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Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview
Covered Bonds

Authors: Lukas Kühne // Dr Frederik Kunze

Primary market: the drought is over!

The uncertainty on the market in connection with rising yields on European government bonds led to a pause in issuance activities on the primary market lasting more than a week, until finally last Thursday Eika Boligkreditt from Norway reopened the primary market with a ten-year benchmark (reoffer spread: ms +54bp). The Dutch issuer Nationale-Nederlanden Bank brought the primary market to a close last week with a covered bond in green format. The six-year deal was met with huge investor interest, meaning that the fresh supply amounting to EUR 500m could be placed at a reoffer spread of ms +44bp. In total, six issuers from six different jurisdictions were active on the market over the past five trading days. At the start of the new working week, the Nationwide Building Society (UK) approached investors on the primary market by successfully issuing a seven-year deal in the amount of EUR 750m. After the first three deals in the past five trading days were neatly grouped together one after the other like a string of pearls, three issuers ventured onto the market yesterday in one fell swoop. In each case, they opted for the same issuance volume of EUR 500m (WNG) for their new issues. One of these issuers was Danish Ship Finance (DSF), which had actually announced the mandate for its six-year deal, placed on Tuesday, back on 03 March (cf. Issuer View). The covered bonds secured by ships placed by DSF are without doubt something of an exotic offering on the covered bond market. Against this backdrop, it should hardly come as a surprise that the issuer was not keen on placing its deal in a market phase shaped by uncertainties. In the end, the DSF covered bond was placed yesterday (18.03.) at a reoffer spread of ms +77bp (guidance: ms +85bp area). ASB Bank (NZ) also approached investors with a new bond deal. While activities from this jurisdiction have certainly been thin on the ground over recent years, on this occasion the fresh EUR benchmark was successfully placed at a spread of ms +46bp. The trio was rounded off by the Swedish issuer Lansforsakringar Hypothek (LF-Hypothek), which placed its deal (5y) at a reoffer spread of ms +33bp.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
Danmarks Skibskredit	DK	18.03.	DK0004134020	6.0y	0.50bn	ms +77bp	- / - / AA-	-
LF Hypotek	SE	18.03.	XS3033154629	5.0y	0.50bn	ms +33bp	- / Aaa / AAA	-
ASB Bank	NZ	18.03.	XS3016301825	5.0y	0.50bn	ms +46bp	AAA / Aaa / -	-
Nationwide BS	GB	17.03.	XS3025442479	7.0y	0.75bn	ms +49bp	AAA / - / AAA	-
NN-Bank	NL	14.03.	NL0015002G06	6.0y	0.50bn	ms +44bp	- / - / AAA	X
Eika Boligkreditt	NO	13.03.	XS3028070350	10.0y	0.50bn	ms +54bp	- / Aaa / -	-

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

Secondary market: stable environment remains intact

Looking at the secondary market, we are of the view that the environment remains stable. The demand side is primarily focusing on more liquid bonds with terms to maturity of up to seven years. At present, freshly placed deals are struggling to perform strongly on the secondary market, with the transaction volume flatlining at a low level.

EUR sub-benchmark segment: Coop Pank from Estonia makes its debut; Sparkasse Dortmund places second bond in this market segment

On Wednesday last week, Coop Pank successfully placed its first covered bond in the EUR sub-benchmark segment. The deal was initially guided at ms +75bp area for the marketing phase and was met with substantial investor interest. With a term to maturity of four years, the final order book volume came to a considerable total of around EUR 1.2bn, which produced a bid-to-cover ratio of 4.6x. Eventually, the fresh bond deal in the amount of EUR 250m was issued at a reoffer spread of ms +68bp. The covered bond programme of Coop Pank is rated at Aa2 by the rating agency Moody's. Based on this rating, a preferential risk weight of 10% applies to the covered bonds issued by Coop Pank in line with the CRR. Furthermore, the sub-benchmark transactions of the bank are, in our view, treated as Level 2A assets for the purposes of LCR management. Following a successful EUR sub-benchmark debut back in March 2024, Sparkasse Dortmund yesterday placed its second covered bond in this market segment without any problems. The ten-year EUR sub-benchmark deal with a volume of EUR 250m (WNG) generated huge investor interest, reflected in a bid-to-cover ratio of 6.0x, meaning that the spread could be reduced by seven basis points to ms +53bp over the course of the marketing phase.

Repo update: central bank eligibility in the spotlight

In our recently published repo update, we looked in detail at the eligibility of covered bonds in relation to various central banks. In this context, we focused on the conditions under which covered bonds can be used as eligible collateral at a central bank, as well as the haircuts that may potentially apply. Overall, we looked at 11 different central banks where covered bonds can be used as eligible collateral, while our focus is on the ECB in terms of relevance of EUR benchmarks. Moreover, in light of the change regarding the use of external rating assessments in the Eurosystem's collateral framework, published on 21 February 2025, our focus article today puts the impacts of this change on the eligibility of covered bonds in the EUR benchmark segment under the microscope, among other aspects.

S&P upgrades the covered bond rating of Kommunalkredit Austria…

The rating experts at S&P last week upgraded the rating of the public sector covered bond programme of Kommunalkredit Austria by a single notch from A+ to AA-. S&P's counterparty criterion, which takes account of interest rate swaps included in the cover pool, previously limited the best possible rating for the bank's covered bond programme to A+. To comply with the counterparty criterion, the volume of interest rate swaps may not exceed 5% of the outstanding covered bonds. Due to the reduced share of interest rate swaps (6.4% as at the reporting date) and in anticipation that new covered bond deals will reduce this share below the 5% threshold, S&P no longer considers the limiting factor of the counterparty criterion in evaluating the covered bond programme of Kommunalkredit Austria. This exception also takes into account, among other aspects, the fact that the rating of the counterparty swaps is comparatively high. Kommunalkredit Austria uses both the EUR benchmark and EUR sub-benchmark segments to place publicly secured covered bonds. The issuer was most recently active in October 2024, when it successfully placed a EUR benchmark with a volume of EUR 500m.

...and provides an overview of the Dutch covered bond market

Published last week, the "Dutch Covered Bond Market Insights 2025" offers an overview of the relevant developments on the Dutch covered bond market. While this market may, in the view of the rating experts at S&P, be on the small side, with just nine issuers (of which eight are rated by S&P) and 15 covered bond programmes overall, it is also a dynamic one at the same time. For example, the growth of the EUR benchmark segment in the Netherlands has, according to S&P, outstripped the European average in practically every year over the past decade. According to information from the rating agency, two issuers account for around 70% of the outstanding covered bond volume in the Netherlands. The cover pools of Dutch banks primarily comprise senior secured residential mortgage loans, which, as S&P explains, typically display a low credit default risk. The Dutch residential real estate market continues to be characterised by significant excess demand, which is reflected in high prices and makes securing financing all the more difficult. The rating experts take a more critical view of the high and ever-increasing propensity for asset-liability mismatches in the issuers' covered bond programmes. This situation, it says, can be attributed to the fact that the banks have faced difficulties in relation to issuing long-term bonds in the covered bond market in the current interest rate environment, while the mortgage loans used as collateral in the cover pools feature long maturities and come with fixed interest rates. According to the rating experts, OC ratios and issuer ratings serve as safeguards against potential downgrades of the covered bond programmes. On average, Dutch covered bond programmes have 2.5 unused notches of uplift against potential downgrades to the issuer's credit rating.

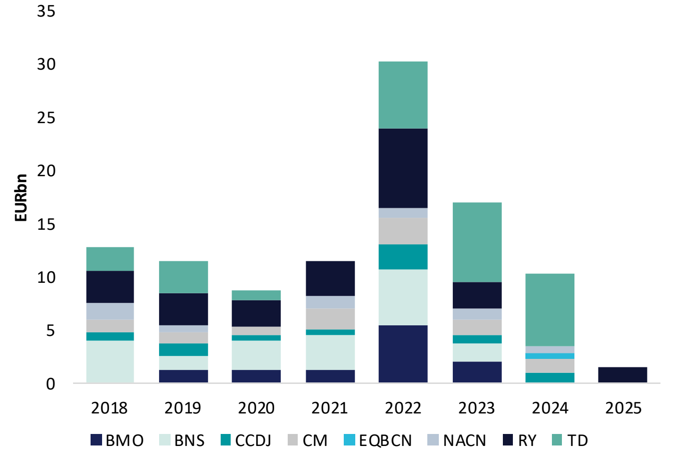
Commerzbank and NATIXIS Pfandbriefbank join the Covered Bond Label

Last week, Commerzbank and NATIXIS Pfandbriefbank announced that they would be joining the Covered Bond Label Foundation (CBLF) and will also be reporting in line with the uniform standard of the Harmonised Transparency Template (HTT). As such, the number of active issuers under the label will increase to 154, comprising a total of 191 cover pools from 25 jurisdictions. Up to now, the cover pool reporting of both banks has been based exclusively on the requirements of §28 of the Pfandbrief Act (Pfandbriefgesetz), which are also made available in aggregate form as part of their membership in the Association of German Pfandbrief Banks (vdp). The two issuers report additional cover pool information on a voluntary basis, such as the number of loans contained in their cover pools, through the vdp in the form of the "Extended vdp Template". Our Covered Bond Special "Transparency requirements §28 PfandBG" is also based on this data. Nevertheless, the HTT supplements the existing cover pool information in some areas, in addition to facilitating improved comparability across different jurisdictions, thereby generating even more transparency. For example, Commerzbank also points out in the press release that reporting under the HTT ensures the best possible access to information on its cover pools, which therefore offers the best possible degree of visibility in relation to the quality of the collateral underlying its Pfandbrief deals. In addition, NATIXIS Pfandbriefbank highlights that the uniform reporting standard underlines the strength and solidity of German Pfandbriefe (cf. press release).

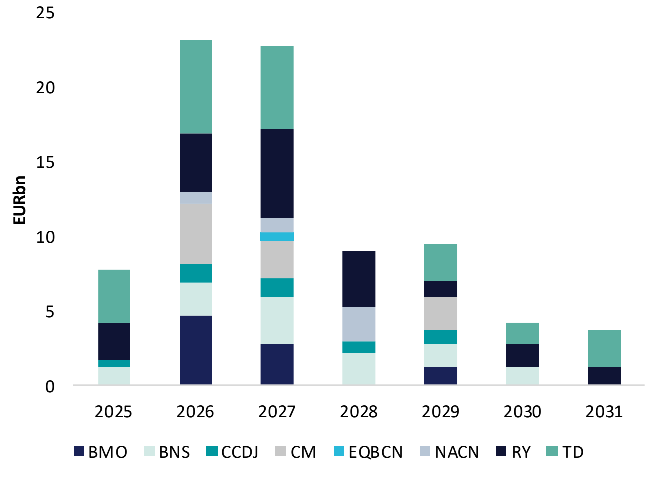
Canada: Bank of Nova Scotia places successful USD deal

Without doubt, Canada is one of the heavyweights in the EUR benchmark segment for covered bonds. For example, the jurisdiction ranks in third place in terms of outstanding volume (EUR 81bn) after France and Germany. At the same time, however, primary market activities in Canada have been rather cautious in the year to date. Issuers from Canada are actually among those institutes that display great flexibility when it comes to the choice of issuance currency and regularly turn to deals placed outside of the EUR and their domestic currency CAD. In the trading week under review, Bank of Nova Scotia (Ticker: BNS) was active in the FX segment, successfully issuing a deal in the amount of USD 1.75bn at SOFR ms +56bp (IPT: SOFR ms +58bp area; 3.0y). This is the third benchmark deal from Canada placed outside of the euro in 2025, with Federation des Caisses Desjardins du Quebec (ticker: CCDJ) approaching investors on 08 January with a deal in pounds sterling (GBP 600m; 3.5y) just one day after CIBC (ticker: CM) successfully placed the first USD deal of the new year (USD 1.5bn; 5.0y). Although FX transactions from Canada got off to a rather sluggish start to the year in both 2023 and 2024, for the current year we are forced to conclude that issuance momentum can be only described as unusually subdued so far. Based on the seasonal pattern alone, we would have expected more supply from Canada in the EUR benchmark segment in particular. To date, just a single issuer has been active here, with the Royal Bank of Canada (ticker: RY) placing a deal worth EUR 1.5bn on 28 January. At least with regard to EUR benchmarks, we do expect activities on the primary market to (belatedly) pick up. As such, we are sticking to our forecast of EUR 9.5bn (net supply: EUR +2.5bn). In terms of spread developments, at present we are working on the assumption that, compared with the screen prices currently observed on the secondary market, a repricing movement of the Canadian curves on the primary market should set in due to the fresh supply. We have identified similar trends for other Overseas jurisdictions in the past (cf. Covered Bond focus article dated 26 February). Over the past couple of weeks, we have seen modest spread widening in relation to Canadian covered bonds in the secondary market, which from our perspective can, among other aspects, be put down to the uncertainties linked to the USA's tariff policies as well as the announcement coming from Germany that it intends to borrow money in order to ramp up infrastructure and defence spending.

EUR BMK CA: Deals ytd (EURbn)



EUR BMK CA: Maturities ytd (EURbn)



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

Fitch identifies scope for rating upgrades at major European banks

With regard to ratings and the fundamental risk assessment of covered bonds, issuer creditworthiness forms the initial anchor point. In the recently published “Large European Banks Quarterly Credit Tracker”, the rating experts at Fitch provide an overview of rating-relevant developments at the 20 largest European banks that form part of their coverage. Overall, the robust business performance in 2024 and the positive forecast for 2025 allow for additional scope for potential rating upgrades at large European banks. Despite the onset of the interest rate cut cycle, Fitch believes that the asset quality reported on the banks’ balance sheets will remain largely stable in 2024, with structurally improved earnings. In addition, Fitch is also not expecting profitability at the large banks under review to significantly deteriorate in 2025. With interest rates coming down in 2025 compared with 2024, net interest incomes, particularly at banks in Southern Europe, are also set to decline. Fitch anticipates contrasting developments in France in the form of rising loan interest rates and lower funding costs. The rating experts also identify the potential for increasing net interest incomes at major banks in Germany and the UK. Fitch outlines that developments in relation to asset quality were stable in 2024, with NPLs in a narrow range of between 2% and 3%. Challenges remain for major European banks with greater exposure to international commercial real estate financing. For 2025, Fitch anticipates a modest increase in NPLs. According to Fitch, the major European banks are well-positioned, meaning that their attention will increasingly turn to acquisition opportunities in 2025. However, this positive outlook for the major European banks in 2025 could be compromised somewhat if economic growth turns out to be weaker.

Market overview
SSA/Public Issuers

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

Planned constitutional amendments to the German debt brake

The first reading of the planned reforms for the "Rambo-Zambo" bond packages for defence and infrastructure took place last week. The political process in Germany is as follows: as a rule, bills are debated three times in the Bundestag – these debates are known as readings. The first stage involves a debate on its political significance and goals. The bill will then be referred to one or several committees for consultation, where an intensive examination of the draft law will take place. These conclude with a report containing the results of its deliberations and the recommendation for a decision to the plenary. The revised version of the bill presented by the committee with overall responsibility serves as the foundation for the second reading. Any Member of the German Bundestag may table motions for amendments at this stage. However, if no amendments are adopted during the second reading, the third reading can proceed immediately. Motions for amendments may now only be tabled by one of the parliamentary groups or 5% of the Members of the German Bundestag. These may only be tabled on amendments adopted during the second reading. The final vote in the Bundestag is held at the end of the third reading. Both took place yesterday. Once a bill has gained the necessary majority in the Bundestag, it is transmitted to the Bundesrat as an act. Alongside EUR 400bn for defence (Rambo), additional investment of EUR 500bn are planned for infrastructure (Zambo). Among other aspects, the strict debt rules for the Laender are to be relaxed. In the future, they will be allowed to take on new debt amounting to up to 0.35% of GDP. Until now, this was only an option for the Bund. Repricing in the SSA segment is currently being determined by the future increase in supply of bonds from the Bund and Laender.

Société de Financement Local: lending to public sector at record level

The Société de Financement Local (SFIL; Ticker: SFILFR) has presented its annual financial statements for 2024 and achieved a net result of EUR 75m, the second-best result since it was created. Loans to the public sector developed particularly positively: lending in this segment was up 46% on the previous year to EUR 6.3bn and therefore reached a new record level. Of this, around EUR 2.5bn was earmarked as green or social loans – also another milestone for the French agency. Lending to local authorities accounted for a significant share of the loan volume, rising year-on-year to EUR 5.8bn (+45%). Loans to public hospitals also increased from EUR 322m in the previous year to EUR 518m with a moderate recovery in investment within the context of an extremely tight budgetary situation. However, with five transactions for a total amount of EUR 2.4bn, it was not possible to maintain last year's record level of export financing (2023: EUR 5bn), although the business outlook remains very positive. On the funding side, SFIL issued long-term debt amounting to EUR 3.6bn overall in 2024. SFIL's liquidity structure remains robust, with LCR and NSFR ratios of 440% and 125% respectively. The CET1 ratio was 42.2%, well above the minimum requirement set by the supervisory authority.

Finnvera presents financial figures for 2024

The Finnish export financier Finnvera (ticker: FINNVE) has presented its Annual Report 2024. According to the corresponding press release, the volume of domestic loans and guarantees granted amounted to EUR 900m, which is considerably lower than in the same period of the previous year (2023: EUR 1.8bn) and represents a change of -51%. Export credit guarantees, export guarantees and special guarantees were also down versus year-end 2023, by -47%, to EUR 2.9bn. The Finnvera Group's result for 2024 was EUR 228m (2023: EUR 433m). When compared with the previous year, the result was most impacted by a change in expected credit losses on the balance sheet and reversals of loss provisions. Loss provisions have had a significant impact on the Group's result in recent years. Finnvera was able to partially reverse its loss provisions for export credit guarantees and special guarantees in 2024, especially those relating to cruise shipping companies. In the reference period, Finnvera was able to reverse more loss provisions than in the review period, which led to an exceptionally good result in 2023. The Group's net interest income developed positively, increasing by +20% to EUR 139m. The balance sheet total was also raised to EUR 14.8bn (+3% Y/Y). Juuso Heinilä, CEO of Finnvera, commented as follows on the past financial year: "2024 was challenging for the Finnish economy, even if a cautious improvement could be observed in the early part of the year. Finland's key export markets were also affected by a downturn, which dampened Finnish export companies' prospects. While interest rates dropped and inflation decreased, geopolitical uncertainty persisted."

Thuringia presents preliminary annual accounts

On 04 March, Thuringia's Minister of Finance Katja Wolf presented the result of the preliminary annual accounts for the federal state budget in 2024. This was better than originally forecast, especially due to one-off effects. Despite these extraordinary effects, actual expenditure exceeded actual revenue by around EUR 99m, meaning that reserves had to be used in the form of the budget balancing reserve. On the revenue side, extra revenue was above all recorded for taxes and supplementary federal grants (Bundesergänzungszuweisungen), which were attributable to the census effect combined with a positive distributional effect for Thuringia within the framework of the Bund-Laender financial equalisation system. In addition, revenue of EUR 303m was recorded relating to the special coronavirus and energy crisis fund, which was dissolved at the end of 2024 and not included in the 2024 budget. On the expenditure side, reduced spending on personnel was offset by additional expense relating to asylum seekers and refugees. On the basis of the previous government's draft budget, the planned level of the budget balancing reserve would be just under EUR 421m as at 31 December 2025, given the described changes in revenue and expenditure in 2024. Around 154.9m has been repaid with the 2024 budget. The budgetary debt level therefore totalled EUR 15.6bn as at 31 December 2024, meaning that – with a simultaneous increase in nominal GDP – the debt burden ratio has fallen significantly. With a view to the ongoing preparation of the 2025 budget and the imminent preparation of the 2026/27 double budget, Minister Wolf said: "The annual financial statements now available will provide some help with upcoming budgets. As a result, and with the necessary discipline in the 2025 budget preparation procedure, we have the opportunity to maintain at least EUR 500m in the reserve. On this, we as the state government have reached mutual agreement."

ISB achieves net profit of EUR 1.4m

The Investitions- und Strukturbank Rheinland-Pfalz (ISB; ticker: ISBRLP) closed the 2024 financial year with a net profit of EUR 1.4m. Despite a variety of challenges, including new regulatory requirements, for example, the new business volume was maintained at a constant level. Overall, subsidies in the amount of EUR 1.9bn were approved, with a very good figure of EUR 445.2m in housing subsidies, in particular. Regarding the individual business areas, the area of economic development especially stood out – here, the number of approvals increased by around 87%, even though the volume of subsidies decreased year on year. In the past financial year, a total of 2,940 applications with a total volume of EUR 287m were approved (2023: 1,574 commitments worth EUR 331.9m). In the area of SME financing, a total of 844 investment and working capital loans with a total volume of EUR 257.7m were granted in 2024, which represents a decline in respect of both number (2023: 718 commitments) and volume (2023: 283.4m). Approvals remained at a high level in the area of social housing promotion, with 1,241 rental units subsidised, even when compared with the previous record year (2023: 1,518 residential units). In the area of residential property, 632 residential units were subsidised with EUR 88.3m (2023: 695 residential units, EUR 94.4m). In addition, ISB has provided around EUR 1bn to promote municipal infrastructure measures, while digitisation measures at schools in Rhineland-Palatinate received funding of EUR 313m. In the area of reconstruction aid, more than 17,000 applications with a total volume of EUR 1.4bn have been approved since the start of the application process.

NRW.BANK.ifo Business Climate: economy in NRW stagnating at a low level

In February, developments in the economy in the federal state of North Rhine-Westphalia were variable – while the service sector deteriorated, sentiment in the other sectors either improved or remained almost unchanged. Overall, the NRW.BANK.ifo Business Climate consequently fell by -0.1 points to -15.0 points. The figures for the current business situation fell by -1.0 points to -12.1 points, whereas business expectations of companies saw improvement by +0.7 to -18.0 points. In February, the business climate in the manufacturing sector improved significantly by +2.0 balance points to -23.8 points, as the industrial companies surveyed showed a more positive outlook for their current business situation compared to the previous month, and they are also exhibiting less pessimism regarding the next six months. The business climate in the main construction industry also showed an improvement compared to the previous month, rising by +1.5 balance points to -26.9 points. This was due to more positive business expectations, though current business performance was assessed somewhat worse, with the lack of orders being the primary issue. In trade, the business climate was virtually unchanged overall, since developments in wholesale and retail trade were diametrically opposed. While the business climate in wholesale improved, it deteriorated in retail. The only general indicator drop was recorded in the service sector, which accounts for the largest share of the overall economic indicator, by -1.5 balance points to -6.1 points. The companies surveyed were less satisfied with both their current business situation and their business expectations. In particular, scepticism increased in transport and logistics in view of a weak order situation. The business climate also deteriorated in the hospitality industry and in the information and communication sector.

LANDER now the sole ticker again

It was only recently that we voiced criticism of the Joint Laender bonds placed by the Gemeinschaft deutscher Laender issuance vehicle, asserting that the construct was highly complex and required explanation (due to their several but not joint liability), and that it would be preferable if there were not two tickers (LANDER and GLANDE) in circulation. This situation has now been rectified: as in previous years, only bonds with the familiar ticker of LANDER are now still in circulation. Despite the different compositions, we deem this sensible since the joint municipal bonds from NRW (ticker: NRWGK) always trade under one ticker, even though their composition varies much more than that of the Laender.

Primary market

Looking at the past trading week, the SSA primary market was once again extremely active. Accordingly, we can report eight EUR benchmarks with an aggregate volume of EUR 8bn as well as one tap today. We already referred to the mandate of the federal state of Berlin (ticker: BERGER) in our last issue and its marketing commenced shortly after going to print: EUR 1bn (10y) was sought and was finally collected at ms +44bp. Two other issuers from the German Laender segment also ventured onto the trading floor with new issues: the Free State of Saxony (ticker: SAXONY) approached investors with a volume of EUR 500m and an eight-year maturity. The reoffer spread was ms +37bp. Despite the similarity in name, Lower Saxony (ticker: NIESA) had different ideas regarding new issue volume and maturity: EUR 1bn (5y) was ultimately raised at ms +29bp. Outside our regular coverage, the Arab Bank for Economic Development in Africa (ticker: ARBBNK) placed EUR 750m (3y) at ms +75bp. From France, the unemployment insurer Unédic (ticker: UNEDIC) finally stepped up to the plate with its first EUR benchmark this year: the agency had its sights set on a social bond of EUR 2bn (8y), which was raised at OAT +4bp (equivalent to approx. ms +73bp). Further ESG supply was exclusively dominated by supranationals: the Nordic Investment Bank (ticker: NIB) issued a new bond of EUR 750m (7y) with a green label at ms +31bp. The European Bank for Reconstruction and Development (ticker: EBRD) also opted for a green bond: the bond of EUR 1bn (7y) was ultimately priced at ms +32bp. The Council of Europe Development Bank (ticker: COE) also sprang into action with EUR 1bn for its Social Inclusion Bond (7y) which was ultimately priced at ms +33bp. We have additionally noted a tap issue: North Rhine-Westphalia (ticker: NRW) decided to increase the volume of its 2034 bond by EUR 1bn at ms +43bp. With a view to the coming week, the EU will hold its third bond auction in H1/2025 next Monday (cf. funding plan). Two new interesting mandates are on the cards as well in the form of a 7y bond from the City of Dortmund (ticker: DRTMND) in the amount of at least EUR 100m and a 5y bond from the Free and Hanseatic City of Hamburg (ticker: HAMBRG).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
COE	SNAT	17.03.	XS3032938410	7.0y	1.00bn	ms +33bp	AAA / Aaa / AAA	X
NIESA	DE	17.03.	DE000A4DFSS7	5.0y	1.00bn	ms +29bp	AAA / - / -	-
ARBBNK	SNAT	13.03.	XS3023904520	3.0y	0.75bn	ms +75bp	- / Aa1 / AA	-
EBRD	SNAT	13.03.	XS3030091329	7.0y	1.00bn	ms +32bp	AAA / Aaa / AAA	X
SAXONY	DE	13.03.	DE0001789402	8.0y	0.50bn	ms +37bp	- / - / AAA	-
NIB	SNAT	12.03.	XS3028251497	7.0y	0.75bn	ms +31bp	- / Aaa / AAA	X
UNEDIC	FR	12.03.	FR001400YA95	8.7y	2.00bn	ms +73bp	AA- / Aa3 / AA-	X
BERGER	DE	12.03.	DE000A3513W0	10.0y	1.00bn	ms +44bp	AAA / Aa1 / -	-

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

Covered Bonds
Eligibility of covered bonds for repo transactions

Author: Alexander Grenner

Covered bonds are eligible for repo transactions at many central banks

An important criterion for credit institutions to obtain liquidity is the provision of collateral with the central banks responsible for monetary policy. In this context, covered bonds are also extremely important, as their eligibility for repo transactions is an important characteristic and is recognised by a large number of central banks around the globe. Based on an international comparison, it is clear that the respective monetary policy instruments and the specific recognition of collateral actually vary significantly. We took a closer look at this in our recently published Special – Covered bonds as eligible collateral for central banks. Suitability in the context of the ECB collateral framework is of paramount importance for our coverage. As such, we shall focus on some aspects relating to this in the following article. On 21 February, the central bank announced an adjustment that is also relevant for covered bonds (cf. press release). We would like to take this announcement, in combination with the publication of our Special, as an opportunity to discuss the most important changes in the ECB environment in the focus article of this issue and, at the same time, consider the treatment of covered bonds from outside the EEA. We also address the question of how retained covered bonds are treated in regard to central bank eligibility and how they are used by commercial banks. At the end of this focus article, we present a summary table showing the eligibility criteria of the ECB and other central banks that we consider relevant for the covered bond universe.

ECB amendment to the assessment of central bank eligibility when using external ratings

As mentioned above, the European Central Bank has announced changes to the Eurosystem's collateral framework. These relate to the use of external ratings and are also relevant for covered bonds. From 21 August 2026, the second-best rating from two different recognised rating agencies (External Credit Assessment Institution, ECAI) will always be used when assessing the central bank eligibility of covered bonds. In cases where a covered bond has only one rating, this will be implicitly downgraded by one notch in the course of the assessment. So, if the covered bond is given the top rating (e.g. AAA in the case of S&P) by a rating agency, this will then be downgraded by one notch for the central bank eligibility (to AA+ in our example). However, if the implicit credit assessment of the covered bond falls within the Credit Quality Step (CQS) 3 category or worse (according to the Eurosystem's harmonised rating scale for long-term ratings), larger haircuts would be applied. The threshold, for example, is A- (S&P) or A3 (Moody's). As most covered bond programmes benefit from high or very high ratings, this change will tend to have less of an impact on the covered bond asset class. The ECB has granted an 18-month transition period until the new regulations take effect, in which the best rating of a covered bond will continue to be used to assess its central bank eligibility in accordance with the old guidelines. At the same time, there are no haircuts during this period if there is only one rating.

Credit quality steps of the Eurosystem's harmonised rating scale for long-term ratings

	Investment grade										Non investment grade	
	CQS 1				CQS 2			CQS 3			CQS 4	CQS 5
DBRS	AAA	AAH	AA	AAL	AH	A	AL	BBBH	BBB	BBBL	BBH	BB
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB
Scope	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB

Source: ECB, NORD/LB Floor Research

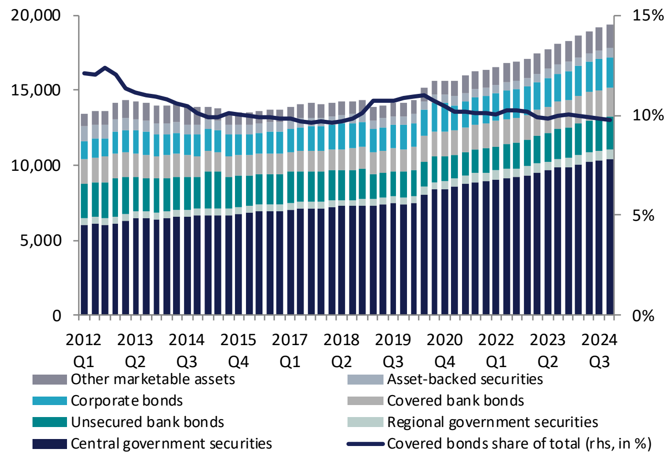
Own-use covered bonds with additional haircuts

For own-use covered bonds, i.e. issued covered bonds which are to be used as collateral with the ECB by the respective credit institution, further haircuts apply in addition to the above-mentioned changes. For own-use issues whose ratings fall under Credit Quality Steps (CQS) 1 or 2, an additional haircut of 8% is applied, with the equivalent for CQS3 issues amounting to 12%. Additional haircut adjustments are also relevant depending on the maturity structure of an own-use covered bond. If a maturity extension is possible for the covered bonds issued due to a soft bullet or CPT structure, the longest possible term would always be used for consideration purposes. This would (in most cases) be an extension of one year for a soft bullet issue, whereas in the case of a CPT structure this would even fall into the maturity range of over ten years due to the very long potential extension period.

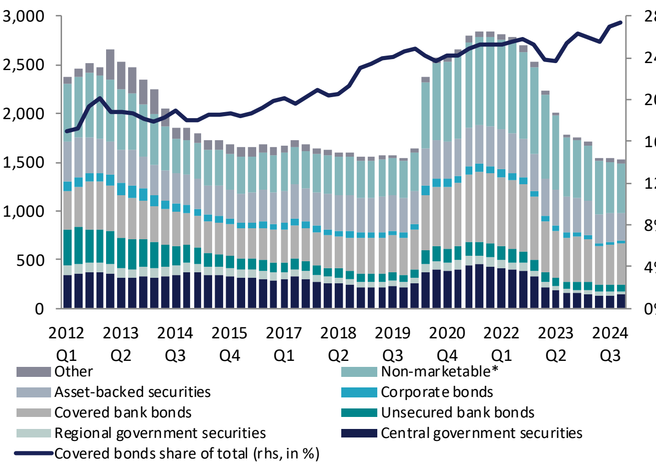
ECB completes technical implementation of Scope Ratings

In terms of the rating assessments, it is also important to mention that the Eurosystem significantly limits the choice of recognised rating agencies. In order to be considered a CRR-recognised rating agency (ECAI) under the Eurosystem Credit Assessment Framework (ECAF) (e.g. for deriving the risk weight), the agencies must meet certain Eurosystem requirements. At the same time, there are other eligibility criteria, which we examine in more detail in our Special. Fitch, Moody's, S&P, DBRS and, as the newest member, Scope are currently recognised as ECAIs. Scope was officially confirmed as a new External Credit Institution by the ECB's Governing Council on 2 November 2023 (cf. press release). Scope's ABS ratings are consequently eligible for Eurosystem monetary policy purposes. Scope is therefore the first European rating agency to meet this eligibility requirement and, as such, is also relevant for assessing the central bank eligibility of covered bonds. Since 16 December 2024, the technical implementation of the ratings in the ECAF has also been successfully completed and can be used for the first time. This step offers market participants a wider choice of available ratings. According to Guillaume Jolivet, Managing Director von Scope Ratings, it also reduces the dependency on traditional US rating agencies and strengthens the sovereignty of the European financial markets.

ECB: composition of eligible assets (EURbn)



ECB: composition of use of collateral (EURbn)

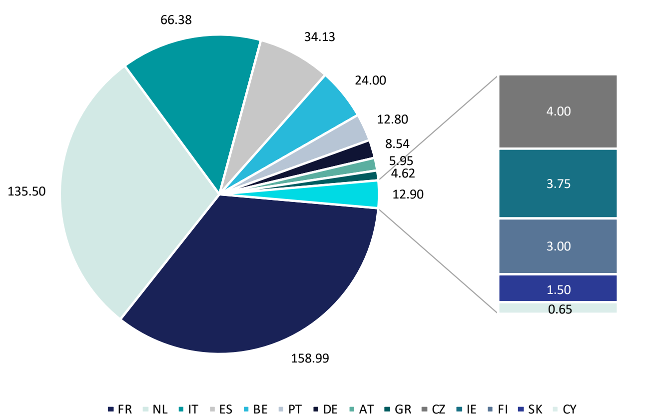


Source: ECB, NORD/LB Floor Research

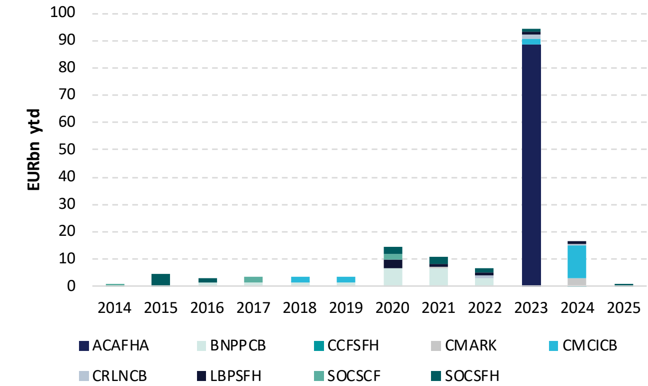
Covered bonds outside the eurozone: only very restricted central bank eligibility

For covered bonds from jurisdictions outside the European Economic Area to be classified as eligible collateral in the eurozone, it should be noted that most countries do not meet the ECB's requirements. As none of the jurisdictions in question, i.e. in our coverage the United Kingdom, Canada, Australia, New Zealand, Singapore, South Korea and Japan, are a member of the EU or the European Economic Area, it is still possible for the issued covered bonds to be classified as eligible collateral by the ECB if the jurisdiction is a member of the G10 countries. The UK, Canada and Japan meet this criterion. However, as Japan has no legal framework for issuing covered bonds (the issuers' respective programmes only exist on a contractual basis and the cover assets consist of RMBS transactions), the securities issued by Japanese issuers do not count as eligible collateral in the context of the ECB's collateral framework. The UK and Canada are therefore the only jurisdictions outside the EEA that meet all the criteria, so covered bonds of British and Canadian issuers can be recognised as eligible assets by the ECB.

Retained CBs by jurisdiction (EURbn)



Retained CBs, French issues (EURbn)



Source: Market data, NORD/LB Floor Research

Retained covered bonds: deposited as collateral but not yet deployed?

As we see it, retained covered bonds, which are in particular issued to serve as collateral for the ECB to raise liquidity, make up a not insignificant share of the ECB's eligible assets. In this context, we have analysed Bloomberg data to take a closer look at the shares attributable to different jurisdictions. Based on these figures, France and the Netherlands stand out in particular, with totals of EUR 159bn and EUR 135.5bn in retained covered bonds respectively issued from these jurisdictions. Italy is in third place with an issuance volume of EUR 66.4bn, followed by Spain and Belgium with EUR 34.1bn and EUR 24bn respectively. France specifically has issued a high volume in recent years, with Credit Agricole taking a prominent role here by issuing a total of EUR 88.8bn in retained covered bonds in 2023 alone. As a comparison: in the years 2014–2025, only EUR 73.2bn in retained deals were placed by all other French issuers combined. As Credit Agricole issued the full total of EUR 88.8bn in July 2023, it will be interesting to look at the total eligible assets or use of collateral. While the share of covered bonds in the ECB's eligible assets mostly only changed marginally before and in the following quarters, it rose quite significantly from EUR 1,739.5bn to EUR 1,807.2bn with the transition from Q2 to Q3/2023. By contrast, in the case of use of collateral, the share of covered bonds issued by credit institutions fell from EUR 477.7bn to EUR 453.8bn over the same period. This indicates that the retained covered bonds analysed here are generally considered as eligible collateral by the ECB. However, this analysis does not yet indicate a noticeable increase in the use of collateral. Retained covered bonds therefore do not yet appear to play a large role in the actual procurement of liquidity.

Conclusion

Covered bonds play an important role for credit institutions when obtaining liquidity from central banks. At the same time, suitability as eligible collateral is of huge importance for our coverage, in particular in the context of the ECB collateral framework. The recent change by the ECB regarding the use of external ratings for assessing central bank eligibility is therefore also relevant for covered bonds, although we are of the view that this should only have a minor impact on this asset class due to the generally very good rating assessments. In this context, it is also worth mentioning the completion of the technical implementation of Scope's ratings in the ECAF at the end of 2024, which provides issuers and investors with a larger choice of available ratings. We would also like to mention the growing importance of retained covered bonds in the share of the ECB's eligible assets, particularly in the context of the high issuance volumes of Credit Agricole, even though this type of deal does not yet appear to play a notable role in the actual process of liquidity procurement more generally speaking.

NORD/LB

Covered Bonds
Central bank eligibility of covered bonds[1]

		Eurozone	United Kingdom		Switzerland	United States
		European Central Bank	Bank of England		Swiss National Bank	Federal Reserve Bank
Eligibility criteria		link	link		link	link
Eligible securities		link	link		link	
Category		Category II	Level B	Level C	L2A, L2A CHF	German Jumbo Pfandbrief
Rating requirements		Min. BBB-/Baa3	AAA/Aaa equivalent	A-/A3 equivalent	Min. AA-/Aa3	AAA/Aaa
Rating agencies		ECAI (accepted for ECAF, at present: DBRS, Fitch, Moody’s, S&P, Scope)	-	-	Fitch, Moody's, S&P	-
Rating treatment		First best[2]	-	-	Second best	lowest
Min. volume (home currency)		×	GBP 500m	-	CHF 100m	German Jumbo Pfandbrief
Min. volume equivalent (foreign currency)			EUR 500m	-	EUR 1bn, USD 1bn, GBP 750m, DKK 7.5bn, SEK 10bn, NOK 10bn	
Own-use		✓	×	✓	×	-
Haircuts based on	**TtM**	✓	✓	✓	×	✓
	Coupon	✓	✓	✓	×	✓
	Currency	✓	✓	✓	×	✓
	…	Own-use	-	-	-	-
Currencies	**EUR**	✓	✓	✓	✓	✓
	USD	✓	✓	✓	✓	✓
	GBP	✓	✓	✓	✓	✓
	JPY	✓	×	×	×	✓
	CHF	×	✓	✓	✓	✓
	SEK	×	✓	✓	✓	✓
	NOK	×	×	×	✓	×
	DKK	×	×	×	✓	✓
	CAD	×	✓	✓	×	✓
	AUD	×	✓	✓	×	✓
	NZD	×	×	×	×	×
	PLN	×	×	×	×	×
Country of issuance	**EU**	✓	-	✓	✓(non CHF-Bonds)	-
	EEA	✓	-	✓	✓(non CHF-Bonds)	-
	G10	✓	-	×	×	-
	others	-	UK, DE, FR	US, UK	UK (non CHF-Bonds), CH; CHF bonds: no limitations	DE

[1] The table serves to compare the requirements for eligible collateral and therefore does not address any potential special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.; [2] After expiry of the 18-month transitional period, assessments are to be based on the second-best rating with effect from 21 September 2026

Source: National Central Banks, NORD/LB Floor Research

Central bank eligibility of covered bonds[1] (continued)

		Sweden	Norway	Denmark	Poland
		Sveriges Riksbank	Norges Bank	Danmarks Nationalbank	Narodowy Bank Polski
Eligibility criteria		link	link	link	link
Eligible securities		link	link	link	link
Category		Liquidity class 2	Category 2,3 & 4	Category 2 & 3	Mortgage Bonds
Rating requirements		Min. AA-/Aa3	Min. BBB-/Baa3	-	Min. BBB-/Baa3
Rating agencies		Fitch, Moody's, S&P	Fitch, Moody's, S&P, Scope, NCR	-	Fitch, Moody's, S&P
Rating treatment		≥ two ratings: min. AA-/Aa3	Second best	-	-
Min. volume (home currency)		SEK 100m	NOK 300m	Category 2: EUR 1bn (or equivalent in DKK) Category 3: -	PLN 10m
Min. volume equivalent (foreign currency)		SEK 100m	EUR 100m		-
Own-use		✗	✓		-
Haircuts based on	**TtM**	✓	✓	✓	✓
	Coupon	✓	✓	✗	✓
	Currency	✓	✓	✓	✗
	...	Theoretical and/or old price	-	Theoretical price	-
Currencies	**EUR**	✓	✓	✓	✗
	USD	✓	✓	✗	✗
	GBP	✓	✓	✗	✗
	JPY	✓	✓	✗	✗
	CHF	✗	✓	✗	✗
	SEK	✓	✓	✗	✗
	NOK	✓	✓	✗	✗
	DKK	✓	✓	✓	✗
	CAD	✗	✓	✗	✗
	AUD	✗	✓	✗	✗
	NZD	✗	✓	✗	✗
	PLN	✗	✗	✗	✓
Country of issuance	**EU**	-	✓	-	-
	EEA	-	✓	-	-
	G10	✓	-	✗	✗
	others	NO, DK, FI, AT, LU, IT, PT, ES, GR, AU, NZ	AU, NZ, US, CA, CH, GG, JE, KY, UK	DK	PL

[1] The table serves to compare the requirements for eligible collateral and therefore does not address any potential special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.

Source: National Central Banks, NORD/LB Floor Research

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Central bank eligibility of covered bonds[1] (continued)

		Canada	Australia	New Zealand
		Bank of Canada	Reserve Bank of Australia	Reserve Bank of New Zealand
Eligibility criteria		link	link	link
Eligible securities			link	link
Category		Covered Bonds	ADI Bonds	Covered Bonds
Rating requirements		AAA equivalent	Minimum average rating: BBB-/Baa3	AAA/Aaa
Rating agencies		-	Fitch, Moody's, S&P	Acceptable rating agencies
Rating treatment		-	At least two ratings	at least two ratings; more than two ratings: at least two AAA/Aaa and no rating lower than AA+/Aa1
Min. volume (home currency)		CAD 1m	-	-
Min. volume equivalent (foreign currency)		-	-	-
Own-use		✗	✗	✗
Haircuts based on	**TtM**	✓	✓	✓
	Coupon	✗	✗	✗
	Currency	✓	✗	✗
	…	-	Average credit rating	-
Currencies	**EUR**	✗	✗	✗
	USD	✓	✗	✗
	GBP	✗	✗	✗
	JPY	✗	✗	✗
	CHF	✗	✗	✗
	SEK	✗	✗	✗
	NOK	✗	✗	✗
	DKK	✗	✗	✗
	CAD	✓	✗	✗
	AUD	✗	✓	✗
	NZD	✗	✗	✓
	PLN	✗	✗	✗
Country of issuance	**EU**	✗	✗	✗
	EEA	✗	✗	✗
	G10	✗	✗	✗
	others	CA	AU	NZ

[1] The table serves to compare the requirements for eligible collateral and therefore does not address any potential special/individual cases. To determine the central bank eligibility of securities, a case-by-case assessment is therefore essential and cannot be carried out solely on the basis of this table.

Source: National Central Banks, NORD/LB Floor Research

SSA/Public Issuers
Current risk weight of supranationals & agencies

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

Varying risk weights

In virtually no other asset class are the differences in the regulatory framework as pronounced as for quasi-government issuers. For both supranationals and agencies, risk weight is one of the levels at which strong variance occurs based on a range of different factors.

Relevant regulatory conditions: Regulation (EU) 575/2013 (CRR)

On the basis of the risk weights that were defined by Basel II, the EU initially specified the provisions in Directive 2006/48/EC. In mid-2013, the CRR (Regulation (EU) 575/2013) then replaced the definitions for the risk weights. This was extended by Directive (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries. In the following, we look at the individual articles of the regulation that also affect supranationals and agencies. The following mapping table shows the risk weights of the different exposure classes, which are the basis for the further categorisation of the risk weight and other regulatory metrics such as the LCR.

Mapping table (long term)

Rating class	Fitch	Moody's	S&P	Corporate	Institution – Rating method: Maturity >3 months	Institution – Rating method: Maturity ≤3 months	Sovereign
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	20%	0%
2	A+ to A-	A1 to A3	A+ to A-	50%	50%	20%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	75%	50%	20%	50%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100%	100%	50%	100%
5	B+ to B-	B1 to B3	B+ to B-	150%	100%	50%	100%
6	CCC+ and lower	Caa1 and lower	CCC+ and lower	150%	150%	150%	150%

Source: CRR, NORD/LB Floor Research
NB: Other rating agencies in Commission Implementing Regulation EU/2016/1799; detailed allocation of risk weight covered on the following pages.
* For risk exposures from cross-border trade in goods, however, a distinction is made between >6 months and ≤6 months.

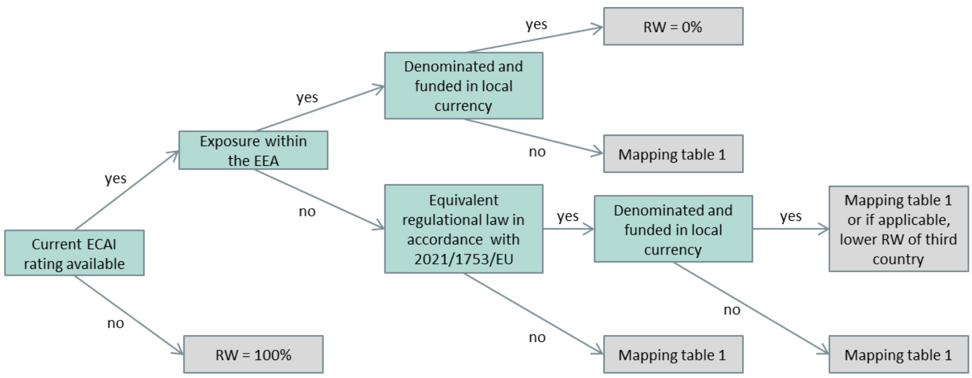
Risk weight of EU countries pursuant to the standardised approach: 0%

The risk weight for exposures to central governments or banks results from art. 114 of the CRR. For risk exposures to EU Member States or the ECB, this means a risk weight of 0% in accordance with paragraphs 3 and 4. If the exposure is denominated in the domestic currency of that respective country, this applies indefinitely. For exposures of Member States, where those exposures are denominated and funded in the domestic currency of another Member State, a risk weight of 0% was applied until the end of 2024 pursuant to art. 500a of the CRR. Since the beginning of the year, this is being gradually increased to initially 20% and from 2026 to 50% of the risk weight allocated in accordance with art. 114(2). From 2027 the risk weight will be fully based on art. 114 of the CRR.

Temporary treatment up to and including 2026

For example, a risk weight of 0% therefore applied to EUR bonds from Poland until the end of 2024 pursuant to art. 500a of the CRR. Since the beginning of 2025, the risk weight applied to the exposure is 20% (2026: 50%) of the risk weight determined under art. 114(2) of the CRR (2025: 20% of the current risk weight of 20% [i.e. 4%]). From 2027, the risk weight determined pursuant to art. 114(2) will apply in full.

Exposure class – central governments or central banks (art. 114 CRR)



Mapping table 1

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	0%	20%	50%	100%	100%	150%

NB: receivables against the ECB are generally assigned a risk weight of 0%.
Source: CRR, NORD/LB Floor Research

Risk weight of regional governments and local authorities

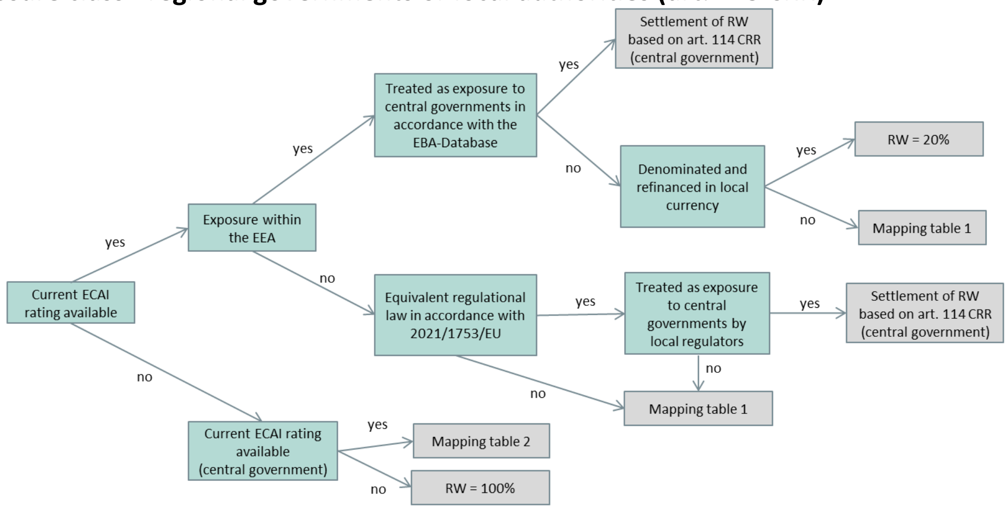
Pursuant to art. 115(2) of the CRR, the risk weight of regional governments and local authorities (RGLA) is equated with that of the relevant state, provided rights to levy taxes are in place and, based on the existence of specific institutional arrangements to reduce their risk of default, there is no difference in risk between such exposures held against the central government of the state in question. This applies analogously to sub-sovereigns from third countries with equivalent supervisory and regulatory status. For other sub-sovereigns of Member States, the risk weight is 20%, provided that the exposure is denominated in the respective domestic currency. For other sub-sovereigns, the risk weight is determined in accordance with art. 115(-1) CRR. A public database of all RLGA in the EU where the competent authorities treat exposures as exposures to the respective central government is published by the EBA.

List of third countries with equivalence in terms of the supervisory and regulatory requirements (EU 2021/1753)

Argentina	Hong Kong	Saudi Arabia
Australia	India	Serbia
Bosnia and Herzegovina	Isle of Man	Singapore
Brazil	Japan	South Africa
Canada	Jersey	South Korea
China	Mexico	Switzerland
Faroe Islands	Mexico	Turkey
Greenland	New Zealand	USA
Guernsey	North Macedonia	

Source: EU 2021/1753, NORD/LB Floor Research

Exposure class - regional governments or local authorities (art. 115 CRR)



Mapping table 1

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	50%	100%	100%	150%

Mapping table 2

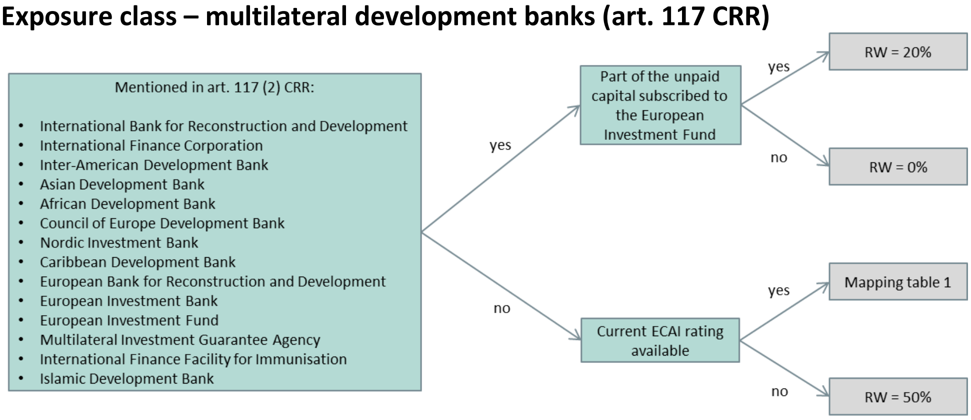
Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	100%	100%	100%	150%

Source: CRR, NORD/LB Floor Research
NB: churches and religious communities are also treated as RGLA insofar as art. 115(3) CRR is fulfilled.
However, now the country of origin, e.g. New Zealand, must also apply a risk weight of 0% to its sub-sovereigns, so that the risk weight for local investors can also be 0%. The supervisory agency of New Zealand (RBNZ), for example, does not do this; rather, it applies 20% for its sub-sovereigns (example: its largest sub-sovereign – Auckland Council)

Risk weight of supranationals

For supranationals, the risk weight is based on art. 117 and 118 of the CRR. The two articles identify multilateral development banks and international organisations for which a risk weight of 0% is possible. For issuers not mentioned here (e.g. EUROFIMA), the risk weight can be derived from the table in art. 117(1) CRR (see below) providing a rating is available. If there is none, the risk weight is set at 50%. For international organisations not listed in art. 118 CRR, the risk weight results from the provisions on risk weight for corporates (art. 122 CRR).

Exposure class – multilateral development banks (art. 117 CRR)

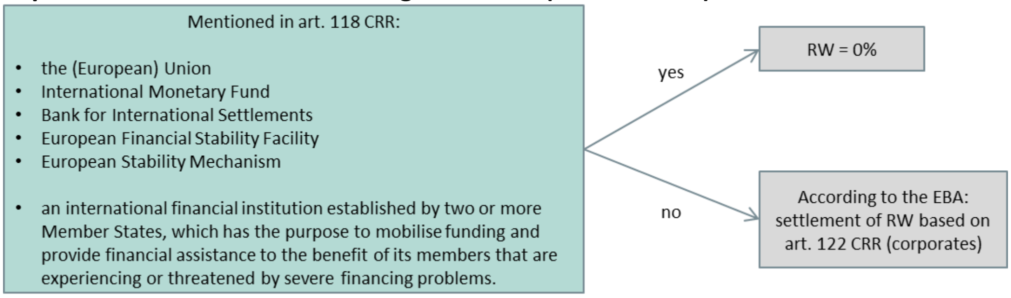


Mapping table 1

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	30%	50%	100%	100%	150%

Source: CRR, NORD/LB Floor Research

Exposure class – international organisations (art. 118 CRR)

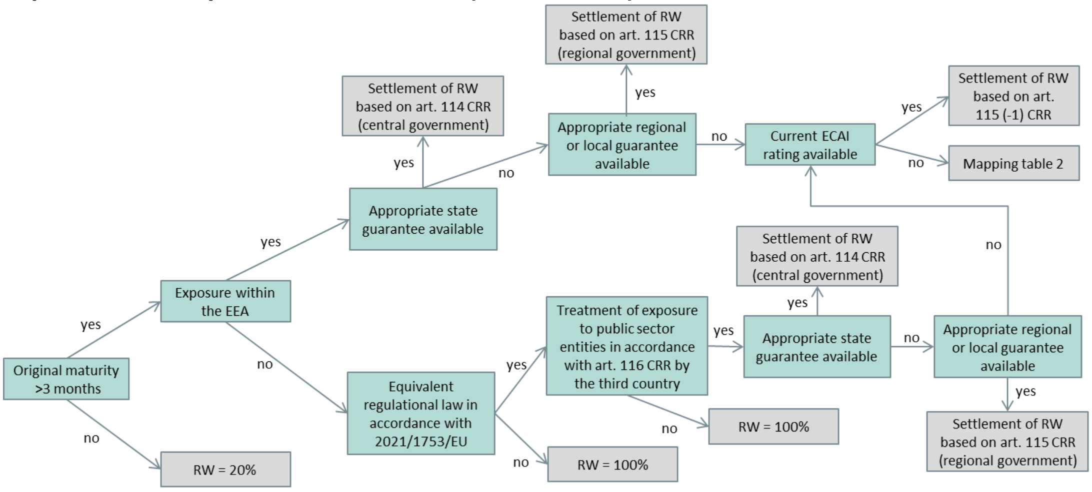


Source: CRR, NORD/LB Floor Research

Risk weight of agencies

In principle, the existence of an adequate guarantee allows an agency to apply a risk weight that would be applicable to the respective guaranteeing central, regional or local government. However, it is unclear what is considered an adequate guarantee under the CRR. As a rule, this should include the explicit guarantee, which in our view represents the strongest liability mechanism. Other security mechanisms, such as the maintenance obligation, are much more difficult to classify here. The EBA provides a list detailing all public sector entities (PSEs) that can be treated as exposures to RGLAs/sovereigns. This explicitly names issuers for whom a risk weight of 0% can be applied. If this cannot be assigned or there is no appropriate guarantee, according to art. 116(2) of the CRR, exposures to PSEs for which a credit assessment is available are treated in accordance with art. 115(-1). If no such rating is available, then reference shall be made to rating of the respective central government (see below).

Exposure class – public sector entities (art. 116 CRR)



Mapping table 2

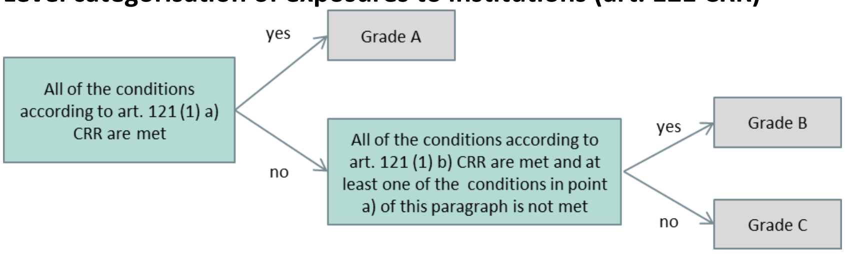
Rating Class of central government	1	2	3	4	5	6	unrated
Risk Weight (RW)	20%	50%	100%	100%	100%	150%	100%

Source: CRR, NORD/LB Floor Research

Risk weight of institutions

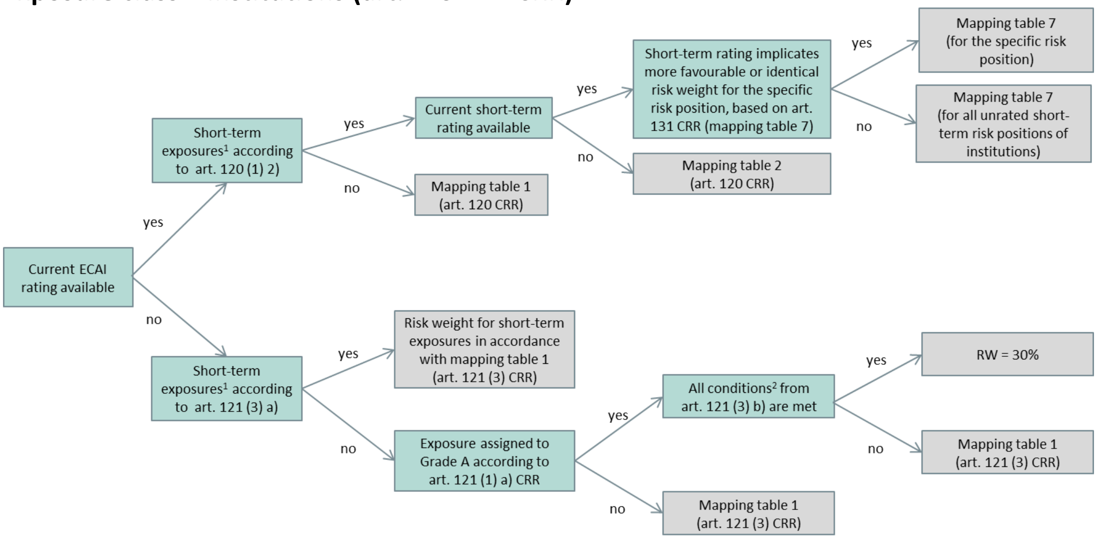
For agencies that do not have an appropriate guarantee and do not represent corporates, the risk weight is derived from art. 119 CRR. In this case, reference is made to the rating, insofar as one is available. Here, differences arise depending on the maturity (maximum of three months and more than three months) or in the case of risk exposures from cross-border trade in goods a maximum of six months and more than six months. In the absence of a rating, the risk weight is determined in particular depending on the allocation of the risk exposure based on a three-stage model, taking into account the fulfilment of the capital requirements in accordance with art. 92(1) CRR (level A exposures are assigned the lowest risk weight) and depending on the term, among other aspects.

Level categorisation of exposures to institutions (art. 121 CRR)



Source: CRR, NORD/LB Floor Research

Exposure class – institutions (art. 119-121 CRR)



Mapping table 1 (art. 120 CRR)

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	30%	50%	100%	100%	150%

Mapping table 7 (art. 131 CRR)

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	100%	150%	150%	150%

Mapping table 2 (art. 120 CRR)

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	20%	20%	50%	50%	150%

Mapping table 1 (art. 121 (3) CRR)

Rating Class	Grade A	Grade B	Grade C
Risk Weight (RW) for short-term exposures	20%	50%	150%
Risk Weight (RW)	40%	75%	150%

Source: CRR, NORD/LB Floor Research

[1] The risk exposure has an original maturity of no more than three months or the exposure has an original maturity of no more than six months and results from the cross-border trade in goods.

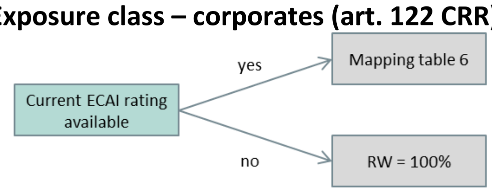
[2] The risk exposure does not fulfil any of the conditions set out in a), the Common Equity Tier 1 ratio of the institution is at least 14% and the debt ratio of the institution is at least 5%.

NB: Pursuant to art. 119(4) CRR, certain risk exposures may be weighted, such as exposures to central banks; pursuant to art. 113(6) and (7) CRR, a 0% weighting of risk exposures relating to group participations is possible.

Risk weight of corporates

The risk weight of corporates is defined by art. 122 CRR: the risk weight can therefore be derived directly from the rating of the corporate. If there is no rating, a 100% risk weight is assigned. The previous rule for risk exposures without a credit assessment, according to which the risk weight of the central government in whose territory the corporate has its registered office is to be applied if this is higher than 100%, no longer applies as of 01 January 2025. In addition, a risk weight of 75% (previously 100%) is applied to corporates in rating class 3 since the beginning of the year.

Exposure class – corporates (art. 122 CRR)



Mapping table 6

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	75%	100%	150%	150%

Source: CRR, NORD/LB Floor Research

Our assessment of the risk weights of supranationals

This results in the following for our defined coverage within NORD/LB for supranational entities: all supranationals or MDBs can be assigned a risk weight of 0%, with the exception of EUROFIMA and CAF (both 20%).

Our assessment of the risk weights of agencies

As explained above, the classification of national and regional development banks, agencies with special mandates, etc. is much more complex. Again, the majority of our coverage has a risk weight of 0%. However, the lack of guarantees at times immediately results in a classification of 20% or even 50%. Please refer to the following two pages for our assessment.

Our assessment of the risk weights of supranationals and agencies

Bloomberg ticker	Sovereign/type	Risk weighting (standard approach)	Rating (Fitch/Moody's/S&P)
EFSF	Supranational	0%	AA-/Aaa/AA-
ESM	Supranational	0%	AAA/Aaa/AAA
EU	Supranational	0%	AAA/Aaa/AA+
EIB	Supranational	0%	AAA/Aaa/AAA
EBRD	Supranational	0%	AAA/Aaa/AAA
NIB	Supranational	0%	-/Aaa/AAA
COE	Supranational	0%	AAA/Aaa/AAA
EUROF	Supranational	20%	AA/Aa2/AA
IBRD	Supranational	0%	AAAu/Aaa/AAA
IDAWBG	Supranational	0%	-/Aaa/AAA
IFC	Supranational	0%	-/Aaa/AAA
IADB	Supranational	0%	AAAu/Aaa/AAA
CAF	Supranational	20%	AA-/Aa3/AA
ASIA	Supranational	0%	AAA/Aaa/AAA
AIIB	Supranational	0%	AAA/Aaa/AAA
ISDB	Supranational	0%	AAA/Aaa/AAA
AFDB	Supranational	0%	AAA/Aaa/AAA
KFW	Germany	0%	AAAu/Aaa/AAA
RENTEN	Germany	0%	AAA/Aaa/AAA
FMSWER	Germany	0%	-/Aaa/AAA
ERSTAA	Germany	0%	AAA/Aa1/AA
NRWBK	Germany	0%	AAA/Aa1/AA
LBANK	Germany	0%	AAA/Aaa/AA+
WIBANK	Germany	0%	-/-/AA+
BAYLAN	Germany	0%	-/Aaa/-
IBBSH	Germany	0%	AAA/-/-
BYLABO	Germany	0%	-/Aaa/-
IBB	Germany	0%	AAA/Aa1/-
ILBB	Germany	0%	AAA/-/-
SABFOE	Germany	0%	-/-/AAA
ISBRLP	Germany	0%	AAA/-/-
IFBHH	Germany	0%	AAA/-/-
CADES	France	0%	AA-u/Aa3/AA-
AGFRNC	France	20%	AA-/-/AA-
UNEDIC	France	0%	AA-/Aa3/AA-
CDCEPS	France	0%	AA-/Aa3/AA-
BPIFRA (ehemals OSEOFI)	France	20%	AA-/Aa3/-
SAGESS	France	20%	-/-/AA-
AFLBNK	France	0%	AA-/-/AA-
SFILFR	France	20%	-/Aa3/AA-
SOGRPR	France	20%	AA-/Aa3/-
CCCI	France	0% (for guaranteed bonds)	AA-u/Aa3/AA-u (guaranteed) A/Baa2/- (not guaranteed)
ALSFR	France	20%	AA-/Aa2/-

Source: Bloomberg, issuers, NORD/LB Floor Research

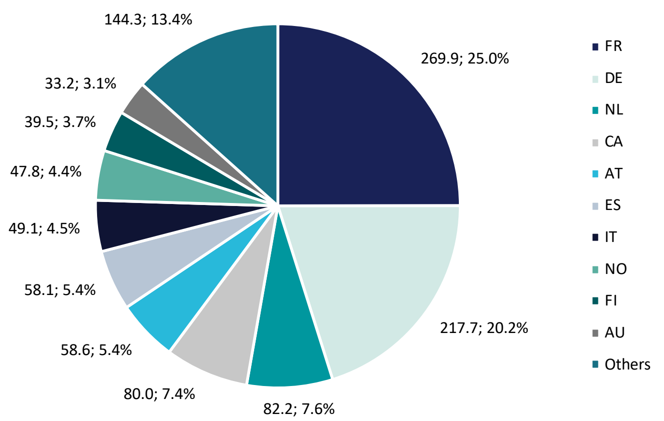
Our assessment of the risk weights of supranationals and agencies

Bloomberg ticker	Sovereign/type	Risk weighting (standard approach)	Rating (Fitch/Moody's/S&P)
BNG	The Netherlands	20%	AAA/Aaa/AAA
NEDWBK	The Netherlands	20%	-/Aaa/AAA
NEDFIN	The Netherlands	0%	AAA/-/AAA
OKB	Austria	0%	-/Aa1/AA+
OBND	Austria	0%	-/Aa1/AA+
ASFING	Austria	0%	-/Aa1/AA+
KBN	Norway	20%	-/Aaa/AAA
SEK	Sweden	20%	-/Aa1/AA+
KOMINS	Sweden	0%	-/Aaa/AAA
KUNTA	Finland	0%	-/Aa1/AA+
KOMMUN	Denmark	0%	-/Aaa/AAA
FINNVE	Finland	0%	AA+/Aa1/-
ICO	Spain	0%	A-/Baa1/A
FADE*	Spain	0%	-/-/-
ADIFAL	Spain	0%	A-/Baa2/-
CORES	Spain	50%	A-/-/A
CDEP	Italy	50%	BBB/Baa3/BBB
REFER	Portugal	0% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	-/(P)A3/-
BGOSK	Poland	0% (PLN-denominated bonds) 20%** (EUR-denominated bonds)	A-/(P)A2/-
MAEXIM	Hungary	50%	BBB/-/BBB-
DEXGRP	Belgium / France	0% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	AA-/Aa3/AA (guaranteed) BBB+/Baa3/BBB- (not guaranteed)
DBJJP	Japan	20% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	-/A1/A+ (garantiert) -/A1/A (nicht garantiert)
JBIC	Japan	20% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	-/A1/A+
JFM	Japan	20% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	-/A1/A+
EIBKOR	South Korea	20%	AA-/Aa2/AA
INDKOR	South Korea	20%	AA-/Aa2/AA-
KDB	South Korea	20%	AA-/Aa2/AA
SDBC	China	50%	-/A1/A+
EXIMCH	China	50%	A+u/A1/A+
EDC	Canada	20%	-/Aaa/AAA

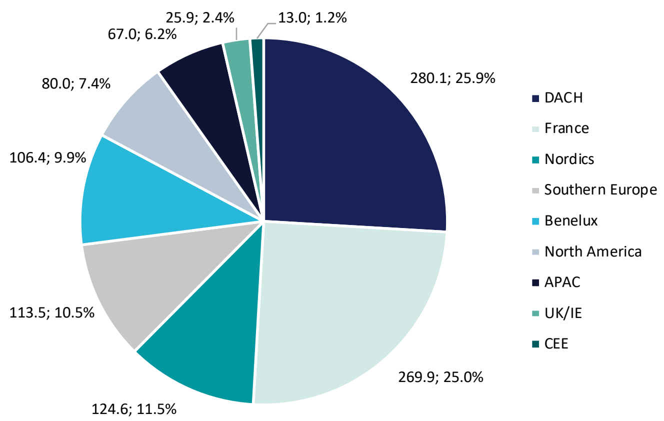
* No issuer ratings available; bonds are rated equivalent to the Spanish state
** Excluding temporary treatment under art. 500a of the CRR
Source: Bloomberg, issuers, NORD/LB Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



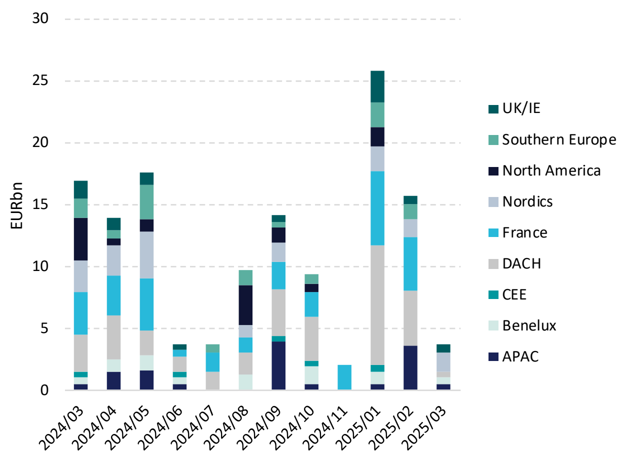
EUR benchmark volume by region (in EURbn)



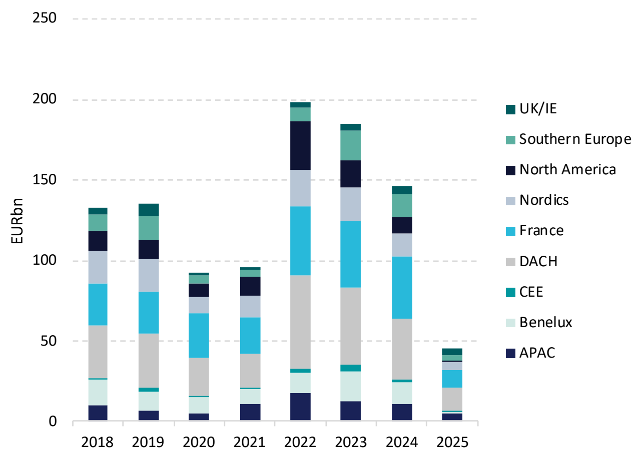
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	269.9	259	30	0.98	9.2	4.6	1.57
2	DE	217.7	303	48	0.66	7.7	3.8	1.63
3	NL	82.2	83	4	0.93	10.4	5.6	1.42
4	CA	80.0	58	1	1.36	5.6	2.5	1.50
5	AT	58.6	97	5	0.60	7.9	4.0	1.61
6	ES	58.1	48	6	1.07	10.7	3.2	2.19
7	IT	49.1	63	6	0.76	8.4	3.9	2.04
8	NO	47.8	58	12	0.82	7.2	3.4	1.23
9	FI	39.5	45	4	0.86	6.7	3.1	1.77
10	AU	33.2	33	0	1.00	7.3	4.0	1.97

EUR benchmark issue volume by month

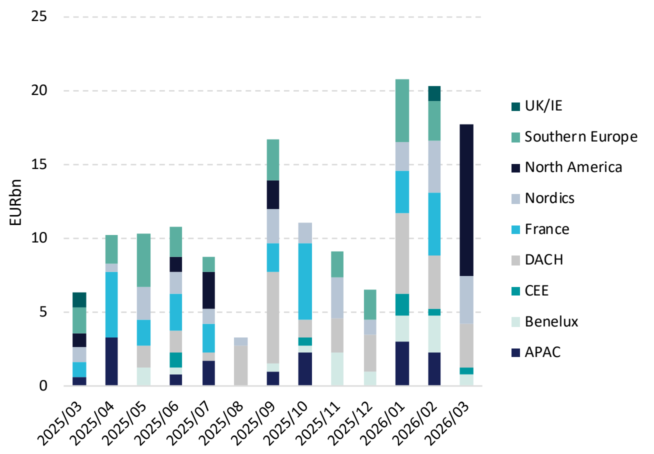


EUR benchmark issue volume by year

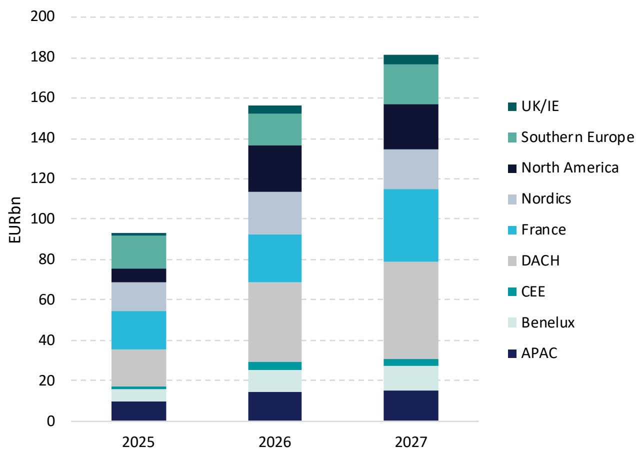


Source: Market data, Bloomberg, NORD/LB Floor Research

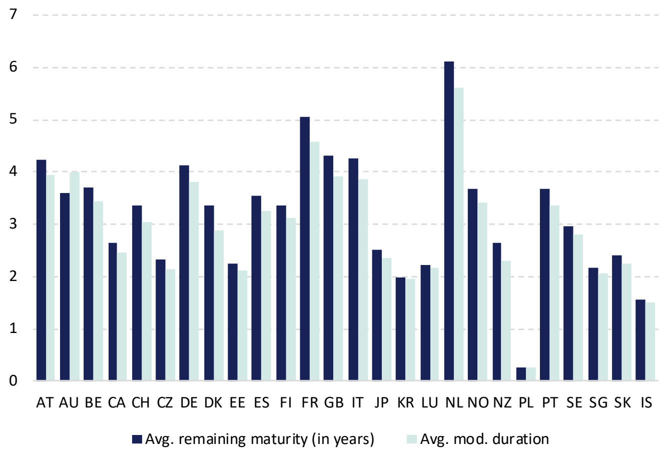
EUR benchmark maturities by month



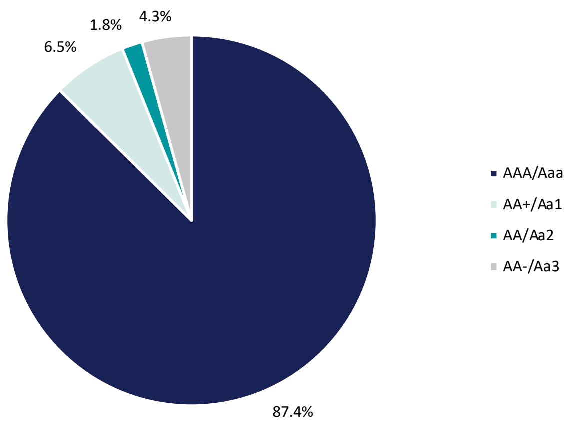
EUR benchmark maturities by year



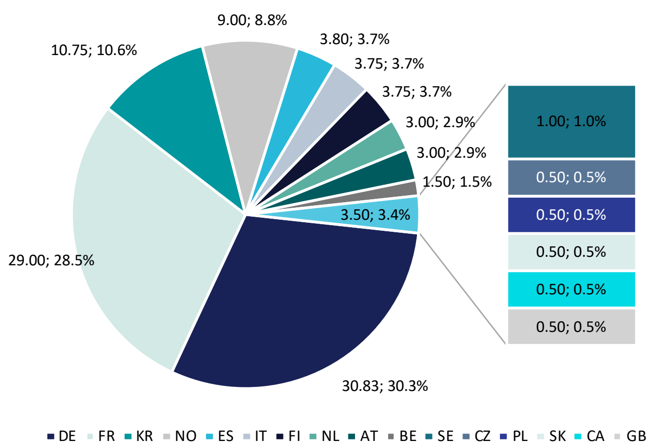
Modified duration and time to maturity by country



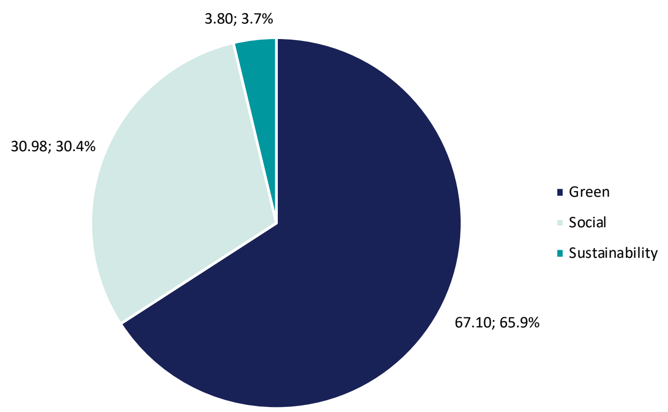
Rating distribution (volume weighted)



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

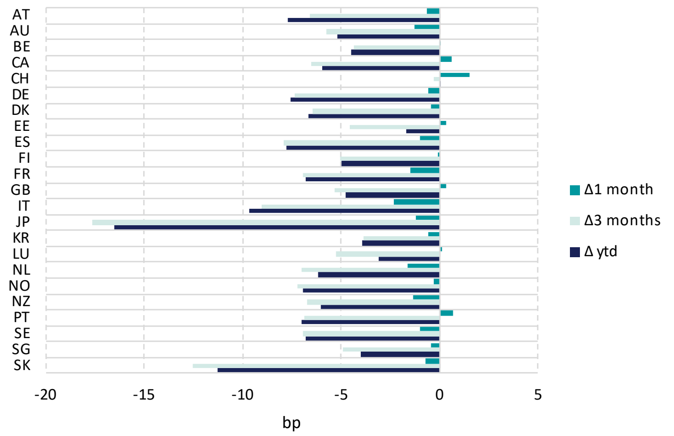


EUR benchmark volume (ESG) by type (in EURbn)

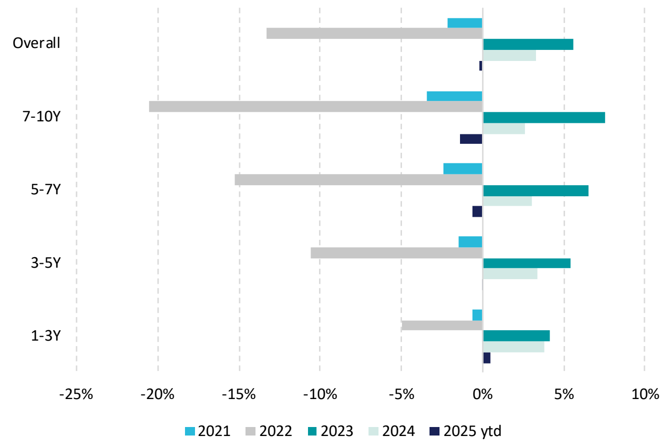


Source: Market data, Bloomberg, NORD/LB Floor Research

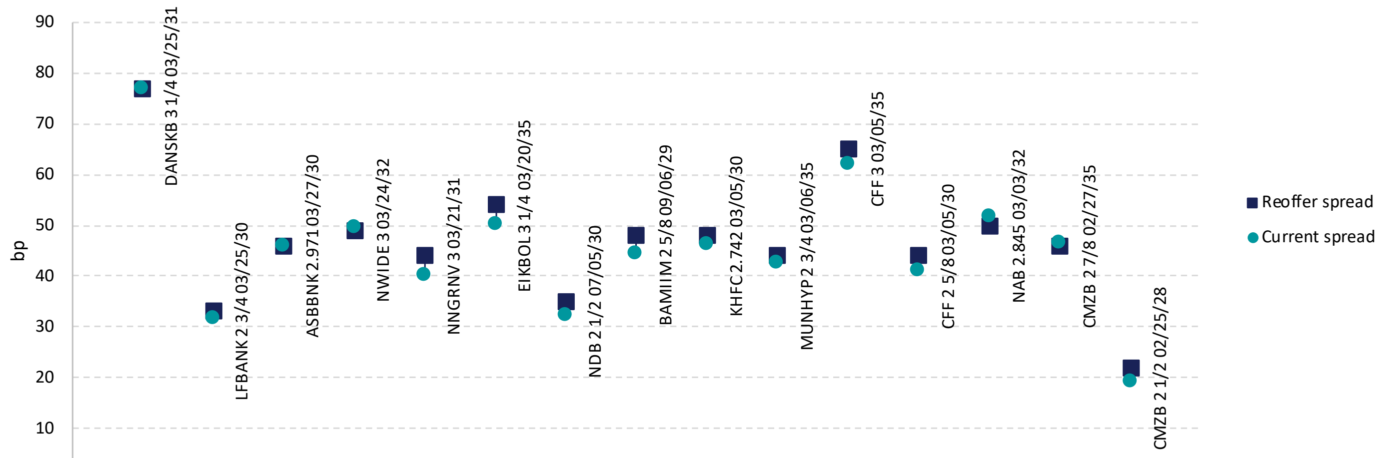
EUR benchmark emission pattern



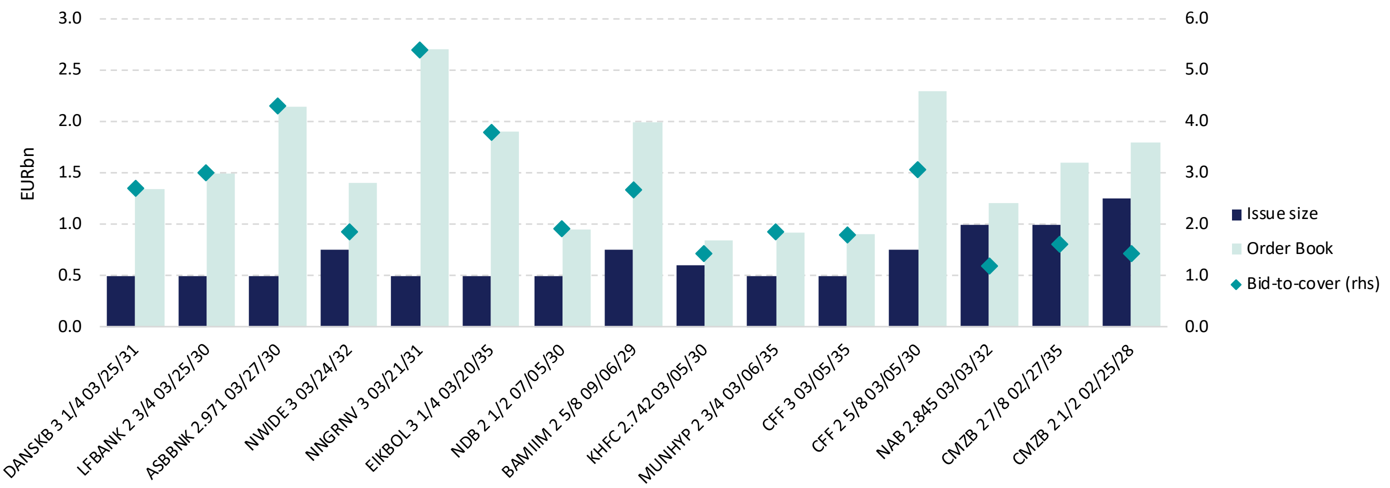
Covered bond performance (Total return)



Spread development (last 15 issues)



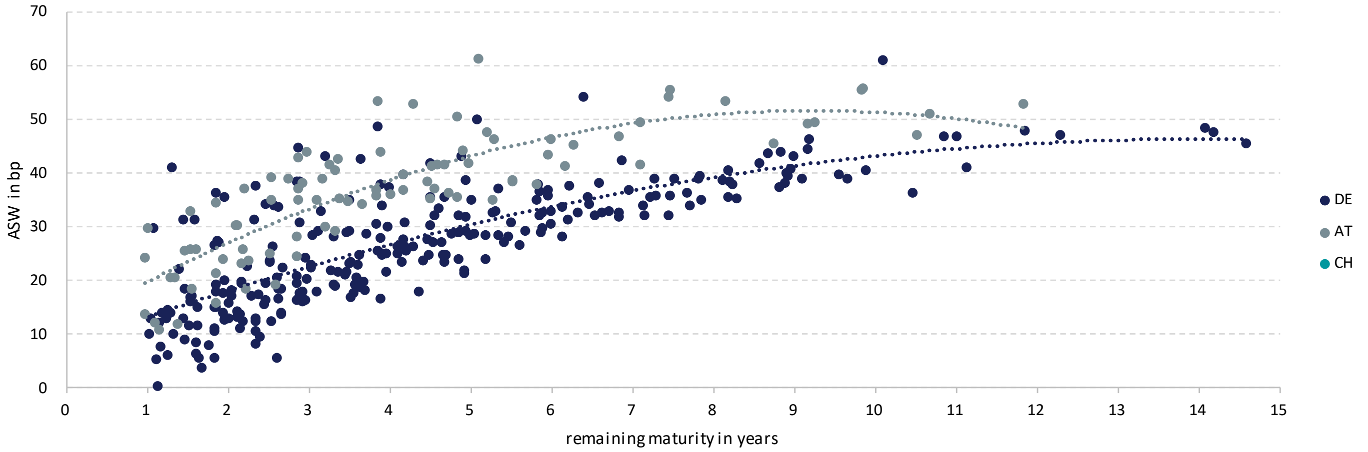
Order books (last 15 issues)



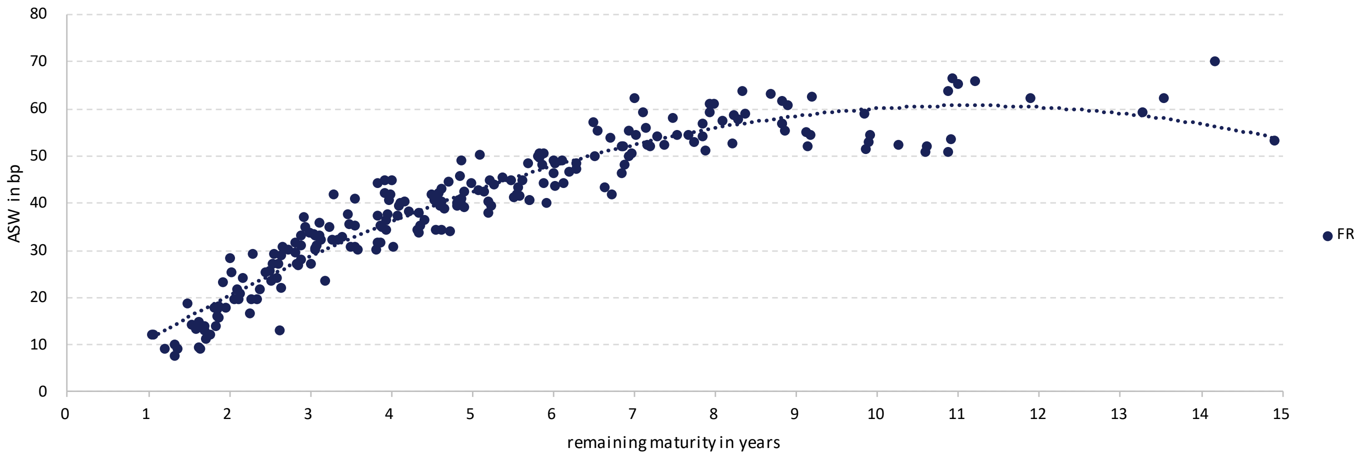
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

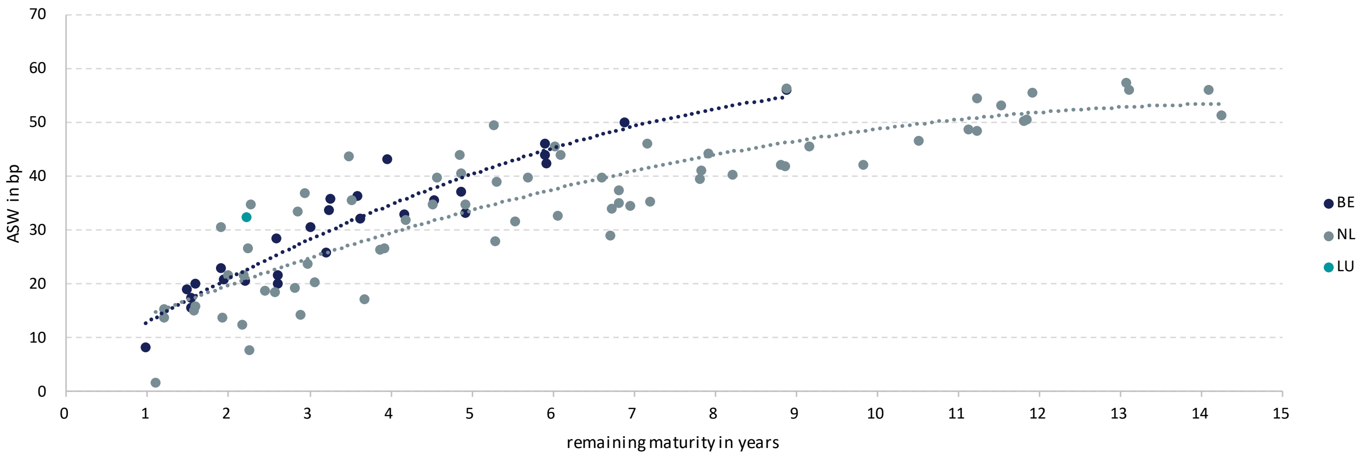
DACH



France

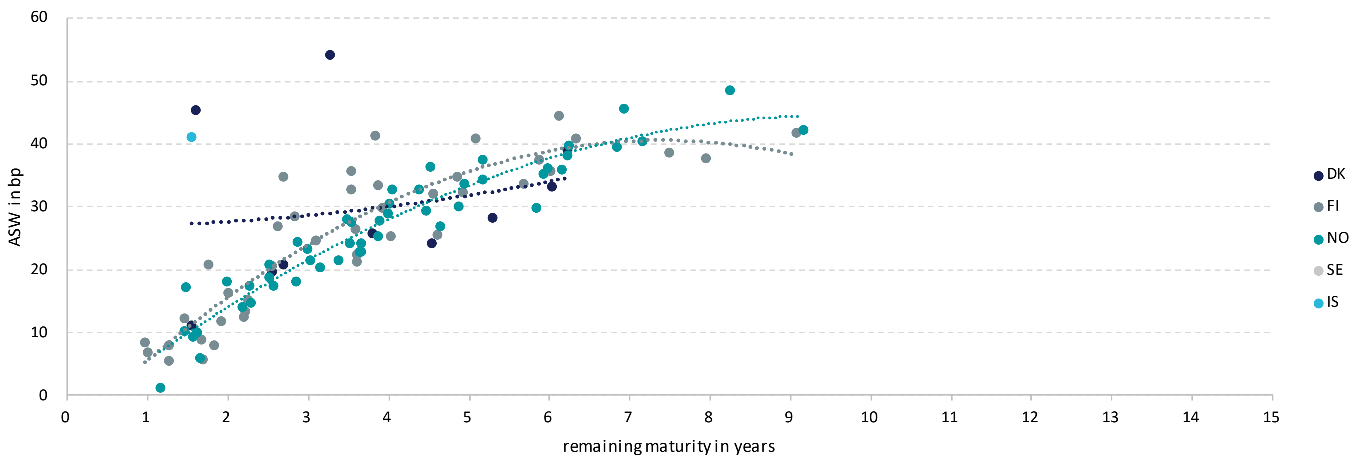


Benelux

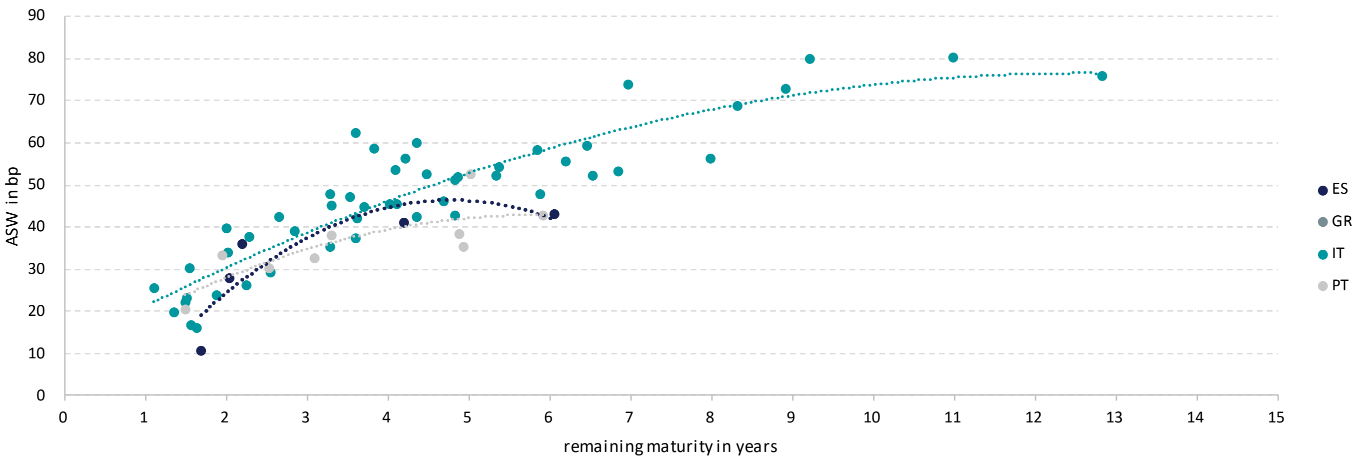


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

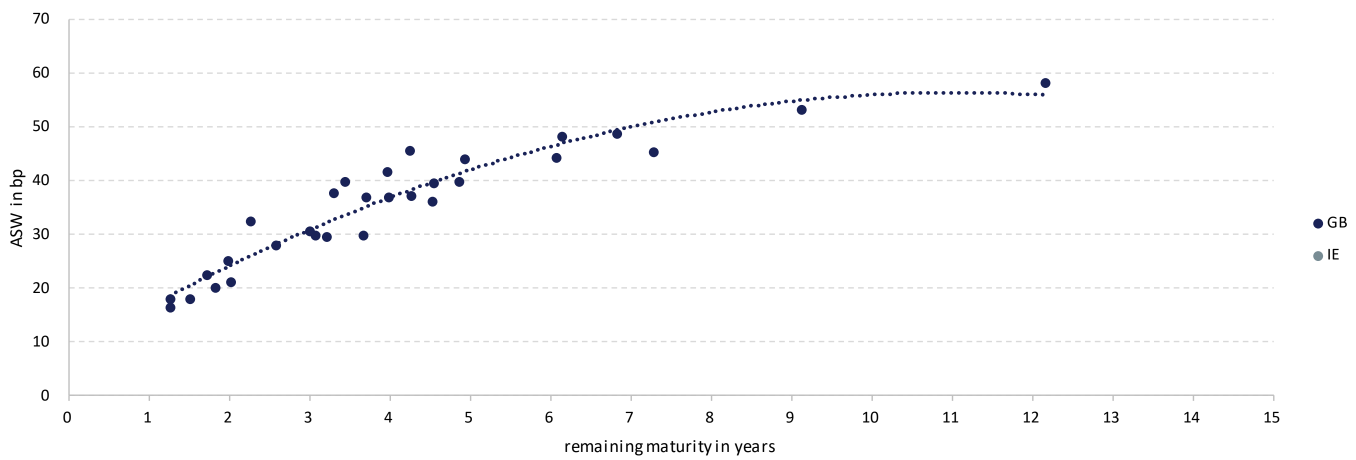
Nordics



Southern Europe

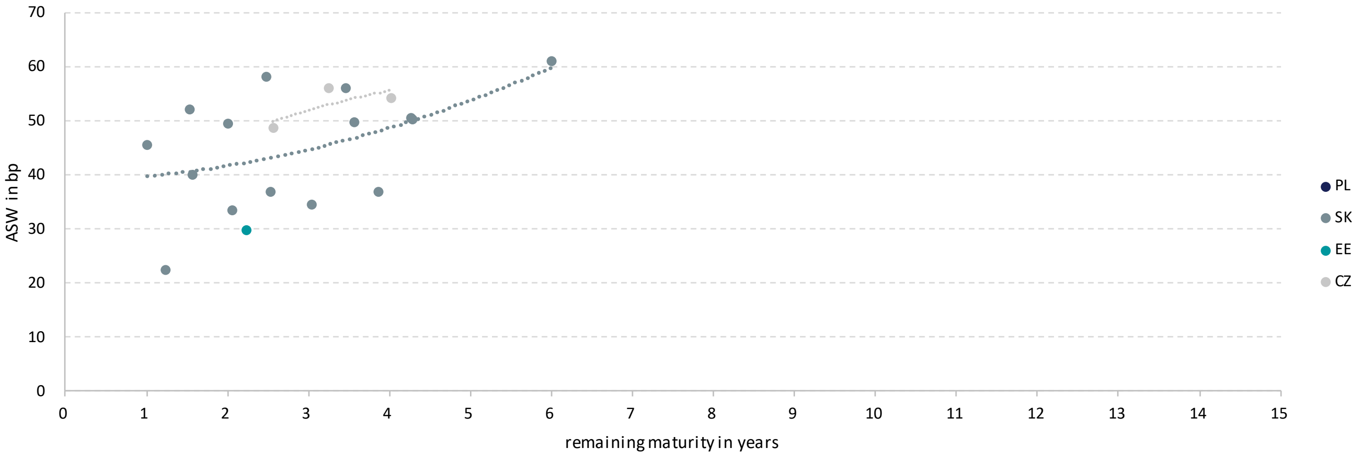


UK/IE

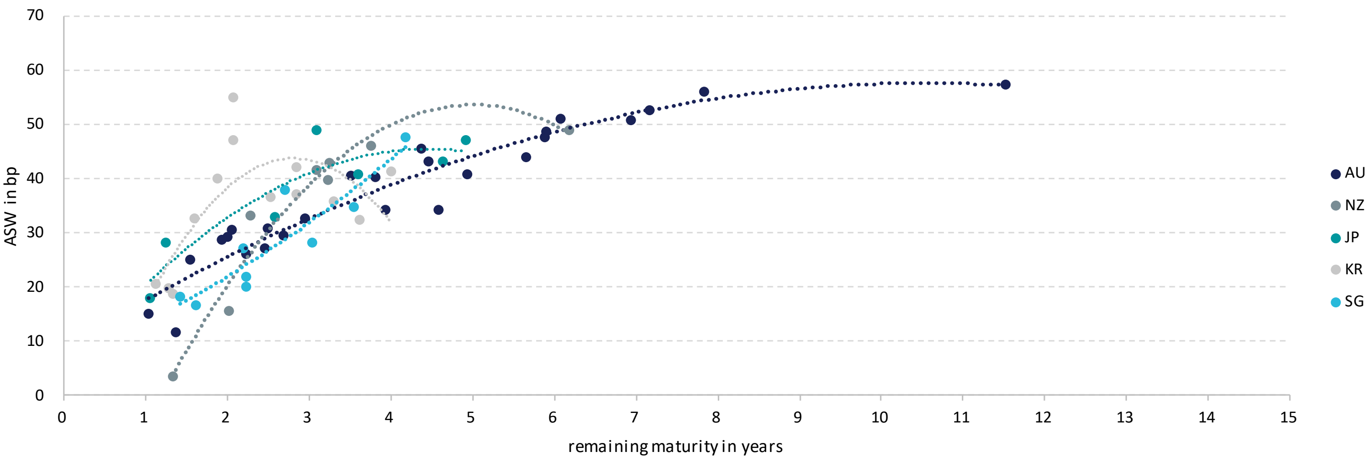


Source: Market data, Bloomberg, NORD/LB Floor Research

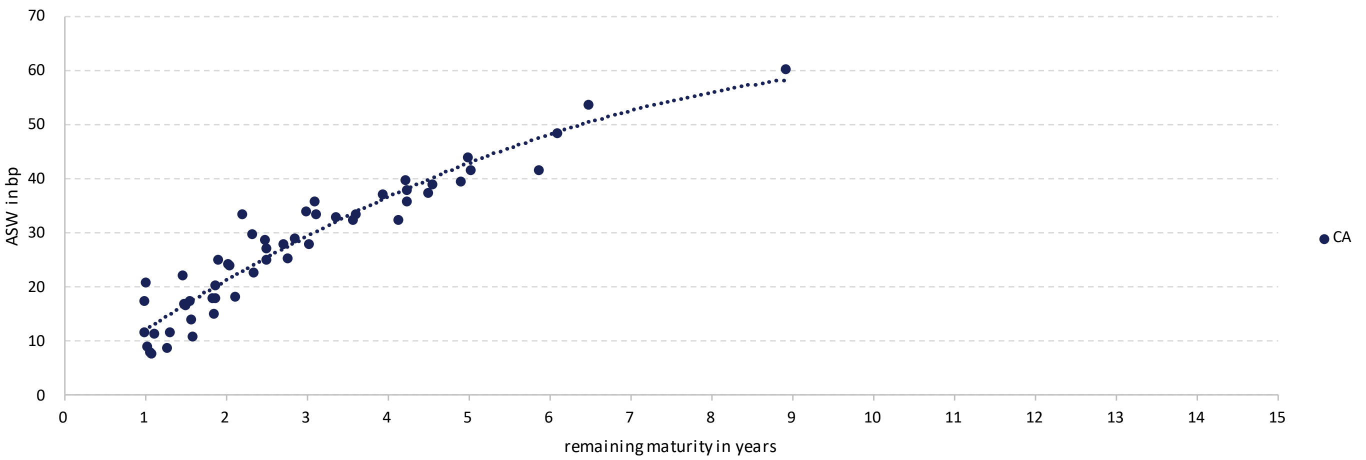
CEE



APAC



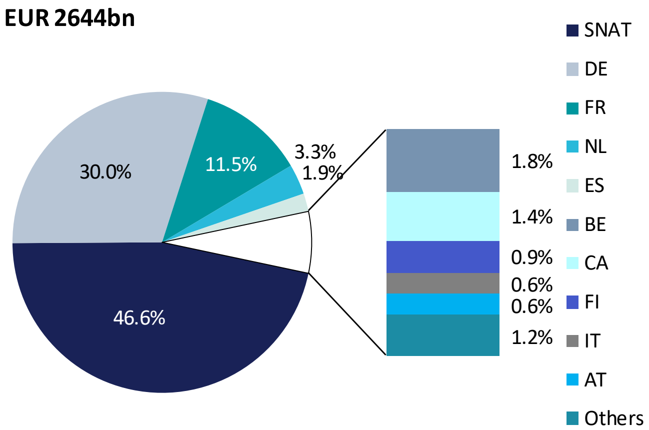
North America



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

Charts & Figures
SSA/Public Issuers

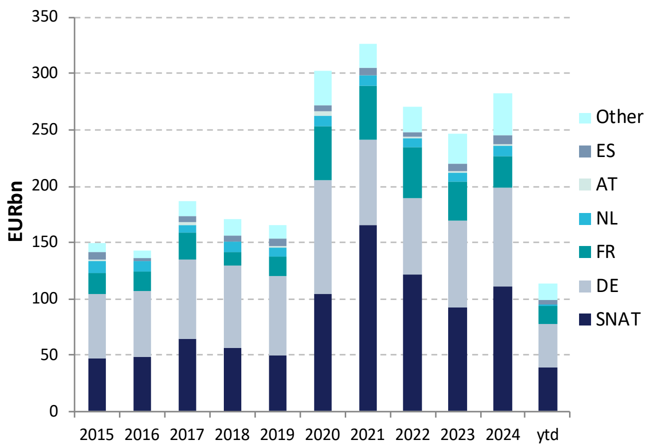
Outstanding volume (bmk)



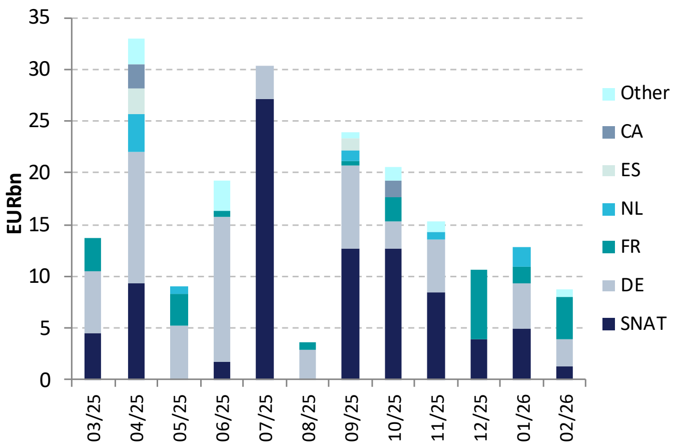
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,232.5	255	4.8	7.6
DE	794.6	595	1.3	6.0
FR	305.0	206	1.5	5.6
NL	86.0	68	1.3	6.1
ES	51.5	71	0.7	4.9
BE	48.4	49	1.0	9.8
CA	37.8	26	1.5	5.1
FI	24.6	26	0.9	4.3
IT	16.8	21	0.8	4.2
AT	16.0	21	0.8	4.6

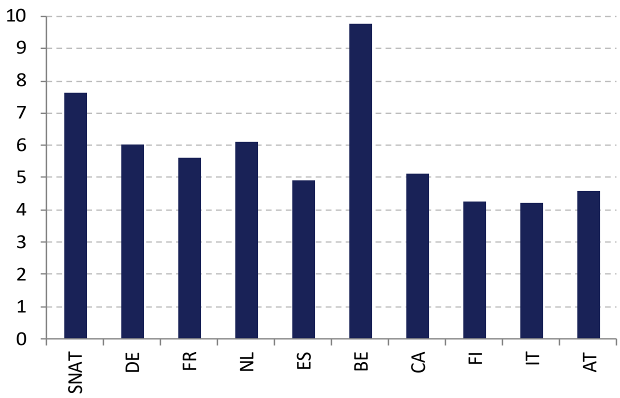
Issue volume by year (bmk)



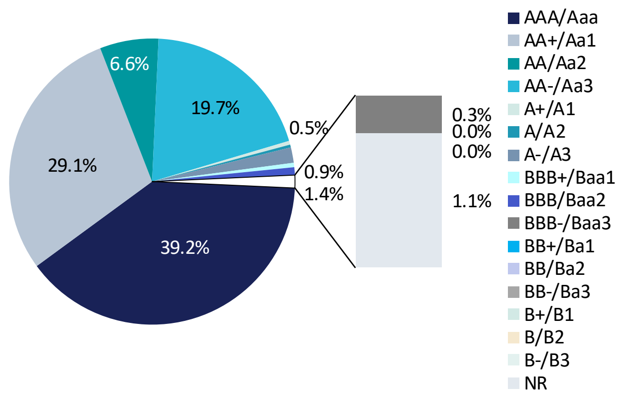
Maturities next 12 months (bmk)



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

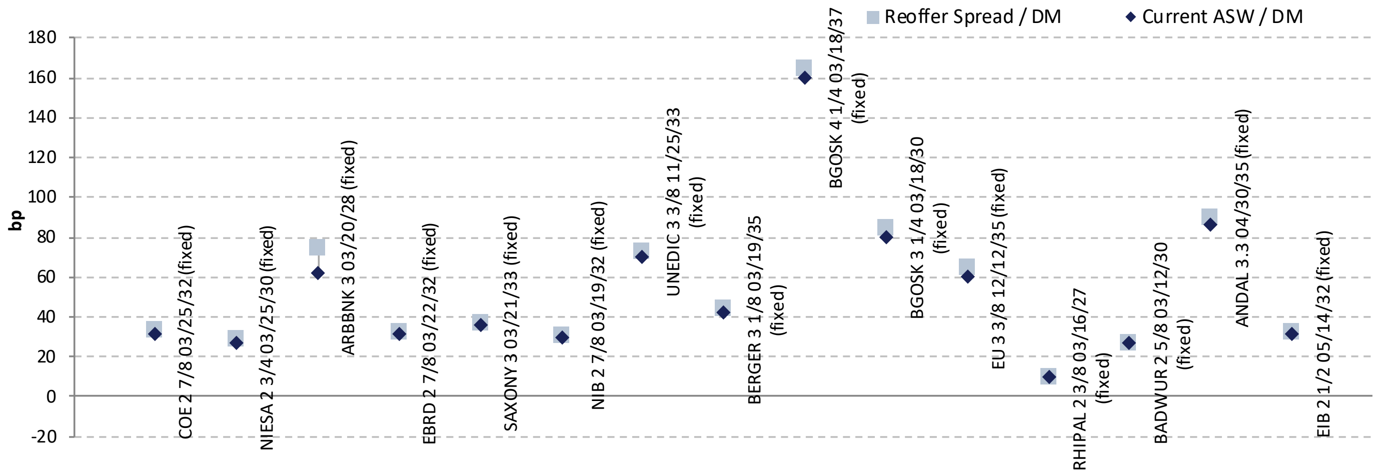


Rating distribution (vol. weighted)

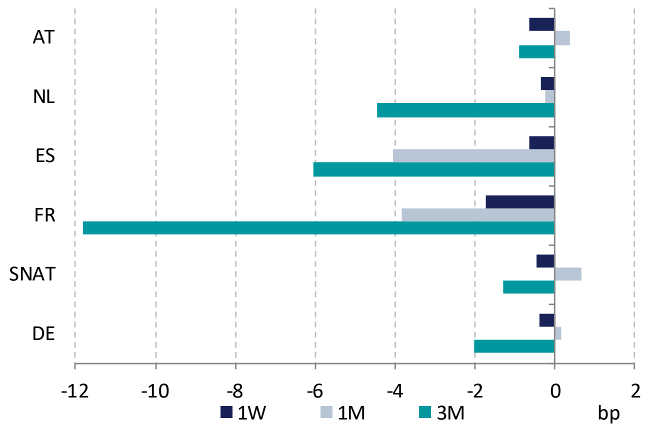


Source: Bloomberg, NORD/LB Floor Research

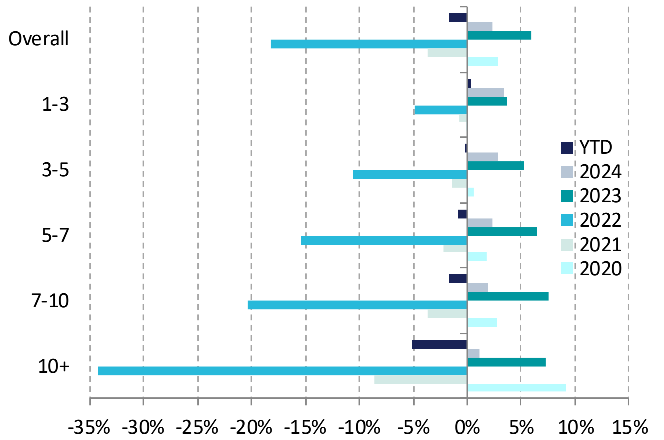
Spread development (last 15 issues)



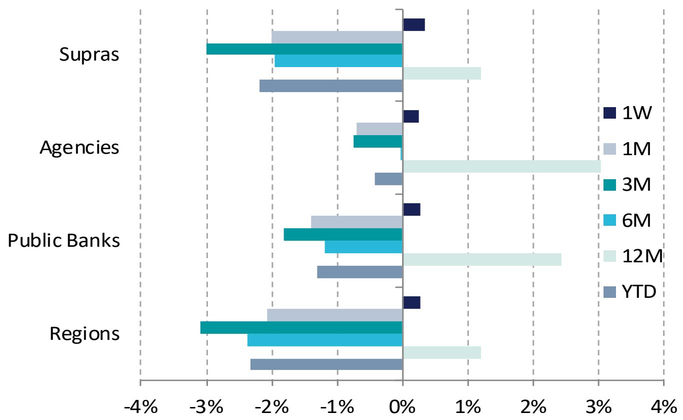
Spread development by country



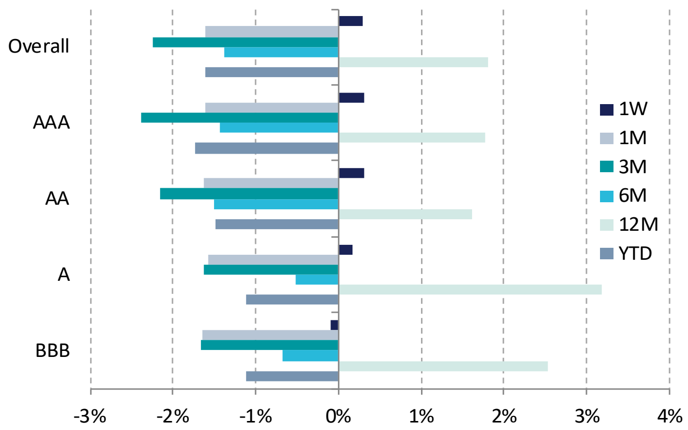
Performance (total return)



Performance (total return) by segments

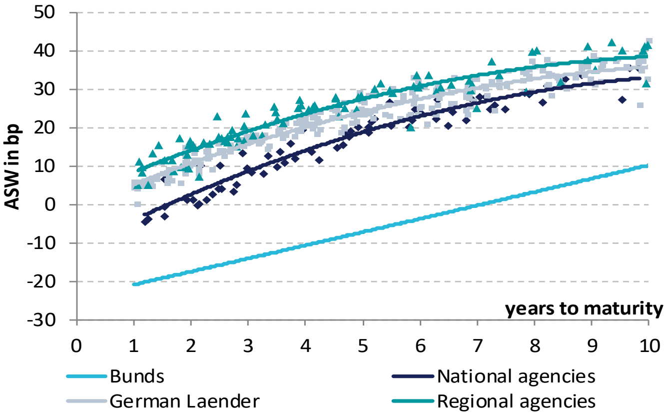


Performance (total return) by rating

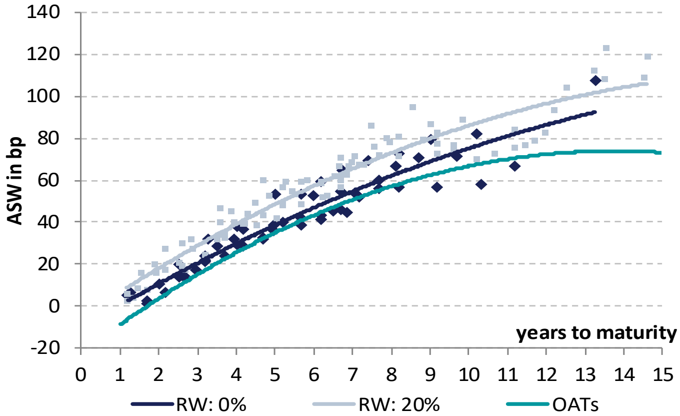


Source: Bloomberg, NORD/LB Floor Research

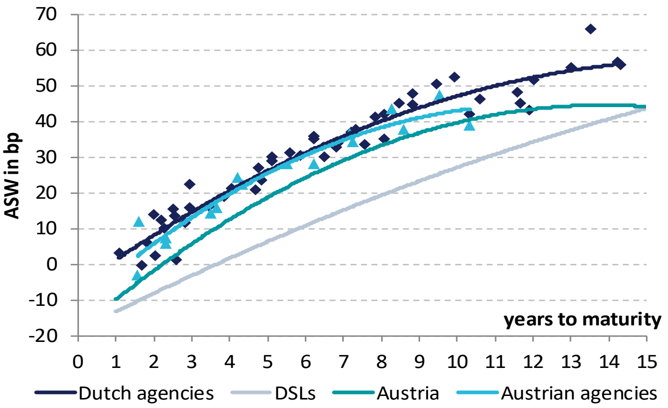
Germany (by segments)



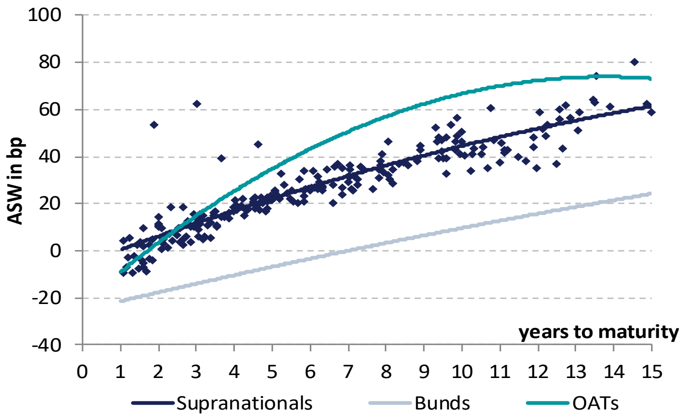
France (by risk weight)



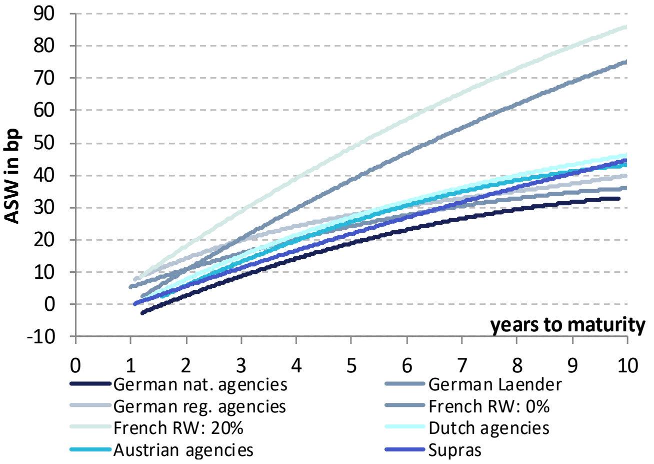
Netherlands & Austria



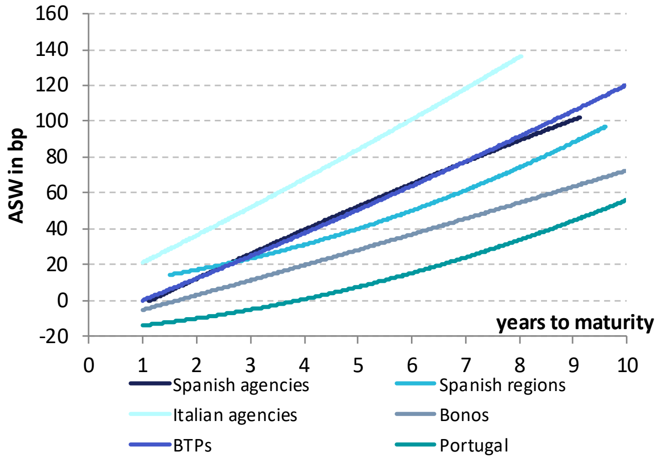
Supranationals



Core



Periphery

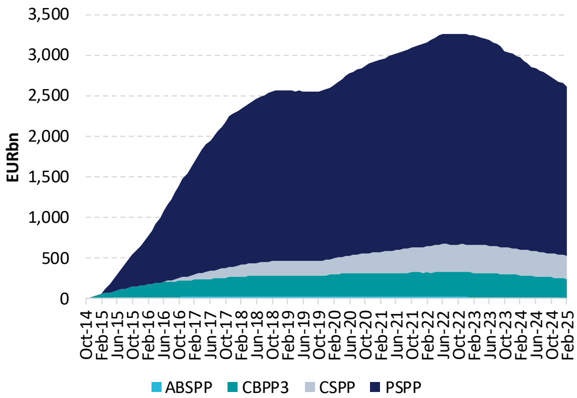


Source: Bloomberg, NORD/LB Floor Research

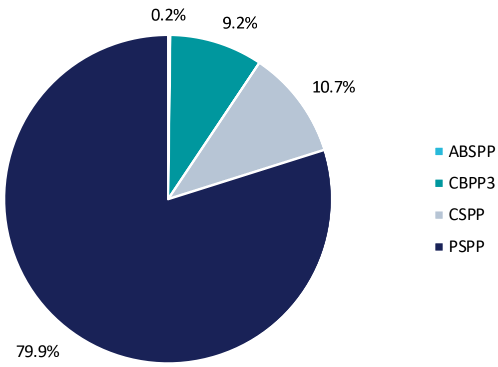
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

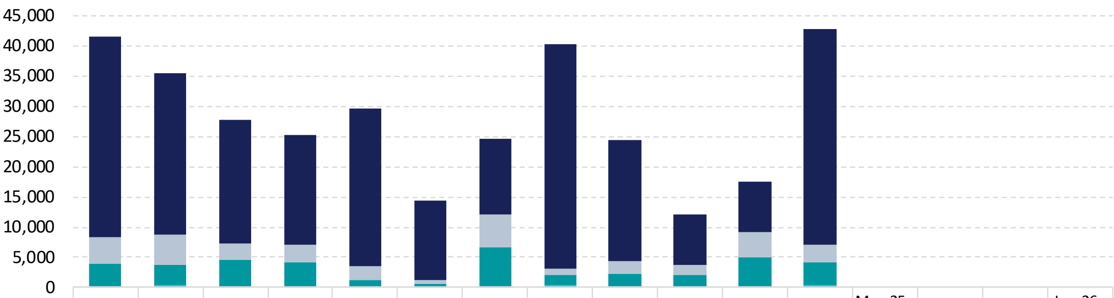
APP: Portfolio development



APP: Portfolio structure

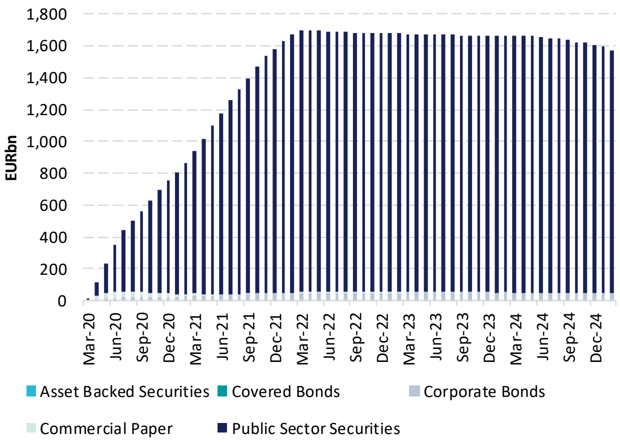


Expected monthly redemptions (in EURm)

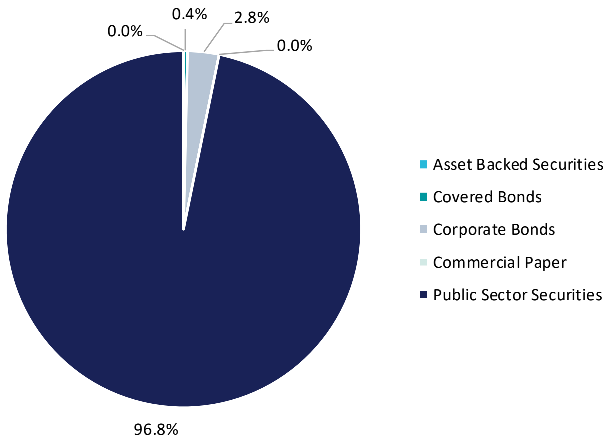


	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-25 - Feb-26	2024	2025	Jan-26 - Feb-26
APP	41,660	35,527	27,846	25,290	29,618	14,310	24,596	40,249	24,445	12,017	17,538	42,791	335,887	334,302	334,255	42,791
PSPP	33,379	26,671	20,541	18,261	26,161	13,114	12,568	37,073	20,060	8,274	8,318	35,650	260,070	264,480	253,586	35,650
CSPP	4,279	5,137	2,699	2,940	2,156	562	5,259	1,005	2,008	1,693	4,212	2,926	34,876	31,380	34,499	2,926
CBPP3	3,709	3,373	4,448	3,864	1,135	468	6,492	1,864	2,106	1,903	4,740	3,911	38,013	32,173	42,332	3,911
ABSPP	293	346	158	225	166	166	277	307	271	147	268	304	2,928	6,269	3,838	304

PEPP: Portfolio development



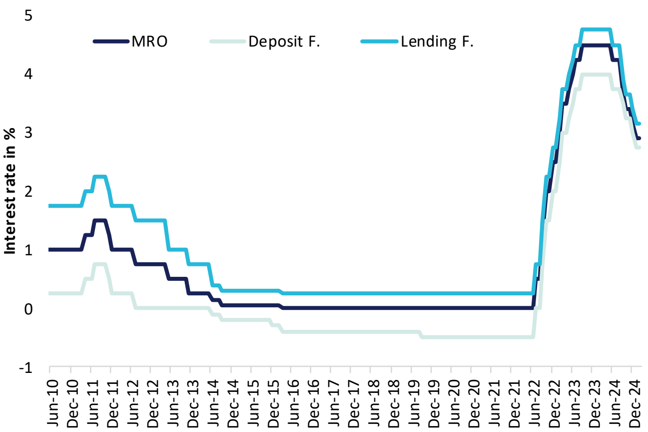
PEPP: Portfolio structure



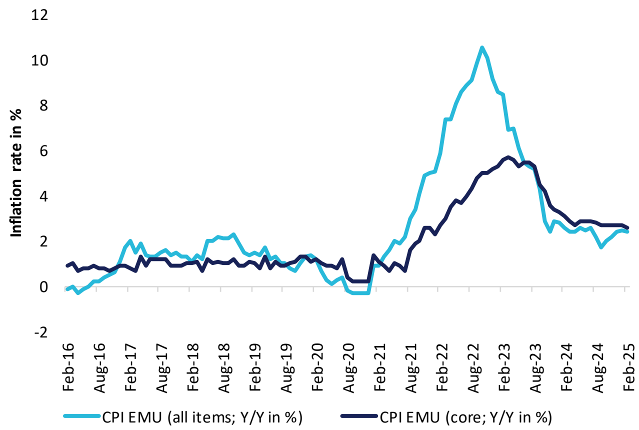
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

ECB key interest rates

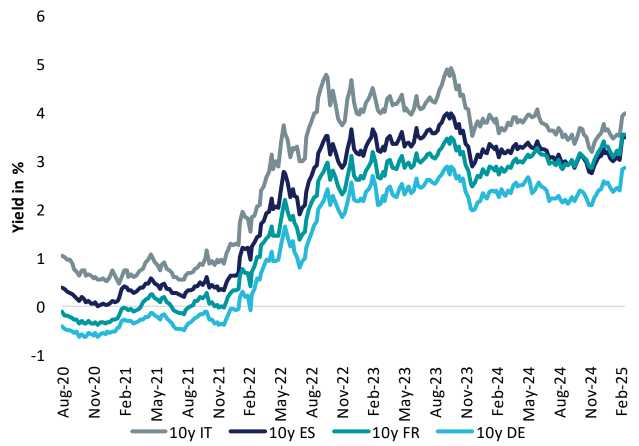


Inflation development in the euro area

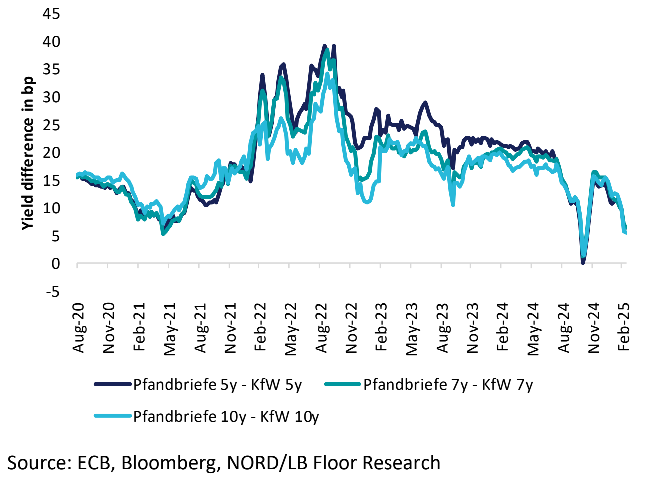


Bund-swap-spread

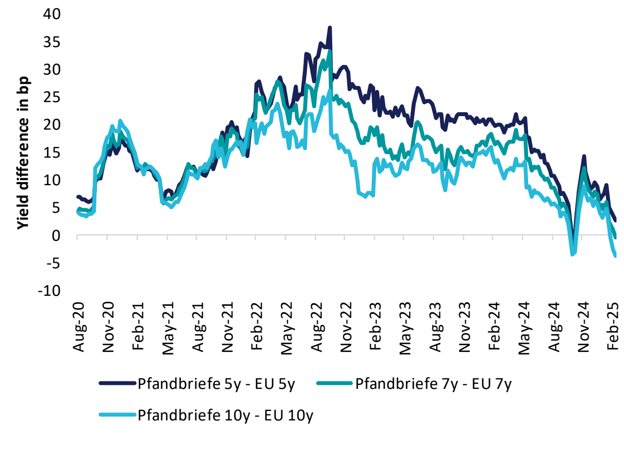
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
10/2025 ♦ 12 March	▪ Covereds vs. sovereign bonds: A question of attractiveness ▪ NGEU: Green Bond Dashboard
09/2025 ♦ 05 March	▪ Transparency requirements §28 PfandBG ▪ Teaser: Issuer Guide – Non-European Agencies 2025
08/2025 ♦ 26 February	▪ Overseas Covered Bonds – A Brave New Spread World? ▪ Update: Joint Laender – Laender jumbos
07/2025 ♦ 19 February	▪ An overview of the EUR sub-benchmark segment ▪ Export Development Canada – spotlight on EDC
06/2025 ♦ 12 February	▪ Development of the German property market (vdi index) ▪ Occitania – spotlight on OCCTNE
05/2025 ♦ 05 February	▪ Crelan Home Loan plans return to the covered bond market ▪ SSA January recap: record start to 2025
04/2025 ♦ 29 January	▪ Cross Asset – ESG pilot project: First EU Green Bond in our coverage
03/2025 ♦ 22 January	▪ Focus on the banking sector: EBA Risk Dashboard in Q3/2024 ▪ 30th meeting of the Stability Council (December 2024)
02/2025 ♦ 15 January	▪ The Moody's covered bond universe – an overview ▪ Review: EUR-ESG benchmarks 2024 in the SSA segment
01/2025 ♦ 08 January	▪ Annual review of 2024 – Covered Bonds ▪ SSA: Annual review of 2024
42/2024 ♦ 18 December	▪ A regulatory look at the iBoxx EUR Covered ▪ Teaser: Beyond Bundeslaender – Belgium
41/2024 ♦ 11 December	▪ Focus on France: Covered bond view of Groupe CCF ▪ Teaser: Issuer Guide – French Agencies 2024
40/2024 ♦ 04 December	▪ Our outlook for the covered bond market in 2025 ▪ SSA Outlook 2025: Risk premiums are back in town
39/2024 ♦ 27 November	▪ What's going on outside of the EUR benchmark segment? ▪ Teaser: Issuer Guide – Down Under 2024
38/2024 ♦ 20 November	▪ Transparency requirements §28 PfandBG Q3/2024 ▪ ECB repo collateral rules and their implications for Supranationals & Agencies
37/2024 ♦ 13 November	▪ Development of German property market (vdp index) ▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO
36/2024 ♦ 06 November	▪ ESG covered bonds: Benchmark segment on a growth trajectory ▪ Current LCR classification for our SSA coverage
35/2024 ♦ 30 October	▪ Maturities the future driver in the primary market? ▪ German-speaking Community of Belgium – spotlight on DGBE

NORD/LB: Floor Research

NORD/LB: Covered Bond Research

NORD/LB: SSA/Public Issuers Research

Bloomberg: RESP NRDR <GO>

Appendix
Publication overview

Covered Bonds:

Issuer Guide – Covered Bonds 2024

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

Transparency requirements §28 PfandBG Q4/2024 (quarterly update)

Transparency requirements §28 PfandBG Q4/2024 Sparkassen (quarterly update)

Covered bonds as eligible collateral for central banks

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

ECB interest rate cut in the wake of Rambo-Zambo bond packages

NORD/LB:
Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
RESP NRDR <GO>

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Time of going to press: 19 March 2025 (08:50)