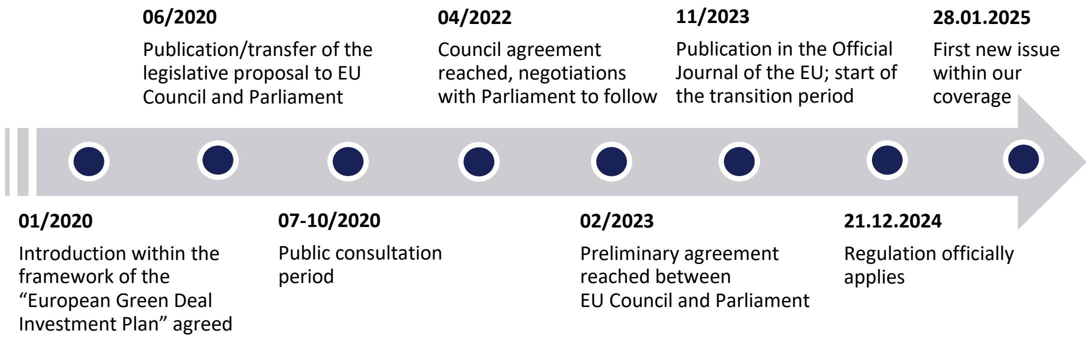
European Green Bond Standard arrives on the scene

It is some time now since 06 July 2021 when the European Commission published a legislative proposal for a voluntary European Green Bond Standard (EUGBS), as part of its new Sustainable Finance Strategy. This proposal follows the "gold standard" for European green bonds that was recommended by a high-level expert group on sustainable finance and builds on the Action Plan: Financing Sustainable Growth released in 2018. The EUGBS was specifically created to establish a global label for the green bond market. After a provisional agreement on the creation of European Green Bonds (EU Green Bonds, EuGBs) was reached between the European Parliament and the Council at the end of February 2023, the EUGBS was published in the Official Journal of the European Union as Regulation (EU) 2023/2631 at the end of November of the same year, before entering into force 20 days later. The 12-month transitional period began at this point, ending on 21 December 2024. Since this date, issuers have been able to apply the regulation and place bonds under this label. Comprehensive reporting requirements and checks by a credible external reviewer will ensure a high degree of market integrity for future EuGBs and seek to effectively reduce the risk of greenwashing. The new standard and overarching EU Taxonomy were a core focus of our last NORD/LB Fixed Income Special – ESG Update 2024. We are planning to issue an update of that publication later this year.

IDFMOB behind first highlight in our coverage

In the end, it did not take long for the first issuer from our coverage in the covered bonds and SSA/public issuers asset classes to approach investors with an EuGB – just over a month after it officially entered into force. Admittedly, we were a little surprised by the name. With Île-de-France Mobilités (ticker: IDFMOB), an issuer from the SSA universe came onto screens and mandated for a EUR benchmark with the new green label on 22 January. The mandate was followed two days later by a Global Investor Call as well as numerous investor meetings, during which IDFMOB promoted its inaugural EuGB. According to information from the issuer, it had already met the requirements of the EU Taxonomy before the EUGBS came into force and was therefore in a position to issue an EuGB benchmark after further months of planning. As per the EuGB Factsheet, the intended allocation to Taxonomy-aligned economic activities stands at 100%. This Factsheet is also relevant to all further potential issuances this year. For 2025, IDFMOB is planning to raise a total volume of EUR 2.2bn on the capital market by means of green bonds alone. The Parisian public transport authority has calculated significantly higher annual funding targets for the coming years. Ahead of the issuance, it tasked the auditor KPMG to prepare a report on the Factsheet as an external reviewer. IDFMOB approached investors yesterday with an issuance volume of EUR 1bn and a long maturity of 20 years. The pricing was OAT +19bp (corresponds to approx. ms +128bp). The final order book amounted to EUR 5.9bn.

Development of the EU Green Bond Standard over time



Source: European Commission, NORD/LB Floor Research

How will the SSA market react over the further course of the year?

The new issue from IDFMOB has shown that the market need not await action from one of the major European supranationals in order for the first EuGB to be placed. While IDFMOB is an established issuer of green bonds on the SSA primary market, the corresponding transactions have never stood out in terms of volume. It is therefore all the more surprising that the first highlight was provided by a "second tier" issuer. In our baseline scenario, we nevertheless maintain our assumption that only a very modest number of issuers from the SSA segment will decide to place EuGBs. In concrete terms, we believe that players who currently already dominate the green bond segment can be expected to opt for the new label. These include large supras such as the European Union (ticker: EU) and the European Investment Bank (ticker: EIB) as well as Kreditanstalt für Wiederaufbau (ticker: KFW) and the Société des Grands Projets (ticker: SOGRPR) in the agency segment. The overwhelming majority of SSA issuers will likely initially continue issuing green bonds in accordance with the ICMA Principles and not apply the new EUGBS. It should be noted that EuGBs are also invariably ICMA-compliant. In the future, much will depend on how the first EuGBs develop on the market. At the outset, all eyes will be on the IDFMOB pilot project. If issuers recognize that EuGBs will enable them to achieve more favourable funding conditions verifiably and systematically than is the case with "conventional" green securities, other issuers will undoubtedly follow suit. However, more favourable interest rates would need to make up for the high costs associated with the required reporting obligations in the long term. We especially see the latter as the biggest hurdle for the vast majority of SSA issuers. Appointing external reviewers to compile various pre-issuance and post-issuance reports is likely to be significantly more expensive than simply obtaining the second-party opinion that is required by the ICMA Principles. The associated level of complexity will be many times greater than for previous green bonds and is therefore likely to deter small institutions meaning that many will remain on the sidelines for the time being. If we dare to look into our crystal ball, we would predict a new issue volume of EUR 10-15bn in benchmark EuGBs for the current year as part of our SSA coverage. Next year – once the EUGBS had enough time to be established on the market – we expect this amount to increase significantly. The lion's share of the supply is likely to be essentially restricted to the large E-Supras and will only be supplemented selectively by other issuers at the sub-sovereign level. Agencies might be particularly attracted to the segment, as we have just seen in the case of IDFMOB.

Will the EU Taxonomy slow down the issuance of covered bonds in EuGB format?
With a volume of EUR 66.6bn in the EUR benchmark segment, green covered bonds represent by far the largest share of all covered bonds placed in one of the sustainability formats (green, social, sustainability). Looking at the most important jurisdictions, issuers from Germany (issue volume: EUR 23.9bn), France (EUR 16.8bn) and Norway (EUR 9.5bn) dominate the market. While IDFMOB's issuance of a EuGB represents the first pilot project in the SSA segment, it is not yet foreseeable when we might welcome the first covered bond in this new format to the market. The fact that the EUGBS stipulates that a share of at least 85% of the issue proceeds must be invested in activities aligned with the EU Taxonomy requirements becomes a challenge in the context of covered bonds. In particular, the "do no significant harm" principle is perceived as an obstacle by issuers. For covered bonds backed by properties, the challenge is the (non-)existence of real estate-specific data that meets all the verification requirements of the criterion. Even in the case of new loan agreements, it is not easy to prove that the "do no significant harm" principle is not being violated, as it is difficult to ensure the requisite data and level of detail necessary. In the real estate sector, for example, it must be demonstrated that water consumption by sanitary facilities does not exceed a maximum value. While data availability is likely to improve over time, it is safe to assume that this process is a marathon rather than a sprint. Depending on the jurisdiction and issuer, the availability of data on property financing differs considerably in some cases.

EuGBs are not in a position to replace established market standards in the near future
Given the hurdles outlined above for use of the new EuGB format, we expect that the majority of issuers will continue to rely solely on the ICMA Principles for issuing green covered bonds and will only envisage placement under the new EUGBS to a very limited extent. As a rule, the covered bonds newly issued under the ICMA Principles already make a significant contribution to one of the six climate protection targets defined by the EU and therefore meet the first requirement of the EU Taxonomy, but are thwarted by the "do no significant harm" principle. Simplifying this criterion would therefore be a possible step that would make the issuance of covered bonds in the EuGB format much more attractive for issuers. We cannot rule out the possibility that a few covered bond issuers may be able to fulfil the high standards for EuGBs, but these will probably prove to be the exception on the market for the time being. In addition to EuGBs, there are other market initiatives that enable the "classic" green covered bond to be brought more in line with the requirements of the EU Taxonomy. One example is the Minimum Standards for Green Pfandbriefe from the Association of German Pfandbrief Banks (vdp). Since 01 January 2025, these have stipulated that new construction financing is only permissible if the property will have a primary energy requirement of at least 10% below the national standard for nearly zero energy buildings (cf. press release). The vdp emphasises that there are no plans in the foreseeable future to gear the Minimum Standards for Green Pfandbriefe to all requirements of the EU Taxonomy due to the complexity, lack of practicability and insufficient transformation concept of the EU Taxonomy criteria. In our view, the vdp's position once again succinctly demonstrates the challenges of the EU Taxonomy in practical implementation.

Italy claims gold medal

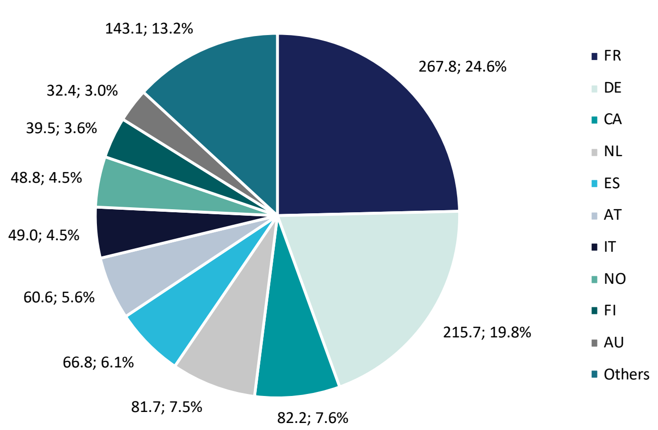
At last year's Summer Olympics in Paris, Italy ranked below the host country France on the medal table. Now, the Italians have in a certain way managed to take revenge, though not in any sporting competition .A few days before IDFMOB placed its inaugural EuGB, an issuer from Italy proved faster and therefore snatched the gold medal from under the noses of the French, so to speak: on 23 January, A2A (ticker: AEMSPA), an Italian utility company headquartered in Brescia active in the corporate bond segment, issued the first ever EuGB. It placed a bond in the amount of EUR 500m with a ten-year maturity, which ultimately landed at ms +125bp (guidance: ms +165bp area). At the end of the marketing phase, the order book totalled EUR 2.2bn, meaning the deal was more than four times oversubscribed. A2A also intends to allocate 100% of the proceeds to Taxonomy-aligned economic activities and not to make use of the flexibility pocket of the EUGBS.

Conclusion

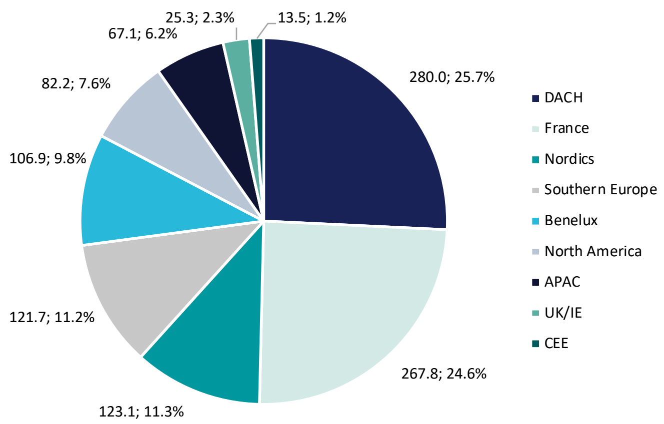
With the issuance of the first EuGB in our coverage, IDFMOB has set an important milestone for the segments we examine. It will be interesting to see how the new format is received by both European and international investors in the future. The first two transactions were met with high demand, as is reflected by the big order books. Since we assume that established issuers (characterised by elevated oversubscription ratios for both conventional and ESG new issuances) will primarily use the label for the SSA segment, we believe this trend will continue. It is still too early to predict when and whether the ability not to issue EuGBs could turn into a disadvantage for some issuers. In our view, the issuance of green bonds based on the less restrictive ICMA Principles will remain the market standard in the near future. Especially in the case of covered bonds, we are currently not observing any significant movement towards the new standard, rather the high requirement profile of the EU Taxonomy seems to us to be an obstacle to covered bond issues in the form of an EuGB. While we cannot rule out isolated issuances, the majority of covered bond issuers will not be able to meet the stricter criteria of the EUGBS in the foreseeable future. On the whole, there are therefore a variety of assessments on the prospective use of EuGBs in the SSA and covered bond segments.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



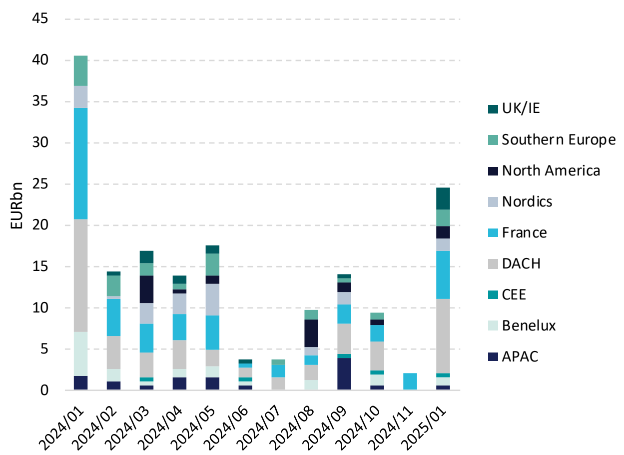
EUR benchmark volume by region (in EURbn)



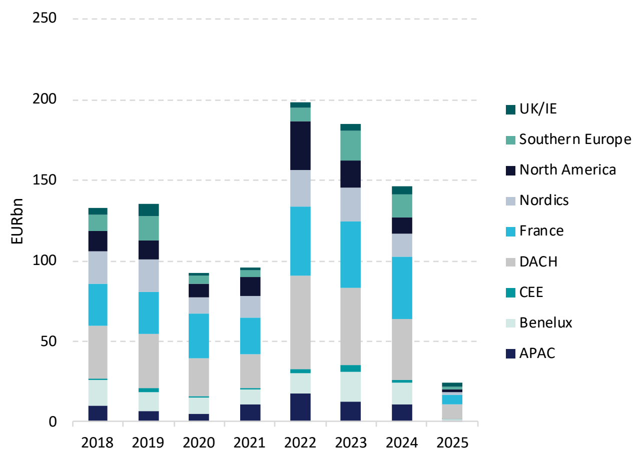
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	267.8	258	29	0.98	9.2	4.6	1.54
2	DE	215.7	302	47	0.66	7.7	3.8	1.59
3	CA	82.2	60	1	1.35	5.6	2.5	1.46
4	NL	81.7	82	3	0.93	10.5	5.7	1.40
5	ES	66.8	53	6	1.14	11.1	3.1	2.23
6	AT	60.6	101	5	0.59	8.0	3.9	1.57
7	IT	49.0	63	5	0.76	8.5	3.9	2.02
8	NO	48.8	59	12	0.83	7.2	3.2	1.14
9	FI	39.5	45	4	0.86	6.7	3.2	1.77
10	AU	32.4	31	0	1.05	7.2	3.7	1.83

EUR benchmark issue volume by month

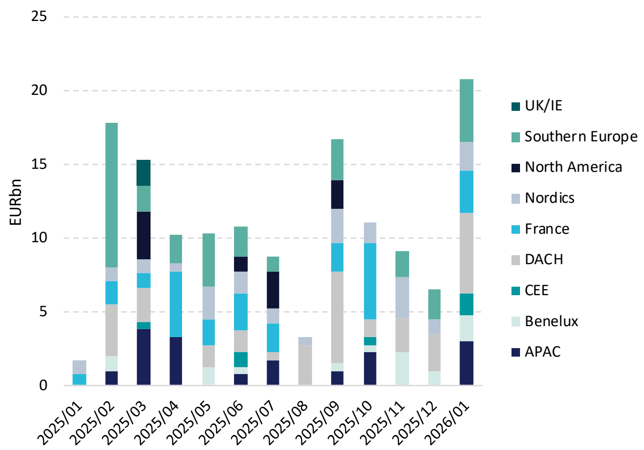


EUR benchmark issue volume by year

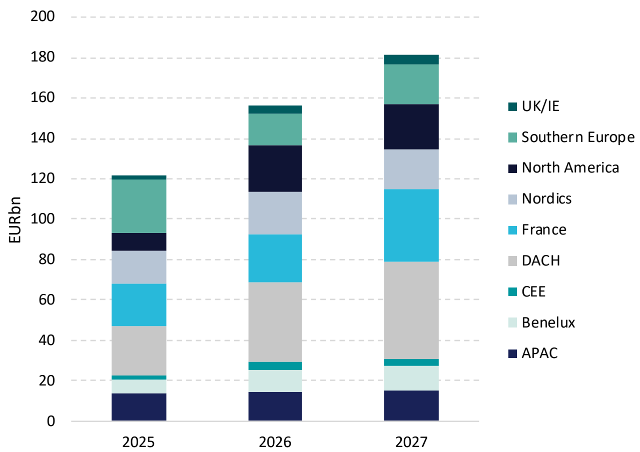


Source: Market data, Bloomberg, NORD/LB Floor Research

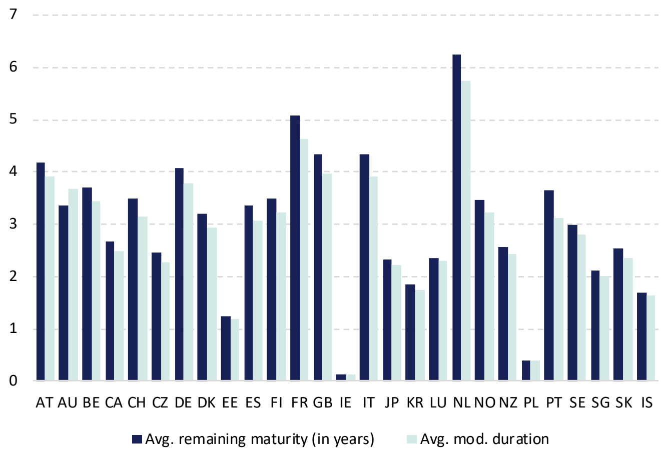
EUR benchmark maturities by month



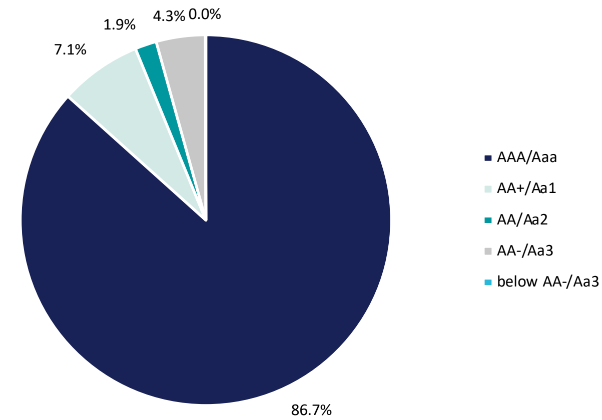
EUR benchmark maturities by year



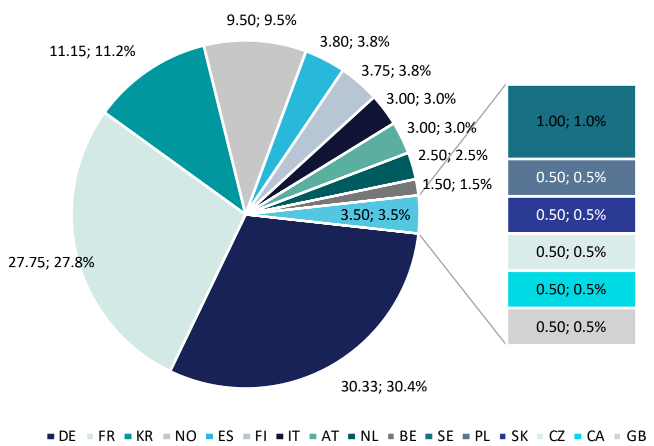
Modified duration and time to maturity by country



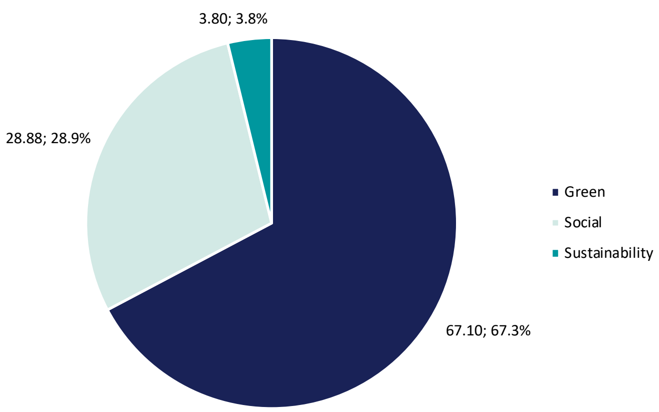
Rating distribution (volume weighted)



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

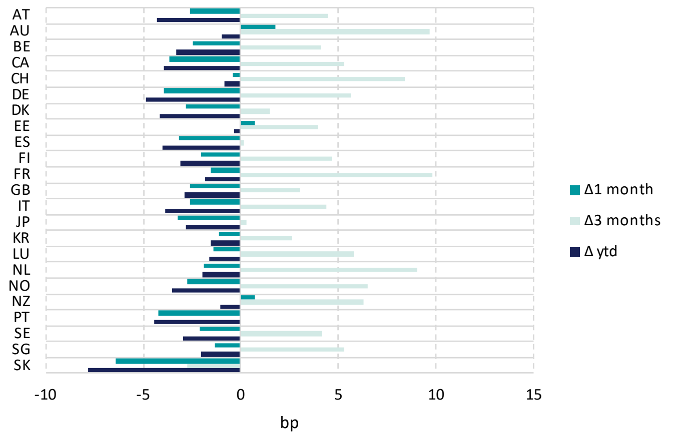


EUR benchmark volume (ESG) by type (in EURbn)

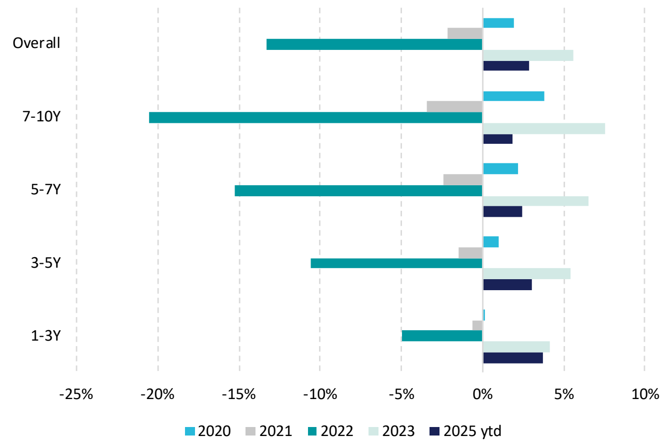


Source: Market data, Bloomberg, NORD/LB Floor Research

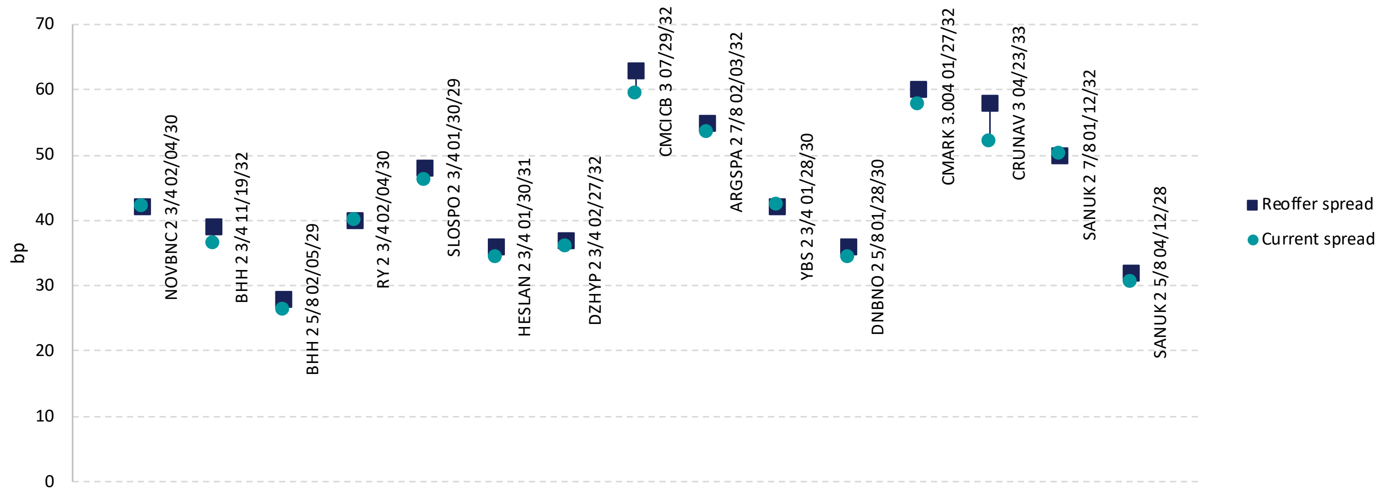
EUR benchmark emission pattern



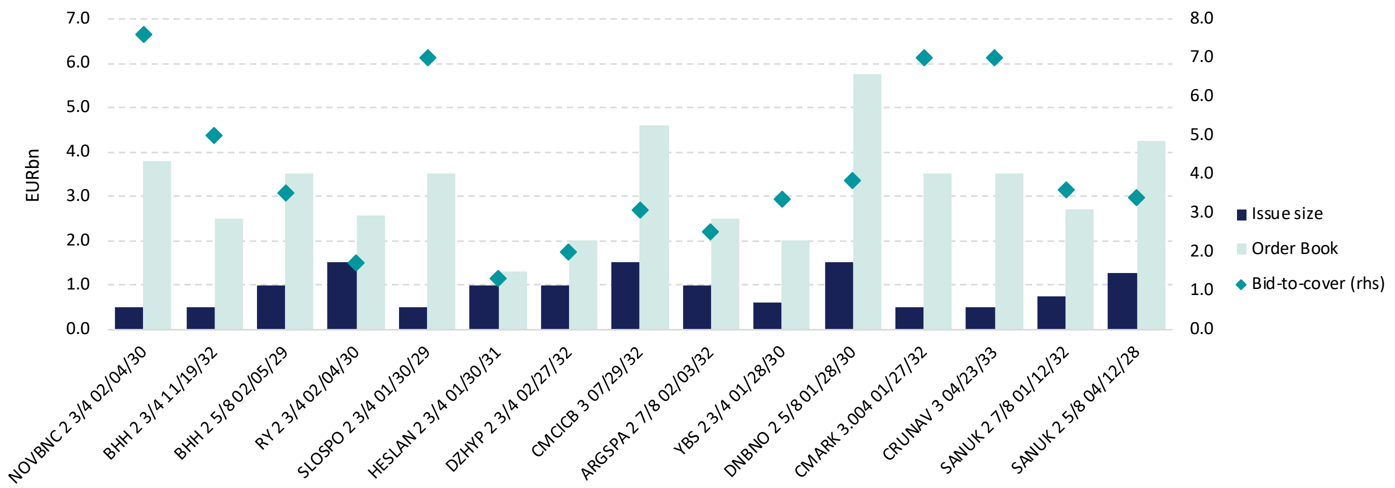
Covered bond performance (Total return)



Spread development (last 15 issues)



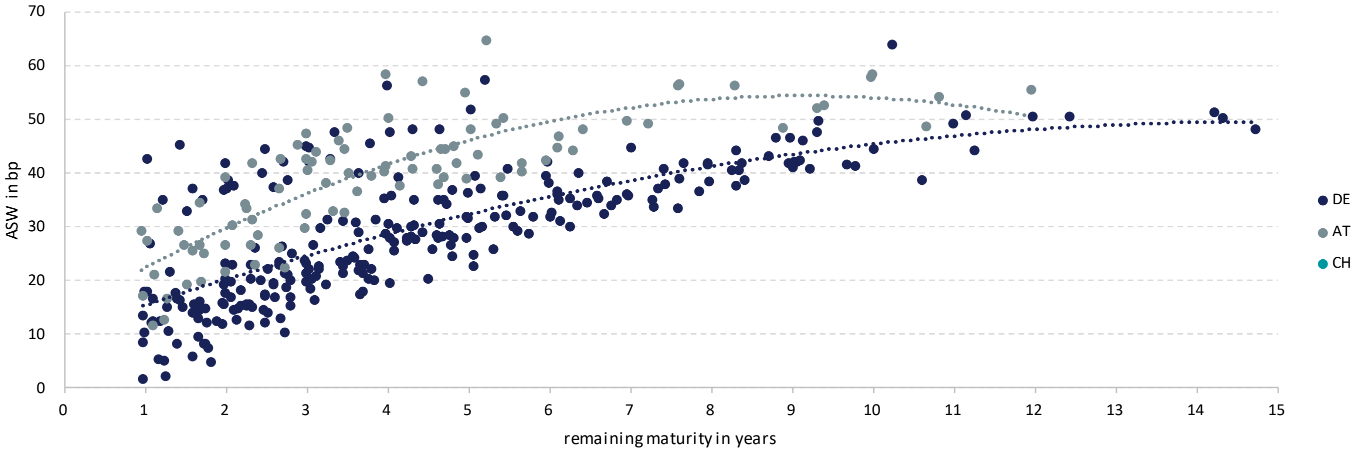
Order books (last 15 issues)



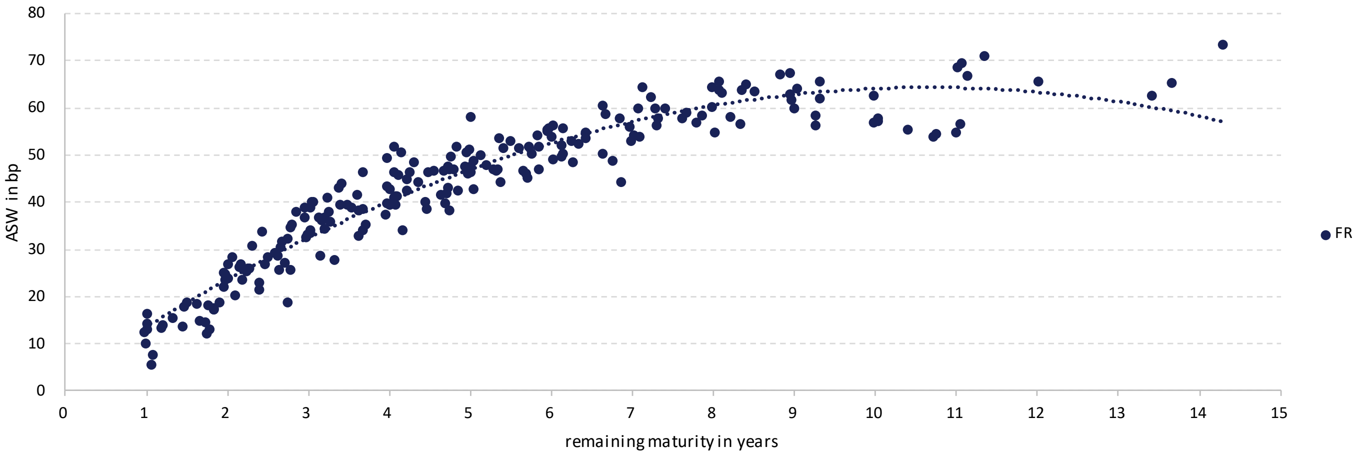
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

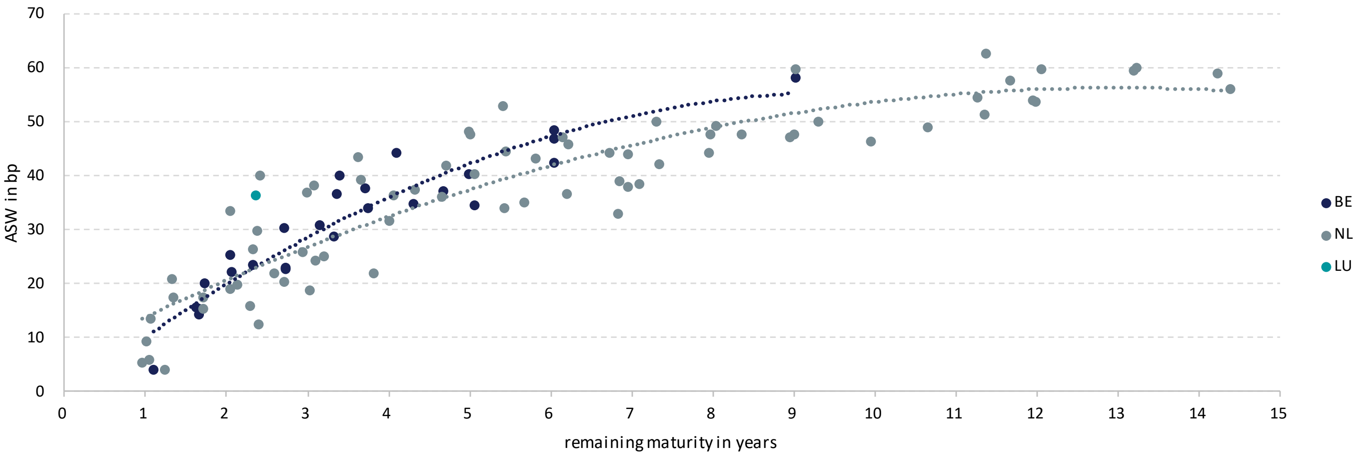
DACH



France

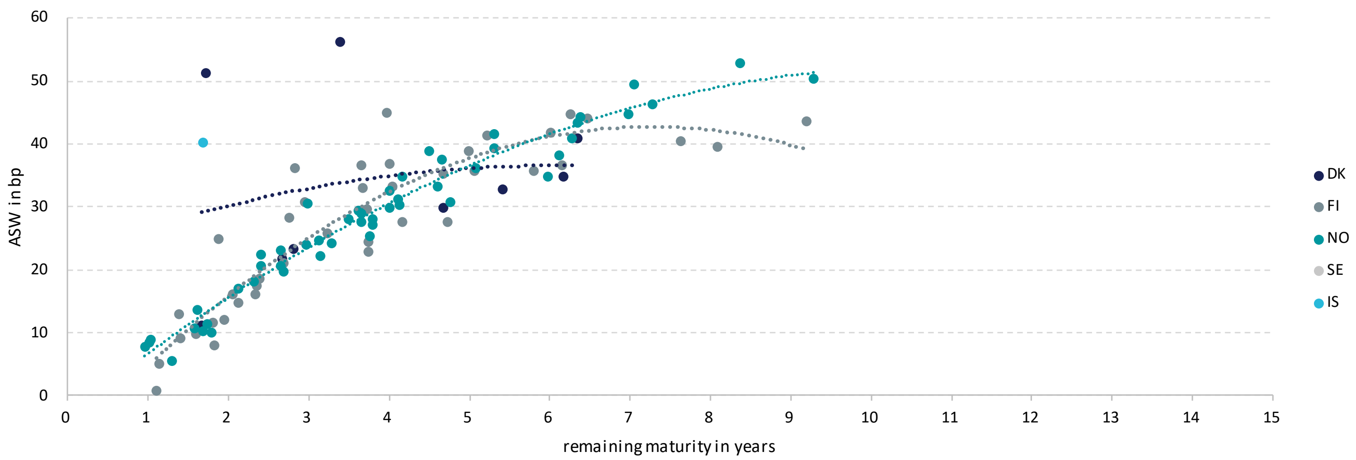


Benelux

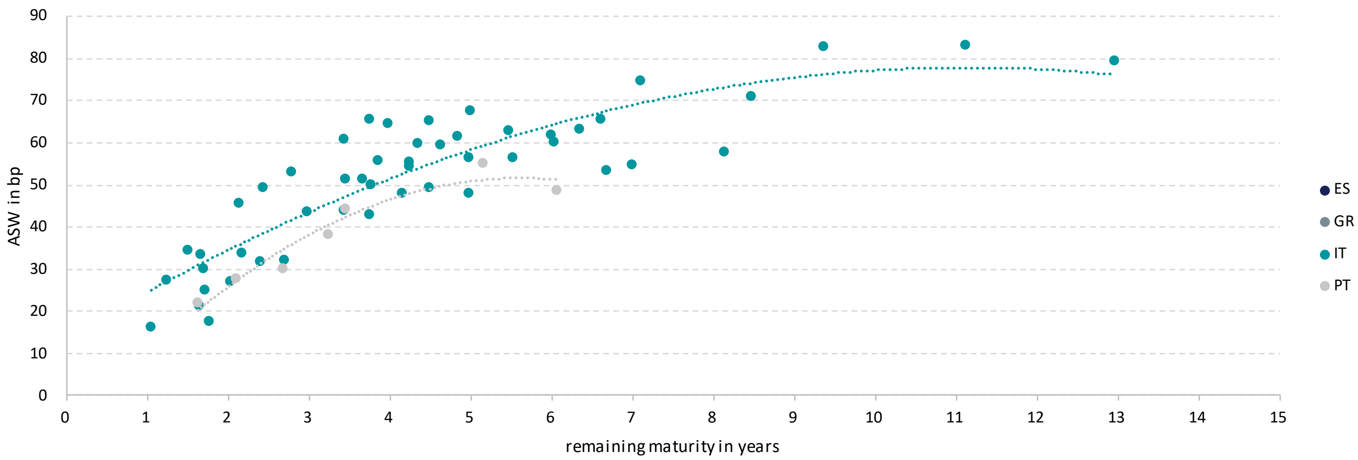


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

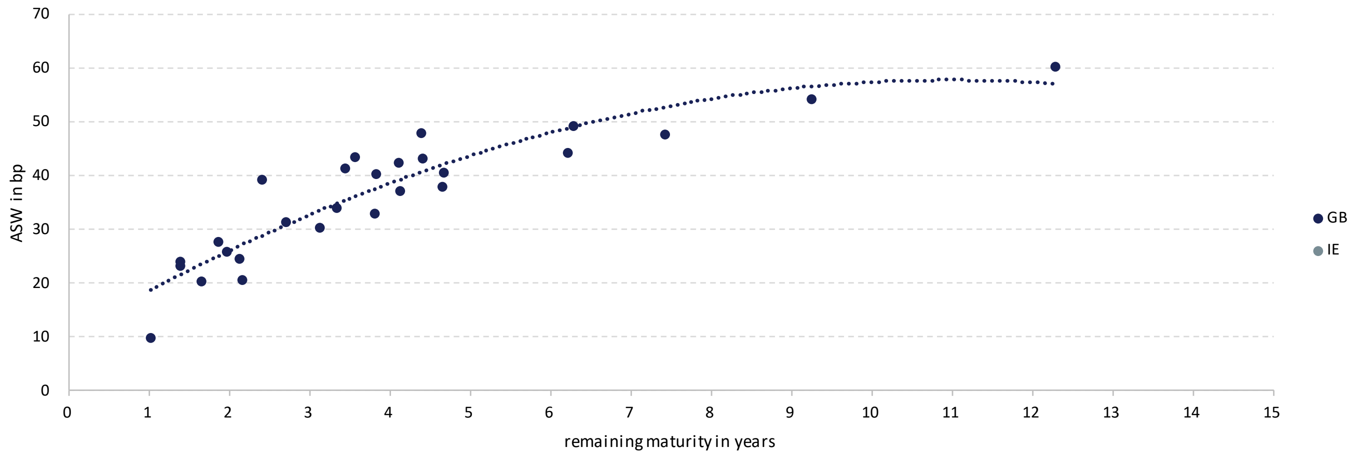
Nordics



Southern Europe

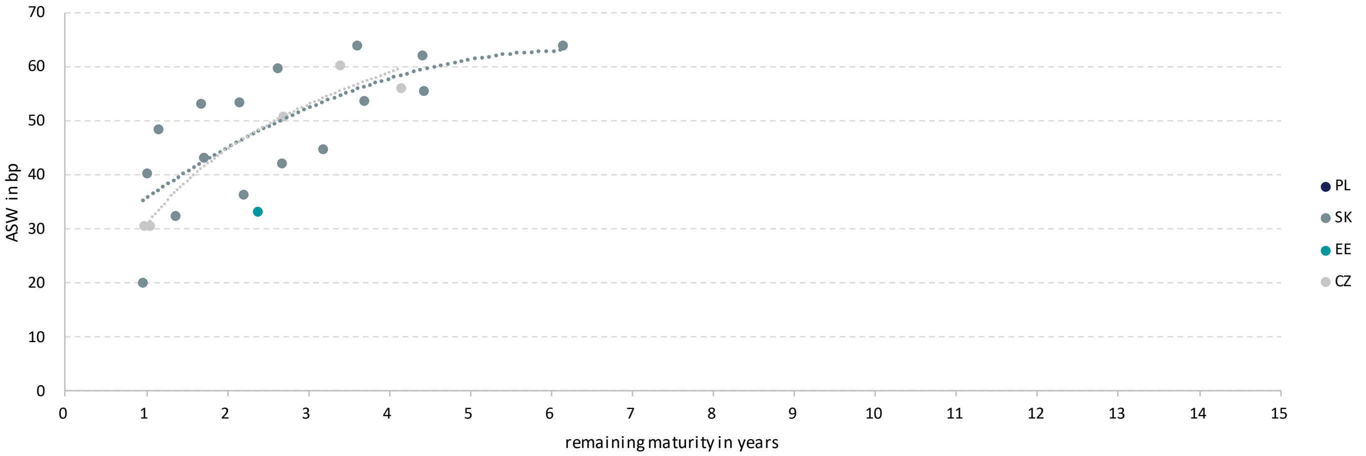


UK/IE

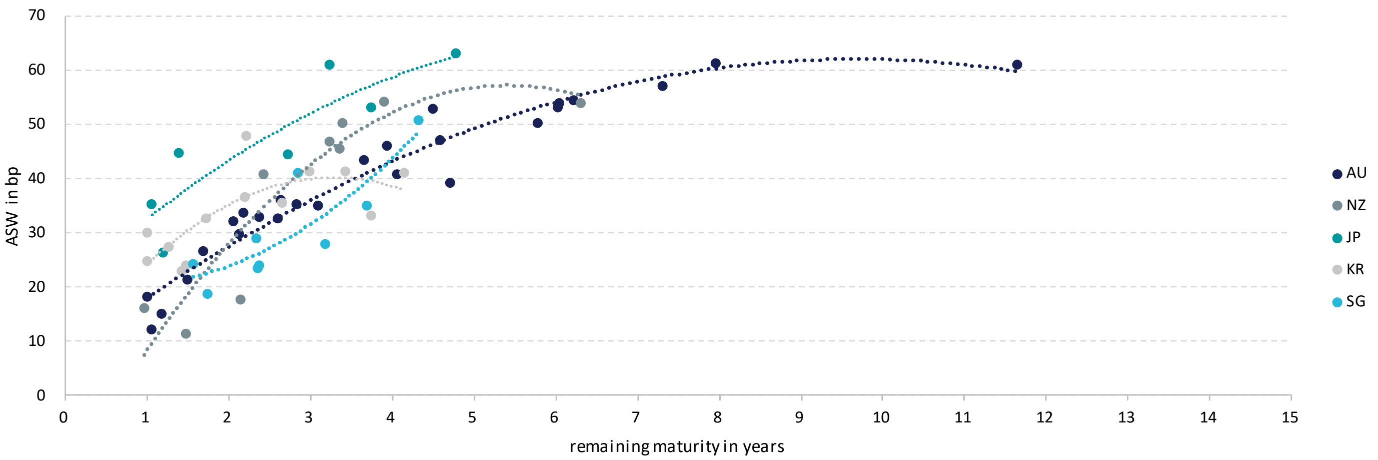


Source: Market data, Bloomberg, NORD/LB Floor Research

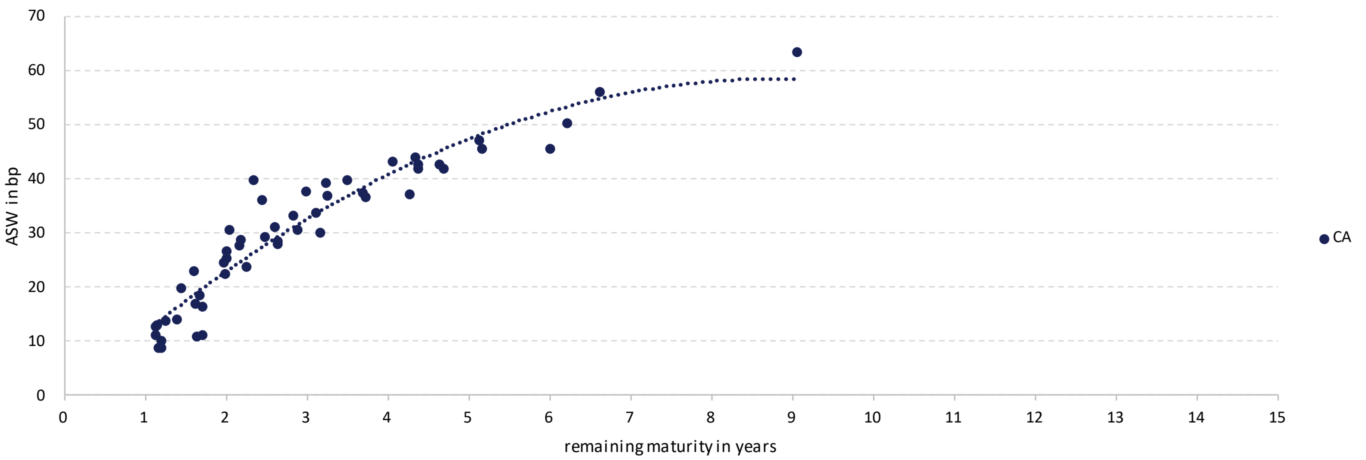
CEE



APAC



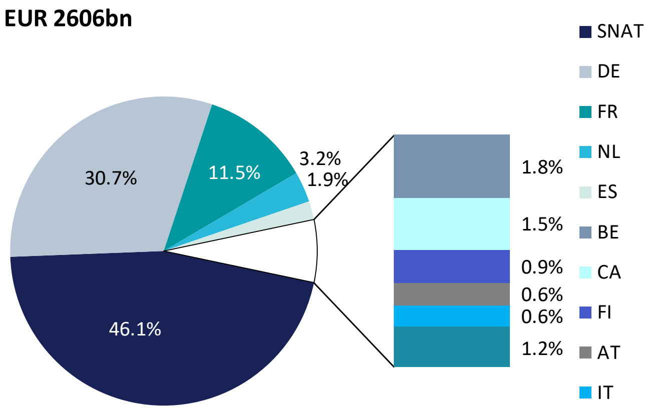
North America



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

Charts & Figures
SSA/Public Issuers

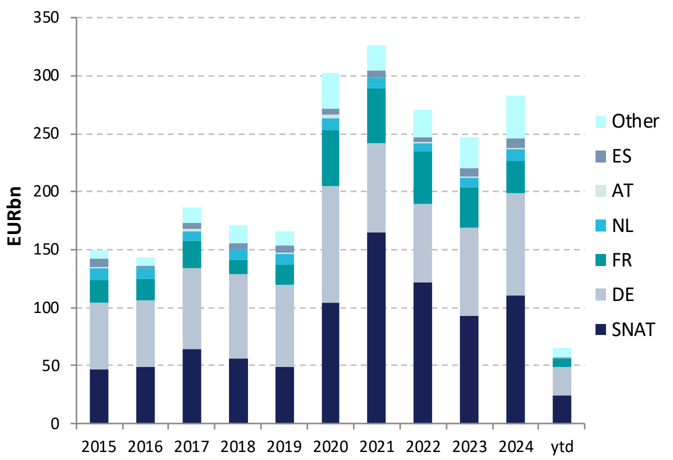
Outstanding volume (bmk)



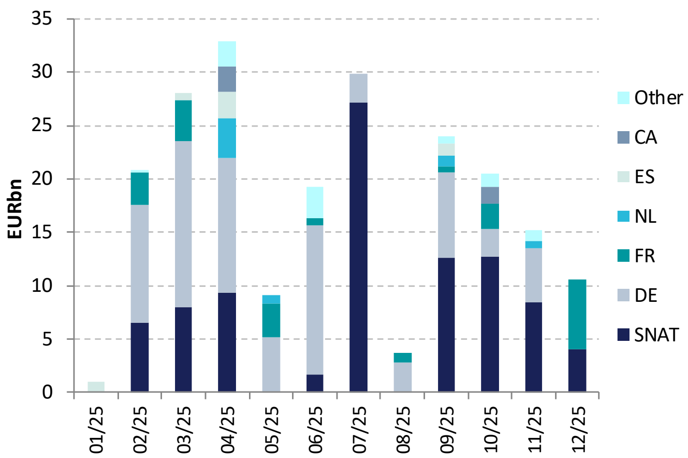
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,202.0	247	4.9	7.7
DE	800.1	598	1.3	6.1
FR	299.2	202	1.5	5.7
NL	83.3	67	1.2	6.2
ES	50.4	70	0.7	4.7
BE	46.6	47	1.0	9.9
CA	37.9	26	1.5	5.2
FI	24.6	26	0.9	4.4
AT	16.0	21	0.8	4.7
IT	15.6	20	0.8	4.2

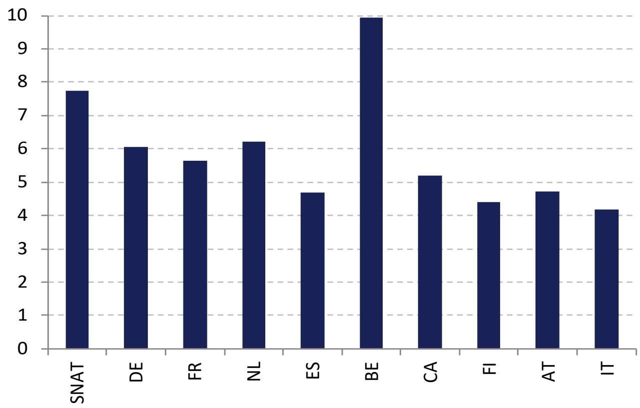
Issue volume by year (bmk)



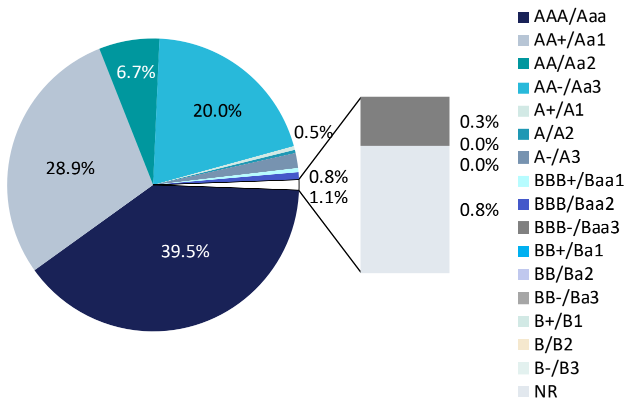
Maturities next 12 months (bmk)



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

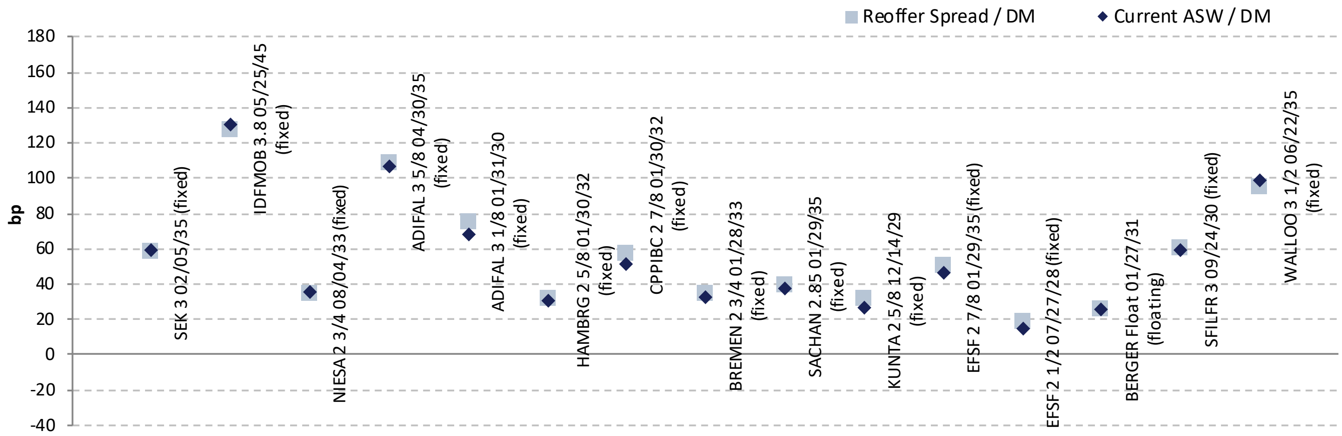


Rating distribution (vol. weighted)

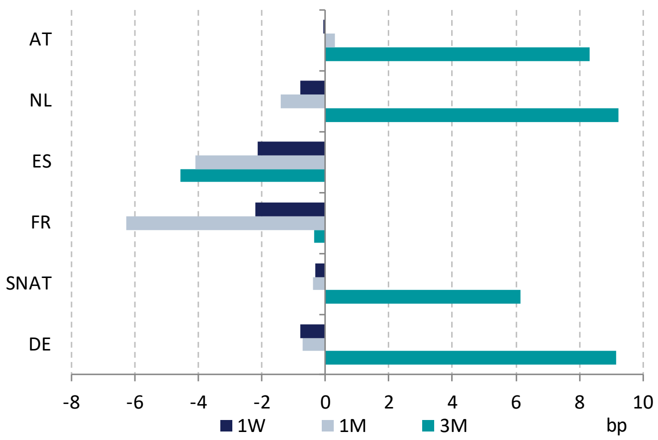


Source: Bloomberg, NORD/LB Floor Research

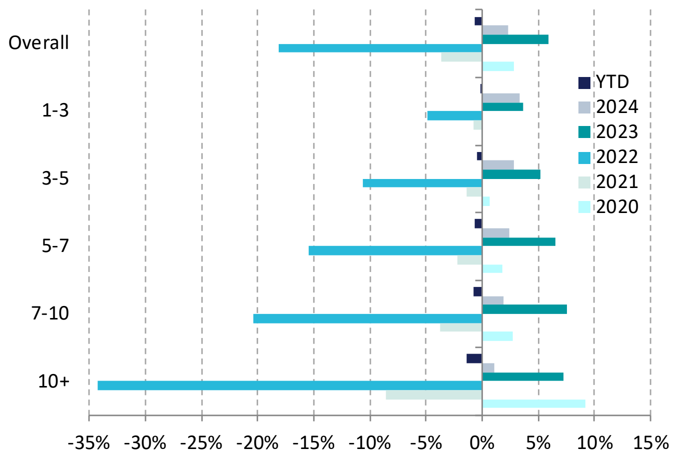
Spread development (last 15 issues)



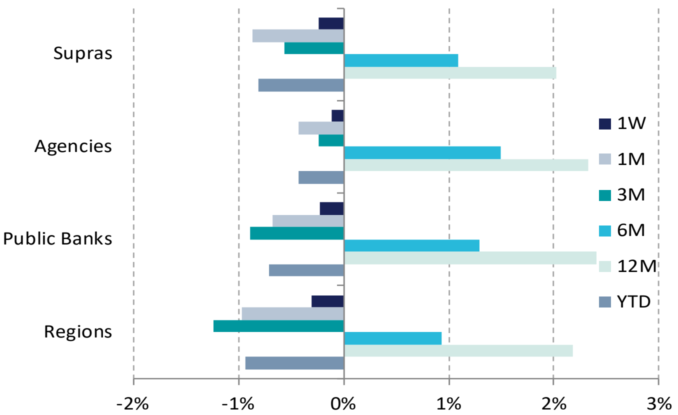
Spread development by country



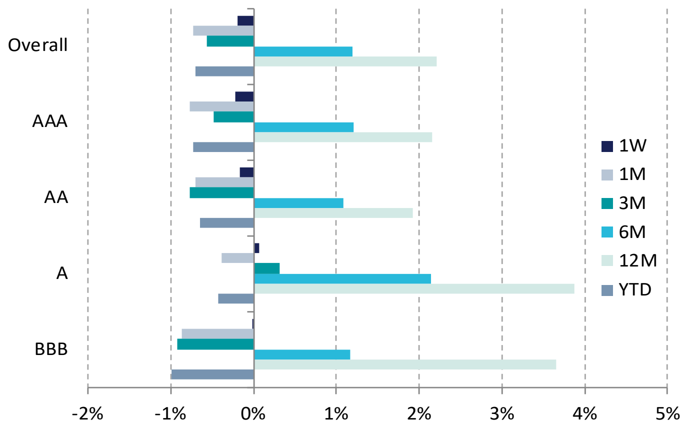
Performance (total return)



Performance (total return) by segments

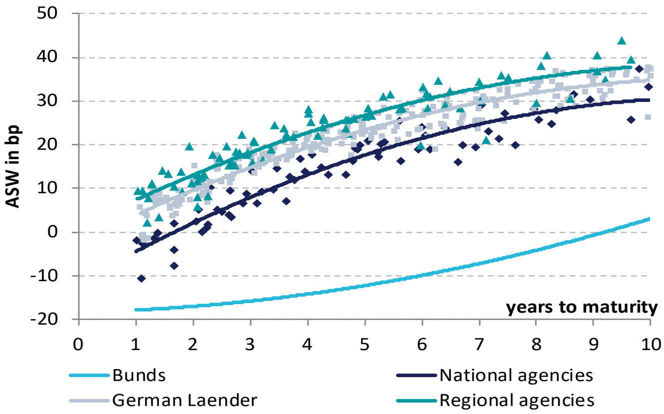


Performance (total return) by rating

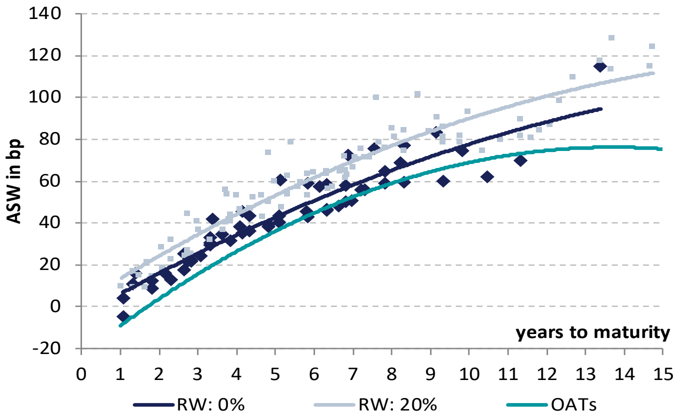


Source: Bloomberg, NORD/LB Floor Research

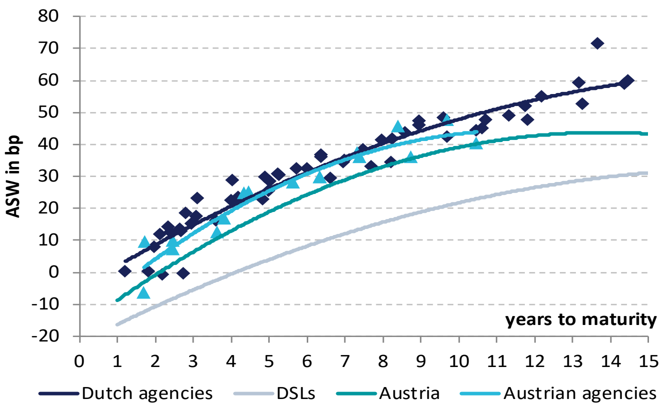
Germany (by segments)



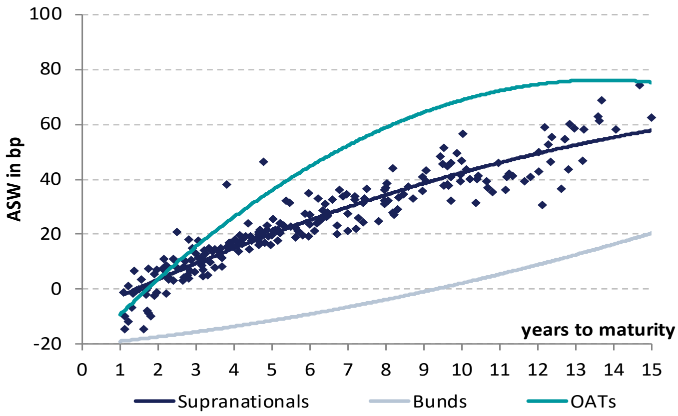
France (by risk weight)



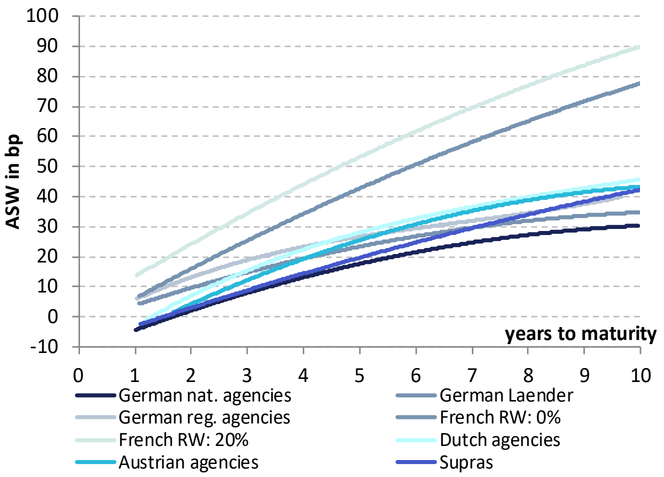
Netherlands & Austria



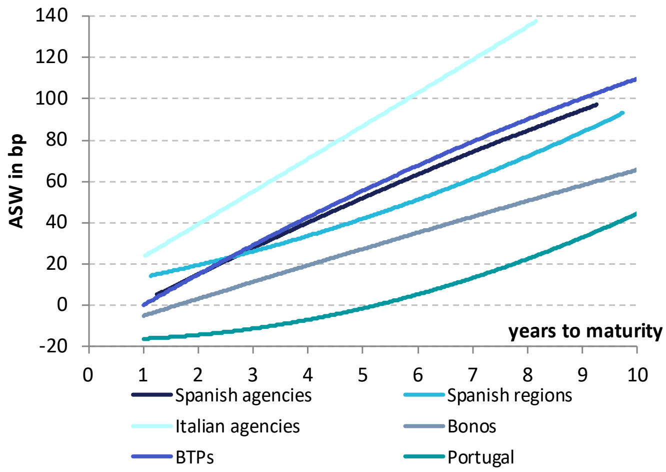
Supranationals



Core



Periphery



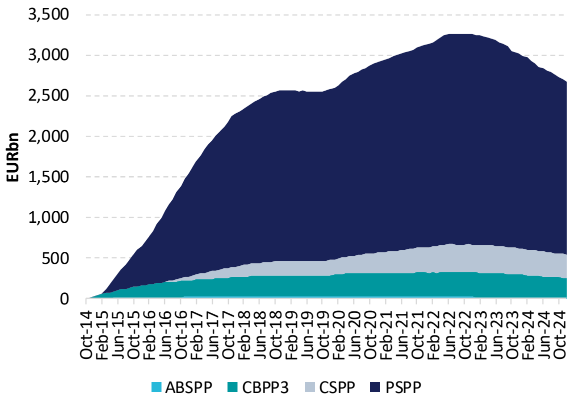
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

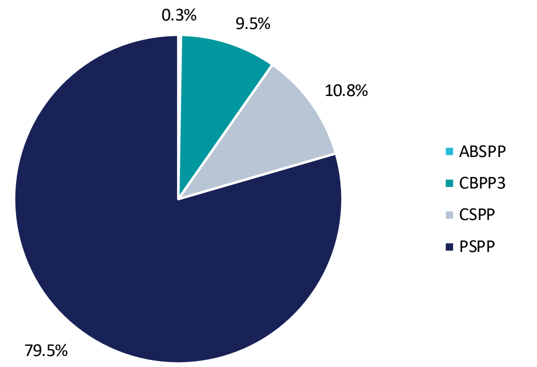
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

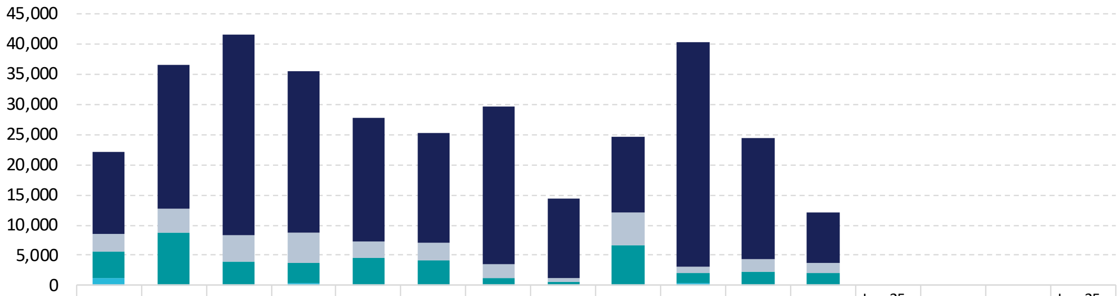
APP: Portfolio development



APP: Portfolio structure

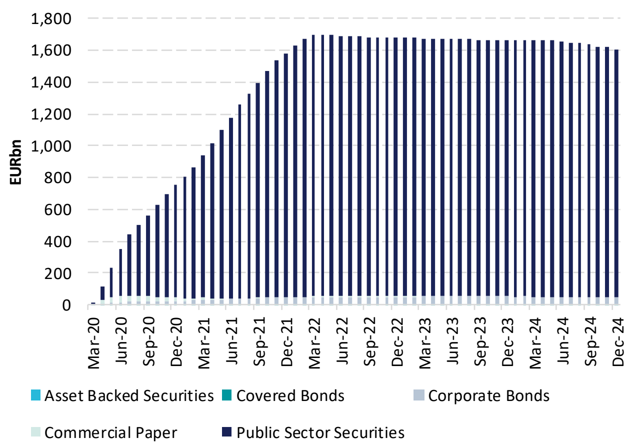


Expected monthly redemptions (in EURm)

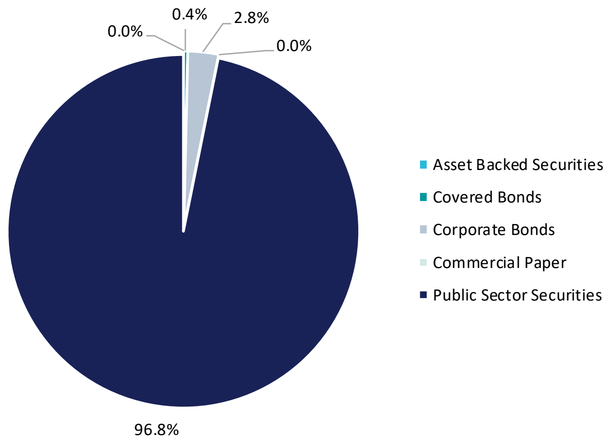


	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-25 - Dec-25	2023	2024	Jan-25 - Dec-25
APP	22,039	36,658	41,660	35,527	27,846	25,290	29,618	14,310	24,596	40,249	24,445	12,017	334,255	331,565	334,302	334,255
PSPP	13,463	24,021	33,379	26,671	20,541	18,261	26,161	13,114	12,568	37,073	20,060	8,274	253,586	255,025	264,480	253,586
CSPP	2,973	3,788	4,279	5,137	2,699	2,940	2,156	562	5,259	1,005	2,008	1,693	34,499	31,251	31,380	34,499
CBPP3	4,335	8,635	3,709	3,373	4,448	3,864	1,135	468	6,492	1,864	2,106	1,903	42,332	35,147	32,173	42,332
ABSPP	1,268	214	293	346	158	225	166	166	277	307	271	147	3,838	10,142	6,269	3,838

PEPP: Portfolio development



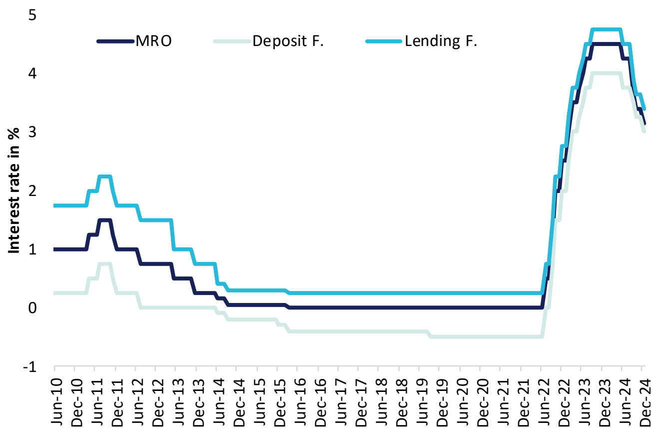
PEPP: Portfolio structure



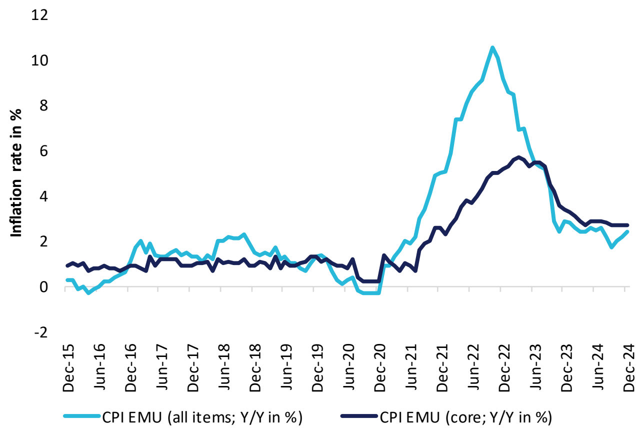
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

ECB key interest rates

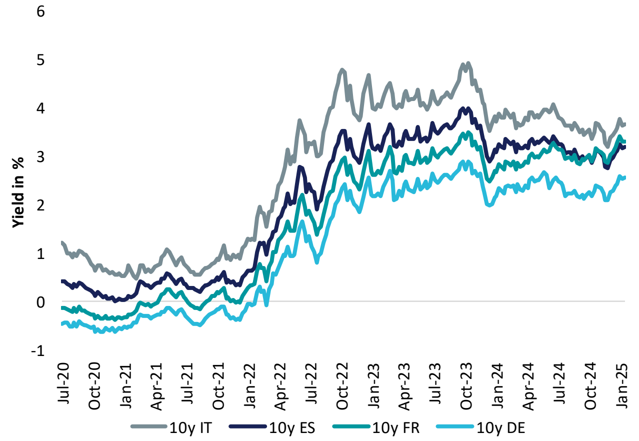


Inflation development in the euro area

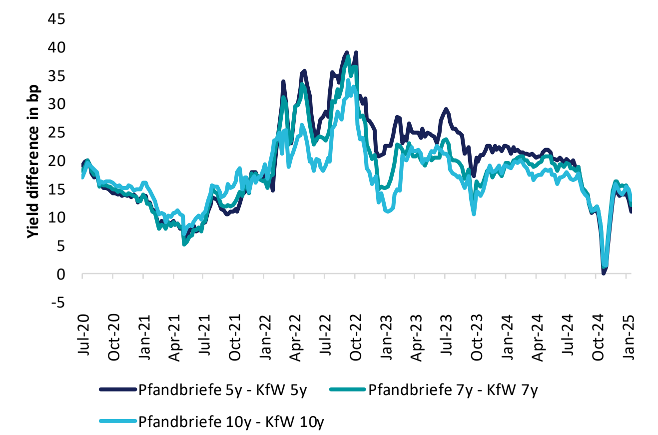


Bund-swap-spread

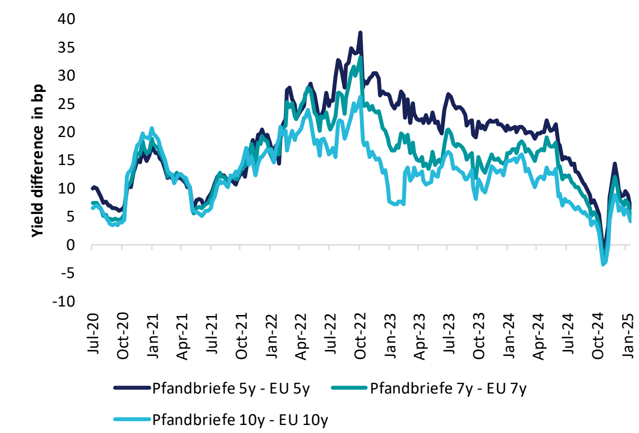
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

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Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
03/2025 ♦ 22 January	▪ Focus on the banking sector: EBA Risk Dashboard in Q3/2024 ▪ 30th meeting of the Stability Council (December 2024)
02/2025 ♦ 15 January	▪ The Moody's covered bond universe – an overview ▪ Review: EUR-ESG benchmarks 2024 in the SSA segment
01/2025 ♦ 08 January	▪ Annual review of 2024 – Covered Bonds ▪ SSA: Annual review of 2024
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

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
- Preview: ECB, 2025, clapper board, the first - Directors Cut

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