Covered Bond & SSA View

NORD/LB Floor Research

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Agenda

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Market overview
Covered Bonds

Authors: Dr Frederik Kunze // Lukas Kühne

Primary market: High demand meets issuance pause around public holiday

After we skipped an edition in the previous trading week on account of the public holiday, we shall use this present edition of our weekly publication to report on deals seen over the past two weeks. During this period, activities on the primary market were certainly somewhat restrained. However, at the end of April a total of four issuers did still approach investors with fresh supply. The Finnish issuer SP-Kiinnitysluottopankki (Sp Mortgage Bank) got the ball rolling with a EUR benchmark (EUR 500m; WNG; 7.0y). Based on the original guidance, the spread tightened during the marketing phase by eight basis points to a reoffer spread of ms +40bp (bid-to-cover ratio: 4.0x). This was followed by Lansforsakringar (LF) Hypotek from Sweden (EUR 500m; WNG; 6.0y), which was able to price the deal within its own curve at a reoffer spread of ms +28bp (NIP: -1bp). The month was brought to a close by deals in the longer maturity segment: The first was a dual tranche from Nationwide Building Society (NWIDE), which successfully placed two bonds on the market in one fell swoop (EUR 500m; WNG; 10.0y & EUR 500m; WNG; 3.0y; FRN). The deal with a 10y maturity and a fixed coupon was priced at ms +38bp (NIP: ±0bp) and is the focus of our weekly coverage here, while we also address the current phenomenon of floaters in the context of our Covered Bond focus article in this edition. The next day, Cooperatieve Rabobank from the Netherlands approached investors with a benchmark transaction (12.0y) in the amount of EUR 1.0bn that was finally placed at ms +32bp (Guidance: ms +38bp; NIP: -3bp). After pausing for breath in the first week of May, the primary market welcomed further new deals on 07 May. The first of these came from CAFFIL with a deal in the amount of EUR 500m (WNG). The transaction was notable for two reasons: firstly, CAFFIL opted for a rarely seen maturity of 15 years and, secondly, the deal started out in the marketing phase with a pre-defined range (WPIR: ms +45-48bp). At ms +45bp, the final reoffer spread came in at the lower end of this range, with the final order book totalling EUR 7.4bn. SpareBank 1 Boligkreditt (NO) was also active on the market with a EUR benchmark for the first time in 2024. After the issuer successfully placed two EUR benchmarks last year, its latest deal has now followed. The covered bond worth EUR 1.0bn (10.0y) was placed at ms +36bp. From our point of view, it is certainly pleasing to see SpareBank 1 Boligkreditt active on the market, as Norwegian issuers always have the option of issuing in their domestic currency (NOK) too. In terms of the primary market as a whole, we would describe the market environment as being highly robust, which is reflected not least in the low or even negative new issue premiums.

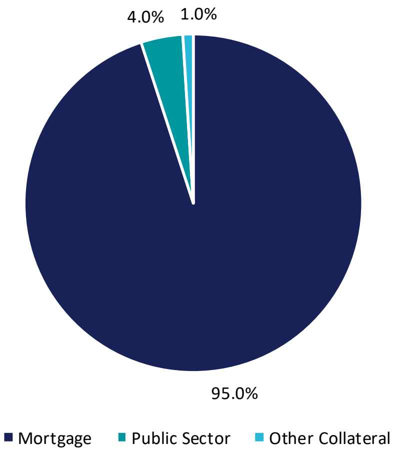
Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SpareBank 1 Boligkreditt	NO	07.05.	XS2820463003	10.0y	1.00bn	ms +36bp	- / Aaa / -	-
CAFFIL	FR	07.05.	FR001400Q494	15.0y	0.50bn	ms +45bp	- / Aaa / AA+	-
Rabobank	NL	26.04.	XS2813326605	12.0y	1.00bn	ms +32bp	- / Aaa / -	-
Nationwide BS	GB	25.04.	XS2812617111	10.0y	0.50bn	ms +38bp	AAA / Aaa / AAA	-
LF Hypotek	SE	25.04.	XS2813159436	6.0y	0.50bn	ms +28bp	- / Aaa / AAA	-
Sp Mortgage Bank	FI	24.04.	XS2812394737	7.0y	0.50bn	ms +40bp	- / - / AAA	-

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

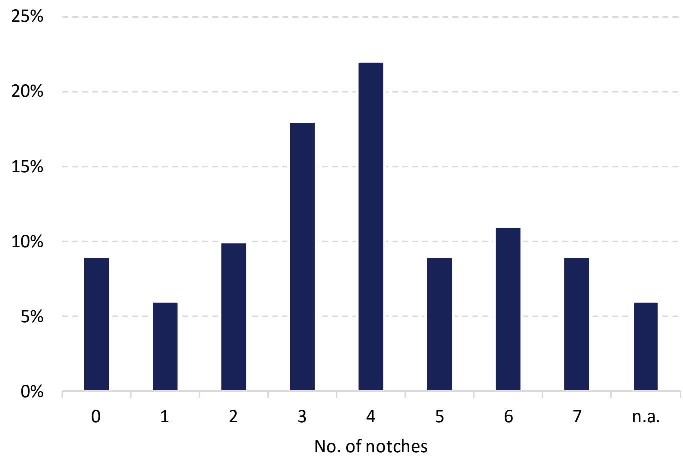
Secondary market: Transaction volume remains limited with low levels of fresh supply
Due to the low level of fresh supply from the primary market, the transaction volume on the secondary market was also very constrained last week. Nevertheless, sentiment remains strong and the market is receptive. Generally speaking, deals placed recently offer higher liquidity in secondary market trading but can occasionally differ significantly along the maturity range. While hardly any supply was available in the longer maturity segment (>9 years), we did see significantly more trading activity in the maturity segment of between three and six years. The focus in terms of sales remained on the freshly placed deals, while those bonds with lower coupons tended to trade at discounts. It would appear that the secondary market is continuing to focus on the supply of new issues on the primary market.

Fitch I: Rating experts attest to active start to the year on the covered bond market...
In their recently published quarterly update (Q1 2024), the rating experts at Fitch provide an overview of developments in the covered bond market. Accordingly, the volume of new issues in the first three months of the new year exceeded the level of maturities falling due across the same period, which results in a positive net new issuance volume. According to Fitch, this active start to the year was also supported by the primary market debut of the South Korean issuer Shinhan Bank and the return of UBS Switzerland to the group of EUR benchmark issuers. On the secondary market, Fitch observed significant spread widening in relation to Pfandbrief issuers with a higher CRE exposure in the USA. In this context, the rating agency highlights the strengths of the Pfandbrief Act, namely the definition of the concept of mortgage lending values and the LTV limit, which is low by international standards. Fitch upgraded the rating of four covered bond programmes (three from Portugal and one from Spain). While Fitch attributes the rating upgrade of the Spanish covered bond programme to a higher guaranteed OC ratio, the key factors for the Portuguese programmes were the transition to a 180-day liquidity buffer and improvement in the Issuer Default Rating (IDR).

Fitch: Rated programmes by type[1]



Fitch: Buffer in the event of an IDR downgrade[1]



Source: Fitch, NORD/LB Floor Research

[1] Multi Cedulas excluded

...and provide an overview of the rating universe

As at 31 March 2024, Fitch rated a total of 105 covered bond programmes. At 90.5%, the majority of the rated programmes are attributable to the category of mortgage-backed covered bonds. The remaining ten programmes are allocated to the categories of publicly secured covered bonds, multi-issuer cedulas hipotecarias and other secured covered bonds. Around 40% of the programmes rated by Fitch have a rating buffer in the event of an issuer downgrade of three or four notches. However, nine programmes currently have no buffer at all. In these cases, if the issuer rating were to be downgraded by one notch (or more), this would also entail a downgrade for the programme itself. The spectrum of covered bond ratings ranges from BBB+ to AAA, of which more than 70% have been awarded the top rating of AAA.

Helaba: Capital increase by Hesse with no rating impact for Fitch

Due to the revised regulatory requirements governing the equity structure of banks, the Bundesland of Hesse is now making EUR 2bn in new capital contributions available to Helaba. According to the European Banking Authority (EBA), without this, the regulatory requirements would no longer have been met due to the changed framework conditions. Through this capital increase, the Bundesland's stake in the bank rises from 8% to around 30%. In contrast, the share attributable to savings banks in Hesse and Thuringia is now expected to fall from 69% to 50%. The capital increase is being implemented in the form of a cash contribution of EUR 1.5bn and the issuance of an AT1 bond of EUR 500m. The rating agency Fitch has already commented on the changes to the capital composition in a recent statement and assessed this as rating-neutral. This is underpinned in particular by the strong operational and strategic cohesion between Helaba and the savings banks in Hesse and Thuringia. Fitch does not see this changing as a result of new shareholder structures. Helaba operates Pfandbrief programmes for the issuance of both mortgage and public sector Pfandbriefe.

Fitch II: Cover pools contain less CRE financing

According to an analysis by Fitch, commercial real estate (CRE) loans are less frequently found in the cover pools of covered bonds than residential real estate financing, which is considered to be safer. Pools with CRE loans have an average portfolio loss ratio of "B" (slight stress), which is 1.5x higher than that of purely residential cover pools. In the programmes rated by Fitch, CRE loans only feature in 13 pools overall (mainly those from Germany, Spain and Denmark) and account for approximately 19.3% of total cover assets. Generally speaking, the approval criteria for CRE financing tend to be stricter. In this context, the LTV ceilings are 60%, while a value of 80% often applies to residential coverage values. In Germany, the 60% limit applies to the cover calculation for both types of cover assets. A comprehensive overview of cover pool compositions for both EUR benchmark and EUR sub-benchmark issuers can be found in our annual NORD/LB Issuer Guide Covered Bonds.

Moody's I: Net interest margins of UK banks come under pressure

The rating experts at Moody's recently commented on the March data presented in the Bank of England's "Money and Lending Statistics" report. Accordingly, the sharp increase in interest-bearing deposits is putting the net interest margins of UK banks under pressure, which the risk experts see as a "credit negative" event. After all, private household deposits lodged at banks and building societies have increased by GBP 8.5bn since February 2024, which represents the sharpest growth since October 2022. Households also withdrew around GBP 640m from interest-free deposit accounts, which have traditionally been one of the main sources of funding for UK banks. The increased interest burden arising from this development is also an indicator of rising financing costs on the part of banks. Moody's also expects falling mortgage interest rates to place both net interest margins and profit margins under strain. According to Moody's, the five largest UK banks already posted an average margin decline of five basis points in the second half of 2023. In terms of the presence of UK issuers in the EUR benchmark segment, we calculate an outstanding volume of EUR 23.0bn spread across a total of nine issuers.

Moody's II: Pressure remains on market shares of major Swedish banks

According to the risk experts at Moody's, the market shares of the four largest Swedish banks (Swedbank, Svenska Handelsbanken, SEB and Nordea Bank) remain under pressure. At the end of the first quarter of 2024, the mortgage books of these major banks amounted to SEK 2,887.2bn, reflecting a decline of SEK 3.9bn against the previous quarter. With declines of -0.3% Q/Q and -0.5% Q/Q respectively, this development can be attributed to Handelsbanken and SEB in particular. The rating agency also puts this weakness down to the competitive landscape, which is characterised by small and medium-sized credit institutions and other lenders. At the same time, banks are struggling with the combination of restrained demand for loans and high repayment rates among households, which can be explained by the current interest rate level. The outstanding volume of EUR benchmarks from Sweden totals EUR 30.3bn.

Poland: KNF presents plan for long-term financing ratio for banks from 2026

KNF, the financial supervisory authority of Poland, recently presented a draft proposal, according to which the country's banks should start calculating a long-term financing ratio (WFD). The purpose of this is to illustrate the relationship between capital surplus and the value of the residential mortgages. According to KNF estimates, the current WFD index of Polish banks stands at around 21-26% (reporting year 2022). The financial supervisory authority recommends imposing a quota of at least 40% from the end of 2025 and at least 50% from the end of 2026. In this context, KNF also expressly refers to long-term financing options such as covered bonds, as a large part of the refinancing is covered by short-term deposits at present. For now, KNF's recommendation does not stipulate any penalties for non-compliance with the quotas, although this option is currently being discussed in consultations. Nevertheless, we see the KNF communication as an indication of the systemic relevance of covered bonds in the Polish banking market. In addition to issuances in the domestic currency (Polish zloty; PLN), the Polish covered bond market also includes issuers that are active in the EUR benchmark segment (PKO Bank), as well as those that operate in the sub-market for EUR sub-benchmarks (mBank). The most recent EUR benchmark placed on the market by a Polish issuer dates back to June 2022.

Switch to soft bullet: Bank of Queensland announces new EUR benchmark deal

For a long time, Bank of Queensland ranked among the issuers that place covered bonds within the framework of a CPT programme. The bank was actually the only Australian bank to have chosen this structure for its covered refinancing. Two EUR benchmarks with a total volume of EUR 1.1bn are still outstanding, with the next maturity set to fall due on 4 June 2024 (EUR 500m). To refinance this deal, which was originally issued with a term to maturity of five years, Bank of Queensland would now appear to favour an entirely new issuance programme. For example, Bank of Queensland has announced its intention to issue a new covered bond in EUR benchmark format with a term of just over five years and will make use of a soft bullet structure for this. In all likelihood, this bond will be awarded the top rating by Fitch and Moody's (AAA/Aaa) and will be issued under the bank's newly established covered bond programme (AUD 6bn) from 24 April 2024. Investor meetings for the Bank of Queensland's soft bullet debut are scheduled to begin on 13 May. From our point of view, the bank is following the market standard of opting for covered bonds with a relatively simple maturity structure with the expected EUR benchmark deals. Although, in principle, CPT bonds can mitigate liquidity risks to a greater extent, we are of the view that this product structure is perceived as overly complex by both investors and regulatory authorities.

Newcomer from Singapore: Standard Chartered Bank (Singapore)

Also on 13 May, Standard Chartered Bank (Singapore) will commence virtual and in-person investor meetings in order to present its covered bond programme (USD 5bn) from 12 April 2024. Following the roadshow, the issuer will additionally expand the group of EUR benchmark issuers from Singapore, having held out the prospect of a corresponding inaugural benchmark deal in the maturity range of three to five years. Standard Chartered is also set to issue the fresh benchmark in the form of a soft bullet covered bond. Moreover, both the rating agency Moody's and the risk experts from S&P will award their top rating (Aaa/AAA) to the covered bond issuances from Standard Chartered. The granular cover pool of the bank exclusively comprises residential mortgage loans based in Singapore. A successful inaugural deal would also lead to the bank's inclusion in our coverage for the NORD/LB Issuer Guide Covered Bonds. Based on the information available to us, a risk weight of 20% according to CRR would apply to the covered bonds, while we would assume that the bonds are eligible as Level 2A assets in the context of LCR management. The announcement made on the same day is also likely to be important for investors. For example, the Covered Bond Label Foundation has reported that Standard Chartered Bank (Singapore) will bring the number of issuers that use the label to 142 banks. By fulfilling the corresponding reporting requirements of the covered bond label (key phrase in this regard: Harmonized Transparency Template; HTT), the issuer ultimately ensures that the requirements of Article 14 of the European Covered Bond Directive are satisfied, which in turn represents a "necessary condition" governing LCR eligibility.

Market overview
SSA/Public Issuers

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

Reform of EU fiscal rules

On 23 April 2024, the European Parliament voted in favour of the Reform of the European Union's Stability and Growth Pact (SGP) following a year of negotiations. The declared aim was to simplify the existing SGP requirements in future and structure them more flexibly. The background to this is that the previous rules had been suspended since 2020 in view of the COVID-19 pandemic and war in Ukraine but were to be reactivated from 2024. In its original version, the SGP presented various problems over time: it was impracticable, procyclical to a considerable extent, leaving barely any room for manoeuvre in terms of investment that promotes growth, and only conditionally appropriate for reducing debt positions. So, what has changed and what has stayed the same? The deficit and debt criteria of 3% and 60% of GDP respectively remain unchanged. A new rule concerns member states that breach agreed thresholds. Instead of fulfilling rigid universal rules, they must now comply with a specifically tailored reference trajectory in respect of their debt ratio, which is stipulated by the European Commission. A debt sustainability analysis (DSA) has been introduced to calculate this reference trajectory, by means of which the public debt ratios are projected based on particular assumptions. Said trajectories define how compliance with the fiscal requirements may be achieved over a period of four years (or seven years respectively if it can be plausibly demonstrated that investment and reform efforts will be made to support growth, resilience and fiscal sustainability). Each of these adjusted plans requires member states with national debt in excess of 90% of GDP to reduce their total debt by one percentage point per year on average. EU member states with a debt level of between 60% and 90% of GDP must reduce their respective debt ratio by an average of 0.5 percentage points per year. Furthermore, all member states are requested to keep their deficit below 1.5% of GDP in order to create a fiscal buffer to the official "3% threshold".

Scope: Two new public mandates from German Laender

In our weekly publication of 7 February 2024, we recently reported on rating agency Scope Ratings GmbH and its authorisation and approval as a new external player for the purposes described in the framework for ratings in the Eurosystem. The Berlin-based rating agency has since achieved a further important milestone: the German Laender of North Rhine-Westphalia (ticker: NRW) and Hesse (ticker: HESSEN) were two additional German sub-sovereigns to mandate Scope at the end of April this year with delivering public ratings. Three issuers from the German Laender segment, Bavaria (ticker: BAYERN), Berlin (ticker: BERGER) and Saxony-Anhalt (ticker: SACHAN), previously had already instructed the rating agency accordingly. Based on information provided by the rating agency, Scope meanwhile provides mandated ratings for more than half of the bond volume outstanding issued by German Laender. CEO Florian Schoeller stated, "We are delighted that after being recognised by the European Central Bank, three [German] Laender have placed their trust in us and opted promptly for a public rating from Scope. These mandates show how strong the determination by capital market participants is to enhance European sovereignty."

KBN: 2023 financial figures and updated Green Bond Framework

The Norwegian municipal financier Kommunalbanken (ticker: KBN) published its annual report for 2023 at the end of March this year. Reported net interest income amounted to NOK 2,105m (which equates to approximately EUR 186.9m), compared with NOK 1,866m in 2022. According to the financial institution, the increase primarily resulted from higher money market rates, which rose in step with the key rate hikes of Norges Bank. KBN reported profit of NOK 1,432m in 2023 (2022: NOK -60m). New long-term borrowings totalled NOK 78bn in 2023, compared with NOK 87bn in 2022. As stated in the annual report, the decrease was mainly due to the weakness of the Norwegian krone in 2023. This led to a lower financing requirement at KBN. The green loan portfolio for investments in climate and environmentally friendly projects was up by 25% Y/Y on 2022 to NOK 55bn. As at year-end, a total of 141 Norwegian municipalities, five counties and 72 'other clients' had been granted green loans by KBN. Jannicke Trumpy Granquist, KBN's Chief Executive Officer said, "Passing NOK 50bn in green loans is a milestone we are proud of. We work purposefully and with success to ensure that our green loans are also relevant for small and medium-sized municipalities. Two out of five municipalities now have green loans from KBN, and we are experiencing that a growing number of municipalities are working on the transition to a low and zero-emissions society." KBN publishes an annual Impact Report on the environmental impact of these loans. The bank raises funds for green lending by means of issuing green bonds in the capital market. In April 2024, KBN's specifically developed Green Bond Framework from 2021 was revised. The updated framework focuses more on nature and climate-related risks. For example, construction projects financed are to be analysed in greater detail regarding their potential impact on the immediate surroundings. If a construction site is within one or more risk zones that are linked to avalanches, flooding or quick clay, KBN requests documentation on how these risks may be mitigated. If developers have not carried out assessments and taken measures, the projects are excluded from green financing. In a press release, Kia Kriens Haavi, Head of Green Finance, explained, "These measures are in line with KBN's strategy to mitigate physical climate risk and conserve or restore nature through our green lending portfolio." Only recently, KBN placed a new green bond issue in benchmark format in the market, offering investors a EUR-denominated bond for the very first time. The bond featured a coupon of 2.875% and had a maturity of five years. At the beginning of the marketing stage, a guidance in the ms +14bp area was announced. The order book totalled EUR 2.7bn at the end of the book-building process, which resulted in a bid-to-cover ratio of 5.4x. Final pricing was ultimately three basis points tighter than the guidance at ms +11bp (cf. weekly publication of 24 April 2024). The transaction details published subsequently to the bond issue indicated that 24% of investors were from the DACH region, 24% from the Benelux countries and a further 11% from the Nordics. With regard to institutional investors, central banks accounted for the major share of demand at 58%, followed by asset managers (23%) and banks (14%). For the current year, KBN stated an average funding target of USD 9.5bn (range: USD 9-10bn), which is equivalent to approximately EUR 8.6bn.

Société de Financement Local: A strong year for export credit

On 17 April 2024, Société de Financement Local (SFIL, ticker: SFILFR), the French municipal and export financier, presented its annual accounts for 2023. Based on the figures published, it emerged that for the first time in SFIL's 10-year history, the volume of export credit activities exceeded public sector lending. Accordingly, SFIL concluded six transactions for a total amount of EUR 5.0bn (2022: EUR 652m), facilitating export contracts worth EUR 7.3bn. The transactions involved ten export companies in total, five of which benefited from SFIL's financing scheme for the first time. Public sector lending amounted to EUR 4.3bn as at the balance sheet date (2022: EUR 4.1bn), which represented an increase of +4.9% Y/Y. Loans to regional and local authorities rose by +15% Y/Y to EUR 4bn, despite an economic environment that slowed down investment decisions. In contrast, loans granted to hospitals decreased significantly by -48% Y/Y to EUR 300m. According to the report, this decline mainly resulted from delays in major hospital construction projects following a sharp rise in the cost of construction, which in turn made it necessary to redetermine planned financial budgets. On the funding side, SFIL issued EUR 6.6bn in long-term debt last year, with an average maturity of seven years. Since 2013, SFIL has raised long-term funding totalling EUR 69bn in the capital market. For 2024, SFIL plans to collect an average of EUR 4.0bn in fresh capital. Of this, 25% is to be raised by issuing green and social label bonds. This share is to be increased to 33% over the coming years.

L-Bank: Robust development despite cautious investing in Baden-Wuerttemberg

Landeskreditbank Baden-Wuerttemberg – Förderbank (L-Bank, ticker: LBANK), a development bank, experienced unchanged demand in its centenary year by providing support during crisis and as a financial partner for growth and transition. However, the fourth consecutive year of crisis in terms of high interest rates, high inflation and high materials and commodity costs left its mark on the demand for L-Bank's programmes. The liquidity loan programme was at a record high of more than EUR 400m (2022: EUR 120m). Conversely, total development loans under the three major transformation and investment programmes of L-Bank – Start-up and Growth Finance (GuW-BW), Investment Finance and Innovation Finance 4.0 – decreased in line with expectations. Nevertheless, according to the bank, the total development loan sum of aggregated EUR 1.4bn (2022: EUR 1.7bn) was a pleasing result in view of the difficult economic conditions and reflected the proactive countermeasures taken by means of development incentives. Including grant-based programmes for companies, the overall result in terms of economic development funding totalling EUR 3.7bn was pleasing. Edith Weymayr, Chief Executive Officer of L-Bank, summarised the past year as follows: "Despite the economically driven reluctance to invest, we look back on a strong year in 2023 when it comes to development loans. We successfully stabilised Baden-Württemberg's economy during a crisis. At the same time, we delivered appropriate development incentives to counteract the situation and support companies in their digital transformation and transition to becoming more sustainable." L-Bank once again achieved its funding targets in 2023 in terms of volume, maturity and structure through diversified utilisation of funding opportunities. Maturities were focused on the three to five-year range. The total amount of medium and long-term capital market refinancing was EUR 5.4bn, according to information provided in the annual report. For 2024, the development bank has announced a funding volume of EUR 7.0bn. However, in the current year, L-Bank has not yet been present with EUR primary market activities.

Primary market

Following our break, in this edition of our publication, we are pleased to report on nine new EUR benchmark bond issues in the SSA segment. The Bundesland of Rhineland-Palatinate (ticker: RHIPAL) was the first to raise a fresh EUR 1bn (10y). The order book totalled EUR 1.3bn, which meant that at ms +17bp, the issued bond was one basis point tighter compared with the guidance (ms +18bp area). In an unusual move, a volume of EUR 250m was retained by the issuer. Next was the EIB (ticker: EIB) with a new 7-year bond issue worth EUR 5bn. Following guidance in the ms +14bp area when the marketing stage for the bonds started, the order book amounted to EUR 37bn, which meant that final tightening to ms +12bp was achieved. According to information from the EIB, the bank has raised 69% of its planned funding for 2024 (EUR 41.3bn) with this transaction. If we now take a look at our French neighbours, we recorded that Unédic (ticker: UNEDIC), the French company that manages unemployment insurance, was looking to place a social bond worth EUR 1bn with a term of over 10 years. The guidance in the OAT +10bp area meant that the bid-to-cover ratio was 12.7x. Final pricing was OAT +7bp (which equates to roughly ms +25bp), with FRTR 1.25% 05/25/34 & FRTR 1.25% 05/25/36 used as benchmarks. Caisse des Dépôts et Consignations (ticker: CDCEPS) then launched a sustainability bond worth EUR 1bn with a maturity of five years and guidance in the OAT +17bp area. The order book amounted to more than EUR 11bn, with the final spread 16 basis points above the French curve (approximately ms +3bp, benchmark: FRTR 0.5% 05/25/29). KfW (ticker: KFW) then followed, placing its first green bond issue of 2024 (EUR 4bn, 8y) in the primary market. The guidance was in the ms +8bp area, with the deal ultimately more than 6.0x oversubscribed and going through at ms +6bp. Activities in April concluded with a first-time issuer in the EUR benchmark segment, the Canadian Province of Saskatchewan (ticker: SCDA). It launched its first EUR-denominated benchmark bond issue worth EUR 1.25bn, with a maturity of ten years (guidance: ms +52bp area). The order book amounted to EUR 6.9bn, with the deal secured at ms +49bp. Saskatchewan was the fifth Canadian province to venture into the EUR benchmark spotlight this year. On Monday this week, the Free State of Saxony (ticker: SAXONY) issued its second EUR benchmark bond issue of 2024 (EUR 500m, 10y). With a slightly oversubscribed order book of EUR 525m, the final spread quoted was ms +15bp (guidance: ms +16bp area). Yesterday, the city state of Berlin (ticker: BERGER) was present with a six-year floating rate note worth EUR 500m, at +11bp against the 3-month Euribor, which was in line with the guidance, as well as NRW.BANK (ticker: NRWBK) with a green bond issue (EUR 1bn, 7y) at ms +12bp. The most recent EU bond auction took place on 29 April 2024, with the EU increasing its 2028 bond issue by EUR 2,337m and its 2033 bond issue by EUR 2,293m. Mandates were additionally issued by ISBRLP (EUR 250m, WNG, 10y), BADWUR (EUR 1bn, WNG, 5y) and KFW for a blockchain-based digital bond (min. EUR 100m, 1.5y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
NRWBK	DE	07.05.	DE000NWB0AV0	7.0y	1.00bn	ms +12bp	AAA / Aa1 / AA	X
BERGER	DE	07.05.	DE000A351PP3	6.0y	0.50bn	3mE +11bp	AAA / Aa1 / -	-
SAXONY	DE	06.05.	DE0001789386	10.0y	0.50bn	ms +15bp	- / - / AAA	-
SCDA	CA	30.04.	XS2816664879	10.0y	1.25bn	ms +49bp	AAu / Aa1 / AA	-
KFW	DE	30.04.	XS2816013937	7.9y	4.00bn	ms +6bp	AAAu / Aaa / AAA	X
CDCEPS	FR	25.04.	FR001400PU76	5.1y	1.00bn	ms +3bp	AA- / Aa2 / AA	X
UNEDIC	FR	24.04.	FR001400PT61	10.6y	1.00bn	ms +25bp	AA- / Aa2 / -	X
EIB	SNAT	24.04.	EU000A3LX098	7.4y	5.00bn	ms +12bp	AAA / Aaa / AAA	-
RHIPAL	DE	24.04.	DE000RLP1486	10.0y	1.00bn	ms +17bp	AAA / - / -	-

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

Covered Bonds
What's happening away from the benchmark?

Authors: Dr Frederik Kunze // Lukas Kühne

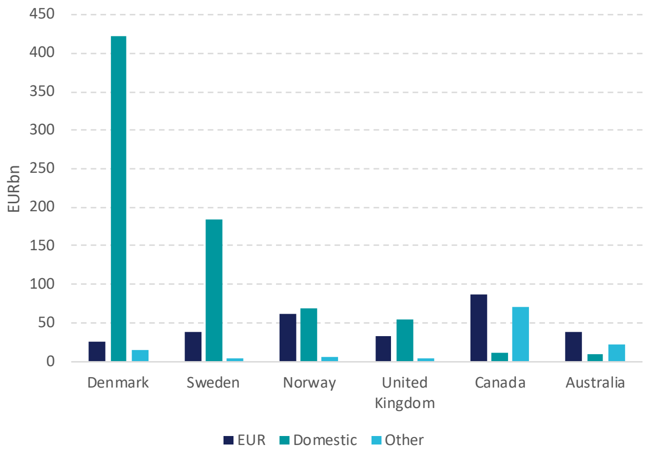
Covered bonds away from the benchmark

As part of our weekly publication, we regularly focus on the EUR benchmark segment. This is due, not least, to the fact that the issues also included in the iBoxx EUR Covered make up by far the largest proportion of publicly placed covered bonds. In our regular market analysis, we define the segment more broadly in that we also include EUR sub-benchmarks – i.e. bonds with a volume of ≥EUR 250m to <EUR 500m. However, issuers can also find niches for refinancing and investors can find diversification opportunities within the scope of their capital investment outside of this "benchmark". We therefore propose to use this present edition of our weekly publication to take a brief look at these niche markets and discuss the interdependencies with the "more common sub-markets".

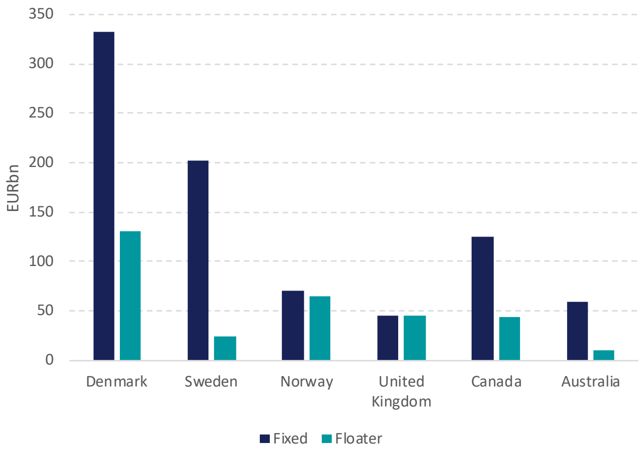
Covered bonds away from the euro…

Before we go into the current market developments, we believe that a few preliminary considerations are in order. The covered bond market is undoubtedly a European market, and not just from a historical perspective. In this respect, the high proportion of EUR-denominated bonds in global outstanding issues is by no means surprising. This focus on the European single currency is characterized by both issuers and investors. The latter is also confirmed by the choice of issue currency in non-EMU countries such as Norway, Sweden and the UK, as well as in overseas jurisdictions such as Australia, Canada and Singapore. It is also noticeable that the Nordic markets, which have a comparatively long covered bond tradition, have an established domestic market. Based on the ECBC annual statistics, the respective domestic currencies even account for the largest shares in Denmark, Sweden and Norway. GBP issues also account for the largest share of covered bond placements in the UK, although here – as in Norway – the EUR segment is of a similar magnitude.

ECBC annual statistics 2022: Largest currency markets



ECBC annual statistics 2022: Fixed vs. floater

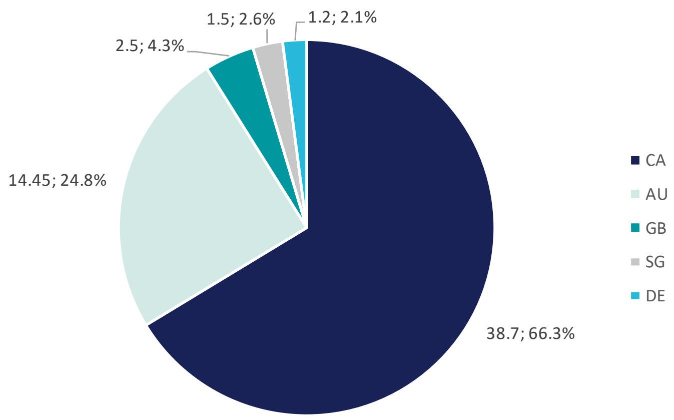


Source: ECBC, NORD/LB Floor Research

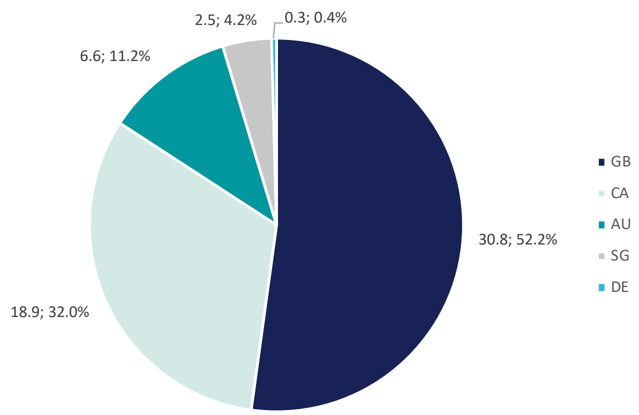
... and/or with variable interest rates

The choice of issuance currency and thus also the interest rate conventions in the sub-markets also determine the differentiation by coupon type to a significant degree. Issues with fixed interest rates dominate the global covered bond market, although it is noticeable here that variable coupons account for a significant proportion, particularly in Denmark, Norway, Canada and the UK. In Norway, this is not surprising because the market for mortgage loans is also dominated by contracts with variable interest rates. Floating rate notes (FRNs) are now also the standard for GBP benchmark issues (issue size ≥GBP 250m). In recent years, market players' focus on this interest rate convention has led to the iBoxx GBP Covered, which in line with the group's other benchmark indices only includes bonds with fixed coupons, having just 14 ISINs in its May composition. Nevertheless, in order to obtain an overview of the GBP market, we have manually added FRNs to the iBoxx criteria. Unsurprisingly, the sample expanded to include FRNs, which we put at GBP 59.1bn, is dominated by issuers from the UK. In second place are the Canadians, followed by Australia and Singapore. Germany is represented with a deal by PBB (GBP 250m) from August 2023.

iBoxx USD Covered (USDbn)



GBP Covered (GBPbn)



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

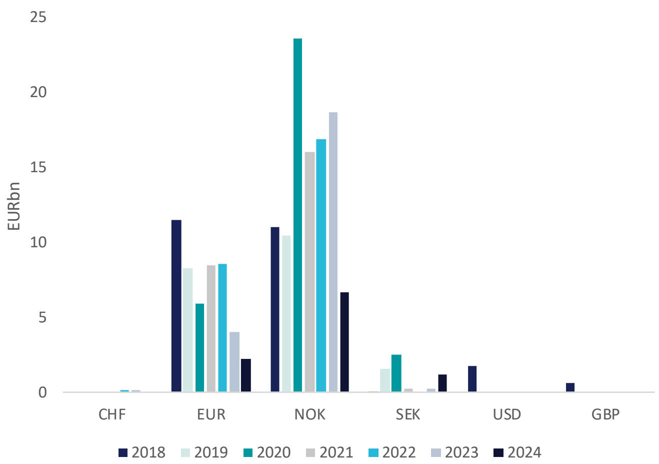
iBoxx USD Covered: Canada accounts for the largest volume by far

In the iBoxx USD Covered, Canadians account for almost two thirds of the outstanding volume, which totals USD 58.4bn. The second largest share is made up of issuers from Australia, followed by the UK and Singapore. Germany is also represented here with two deals. In November 2023, PBB placed a covered bond, which was increased to USD 600m shortly afterwards and included in the iBoxx USD Covered, while LBBW successfully brought a USD benchmark for USD 600m to market in January 2024. We see both transactions more as complementary to the EUR benchmarks than as substitutes. In the case of PBB, we also believe that the bank's international business model is reflected very strongly. This applies to both the USD transaction and the deal in GBP benchmark format.

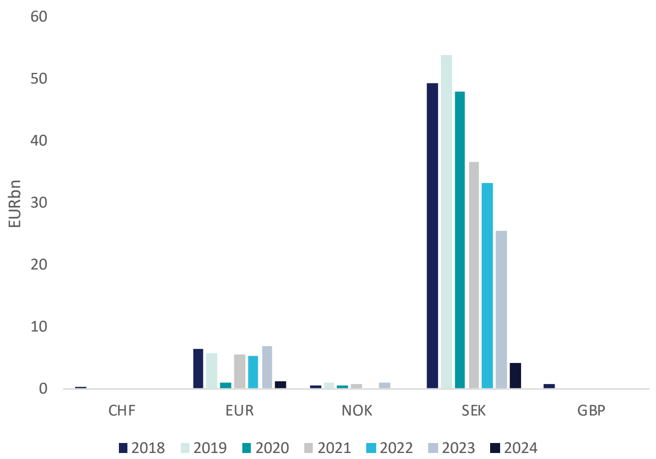
Digression: Can the comparatively weak performance of Norway, Sweden and the UK in the EUR benchmark segment in 2024 be put down to currency calculations?

In the context of commenting on our supply forecast, we have often stumbled across possible explanations for the weak momentum in those EUR benchmark jurisdictions that are not part of the eurozone. In the case of both Norway and Sweden, and the UK, it can be concluded that the advantageousness of their "own" currency in terms of funding represses EUR issues. In fact, we have observed over the course of 2024 that this relative attractiveness is very much a given. The first objectively measurable exception here, according to our calculations, was the Nationwide deal, which at least no longer indicated a clear advantage for the GBP. Nevertheless, we must also take into account that the general funding requirements in jurisdictions such as Sweden and Norway have been, and in some cases still are, severely hampered by the extremely weak momentum on the property market and the more than sluggish new business. As a result, we have seen and continue to see low issuance volumes in these two jurisdictions and in their respective domestic currencies.

Gross issues Norway



Gross issues Sweden



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

A look at EUR "benchmarks" with variable coupons and non-EUR benchmarks

What we described above for the GBP deals also applies to the EUR benchmark segment, i.e. there are no "benchmarks" with variable coupons in the iBoxx EUR Covered. Overall, FRNs play a very minor role in the market for publicly placed EUR deals. According to our records, just six deals with variable coupons in syndicated format have been placed on the market since 2017. In 2017 and 2018, it was Nykredit (DK) that went down this route, while Toronto Dominion (CA) has successfully placed a EUR "benchmark" in FRN format twice so far (2023 and 2024). In the current year, Nordea (FI) and Nationwide Building Society (UK) have also approached their investors with corresponding deals. The following table shows both the floating-rate EUR deals and the benchmarks outside the euro. Overall, it is important to note that the activity in the foreign currency segment in particular did not contribute to slowing down the momentum in the EUR benchmark segment. With just one USD deal and three GBP transactions that did not originate from UK issuers, the FX market for covered bonds is actually weakening.

Syndicated benchmark issues away from the EUR benchmark definition in the current year

Issuer	Country	Timing	ISIN	Maturity	Currency	Size	Spread	Cpn
DBS Bank	SG	02.05.	XS2813128555	3.0y	GBP	1.00bn	SONIA +55bp	Floating
NWIDE	GB	25.04.	XS2812616147	3.0y	**EUR**	0.50bn	**3mE +18bp**	**Floating**
CCDJ	CA	02.04.	XS2798874769	3.5y	GBP	0.75bn	SONIA +60bp	Floating
Leeds BS	GB	26.03.	XS2791036887	5.0y	GBP	0.50bn	SONIA +48bp	Floating
Natwest	GB	22.03.	XS2795569925	5.0y	GBP	0.75bn	SONIA +45bp	Floating
Barclays	GB	06.03.	XS2781417212	5.0y	GBP	0.50bn	SONIA +47bp	Floating
TD	CA	04.03.	XS2782117118	3.0y	**EUR**	2.00bn	**3mE +35bp**	**Floating**
Nordea	FI	24.01.	XS2758065010	3.0y	**EUR**	0.75bn	**3mE +20bp**	**Floating**
LBBW	DE	24.01.	DE000LB39BD0	2.0y	USD	0.60bn	SOFR + 50bp	Fixed
TD	CA	10.01.	XS2749463936	3.0y	GBP	1.25bn	SONIA +67bp	Floating
Santander UK	GB	09.01.	XS2747638257	3.5y	GBP	1.25bn	SONIA +54bp	Floating

Source: Bloomberg, NORD/LB Floor Research; EUR deals in FRN format = **bold**

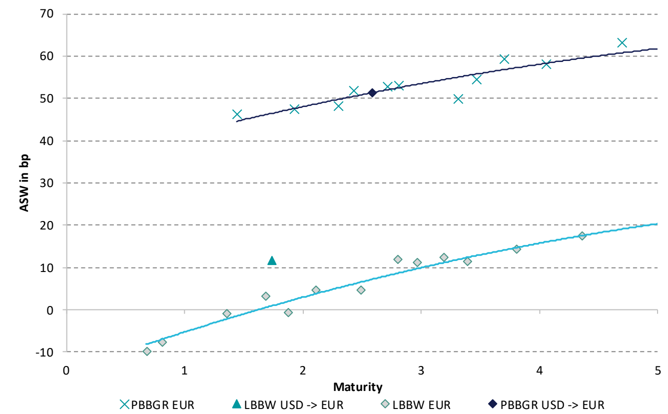
A look at the investor side

When evaluating covered bonds outside the "classic" EUR benchmark, the question of the investor base inevitably arises. In fact, the supply of bonds not denominated in EUR was well received on the market. For GBP deals, this is due not least to the fact that UK issuers have a "home" currency. However, the "overseas supply" in GBP has also been able to generate significant demand, as the DBS GBP benchmark showed. The final order book (GBP 1.0bn; 3.0y) totalled GBP 2.0bn, with the strong demand also allowing the spread to tighten by five basis points compared with the guidance. Although the majority of the allocation went to the UK, the deal also held a certain attraction for investors in the rest of Europe (share of allocation: 19%) and Ireland (4%). LBBW's USD benchmark from January (USD 600m; WNG; 2.0y) was finally sold to 20 investors, with accounts in the UK/Ireland accounting for the majority (53%). Also in January, Nordea finally entered long uncharted waters and approached investors with a floater (3.0y; guidance; 3mE +25bp area) as part of a dual tranche. Subsequently, the event could certainly be considered a success, as evidenced by investor demand (final order book: EUR 1.1bn) as well as the pricing leeway (final spread: 3mE +20bp). In total, 29% of the allocation went to the DACH (Germany, Austria, Switzerland) region, while 28% went to investors in the Nordics. In terms of investor type, the categories "Banks" (52%) and "Asset Managers" (24%) dominated. TD also evidently took advantage of the opportunities offered by a 3.0y FRN in EUR format and placed EUR 2.0bn at 3mE +35bp on the market as part of a triple tranche. In terms of demand, it should be stressed that for the FRN transaction from March the syndicates subsequently reported large individual orders for the floater that were attributable to the "Central Banks/OI outside Europe" category. The accounts also emphasised the "scarcity value" of the (short-dated) FRN format in the EUR segment. The most recent EUR floater goes back to the Nationwide Building Society, which likewise opted to embed its fresh FRN (EUR 500m; WNG; 3.0y; guidance: 3mE +27bp area) in a dual tranche deal. The strong demand from banks in the DACH region and a final order book of EUR 2.1bn were certainly noteworthy here. Significant narrowing in terms of the marketing (final spread: 3mE +18bp) in conjunction with the robust order book also enabled the issuer to put the advantages of EUR issues back on the agenda for itself (and other UK issuers).

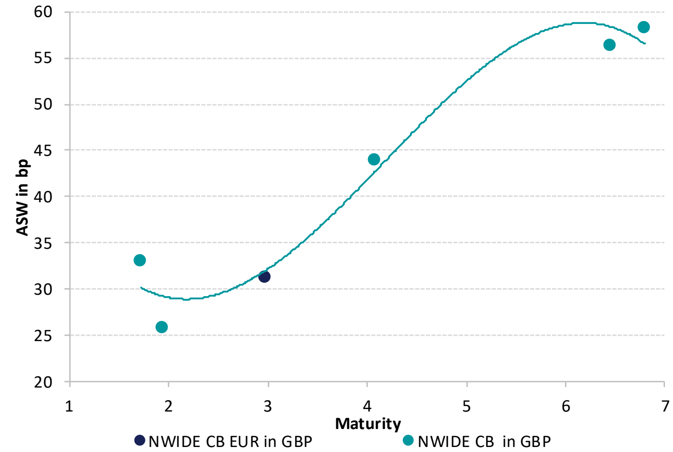
Choice of issuance currency is not always based on profitability

From an issuer's point of view, the choice of issuance currency is based on a technical consideration, where ultimately the market that offers the greatest advantages is used. A considerable challenge in this context is the issuer-specific premium in the "foreign" market, which goes beyond the (almost) no-arbitrage conversion using interest rate or XCCY swaps. Ultimately, investor demand is also important in this context, as the "scarcity value" of EUR floaters has shown. In the chart below on the left, we summarise the issues of LBBW and PBB and transform the USD deals "synthetically" into euros in order to make them comparable with the EUR issues on the basis of secondary market prices. A funding advantage for USD deals could not be derived from this schematic approach. We can see the implications of the NWIDE floater from April in the chart on the right. In purely mathematical terms and based on an analogue approach, the FRN EUR deal is on or marginally below the GBP floater curve.

XCCY comparison: LBBW and PBB in EUR (DE)



XCCY comparison: NWIDE in GBP (floating; UK)



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

Conclusion

With regard to issues away from the benchmark, different dynamics can be observed in the current year. The primary market in non-EUR currencies was actually somewhat restrained, for example. This is also due to specific factors in jurisdictions such as Norway, Sweden and Canada. We find the activity with regard to EUR floaters in benchmark size quite remarkable. Three deals in the current year certainly still indicate a significant shortage. Nevertheless, this issuance activity, which is spread across Canada, Finland and the UK, must be seen as notable in the context of a historical assessment. Conversely, investor demand observed here should not really be regarded as a new thing. Ultimately, those accounts that see a need to invest here will also find what they are looking for in other asset classes such as the Public Issuers/SSA segment.

NORD/LB

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

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

Dutch agency market shaped by two public-sector agencies

Measured in terms of the number of issuers, the Dutch agency market is comparatively small. Three agencies regularly issue bonds, namely Bank Nederlandse Gemeenten (BNG), Nederlandse Waterschapsbank (NWB) and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO). However, despite the low number of issuers, the Dutch agency market is one of the largest of its kind as measured in terms of the volume of outstanding bonds, which comes in at the equivalent of EUR 166.2bn split between a total of 561 bonds placed by the presented issuers. The two main players on the Dutch agency market, BNG and NWB, focus (almost) exclusively on the provision of funding to the public sector. Accordingly, both agencies make funding available for companies in the healthcare and housing construction sectors, in particular. Loans to these companies are guaranteed by funds for which the Dutch government is, in turn, ultimately liable. These loans, which make up a large proportion of the BNG and NWB credit portfolios, therefore benefit from an implicit guarantee provided by the Dutch government. Other major clients from the public sector include municipalities and the Dutch water boards (Waterschappen). These institutions, some of which date back to the 13th century, play a key role in managing the water industry in the Netherlands. Roughly one quarter (26%) of the area of the Netherlands is below sea level, which presents huge challenges in terms of water quality, water treatment and water supply. In contrast, FMO concentrates on development aid in the areas of energy, banks, the agricultural sector, as well as food and water, while additionally maintaining a particular focus on the private sector. Furthermore, Dutch agencies are also active in the market for ESG (environmental, social and governance) and SRI (socially responsible investment) bonds. The funding strategy within this segment is exceptionally expansive, with bonds covering the full spectrum of ESG aspects. In the Netherlands, this extends from social housing through to funding for conventional ecological projects. As a promotional bank for the public sector, BNG also indirectly issues "green" funding to eligible municipalities, for example.

Dutch agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weighting
Bank Nederlandse Gemeenten (BNG)	Municipal bank	50% Netherlands, 50% Dutch municipalities, regions and one water board	-	20%
Nederlandse Waterschapsbank (NWB)	Municipal bank	81% Dutch water boards, 17% Netherlands, 2% Dutch provinces	-	20%
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO)	Promotional development bank	51% Netherlands, 42% private banks, 7% trade unions and employer associations	Maintenance obligation	0%

Source: Issuers, NORD/LB Floor Research

Risk weighting of 0% according to CRR/Basel III only possible for FMO

It should be noted that due to the fact that the Dutch state has not provided any explicit guarantees, neither BNG nor NWB benefit from a 0% risk weighting in accordance with CRR/Basel III. However, a maintenance obligation for FMO means that a risk weighting of 0% is possible for this agency. Unlike BNG or NWB, the Dutch state implicitly guarantees the liabilities of FMO. As part of an agreement, it was specified that the Dutch state should strive to avoid situations in which FMO is unable to service its financial liabilities on time. Moreover, where FMO incurs losses from unforeseeable business risks, the Dutch state is obliged to step in to support the promotional development bank, assuming that no provisions have been made for this eventuality and that general risk reserves have been exhausted (maintenance obligation). In terms of the capital requirements, BNG and NWB are obliged to meet new requirements as part of the ECB's annual Supervisory Review and Evaluation Process (SREP): this amounts to 10% overall for the former, and 10.25% for the latter. With effect from 31 May 2024, BNG will also have an adjusted countercyclical buffer (CCyB) of 2% and, as a systemically important bank (Other Systemically Important Institution; O-SII), a reduced capital buffer of 0.25%.

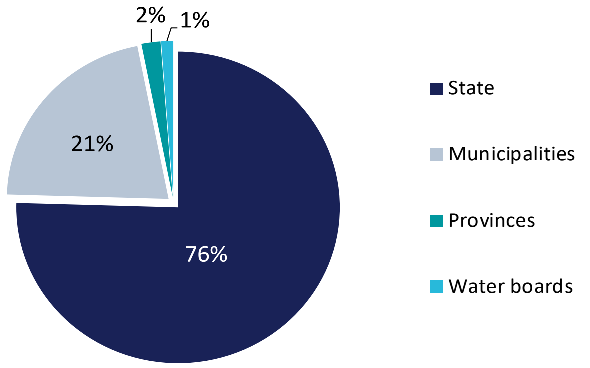
Dutch sub-sovereigns dominate BNG and NWB risk

A large portion of the lending portfolios attributable to BNG and NWB harbours risks linked to Dutch administrative authorities (central government, provinces, municipalities and water boards).

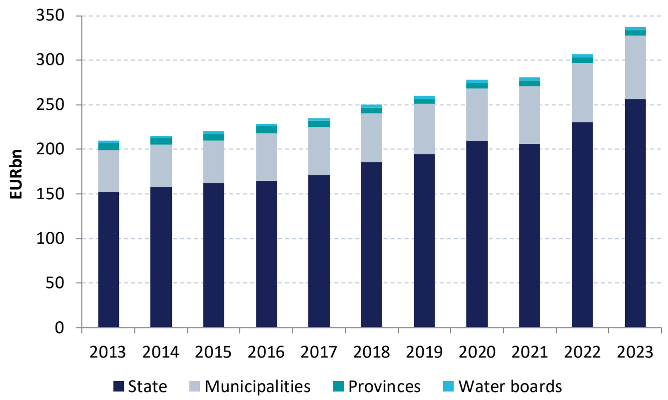
Municipalities, provinces and water boards as part of the Dutch state

As of 2023, the Netherlands is divided into 342 municipalities. A year earlier, this figure stood at 352. The slight decline reflects a steady trend: in 2005, the Netherlands was divided into 467 municipalities, although at the start of the 1990s, the number of Dutch municipalities was as high as 774. The municipalities are overseen by 12 provinces, which form the regional governments in the Netherlands. By and large, the municipalities and provinces perform similar tasks, which they are entitled to finance by levying taxes, among other measures. Municipalities, provinces and waterboards are therefore entitled within existing regulatory frameworks to make binding decisions for citizens, to draft their own regulations, to issue or refuse permits and to levy taxes. Just under 25% of the Dutch state's income was attributable to these three sub-sovereign groups in 2023, while the majority accrued to the Dutch central government.

Revenue sources by regional government



Trend in revenue sources

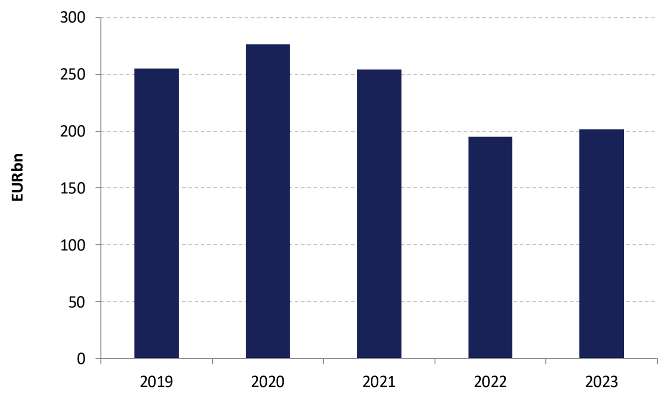


Source: Centraal Bureau voor de Statistiek (CBS), NORD/LB Floor Research

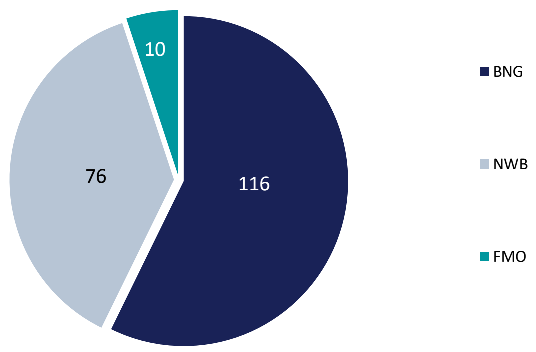
Balance sheet totals up slightly, new commitments down on prior year

In 2023, the aggregated balance sheet totals of the agencies covered here increased by EUR +6.4bn to stand at EUR 201.3bn overall. This growth can be attributed in particular to the balance sheet expansions seen at BNG and NWB. In the case of FMO, total assets increased by just EUR +0.4bn year on year. With total assets of EUR 115.5bn and EUR 75.9bn respectively, BNG and NWB are by far the largest institutes operating in this segment. The aggregated volume of new commitments on the part of the Dutch agencies declined once again in the previous financial year. At EUR 1.9bn, FMO was more or less on a par with the value recorded in the prior year. However, the volumes posted by BNG and NWB fell by EUR -1.0bn and EUR -1.2bn respectively, meaning that the aggregated value of new commitments for 2023 came in at EUR 20.6bn, EUR 2.1bn lower than in the previous year.

Cumulative balance sheet totals of Dutch agencies

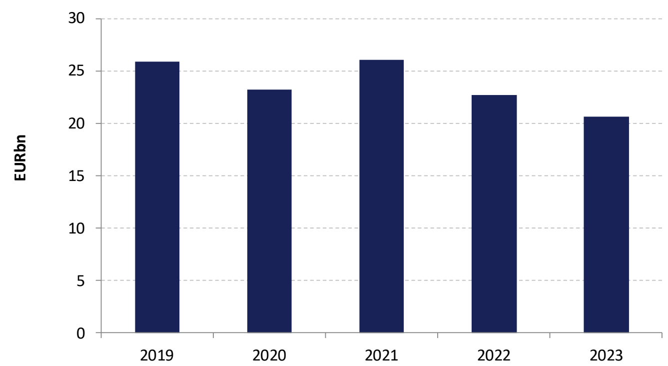


Comparison of balance sheet totals (EURbn)

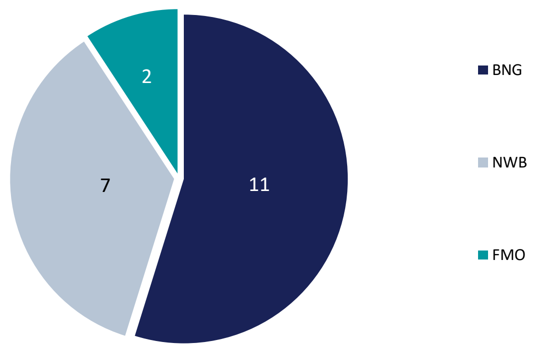


Source: Issuers, NORD/LB Floor Research

New commitments of Dutch agencies



Comparison of new commitments (EURbn)



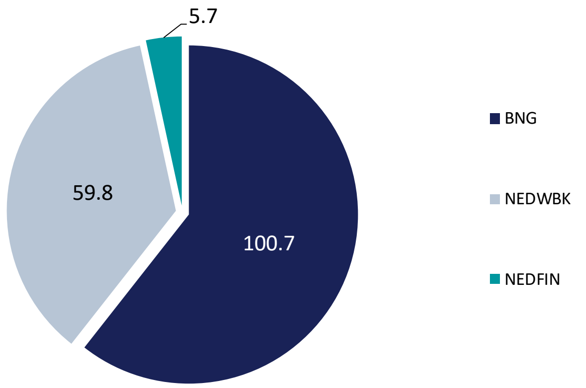
Source: Issuers, NORD/LB Floor Research

Dutch agencies – an overview (EURbn/EUR equivalent)

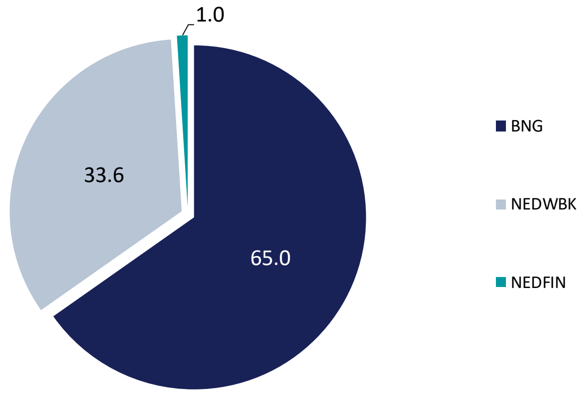
Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding Volume	EUR volume	Funding target 2024	Maturities 2024	Net Supply 2024	Number of ESG bonds	ESG volume
BNG	BNG	AAA/Aaa/AAA	100.7	69.9	16.0	16.1	-0.1	30	26.4
NWB	NEDWBK	-/Aaa/AAA	59.8	39.5	11.0	9.2	1.8	36	26.2
FMO	NEDFIN	AAA/-/AAA	5.7	1.3	1.5	1.2	0.3	6	1.7
Total			**166.2**	**110.7**	**28.5**	**26.5**	**2.0**	**72**	**54.3**

NB: Foreign currencies are converted into EUR at rates as at 07 May 2024.
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Floor Research

Outstanding bond volumes (EURbn)

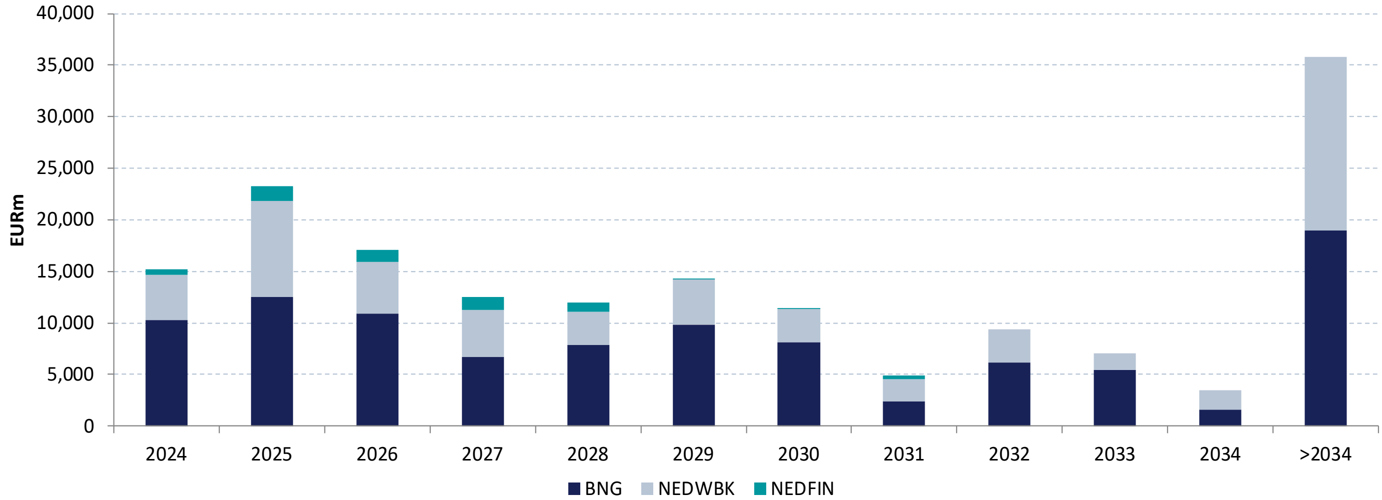


Outstanding EUR benchmarks (EURbn)

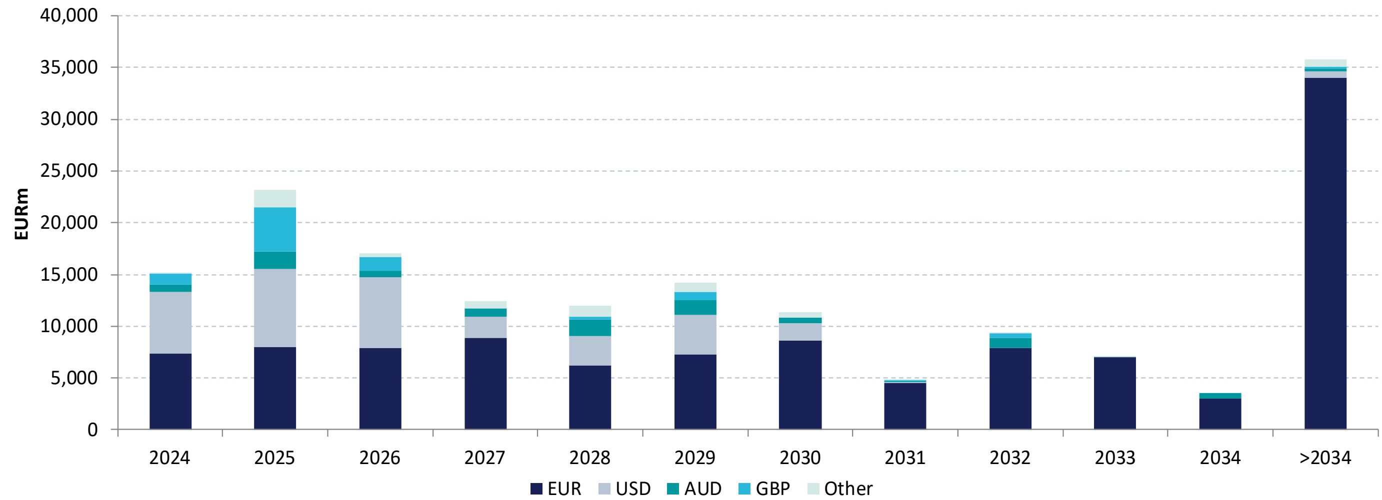


NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.

Dutch agencies: outstanding bonds by issuer



Dutch agencies: outstanding bonds by currency



NB: Foreign currencies are converted into EUR at rates as at 07 May 2024.
Source: Bloomberg, NORD/LB Floor Research

Fluctuating share of EUR benchmarks in overall funding mix

Dutch agencies conduct their activities across a variety of currencies (16 different FX denominations, plus EUR), although in recent years we have observed an increased proportion of EUR benchmarks at BNG in particular. Demand for refinancing on the part of the agencies is even trending upwards, a development which will be reflected on the liabilities side of their balance sheet totals. ESG bonds are particularly popular in the Netherlands and certainly appeal to investors.

Dutch agencies increasingly opting for longer-term refinancing

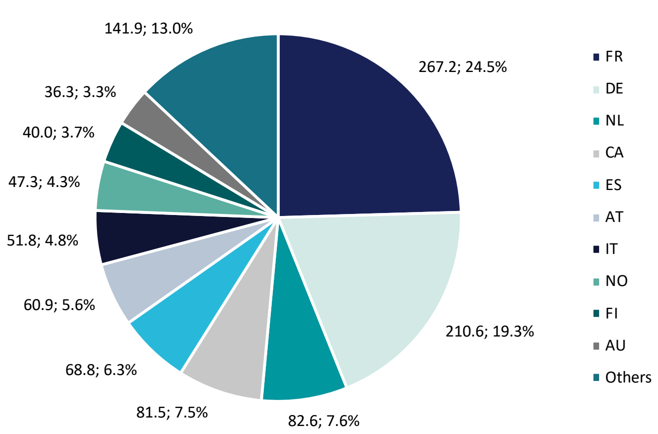
With the exception of NEDFIN, which conducts a significant proportion of its refinancing activities at the short end, Dutch agencies are now tending to opt for longer-term refinancing. For both BNG and NEDWBK, there is therefore a more extensive supply in longer maturity segments than we have observed in the past. We do not expect any negative surprises at all in terms of primary market activities, as Dutch agencies have in the past been characterised by their extremely reliable funding plans and capital market communications.

Conclusion and comment

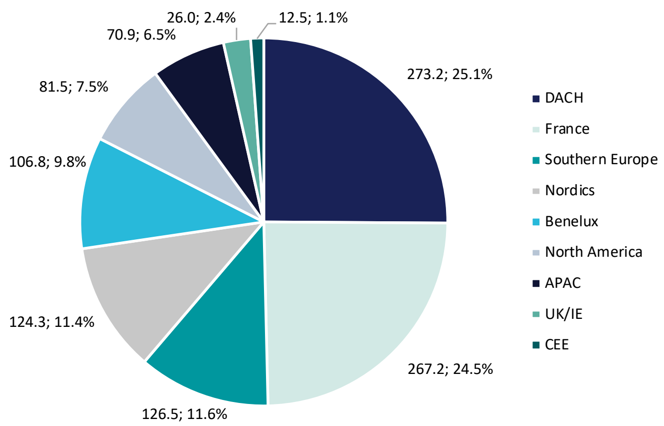
Despite the small number of issuers, the Dutch agency market is one of the largest of its kind in terms of its outstanding bond volumes. Outstanding bonds worth the equivalent of EUR 166.2bn are currently spread across 561 bonds placed by the three issuers included in this article previewing our Issuer Guide – Dutch Agencies 2024. In terms of funding targets for 2024, BNG is planning for a sum of EUR 16.0bn. For its part, NWB has calculated a refinancing requirement of EUR 11.0bn, with FMO intending to raise EUR 1.5bn in fresh capital.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



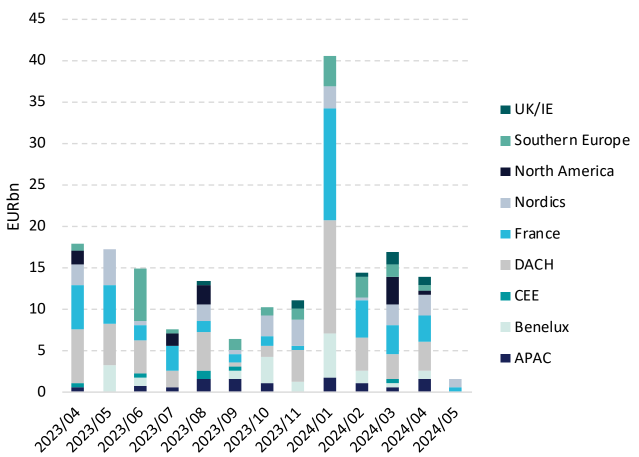
EUR benchmark volume by region (in EURbn)



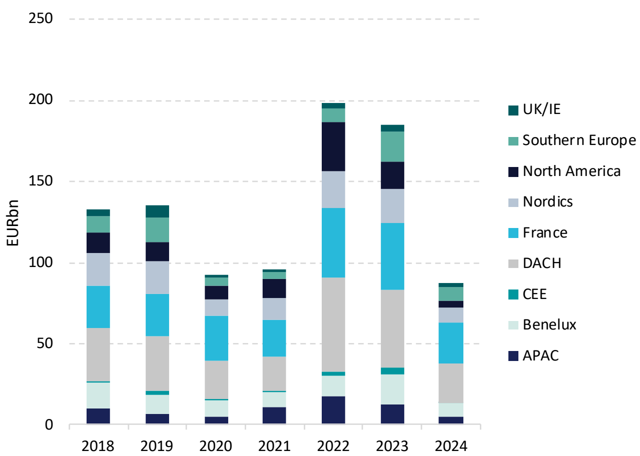
Top-10 jurisdictions

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	267.2	258	25	0.97	9.3	4.9	1.42
2	DE	210.6	299	41	0.65	7.8	4.0	1.39
3	NL	82.6	83	3	0.93	10.5	6.0	1.30
4	CA	81.5	60	1	1.33	5.6	2.7	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	47.3	57	12	0.83	7.3	3.6	0.95
9	FI	40.0	45	4	0.87	6.9	3.7	1.69
10	AU	36.3	34	0	1.07	7.2	3.3	1.68

EUR benchmark issue volume by month

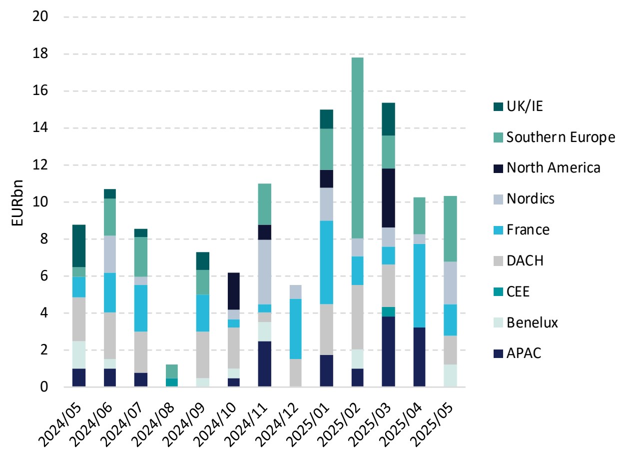


EUR benchmark issue volume by year

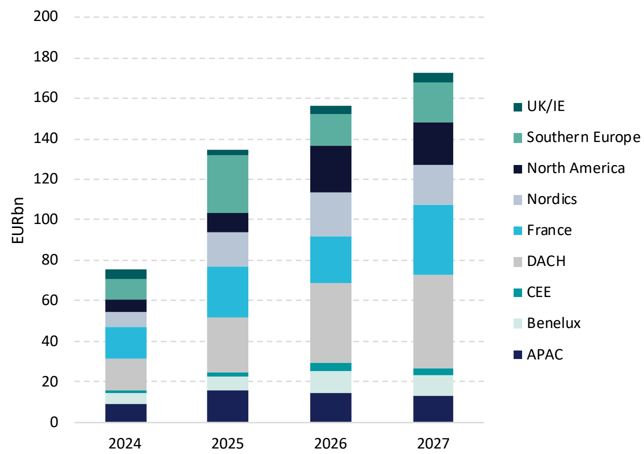


Source: market data, Bloomberg, NORD/LB Floor Research

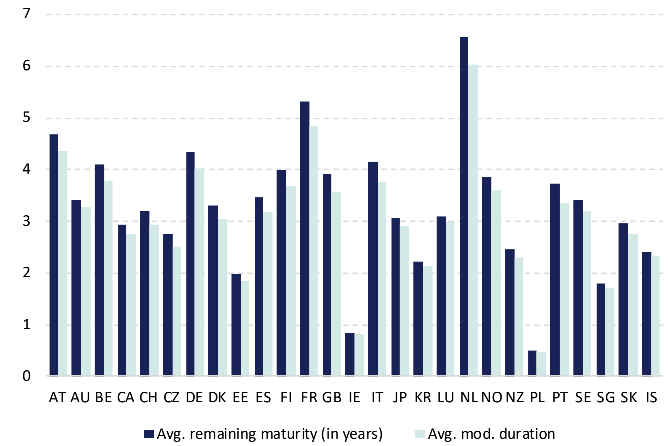
EUR benchmark maturities by month



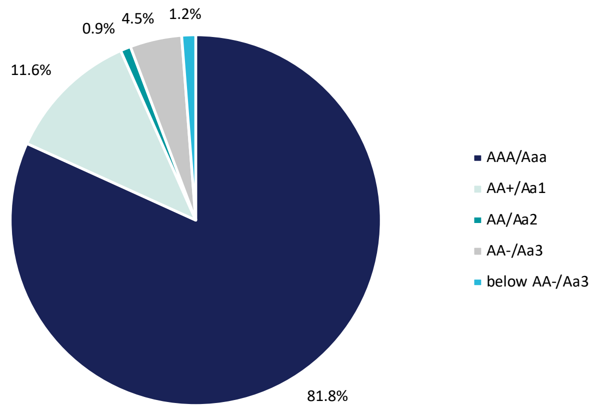
EUR benchmark maturities by year



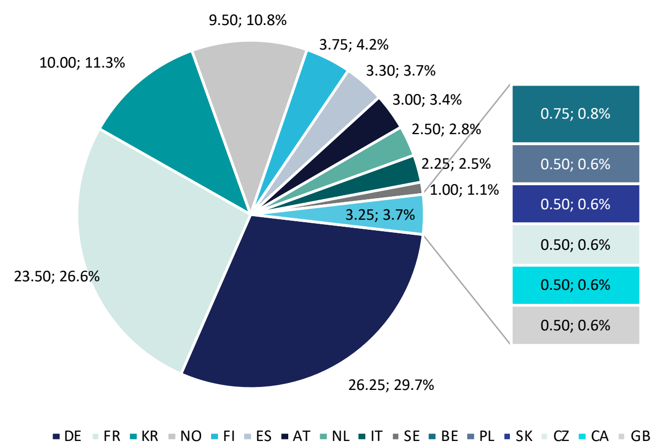
Modified duration and time to maturity by country



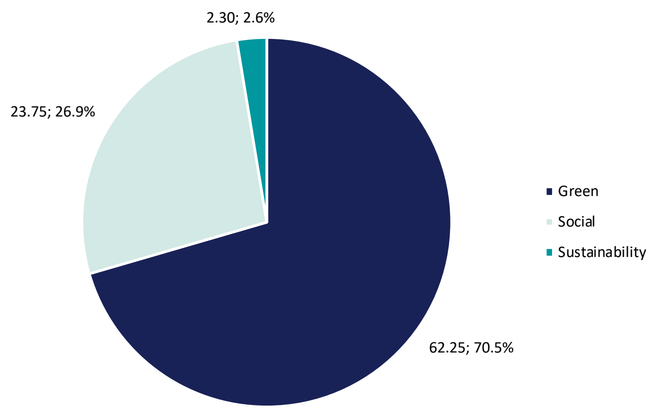
Rating distribution (volume weighted)



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



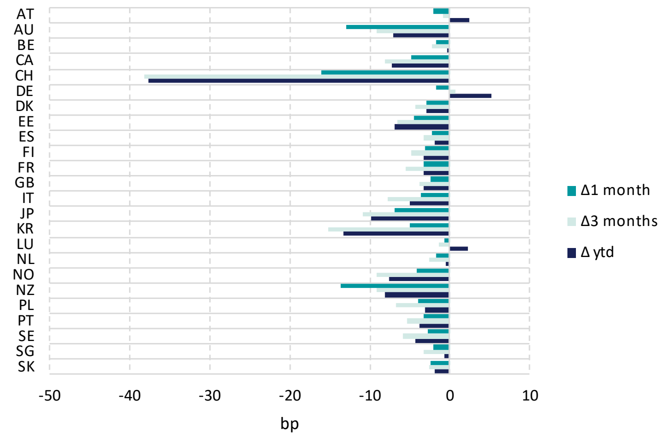
EUR benchmark volume (ESG) by type (in EURbn)



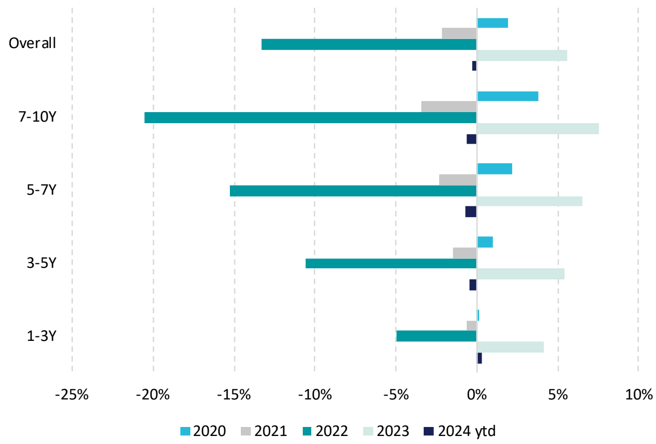
Source: market data, Bloomberg, NORD/LB Floor Research

NORD/LB

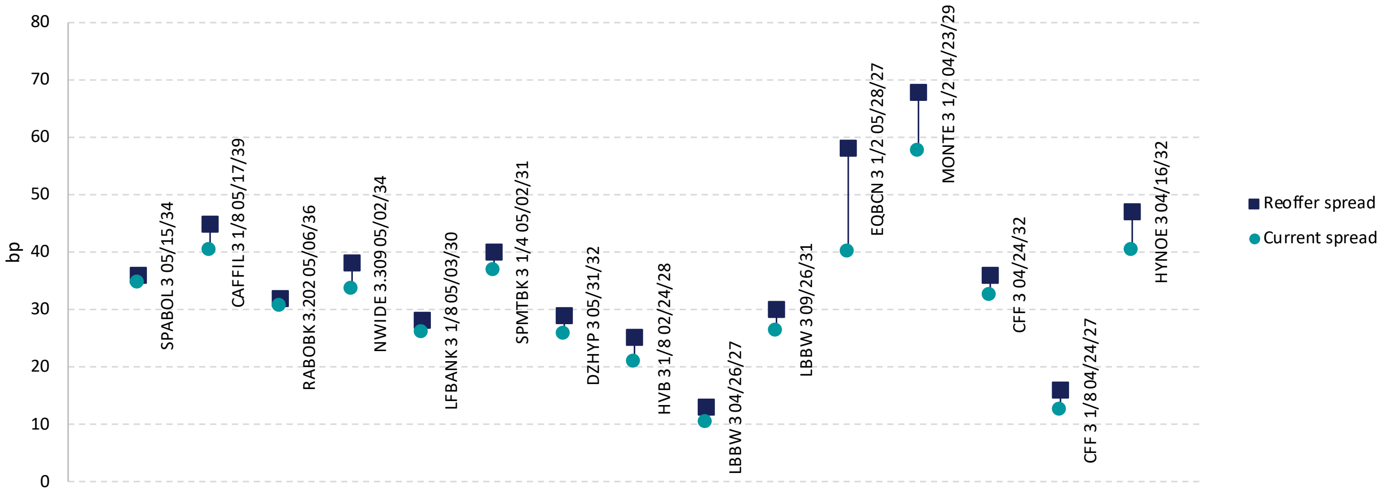
Spread development by country



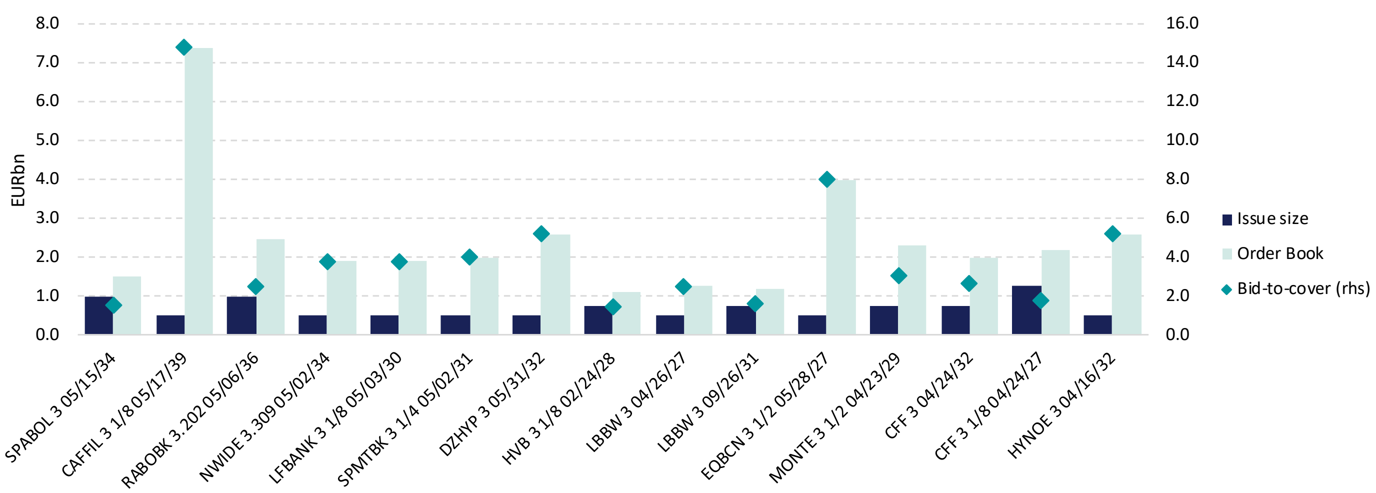
Covered bond performance (Total return)



Spread development (last 15 issues)



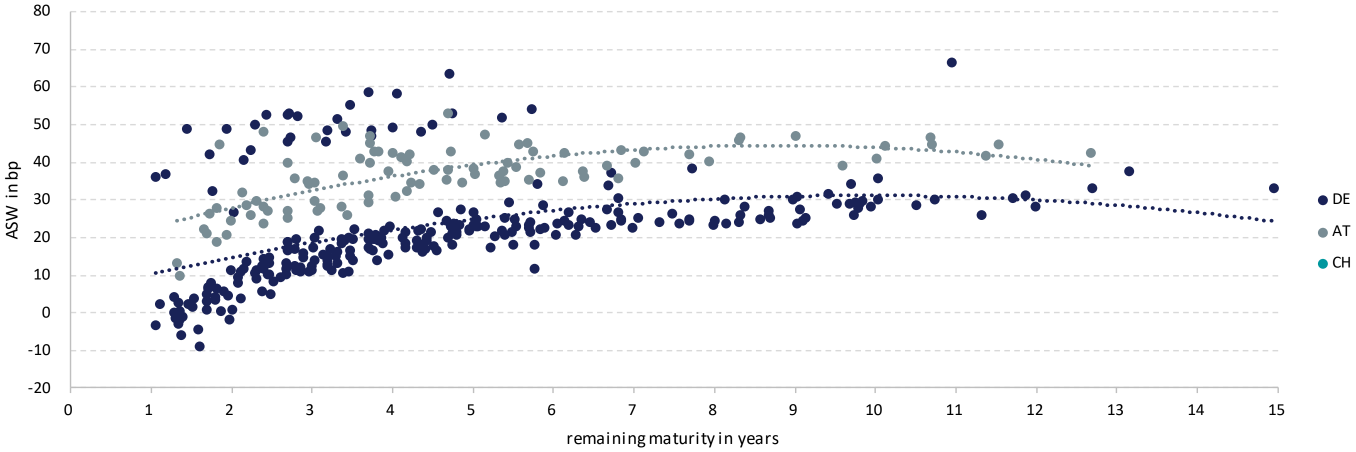
Order books (last 15 issues)



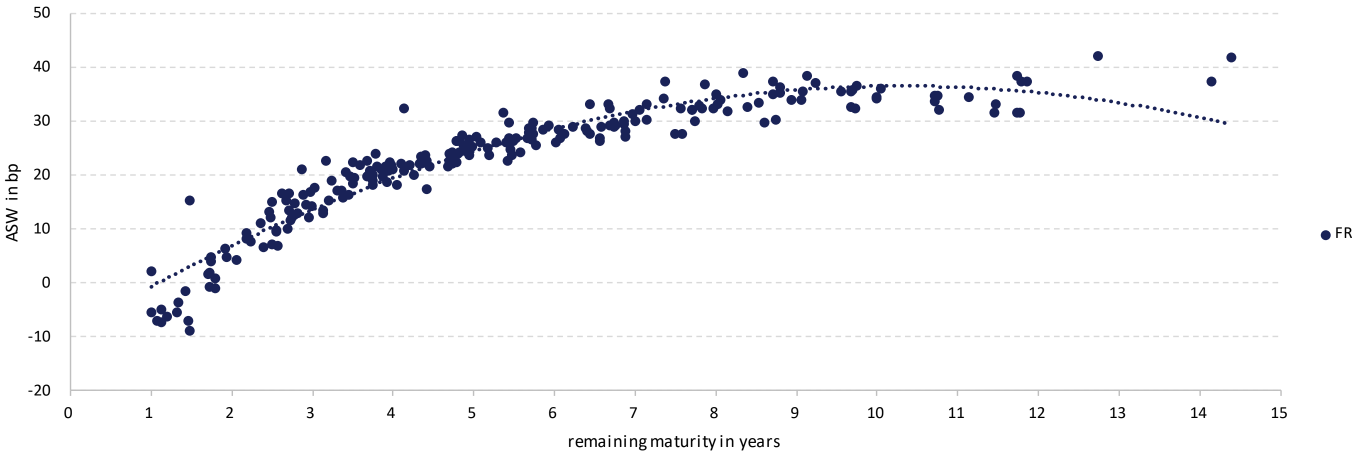
Source: market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

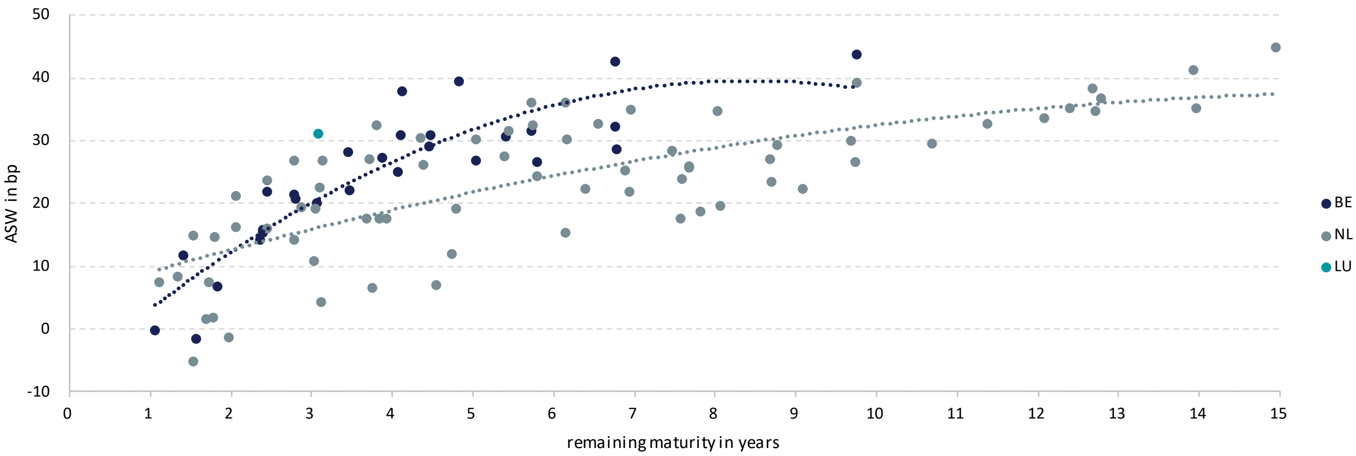
DACH



France

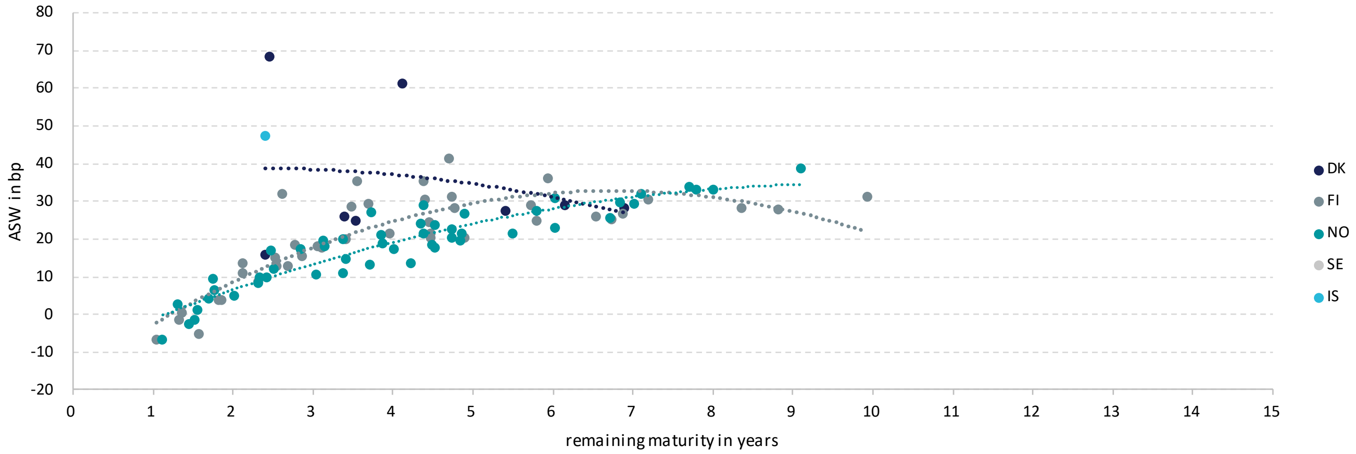


Benelux

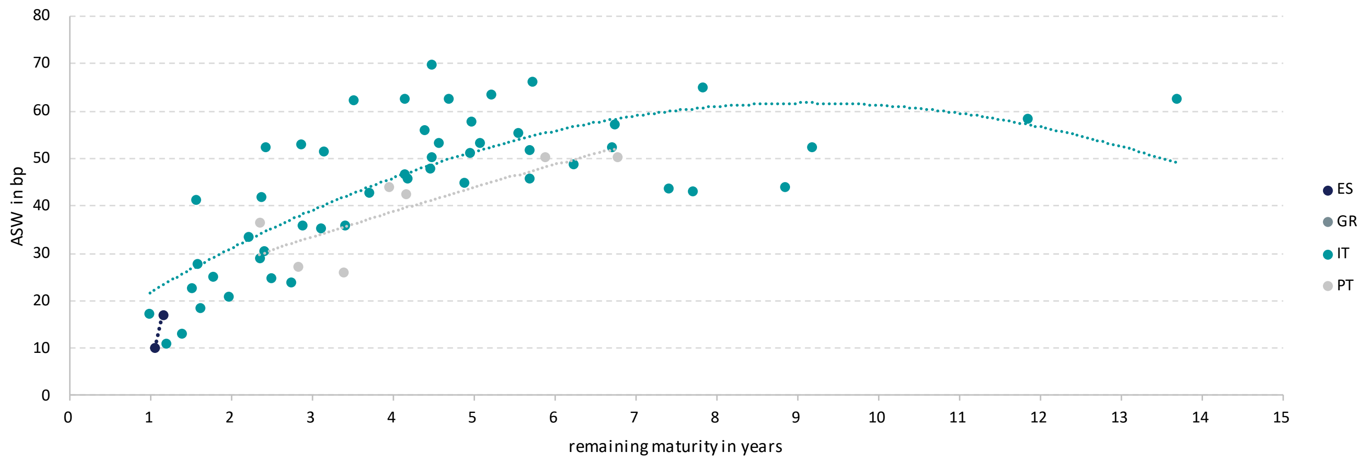


Source: market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

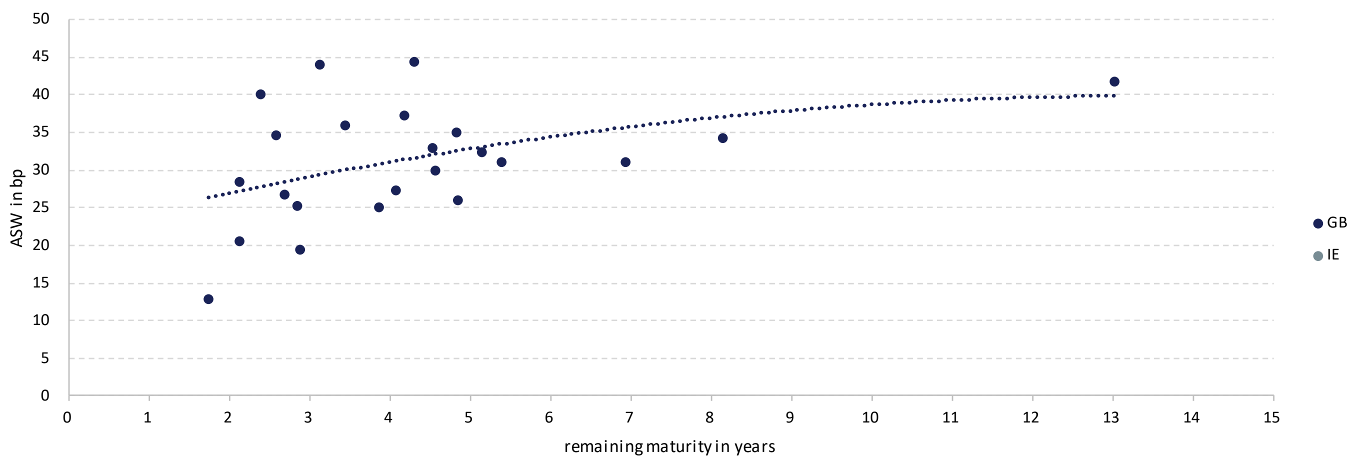
Nordics



Southern Europe

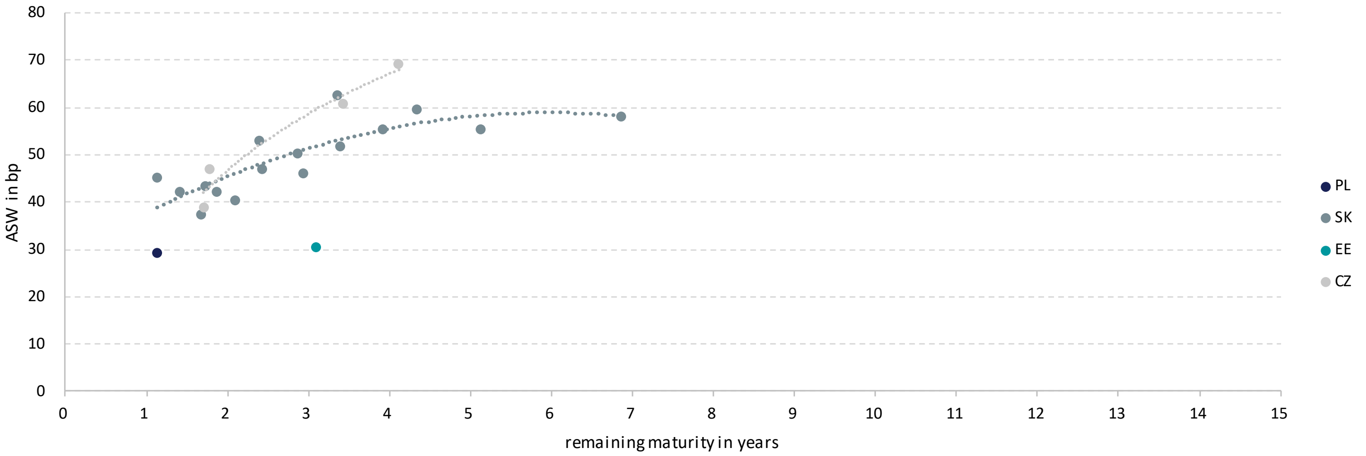


UK/IE

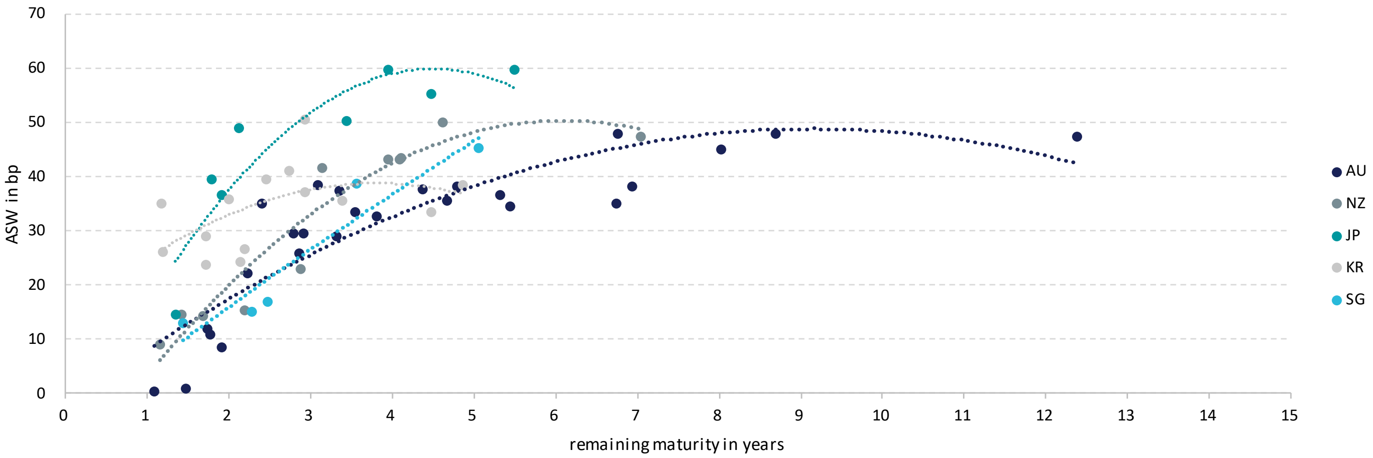


Source: market data, Bloomberg, NORD/LB Floor Research

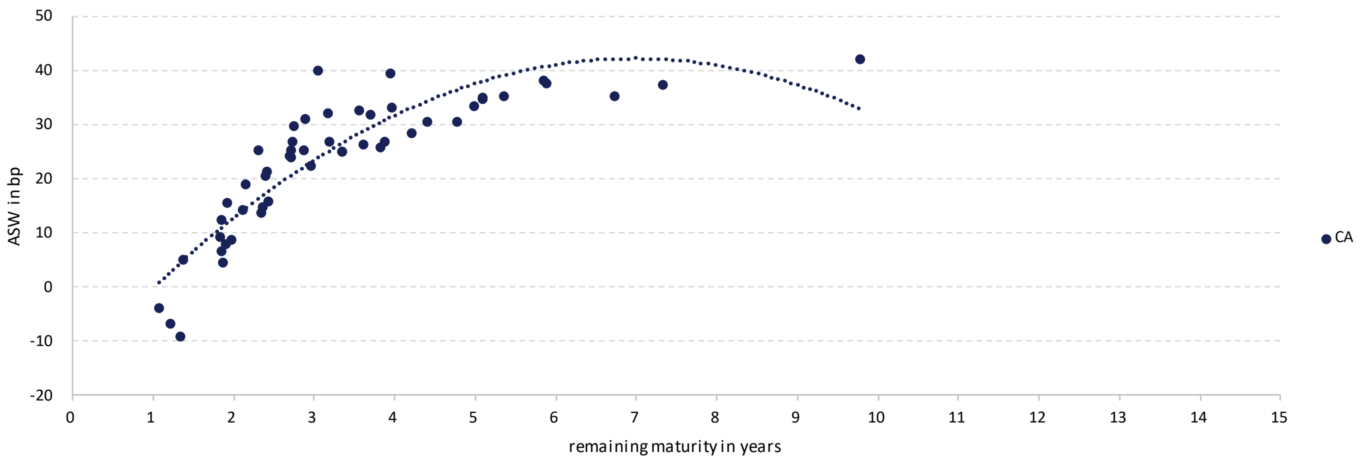
CEE



APAC



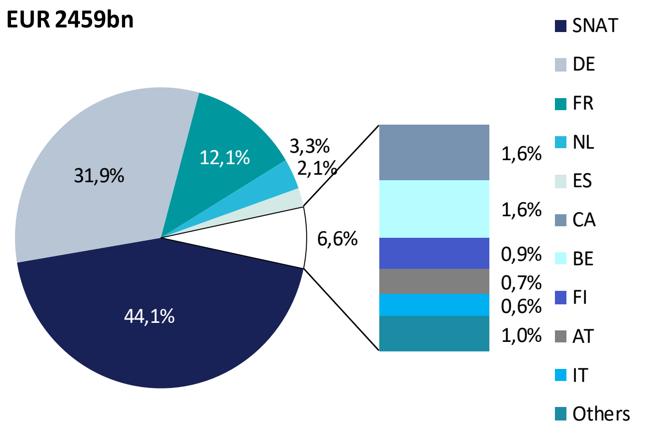
North America



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

Charts & Figures
SSA/Public Issuers

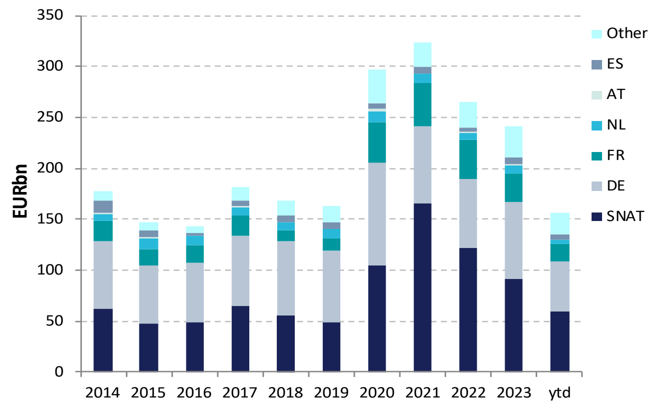
Outstanding volume (bmk)



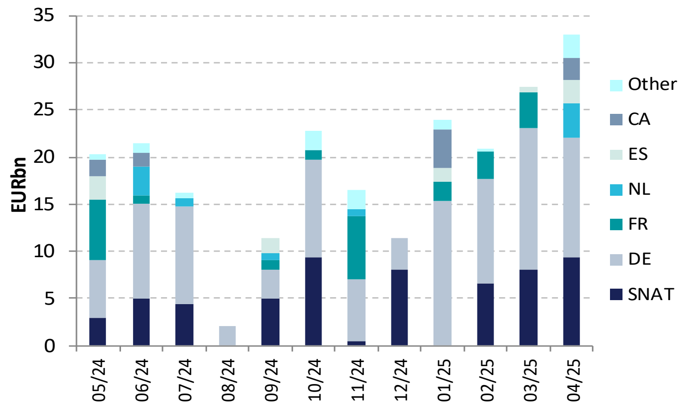
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	1.083,7	233	4,7	8,0
DE	783,7	583	1,3	6,2
FR	298,4	201	1,5	5,9
NL	80,7	68	1,2	6,5
ES	50,5	68	0,7	4,8
CA	40,3	28	1,4	4,5
BE	40,3	43	0,9	10,6
FI	22,9	24	1,0	4,7
AT	17,8	22	0,8	4,1
IT	15,2	19	0,8	4,3

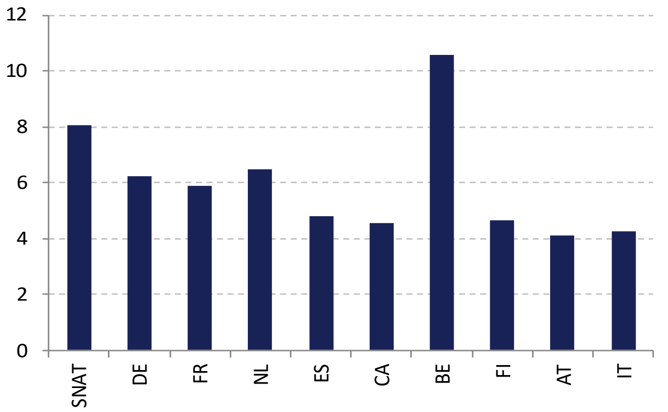
Issue volume by year (bmk)



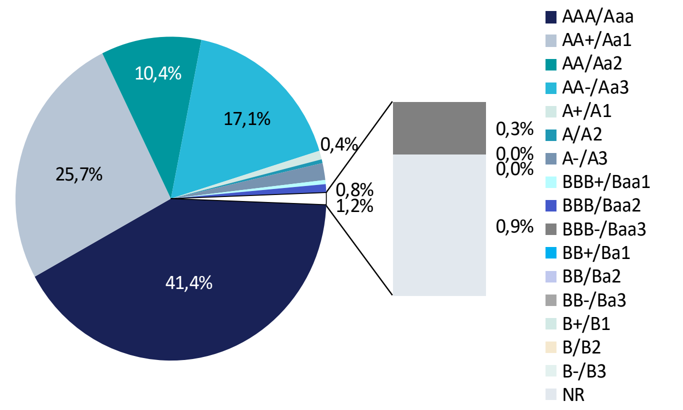
Maturities next 12 months (bmk)



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

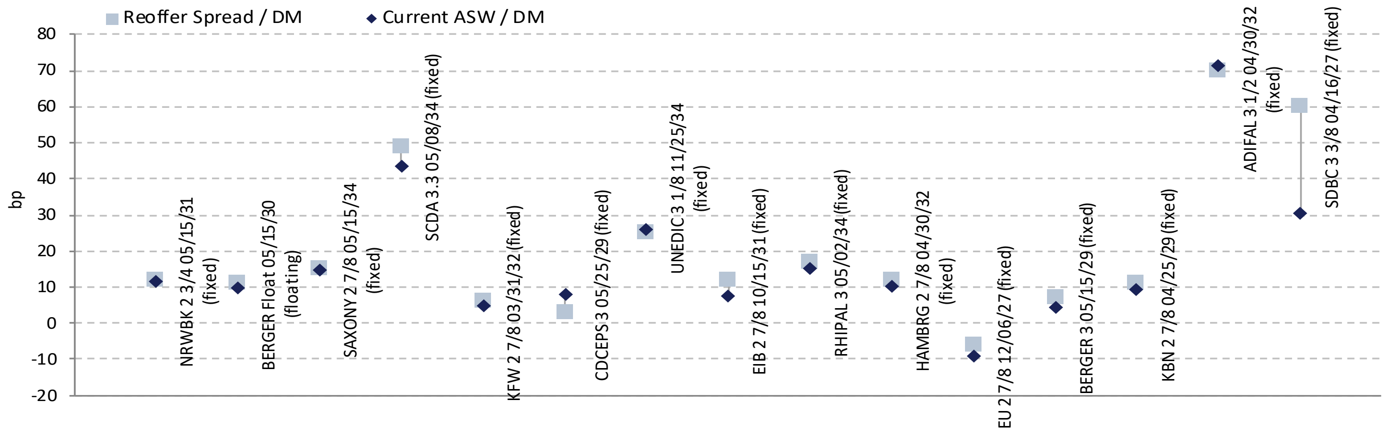


Rating distribution (vol. weighted)

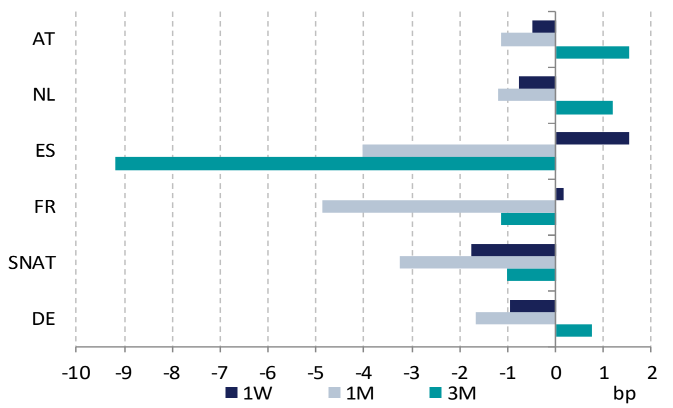


Source: Bloomberg, NORD/LB Floor Research

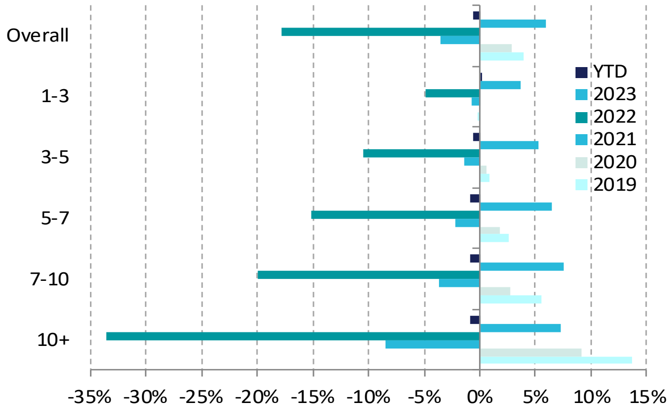
Spread development (last 15 issues)



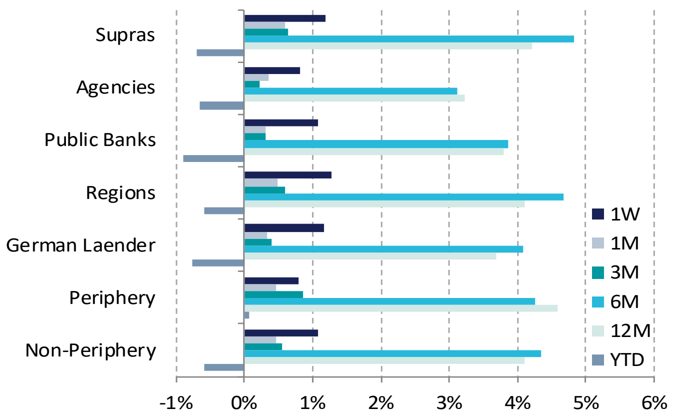
Spread development by country



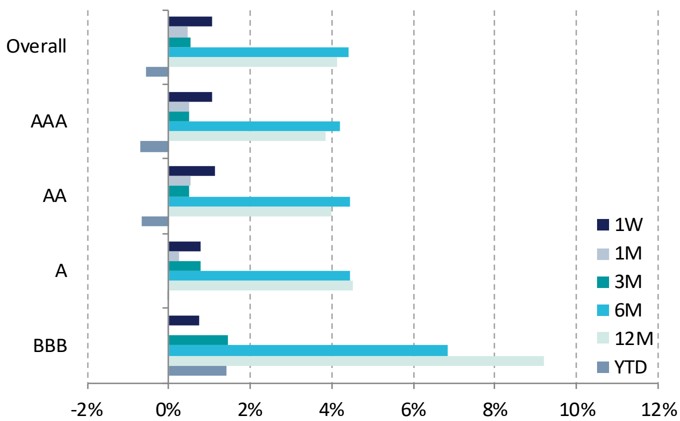
Performance (total return)



Performance (total return) by segments



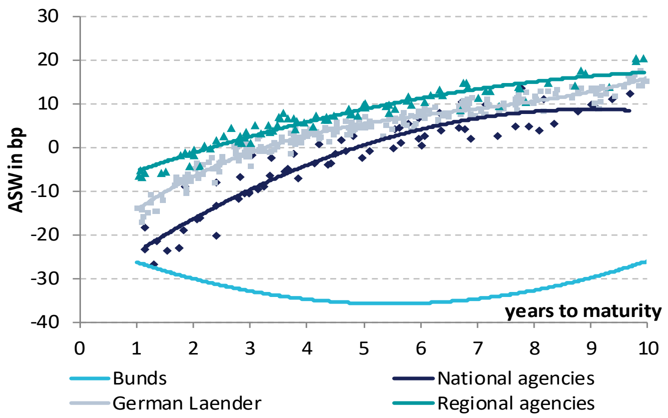
Performance (total return) by rating



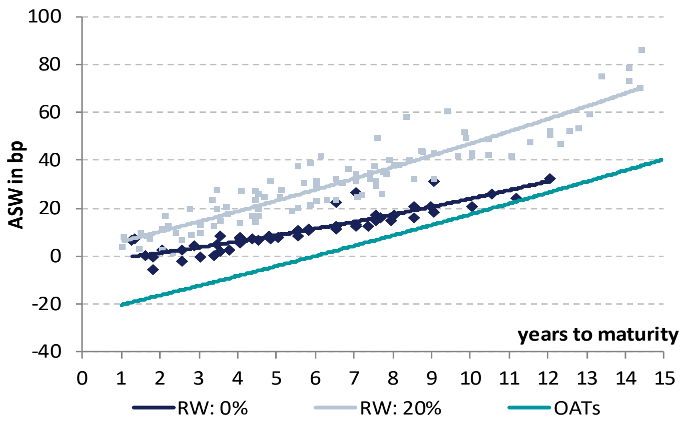
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

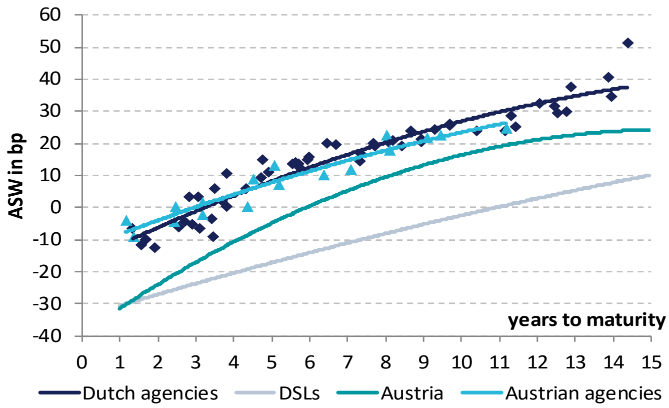
Germany (by segments)



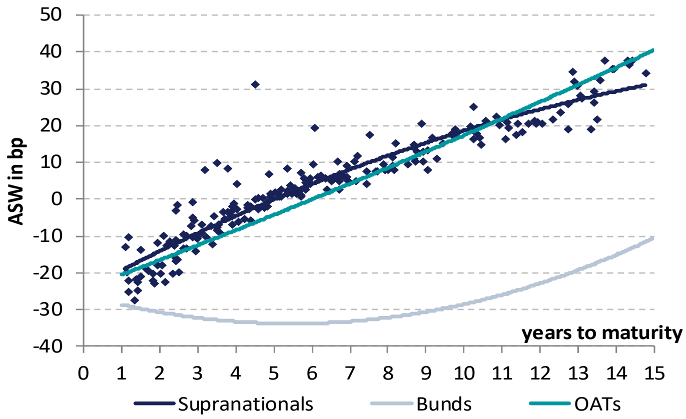
France (by risk weight)



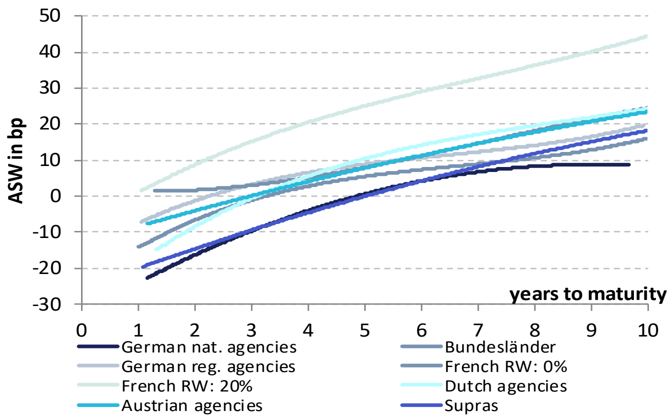
Netherlands & Austria



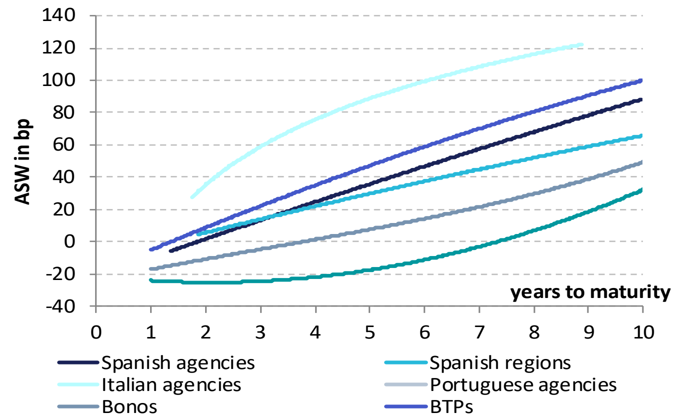
Supranationals



Core



Periphery



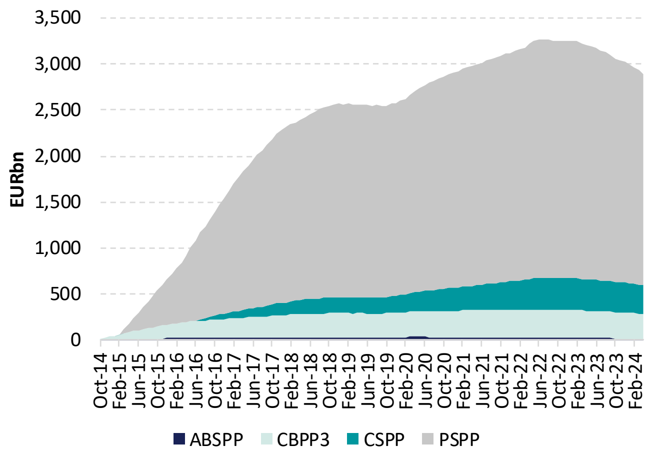
Source: Bloomberg, NORD/LB Floor Research

ECB tracker

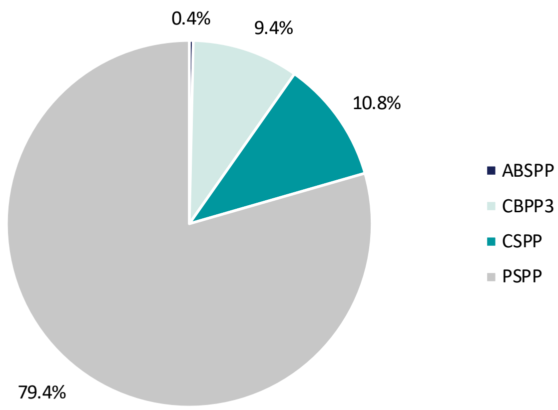
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Mar-24	10,537	274,499	316,207	2,330,298	2,931,541
Apr-24	10,161	272,685	312,679	2,301,586	2,897,111
Δ	-377	-1,814	-3,529	-28,712	-34,432

Portfolio development

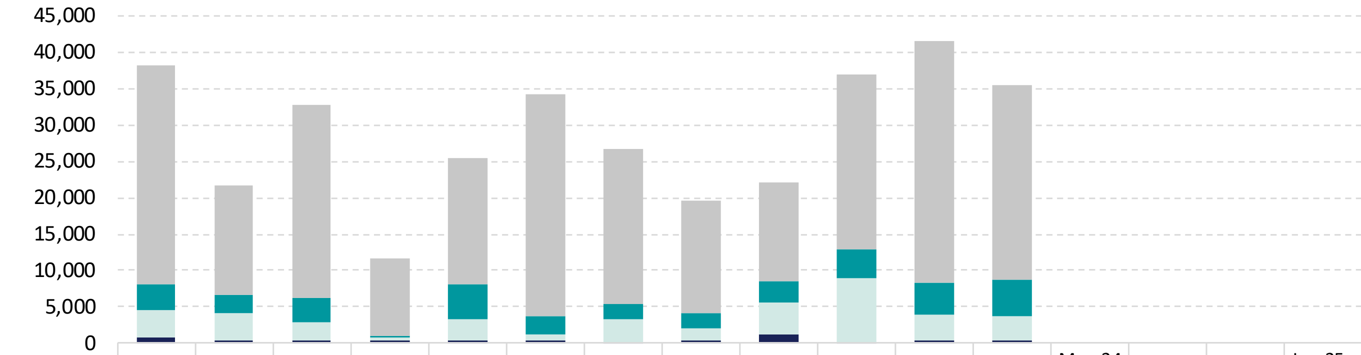


Portfolio structure



Source: ECB, NORD/LB Floor Research

Expected monthly redemptions (in EURm)

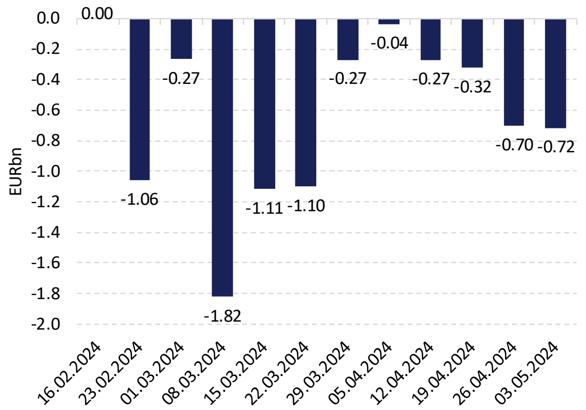


	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-24 - Apr-25	2023	2024	Jan-25 - Apr-25
APP	38,258	21,648	32,762	11,589	25,501	34,346	26,693	19,634	22,070	36,947	41,634	35,499	346,581	331,565	334,097	59,017
PSPP	30,194	14,974	26,645	10,533	17,434	30,578	21,298	15,573	13,463	24,021	33,345	26,671	264,729	255,025	264,250	37,484
CSPP	3,463	2,462	3,204	244	4,738	2,613	2,031	1,944	2,973	4,076	4,279	5,137	37,164	31,251	31,379	7,049
CBPP3	3,836	3,777	2,558	541	2,993	736	3,136	1,790	4,335	8,635	3,709	3,373	39,419	35,147	32,173	12,970
ABSPP	765	435	355	271	336	419	228	327	1,299	215	301	318	5,269	10,142	6,295	1,514

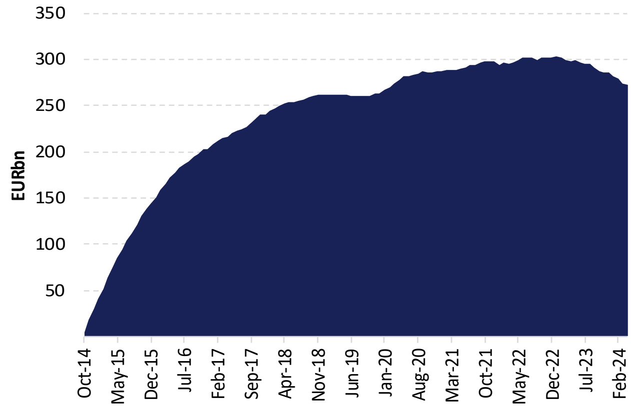
Source: ECB, Bloomberg, NORD/LB Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

Weekly purchases

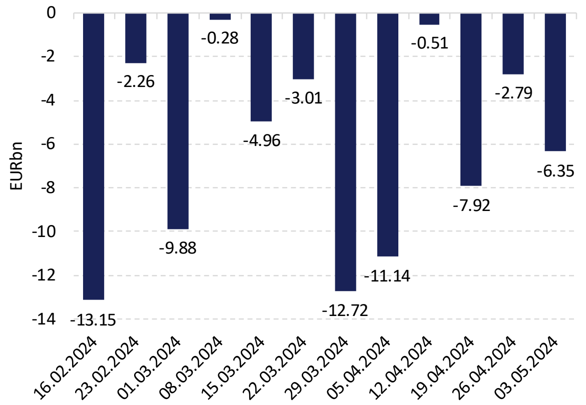


Development of CBPP3 volume

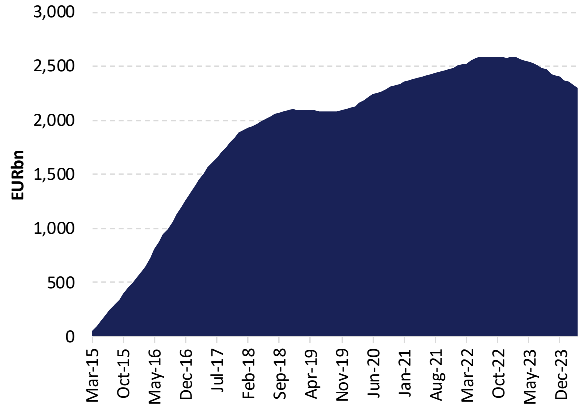


Public Sector Purchase Programme (PSPP)

Weekly purchases



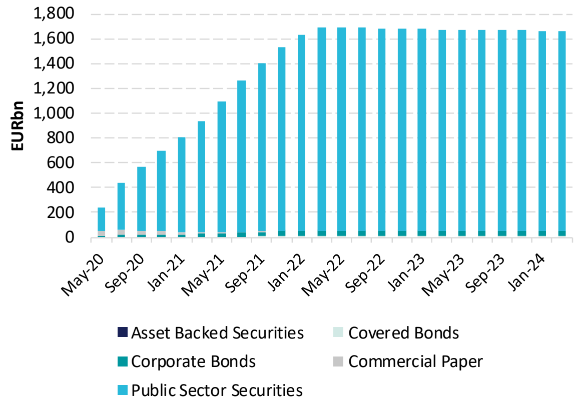
Development of PSPP volume



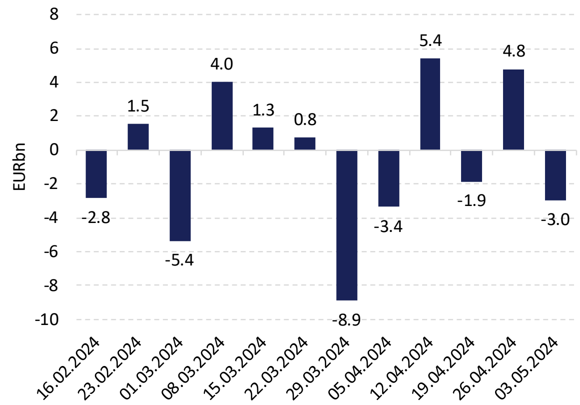
Source: ECB, Bloomberg, NORD/LB Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Source: ECB, Bloomberg, NORD/LB Floor Research

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
15/2024 ♦ 24 April	▪ A covered bond view of Portugal: Welcome back! ▪ Credit authorisations of the German Laender for 2024
14/2024 ♦ 17 April	▪ Moody's covered bond universe: An overview ▪ SSA review: EUR-ESG benchmarks in Q1/2024
13/2024 ♦ 10 April	▪ A review of Q1 in the Covered Bond segment ▪ A review of Q1 in the SSA segment
12/2024 ♦ 27 March	▪ Maybank: New covered bond issuer from Singapore ▪ A closer look at Export Development Canada (Ticker: EDC)
11/2024 ♦ 20 March	▪ Covered bond jurisdictions “Down Under” in the spotlight ▪ Collective Action Clauses (CACs) – An (Italian) update
10/2024 ♦ 13 March	▪ Spotlight on Pfandbrief issuers in the savings bank sector ▪ NGEU: Green Bond Dashboard
09/2024 ♦ 06 March	▪ Transparency requirements §28 PfandBG Q4/2023 ▪ Current LCR classification for our SSA coverage
08/2024 ♦ 28 February	▪ New UK player on the EUR covered bond market ▪ Teaser: Issuer Guide – Non-European supras (MDBs) 2024
07/2024 ♦ 21 February	▪ Covered bond jurisdictions in the spotlight: A look at Austria ▪ Hope for hybrids? New SSA sub-asset class for MDBs
06/2024 ♦ 14 February	▪ Development of the German property market (vdp Index) ▪ Update: Joint Laender (Ticker: LANDER)
05/2024 ♦ 07 February	▪ January 2024: Record start to the new covered bond year ▪ 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 ▪ Teaser: Issuer Guide – Other European Agencies 2024
03/2024 ♦ 24 January	▪ The “V” in the LTV calculation: Differing approaches persist despite EU Directive ▪ 28th meeting of the Stability Council (December 2023)
02/2024 ♦ 17 January	▪ Pfandbrief market: potential newcomer Evangelische Bank ▪ Review: EUR-ESG benchmarks 2023 in the SSA segment
01/2024 ♦ 10 January	▪ ECB: Annual review of 2023 – no end to high rates? ▪ Covered Bonds: Annual review of 2023 ▪ SSA: Annual review of 2023
37/2023 ♦ 13 December	▪ Our view of the covered bond market heading into 2024 ▪ SSA outlook 2024: ECB, NGEU and the debt brake in Germany
36/2023 ♦ 06 December	▪ The covered bond universe of Moodys: an overview ▪ Teaser: Issuer Guide – Nordic Agencies 2023

NORD/LB: Floor Research

NORD/LB: Covered Bond Research

NORD/LB: SSA/Public Issuers Research

Bloomberg: RESP NRDR <GO>

NORD/LB

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

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

Appendix
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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

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

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