# Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

NORD/LB

# Agenda



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# Market overview
# Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

**Primary market: the end of the gold rush mood?**

The market environment has gradually started to adapt slightly to the new framework conditions. First of all, we should note that the central bank meeting last week (cf. Fixed Income Special and SSA Market Overview) certainly dampened primary market activities to a significant extent. We see the ECB's monetary policy as having an impact particularly through the channel of forming expectations with regard to the absolute yield levels, which goes some way to explaining the robust demand we are seeing. Despite the plethora of concerns that they provoke, uncertainty factors such as the latest geopolitical developments should not be overestimated in terms of the impact on the covered bond primary market. Last Wednesday, Hypo NOE (AT) opened books for a public sector covered bond (EUR 500m; WNG; 8.0y) at a guidance of ms +55bp area. With a re-offer spread of ms +47bp, the order book ultimately amounted to EUR 2.6bn. The calculated fair value (ms +48bp) once again indicates pricing within the curve. After issuers paused for breath around the ECB meeting, the French issuer CFF (cf. Issuer View) injected some life back into the primary market on Monday with a dual tranche (EUR 1.25bn; 3.0y & EUR 750m; 8.0y). The bonds were priced at ms +16bp (3.0y) and ms +36bp (8.0y). For both deals, this corresponds to narrowing of eight basis points compared with the initial pricing thoughts and pricing on (8.0y; new issue premium: 0bp) or just within the curve (3.0y; new issue premium: -1bp). Yesterday (Tuesday 16.04.), was certainly one of the more dynamic trading days on the primary market. Ultimately, four fresh benchmarks were successfully placed with investors. From Germany, LBBW issued the second dual tranche (EUR 500m; WNG; 3.0y & EUR 750m; 7.4y) on the market this week, with the mortgage Pfandbriefe priced at ms +13bp (3.0y) and ms +30bp (7.4y). In our opinion, the most recent deal from Italy shows that even "more complicated" issuers can enjoy open market access. Although the CPT structure chosen by Banca Monte dei Paschi di Siena (ticker: MONTE) may technically have put off the odd investor, the pricing at ms +68bp (final order book: EUR 2.3bn) indicates a very low new issue premium for the fresh benchmark (EUR 500m; WNG; 5.0y). MONTE last approached investors with a benchmark deal back in 2019. On this occasion, following such an extended absence, it did not have to pay a premium on the basis of the secondary market curve, but did offer a significant pick-up in comparison with its peers. We anticipate substantial demand on the issuer's domestic market, which also happens to be more of a rule than an exception for other jurisdictions too. Pricing the inaugural EUR benchmark offered by Equitable Bank from Canada (EUR 500m; WNG; 3.0y) was evidently something of a Herculean task. The social bond was initially guided at ms +70bp area, which was – with the benefit of hindsight – too "wide". However, when we consider the final order book (EUR 4.0bn), the final spread (ms +58bp) and the new issue premium (+8bp), we are forced to conclude that this was not necessarily to the detriment of investors. In this case, one could definitely still speak of a gold rush mood. With regard to the price concessions of other deals, we would tend to err on the side of caution in our choice of words. In the year to date, the issuance volume for EUR benchmarks now stands at EUR 82.4bn. From our point of view, this and other figures would suggest that new issue premiums might start to rise in the coming trading days.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| Equitable Bank | CA | 16.04. | XS2808183649 | 3.1y | 0.50bn | ms +58bp | AA / - / - | X |
| LBBW | DE | 16.04. | DE000LB39DQ8 | 7.4y | 0.75bn | ms +30bp | - / Aaa / - | - |
| LBBW | DE | 16.04. | DE000LB39DP0 | 3.0y | 0.50bn | ms +13bp | - / Aaa / - | - |
| Banca Monte dei Paschi | IT | 16.04. | IT0005593212 | 5.0y | 0.75bn | ms +68bp | AA- / Aa3 / - | - |
| CFF | FR | 15.04. | FR001400PMS4 | 8.0y | 0.75bn | ms +36bp | - / Aaa / AAA | - |
| CFF | FR | 15.04. | FR001400PMU0 | 3.0y | 1.25bn | ms +16bp | - / Aaa / AAA | - |
| HYPO NOE | AT | 10.04. | AT0000A3C6F5 | 8.0y | 0.50bn | ms +47bp | - / Aa1 / - | - |

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

**Secondary market: Keeping the powder dry?**

First things first: In terms of trading activities in the secondary market, it seems that the covered bond segment here also remained rather indifferent to the dramatic developments in the Middle East. The general impression remains that investors are concentrating more on primary market events. It should therefore come as little surprise to learn that the supply is being well absorbed there. New deals also continue to be in demand, although sales are becoming thinner on the ground. We are sticking to our assessment that, broadly speaking, secondary market flows are likely to initially remain more reserved in the shadow of primary market activities. However, in the medium to long term, the tide should start to turn somewhat back towards the secondary market.

**EUR sub-benchmark segment: Landesbank Berlin places EUR 250m (WNG)**

The primary market for EUR sub-benchmarks also saw new deals, with the second deal in the trading month of April placed in this sub-segment by Landesbank Berlin (Ticker: LBBER; cf. Issuer View). LBBER opted for a term to maturity of ten years for its deal worth EUR 250m (WNG). This was the first time that an issuer in the EUR sub-benchmark segment has been active at the "long end" for nearly two years. The most recent deal of this kind was placed by DekaBank in the form of a dual tranche back in July 2022. The LBBER deal started out in the marketing phase at ms +42bp area, before finally settling at a price of ms +36bp. The issuance volume in the EUR sub-benchmark volume in the current year now stands at EUR 2.2bn (previous year: EUR 5.0bn). Additional activity is expected in this sub-segment across 2024, with the current issuance volume far from suggesting that the value from 2023 cannot be replicated. After all, the sub-benchmark segment tends to be more of a "late bloomer".

**In this edition: The covered bond universe of Moody's**

In this present edition of our weekly publication, we are providing you with a current overview of the Moody's covered bond universe. The rating agency's coverage extends to 237 programmes spread across 30 jurisdictions. In their quarterly update, the risk experts come to the conclusion that the credit quality in the covered bond segment is likely to be stable and issuance activities should remain robust. In particular, Moody's emphasises the strength of the covered supply – despite the taxing CRE environment. Nevertheless, it should also be noted that the outlook for the global banking landscape has deteriorated somewhat, which is due in particular to the challenging economic environment. The tight monetary policy is therefore taking its toll. However, the negative effects are mitigated (at least temporarily) by increased profitability, according to the rating agency. Moody's also predicts a very high degree of rating stability for institutions that issue covered bonds.

**Internal matters: the Pfandbrief Act as the "gold standard"?**

Another event in our NORD/LB Capital Markets Spotlight series took place last Thursday. In the online session entitled "The gold standard under the microscope – a (double) look at the risk side of the Pfandbrief Act" we looked at the Pfandbrief Act together with risk experts Patrick Widmayer (Moody's) and Casper Rahbek Andersen (S&P). In so doing, we also sought to respond to the numerous questions that we have recently received about the risk potential of Pfandbriefe. The high levels of interest and lively discussions across the two sessions in German and English were particularly gratifying for us. The discussion focused on the specific aspects for which the Pfandbrief Act (PfandBG) defines stricter requirements than the majority of covered bond laws in other jurisdictions. Among other aspects, the rating experts highlighted the more conservative approach to defining mortgage lending values in accordance with Section 16 PfandBG, in addition to the 60% limit on LTV ratios for residential and commercial assets, which is considered low by international standards. In addition, according to Section 5 (1a) PfandBG, only mortgages up to the maximum LTV ratio may be included in the cover pool register, while in other jurisdictions it is also possible to be included in the cover pool register over and above the respective legally prescribed limits. Aside from this main topic, we also received a few questions regarding the 180-day liquidity buffer in the Pfandbrief Act during the event. This is codified in Section 4 (1a) PfandBG and in Germany is to be treated "separately" from potential maturity deferrals in the event of an issuer default, which stands in marked contrast to the requirements in some other jurisdictions. Another focus of our event was on the different requirements for overcollateralisation (OC) ratios. Under the CRR, this must be at least 5%, but can be reduced to a maximum of 2% if the valuation of the cover assets is determined on the basis of the mortgage lending value. In our opinion, the CRR therefore takes into account the quality of the coverage or, as the case may be, overcollateralisation based on the mortgage lending value method. In summary, with the aforementioned requirements, the PfandBG not only mitigates comparatively strong potential liquidity risks in times of crisis, but also ensures that the cover assets offer high credit quality. At the same time, the legal framework limits the issuance potential for Pfandbrief banks.

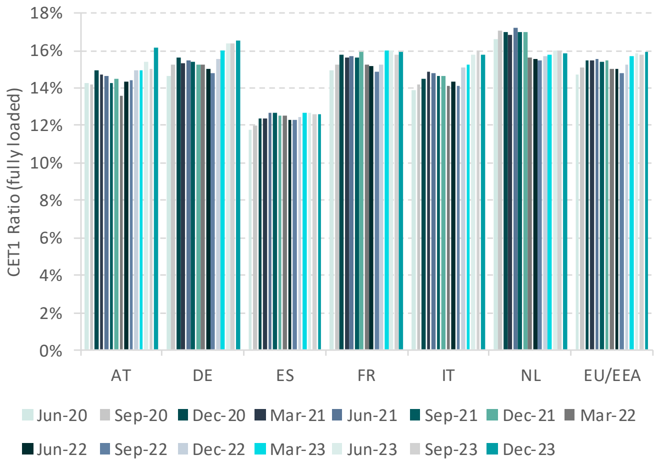
**Scope Real Estate Insight April 2024: A look at the CRE risks in Germany**

The risk experts at Scope recently looked at the commercial real estate (CRE) financing submarket as well, highlighting the risks for German banks linked to the developments in the USA in the process. With regard to the German cover pools, some of which have a high proportion of CRE financing, it should be emphasised that, in the opinion of Scope, there are significant buffers in place. This applies with regard to the distinction between the cover values assessed on the basis of market values or LTV ratios in particular. Nevertheless, the risk experts state that banks are having to cope with increased credit defaults in the CRE segment. Conversely, banks are posting improved profitability, which is not least due to increased cost efficiency. With regard to the capitalisation of banks and the equity at their disposal to absorb losses, Scope again gives the all-clear. Based on our own expectations that developments on the CRE market in Germany and across Europe are unlikely to reflect those in the USA, we can conclude that a dramatic increase in default rates is not to be expected.

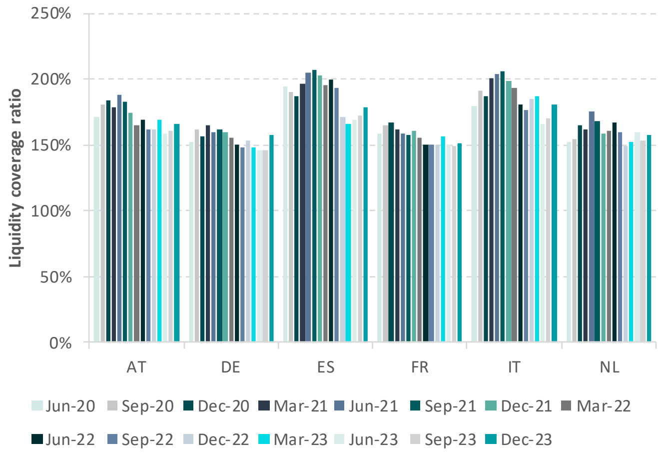
**EBA Risk Dashboard: All that glitters is not gold**

A few days ago, the European Banking Authority (EBA) presented the most recent figures from its Risk Dashboard. The reporting period for this data is Q4 2023. For us, the data offers (as always) a valuable health check for credit quality within the European banking sector. However, it must be assessed against the background of retrospective considerations and strong aggregation at jurisdiction level. In the corresponding press release, the EBA points to the fundamental solidity of EU banks and justifies this assessment by highlighting record levels of capitalisation, among other aspects. Accordingly, the weighted average CET1 ratio (fully loaded) stands at 15.9%, which is 50 basis points higher than at year-end 2022. In contrast, a higher NPL ratio was also reported, although the levels are still incredibly low. In this case, too, the EBA is concentrating on the CRE segment, which is the focus of the capital markets. As a result, the NPL ratio for CRE-related loan claims comes in at 4.3% (EUR 57.6bn) and is therefore at the highest level since March 2022 (4.1% or EUR 60.0bn). At the overall level (EU/EEA), the EBA puts the CRE volume at EUR 1,352bn, which corresponds to a share of 6.9% of the total loan volume. The EBA data reveals that France (EUR 287bn), Germany (EUR 283bn) and the Netherlands (EUR 175bn) account for the largest CRE holdings.

**Risk Dashboard: CET1-Ratio (fully loaded)**




**Risk Dashboard: LCR (in %)**




Source: EBA, NORD/LB Floor Research

# Market overview
# SSA/Public Issuers

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

**Between interest rate-Scylla and inflation-Charybdis: Our analysis of the ECB meeting**

As expected, the decision-makers at the European Central Bank once again made no adjustments to the three key interest rates last Thursday. Accordingly, the rate for the main refinancing operations was left unchanged at 4.50%; the interest rate for the marginal lending facility (4.75%) and the deposit facility (4.00%) also remained untouched. In the press release issued after the meeting, the ECB pointed out that interest rates are at levels that are making a substantial contribution to the ongoing process of reducing inflation. The ECB was keeping its cards close to its chest in its statement with regards to any potential rate move in June. The ECB Governing Council must feel these days like a brave sailor from ancient times who wanted to pass through the Strait of Messina: On the one hand, Scylla with six heads and a triple row of fangs, symbolizing the ongoing danger that the "monster" inflation is woken up again by sharply rising service and real estate prices. On the other hand, Charybdis, whose pull could cause real wages to continue to rise in the future, even though, according to Lagarde, the tension in the labour market continues to decrease (in the form of fewer vacancies, but not in high unemployment). This should help reduce concerns about excessive wage pressure. The ECB has already navigated through the strait of the first three interest rate meetings of 2024. It now remains to be seen who has the upper hand in June. As a forecast, we stick to our opinion that there is a certain probability of an interest rate cut in June. However, the majority of activity will shift to the second half of the year and we expect small and slow steps. In concrete terms, this means that we expect steps of 25 basis points and that these will not take place at every upcoming meeting in the second half of the year. The first interest rate cut could well take place on 06 June. The chances of "only" three interest rate cuts in total by the end of the year have increased again in the last few days.

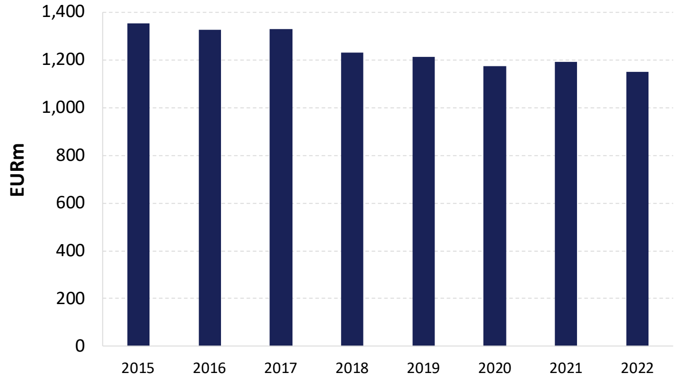
**LfA publishes financial results for 2023**

The Free State of Bavaria's promotional bank – LfA Förderbank Bayern (ticker: BAYLAN) – presented its financial results for last year on 11 April. The bank can look back on a generally solid year. Loans amounting to a total of EUR 1.6bn were approved in its core business involving programme loans for SMEs and municipalities. SMEs and the self-employed living in Bavaria were therefore able to realise investments of around EUR 2.2bn. In all, lending in 2023 reached a figure of EUR 2.3bn, which is roughly the same as in 2019. Taking into account risks taken over by LfA, this led to a total promotional volume of EUR 2.5bn. The strongest demand was for financing offers for start-ups and company succession (EUR 466m) as well as for modernisation and growth investment (EUR 1.1bn). There was a marked increase in lending under LfA's Innovationskredit 4.0 scheme, which finances the entire range of investment and digitalisation plans: lending approved under this banner increased by more than 33% year on year to EUR 185m. Apart from companies, 80 Bavarian municipalities were also able to invest EUR 179m in local infrastructure thanks to promotional loans.

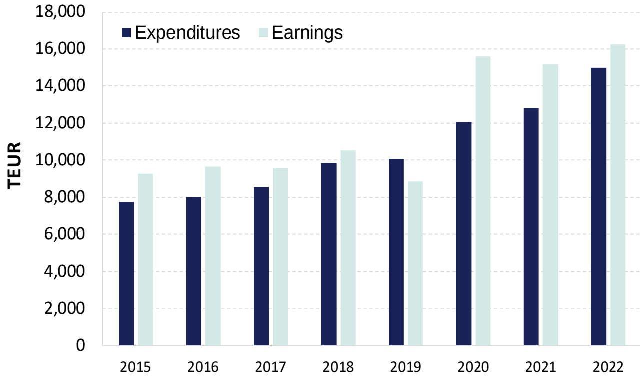
**Bremer Aufbau-Bank: The two-city state's promotional bank**

Bremer Aufbau-Bank GmbH (BAB) has been the promotional bank for Bremen and Bremerhaven since 2001. BAB supports the economic goals of the two-city state as a legally independent subsidiary of WFB Wirtschaftsförderung Bremen GmbH, especially in relation to the development of the federal state in terms of structural, economic and housing promotion. Key challenges in this respect are primarily demographic change, the environment and climate protection. Starthaus Bremen & Bremerhaven (which supports start-ups) has been a segment of BAB since 2018. Starthaus is the main point of contact for all budding entrepreneurs and start-ups in Bremen and Bremerhaven. It provides advice on all aspects of setting up a business from brainstorming to the first growth phase, involving coaching, qualifications, financing, and it also gives feedback regarding the start-up idea. At the same time, BAB works closely together with the departments of Bremen's state parliament ("Bürgerschaft"), namely economy, ports and transformation, in addition to environment, climate and science, construction, mobility and urban development. To this end, BAB provides funding for companies, public bodies, infrastructure and housing projects as well as for energy efficient and sustainable projects. One example is the "Growth and Additional Financing" programme. In the case of SMEs founded and based in Bremen, BAB supports the companies in all their phases, from start-up to consolidation. In addition, BAB supports investments in tangible/intangible goods and economic activities in the interest of Bremen. The loans and guarantees provided by BAB can be combined with KfW programmes, and BAB also works together with house banks on a non-competitive basis. Another current programme is aimed at commercial enterprises and Bremen-based facilities for research, development and innovation. This promotional activity includes project costs for the development of innovative products, processes and services which are also important for the region. Some of the guarantees and loans for these purposes are sourced from the European Regional Development Fund (ERDF). For other financing purposes, BAB works together with other banks and regional savings banks. The promotional bank has a guarantee from the city state of Bremen, in accordance with which it is legally bound to guarantee liabilities. BAB does not have a rating of its own, although we do analyse its guarantor Bremen (AAA/ - / - ) as part of our Issuer Guide – German Laender 2023. In 2022, BAB had total assets of EUR 990.6m (2021: EUR 1,040.8m). The reduction mainly reflects the end of the COVID-19 aid programmes. In future, BAB is already planning new promotional programmes in order to remain an "effective and reliable partner" in Bremen and Bremerhaven.

**Trend in business volume**




**Trend in earnings and expenditures**




Source: Issuer, NORD/LB Floor Research

**CEB presents financial statement and Social Inclusion Bond report for 2023**

The Council of Europe Development Bank (CEB, ticker: COE) presented its official financial statement for 2023 on 09 April. The results certified by the auditors and presented in accordance with International Financial Reporting Standards (IFRS) showed a net profit standing at EUR 109.2m. This equated to an increase of +37.1% Y/Y, mostly reflecting the high interest rate environment. Excluding IFRS provisions and the valuation of financial instruments, core earnings rose by +39.1% Y/Y to stand at EUR 116.2m at year end. As regards its financing activity, the CEB supported 48 projects with loans amounting to a total of EUR 4.1bn in 2023 (2022: EUR 4.2bn for 36 projects). Moreover, the bank authorised its first loan operation in Ukraine to the tune of EUR 100m. This took place just a few months after the country had joined the CEB on 15 June 2023. The capital will be used to restore healthcare infrastructure damaged by the war and access to essential health services. The credit portfolio amounted to a total of EUR 21.5bn at the end of 2023, which equates to an increase of +8.3% Y/Y. Total assets rose by +9.2% Y/Y to EUR 34.4bn. One especially pleasing factor is that for the first time in over a decade, the CEB has regained its triple-A status from the three big rating agencies Fitch, Moody´s and S&P. On the funding side, CEB issued bonds amounting to EUR 7.0bn, a large part of which in the form of Social Inclusion Bonds (SIBs). On the subject of SIBs: The CEB published its Social Inclusion Bond Report for 2023 on 28 March of this year. As the report indicates, the CEB raised EUR 2.3bn last year from the issue of SIBs. This corresponds to around one third of the total funding target for 2023. In line with the Social Inclusion Bond Framework, issuance proceeds were spread between the four categories "social housing for low-income persons", "health and social care", "education and vocational training" and "supporting micro, small and medium-sized enterprises (MSMEs) for the creation and preservation of viable jobs". The CEB's Governor, Carlo Monticelli, said on the subject: "The CEB's Social Inclusion Bonds (SIBs) are a valuable tool to raise money in capital markets to fund projects with high social benefits. I am proud that the CEB has been a pioneer and continues to lead the way in this market." As Europe's oldest European multilateral development bank, the CEB is also an established institution as an issuer in the EUR benchmark segment. Most recently, in the trading week under consideration in our Covered Bonds & SSA View of 10 April, CEB decided to issue its first SIB of 2024 in the EUR benchmark format. The seven-year bond worth EUR 1.25bn came with a 2.75% coupon. It had attracted orders of EUR 3.3bn by the end of the marketing phase, resulting in a bid-to-cover ratio of 2.64x. Final pricing was two basis points tighter than the guidance at ms +13bp. As the press release published after the issue indicates, 23% of investors came from the Benelux states and a further 21.5% came from the UK and Ireland. As regards the type of institution involved, banks accounted for the bulk of demand at 47.5%, followed by insurance companies and pension funds at 27%. The CEB has again announced a funding target of EUR 7.0bn for this year.

**BRCOL: Rating (again) downgraded by S&P**

On 8 April, S&P further downgraded the rating for the Canadian province of British Columbia (ticker: BRCOL) to AA- (negative outlook) from AA (negative outlook), especially in light of further extensive investments for operations and record level of capital spending as part of budget plans for 2024. Over the next three years, there was therefore the threat of a sharp rise in debt levels and in the budget deficit. According to S&P, the negative outlook reflects very low levels of internal liquidity, at least in the next two years and a further rise in the level of debt, as mentioned previously. The rating agency said there was at least a "one-in-three chance" that the rating would be further downgraded in the next two years if the province did not make credible efforts to continue with budget consolidation. In contrast, the outlook might be adjusted from negative to stable in the event of a reversal in the fiscal trajectory towards a reduction in the debt and improved liquidity. According to S&P, the province's commitment to fiscal discipline had wavered significantly. Measured in relation to the province's operating revenues, an increase in debt of up to 182% is expected by the end of the fiscal year 2027 (end as per 31 March). For further information about the budget position of Canadian sub-sovereigns, we would refer our readers to our Issuer Guide – Canadian Provinces & Territories 2024.

**Primary market**

Our analysis of the SSA primary market last week showed a marked downturn in issuance activity. In our view, this reflects not only the recent escalation in the geopolitical situation but also the fact that uncertainties have emerged in connection with the future course of monetary policy. Obviously, these uncertainties were also felt in the capital markets and enhanced by the odd surprise here and there on the inflation front in relation to figures on real economic activity. Hardly surprisingly, the latest meeting of the ECB Council was therefore the focus of attention of some market participants (see Fixed Income Special of 11 April). This week, as a result of these general conditions, we are only able to report one sub-benchmark and one tap. In the sub-benchmark segment, the German federal state of Baden-Württemberg (ticker: BADWUR) went to the market with a EUR 250m floater with a two-year term to maturity. Pricing was in line with the guidance at -7bp against the six-month Euribor. This was BADWUR’s fourth floater this year and the second in sub-benchmark format. In addition, German promotional bank Kreditanstalt für Wiederaufbau (ticker: KFW) tapped its KFW 2.875% 05/29/26 by EUR 1.0bn. The EU also sent an RfP to the relevant banking groups. The EU’s fourth syndicated transaction is scheduled for the coming week (cf. Funding plan for H1/2024). Finally, we still want to mention two mandates of interest for the near future: the Spanish rail network operator ADIF-AV (ticker: ADIFAL) is planning to issue a green EUR benchmark with a term of eight years in the amount of EUR 500m on the basis of its Green Financing Framework. For its part, the Asian Infrastructure Investment Bank (ticker: AIIB) is planning to issue a short EUR or USD-denominated digitally native note via Euroclear’s Digital Financial Market Infrastructure (D-FMI) platform. To this end, AIIB is organising a series in investor meetings in the coming weeks.

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

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

# Covered Bonds
# Moody's covered bond universe: An overview

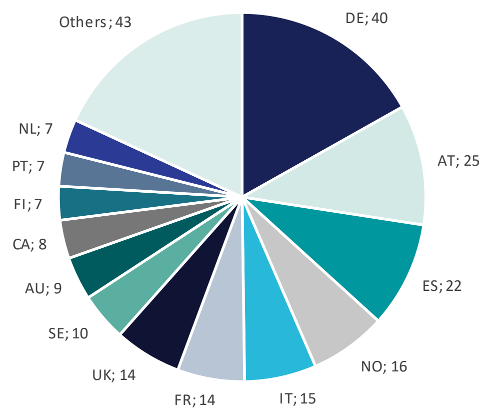
Authors: Dr Frederik Kunze // Lukas Kühne

**Moody's provides ratings for 237 covered bond programmes worldwide**
The rating agency Moody's recently published the latest edition of its quarterly Covered Bond Sector Update. The data within the Q1/2024 issue was based on the corresponding information for all covered bonds that Moody's rated in the third quarter of 2023. In total, ratings and detailed key figures were presented for 237 covered bond programmes from 30 countries. The agency's coverage therefore includes a significant proportion of the overall global covered bond universe. With regard to number of programmes, the most originated in Germany (40), followed by Austria (25) and Spain (22). Ten countries accounting for eight or more programmes each made up 73.0% (173 programmes) of the total. The remaining 27.0% (64 programmes) was distributed across 20 jurisdictions, each accounting for seven or fewer programmes. As expected, mortgage-backed programmes totalling 198 (83.5%) made up the majority share of the programmes rated by Moody's. In addition, Moody's rated 37 public sector programmes (15.6%) from nine countries. In terms of jurisdiction, these are predominantly concentrated in Germany (12 programmes), Austria (9), Spain (5) and France (4). Lastly, one ship Pfandbrief programme and one in the Other category (both from Germany) completed the 237 ratings. As usual, we will present individual key figures in this article of our weekly publication.

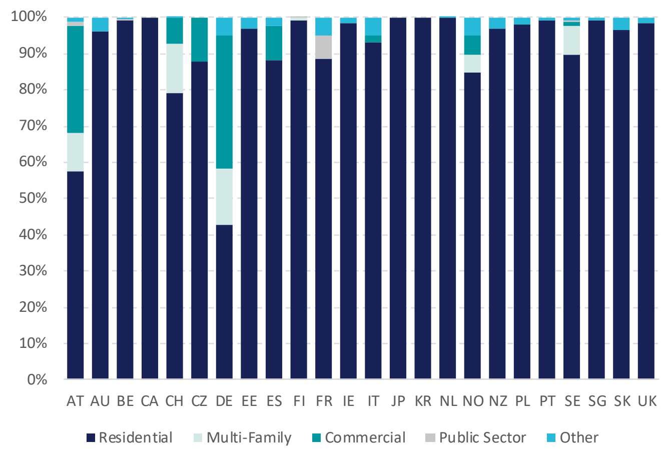
**Focus on mortgage programmes from EUR benchmark jurisdictions**
The focus of Moody's rating universe is clearly on mortgage programmes. Almost all of these originate in EUR benchmark jurisdictions. Greece (3 programmes), Hungary (2), Romania (1), Türkiye (1) and Cyprus (1) do not currently have any outstanding covered bonds in a EUR benchmark format. We will be focusing on those mortgage-backed programmes that were established in EUR benchmark jurisdictions in our following analysis. In this context, it should be noted that EUR benchmarks were not necessarily issued through these programmes.

**Mortgage programmes are predominantly residential**
With regard to the classification of cover assets in the individual programmes carried out by Moody's, it can be ascertained that, on average, 84.1% of bond coverage consists of residential assets. However, the share of commercial assets was comparatively high in Germany (36.9%), Austria (29.5%), Czechia (12.2%) and Spain (9.3%). At the same time, the proportion of multi-family assets was notable for Germany (15.5%), Switzerland (13.6%) and Austria (10.7%), as well as Sweden (8.0%). With the exception of the above-mentioned countries plus France (84.7%) and Norway (84.7%), the share of residential assets in the cover pools of the programmes from all other jurisdictions ranged from 93.3% to 100%. Neither of the cover pools for the two programmes from Luxembourg comprised mortgage assets.

**Number of programmes with a Moody's rating**




**Structure of cover pools (mortgage programmes)**




Source: Moody's, NORD/LB Floor Research

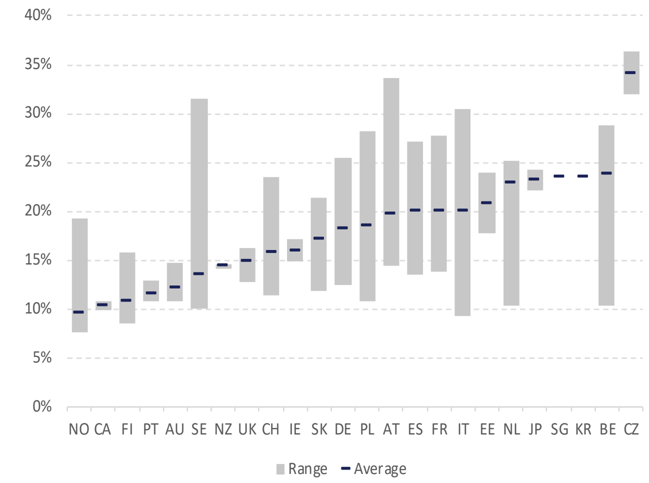
**The collateral score as an indicator of cover pool quality**

We regard the collateral score as a key metric in Moody's covered bond universe. This is used by the ratings agency to assess the quality of cover assets, with a low value indicating that the credit quality of the cover pool is high. The collateral score measures the level of credit deterioration of the assets in the cover pool that is consistent with the theoretical highest rating achievable in the jurisdiction. In principle, we consider it appropriate to compare collateral scores across programmes and jurisdictions. Nevertheless, some specific features must be taken into account. For example, Moody's provides for between 4.0% and 5.0% as a lower limit for the collateral score of most mortgage-based programmes. The lower limits for collateral scores are higher for programmes in "smaller" covered bond jurisdictions, including Cyprus (27.0%) and Greece (14.3%). In Japan, collateral scores are set at 0.0% due to the RMBS structure of the relevant programmes. Six jurisdictions always have a score of 4.0%, namely the UK, Australia, Canada, New Zealand, Poland and Singapore. Issuers in Romania (11.4%), Germany (11.7%), Greece (15.1%) and Cyprus (27.0%) had the highest average collateral scores. Meanwhile, a wide range of scores was recorded in Germany and Norway (22.8 and 13.9 percentage points, respectively). As outlined above, issuers from Austria and Germany feature a comparatively high share of commercial assets in their respective cover pools. Evidently, a high proportion of commercial cover assets is associated with a higher collateral score.

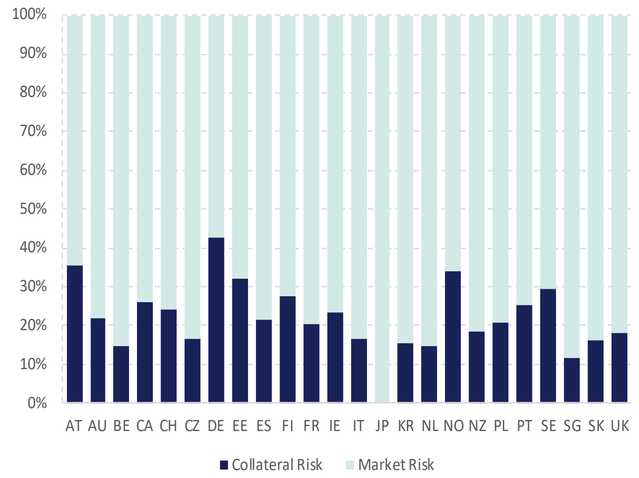
**Cover pool losses – an indicator for expected losses**

Moody's uses cover pool losses (CPL) as an indicator to reflect the losses expected in the cover pool following issuer default (covered bond anchor event). The risk comprises two components, market risk (cover pool losses as a result of funding, interest rate and currency risks) and collateral risk (cover pool losses resulting from a deterioration in the credit quality of cover assets). Similar to the collateral score, a high degree of heterogeneity was evident in this respect in a global comparison of cover pool losses. This is reflected not only in the average losses, but also with regard to the range of national variation. Cover pool losses are particularly low in Norway, Canada, Finland and Portugal, while they are relatively high in Czechia.

**Cover pool losses by country (mortgage programmes)**




**CP losses: Market and collateral risk by country (mortgage programmes)**

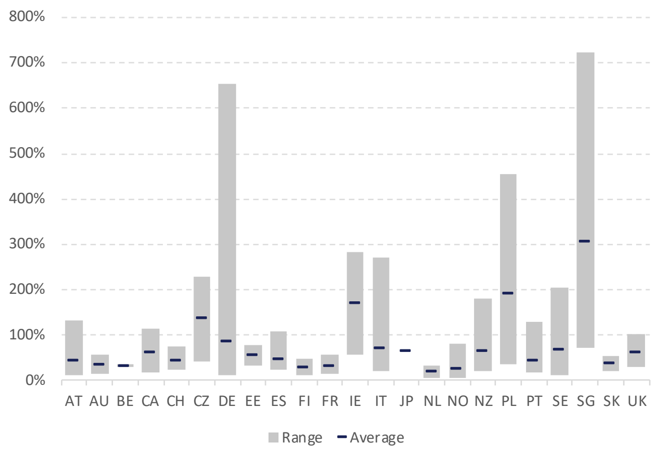



Source: Moody's, NORD/LB Floor Research

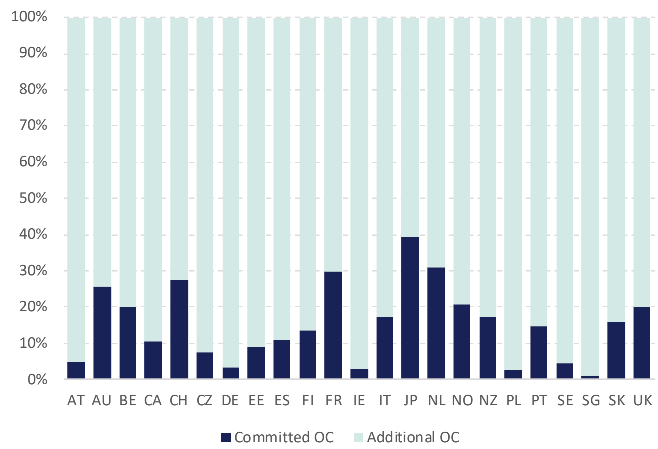
**Funding, interest rate and currency risk determine expected losses**

The chart above on the right illustrates that the contribution of the two components (collateral risk and market risk) varied considerably at national level. The two programmes from Japan again had a separate role: In view of their cover pool structure (exclusively RMBS transactions used as cover assets), there is no collateral risk. In principle, it is possible to derive that the majority of cover pool losses are impacted by the market risk, i.e. losses in the event of issuer insolvency can be ascribed to the categories of funding risk, interest rate risk and currency risk rather than resulting from the quality of cover assets.

**Overcollateralisation by country (mortgage programmes)**




**Composition of overcollateralisation (mortgage programmes)**




Source: Moody's, NORD/LB Floor Research

**Wide range of overcollateralisation levels**

With regard to the overcollateralisation levels of the programmes that Moody's rates, unsurprisingly, there are significant differences in an international comparison. High average overcollateralisation ratios (>100%) were evident in the comparatively small covered bond jurisdictions of Singapore, Poland, Ireland, and Switzerland. At the same time, a wide range of levels was recorded for Singapore and Poland, as well as Germany. Narrower ranges are often due to a smaller number of issuers in the relevant jurisdiction.

**Committed OC as lower limit for overcollateralisation**

Overcollateralisation (OC) can also be divided into sub-components. OC may have been committed vis-à-vis the rating agency, in order to maintain a specific rating, or it may be based on legal requirements. Committed OC may therefore be understood to be a kind of lower limit for overcollateralisation, where the programme cannot readily fall below this limit, or where falling below this limit is not permitted at all. In contrast, actual overcollateralisation is only temporary in certain circumstances and may be subject to a certain level of volatility as a result of new bond issues or maturities. Overall, it can be stated that the higher share of overcollateralisation continues to be made available by issuers on a voluntary basis, although this could certainly be due to low levels of committed OC. Furthermore, a high share of committed OC by no means also results in high overcollateralisation.

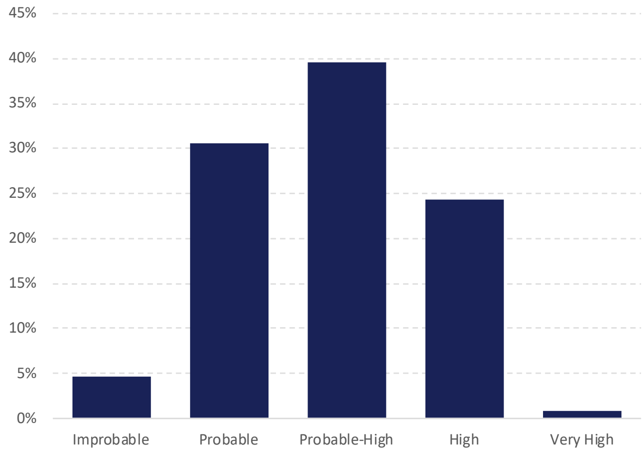
**TPI restricts potential rating upgrade of covered bonds in relation to issuer rating**

TPI rules restrict the potential covered bond rating to a specific number of notches above the issuer rating. The timely payment indicator (TPI) is a key figure Moody's makes available. This provides information about the probability of timely servicing of payment obligations following issuer default. It is differentiated in six levels, ranging from very high to very improbable. At 70.2%, the bulk of the mortgage programmes rated by Moody's are in the "probable" or "probable-high" categories. In contrast, the outer limits are less represented, with shares of 4.7% (improbable) and 0.9% (very high) respectively. In a total of six EUR benchmark jurisdictions, there are programmes that all have one and the same timely payment indicator (chart: TPI by country). Italy and Portugal each have one programme with a TPI of very high. In Germany (38 of 40 programmes) and Norway (9 of 16 programmes), the majority of the programmes rated are allocated to the category "high".

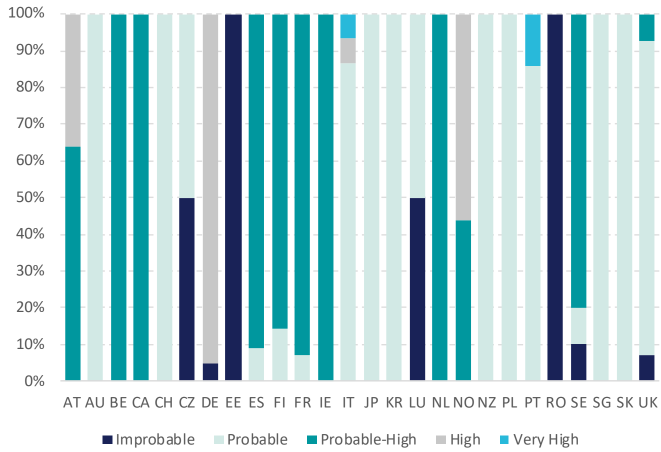
**Sufficient buffer with regard to downgrades**

In addition to the TPI, the TPI leeway indicates the number of notches by which the relevant covered bond anchor point can be downgraded without this entailing a downgrade of the rating for the covered bond programme, as laid down in the TPI framework. Accordingly, a total of six (2.9%) of the covered bond programmes rated by Moody's had no such buffer. This means that in the event of the covered bond anchor being downgraded, the direct consequence would be the downgrading of the programme. The highest incidence was a TPI leeway of four notches (56 programmes, or 26.4%). Five programmes (2.4%), all of which originate in Germany, had a buffer of seven notches. A further six out of the ten programmes in total with a TPI leeway of six notches are also attributable to the covered bond programmes of German issuers.

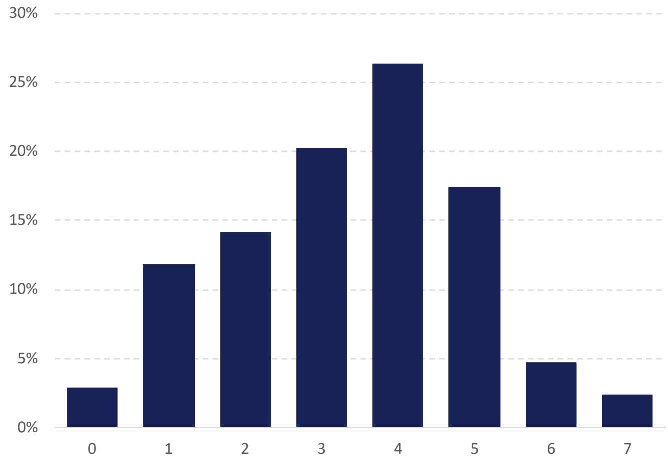
**Timely Payment Indicator (TPI)**
**(mortgage programmes)**



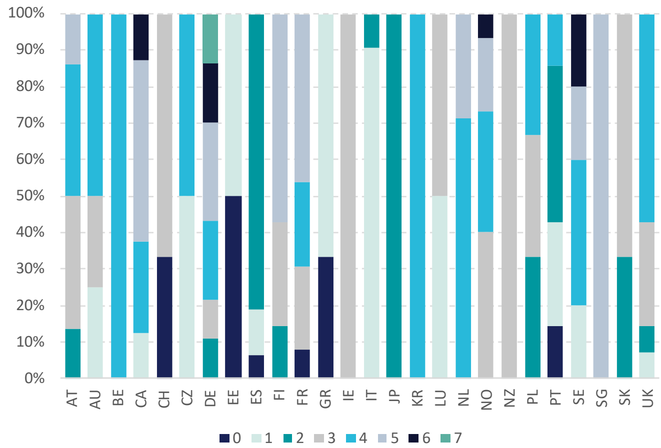

**TPIs by country**
**(mortgage programmes)**




**TPI leeway in notches**
**(mortgage programmes)**




**TPI leeway in notches by country**
**(mortgage programmes)**




Source: Moody's, NORD/LB Floor Research

**Conclusion**

Moody's current Global Sector Report as well as the data on which it is based reflect the heterogeneity that exists in the covered bond market at jurisdiction level. For several years now, Moody's aggregated parameters have delivered important insights into the relevant countries, particularly regarding the occurrence of a credit event on the issuer side. However, differentiation within each jurisdiction is also necessary, as the case of Germany highlights. At the same time, other factors that play a part in determining covered bond ratings but which are not included in this dataset are also highly relevant when assessing what potentially influences spreads. For Italian covered bond programmes, for example, a sovereign downgrade would also have implications for the covered bond ratings of some issuers. With regard to deriving the risk weight and the LCR level, and depending on the availability of ratings from other rating agencies, this may in turn result in a reassessment that then causes a change in the rating.

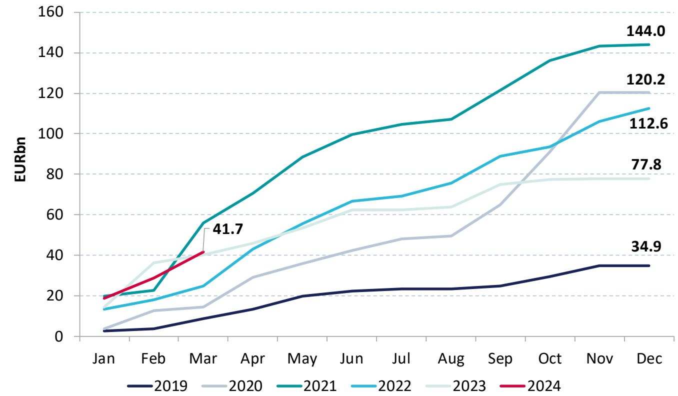
# SSA/Public Issuers
# SSA review: EUR-ESG benchmarks in Q1/2024

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

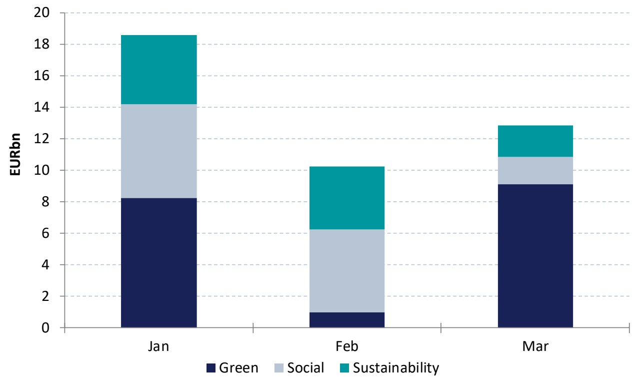
**Introduction**

Having looked at the aggregated issuance volume in the first quarter of the year in our Covered Bond & SSA View of 10 April, we shall focus separately on the ESG segment in our definition of SSAs (i.e., excluding sovereigns) in this publication in order to give the topic the attention it requires. We last published a report that relates equally to the global ESG bond market in May 2023 (see NORD/LB Fixed Income Special – ESG Update; an update is planned for this year). In principle, we shall look at the ESG topic more frequently over the course of this year and present current market developments on a regular basis. The data on which this issue is based is provided by our inhouse database, where we record every new EUR benchmark issue in the SSA segment. To identify ESG bonds, we refer to data fields provided by the financial data provider Bloomberg, which also allow us to differentiate between green, social and sustainability bonds. In Q1/2024, we recorded a total of EUR 41.7bn worth of issues with ESG characteristics. If this figure is compared with issuance trends in recent years, it is only exceeded by the volume in Q1/2021 (EUR 56.0bn). Compared with the period under review in the previous year (EUR 40.1bn), Q1/2024 constitutes a slight increase. According to our interpretation, the significance and relevance of the ESG segment therefore remains substantial both on the part of issuers and investors. At EUR 18.6bn, January was clearly predominant in terms of issues compared with the other two months in the first quarter. We recorded a total of 24 new ESG-related issues from 22 different issuers in our database. In terms of volume, the EU carried out the largest individual issue with a new green bond of EUR 7bn. The order book for the bond, which has a 25-year maturity, came to a considerable EUR 86.5bn, meaning that the deal was just under 12-times oversubscribed. It was the EU's first new green bond since November 2022.

**Primary market: EUR-ESG benchmark issuance trend**

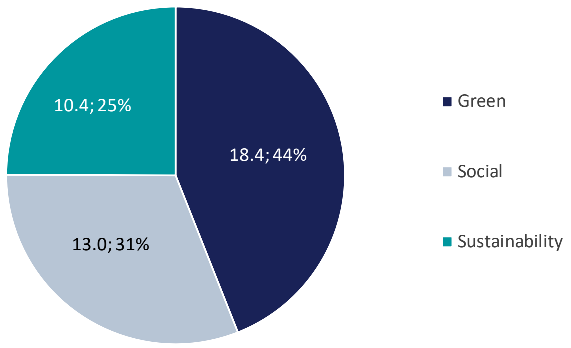



**Primary market: EUR-ESG benchmark issues in Q1**

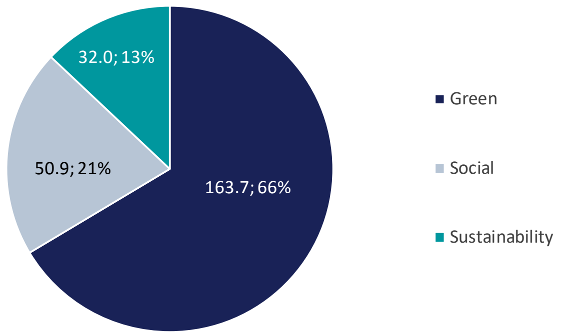



Source: Bloomberg, NORD/LB Floor Research

**Breakdown by ESG category (EURbn)**




**Order books by ESG category (EURbn)**

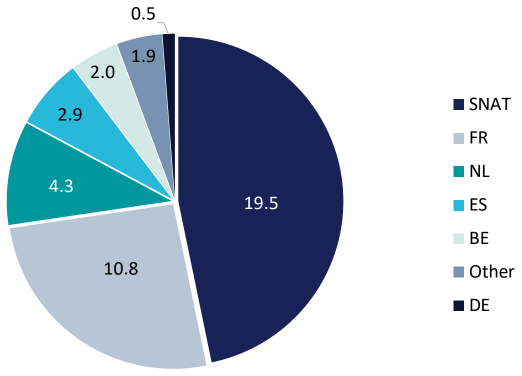



Source: Bloomberg, NORD/LB Floor Research

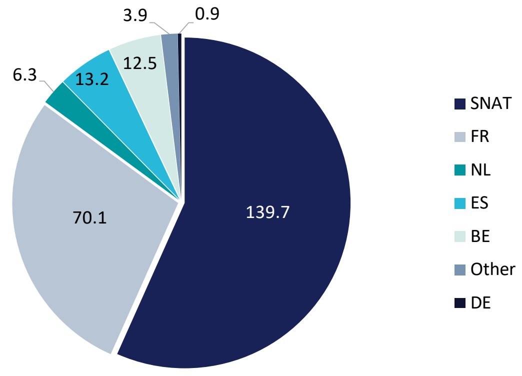
**Green bonds clearly dominant – supras and the French stand out**

Let us look at the ESG issuance volume to date in greater detail: Overall, green bonds were ahead at the end of Q1/2024. Their share of total volume amounted to 44% or EUR 18.4bn, social bonds accounted for a somewhat smaller share, at 31% (EUR 13.0bn). Meanwhile sustainability bonds amounted to EUR 10.4bn (25%). Compared with the first quarter in the previous year, the share of sustainability bonds in the total mix therefore declined by five percentage points, while green bonds increased by eight percentage points. Social bonds also posted a slight fall of three percentage points. If one looks at the demand side in the form of aggregated order books, there is an even clearer distribution in favour of green bonds: At EUR 163.7bn and a share of 66%, they are clearly in the lead, followed by social bonds (EUR 50.9bn; 21%). In contrast, sustainability bonds only generated order book volumes of EUR 32.0bn in total (13%). Obviously, the comparison of order books is also always driven by ratings and the general popularity of issuers and is therefore difficult to assess. On top of this, the period under review is relatively short, meaning that individual issuers can influence the overall picture even more. For example, of the total of EUR 163.7bn attributable to green bonds, EUR 86.5bn was accounted for by the single EU transaction in this segment (cf. Covered Bond & SSA View of 20 March). There is a similar situation with social bonds: EUR 41.1bn of the EUR 50.9bn was attributable to the order books for two new issues by the French CADES. Consequently, there is an equally unambiguous picture with regard to the breakdown by jurisdictions: with an issuance volume of EUR 19.5bn in total, issuers from the supras segment are clearly ahead. We registered six new ESG bonds within this group of issuers in the first quarter. The order books for these transactions totalled EUR 139.7bn meanwhile. To put this in perspective, supras only issued a volume of EUR 10.0bn spread across four deals in the same period in the previous year. The order books were also far smaller, totalling EUR 37.7bn. This comparison makes the influence that the EU exercises in this segment as an issuer more than clear. Besides supras, issuers from France provided new impetus in the ESG segment: EUR 10.8bn was successfully placed on the market by means of five bonds. At EUR 70.1bn, the aggregate order books were almost only half as large as those for the supras. The roles were reversed in the previous year: The French jurisdiction was ahead of the supras with an issuance volume of EUR 15.3bn.

**Breakdown by jurisdiction (EURbn)**




**Order books by jurisdiction (EURbn)**




Source: Bloomberg, NORD/LB Floor Research

**Overview: Top 5 benchmark issuers by ESG category and EUR volume**

| Issuer | Green (EURbn) | Issuer | Social (EURbn) | Issuer | Sustainability (EURbn) |
|---|---|---|---|---|---|
| EU | 7.0 | CADES | 8.0 | IBRD | 3.0 |
| EIB | 6.0 | BNG | 3.0 | IDAWBG | 1.8 |
| ASIA | 1.3 | CDEP | 0.8 | NEDWBK | 1.3 |
| IDFMOB | 1.0 | WALLOO | 0.7 | FLEMSH | 1.3 |
| SOGRPR | 1.0 | BYLABO | 0.5 | MADRID | 1.0 |

Source: Bloomberg, NORD/LB Floor Research

**Few major players dominate issuance activities**

Having now looked at issuance activity principally from a bird's eye perspective, we wish to focus on individual issuers and their primary market activities in the following sections. Given the relatively short period under review, the majority of the issuance volume is concentrated on a few issuers, as the above table illustrates. Here, CADES, which we have mentioned previously, stands out, having issued EUR 8.0bn in total spread across two ISINs, making it the most active issuer in the ESG segment in the first quarter of the year. The bonds concerned were solely social bonds. The order books totalled EUR 41.1bn; both deals were therefore at least five-times oversubscribed. In addition to CADES, only the Dutch BNG Bank (ticker: BNG) issued more than one EUR benchmark in ESG format. The municipal financier also issued two new social bonds with an aggregate volume of EUR 3.0bn. In the sustainable segment, the World Bank Group in the form of the International Bank for Reconstruction and Development (ticker: IBRD) and the International Development Association (IDA; ticker: IDAWBG) was the source of the largest supply. The IBRD issued a new bond of EUR 3.0bn with a maturity of ten years at ms +23bp (cf. Covered Bond & SSA View of 7 February) at the beginning of February. Meanwhile, the IDA raised EUR 1.75bn at the beginning of January, which went through at a spread of ms +61bp for a far longer maturity of 20 years (cf. Covered Bond & SSA View of 17 January). With regard to green bonds, we shall look at the EU in greater detail on the following page. As such, we will look briefly at the next largest deal, which emanated from the EIB as part of an EARN transaction: with a volume of EUR 6.0bn, the Climate Awareness Bond was priced at ms +18bp in the ten-year maturity segment. The order book reached EUR 42.5bn, resulting in a bid-to-cover ratio of 7.1x.

**Mega issuer EU celebrates a successful comeback**

We would like to mention the European Union separately as an ESG issuer. The EU did not issue any new bonds in this segment of the market in the past year, as business was dominated throughout by taps of previously issued bonds. This March, the point was reached where the EU decided to issue its first, long awaited, green bond since November 2022 as part of its third syndicated transaction in 2024 (cf. funding plan for H1/2024). As expected, interest from investors was substantial, resulting in an impressive order book of EUR 86.5bn, meaning that the deal was more than 12.0x oversubscribed. The EU capitalised on this favourable situation and increased the original issuance volume of EUR 6.0bn by a further one billion euros in the course of the marketing phase. Ultimately, it was finally priced two basis points lower than the guidance at ms +80bp. The green bond features a coupon of 3.25% and a long maturity of 25 years. The issuance proceeds will be used to finance green projects and climate-relevant measures from EU Member States' Recovery and Resilience Plans (RRP) within the framework of the NextGenerationEU (NGEU) programme, which were in turn drawn up in the context of the Recovery and Resilience Facility (RRF). The RRF encompasses a total amount of EUR 723.8bn and is responsible for the provision of loans (up to EUR 385.8bn, to be repaid by the respective Member States) and grants (up to EUR 338bn). Among others, the nine categories of expenditure, into which the proceeds of the green bonds are to be channelled, include energy efficiency, clean energy and adaptation to climate change. According to information provided by the European Commission, by the end of Q1/2024, the EU has raised approximately EUR 35.5bn of its funding target for the first half of 2024 of EUR 75bn. The newly issued green bond also increased the total amount of green bonds issued within the framework of NGEU to just under EUR 55.9bn. In relation to the total amount of EUR 494.9bn, these bonds therefore account for a share of 11.3% of the outstanding volume. The EU also still has a fair amount to do in the future: in the context of the NGEU programme, which is worth EUR 806.9bn in total (at current prices), the EU expects an annual funding target of EUR 150bn on average up to the end of 2026. In this context, it intends to raise approximately 30% of its funding from green bonds (up to EUR 250bn in total). This would make the EU the world's largest issuer of green bonds. We did not register any taps of previously issued ESG bonds by the EU in the first quarter. To ensure that the proceeds from the green bonds issued can each be traced by recipient country and intended use, the European Commission has provided a tool for this purpose, the NGEU Green Bond Dashboard, since 2022. We recently discussed this in detail in a separate article as part of our Covered Bond & SSA View of 13 March. We also subjected the RRF and the national RRPs, especially the German RRP, to critical analysis. To create an additional measure of transparency, the NGEU Green Bonds Allocation and Impact Report, which is designed to provide information on the allocation of green bond proceeds as at the reporting date of 01 August 2023 and present the impact of investments financed via green bonds, was published for the first time in December 2023. As a key issuer and, in terms of volume, <u>the</u> key issuer of bonds (both conventional and green bonds) in our SSA coverage, we believe that this is the right course to maintain their appeal for investors on the capital market.

**Focus on sub-sovereigns**

In our review of 2023, we discussed last year's developments on the EUR-ESG market for German Laender bonds thoroughly at this point. Admittedly, however, stagnation has been the order of the day here in the last three months. Accordingly, we have seen neither a new federal state presenting an ESG bond framework nor an established issuer placing a new ESG bond on the market in the first quarter. As a result, North Rhine-Westphalia (ticker: NRW), Baden-Württemberg (ticker: BADWUR), Hesse (ticker: HESSEN), Berlin (ticker: BERGER) and Saxony-Anhalt (ticker: SACHAN) remained the sole representatives of their fraternity in the EUR ESG segment at the end of Q1/2024. However, other issuers from our sub-sovereign coverage have attracted attention since the beginning of the year and we would like to look at them in greater detail below. This year, the French region of Île-de-France (ticker: IDF), which has issued an ESG bond on the market every year with the exception of 2019, got the ball rolling. In January, the French issuer carried out its largest transaction to date, raising EUR 800m with a ten-year maturity at OAT +36bp (equivalent to circa ms +46bp). The order book for this sustainability bond ultimately reached EUR 2.5bn. Let us take a look at the more western reaches of southern Europe: the Spanish regions of Madrid (ticker: MADRID), Andalusia (ticker: ANDAL) and the Basque Country (ticker: BASQUE) issued EUR 2.4bn worth of ESG bonds overall in the first quarter, all opting for sustainability bonds. The maturities were virtually congruent in the ten-year segment. As the largest Spanish ESG issuer, the Madrilenians also offered the largest amount, EUR 1.0bn, in February. The final bid-to-cover ratio was 4.2x and it was priced at a re-offer spread of SPGB +16bp (circa ms +70bp). Meanwhile, the Basque country only raised EUR 600m, which was finally priced at a similar spread of SPGB +14bp (circa ms +69bp). Andalusia was somewhat bolder with an issuance volume of EUR 750m and successfully placed its sustainability bond on the market at SPGB +27bp (circa ms +79bp). Over the coming months, we expect Spanish regions to provide further fresh impetus in the ESG segment. In addition to sustainability bonds, the Madrilenians have invariably issued green bonds as well in recent years and we expect this pattern to continue this year. Furthermore, there has been no sign yet of two regions, namely Castille and León (ticker: CASTIL) and Galicia (ticker: JUNGAL), which also attracted attention with EUR-ESG benchmarks last year. We therefore wait with anticipation to see what else Spain will bring to the table this year. Let us turn our thoughts towards Central Europe and look at Germany's neighbour Belgium. The Belgian regions also feature regularly on the EUR-ESG market. In Q1/2024, we recorded transactions of this kind from Wallonia (ticker: WALLOO) and Flanders – represented by Ministeries van de Vlaamse Gemeenschap (ticker: FLEMSH). In total, a volume of EUR 1.75bn was issued here. The majority of this was attributable to the Flemish region's sustainability bond, which raised EUR 1.25bn over ten years at a spread of OLO +26bp (circa ms +90bp). In contrast, Wallonia opted for a social bond worth EUR 700m with a term in excess of six years, which was finally completed at OLO +45bp (circa ms +44bp). In recent years, the French Community of Belgium (ticker: LCFB) also regularly issued social bonds, meaning that we definitely see further potential here. Finally, Auckland Council (New Zealand) surprised us by making a rare appearance with a new green bond of EUR 600m, which was issued with a term of ten years at ms +50bp in mid-March.

**Taps of previously issued ESG bonds**

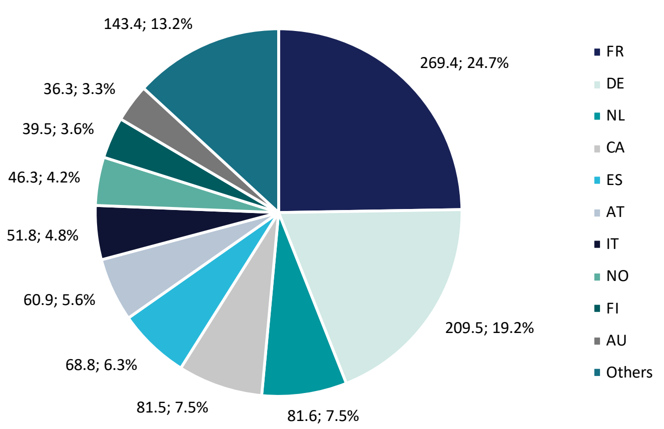
Taps are not included in the data up to now since we consciously differentiate between new issues and taps. There were four ESG bonds among the 20 taps carried out to date in our SSA coverage. Here, WALLOO and BNG opted to increase the amount of existing social bonds. In contrast, Eurofima (ticker: EUROF) increased a green bond. Meanwhile, IDAWBG has tapped a sustainability bond. The aggregated tap volume totalled EUR 1.8bn.

**Conclusion and outlook**

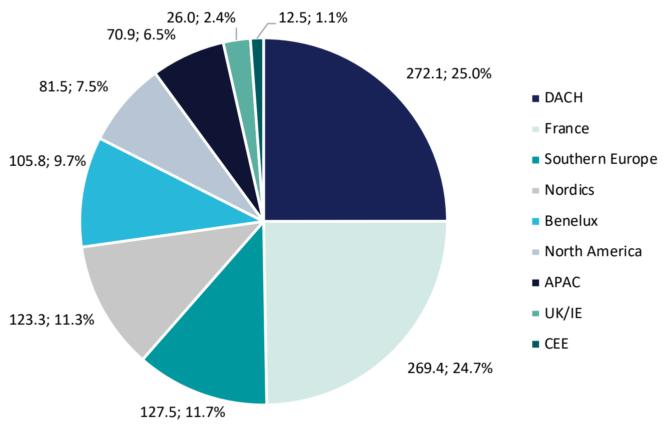
The market for ESG bonds in our SSA definition is still strongly driven by individual issuers. Unsurprisingly, this impression is strengthened by a review period of less than one year. Despite this, Q1/2024 provided a fair amount of material for discussion, as the previous pages emphasise. At EUR 41.7bn in total, the new issuance volume has risen slightly compared with Q1/2023 (EUR 40.1bn), while, in terms of numbers, fewer new ESG bonds were issued at 24 (2023: 30 bonds). The proportion of ESG bonds in all new issues in the last quarter (81 bonds) was therefore just under 30%. This figure is below the equivalent values from the first quarters of 2023 (40%) and 2022 (31%). Despite this, in our opinion, the data definitely justifies talk of a strong first quarter in the EUR-ESG segment. Without doubt, there is still headroom in terms of the diversity of EUR issues, since yet it has not even been possible to list the top 10 issuers of green, social and sustainability bonds. This state of affairs will naturally be automatically adjusted over the course of the year when other issuers break cover. In 2023 as a whole, we recorded 43 different issuers on the EUR-ESG market, while this figure stood at 22 in total across Q1/2024 (Q1/2023: 26). We traditionally follow developments in the segment of the German Laender, which did not appear on the EUR-ESG segment in the first three months of the year, with heightened interest. Here, we would not only welcome new ESG bonds but equally some newly developed frameworks from those German Laender that were previously absent to drive the market segment further forward. BERGER and SACHAN showed the way in 2023. We therefore wait with anticipation to see what might be in the pipeline in this respect in 2024. The new green bond from the EU can already be characterised as one of the highlights this year. The EU ventured onto the primary market with a new issue in this format for the first time since November 2022 and, in doing so, celebrated a successful comeback of sorts. An order book of EUR 86.5bn speaks for itself and we would entirely support further activities by the EU in this context. It remains to be seen whether we will welcome new issuers apart from the familiar players to the EUR-ESG market over the next few months. For smaller issuers, in particular, the stringent reporting requirements still constitute a significant obstacle. As announced at the beginning, we shall look at the ESG topic more frequently over the course of the year. But, as things stand, we can look back on a successful start to 2024.

# Charts & Figures
# Covered Bonds

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



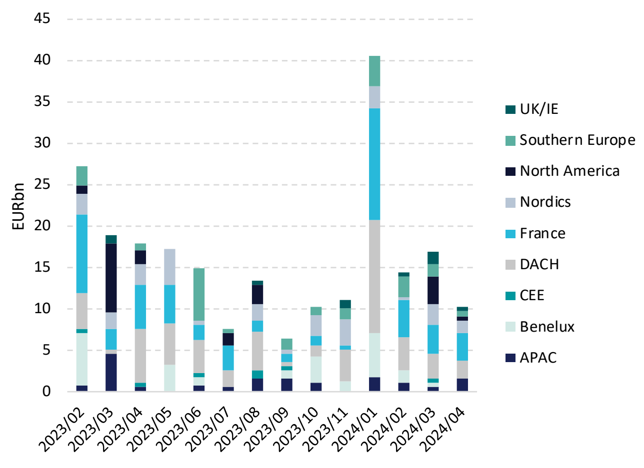

### EUR benchmark volume by region (in EURbn)



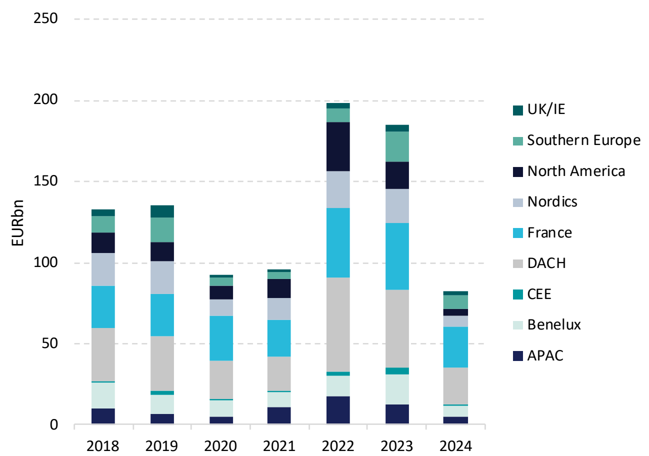

### Top-10 jurisdictions

| Rank | Country | Amount outst. (EURbn) | No. of BMKs | There of ESG BMKs | Avg. issue size (EURbn) | Avg. initial maturity (in years) | Avg. mod. Duration (in years) | Avg. coupon (in %) |
|---|---|---|---|---|---|---|---|---|
| 1 | FR | 269.4 | 260 | 25 | 0.97 | 9.3 | 4.8 | 1.42 |
| 2 | DE | 209.5 | 298 | 41 | 0.65 | 7.8 | 4.0 | 1.38 |
| 3 | NL | 81.6 | 82 | 3 | 0.93 | 10.4 | 6.0 | 1.27 |
| 4 | CA | 81.5 | 60 | 0 | 1.33 | 5.6 | 2.8 | 1.31 |
| 5 | ES | 68.8 | 54 | 5 | 1.15 | 11.2 | 3.2 | 2.07 |
| 6 | AT | 60.9 | 102 | 5 | 0.59 | 8.1 | 4.4 | 1.50 |
| 7 | IT | 51.8 | 65 | 4 | 0.77 | 8.5 | 3.8 | 1.82 |
| 8 | NO | 46.3 | 56 | 12 | 0.83 | 7.3 | 3.6 | 0.91 |
| 9 | FI | 39.5 | 44 | 4 | 0.88 | 6.9 | 3.7 | 1.66 |
| 10 | AU | 36.3 | 34 | 0 | 1.07 | 7.2 | 3.3 | 1.68 |

### EUR benchmark issue volume by month

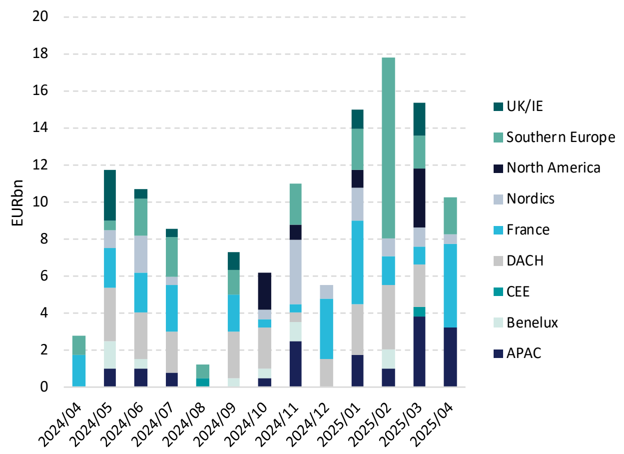



### EUR benchmark issue volume by year

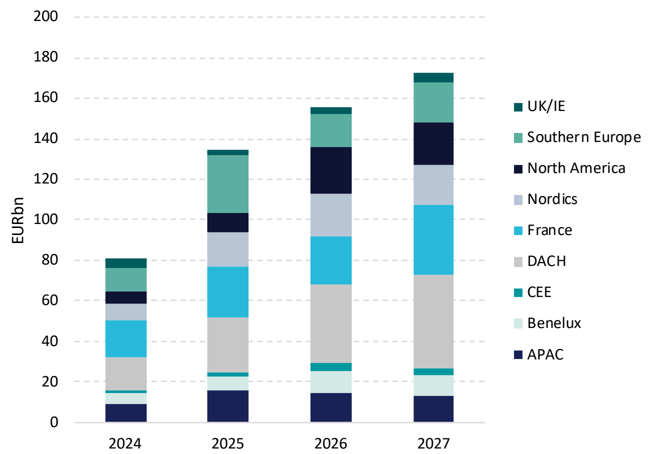



Source: market data, Bloomberg, NORD/LB Floor Research

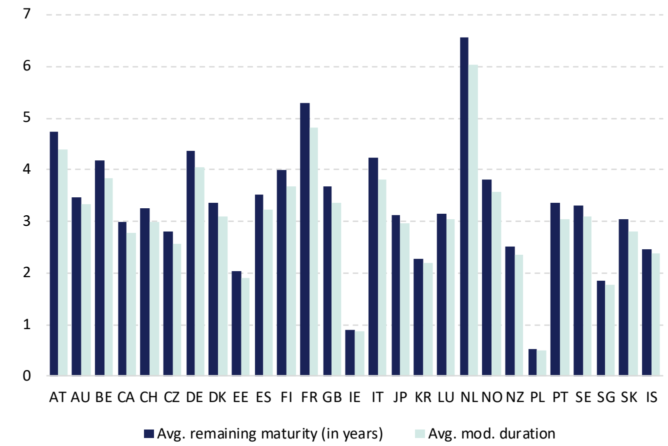
## EUR benchmark maturities by month



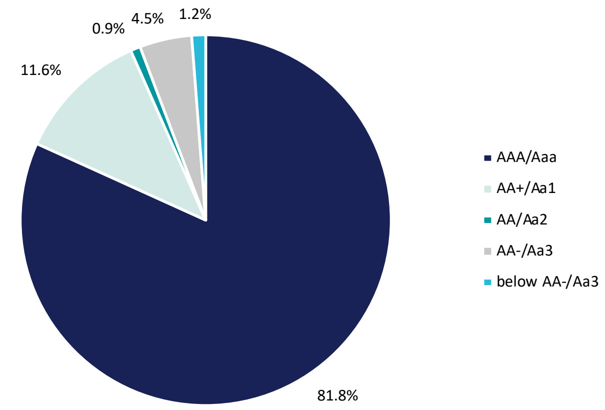

## EUR benchmark maturities by year



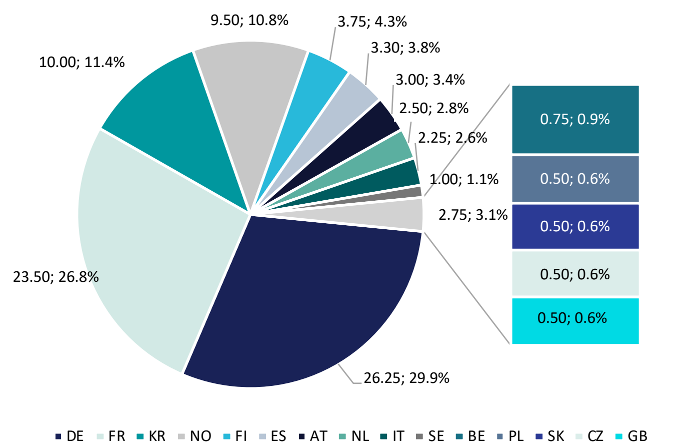

## Modified duration and time to maturity by country



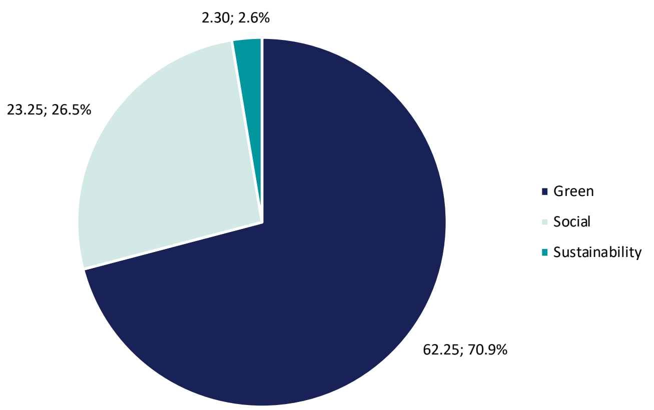

## Rating distribution (volume weighted)




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



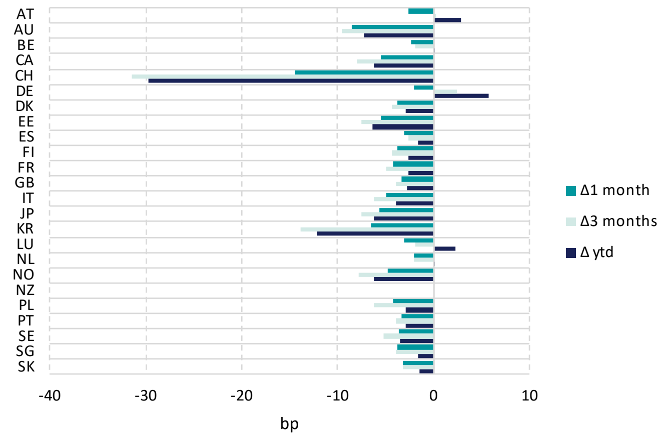

## EUR benchmark volume (ESG) by type (in EURbn)



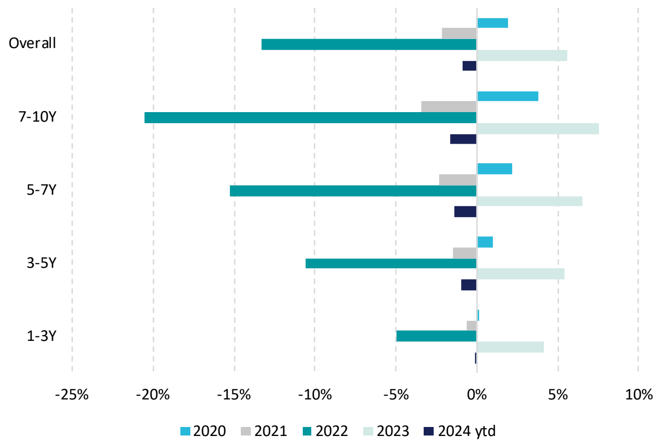

Source: market data, Bloomberg, NORD/LB Floor Research

NORD/LB

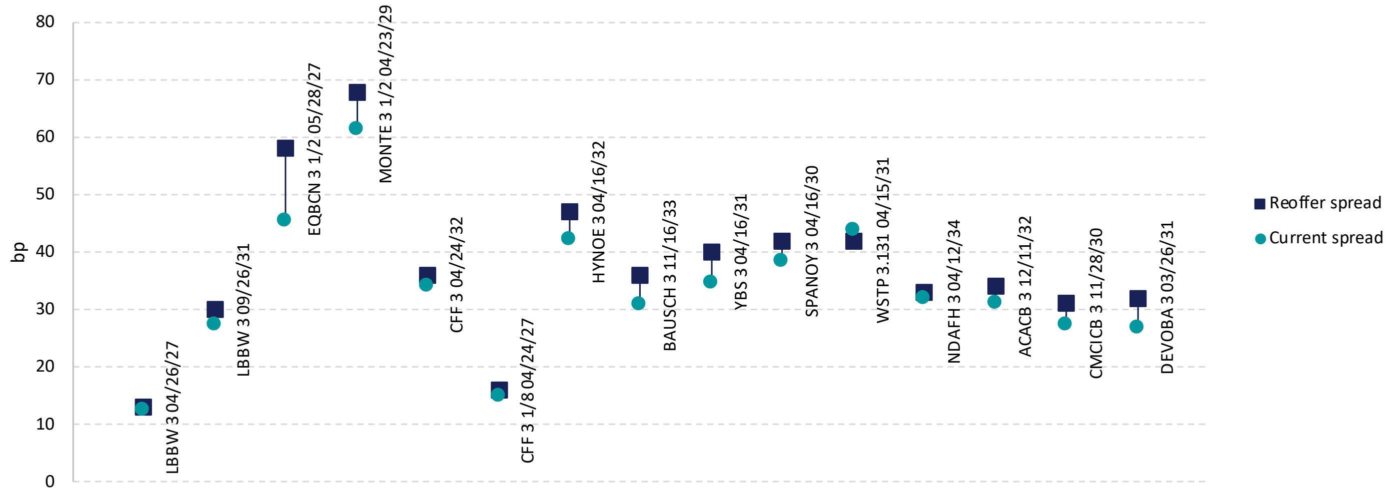
## Spread development by country



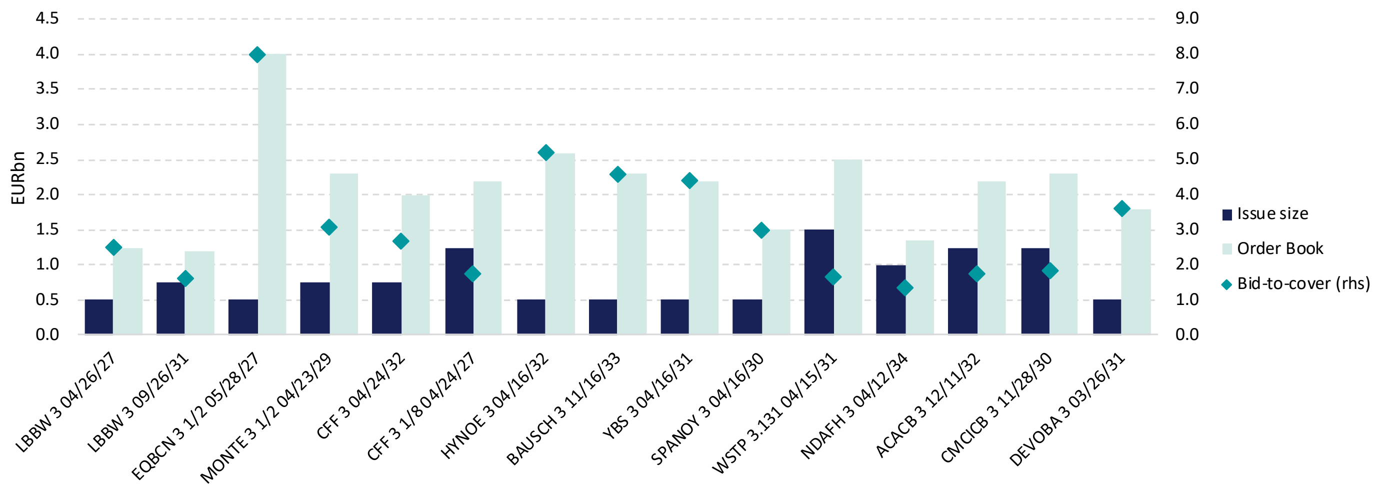

## Covered bond performance (Total return)




## Spread development (last 15 issues)



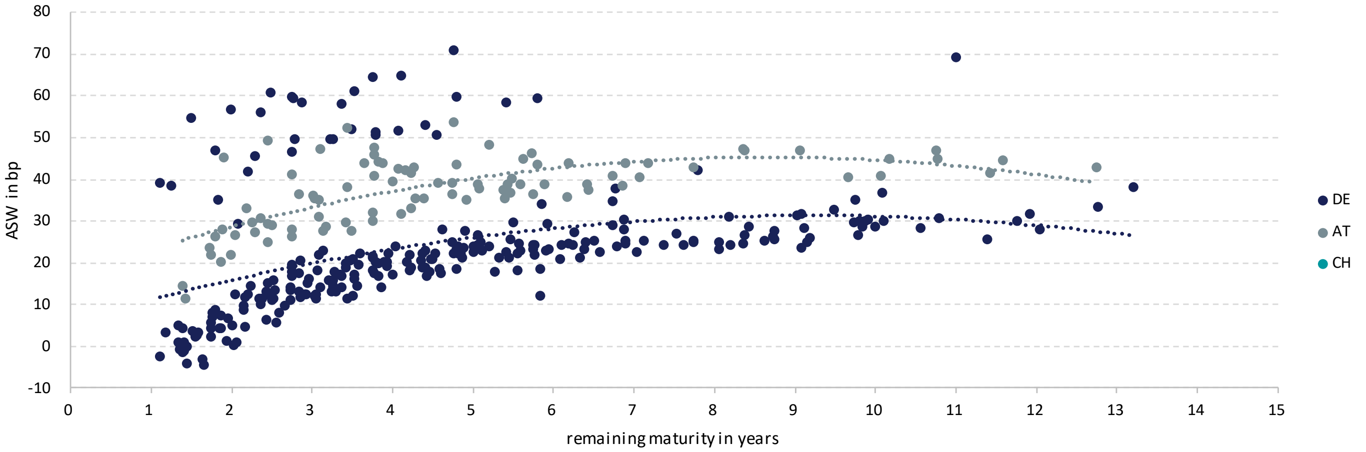

## Order books (last 15 issues)



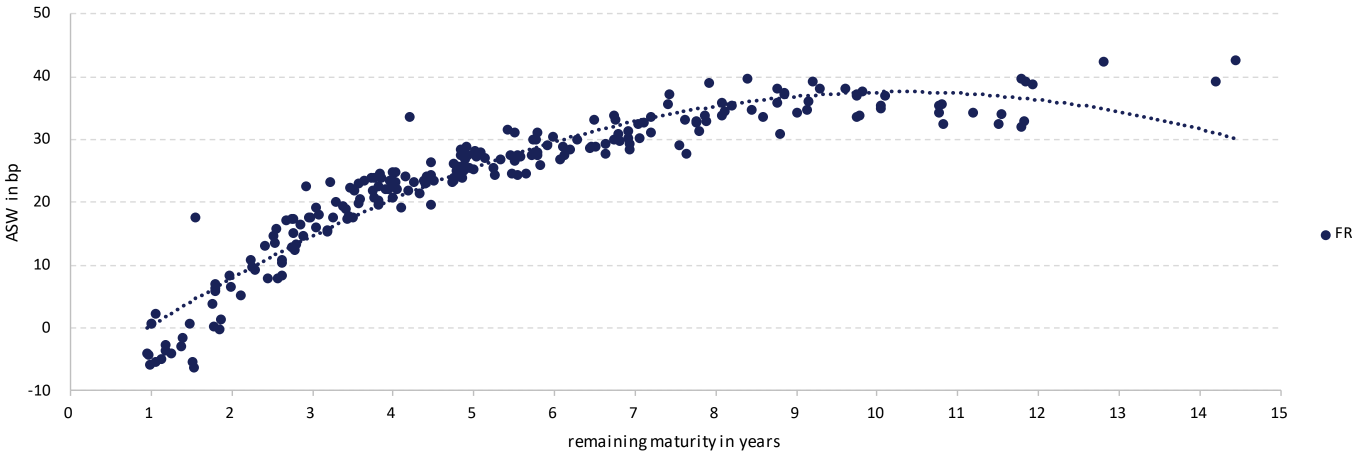

Source: market data, Bloomberg, NORD/LB Floor Research

**Spread overview**[1]

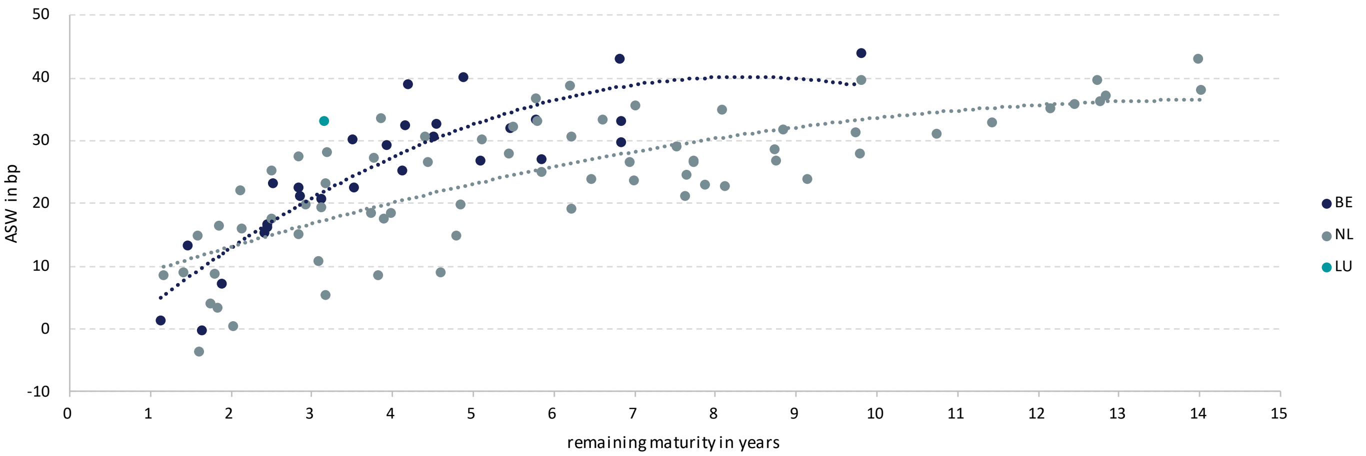
**DACH**




**France**

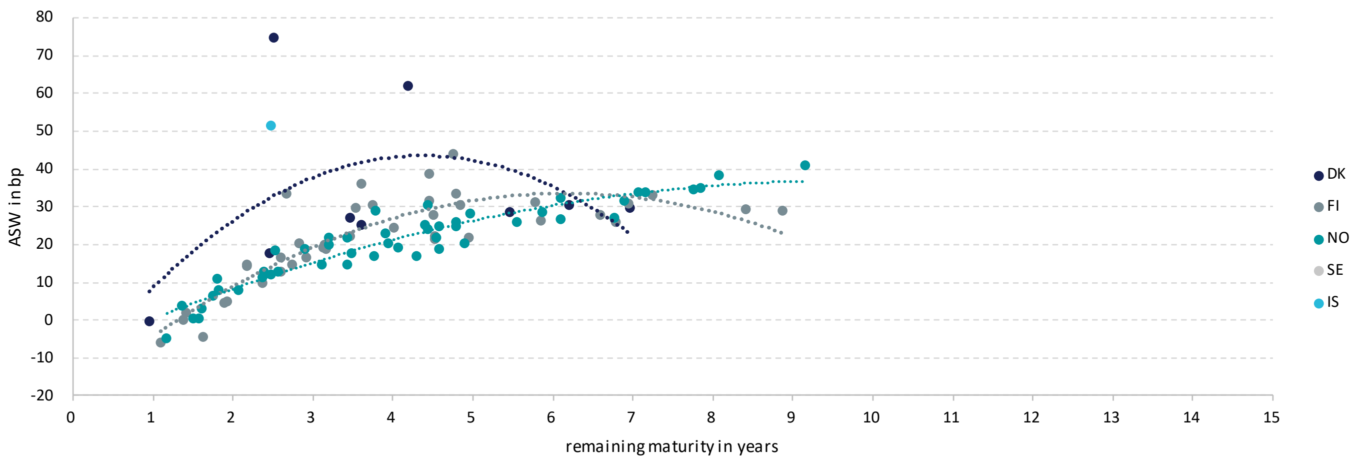



**Benelux**

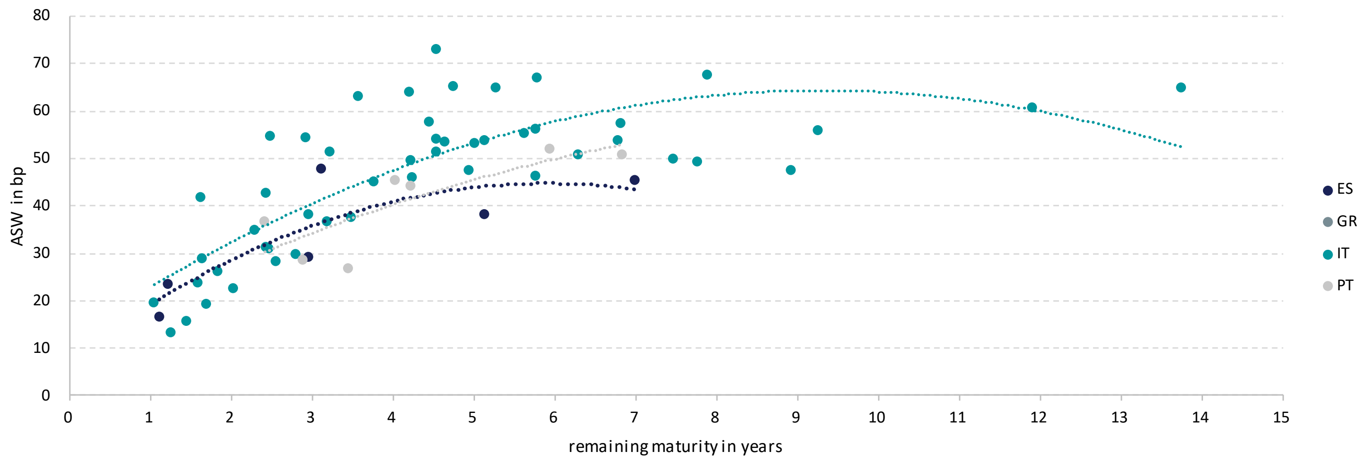



Source: market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

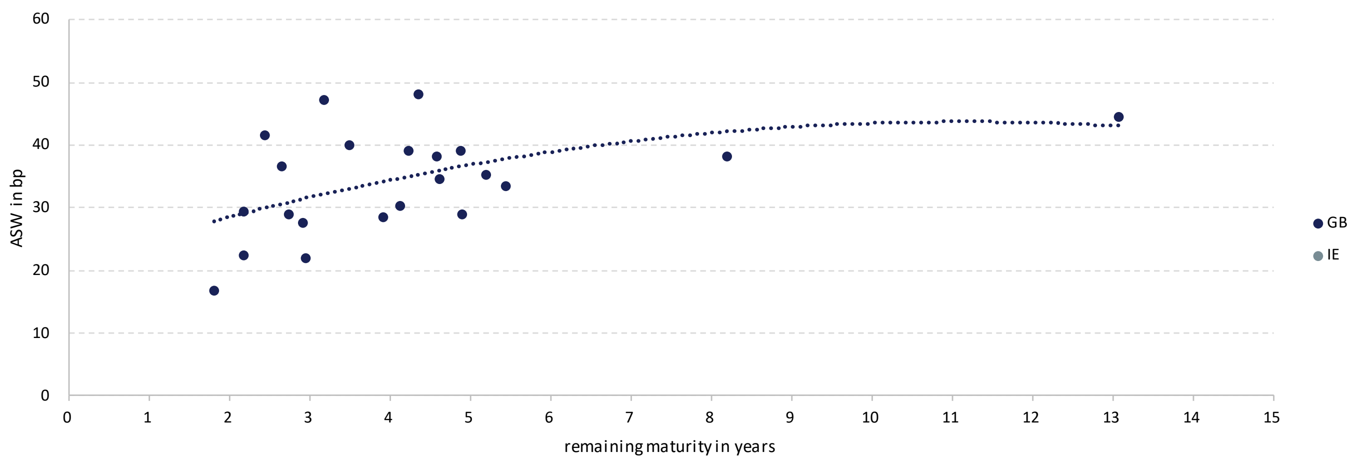
## Nordics




## Southern Europe

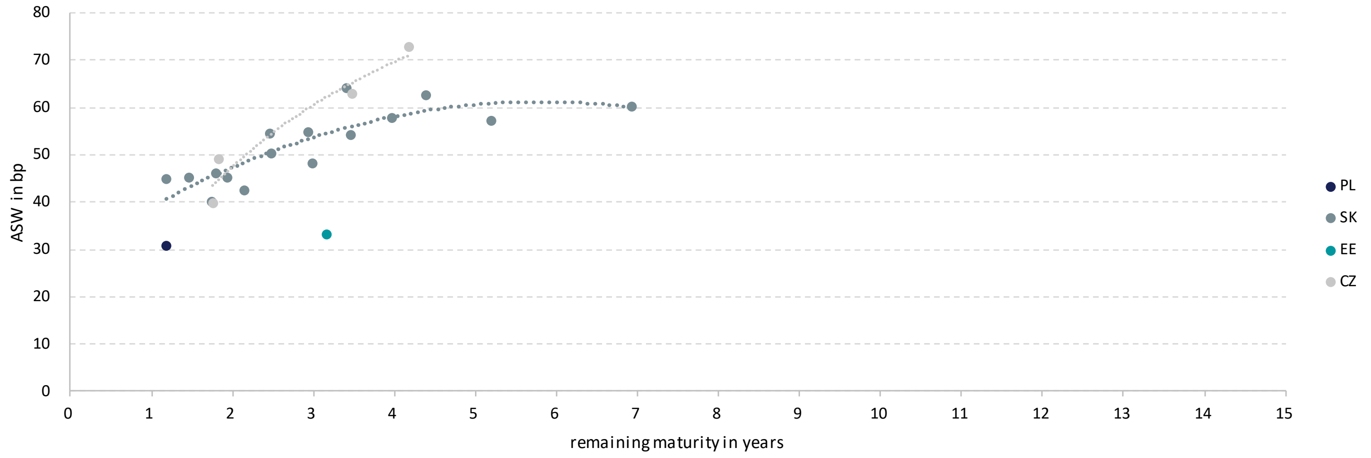



## UK/IE

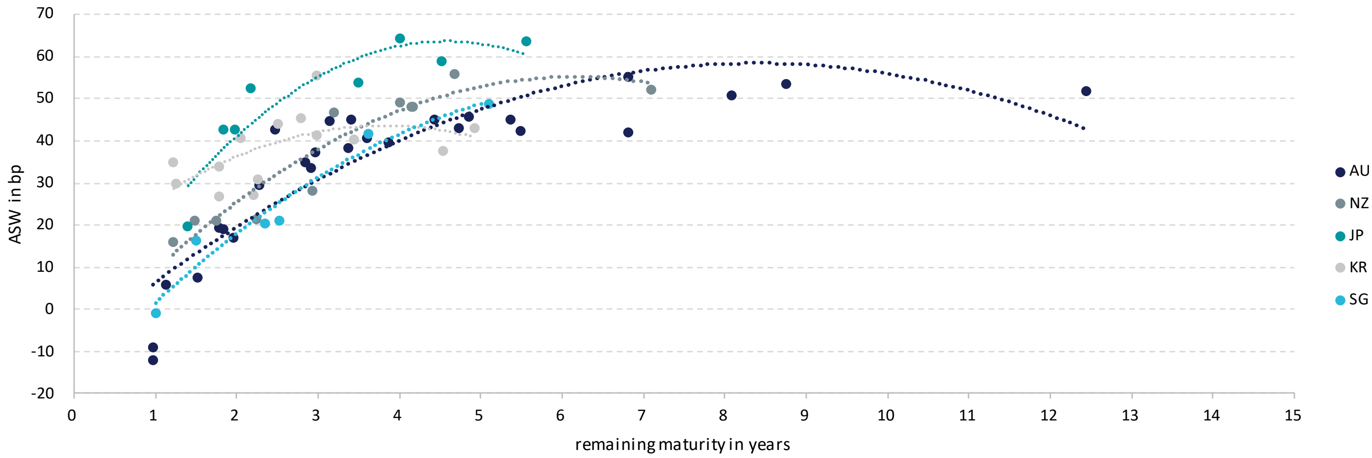



Source: market data, Bloomberg, NORD/LB Floor Research

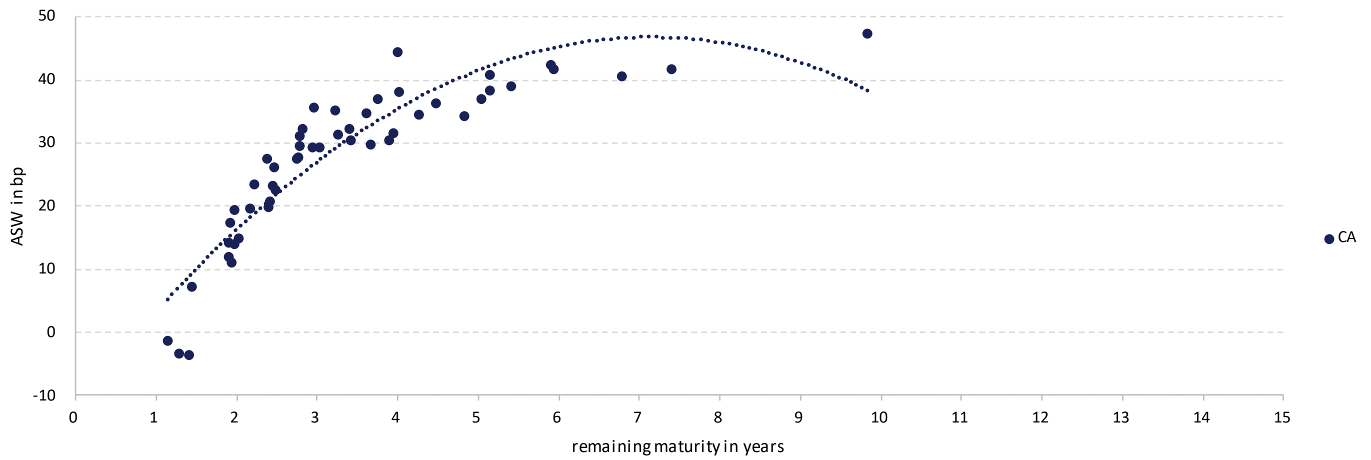
**CEE**




**APAC**



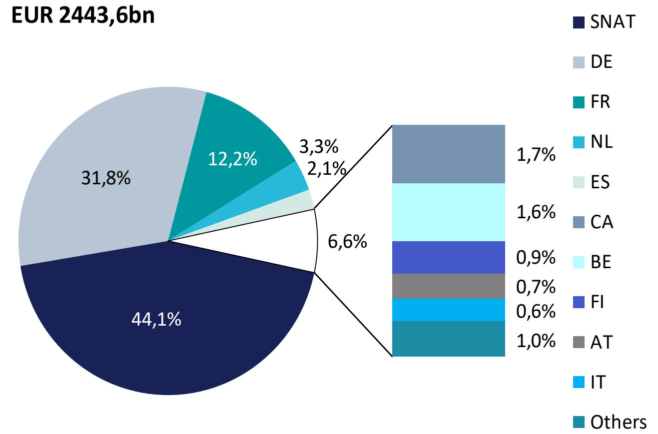

**North America**




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

# Charts & Figures
# SSA/Public Issuers

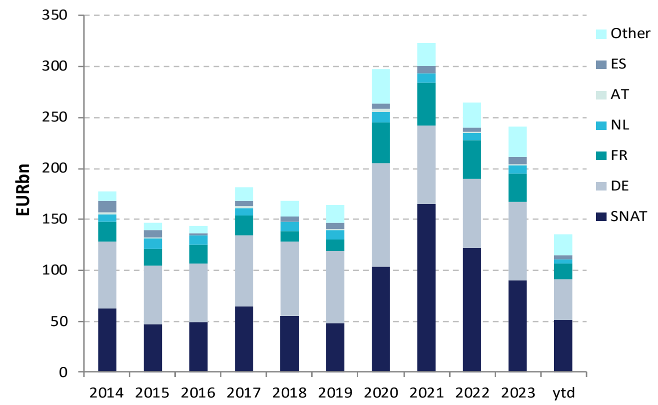
### Outstanding volume (bmk)



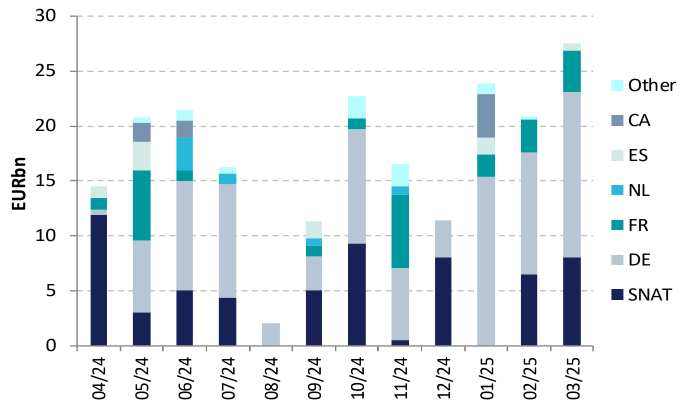

### Top 10 countries (bmk)

| Country | Vol. (€bn) | No. of bonds | ØVol. (€bn) | Vol. weight. ØMod. Dur. |
|---|---|---|---|---|
| SNAT | 1.077,7 | 233 | 4,6 | 8,0 |
| DE | 775,9 | 578 | 1,3 | 6,2 |
| FR | 297,4 | 200 | 1,5 | 5,9 |
| NL | 80,1 | 68 | 1,2 | 6,5 |
| ES | 51,0 | 69 | 0,7 | 4,7 |
| CA | 40,3 | 28 | 1,4 | 4,6 |
| BE | 40,3 | 43 | 0,9 | 10,6 |
| FI | 22,9 | 24 | 1,0 | 4,7 |
| AT | 17,8 | 22 | 0,8 | 4,2 |
| IT | 15,2 | 19 | 0,8 | 4,3 |

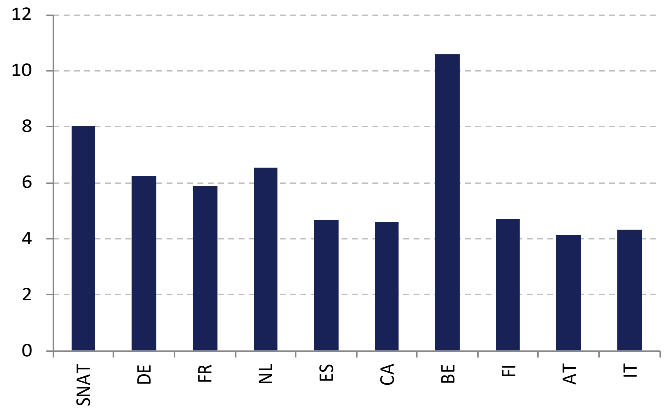
### Issue volume by year (bmk)



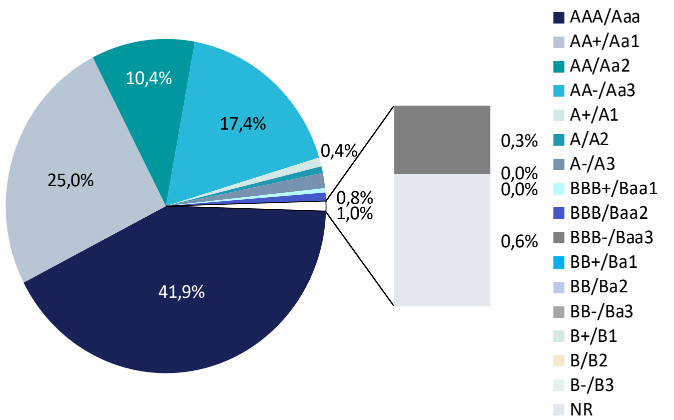

### Maturities next 12 months (bmk)




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

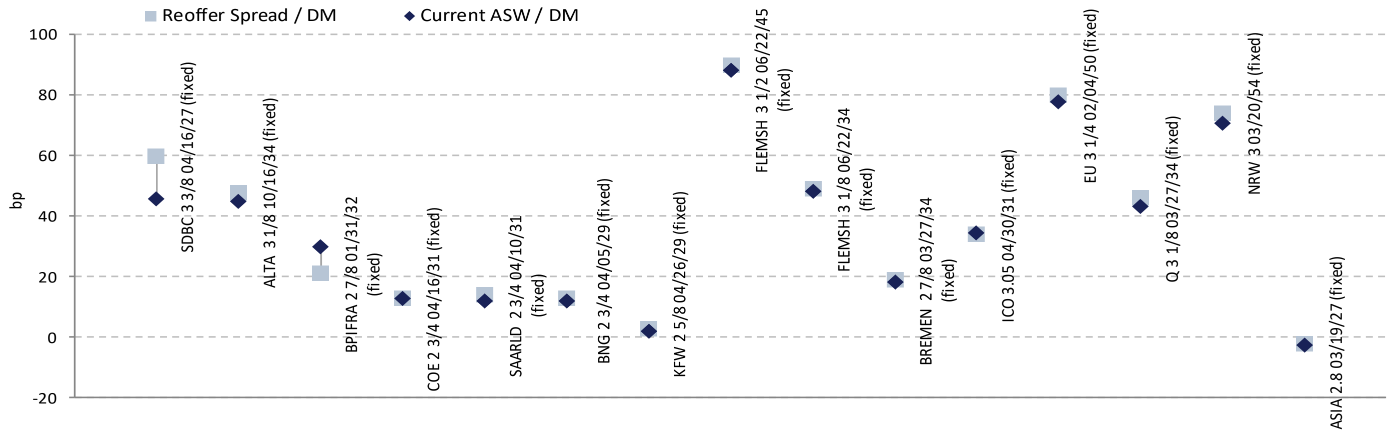



### Rating distribution (vol. weighted)

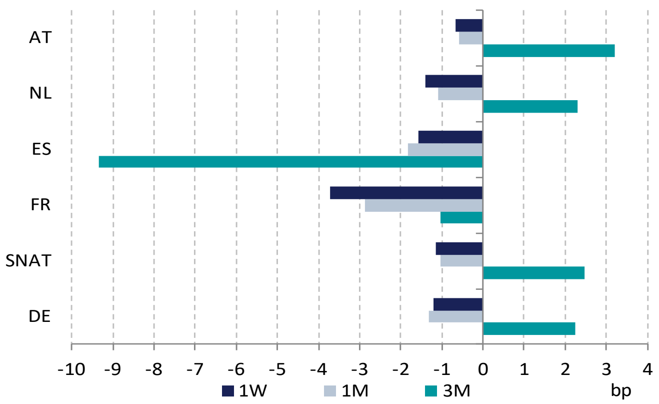



Source: Bloomberg, NORD/LB Floor Research

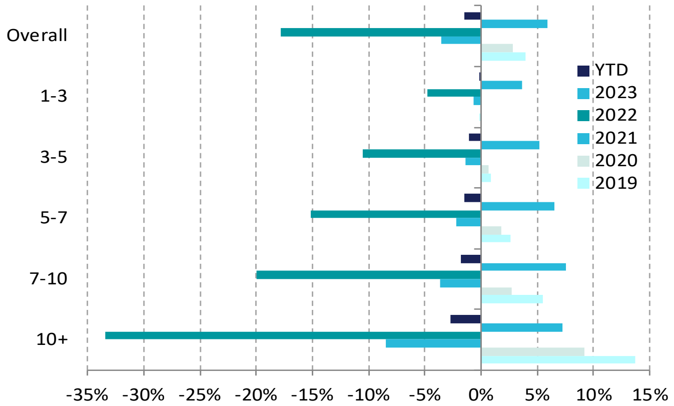
## Spread development (last 15 issues)



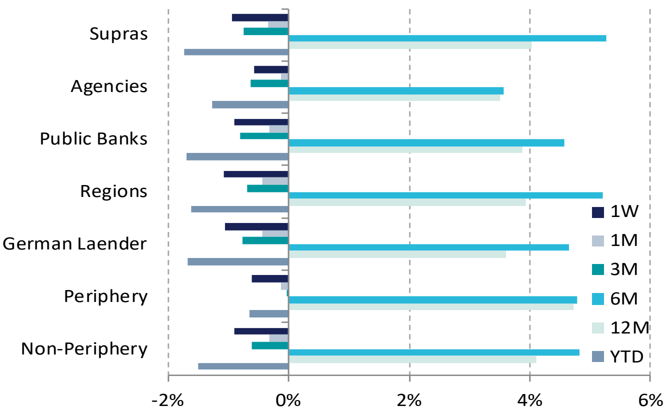

## Spread development by country



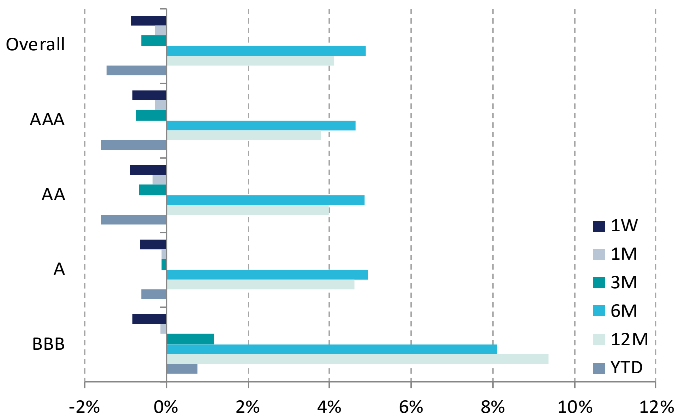

## Performance (total return)




## Performance (total return) by segments

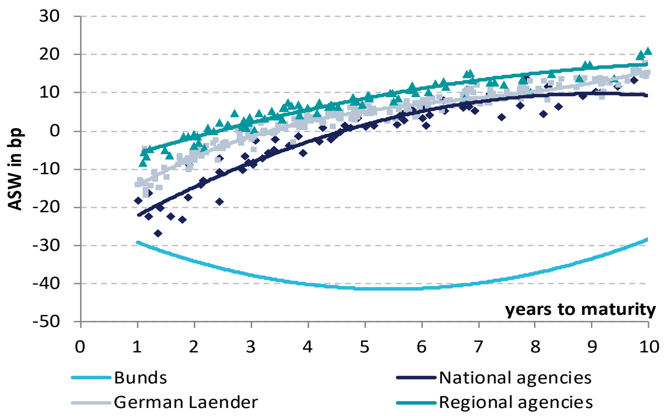



## Performance (total return) by rating

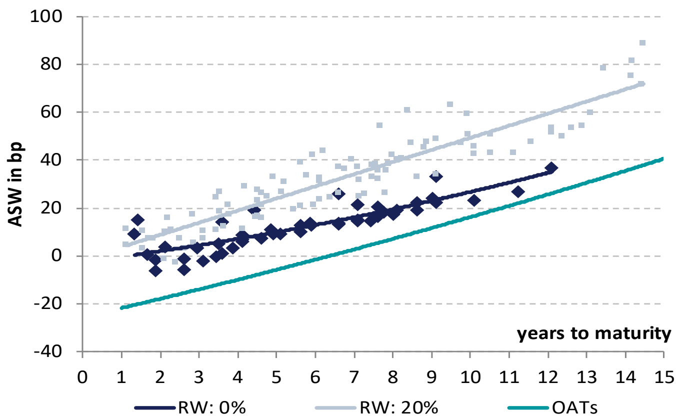



Source: Bloomberg, NORD/LB Floor Research

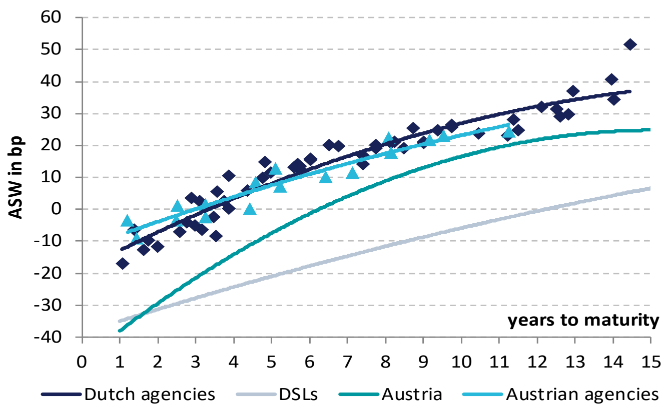
### Germany (by segments)



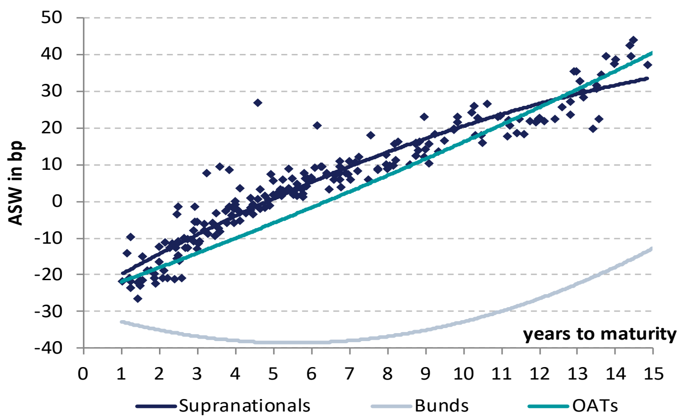

### France (by risk weight)



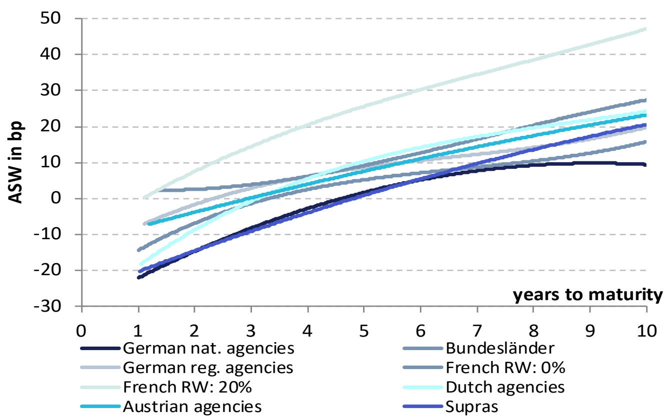

### Netherlands & Austria



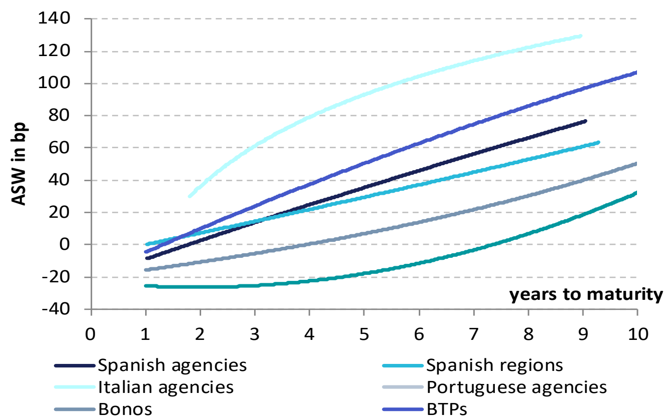

### Supranationals




### Core




### Periphery



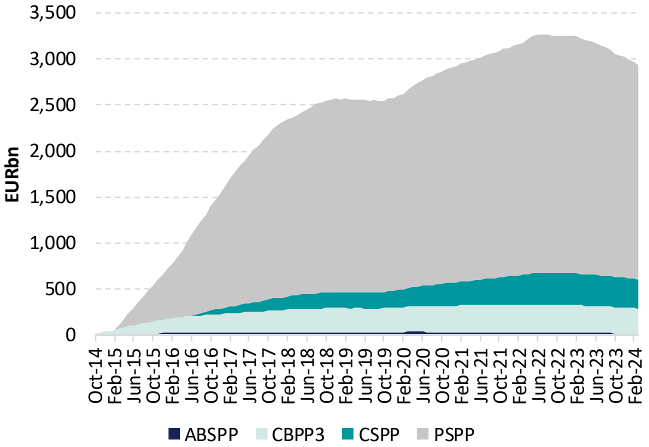

Source: Bloomberg, NORD/LB Floor Research

# ECB tracker

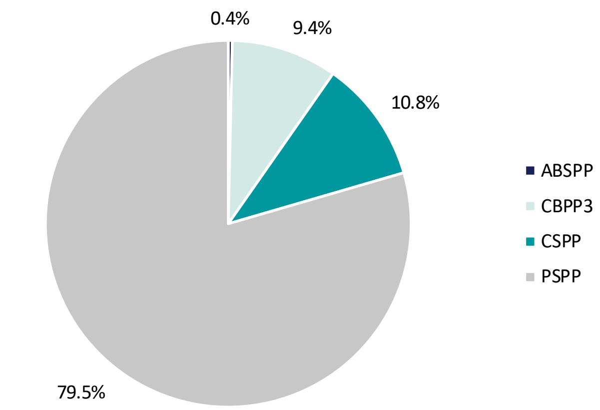
## Asset Purchase Programme (APP)

| | ABSPP | CBPP3 | CSPP | PSPP | APP |
|---|---|---|---|---|---|
| **Feb-24** | 12,546 | 279,061 | 318,688 | 2,356,971 | 2,967,266 |
| **Mar-24** | 10,539 | 274,499 | 316,207 | 2,330,298 | 2,931,543 |
| **Δ** | -1,978 | -4,434 | -2,295 | -22,455 | -31,162 |

### Portfolio development

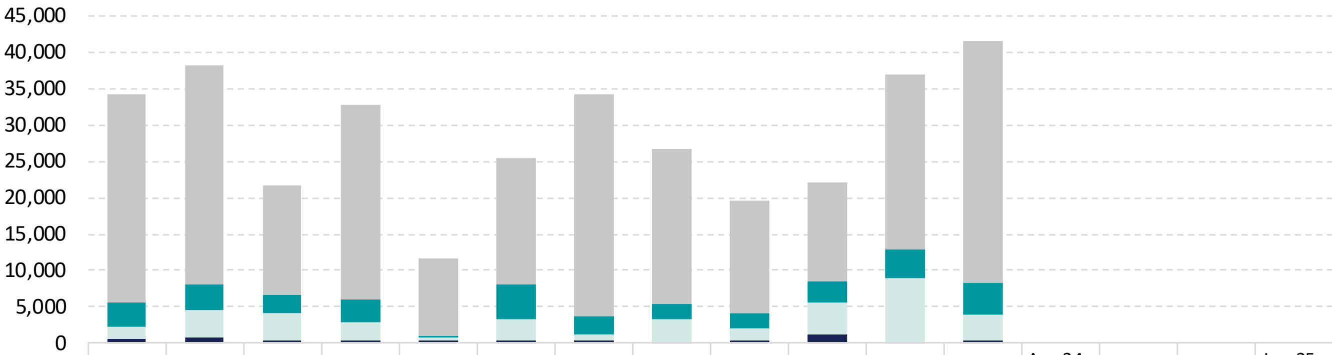



### Portfolio structure




Source: ECB, NORD/LB Floor Research

### Expected monthly redemptions (in EURm)

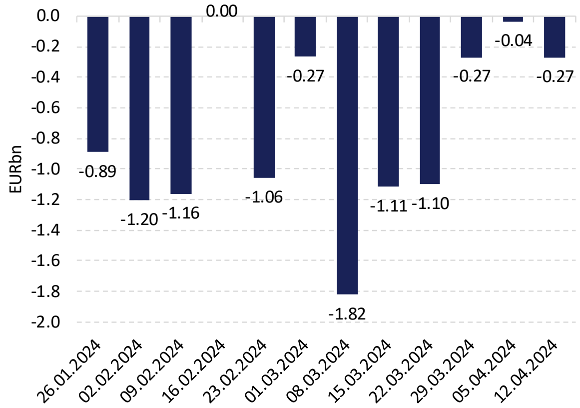



| | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-24 - Mar-25 | 2023 | 2024 | Jan-25 - Mar-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APP | 34,344 | 38,232 | 21,640 | 32,719 | 11,595 | 25,488 | 34,347 | 26,692 | 19,621 | 22,055 | 36,947 | 41,601 | 345,281 | 331,565 | 334,123 | 59,002 |
| PSPP | 28,712 | 30,194 | 14,974 | 26,608 | 10,533 | 17,407 | 30,578 | 21,298 | 15,548 | 13,463 | 24,021 | 33,313 | 266,649 | 255,025 | 264,161 | 37,484 |
| CSPP | 3,316 | 3,463 | 2,462 | 3,204 | 244 | 4,738 | 2,613 | 2,031 | 1,944 | 2,973 | 4,076 | 4,279 | 35,343 | 31,251 | 31,379 | 7,049 |
| CBPP3 | 1,814 | 3,836 | 3,777 | 2,558 | 541 | 2,993 | 736 | 3,136 | 1,790 | 4,335 | 8,635 | 3,709 | 37,860 | 35,147 | 32,173 | 12,970 |
| ABSPP | 502 | 739 | 427 | 349 | 277 | 350 | 420 | 227 | 339 | 1,284 | 215 | 300 | 5,429 | 10,142 | 6,410 | 1,499 |

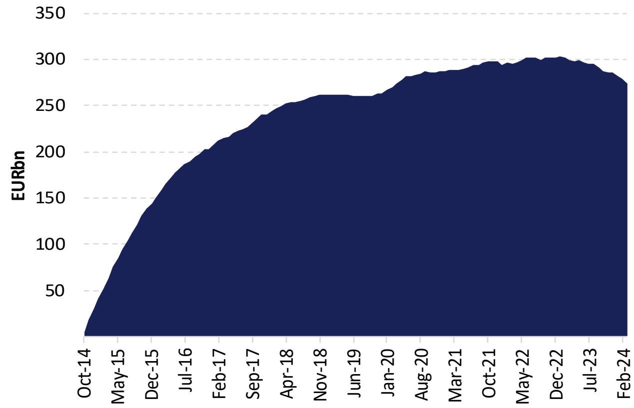
Source: ECB, Bloomberg, NORD/LB Floor Research

## Covered Bond Purchase Programme 3 (CBPP3)

### Weekly purchases

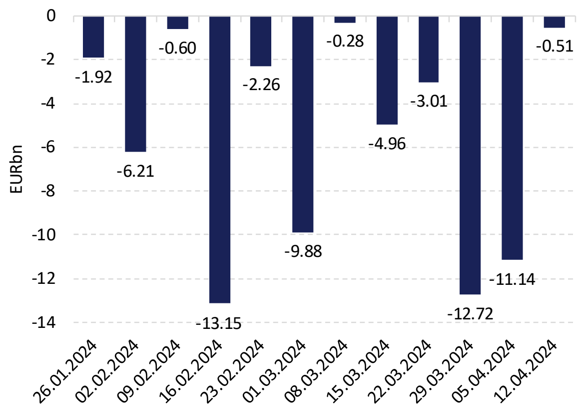



### Development of CBPP3 volume

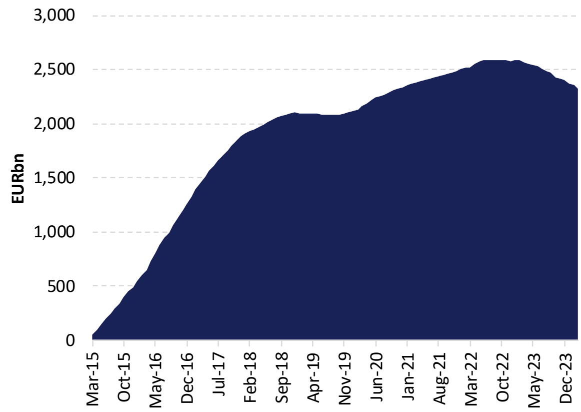



## Public Sector Purchase Programme (PSPP)

### Weekly purchases



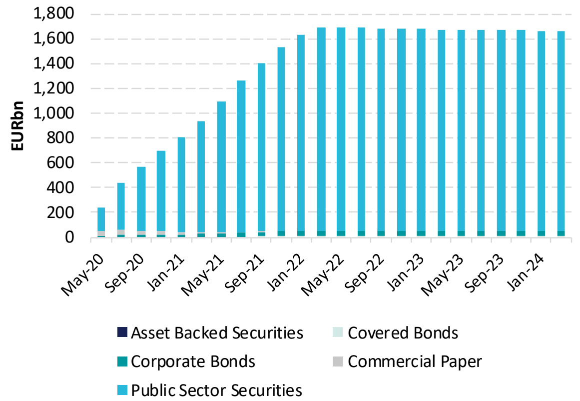

### Development of PSPP volume



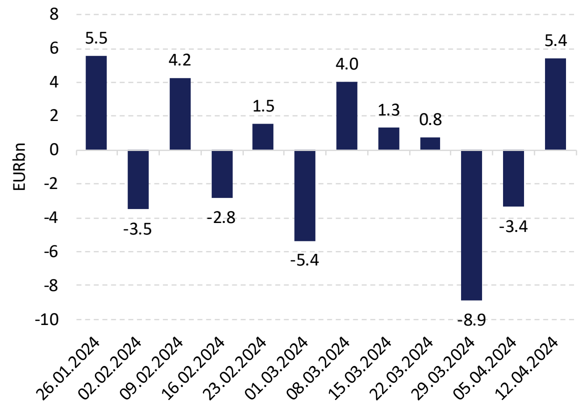

Source: ECB, Bloomberg, NORD/LB Floor Research

## Pandemic Emergency Purchase Programme (PEPP)

### Portfolio development




### Weekly purchases




Source: ECB, Bloomberg, NORD/LB Floor Research

# Appendix
# Overview of latest Covered Bond & SSA View editions

| Publication | Topics |
|---|---|
| 13/2024 ♦ 10 April | ▪ A review of Q1 in the Covered Bond segment<br>▪ A review of Q1 in the SSA segment |
| 12/2024 ♦ 27 March | ▪ Maybank: New covered bond issuer from Singapore<br>▪ A closer look at Export Development Canada (Ticker: EDC) |
| 11/2024 ♦ 20 March | ▪ Covered bond jurisdictions “Down Under” in the spotlight<br>▪ Collective Action Clauses (CACs) – An (Italian) update |
| 10/2024 ♦ 13 March | ▪ Spotlight on Pfandbrief issuers in the savings bank sector<br>▪ NGEU: Green Bond Dashboard |
| 09/2024 ♦ 06 March | ▪ Transparency requirements §28 PfandBG Q4/2023<br>▪ Current LCR classification for our SSA coverage |
| 08/2024 ♦ 28 February | ▪ New UK player on the EUR covered bond market<br>▪ Teaser: Issuer Guide – Non-European supras (MDBs) 2024 |
| 07/2024 ♦ 21 February | ▪ Covered bond jurisdictions in the spotlight: A look at Austria<br>▪ Hope for hybrids? New SSA sub-asset class for MDBs |
| 06/2024 ♦ 14 February | ▪ Development of the German property market (vdp Index)<br>▪ Update: Joint Laender (Ticker: LANDER) |
| 05/2024 ♦ 07 February | ▪ January 2024: Record start to the new covered bond year<br>▪ SSA January recap: issuance volume at record level |
| 04/2024 ♦ 31 January | ▪ The Pfandbrief market at the start of 2024: caution thrown to the wind<br>▪ Teaser: Issuer Guide – Other European Agencies 2024 |
| 03/2024 ♦ 24 January | ▪ The “V” in the LTV calculation: Differing approaches persist despite EU Directive<br>▪ 28th meeting of the Stability Council (December 2023) |
| 02/2024 ♦ 17 January | ▪ Pfandbrief market: potential newcomer Evangelische Bank<br>▪ Review: EUR-ESG benchmarks 2023 in the SSA segment |
| 01/2024 ♦ 10 January | ▪ ECB: Annual review of 2023 – no end to high rates?<br>▪ Covered Bonds: Annual review of 2023<br>▪ SSA: Annual review of 2023 |
| 37/2023 ♦ 13 December | ▪ Our view of the covered bond market heading into 2024<br>▪ SSA outlook 2024: ECB, NGEU and the debt brake in Germany |
| 36/2023 ♦ 06 December | ▪ The covered bond universe of Moodys: an overview<br>▪ Teaser: Issuer Guide – Nordic Agencies 2023 |
| 35/2023 ♦ 29 November | ▪ ESG covered bonds: a look at the supply side<br>▪ Current risk weight of supranationals & agencies |
| 34/2023 ♦ 22 November | ▪ Transparency requirements §28 PfandBG Q3/2023<br>▪ Teaser: Issuer Guide – German Agencies 2023 |

**NORD/LB:**
Floor Research

**NORD/LB:**
Covered Bond Research

**NORD/LB:**
SSA/Public Issuers Research

**Bloomberg:**
RESP NRDR <GO>

# Appendix
# Publication overview

**Covered Bonds:**

Issuer Guide – Covered Bonds 2023

Covered Bond Laws

Covered Bond Directive: Impact on risk weights and LCR levels

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

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

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

**SSA/Public Issuers:**

Issuer Guide – German Laender 2023

Issuer Guide – German Agencies 2023

Issuer Guide – Canadian Provinces & Territories 2024

Issuer Guide – European Supranationals 2023

Issuer Guide – French Agencies 2023

Issuer Guide – Dutch Agencies 2023

Issuer Guide – Non-European Supranationals (MDBs) 2024

Beyond Bundeslaender: Belgium

Beyond Bundeslaender: Greater Paris (IDF/VDP)

Beyond Bundeslaender: Spanish regions

**Fixed Income Specials:**

ESG-Update 2023

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

# Appendix
# Contacts at NORD/LB

## Floor Research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christian.ilchmann@nordlb.de

**Lukas-Finn Frese**
SSA/Public Issuers

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


## Sales

| | |
|---|---|
| Institutional Sales | +49 511 9818-9440 |
| Sales Sparkassen & Regionalbanken | +49 511 9818-9400 |
| Institutional Sales MM/FX | +49 511 9818-9460 |
| Fixed Income Relationship Management Europe | +352 452211-515 |

## Trading

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

## Origination & Syndicate

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

## Sales Wholesale Customers

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

## Treasury

| | |
|---|---|
| Collat. Management/Repos | +49 511 9818-9200 |
| Liquidity Management | +49 511 9818-9620<br>+49 511 9818-9650 |

## Relationship Management

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

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