# Covered Bond & SSA View

NORD/LB Floor Research

22 January 2025 ♦ 03/2025

Marketing communication (see disclaimer on the last pages)

# Agenda




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# Market overview Covered Bonds

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**Primary market: volume is now quite considerable**

New issuance activities on the market for covered bonds in EUR benchmark format are continuing to pick up speed. A total of ten bonds totalling EUR 9.6bn overall were placed across the past five trading days. Since the turn of the year, fresh supply now totals EUR 18.6bn. Before turning our attention to offering an interim conclusion on the primary market in 2025, we would like to give a brief chronological overview of the past few trading days. In total, three issuers approached investors last Wednesday, all of whom had already announced corresponding transactions the previous day. Bausparkasse Schwäbisch-Hall (ticker: BAUSCH) opted for a term of six years for its mortgage bond. The deal in WNG format came with a volume of EUR 500m and managed to generate a final order book of EUR 6.1bn (re-offer spread: ms +40bp). According to our records, the calculated bid-to-cover ratio of 12.2x is the second highest value for an oversubscription ratio that we have ever reported. On the same trading day, we saw the shortest terms to maturity selected so far in the new year in the shape of deals from KEB Hana Bank from South Korea (3.0y; EUR 500m, sustainable) in addition to Credit Agricole Public Sector SCF from France (4.5y; EUR 500m; WNG). While the South Korean issuer placed its first EUR benchmark since April 2023 at ms +52bp, the final spread for the French transaction came in at ms +44bp and therefore a full ten basis points below the original guidance (new issue premium: -1bp). On Thursday, another five bonds came onto our screens in the form of EUR benchmarks issued by Deutsche Pfandbriefbank (EUR 750m; 3.0y), BPCE SFH (EUR 1.25bn; 7.2y), Santander UK (dual tranche: EUR 1.25bn; 3.2y & EUR 750m; 6.9y) and Caja Rural de Navarra (EUR 500m; WNG; 8.3y; sustainable). To round off the week, another French issuer, namely Arkea Public Sector SCF, approached its investors with a bond in the amount of EUR 500m (7.0y) that was placed at ms +60bp. The first EUR benchmark from Norway was placed by DNB Boligkreditt on Monday. The deal, which featured a term to maturity of five years, had a final volume of EUR 1.5bn (bid-to-cover ratio: 3.8x). The final spread of ms +36bp reflected narrowing of eight basis points during the marketing phase. Also on Monday, Yorkshire Building Society issued the third benchmark from the UK, which came to market with a volume of EUR 600m at ms +42bp. Yesterday (Tuesday 21.01.), deals from Credit Mutuel Home Loan SFH from France (EUR 1.5bn; 7.5y) in addition to Argenta Spaarbank from Belgium (EUR 1bn; 7.0y) completed the picture of a dynamic primary market. In terms of our interim conclusion, which we teased at the start of this article, we would say that the covered bond market has got off to a surprisingly strong start so far in 2025. On average, new issue premiums are at a comparatively low level (+1.1bp) and the secondary market performance of fresh supply is more than merely robust. Moreover, the order books are reflecting substantial investor interest (average bid-to-cover ratio: 4.8x). From our perspective, taking into account the proportion of "fast money" and generally inflated orders does not detract from this view of the situation. Over the coming days, we expect issuance activities to remain dynamic on the primary market, although we anticipate that new issue premiums will start to rise again slightly, with oversubscription ratios at marginally lower levels at the same time.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| CM Home Loan SFH | FR | 21.01. | FR001400WXW9 | 7.5y | 1.50bn | ms +63bp | AAA / Aaa / AAA | - |
| Argenta Spaarbank | BE | 21.01. | BE6359485685 | 7.0y | 1.00bn | ms +55bp | - / - / AAA | - |
| Yorkshire BS | GB | 20.01. | XS2986729015 | 5.0y | 0.60bn | ms +42bp | AAA / Aaa / - | - |
| DNB Boligkreditt | NO | 20.01. | XS2986727316 | 5.0y | 1.50bn | ms +36bp | - / Aaa / AAA | - |
| Arkea Public Sector SCF | FR | 17.01. | FR001400WVN2 | 7.0y | 0.50bn | ms +60bp | - / Aaa / - | - |
| Caja Rural de Navarra | ES | 16.01. | ES0415306127 | 8.3y | 0.50bn | ms +58bp | - / Aa1 / - | - |
| Santander UK | GB | 16.01. | XS2984226899 | 6.9y | 0.75bn | ms +50bp | AAA / Aaa / AAA | X |
| Santander UK | GB | 16.01. | XS2984226626 | 3.2y | 1.25bn | ms +32bp | AAA / Aaa / AAA | - |
| BPCE SFH | FR | 16.01. | FR001400WSS7 | 7.2y | 1.25bn | ms +65bp | - / Aaa / AAA | - |
| Deutsche Pfandbriefbank | DE | 16.01. | DE000A382632 | 3.0y | 0.75bn | ms +60bp | - / Aa1 / - | - |
| CA Public Sector SCF | FR | 15.01. | FR001400WS97 | 4.5y | 0.50bn | ms +44bp | - / Aaa / AAA | - |
| KEB Hana Bank | KR | 15.01. | XS2974114899 | 3.0y | 0.50bn | ms +52bp | AAA / - / AAA | X |
| BAUSCH | DE | 15.01. | DE000A4DFCH4 | 6.0y | 0.50bn | ms +40bp | - / Aaa / - | - |

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

**Secondary market: saturation tendencies in evidence**

The expected slowdown on the primary market is already casting its shadow over secondary trading. From our point of view, it is unsurprising that the shortage of fresh supply on the secondary market is less severe. After all, saturation tendencies are becoming more and more apparent at current spread levels. However, we should also point out in this context that the high level of primary market activities is putting pressure on liquidity in relation to outstanding deals.

**Landesbank Berlin opens the EUR sub-benchmark segment**

The market for covered bonds in EUR benchmark format is already in full swing. Despite the dynamic activities recently seen in this sub-market, until now we had not yet recorded any transactions in the EUR sub-benchmark segment, i.e. publicly placed bonds with a total volume of at least EUR 250m but less than EUR 500m. At the beginning of the current trading week, Landesbank Berlin (LBB) announced the first deal for 2025 in this market segment. The bank communicated a term to maturity of five years for its public Pfandbrief and defined the final size (EUR 250m) in advance. LBB's public Pfandbriefe enjoy the top rating of Aaa from the rating agency Moody's, as is the case for its mortgage Pfandbriefe. Landesbank Berlin is already among the active issuers in the EUR sub-benchmark segment (outstanding volume EUR 2.6bn; 10 ISINs), but up to this point has only issued mortgage Pfandbriefe here. According to our records, the new public sector Pfandbrief deal marks the bank's first covered bond in this asset class since 2008, when it issued a EUR benchmark in the amount of EUR 1.0bn (maturity: February 2011). The bank was last active with a mortgage covered bond in the EUR sub-benchmark segment in April 2024 (EUR 250m; 10.0y). As was the case with the EUR benchmark segment, the market for sub-benchmark transactions also got off the ground earlier in 2024 than in the current year. In 2024, we welcomed the first issuer, namely Raiffeisen Landesbank Vorarlberg, to the market on 9 January, with a total of four deals recorded before the end of that month. However, the total volume in this market segment in 2024 only amounted to EUR 4.4bn (as against EUR 7.5bn in 2023). With its transaction, Landesbank Berlin brought a fairly long period of calm on the primary market for covered bonds in EUR sub-benchmark format to an end since the last institution, Kreissparkasse Ludwigsburg, approached investors on 15 October 2024.

**Fitch publishes "Western European Banks Outlook 2025"**

The rating experts from Fitch recently updated their outlook for the banking sector in Western Europe. Forecasts that, on the whole, project rather modest economic growth and the expectations of continued stable business conditions for banks have ultimately led the risk experts to issue a neutral outlook. In summary, 80% of the banks rated by Fitch currently have a stable outlook, after significantly more upgrades than downgrades were recorded last year. Overall, 15% of the banks have a positive outlook, which is mainly based on improvements in the operating environment and structural adjustments of banks located in Southern Europe. In this context, Fitch awards an "Improving" outlook to the banking sectors in Greece, Portugal and Spain. Growing economic output and increasing demand for credit are expected in these jurisdictions in particular. At this point in time, Fitch only assesses the outlook for the French banking sector as "Deteriorating", which can be largely attributed to the high level of political uncertainty and fiscal policy risks, which have the potential to unleash negative impacts on the economic environment and financing costs for banks further down the line. However, the 5% of banks that currently have a negative outlook from Fitch cannot be assigned to a specific jurisdiction. Instead, these weaker specific expectations can primarily be put down to bank-specific issues.

**Moody's I: Sector Profile Canada – lower mortgage interest rates with delayed ramifications for existing loans**

As the rating experts from Moody's outlined in a recent report, the fall in mortgage interest rates in Canada over the course of 2024 has not yet had a significant impact on the interest rates of the existing loans that make up the cover pools of Canadian banks. In total, 75% of Canadian mortgage loans come with a fixed rate of interest and an average term of five years or less. Moreover, based on the level of current interest rates in the market, these would therefore be extended. However, only just under 15% of these loans were affected by an extension in the first nine months of 2024, which at the same time would still be extended at significantly higher rates owing to the interest rate hikes seen over the past five years. As a result, the average mortgage interest rate rose from 4.19% in December 2023 to 4.25% in September 2024. Although persistently high interest rates are impairing the ability of private households to service debts, mortgage loan defaults did still remain at a low level overall in 2024. According to the risk experts, this is primarily due to the credit quality of borrowers in Canada, who tend to have high equity at their disposal. Payment arrears of 90 days or more were recorded for just 0.20% of all loans in September 2024. Although this represents a slight rise versus year-end 2023 (0.18%), the figure remained below the average for the years 2015 to 2019 (0.26%). For the sake of completeness, at this point we would also like to touch upon the latest news regarding Moody's ratings for Canadian covered bond issuers. The rating agency has announced that it will upgrade the covered bond anchor relevant to the rating of the Federation des Caisses Desjardins du Quebec (CCDJ) programme by one notch. This is justified by Moody's own assessment that the issuer falls under the "Operational Resolution Regime", although CCDJ is not assessed as a D-SIB (domestic systemically important bank) within the meaning of the "Canadian Bank Recapitalization (Bail-in) Conversion" regime. CCDJ's covered bonds are rated by both Moody's and Fitch, with the top rating (Aaa/AAA) awarded in each case.

**Moody's II: outlook for the global banking sector improves to "stable"**
Moody's also published an update to the outlook for the global banking system in 2025, which has been upgraded from "negative" to "stable". This is mainly due to expectations of stable economic growth and monetary policy easing. Both factors should therefore have a positive impact on the operational environment for banks, while at the same time reducing pressure on asset quality and supporting growth in deposits. On the other hand, risks arise in relation to geopolitical conflicts, trade disputes and political upheaval following the US election. Looking at the key drivers of the Moody's outlook, only the area of "Profitability and Efficiency" is assessed as "Deteriorating", as falling interest rates are putting the net interest earnings of banks under pressure (cf. Covered Bond focus article in this edition). The areas of "Operational Environment", "Asset Risk", Capital", "Funding and Liquidity" and "State Support" can be assessed as stable, in the view of the risk experts. This is something of a reversal compared with last year, when a total of four of the six drivers had a negative outlook. The sector outlooks presented by Moody's represent the risk experts' evaluation of the fundamental factors relevant to credit quality (in this case, with a view to the global banking market), taking into account a time horizon of twelve months. In contrast to rating outlooks, the sector outlooks do not deal with issuer-specific characteristics and measures. As such, they should not be understood as an average of the individual ratings.

**S&P: overvaluation of house prices in Europe eases off**
As part of our weekly publication, we regularly look at the relevant developments on international property markets. For example, we report on the Deutsche Hypo Real Estate Economic Index and the vdp property price index. At the same time, we report on the newly presented figures of the EBA Risk Dashboard in Q3/2024, which comprehensively deals with the EU/EEA banking sector as part of the focus article in this present edition of our weekly publication. A few days ago, the rating experts at S&P presented their current analysis of the over/undervaluation of the European mortgage markets (excluding the UK) from which they derived an assessment of the expected losses for residential mortgage-backed securities (RMBS) and covered bond rating analyses. Overall, the agency concludes that the overvaluation of real estate has decreased in comparison with the previous update, which can be chiefly explained by wage growth and the decline in house prices observed in some jurisdictions. S&P uses a scale of six categories, ranging from "undervalued" (-10% to 0%) to "severely overvalued" (>30%). In this context, the specific assessments are based on the ratio of the price-to-income (PTI) ratio of a particular jurisdiction to the respective long-term average. Added to this are additional qualitative factors and projections, for example house price forecasts, income and inflation expectations and interest rate estimates. At the level of individual jurisdictions, it is clear from the S&P figures that house prices in Portugal and Austria, among other countries, are affected by significant overvaluations. Moreover, moderate overvaluations can also be seen in the Netherlands, Sweden and Norway, whereas in the view of the rating experts, the markets in Italy and Finland tend to be undervalued.

# Market overview
# SSA/Public Issuers

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**NRW.BANK – funding strategy for 2025**

NRW.BANK (ticker: NRWBK), Germany's biggest regional development bank, has provided a transparent update on its funding strategy for the current year. Based on this, a funding target of EUR 11-13bn is envisaged, which is approximately at the previous year's level. At the same time, the bank is seeking an average maturity of five to seven years. A new aspect which emerged from the update is that the maximum new issuing volume for benchmark bond will be EUR 1.5bn in future. This is EUR 500m more than the maximum amount applicable previously. Furthermore, benchmark bond issues outstanding may now also be increased up to this new limit – provided that they are issued in 2025 or later. According to the information from the regional development bank itself, it hopes to achieve enhanced liquidity for its investors by introducing the option of a higher volume for benchmark bond issues up to a maximum amount of EUR 1.5bn if the relevant demand is evident. NRW.BANK is also planning to expand its existing presence in the ESG segment, resulting in fresh supply. The financial institution intends to launch at least one green bond issue of EUR ≥500m as well as at least one social bond issue worth EUR ≥1bn. Last year, the agency's ESG activities comprised a total of three new bond issues that raised an aggregated EUR 2.5bn (social bonds: two ISINs, EUR 1.5bn; green bonds: one ISIN, EUR 1bn; cf. our weekly publication dated 15 January). In addition to new bond issues denominated in the European single currency, NRW.BANK plans to launch bond issues in foreign currencies on the primary market in 2025. As part of the bank's funding strategy, at least one USD denominated benchmark bond issue and the issuance of at least one GBP benchmark bond is planned. The total proceeds are aimed at driving forward projects relating to sustainable digital transformation, at strengthening the social infrastructure and at promoting North Rhine-Westphalia's economy. In 2024, NRW.BANK collected a total of EUR 4.75bn in the form of EUR benchmark bonds, divided across six ISINs. The average maturity of these bonds was almost seven years. For further information on the development activities and capital market presence of NRW.BANK, please refer to our NORD/LB Issuer Guide – German Agencies 2024.

**Nordic Investment Bank provides financing outlook for 2025**

Saying goodbye to a year of market adjustments, the Nordic Investment Bank (ticker: NIB) has provided a strategic outlook for 2025 as well as a review of the past twelve months. In 2024, NIB issued bonds worth EUR 9.1bn in total and with an average maturity of 4.5 years. To align itself with changing market conditions, the Scandinavian development bank strategically increased EUR denominated bond issues, which increased to a record level of one third of all funding, with USD bond issues adapting to this share. For 2025, NIB has indicated a funding target of EUR 8-9bn (average: EUR 8.5bn). As part of its primary market activities, the Nordic Investment Bank will continue to grow its presence in the ESG segment by means of issuing new NIB Environmental Bonds. For further information, please refer to our NORD/LB Issuer Guide – European Supranationals 2024.

**NRW – budget plan for 2025 approved**

The Landtag (federal state parliament) of North Rhine-Westphalia (ticker: NRW) resolved its budget for 2025 before the end of 2024, on 18 December last year. According to the federal state, the budget totaling EUR 105.5bn (2024: EUR 102.8bn) particularly focuses on education, internal security and industrial transformation with a view to responding to current economic and social challenges. Although economic conditions are difficult, the sub-sovereign believes it will remain able to act and invest in the future on a sustained basis. Nevertheless, it acknowledged that cuts had been imperative in all departments to facilitate a future-proof fiscal policy that meets generational needs. Total savings amounted to EUR 3.6bn compared with the financial planning. Regarding education, the budget of almost EUR 42bn is at a record high. This means that spending on education has increased by around +11% since 2023. A budget of EUR 4.2bn is available to the police force for crisis management and internal security, which represents another increase of approximately EUR 90m compared with the 2024 budget. Despite facing many challenges, NRW continues to be firmly on the side of its municipalities. At EUR 38.4bn, more than one-third of the budget has been allocated to municipalities. Moreover, the federal state will make its first ever contribution to reducing prior debt, in the form of annual payments amounting to EUR 250m. This will strengthen the certainty with which municipalities can plan. Minister President Hendrik Wüst explained: “We are marking out clear priorities with the 2025 budget: better education and care of our children. More security for the people who live in North Rhine-Westphalia. And we are committed to industrial innovation, creating jobs and prosperity. In this way, we are maintaining our centrist stance during financially challenging times.”

**Rhineland-Palatinate – budget resolved for 2025/26**

Following an intensive parliamentary debate, the Landtag of Rhineland-Palatinate (ticker: RHIPAL) adopted the state budget for both 2025 and 2026. In total, the double budget comprises adjusted total spending of EUR 25.1bn in 2025 and EUR 25.5bn in the following year. Adjusted total revenues are set to amount to EUR 24.2bn in 2025 and EUR 25.1bn in 2026. A withdrawal from reserves of EUR 1.2bn is planned in 2025 to cover the overall financing requirement. For the current year, net repayments in the credit market of EUR 248m are estimated, whereas the federal state expects net borrowing of EUR 363m next year. The budget unmistakeably centres on education and research, climate action and digitalisation as well as investing in infrastructure, health and internal security. Furthermore, the regional government stands by its responsibility of ensuring the ongoing ability of municipalities to act based on their budgets. In this, an important milestone is the “Partnership for Debt Relief of Municipalities in Rhineland-Palatinate” (German: “Partnerschaft zur Entschuldung der Kommunen in Rheinland-Pfalz”, PEK-RP programme) linked to the assumption of liquidity facilities from more than 500 municipalities with a total volume of around EUR 3bn. Meanwhile, this debt clearance has almost completely been concluded. The double budget for 2025/26 includes EUR 100m annually for the repayment of these loans. In addition, allocations to municipalities have significantly increased again. The relevant payments from the budget amount to EUR 8.5bn in total for 2025 and EUR 8.6bn in 2026. Compared with the 2024 budget, this represents an increase of EUR +870m. Finance Minister Doris Ahnen commented on the budget as follows: “We have discussed this double budget at a time when many things are changing and far-reaching decisions need to be made for the future. […] The 2025/26 state budget shows our residents that this is possible. The budget is based on sound financing and is well positioned to meet the challenges of our time.”

**EIB and ADIF-AV sign loan agreement for investments in railway infrastructure**

The European Investment Bank (ticker: EIB) and Spanish rail network operator ADIF Alta Velocidad (ADIF-AV, ticker: ADIFAL) have signed a loan agreement for EUR 350m to enhance the safety, sustainability and durability of both conventional and high-speed railway infrastructure and networks in Spain. The overall project encompasses an investment volume in excess of EUR 830m. The funds are earmarked for replacing important elements of the railway infrastructure, modernising communications systems and implementing measures to minimise travel disruption for operational reasons or due to the weather. Regarding the high-speed network, the agency plans to install anti-fall safety barriers and improve drainage systems as well as access to technical installations. In addition, measures are to be taken to protect against vandalism and to bring telecommunications, safety and energy systems up to date. Regarding the conventional network, the financial resources are to be used to reduce the number of level crossings, replace tracks and other infrastructure, install telecoms systems as well as further developing digital train radio communication (GSM-R). Pedro Marco de la Peña, President of ADIF-AV, was delighted: "The cooperation with the EIB is essential for ADIF-AV to continue to promote railways as a sustainable and resilient means of transport at the heart of the new mobility model demanded by the citizens. The loan signed today will enable us to maintain the highest quality standards already offered by our railway network to users, through a range of renovation and upgrading measures for the different railway systems." The loan also underscores the EIB's commitment to promoting sustainable transport. At the same time, many of the co-financed investments will be in cohesion regions and will therefore contribute to removing regional economic disparities within the EU.

**KfW-ifo credit hurdle: demand for loans below average despite falling interest rates**

Although a slight downward trend in loan interest rates was recently evident in the wake of monetary policy easing, there is scarcely any demand for loans from large-scale companies as well as small and medium-sized enterprises (SMEs), according to a publication by KfW Research. While the share of large-scale enterprises and SMEs with loan applications was up to 28.0% (+0.3 percentage points) and 21.1% (+0.8 percentage points) respectively at year-end 2024, this level of demand for loans remained considerably below the long-term averages for the relevant business categories in Q4/2024. Based on the report, this was partly owing to the ongoing phase of economic weakness in combination with economic policy uncertainties as well as pessimistic business expectations. All of these aspects mean that companies hesitated to be tied to long-term loan agreements. At the same time, lending in Q3/2024 was restrictive to an above-average extent in view of extremely stringent criteria. Accordingly, 32% of SMEs that wanted to take out a loan complained about the restrictive approach of banks. This percentage marked a record high since the introduction of the current survey method in 2017. Regarding large-scale enterprises, the share had decreased by 2.6 percentage points to 31.9% at year-end. The tightening of lending criteria affected all sectors of the economy and companies of all sizes, excluding the services sector and large-scale enterprises in the manufacturing industry. In terms of the latter, the decrease (-4.9 percentage points) should not be seen as the precursor of a trend reversal, since the credit hurdle of 35.5% was at its second highest level since data records began. For SMEs, unusually stringent bank criteria were observed in wholesale (+11.9 percentage points to 36.7%), the manufacturing industry (+2.2 percentage points to 33.4%) and retail (+3.6 percentage points to 37.2%).

**Primary market**

With a total of eleven new bond issues and an overall volume of EUR 17.75bn from a wide range of jurisdictions – which are listed in the table below – a substantial quantity of new securities was placed in the market during the past trading week, including the first FRN deal this year. In last week's publication, we already mentioned the mandate from Baden-Wuerttemberg (ticker: BADWUR). The bond worth EUR 1bn (15y) was ultimately priced at ms +57bp. Also, in the segment of German Laender, Hesse (ticker: HESSEN) approached investors with what was a record volume for this specific sub-sovereign. Based on a final order book amounting to EUR 8.7bn, a total of EUR 2.5bn (7y) was transferred to the relevant securities portfolios at ms +32bp. Berlin (ticker: BERGER) followed suit in the form of an FRN worth EUR 500m (6y). Pricing was in line with the guidance at +26bp against the six-month Euribor. Yesterday, Tuesday, Saxony-Anhalt (ticker: SACHAN) completed the quartet, raising EUR 1bn (10y) at ms +39bp. From France, Société de Financement Local (ticker: SFILFR) ventured onto the trading floor. The municipality and export financier was seeking to raise EUR 1.5bn (5y) and eventually placed its bond at OAT +18bp (equivalent to approximately ms +60bp). The Walloon region (ticker: WALLOO) was the first Belgian sub-sovereign to grace our screens this year. It placed a dual tranche in the EUR market, comprising a benchmark bond and a tap issue. The new bond issue worth EUR 1bn (10y) had the starring role and was priced at OLO +39bp (equivalent to approximately ms +95bp). In addition, the social WALLOO 3.9% 06/22/2054 bond was increased by EUR 500m, also at OLO +39bp. Two Scandinavian municipal financiers, Danish KommuneKredit (ticker: KOMMUN) and Municipality Finance from Finland (ticker: KUNTA), were also active: KOMMUN issued a new bond worth EUR 750m (8y) at ms +41bp and KUNTA raised EUR 1.25bn (5y) at a final ms +31bp. In the Supranationals segment, the International Development Association (ticker: IDAWBG) ensured fresh ESG supply by placing a sustainability bond (15y) worth EUR 1.25bn at ms +69bp. Furthermore, the EFSF (ticker is the same as the abbreviation) presented a dual tranche, consisting of a shorter dated bond with a maturity of three years totalling EUR 3bn – which was ultimately priced at ms +19bp – and a 10y bond worth EUR 4bn that was issued at ms +50bp. Outside our current regular coverage, Canadian OMERS Finance Trust (ticker: OMERFT) popped up on screens. The pension fund raised EUR 1bn (10y) at ms +78bp. For next week, the first of seven planned EU bond auctions this year will take place on Monday (cf. funding plan). Moreover, the Free Hanseatic City of Bremen (ticker: BREMEN) intends to launch a bond worth EUR 500m (WNG) in the eight-year maturity segment.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| SACHAN | DE | 21.01. | DE000A4DE875 | 10.0y | 1.00bn | ms +39bp | AAA / Aa1 / - | - |
| KUNTA | Nordics | 21.01. | XS2988555855 | 4.9y | 1.25bn | ms +31bp | - / Aa1 / AA+ | - |
| EFSF | SNAT | 20.01. | EU000A2SCAS8 | 10.0y | 4.00bn | ms +50bp | AA- / Aaa / AA- | - |
| EFSF | SNAT | 20.01. | EU000A2SCAR0 | 3.5y | 3.00bn | ms +19bp | AA- / Aaa / AA- | - |
| BERGER | DE | 20.01. | DE000A3513U4 | 6.0y | 0.50bn | 6mE +26bp | AAA /Aa1 / - | - |
| SFILFR | FR | 17.01. | FR001400WU93 | 5.7y | 1.50bn | ms +60bp | - / Aa3 / AA- | - |
| WALLOO | BE | 16.01. | BE0390181478 | 10.4y | 1.00bn | ms +95bp | - / A3 / - | - |
| HESSEN | DE | 16.01. | DE000A1RQE18 | 7.0y | 2.50bn | ms +32bp | - / - / AA+ | - |
| IDAWBG | SNAT | 16.01. | XS2985204515 | 15.0y | 1.25bn | ms +69bp | - / Aaa / AAA | X |
| KOMMUN | Nordics | 15.01. | XS2982107547 | 8.2y | 0.75bn | ms +41bp | - / Aaa / AAA | - |
| BADWUR | DE | 15.01. | DE000A3H25Z3 | 15.0y | 1.00bn | ms +57bp | - / Aaa / AA+ | - |

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

# Covered Bonds
# Focus on the banking sector: EBA Risk Dashboard in Q3/2024

Authors: Lukas Kühne // Dr Frederik Kunze

**Fundamental data for covered bonds: a (risk) overview of the issuers**

After the start of the year, there is now dynamic momentum in the covered bond market. The uncertainty regarding the spread required for a successful deal caused by the issuance break at the end of 2024 has been notably reduced by the first primary market transactions in the new year. The issuance momentum in the primary market that is typical for January is now unfolding as the spread level, which is once again seen as attractive by a large number of investors, meets strong demand. However, some specific uncertainties remain, such as the ongoing political and fiscal debate in France. This has led to an increase in yields on French government bonds (OATs), which has put pressure on the spreads of French covered bonds as a result of relative value considerations. As part of our spread forecast, we have to take account of these triggers caused by relative value or general market sentiment. But these are not the only factors affecting price mark-ups versus the swap curve. In our weekly publication, we regularly refer to the relevance of market technical factors, especially the net supply of new deals in the market for covered bonds in EUR benchmark format. However, in the present edition of the NORD/LB Covered Bond & SSA View, we would like to look at an important variable for the risk-related or fundamental assessment of covered bonds and that is the credit quality of the issuer. To this end, we will again make use of the comprehensive database of the European Banking Authority (EBA). The EBA Risk Dashboard (EBA RDB) gives us a broad overview of the risk factors that are also relevant for European covered bond issuers. Nonetheless, there are some differences between the banking sectors in the jurisdictions covered by the EBA data (i.e. EU/EEA). These relate, for example, to the quality of the loan portfolios of the banks. From a risk perspective, the financial stability of the issuer also has to be seen as the first line of defence for the dual recourse product (covered bond). Consequently, we deem it appropriate in our fundamental overview on the issuer side to first look at the risk-specific assessments of national banking markets by some rating agencies.

**NORD/LB Issuer Guide Covered Bonds 2024: 189 issuer profiles**

While the current data in the EBA Dashboard provides an aggregated overview of the EU/EEA banking markets, in our Issuer Guide Covered Bonds 2024 we offer a brief profile of a total of 189 issuers (from 27 jurisdictions) that are active in the market with EUR benchmarks or EUR sub-benchmarks. In addition to a short description of the issuer, the profiles include information on the relevant financial metrics of the institutions which also form part of the EBA RDB. Opportunities and challenges for the respective banks are also outlined in the form of a SWOT analysis.

**Banking sector outlooks from Moody's and Fitch paint a sound picture overall**

For an overall picture of the risk situation in the global banking market we will first use the "Banking Sector Outlooks" from Moody's and Fitch. In their outlooks for 2025, the rating experts give an overview of the relevant factors affecting the banking sector this year (and beyond). Moody's expects that growth will stabilise in most G20 countries and coupled with lower interest rates this is likely to have a positive impact on the banking sector. Specifically, the pressure of interest rates on the quality in the credit portfolios will ease and deposits are likely to grow modestly again. Against this backdrop, the rating experts do not expect capitalisation ratios (e.g. CET 1) to deteriorate significantly, even though profitability, also in anticipation of lower interest rates, is set to decline. The rating experts identified geopolitical conflicts in particular as risk factors for the global banking sector, as well as the expected political changes under the new US administration, especially with regard to foreign trade policy. Looking at the jurisdictions in Western Europe that are particularly relevant for the covered bond market, the rating experts at Fitch see a very similar picture, albeit with small differences. Fitch particularly highlighted the improved business conditions for banks from the Southern European countries of Greece, Portugal and Spain. The improved growth prospects for these economies are set to be reflected in higher credit growth in particular. For the Western European banking markets, the rating experts only expect France to see a downturn in its starting position. Great political uncertainty and fiscal policy risks are resulting in a more volatile economic environment and could also put the funding costs of French banks under pressure. Apart from this, the rating agencies expect "stable" to "positive" development for the banking markets relevant for the covered bond segment.

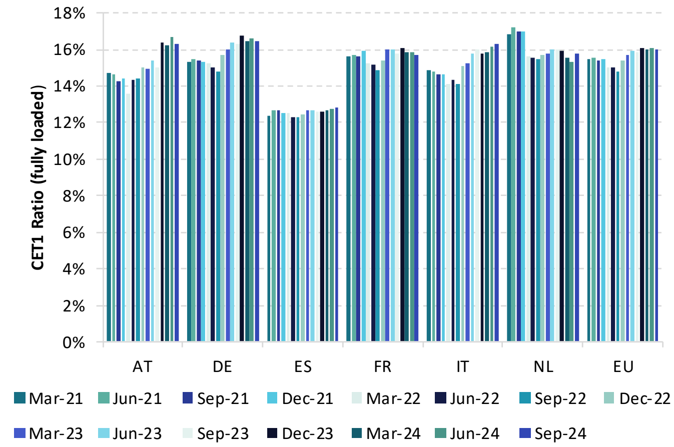
**EBA continues to view situation for European banks as robust**

In its quarterly EBA RDB, the EBA has already been providing an overview of the potential risks and weaknesses in the European banking sector for over ten years. The database, which comprises regulatory reports from the biggest EU/EEA commercial banks, encompasses a wide range of metrics (including on capital and liquidity as well as asset quality and profitability). The current review period covers the figures for Q3/2024. In addition to the RDB, the Risk Assessment Report published annually by the EBA (cf. press release) also offers insights into the key developments in the European banking market. On the whole, the EBA views the situation for European banks as robust but continues to identify geopolitical tensions and cyber threats as risks. On average, the European banks continue to report high levels of capital resources, although the CET 1 ratio fell slightly in the third quarter. The EBA's publications are an important source of information for us. In our opinion, they not only provide important insights into the health of the European banking sector but also refer to the funding behaviour of European banks. In the context of covered bonds, the insights into secured refinancing activities are particularly important. In the EU/EEA average, the share of secured funding stands at 31.5% (previous quarter: 31.9%). The EBA data also covers the asset side and in the weighted composition of liquid assets, the share of extremely high-quality covered bonds stands at 6.1% (previous quarter: 6.0%).

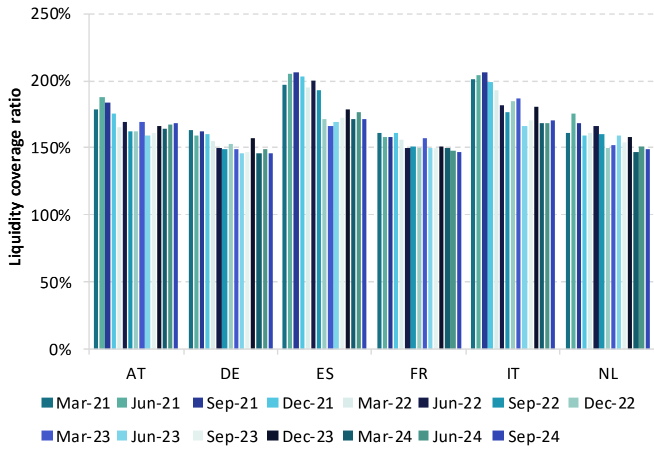
**Capital and liquidity ratios in Q3/2024**

In its current RDB (cf. press release), the EBA summarises that the banks are reporting high liquidity ratios on average (LCR: 161.4%, NSFR: 127.2%). However, it should be noted that both the LCR and the NSFR have dropped by 0.4% and 1.8% percentage points respectively, due in particular to liquidity buffer outflows. With regard to capital ratios, the CET1 ratio (fully loaded) was down ten basis points on the previous quarter to 16.0%. Despite the decreases in the three metrics mentioned here, the EBA stressed that these continue to be significantly higher than the minimum requirements.

**Risk dashboard: CET1 ratio (fully loaded)**




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

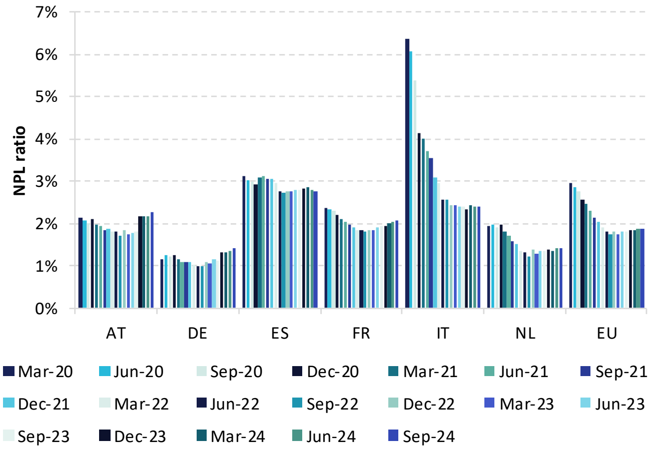



Source: EBA, NORD/LB Floor Research

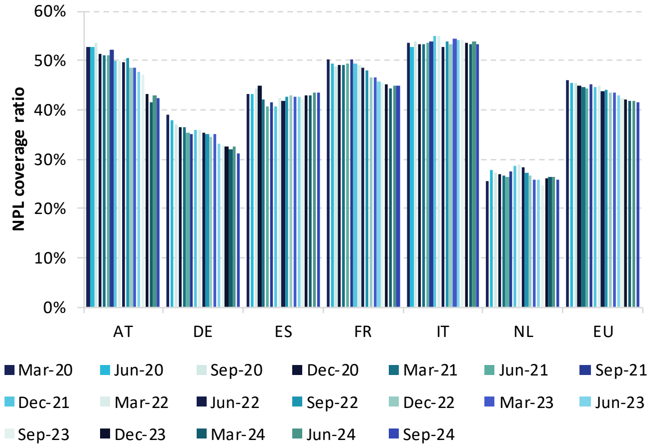
**Credit quality: NPL ratios increase slightly and modest decline in net interest margin**

Compared with Q2/2024, the average NPL ratio has risen slightly by two basis points to stand at 1.88% on average in Europe. However, in historical terms the NPL ratios are still at a low level, even though there are still some major differences between the various jurisdictions. In the autumn issue of the EBA Risk Assessment Questionnaire, almost half of the banks surveyed stated that they expected to see a downturn in asset quality over the next six to twelve months, which would lead to a rise in the NPL ratio. Banks are expecting credit quality to decline in the areas of SMEs, consumer credit and commercial real estate in particular. However, at this point we believe that it should be highlighted that the results of this survey showed no deterioration versus previous surveys. In recent quarters, the banks' net interest income has contributed greatly to the pronounced profitability of commercial banks. This was revealed not only by the EBA's database. With regard to the figures in the RDB, in the current period under review there is a further modest decline in the net interest margin (NIM). Based on an historical high of 1.69% in Q1/2024, this metric dropped to 1.68% (Q2/2024) and then to 1.66%. The risk costs consequently continue to fall, the report states. Moreover, the loan volume (due to slower lending to non-financial corporates) also decreased in Q3/2024.

**Risk dashboard: ratio of non-performing loans and advances (NPL ratio)**




**Risk dashboard: coverage ratio of non-performing loans and advances**




Source: EBA, NORD/LB Floor Research

**Conclusion and outlook**

The EBA RDB showed that European commercial banks are in robust shape again in Q3/2024. This applies to both capital and liquidity resources as well as the quality of assets in the banks' balance sheets. Even though the net interest margin is continuing its modest decline from an historical high, the EBA database is not yet signalling any sustained downturn in the earnings and profitability of the EU/EEA commercial banks. The weighted average for the profitability metrics return on equity (Q3/2024: 11.1%) and return on assets (0.76%) continued their upward trend, while at 52.6% the cost-income ratio was lower than the figure for the previous quarter (53.2%). However, the overall picture of a sound European banking sector needs to be put into perspective as the database only permits a backward-looking view. But, combined with the outlooks from rating agencies, a forecast for the coming quarters is possible to a certain extent. Even though the earnings situation in some jurisdictions is likely to face notable headwinds and liquidity ratios will further erode, this does not yet indicate a fundamental re-evaluation of the covered bond issuers in our coverage. Overall, we do not see any sustained and broad-based fundamental spread drivers with regard to EU/EEA commercial banks in 2025. Nevertheless, we keenly await the results and implications of the EU-wide EBA stress tests for 2025 (cf. press release dated 20 January). The tests will check the resilience of EU banks to macroeconomic shocks, the ability of the commercial banks to support the real economy and transparency aspects regarding the banks' databases for the review period 2025-2027. The EBA stress test covers around 75% of the assets in the banking sector, with the results expected to be published in August 2025.

# SSA/Public Issuers
# 30th meeting of the Stability Council (December 2024)

Authors: Dr Norman Rudschuck, CIIA // Tobias Cordes

**Foreword on the Stability Council and reform of the Stability and Growth Pact**
The Stability Council, a joint body operated by the federal government (Bund) and federal states (Laender), convened for its 30th meeting on 05 December 2024. The meeting was chaired by the Federal Minister of Finance, Dr Jörg Kukies, and the Finance Minister of Rhineland-Palatinate, Doris Ahnen. The establishment of the Stability Council can be traced back to the Federalism Reform II (Föderalismusreform II), since which time its existence has been governed by Article 109a of the Basic Law (GG). The Stability Council adopted resolutions on two of its key monitoring mandates regarding compliance with the respective debt brake at the level of both Bund and Laender as well as on budgetary surveillance to prevent impending budgetary emergencies. In the press release covering the 30th meeting, the Stability Council stressed that due to economic and fiscal policy challenges it is becoming increasingly difficult to draw up sustainable budgets and thus to comply with the rules and parameters monitored by the Stability Council. It also discussed the current status of Germany's implementation of the new European budgetary surveillance rules. As a reminder: since the Reform of the Stability and Growth Pact (SWP), which came into force on 30 April 2024, the medium-term budgetary objective enshrined in Section 51(2) of the Budgetary Principles Act (HGrG) no longer forms part of the European budgetary monitoring. Instead, growth in net primary government expenditure is the central indicator under the new rules. The path against which Germany is measured is specified as part of the fiscal structural plan (FSP). As the specific net primary government expenditure path for Germany's general government budget, which was envisaged in the Stability Council's decision of 06 May 2024, has not yet been set for the first medium-term fiscal structural plan (FSP), implementation of the new EU rules at national level is still pending. Germany therefore did not submit any proposal for the medium-term FSP to the European Commission on the agreed date in October 2024. The net primary government expenditure path will no longer be set in this legislative period due to the early general election.

**Compliance with debt brake at federal level**
Having used the exception clause for unusual emergency situations in the years 2020-2023, the Bund is set to comply with the requirements of the debt brake once again in 2024 and 2025. Consequently, the Stability Council is expecting structural net borrowing of around 0.35% of GDP for these two years. However, as of 2026, compliance with the debt brake can only be achieved by demonstrating a "budgetary policy requirement to act". The major structural challenges facing Germany could therefore have a far-reaching impact on the federal budget in the coming years as well. This is reflected in the structural financing balance which constitutes a potential anomaly both with regard to the current budget situation as well as financial planning. Consequently, it cannot be ruled out that the permitted upper limit could be breached multiple times in the period 2022 to 2027. It will be 2028 before the upper limit is likely to be adhered to again with EUR -93 per capita (2024: EUR -443).

**Stability Council reviews based on individual stability reports**

As part of its regular budgetary monitoring procedures, the Stability Council reviewed the budgetary situation at both Bund and Laender level on the basis of their respective stability reports. In Bremen, the metrics used to assess the budgetary situation and projected budget development in the medium term continue to point to an impending budgetary emergency. In its resolution of 16 December 2022, the Stability Council had already noted that the Hanseatic city was facing the threat of a budgetary emergency. The Stability Council and the two-city state therefore agreed a restructuring programme in line with Section 5 of the Stability Council Act (StabiRatG). The metrics used to assess the budgetary situation also indicated an impending budgetary emergency in Saarland. The Stability Council is therefore setting up an evaluation committee in line with Section 4(2) StabiRatG to examine whether Saarland is facing the threat of a budgetary emergency. There are currently no indications of a potential budget emergency in the other 14 Laender.

**Number of anomalies up again slightly**

The persistent weakness of the German economy is also affecting the finances and financial planning of the German Laender. The number of anomalies identified has risen from 20 in 2023 to 22 in 2024. The peak value of 29 anomalies was registered in 2011, while the lowest number, 16 anomalies, was first determined in 2019. The Stability Council identifies an anomaly as soon as one of the key metrics (budget balance, credit financing ratio, interest/tax ratio, debt level) breaches the permitted level several times in one of the analysis periods (1. Current situation = last two financial years and current financial year; 2. Planning = financial planning of the coming years). Since 2020, an updated system to assess the budgetary situation has been used. The new version can be accessed here. For information on the role of the Stability Council, its metrics and the unchanged definitions, please refer to our NORD/LB Issuer Guide – German Laender 2024.

**Anomalies identified by the Stability Council**

| | Budget balance | | Credit financing ratio | | Interest-tax ratio | | Debt level | |
|---|---|---|---|---|---|---|---|---|
| | Current situation | Planning | Current situation | Planning | Current situation | Planning | Current situation | Planning |
| **Baden-Wuerttemberg** | No | No | No | No | No | No | No | No |
| **Bavaria** | No | No | No | No | No | No | No | No |
| **Brandenburg** | **Yes** | No | No | No | No | No | No | No |
| **Hesse** | No | No | No | No | No | No | No | No |
| **Mecklenburg-Western P.** | No | No | No | No | No | No | No | No |
| **Lower Saxony** | No | No | No | No | No | No | No | No |
| **North Rhine-Westphalia** | No | No | No | No | **Yes** | No | No | No |
| **Rhineland-Palatinate** | No | No | No | No | No | No | No | No |
| **Saarland** | **Yes** | No | **Yes** | No | **Yes** | **Yes** | **Yes** | **Yes** |
| **Saxony** | No | No | No | No | No | No | No | No |
| **Saxony-Anhalt** | No | No | No | No | No | No | **Yes** | **Yes** |
| **Schleswig-Holstein** | **Yes** | No | No | No | No | No | **Yes** | **Yes** |
| **Thuringia** | No | No | No | No | No | No | No | No |
| **Berlin** | **Yes** | No | No | No | No | No | No | No |
| **Bremen** | **Yes** | No | **Yes** | No | **Yes** | **Yes** | **Yes** | **Yes** |
| **Hamburg** | No | **Yes** | No | **Yes** | No | No | No | No |

Source: Stability Council, NORD/LB Floor Research

## Structural budget balance in EUR per capita

| | Current | | Target | Limit | | Financial planning | | | Limit |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | violations | 2025 | 2026 | 2027 | 2028 | violations |
| **Baden-Wuerttemberg** | 275 | 113 | 15 | no | -188 | -166 | 224 | - | no |
| **Bavaria** | 197 | 69 | -100 | no | -93 | 89 | 93 | - | no |
| **Brandenburg** | 53 | **-217** | **-692** | **yes** | **-50** | -7 | - | - | no |
| **Hesse** | 275 | 15 | **-323** | no | 36 | 59 | 61 | - | no |
| **Mecklenburg-Western P.** | 281 | 210 | 202 | no | -80 | 206 | 248 | 242 | no |
| **Lower Saxony** | 288 | 398 | -49 | no | -85 | -116 | -92 | -99 | no |
| **North Rhine-Westphalia** | **-227** | **-121** | 45 | no | -53 | 23 | 22 | 21 | no |
| **Rhineland-Palatinate** | 497 | 150 | 19 | no | -219 | -94 | -35 | 28 | no |
| **Saarland** | **-2,889** | **-225** | 143 | **yes** | 40 | 126 | 127 | 127 | no |
| **Saxony** | 364 | 118 | 19 | no | 361 | 454 | 475 | 492 | no |
| **Saxony-Anhalt** | **472** | -1 | 477 | no | -327 | -264 | 161 | - | no |
| **Schleswig-Holstein** | **-227** | **-157** | **-449** | **yes** | -140 | 28 | 43 | - | no |
| **Thuringia** | 162 | -111 | **-301** | no | 134 | 131 | 131 | - | no |
| **Berlin** | 179 | **-178** | **-622** | **yes** | **-552** | 3 | 73 | 102 | no |
| **Bremen** | **-340** | **-485** | **-1,110** | **yes** | -143 | 23 | 117 | 117 | no |
| **Hamburg** | 1,468 | 773 | -235 | no | **-371** | **-586** | **-934** | **-1,323** | **yes** |
| **Laender average*** | 129 | 45 | -83 | | -108 | -6 | 48 | -33 | |
| **Threshold (universal)** | -71 | -155 | -283 | | -333 | -333 | -333 | -333 | |

* The Laender average from 2025 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Floor Research

## Credit financing ratio in %

| | Current | | Target | Limit | | Financial planning | | | Limit |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | violations | 2025 | 2026 | 2027 | 2028 | violations |
| **Baden-Wuerttemberg** | -2.0 | 0.1 | -1.9 | no | 0.0 | -0.2 | -2.2 | - | no |
| **Bavaria** | 0.6 | -1.1 | -0.3 | no | -0.3 | -1.0 | -0.9 | - | no |
| **Brandenburg** | -6.5 | **6.7** | -0.2 | no | -0.3 | 1.3 | - | - | no |
| **Hesse** | -1.0 | -1.9 | **6.6** | no | -0.8 | -0.8 | -0.8 | - | no |
| **Mecklenburg-Western P.** | -0.4 | -2.2 | -5.5 | no | -2.7 | -2.8 | -2.7 | -2.8 | no |
| **Lower Saxony** | -2.2 | -3.8 | -0.3 | no | 0.9 | 0.4 | 0.0 | -0.4 | no |
| **North Rhine-Westphalia** | **3.8** | 1.0 | -0.8 | no | 1.1 | -0.2 | -0.2 | -0.2 | no |
| **Rhineland-Palatinate** | -4.5 | **1.5** | 0.2 | no | -1.0 | 1.4 | 0.4 | -0.6 | no |
| **Saarland** | **33.3** | **4.4** | -1.4 | **yes** | -0.6 | -1.2 | -1.2 | -1.2 | no |
| **Saxony** | 1.4 | -6.8 | -5.6 | no | -7.5 | -7.8 | -8.0 | -8.2 | no |
| **Saxony-Anhalt** | -6.5 | 0.8 | -4.8 | no | **5.4** | 4.4 | -1.5 | - | no |
| **Schleswig-Holstein** | -11.8 | -17.7 | **5.9** | no | 1.9 | -0.8 | -0.7 | - | no |
| **Thuringia** | 0.2 | -0.4 | -1.2 | no | -2.0 | -2.0 | -2.0 | - | no |
| **Berlin** | 0.7 | 1.3 | **3.9** | no | 0.8 | 1.4 | 1.7 | 1.6 | no |
| **Bremen** | **5.8** | -1.7 | **14.6** | **yes** | 1.6 | -0.2 | -0.6 | -0.6 | no |
| **Hamburg** | -8.3 | -14.2 | 2.4 | no | 3.9 | **5.8** | **9.5** | **12.0** | **yes** |
| **Laender average*** | 0.6 | -1.5 | 0.1 | | 0.0 | -0.1 | -0.6 | 0.0 | |
| **Threshold (universal)** | 3.6 | 1.5 | 3.1 | | 5.1 | 5.1 | 5.1 | 5.1 | |

* The Laender average from 2025 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Floor Research

### Interest/tax ratio in %

| | Current | | Target | Limit | | Financial planning | | | Limit |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | violations | 2025 | 2026 | 2027 | 2028 | violations |
| **Baden-Wuerttemberg** | 2.5 | 2.3 | 2.9 | no | 2.4 | 2.6 | 2.8 | - | no |
| **Bavaria** | 0.7 | 0.6 | 1.0 | no | 1.5 | 1.8 | 1.9 | - | no |
| **Brandenburg** | 1.8 | 1.6 | 2.5 | no | 2.6 | 2.6 | - | - | no |
| **Hesse** | 2.8 | 2.9 | 3.4 | no | 3.7 | 4.4 | 4.8 | - | no |
| **Mecklenburg-Western P.** | 2.6 | 3.3 | 2.4 | no | 2.4 | 2.4 | 2.5 | 2.7 | no |
| **Lower Saxony** | 2.4 | 1.6 | 3.6 | no | 3.4 | 3.7 | 4.1 | 4.4 | no |
| **North Rhine-Westphalia** | 1.9 | **3.8** | **4.9** | **yes** | 4.8 | 4.9 | 5.0 | 4.9 | no |
| **Rhineland-Palatinate** | 2.1 | 2.0 | 2.4 | no | 2.8 | 3.1 | 3.1 | 3.3 | no |
| **Saarland** | **5.6** | **5.2** | **6.1** | **yes** | **5.8** | **6.2** | **6.4** | **6.4** | **yes** |
| **Saxony** | 0.3 | 0.2 | 0.5 | no | 0.8 | 1.2 | 1.6 | 1.9 | no |
| **Saxony-Anhalt** | 2.7 | **3.8** | 3.3 | no | 3.4 | 3.8 | 4.2 | - | no |
| **Schleswig-Holstein** | 2.8 | **3.6** | 4.4 | no | 4.3 | 4.7 | 4.6 | - | no |
| **Thuringia** | 2.5 | 2.3 | 2.5 | no | 2.8 | 3.0 | 3.3 | - | no |
| **Berlin** | **3.4** | 2.6 | 3.8 | no | 4.2 | 4.2 | 4.5 | 4.9 | no |
| **Bremen** | **11.1** | **9.7** | **9.3** | **yes** | **8.1** | **7.7** | **7.3** | **7.3** | **yes** |
| **Hamburg** | 2.3 | 2.7 | 2.9 | no | 2.6 | 3.2 | 3.7 | 4.5 | no |
| **Laender average*** | 2.7 | 2.6 | 2.7 | | 3.5 | 3.7 | 4.0 | 4.5 | |
| **Threshold (non-city states)** | 3.1 | 3.5 | 4.5 | | 5.5 | 5.5 | 5.5 | 5.5 | |
| **Threshold (city states)** | 3.3 | 3.7 | 4.8 | | 5.8 | 5.8 | 5.8 | 5.8 | |

* The Laender average from 2025 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Floor Research

### Debt level in EUR per capita

| | Current | | Target | Limit | | Financial planning | | | Limit |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | violations | 2025 | 2026 | 2027 | 2028 | violations |
| **Baden-Wuerttemberg** | 5,225 | 5,301 | 5,284 | no | 5,337 | 5,363 | 5,335 | - | no |
| **Bavaria** | 2,771 | 2,735 | 2,732 | no | 2,728 | 2,688 | 2,649 | - | no |
| **Brandenburg** | 6,595 | 7,136 | 7,113 | no | 7,089 | 7,166 | - | - | no |
| **Hesse** | 6,210 | 6,399 | 6,842 | no | 6,842 | 6,842 | 6,842 | - | no |
| **Mecklenburg-Western P.** | 7,518 | 7,513 | 7,258 | no | 7,183 | 7,104 | 7,025 | 6,946 | no |
| **Lower Saxony** | 8,237 | 7,940 | 7,925 | no | 7,975 | 8,001 | 8,002 | 7,981 | no |
| **North Rhine-Westphalia** | 9,062 | 9,070 | 9,015 | no | 9,065 | 9,042 | 9,018 | 8,994 | no |
| **Rhineland-Palatinate** | 7,582 | 7,247 | 7,259 | no | 7,200 | 7,287 | 7,317 | 7,282 | no |
| **Saarland** | **17,458** | **16,757** | **16,656** | **yes** | **16,583** | **16,482** | **16,381** | **16,281** | **yes** |
| **Saxony** | 3,237 | 3,259 | 3,162 | no | 3,048 | 2,935 | 2,821 | 2,707 | no |
| **Saxony-Anhalt** | **10,580** | **10,173** | **9,982** | **yes** | **10,500** | **10,972** | **11,056** | - | **yes** |
| **Schleswig-Holstein** | **10,590** | **10,441** | **10,787** | **yes** | **10,888** | **10,874** | **10,859** | - | **yes** |
| **Thuringia** | 7,384 | 7,132 | 7,058 | no | 6,941 | 6,820 | 6,696 | - | no |
| **Berlin** | 15,960 | 15,649 | 16,094 | no | 16,210 | 16,380 | 16,585 | 16,785 | no |
| **Bremen** | **32,583** | **32,854** | **34,596** | **yes** | **34,670** | **34,551** | **34,392** | **34,232** | **yes** |
| **Hamburg** | 13,397 | 11,930 | 12,130 | no | 12,542 | 13,194 | 14,335 | 15,862 | no |
| **Laender average*** | 7,529 | 7,460 | 7,493 | | 10,300 | 10,356 | 10,621 | 13,008 | |
| **Threshold (non-city states)** | 9,787 | 9,698 | 9,741 | | 9,841 | 9,941 | 10,041 | 10,141 | |
| **Threshold (city states)** | 16,563 | 16,411 | 16,485 | | 16,585 | 16,685 | 16,785 | 16,885 | |

* The Laender average from 2025 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Floor Research

**Impending budgetary emergency in Saarland – evaluation committee set up**

As part of its regular monitoring of the budgets at the level of Bund and Laender, the Stability Council has found that the metrics in the stability report submitted by Saarland used to assess the budget situation indicate an impending budgetary emergency. As a result, the Stability Council has set up an evaluation committee in line with Section 4(2) StabiRatG and tasked the committee with examining whether a budgetary emergency is imminent. There was one anomaly in the period 2022-24 as all of the parameters used in the assessment had exceeded their limits several times. In line with the system used by the Stability Council, each of the parameters, and consequently the time period, are deemed to be anomalies. Subject to the assessment of the evaluation committee, the Stability Council is currently assuming that the irregularity could be the result of a special effect in the context of payments within the framework of the VAT one-stop-shop (OSS) procedure in 2023 that have no budgetary impact. Excluding these payments, there would have been no anomaly regarding the financing budget balance and net borrowing. The requirements of the federal state's own debt brake were met in 2023.

**Lower Saxony: sound budget and stable debt**

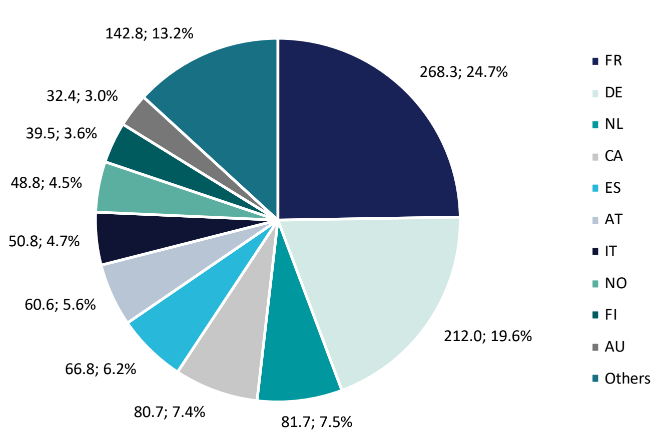
And how is our principal shareholder faring? Lower Saxony has not exceeded the threshold value for any of the key figures monitored by the Stability Council and is therefore again not required to undergo restructuring. Accordingly, no anomalies have again been recorded for Lower Saxony. Its sound budgetary management in recent years means the sub-sovereign is in a position to cope with the challenges arising from the COVID-19 pandemic and the flooding seen over the Christmas period in 2023, as well as geopolitical crises. Nonetheless, the current budgetary situation and financial planning indicate that Lower Saxony will be unable to avoid a negative structural budget balance in the coming years. Although Lower Saxony is reporting a positive structural budget balance for 2022 and 2023, as of 2025 it will slide into negative territory, albeit always clearly above the limits. Regardless of this, both the budget 2025 recently passed by Lower Saxony's federal state parliament, as well as the medium-term financial planning, continue to comply with the requirements of the debt brake.

**Conclusion**

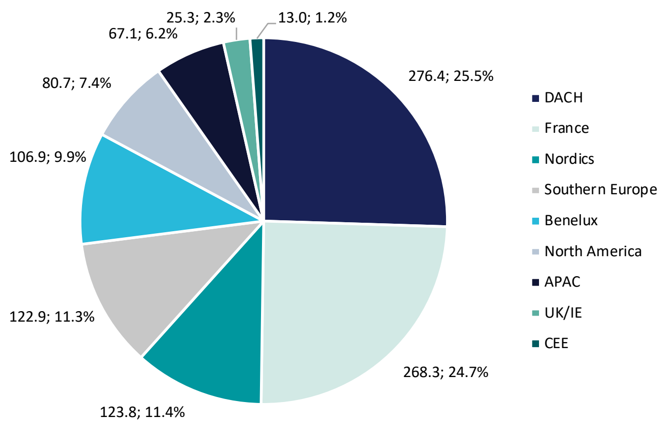
The 30th meeting of the Stability Council was once again dominated by the challenges posed by multiple crises. Since its inaugural meeting in April 2010, the financial situation in the German Laender has improved overall, as reflected in the (mainly) falling number of anomalies and/or exceeded limits identified by the Stability Council. In 2011, the meeting recorded 29 anomalies, while in 2022 this number dropped to match the record low of 16 again. With 20 anomalies in 2023 and 22 in 2024, there has been a rise again over the past two years. In contrast, for the Free Hanseatic City of Bremen, the metrics for assessing the budget situation and the projected budget development in the medium term continue to point to an imminent budgetary emergency. Following the successful agreement of a restructuring programme, the first steps have been taken to avert the threat of a budgetary emergency in the next few years by 2028 at the latest. For Saarland, too, the key performance indicators point to an impending budgetary emergency. However, subject to the assessment of the evaluation committee, this anomaly is currently believed to be the result of special effects.

# Charts & Figures
# Covered Bonds

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



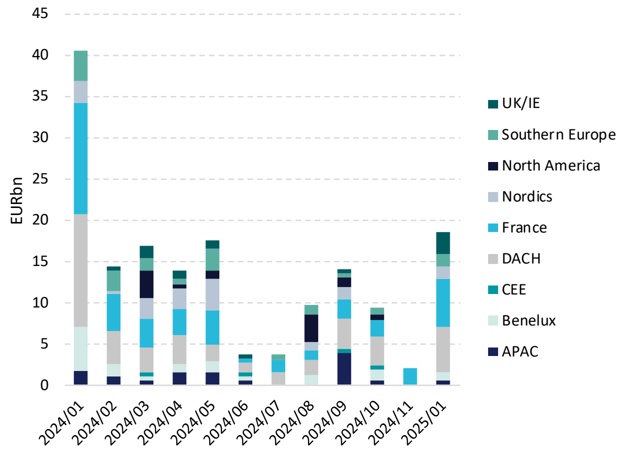

### EUR benchmark volume by region (in EURbn)



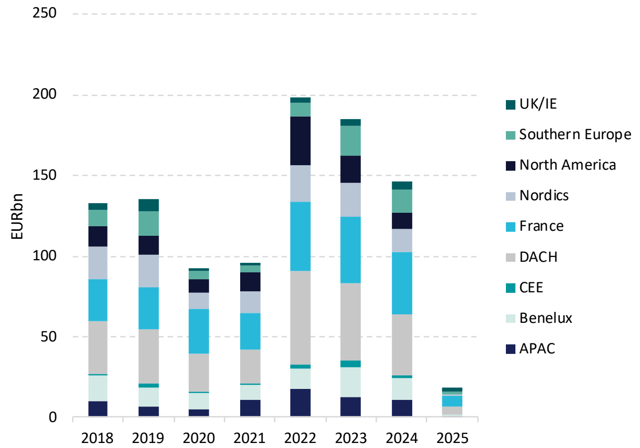

### Top-10 jurisdictions

| 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 | 268.3 | 259 | 29 | 0.97 | 9.2 | 4.6 | 1.54 |
| 2 | DE | 212.0 | 298 | 46 | 0.66 | 7.7 | 3.8 | 1.57 |
| 3 | NL | 81.7 | 82 | 3 | 0.93 | 10.5 | 5.8 | 1.40 |
| 4 | CA | 80.7 | 59 | 1 | 1.34 | 5.6 | 2.5 | 1.44 |
| 5 | ES | 66.8 | 53 | 6 | 1.14 | 11.1 | 3.1 | 2.23 |
| 6 | AT | 60.6 | 101 | 5 | 0.59 | 8.0 | 3.9 | 1.57 |
| 7 | IT | 50.8 | 65 | 5 | 0.76 | 8.5 | 3.8 | 2.03 |
| 8 | NO | 48.8 | 59 | 12 | 0.83 | 7.2 | 3.3 | 1.14 |
| 9 | FI | 39.5 | 45 | 4 | 0.86 | 6.7 | 3.2 | 1.77 |
| 10 | AU | 32.4 | 31 | 0 | 1.05 | 7.2 | 3.3 | 1.83 |

### EUR benchmark issue volume by month

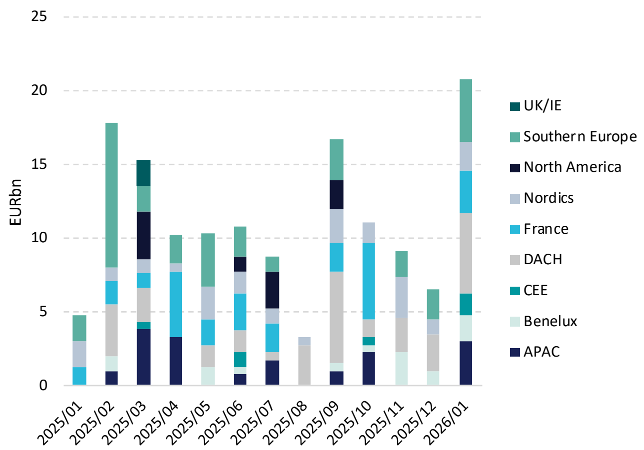



### EUR benchmark issue volume by year

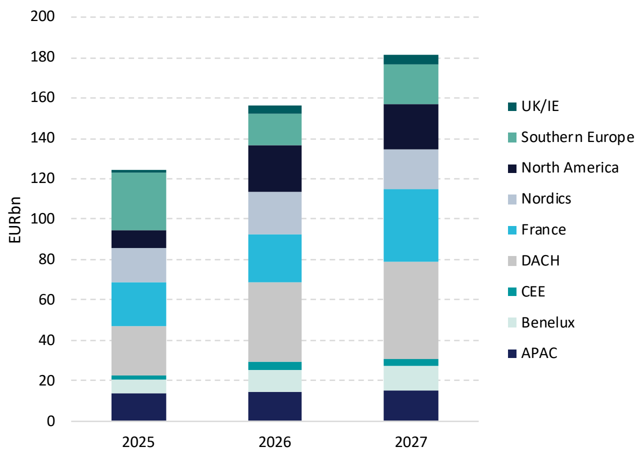



Source: Market data, Bloomberg, NORD/LB Floor Research

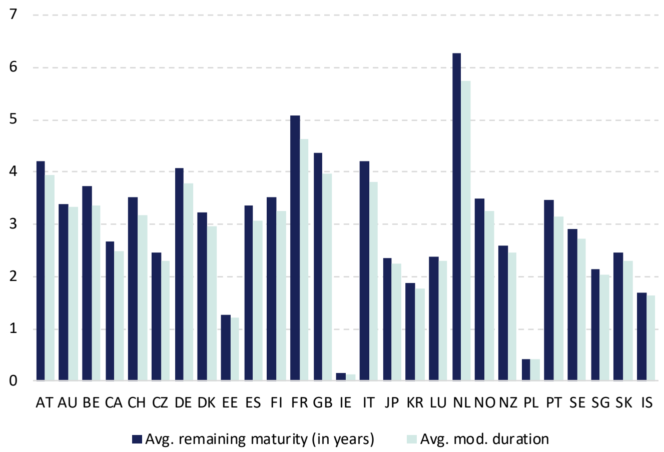
## EUR benchmark maturities by month



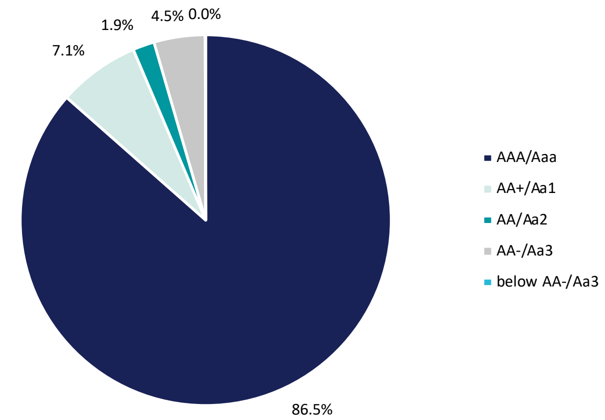

## EUR benchmark maturities by year



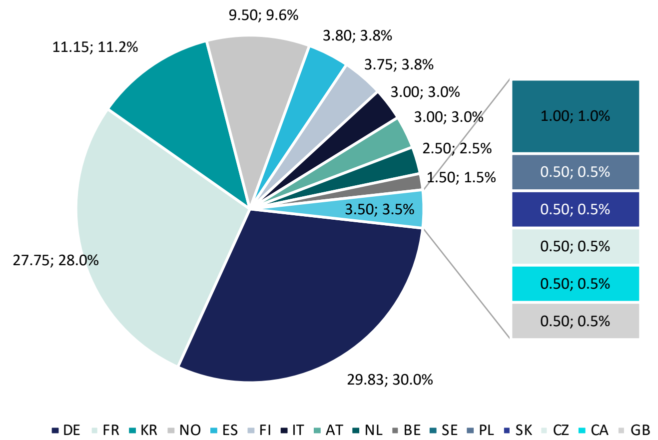

## Modified duration and time to maturity by country



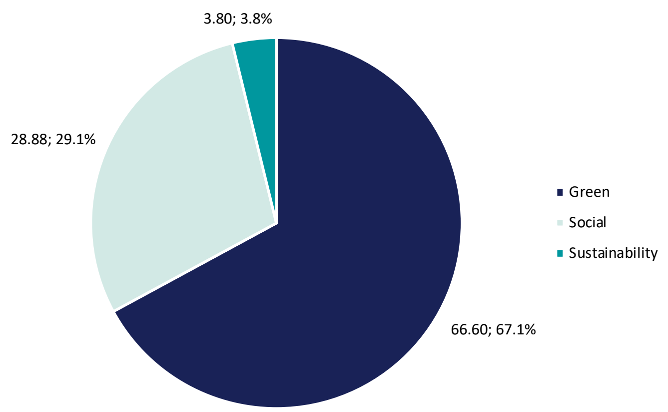

## Rating distribution (volume weighted)




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

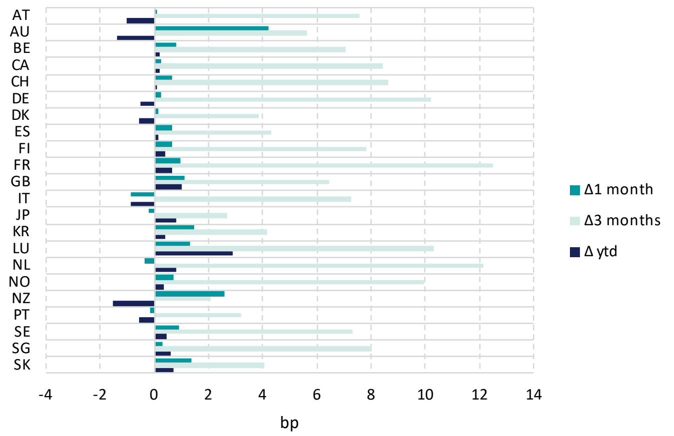



## EUR benchmark volume (ESG) by type (in EURbn)

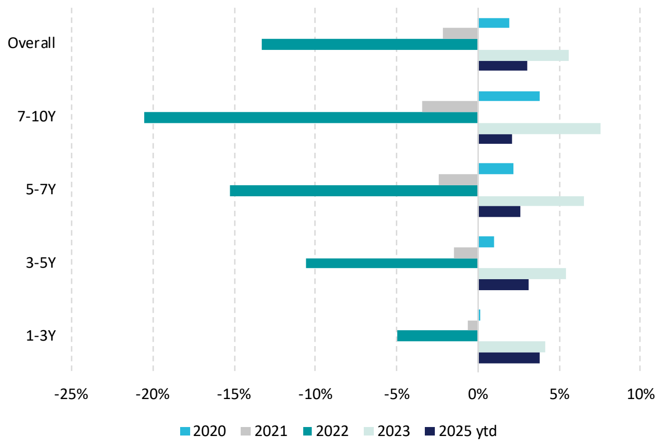



Source: Market data, Bloomberg, NORD/LB Floor Research

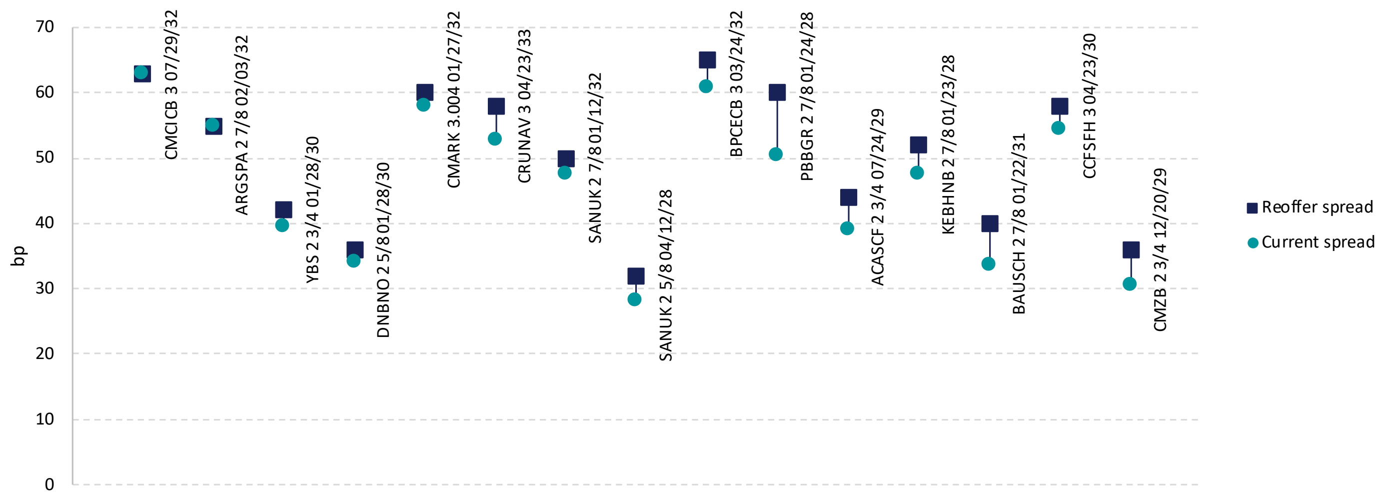
**EUR benchmark emission pattern**



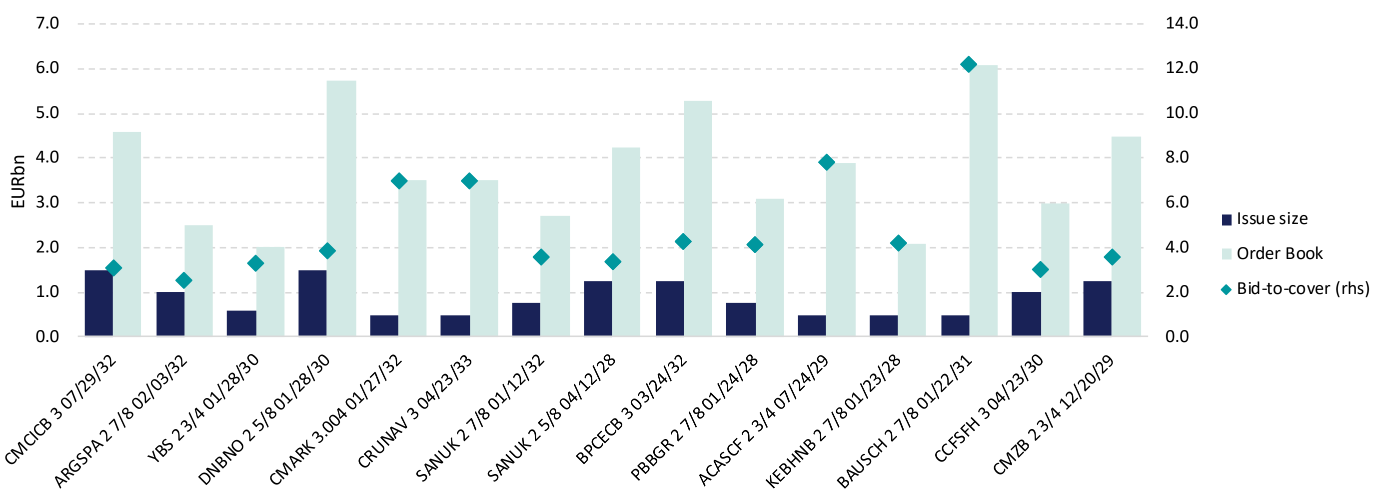

**Covered bond performance (Total return)**




**Spread development (last 15 issues)**



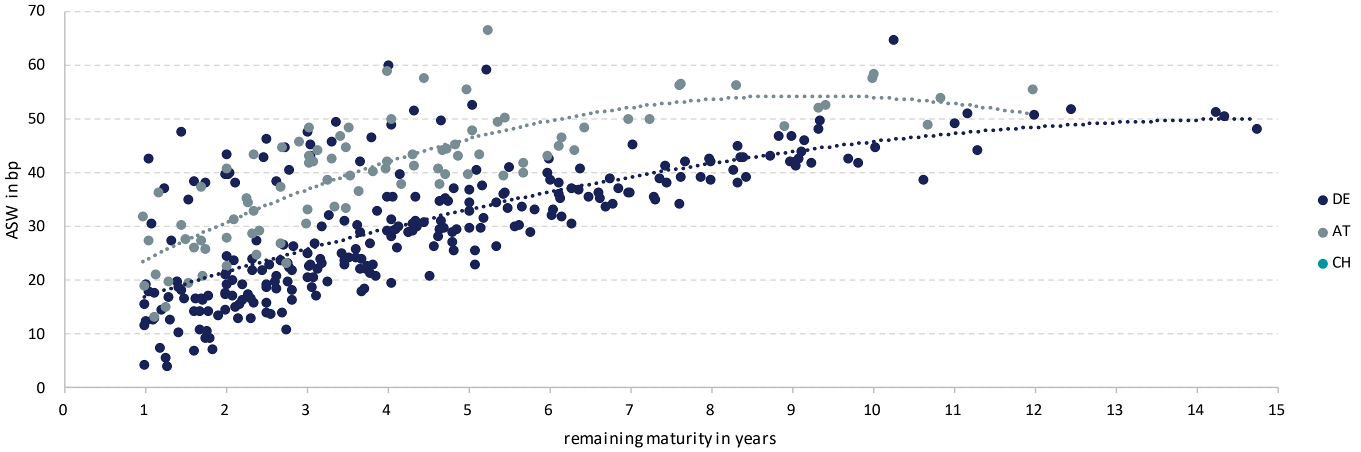

**Order books (last 15 issues)**



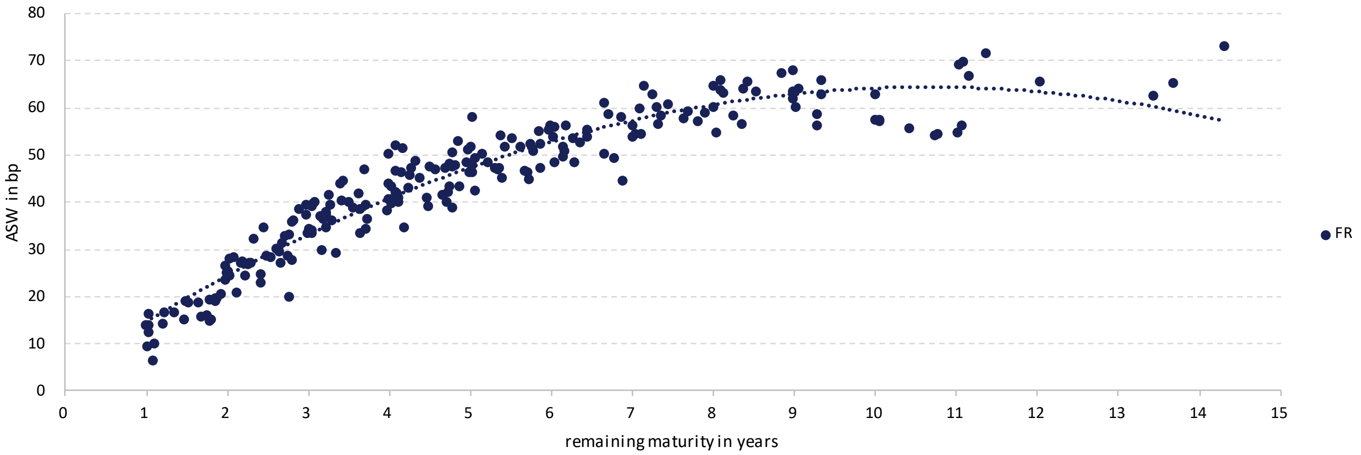

Source: Market data, Bloomberg, NORD/LB Floor Research

## Spread overview[1]

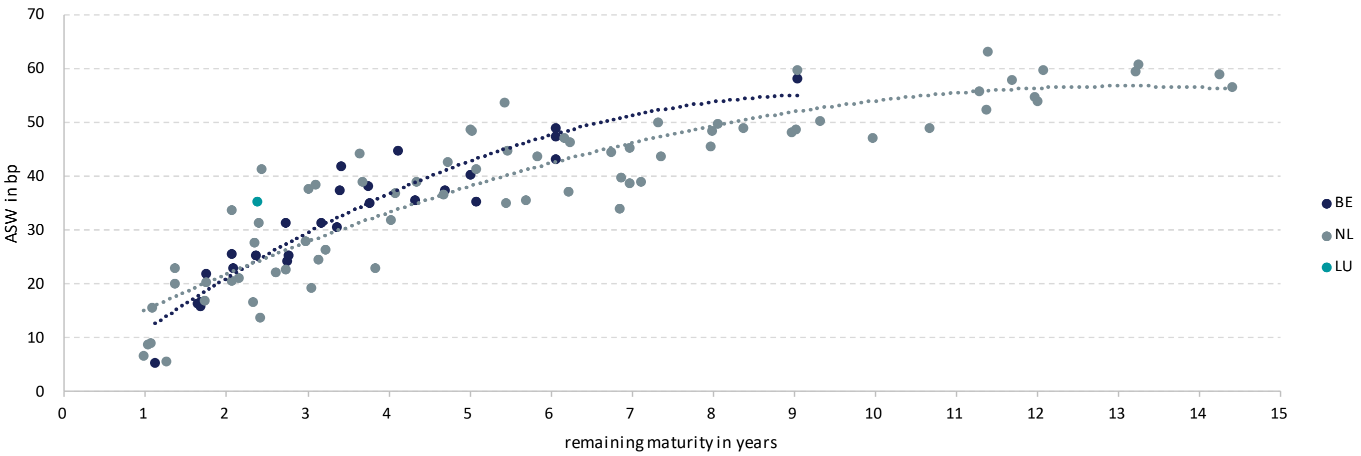
### DACH




### France

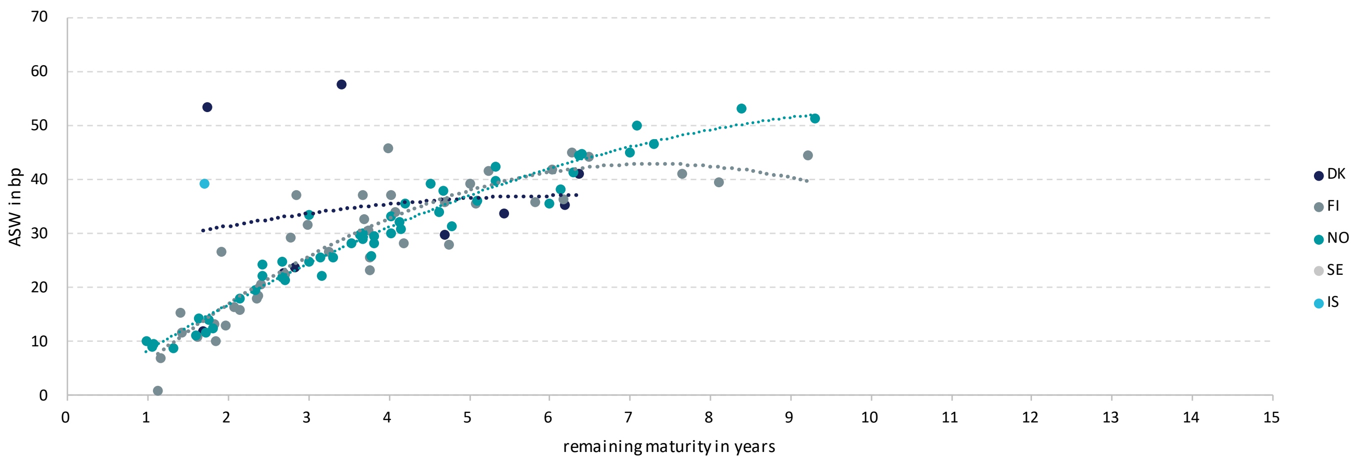



### Benelux

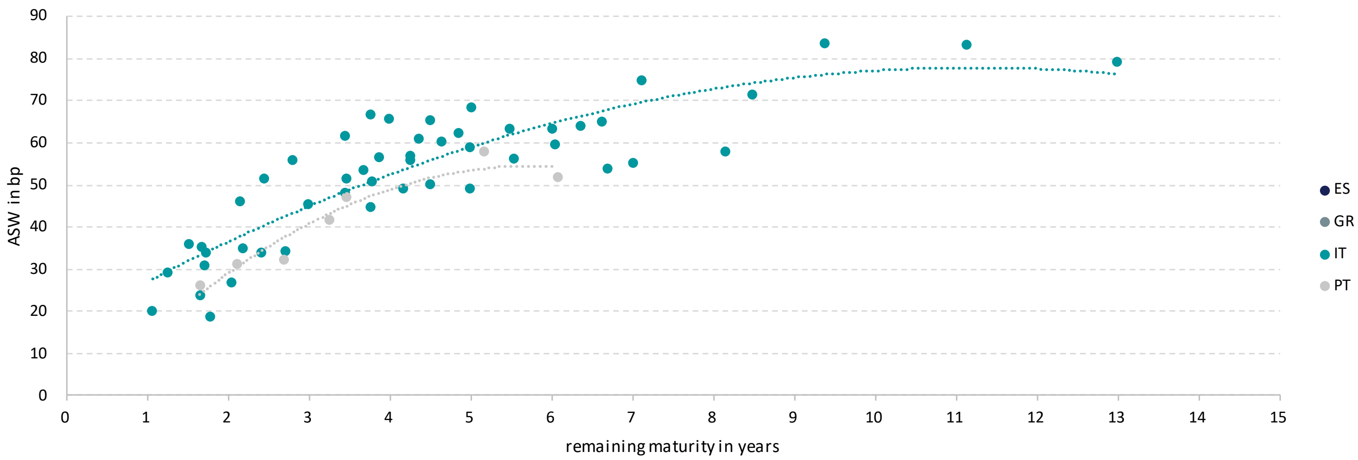



Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

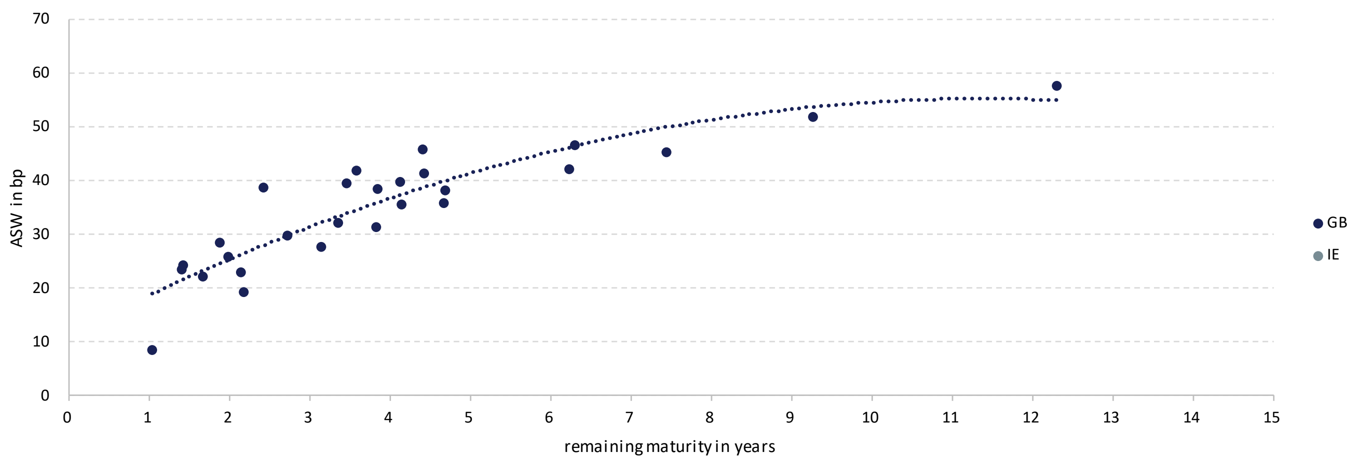
### Nordics




### Southern Europe

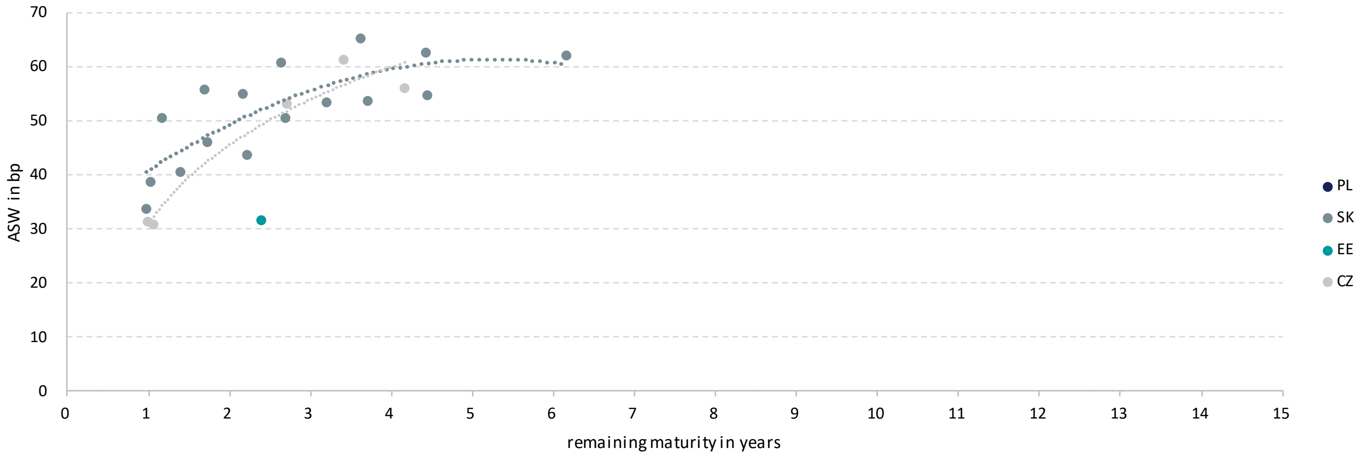



### UK/IE

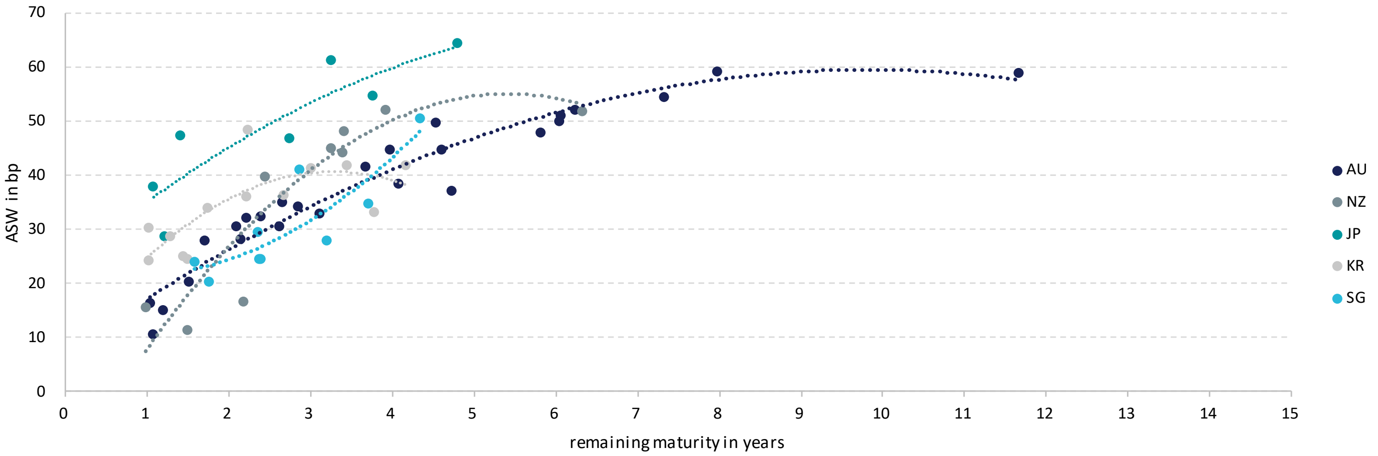



Source: Market data, Bloomberg, NORD/LB Floor Research

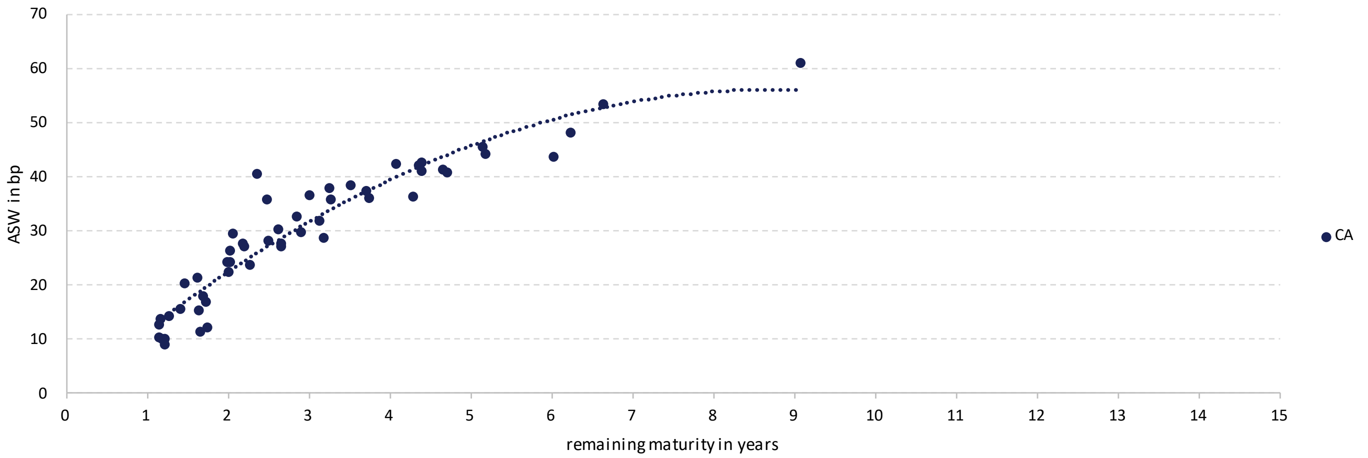
**CEE**




**APAC**



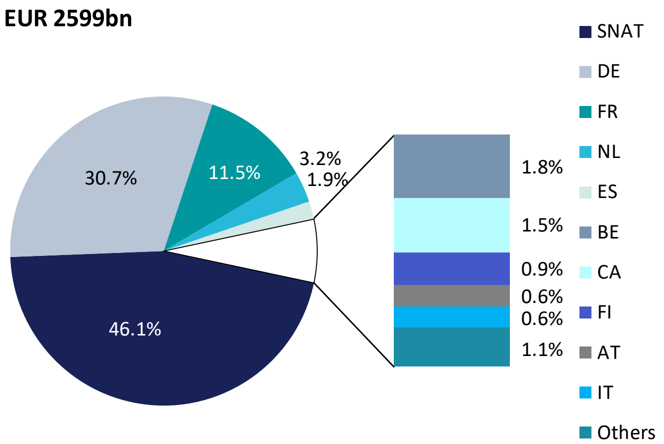

**North America**




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

# Charts & Figures
# SSA/Public Issuers

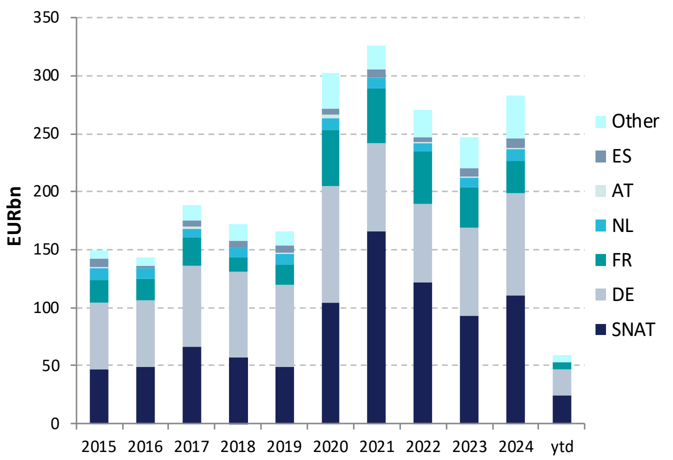
### Outstanding volume (bmk)



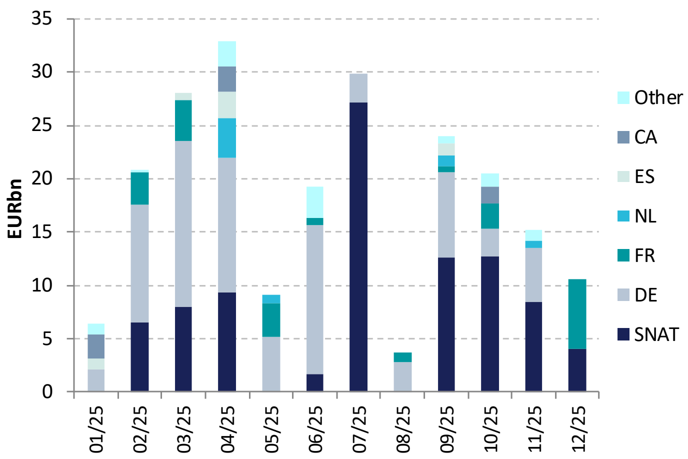

### Top 10 countries (bmk)

| Country | Vol. (EURbn) | No. of bonds | ØVol. (EURbn) | Vol. weight. ØMod. Dur. |
|---|---|---|---|---|
| SNAT | 1,197.5 | 247 | 4.8 | 7.8 |
| DE | 799.1 | 598 | 1.3 | 6.1 |
| FR | 298.2 | 201 | 1.5 | 5.6 |
| NL | 83.2 | 67 | 1.2 | 6.2 |
| ES | 48.9 | 68 | 0.7 | 4.7 |
| BE | 46.6 | 47 | 1.0 | 9.9 |
| CA | 40.2 | 28 | 1.4 | 4.9 |
| FI | 24.6 | 26 | 0.9 | 4.4 |
| AT | 16.0 | 21 | 0.8 | 4.7 |
| IT | 15.6 | 20 | 0.8 | 4.2 |

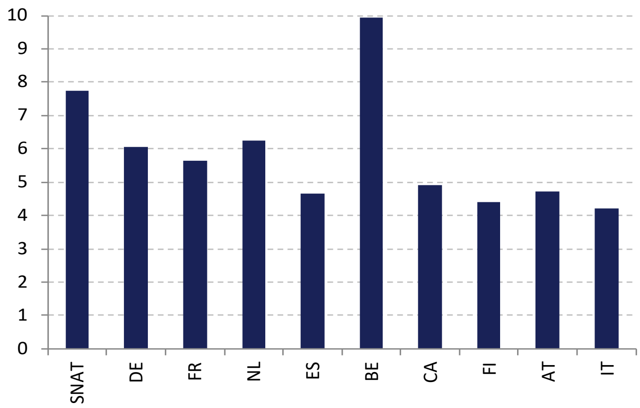
### Issue volume by year (bmk)



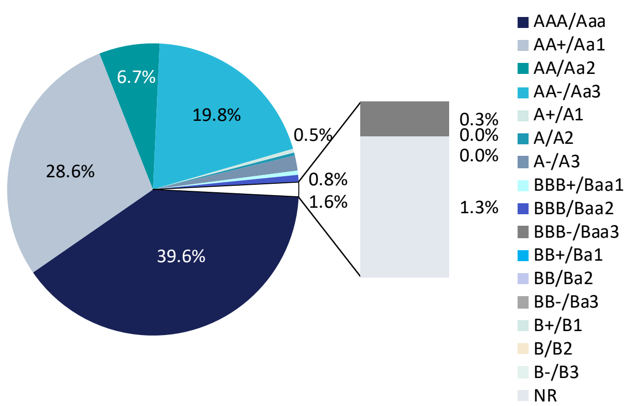

### Maturities next 12 months (bmk)




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

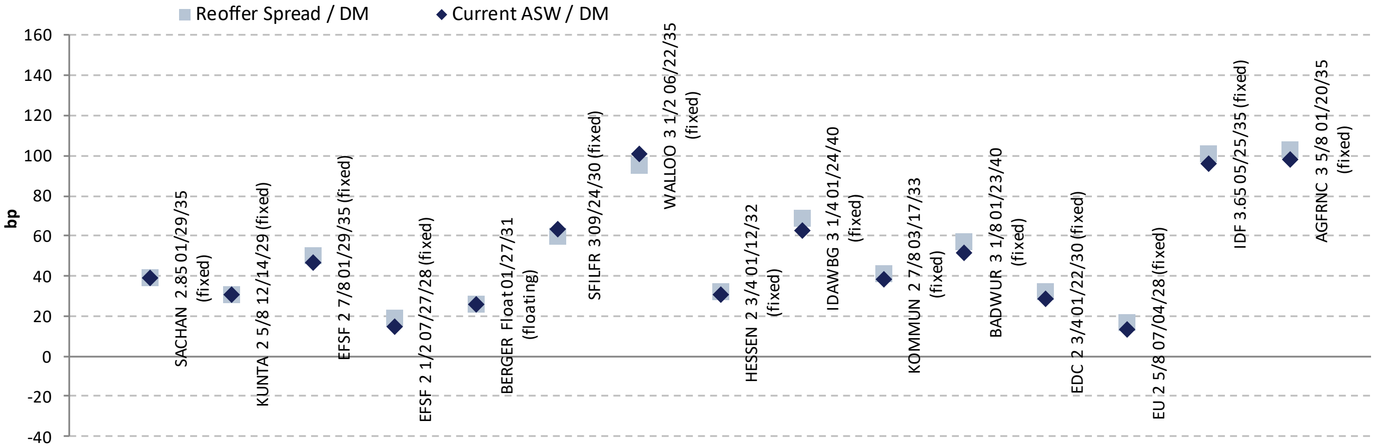



### Rating distribution (vol. weighted)

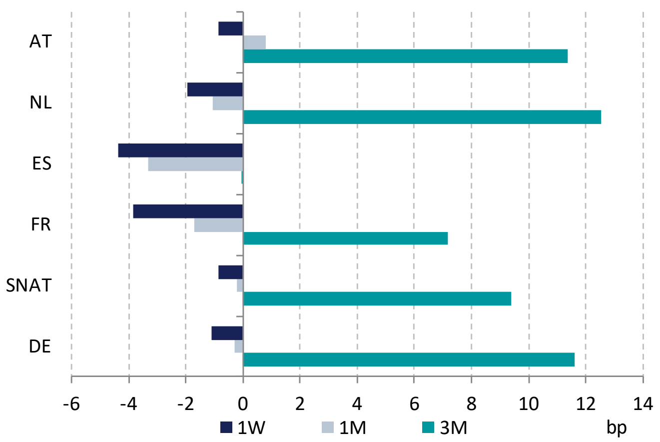



Source: Bloomberg, NORD/LB Floor Research

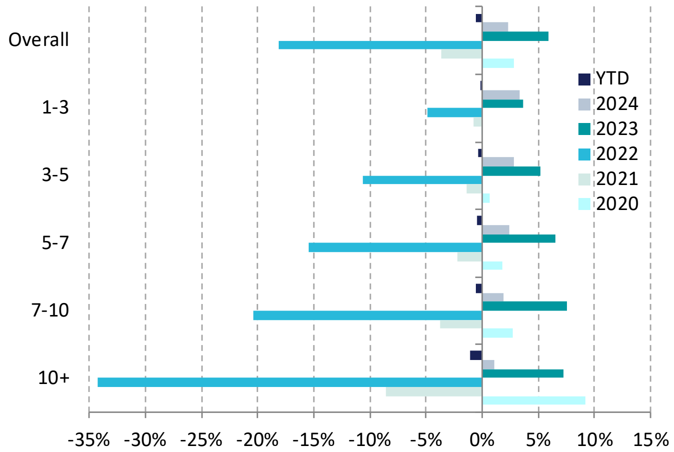
### Spread development (last 15 issues)



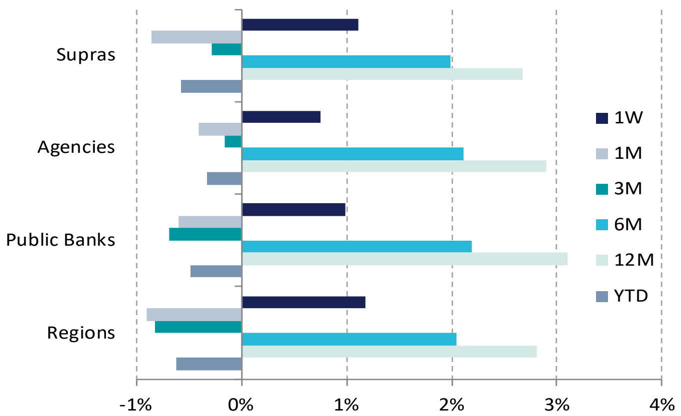

### Spread development by country



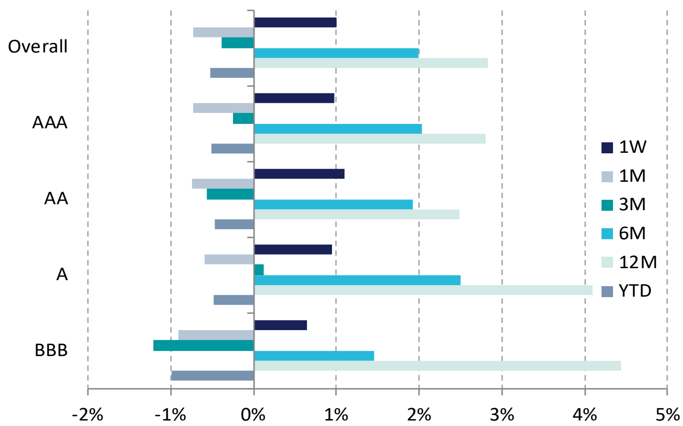

### Performance (total return)




### Performance (total return) by segments

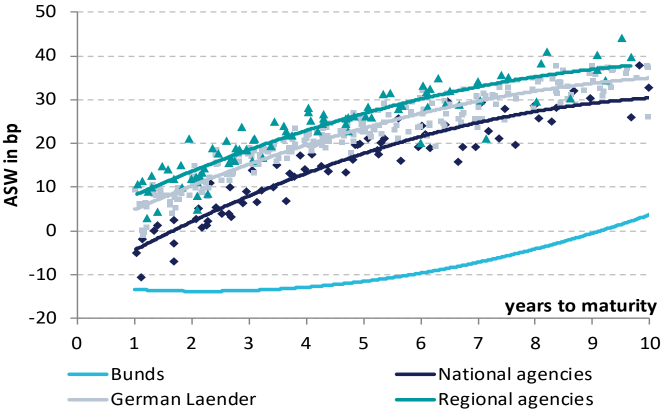



### Performance (total return) by rating

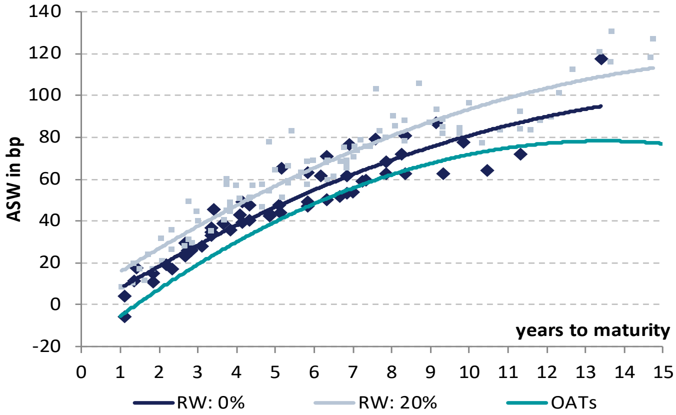



Source: Bloomberg, NORD/LB Floor Research

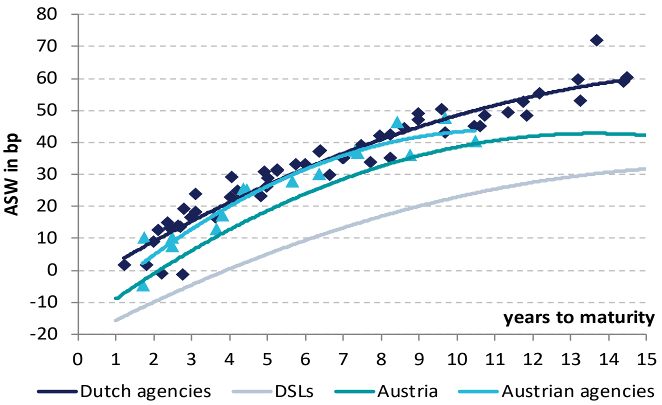
## Germany (by segments)



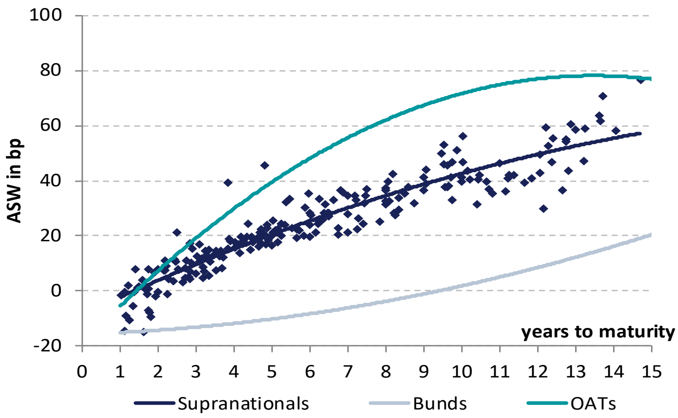

## France (by risk weight)



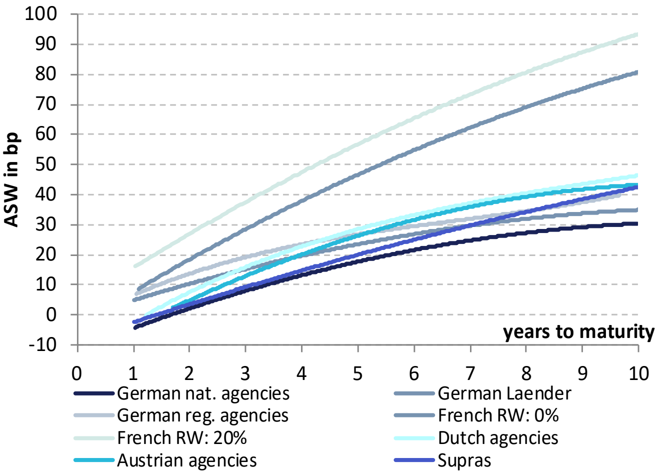

## Netherlands & Austria



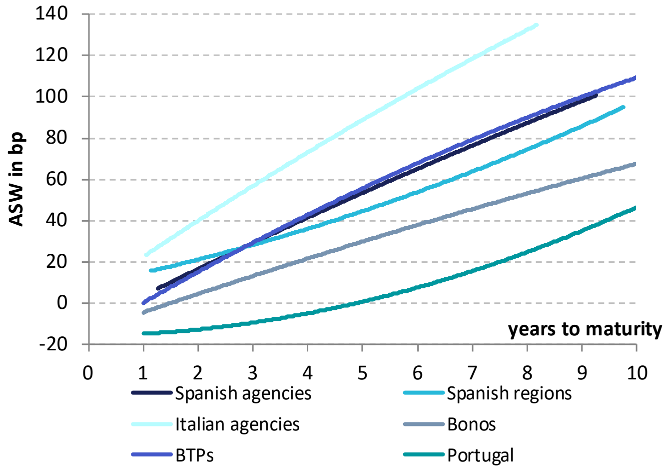

## Supranationals




## Core




## Periphery

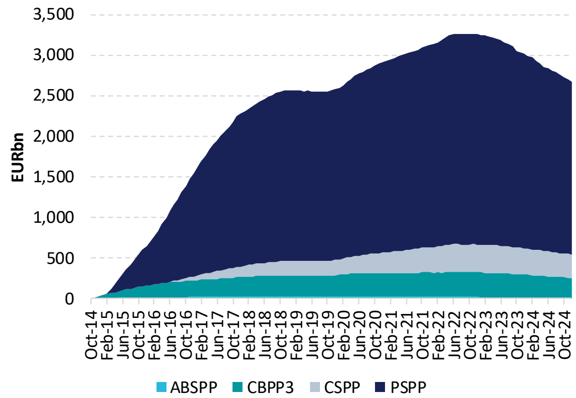



Source: Bloomberg, NORD/LB Floor Research

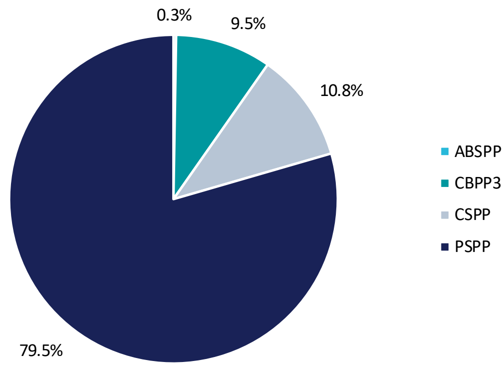
# Charts & Figures
# ECB tracker

## Asset Purchase Programme (APP)

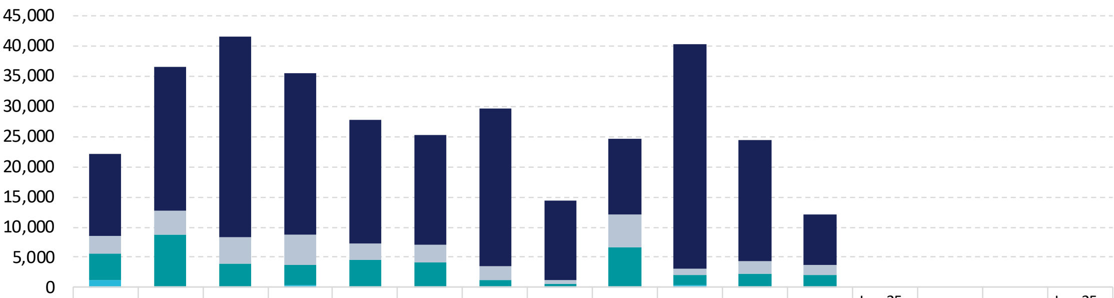
### APP: Portfolio development




### APP: Portfolio structure

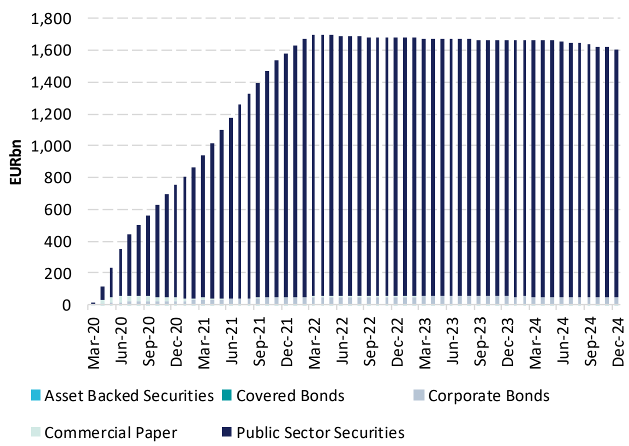



### Expected monthly redemptions (in EURm)

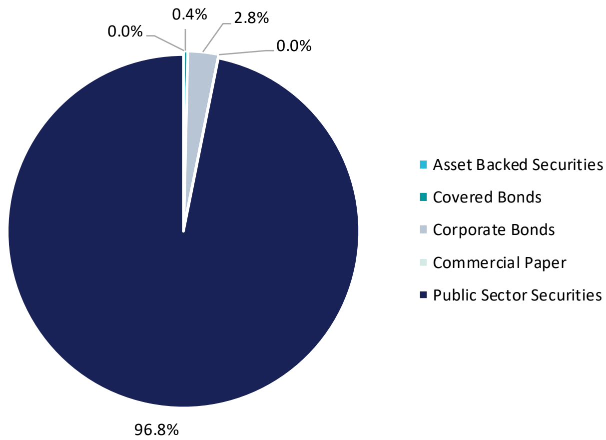



| | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-25 - Dec-25 | 2023 | 2024 | Jan-25 - Dec-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APP | 22,039 | 36,658 | 41,660 | 35,527 | 27,846 | 25,290 | 29,618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

### PEPP: Portfolio development



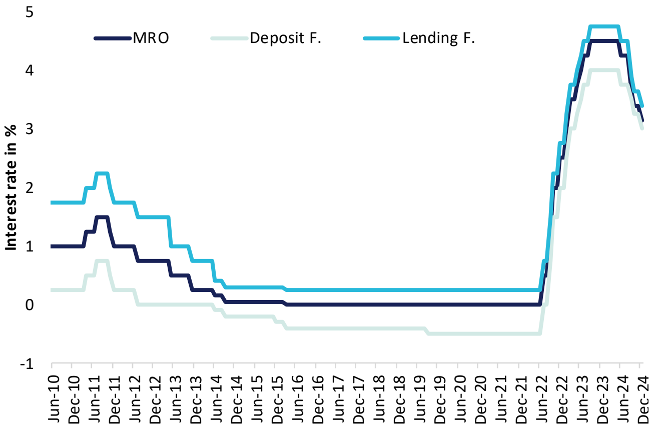

### PEPP: Portfolio structure



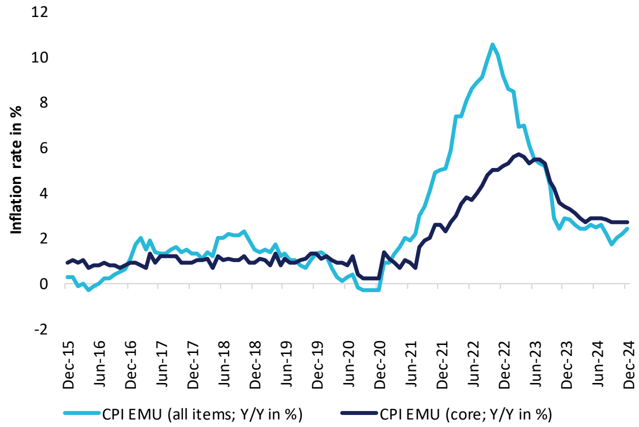

Source: ECB, NORD/LB Floor Research

# Charts & Figures
# Cross Asset

### ECB key interest rates

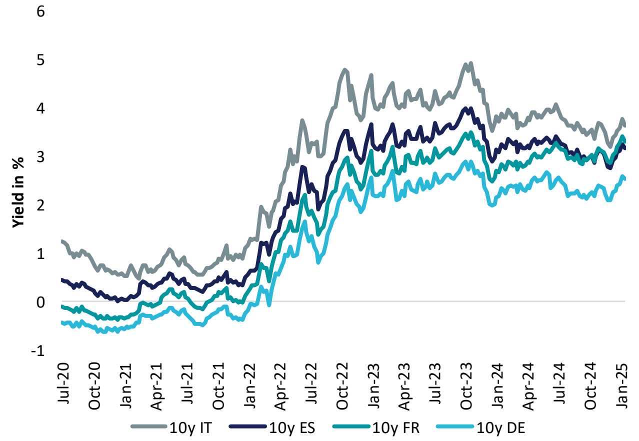



### Inflation development in the euro area

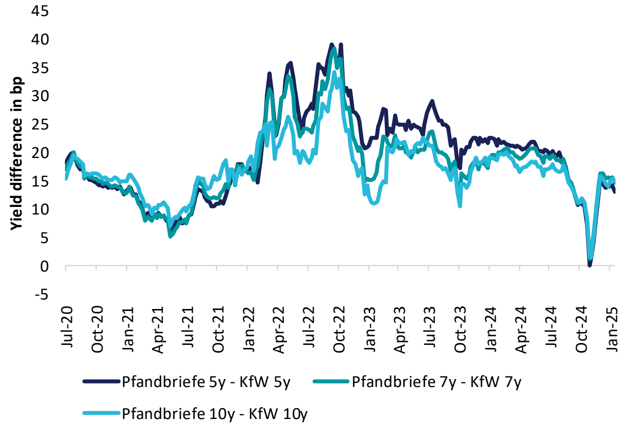



### Bund-swap-spread

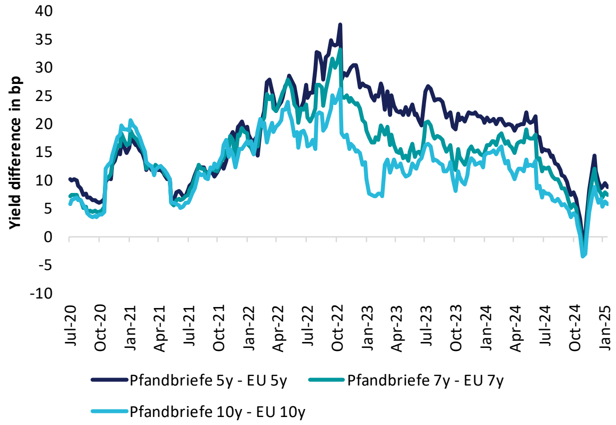

### Selected yield developments (sovereigns)




### Pfandbriefe vs. KfW




### Pfandbriefe vs. EU




Source: ECB, Bloomberg, NORD/LB Floor Research

NORD/LB

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

| Publication | Topics |
|---|---|
| 02/2025 ♦ 15 January | ▪ The Moody's covered bond universe – an overview<br>▪ Review: EUR-ESG benchmarks 2024 in the SSA segment |
| 01/2025 ♦ 08 January | ▪ Annual review of 2024 – Covered Bonds<br>▪ SSA: Annual review of 2024 |
| 42/2024 ♦ 18 December | ▪ A regulatory look at the iBoxx EUR Covered<br>▪ Teaser: Beyond Bundeslaender – Belgium |
| 41/2024 ♦ 11 December | ▪ Focus on France: Covered bond view of Groupe CCF<br>▪ Teaser: Issuer Guide – French Agencies 2024 |
| 40/2024 ♦ 04 December | ▪ Our outlook for the covered bond market in 2025<br>▪ SSA Outlook 2025: Risk premiums are back in town |
| 39/2024 ♦ 27 November | ▪ What's going on outside of the EUR benchmark segment?<br>▪ Teaser: Issuer Guide – Down Under 2024 |
| 38/2024 ♦ 20 November | ▪ Transparency requirements §28 PfandBG Q3/2024<br>▪ ECB repo collateral rules and their implications for Supranationals & Agencies |
| 37/2024 ♦ 13 November | ▪ Development of German property market (vdp index)<br>▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO |
| 36/2024 ♦ 06 November | ▪ ESG covered bonds: Benchmark segment on a growth trajectory<br>▪ Current LCR classification for our SSA coverage |
| 35/2024 ♦ 30 October | ▪ Maturities the future driver in the primary market?<br>▪ German-speaking Community of Belgium – spotlight on DGBE |
| 34/2024 ♦ 23 October | ▪ A relative value investigation of covered bonds<br>▪ Current risk weight of supranationals & agencies |
| 33/2024 ♦ 16 October | ▪ The covered bond universe of Moody's: an overview<br>▪ Teaser: Issuer Guide – European Supranationals 2024 |
| 32/2024 ♦ 09 October | ▪ A look at the CEE covered bond market<br>▪ NGEU: Green Bond Dashboard |
| 31/2024 ♦ 02 October | ▪ A review of Q3 in the Covered Bond segment<br>▪ Teaser: Beyond Bundeslaender – Spanish Regions |
| 30/2024 ♦ 25 September | ▪ The EUR benchmark segment after the summer break<br>▪ Update on German municipality bonds: DEUSTD and NRWGK |
| 29/2024 ♦ 18 September | ▪ ECBC publishes annual statistics for 2023<br>▪ Sukuk bonds – an update on sharia-compliant investments |
| 28/2024 ♦ 11 September | ▪ Banca Sella joins the EUR sub-benchmark segment<br>▪ Teaser: Beyond Bundeslaender – Autonomous Portuguese regions |

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# Appendix
# Publication overview

**Covered Bonds:**

**Issuer Guide – Covered Bonds 2024**

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

**Transparency requirements §28 PfandBG Q3/2024** (quarterly update)

**Transparency requirements §28 PfandBG Q3/2024 Sparkassen** (quarterly update)

**SSA/Public Issuers:**

**Issuer Guide – German Laender 2024**

**Issuer Guide – Canadian Provinces & Territories 2024**

**Issuer Guide – Down Under 2024**

**Issuer Guide – European Supranationals 2024**

**Issuer Guide – Non-European Supranationals (MDBs) 2024**

**Issuer Guide – German Agencies 2024**

**Issuer Guide – French Agencies 2024**

**Issuer Guide – Nordic Agencies 2024**

**Issuer Guide – Dutch Agencies 2024**

**Issuer Guide – Austrian Agencies 2024**

**Beyond Bundeslaender: Belgium**

**Beyond Bundeslaender: Greater Paris (IDF/VDP)**

**Beyond Bundeslaender: Spanish regions**

**Fixed Income Specials:**

**ESG-Update 2024**

**Silent night, lower rates: ECB prepares for the new year**

# Appendix
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**Time of going to press:** 22 January 2025 (08:43)