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The next edition of the CSV will be published on **30 April 2025**

# Covered Bond & SSA View

NORD/LB Floor Research

16 April 2025 ♦ 15/2025

Marketing communication (see disclaimer on the last pages)

# Agenda




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# Market overview
# Covered Bonds

Authors: Alexander Grenner // Lukas Kühne

**Primary market: the search for the (right) issuance window?**

To describe the current market environment as slightly uncertain would probably be an understatement. With tariff announcements changing practically every day, the markets are gripped by a mood of profound insecurity. For issuers, the search for a suitable issuance window is made even more difficult by the upcoming ECB meeting and the imminent arrival of the Easter holidays. In this vein, we reported on four deals, all placed on the same day prior to Donald Trump's much-discussed "Liberation Day" tariff announcements in the last edition of our weekly publication. The primary market then came to a complete standstill for five trading days. On 10 April, it was CAFFIL that eventually broke cover to reopen the primary market, with the French issuer opting to guide its 10-year deal at ms +77bp area. The order book ultimately filled to a volume of EUR 2.1bn, with the issuer committing to a reoffer spread of ms +71bp and ultimately selecting a deal size of EUR 1bn. While in retrospect CAFFIL appears to have got the timing right for its bond issue, CRH was seemingly less fortunate the following day. Despite the fact that the bank was also active towards the longer end (8y), investor interest in this deal was markedly lower during the marketing phase. An issue volume of EUR 750m was already expected in advance. The final orders came to EUR 1bn (including joint lead manager interest), while the reoffer spread of ms +62bp, which narrowed by only two basis points compared with the original guidance, also indicated a degree of restraint in connection with this deal. In the current trading week, a third French issuer, namely Groupe BPCE (BPCE), placed also a Deal on the market. However, in contrast to the other two issues, BPCE opted for the medium-term maturity segment (5.25y; guidance: ms +56bp area). The transaction, which amounted to a final volume of EUR 1.25bn, attracted considerable investor interest, which was reflected not least in a bid-to-cover ratio of 3.4x and a final spread of ms +50bp. The performance of recent new issues largely shows that investor confidence and demand for covered bonds remains intact.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| BPCE | FR | 15.04. | FR001400YWH8 | 5.3y | 1.25bn | ms +50bp | - / Aaa / AAA | - |
| CRH | FR | 11.04. | FR001400Z2F9 | 8.0y | 0.75bn | ms +62bp | AAA / Aaa / - | - |
| CAFFIL | FR | 10.04. | FR001400YWV9 | 10.0y | 1.00bn | ms +71bp | - / Aaa / - | X |

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

**Secondary market: evidence of marginal spread widening trends**

After a preponderance of sellers on the secondary market last week, buyers increasingly returned to the market at the start of the new week – although the transaction volume remains at a very low level overall. At the beginning of the week, the focus of market players shifted more strongly towards short-dated bonds, after covered bonds at the long end had tended to be the preference previously. With fresh supply continuing to remain thin on the ground, slight spread widening trends are currently in evidence on the secondary market, which can, among other aspects, be put down to relative value considerations.

**EBA updates methodology for regulatory classification of non-EU states; BoE adjusts rules on LCR eligibility of non-UK covered bonds**

In connection with the adjustments made to the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) at the beginning of the year, the European Banking Authority (EBA) has now also revised its methodology for the evaluation of the regulatory and supervisory classification of jurisdictions located outside of the EU. As a result of this, the EBA has now uploaded a two-stage questionnaire to its website. The first part tests compliance with the core requirements in the form of a "screening", while the second serves to systematically compare the EU framework with the provisions of the non-EU state. In addition to the questionnaires, the EBA also offers non-EU states the option of a secure digital communication method within the evaluation process via its online platform. In contrast to this "streamlining" of the process, the UK Prudential Regulation Authority (PRA) of the Bank of England (BoE) has announced that covered bonds originating from outside of the UK will gradually be stripped of their LCR eligibility. In specific terms, from 08 April 2025, the PRA is offering something referred to as "Modification by Consent" (MbC) to UK businesses that have registered third-country covered bonds as Level 2A High Quality Liquid Assets (HQLA) in order to continue to recognise these bonds as LCR-eligible on a limited and decreasing basis. The MbC includes all bonds registered as Level 2A HQLA by 31 January 2025. The covered bonds in question will be recognised at market value, with the aforementioned date also being used to determine the ceiling for this value. Upon maturity or any other form of disposal, the bonds may not be replaced with new bonds, which means that newly issued non-UK covered bonds will no longer be considered as LCR-eligible in the UK and the total number of eligible bonds will gradually diminish over time. We see several implications for the market here: in our opinion, issuances of GBP-denominated covered bonds from non-UK issuers could now decline, as a large part of the potential investor base for these bonds has traditionally been UK-based. Banks from the UK that have previously acquired non-UK covered bonds for diversification purposes, among other aspects, can no longer use these to comply with their LCR requirements. However, this should only have a relatively minor impact, especially with regard to the EUR benchmark segment, as this investor group typically accounts for only a very marginal share of new deals. In conjunction with the EBA's regulatory classification of UK covered bonds, the effects of this decision remain to be seen but should not necessarily be viewed as constructive.

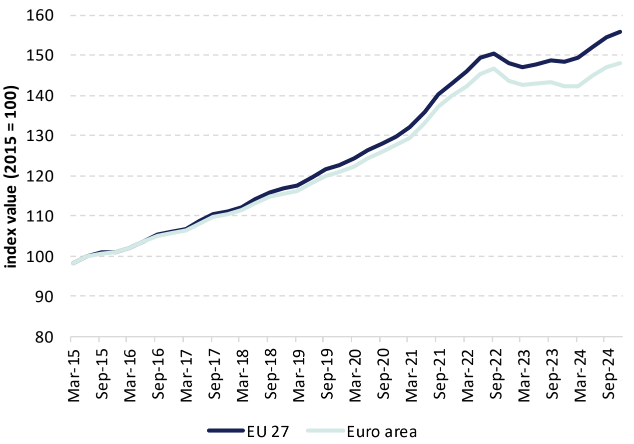
**Moody's I: rating upgrade for Estonian covered bond programmes**

The rating agency Moody's recently announced an upgrade to the ratings of the covered bond programmes of LHV Pank (from Aa1 to Aaa) and Coop Pank (from Aa2 to Aa1). The reason for this reassessment is that the Timely Payment Indicator (TPI) has been upgraded from "Improbable" to "Probable" for covered bonds issued under the Estonian Covered Bond Act. Moody's justified this move by highlighting the increased share of covered bonds in the funding mix of Estonian banks and Estonia's implementation of the EU Covered Bond Directive, among other factors. According to the risk experts, the overcollateralisation (OC) ratios of both programmes meet the requirements for an Aaa rating; however, the rating agency opted not to award its top rating to Coop Pank owing to the time limitations in recording the OC trend. To date, only Luminor Bank has been active in the EUR benchmark covered bond market. The bank has placed two benchmark deals, most recently approaching investors back in May 2022 (issue volume: EUR 500m). It is, however, a different situation as far as the EUR sub-benchmark segment is concerned, with both LHV Pank and Coop Pank having previously issued covered bonds in this format. Up to now, LHV Pank has placed two sub-benchmark deals (most recently in October of last year with a volume of EUR 250m), while Coop Pank only recently celebrated its inaugural deal in this market segment. The issue from March, also valued at EUR 250m, performed well and racked up a fairly impressive bid-to-cover ratio of 4.6x. From our perspective, the rating upgrades should also be viewed as a positive sign for the Estonian covered bond market. As a result, there should be nothing standing in the way of additional benchmark and sub-benchmark deals from Estonian banks.

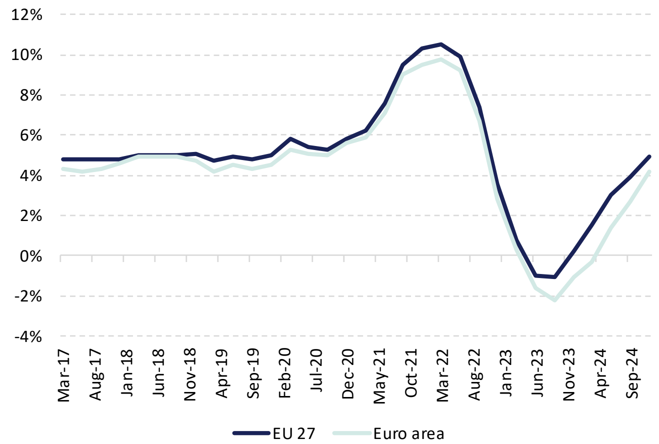
**Eurostat: house price index records sharp rise**

According to data from Eurostat, house prices in the eurozone rose by +4.2% in the fourth quarter of 2024 year on year. For the EU, the value was as high as +4.9% year on year. In the third quarter of 2024, the equivalent values came in at +2.7% (eurozone) and +3.9% (EU) above the value of the same period of the prior year. Looking at individual EU Member States, a total of 24 recorded an increase, with the sharpest rises attributable to Bulgaria (+18.3% Y/Y), Hungary (+13.0% Y/Y) and Portugal (+11.6% Y/Y). It was only in France and Finland (-1.9% Y/Y in each case) that declines were recorded. The house price index (HPI) measures the price developments of all residential real estate acquired by households irrespective of their final use and previous owners.

**House price index (whole index)**




**House price index (rate of change; Y/Y)**




Source: Eurostat, NORD/LB Floor Research

**Fitch: covered bond programmes in the UK boast high OC ratios**

As part of its “Peer Credit Analysis”, Fitch has provided assessments of covered bond programmes from the United Kingdom (UK). In this context, the rating experts differentiate between covered bond programmes from large banks and those from medium-sized institutions. In total, Fitch assessed 13 UK covered bond programmes, including six from large banks (outstanding volume: GBP 59bn) and seven from medium-sized institutions (GBP 22bn). These programmes all feature the top rating of AAA, which, according to Fitch, can be primarily attributed to the high OC ratios (typically >40%) and stable excess spreads. The rating experts highlight the fact that the excess spread largely mitigates the risk of maturity mismatches between the assets in the cover pool and the issued covered bonds by swapping fixed-rate loans and covered bonds into a variable rate. For 2024, Fitch has identified a slight increase in maturity mismatches, which it puts down to the rising share of long-term residential mortgage loans in the cover pool. According to the rating experts, this trend has intensified further in connection with recently issued mortgage loans. Moreover, all covered bond programmes have at least one unused notch uplift. The number of unused notches of uplift differs between the large and medium-sized UK banks. While the range for the latter comes in between one and four, no covered bond programme of a large bank has fewer than four unused notches of uplift. Among other aspects, this is due to the higher Long-Term Issuer Default Ratings of the major UK banks.

**Scope: trade war harming asset quality at European banks**

According to the rating experts from Scope, the sharp declines in the share prices of European banks in the wake of the announcement of US tariffs on European goods are a reflection of the growing uncertainty on the part of investors about the impact of trade restrictions on asset quality and profitability. In addition to direct impacts on growth and interest rates in Europe, Scope also assumes that asset quality will start to come under pressure in the near future, particularly among export-oriented companies. As such, banks with a strong focus on corporate lending will be most affected. In the event of a prolonged economic downturn, this pressure would begin to spread to other sectors through second-round effects such as weaker demand or a diversion of trade flows from markets outside the EU. According to Scope, SMEs would in particular be susceptible to a scenario of this kind. Depending on labour market conditions, the quality of consumer or (to a lesser extent) mortgage loans could also start to decline. Market expectations with regard to inflation and interest rates are also impacted by the tariff announcements; according to the rating experts, initial expectations of interest rate cuts are already being observed now, which is putting pressure on the profitability of banks in the form of lower interest margins. Depending on how the tariff conflict develops further, additional consequences are conceivable, although according to Scope, investor confidence would not be restored in the short term even in the event that we enter a de-escalation mode. For a more detailed overview of the impacts of the current trade war on the spreads of covered bonds, please refer to the Cross Asset focus article in this present edition of our weekly publication.

**Moody's II: updated outlooks for national banking sectors published**

Moody's recently updated its outlooks for the banking systems in Norway, Finland, Iceland and Austria. For Norway (Sovereign rating: Aaa), the outlook is set at stable, unchanged against the previous year. This assessment is based on moderate growth expectations for the Norwegian economy over the next 12 to 18 months, with strong consumption driven by real wage growth. According to the rating agency, the profitability of banks will come under pressure in the wake of falling interest rates and more intense competition; at the same time, however, this development could be somewhat offset by a rise in demand for credit. Asset quality and capitalisation levels are expected to remain stable, according to the rating experts. In Finland (Aa1), Moody's has upgraded the outlook for the banking sector from negative to stable, which is primarily down to improvements in the operating environment for the banks. After two years of recession, Finland is now expected to return to positive economic growth, with investment and consumption being supported in particular by the falling ECB interest rate level. Similar to Norway, Moody's expects that bank profitability will come under pressure, which would not be fully offset by higher lending volumes. The rating experts continue to rate Iceland's banking system outlook (A1) as stable. Here, too, stronger economic growth is expected, driven in particular by a strong export sector, higher consumption and growth in lending. From the perspective of Moody's, bank profitability is likely to remain stable, as they are able to benefit from older, fixed-interest loans in particular. In Austria (Aa1), the rating experts assess the outlook for the banking system as stable, highlighting in this context in particular the expectation of moderate economic growth and stronger consumption due to higher incomes as positive factors. However, Moody's is forecasting a further deterioration in asset quality. Commercial real estate financing (CRE) and parts of the corporate sector, which are burdened by persistent cost inflation and falling international competitiveness, are particularly affected here. Moody's also expects profitability to fall, with increased risk provisioning expenses and higher operating and financing costs compromising the financial results in this regard. The banking systems of all jurisdictions considered are also impacted by the risks arising in connection with the current trade conflict and the introduction of tariffs on European countries. However, it remains to be seen just how severe the impact of these measures will be.

# Market overview
# SSA/Public Issuers

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

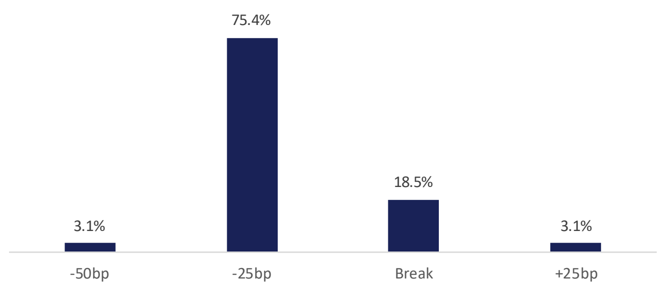
**ECB preview: Council members back in crisis intervention mode?**

A few weeks ago, we were still certain that it would now be appropriate for the ECB's Governing Council to pause its policy of cutting interest rates at its upcoming meeting. However, the current phase of market turbulence is weakening the calls for a pause. We would be very happy to steer clear of the current (tariff) policy, but the tit-for-tat approach is casting long shadows and bringing our bond segments to a standstill intermittently. Even against the backdrop of the current uncertainty with respect to US tariff policy, the arch-hawk Robert Holzmann (OeNB) saw no reason initially to think about further rate cuts, while his colleagues from France and Finland were much more open to such cuts. For the President of the Bundesbank, Joachim Nagel, the tariffs that have been announced will lead both to weaker growth and rising prices and will be a test for the bank's monetary policy. The Governing Council finds itself back in crisis intervention mode – certainly against its will. In our ECB preview, we assume that the Governing Council will deliberate fiercely and impartially at its meeting tomorrow. We are now backing away from our expectation of a pause and favour another cut of all three key rates. Predictions about the coming week are also made more difficult by the fact that it is extremely challenging to forecast how the "trade war" will play out. It seems impossible to work through the bank's own monetary policy agenda based on the usual analytical tools. The temperature curve reflecting traders' expectations as to the rate cuts across 2025 as a whole has flattened somewhat following the signs of partial de-escalation in the meantime. Will this make calls for a rate cut less strident? We do not think so and expect rates to be reduced once more, which is why we carried out an accompanying survey.

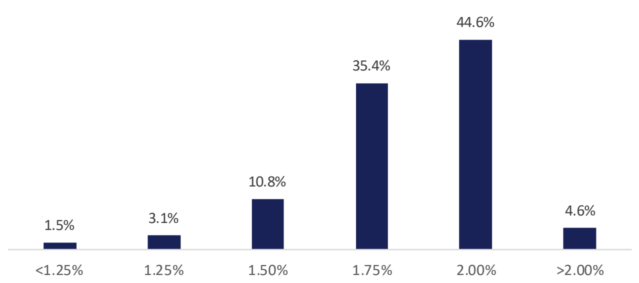
**Survey of our clientele and on LinkedIn**

We asked our German readers as a kind of "test balloon" for their assessment under the heading "We would love to hear your opinion on the ECB". The survey contained three questions: 1. "What do you expect from the upcoming meeting of the Governing Council?", 2. "Will the Governing Council reevaluate its assessment of monetary policy and amend the wording "*Monetary policy is becoming meaningfully less restrictive"*?" and 3. "What will the deposit facility rate be at the end of 2025?". We show two of the three charts based on their responses. Participating population: *n = 65*.

**Expectation for the upcoming meeting**



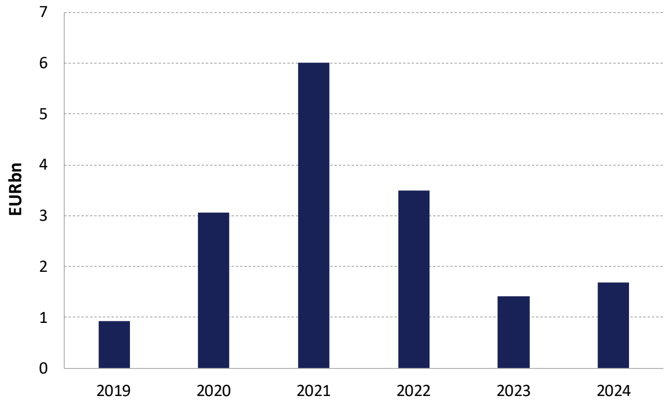

**Deposit facility rate at year-end**



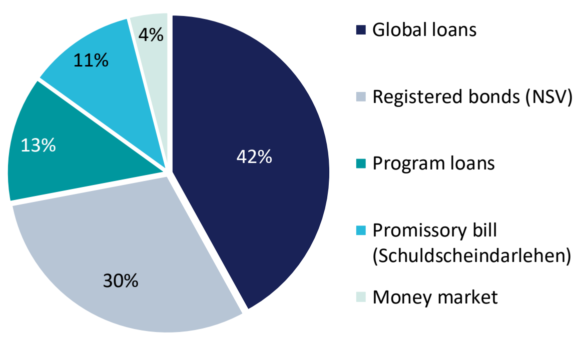

Source: NORD/LB Floor Research

**NBank: strong promotional year despite a challenging environment**
Investitions- und Förderbank Niedersachsen (NBank) operates on behalf of Lower Saxony as the central promotional institution for structural and economic policy issues. Its overarching objectives in this connection are to generate growth and quality of life for companies, municipalities, institutions and their people. Having been founded in 2004, NBank has operated in the form of a public law institution (Anstalt des öffentlichen Rechts [AöR]) since 2008 and was enlarged by its wholly owned subsidiary NBank Capital Beteiligungsgesellschaft mbH in 2015. Its promotional segments include funding for business, the labour market, housing and infrastructure. In total, it provided promotional funding of EUR 1.68bn overall in the past financial year, whereby the number of approvals – in the form of grants and loans – stood at 21,584. In 2023, it contributed EUR 1.42bn to businesses, infrastructure and the labour market in Lower Saxony. "2024 was another strong promotional year in a difficult economic environment. We are currently living in a period of rapid change and global crises, which are making major demands on our economy and society. The planned increase in its equity base will allow NBank to act even more effectively in supporting Lower Saxony with new promotional programmes in future," commented Frank Doods, Chairman of the Board of Directors, on the 2024 promotional year. The bank is guaranteed by Lower Saxony, meaning that it benefits from guarantor liability and institutional liability. NBank does not have its own rating, but we analyse its guarantor, Lower Saxony (ticker: NIESA; Rating: AAA/ - / - ) on a regular basis as part of our Issuer Guide – German Laender 2024. In terms of refinancing, the bank focuses primarily on private placements of promissory notes (Schuldscheindarlehen, SSD) with terms of up to ten years and registered bonds (Namensschuldverschreibungen, NSV) with maturities of more than ten years. The bank's annual funding requirement currently amounts to EUR 500-600m. Benchmark bonds are not part of its refinancing strategy at present. NBank intends to expand the proportion of capital market financing in future, with the corresponding securities being issued solely in fixed-interest format and denominated in EUR. With regard to classification in the relevant regulatory frameworks, NBank's bonds benefit from the same advantages as those of Lower Saxony: therefore a risk weight of 0% is applied to corresponding risk exposures under the CRR. This results in classification as Level 1 assets according to the LCR regulation. They also benefit from preferred classification in the context of Solvency II. NBank bonds also count as eligible collateral for ECB repo transactions.

**Development of promotional volume**




**Refinancing structure (at the end of 2024)**




Source: Issuer, NORD/LB Floor Research

**Latest press releases on German public sector debt**

German public sector debt again increased in Q4/2024 compared with the end of 2023: the total federal budget (federal government, Laender, municipalities and municipal associations as well as social insurance including all extra budgets) owed EUR 2,509bn to the non-public sector (financial institutions plus other German and foreign entities, such as private companies in Germany and abroad) at the end of 2024. As the Federal Statistical Office (Destatis) announced on the basis of provisional results on 26 March, public sector debt therefore increased by +2.6% or EUR +63.9bn year on year at the end of the fourth quarter. Compared with Q3/2024, the debt rose by +0.8% or EUR +20.5bn, respectively. Liabilities at federal level were +2.1% or EUR +36.5bn higher than in the reference period at the end of 2024. This was due, in particular, to the increase in the debt of the "Federal Armed Forces Special Fund" by a remarkable +295.6% or EUR +17.2bn to EUR 23bn. In contrast, the debt of the "Corona Economic Stabilisation Fund" special fund decreased by -40.2% or EUR -14.9bn to EUR 22.1bn within the year. Compared with Q3/2024, the federal government's debt increased by +0.8% or EUR +13.6bn. German Laender owed a total of EUR 606.9bn at the end of Q4/2024, which equated to an increase of +2.1% or EUR +12.bn compared with the end of 2023. Liabilities increased by +0.1% or EUR +796m compared with the previous quarter. The greatest percentage declines in debt compared with the end of 2023 were reported for NIESA (-4.1%), THRGN (-1.8%), NRW (-1.5%) and SACHAN (-0.8%), whereas the greatest year-on-year percentage increases in debt were recorded in MECVOR (+10.9%), RHIPAL (+9.7%) and BRABUR (+8.9%). At a municipal level, debt increased by +9.5% or EUR +14.7bn, while the liabilities of the social insurance system were -3.5% or EUR -1.4m less at the end of 2024 than at the end of 2023.

**FMO presents Annual Report 2024**

The Dutch promotional bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO, ticker: NEDFIN) has presented its annual report for financial year 2024. It shows that the bank achieved a net profit of EUR 297m in the period under consideration, which is a significant increase on the previous year (2023: EUR 65m). This was reportedly attributable to the reversal of reserves in response to an improvement in loan quality and currency effects, especially the appreciation of the USD against the EUR, which led to value increases in the private equity portfolio that in turn benefited the financial result. With a CET1 ratio of 20.4%, FMO's capitalisation also exceeded regulatory requirements in 2024, but declined by -1.6 percentage points compared with the previous year. In 2024, the agency provided funds of around EUR 3.8bn (2023: EUR 2.7bn) for new investments, which was a new record value. Of this figure, investments of EUR 2.2bn were made via the agency's balance sheet, EUR 285m via public funds and EUR 1.4bn via other funds mobilised directly. For the current year, FMO has indicated that it will face challenges from companies being less prepared to invest, limited availability of concessionary funding and increasing regulatory requirements. Nevertheless, FMO is sticking to its goal of providing EUR 10bn in each case for green investments, the reduction of inequality and "significant innovations".

**Kommuninvest issues its first social bond**

The Swedish municipal financier Kommuninvest i Sverige (ticker: KOMINS) further diversified its capital market presence and, at the same time, reinforced its mission to promote social sustainability with the issue of its first social bond. By its own account, Kommuninvest had made available loans amounting to SEK 10.9bn for social investment projects by the middle of March, of which SEK 4.9bn had been disbursed. The debut bond worth SEK 3bn (EUR equivalent: EUR 270m) with a maturity in excess of three years was priced at a reoffer spread of ms +15bp at the beginning of April. The social bond was placed within the framework of the EMTN programme, meaning that we can also expect issues of social EUR bonds in future. The municipal financier has been involved in the ESG segment for some years through the issue of green bonds in the European single currency – most recently in May 2024. For the current year, the Swedish issuer has announced that they still anticipate a funding requirement of the equivalent of EUR 14bn, which is to be covered primarily through issues of conventional, green and social bonds in three currencies (SEK, EUR, USD). At the end of Q1/2025, the municipal financier's issuance volume already amounted to the equivalent of EUR 4.2bn.

**Primary market**

Following a quiet period last week due to the prevailing market situation, the wait-and-see approach adopted by issuers largely continued in the trading week under consideration. Nevertheless, we can report on two EUR benchmarks totalling EUR 1.5bn and a tap in this issue. Mecklenburg-Western Pomerania (ticker: MECVOR) kicked things off with its first new issue in EUR benchmark format this year. It sought new funding of EUR 500m with a maturity of ten years, which was ultimately raised at ms +44bp (guidance: ms +45bp area, bid-to-cover ratio: 4.3x). An issuer from the European supranationals segment, namely Nordic Investment Bank (ticker: NIB), also ventured onto the market. The multilateral development bank placed EUR 1bn at ms +11bp, opting for a maturity of long three years for its issue. The order book reached approximately EUR 1.5bn, meaning that tightening of one basis point compared with guidance was possible. Shortly after we went to press with our last issue, the Free and Hanseatic City of Hamburg (ticker: HAMBRG) seized the opportunity to meet its funding requirement with a tap and, by this means, raised new capital of EUR 250m. It chose to increase its 2032 bond, which was priced in line with guidance at ms +34bp (order book: EUR 580m). Before we break for Easter, we would like to draw your attention to the next bond auction by the European Union (ticker: EU), which will take place on 28 April. Against the backdrop of the uncertain market situation and the forthcoming ECB meeting, there are currently no new mandates to report. We wish you a very happy Easter and will, as usual, report on activities on the SSA primary market in our next issue on 30 April.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| NIB | SNAT | 14.04. | XS3057123617 | 3.1y | 1.00bn | ms +11bp | - / Aaa / AAA | - |
| MECVOR | DE | 10.04. | DE000A4DFGX2 | 10.0y | 0.50bn | ms +44bp | AAA / - / - | - |

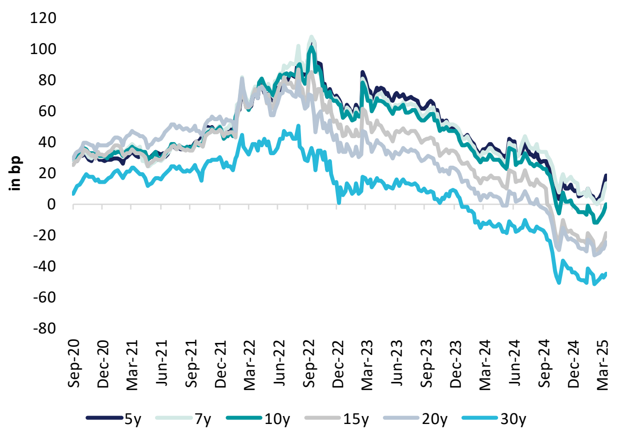
Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

# Cross Asset
# Relative value – What is the state of play?

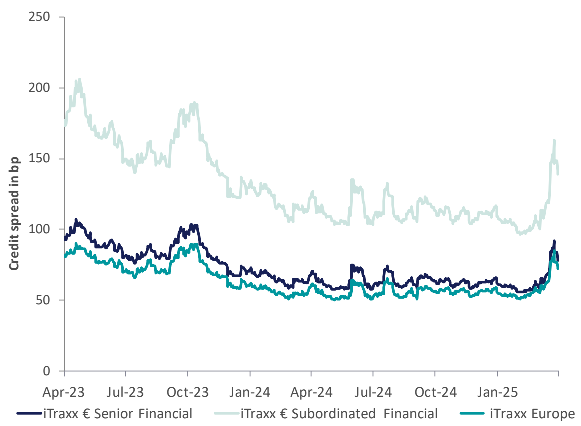
Authors: Dr Norman Rudschuck, CIIA // Dr Frederik Kunze

**Even our coverage is not spared from the market turbulence**
The international financial and capital markets have been marked by a high level of uncertainty for several weeks now. The asset classes we analyse have also been affected by this "risk-off mode", as has been evident in the recent past, not least from the significant widening of spreads. In fact, we also see a need to place the widening tendencies in the submarkets supranationals, sub-sovereigns and agencies (SSA) as well as covered bonds in the context of spread movements in neighbouring asset classes (e.g. sovereigns or even senior financials). We last looked more closely at such relative value considerations in our weekly publication in October 2024 (cf. issue of 23 October). At that time (and well into the first quarter of 2025), the relative attractiveness of covered bonds was strongly influenced – not to say weighed down – by the development of the respective bund-swap spreads. We see the lack of supply on the primary market as a major reason for the high demand for covered bonds that we have observed in recent months. We also considered the price gap over credits and senior bonds to be too narrow for a very long period of time, which, in our opinion, attracted real money and credit investors to the covered bond segment. At the latest since "Liberation Day" a revaluation of the relative price structure has been called for. In today's Cross Asset article, we shall provide a schematic overview that should enable an aggregated sector analysis for our asset classes. After the structural break of "Liberation Day", the international bond markets have not yet been able to achieve a "local equilibrium" – partly because a reasonably stable picture cannot yet be derived from the seemingly erratic US tariff policy or the responses from the other currency areas. Nevertheless, we see the need for a current stocktake.

**Varying bund-swap spreads**




**iTraxx indices**

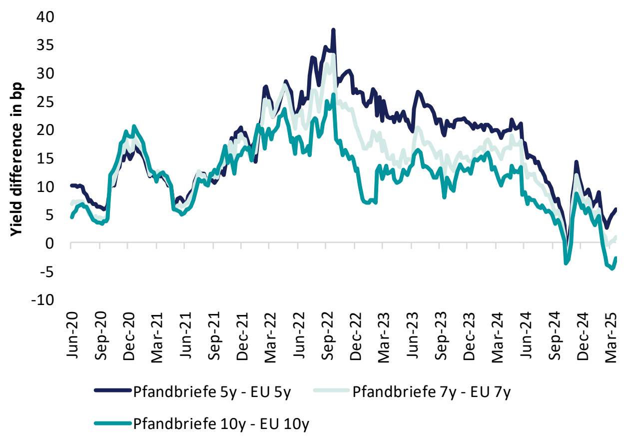



Source: Bloomberg, NORD/LB Floor Research

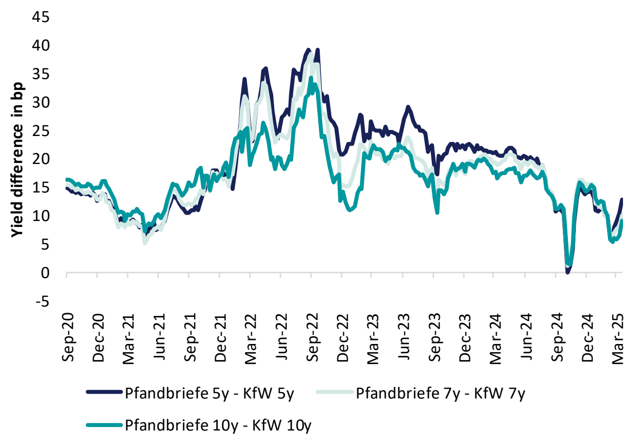
**Spread-determining factors in the asset classes we analyse**

In terms of the factors that significantly influence the general level of spreads in the SSA/Public Issuers and covered bond assets classes, we regularly focus on the technical market data (i.e. quantitative changes on the supply and demand side), credit quality and general market sentiment. Relative value considerations are particularly relevant for the demand side. However, there are also noteworthy interdependencies on the supply side – at least with regard to covered bonds, as alternative refinancing options are available here, e.g. in the form of senior bonds. Looking back over the past few months, we can definitely say that there is a correlation between widening spreads in the SSA/Public Issuers universe and the volume of deals in this asset class. However, the development of the bund-swap spread is also responsible for other spreads in this segment, for example. This trend has also put noticeable pressure on covered bonds, although the widening has been markedly slowed by the lack of supply of new covered bonds. The recent structural break in the international financial and capital markets is now increasingly bringing general market sentiment to the fore once again. The significant spread widening seen in both the credits and seniors sub-markets is also causing spillover effects in the SSA/Public Issuers and covered bond segments.

**Yield differences: Pfandbriefe vs. EU**




**Yield differences: Pfandbriefe vs. KfW**




Source: Bloomberg, NORD/LB Floor Research

**Global uncertainty and risk-off: Cross Asset in the spotlight**

Both financial market players and (monetary) policymakers have to make their decisions in an environment of extreme uncertainty. For bond investors (or issuers), this inevitably leads to the need to assess the current market situation. A key component here, in our view, is the relative value approach, as investment decisions or the choice of refinancing vehicle can be justified or derived on this basis. In the following Cross Asset spread analysis, we draw on bond indices provided by Bloomberg for methodological consistency and refer to weekly data in the period from 06 January 2023 to 11 April 2025. The “z-spread in basis points” is used as the spread variable in each case, which we consider to be appropriate for the bonds analysed here. We do not adjust the composition of the indices, so that although the characteristics between the indices may differ (e.g. with regard to duration), these differences remain largely stable over time.

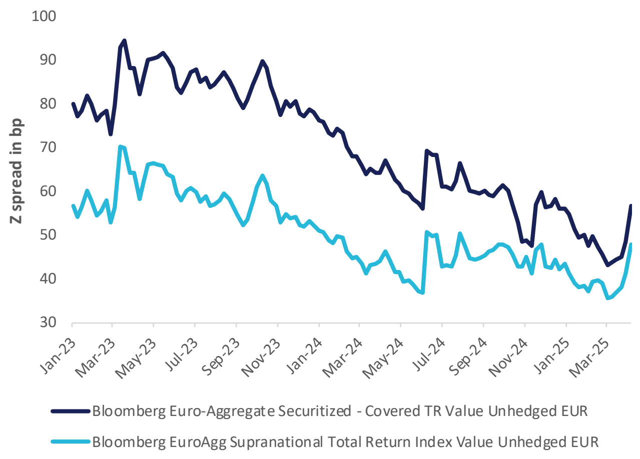
**Bloomberg indices as broader "proxies" for the respective sub-markets**

Before we examine the current situation for our asset classes, we would like to take a closer look at the indices used in today's article, as we mostly use the iBoxx EUR indices in connection with our usual coverage. The bond indices used for today's relative value analysis firstly differ primarily in terms of issue size. The superior index *iBoxx EUR Sub-Sovereigns*, which is broadly defined for the SSA segment, includes issues from jumbo size (EUR 1bn). While the *iBoxx EUR Covered* only includes issues of benchmark size (EUR 500m outstanding volume), Bloomberg apparently defines the concept of liquidity more broadly for the "*Bloomberg Euro-Aggregate Securitized –* ***Covered*** *TR Value Unhedged EUR*" and includes bonds with a volume of EUR 300m or more. In its current composition, the index includes 1,129 bonds (*iBoxx EUR Covered* in April 2025: 1,092 ISINs) and the weighted residual term to maturity is 4.52 years. All the following indices come from Bloomberg, are "Total Return" and "Unhedged" in EUR. The *Bloomy EuroAgg* **Supranational** has 285 bonds and the current weighted residual term to maturity is 9.21 years. The *EuroAgg* ***Local Authorities*** comprises 767 bonds with a weighted residual term to maturity of 8.68 years, while 5.82 years can be derived for the *EuroAgg* ***Agencies*** (792 ISINs). The *EuroAgg* ***Financials*** covers the Financials segment and consists of 1,554 bonds (weighted residual term to maturity 4.36 years). Overall, we believe that this alternative depiction of the asset classes we analyse allows us to make an aggregated classification of the current spread structure.

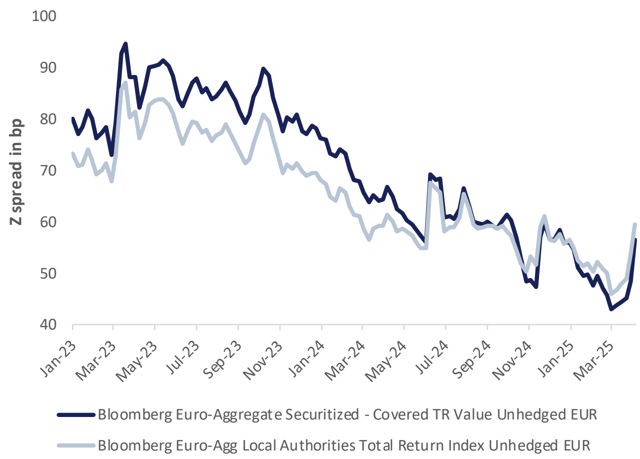
**Absolute spread developments over time indicate "Liberation Day" structural break**

For the following comparison of spreads, we therefore also focus on the sub-markets (including financials) regularly analysed as part of our coverage. The six charts on the following page show the spread movements at the absolute levels for covered bonds, supranationals, sub-sovereigns and agencies as well as the spread differences for covered bonds, SSAs and financials. In addition, we show the spread differences for SSAs vs. Pfandbriefe (as lower anchor point for the covered bond segment). An updated stocktake is more than necessary for the aforementioned reasons. Ultimately there was noticeable widening across the entire breadth of the market, although the extent varies greatly. In the current market environment, a key criterion for differentiating between absolute and relative spread widening is the risk premium demanded by market participants for the various asset classes and/or specific bonds. Based on the econometric time series analysis, we believe that we should speak here of a structural break in the spread trend, which was triggered by the announcements on "Liberation Day" and the phase of increased uncertainty that immediately followed. In the time series analysis, we speak of a structural break when regression parameters are not constant over time, which we can see from the obvious increase in spreads (also discernible from the charts on the following page). However, the extent of the "parameter shift" is not as pronounced in the asset classes considered to be less risky. This also means that the spread differences between covered bonds and the SSA/Public Issuers sub-markets do not show a "Liberation Day" structural break. With regard to the index for the financials, however, a sustained level shift (or structural break) can also be seen in the differences to the asset classes analysed here (cf. chart bottom left on the following page).

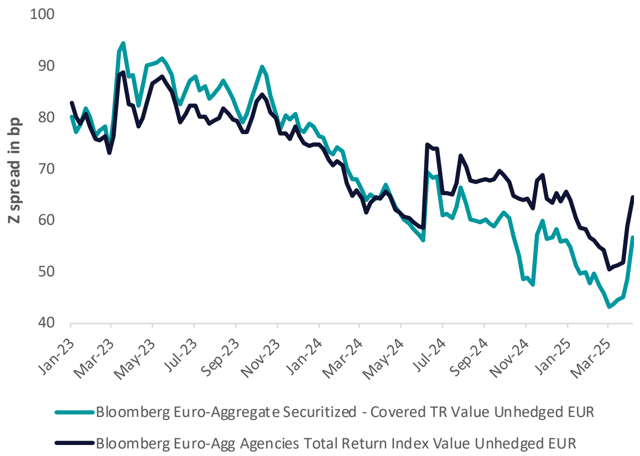
**Relative value: Covereds vs. supranationals**



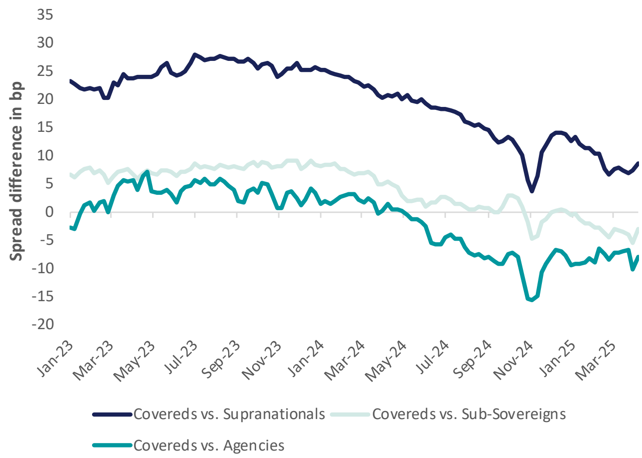

**Relative value: Covereds vs. sub-sovereigns**




**Relative value: Covereds vs. agencies**

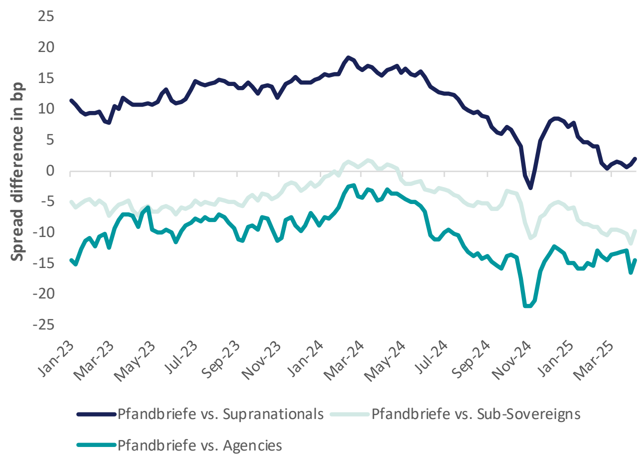



**Z-spread: Differences COV vs. SSA**




**Z-spread: Differences financials vs. COV & SSA**


**Z-spread: Differences Pfandbriefe vs. SSA**




Source: Bloomberg, NORD/LB Floor Research

**Relative value shift in "safe haven" asset classes manageable**

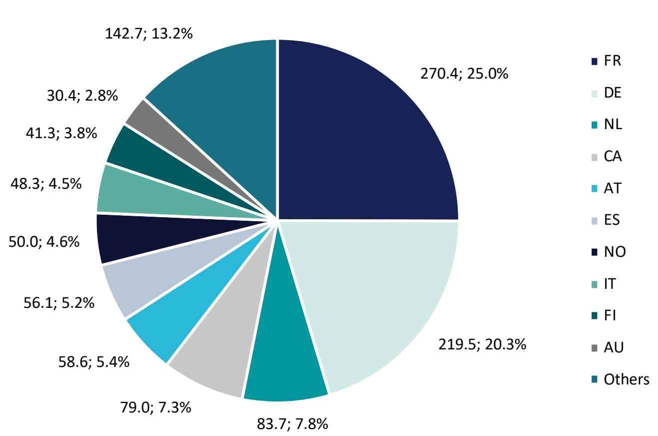
In short, we can state that on the basis of the indices considered here the turbulence on the international financial and capital markets is reflected in the absolute levels of the asset classes we are looking at, but that the relative spread structure has not changed significantly. The less pronounced risk appetite of market participants is also causing spreads on "safe haven" assets to widen. However, the Bloomberg indices used here do not indicate a revaluation between the sub-markets we have analysed. Of course, the fact that the index analysis is just a summary must be taken into account when interpreting these observations. For example, the differing influence along the heterogeneous term spectrum is not explicitly shown, but rather "averaged out". Nevertheless, we believe that the specific relative value approach used here has significant informative value. This is all the more pertinent in light of the graphical evidence that the "Liberation Day" structural break is reflected disproportionately in the financials asset class. Particularly with regard to the spread differences versus covered bonds and the SSA/Public Issuers universe, we would speak of a significant revaluation.

**Conclusion and outlook**

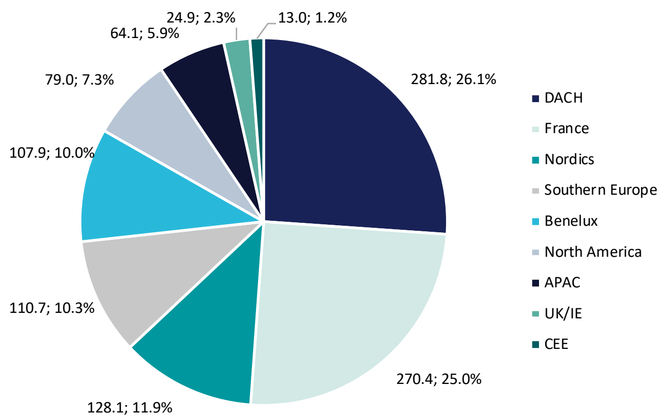
"States of play" often have a short half-life. Given the current situation on the international financial and capital markets, it would be not only foolish but rather reckless to talk about an equilibrium. With regard to the question as to how the spread structure within our coverage will develop, the focus in the medium to long term will once again be increasingly on the volume of issues in the SSA/Public Issuers universe. After all, we were also able to observe the impact on the covered bond segment later in the previous year. In addition, the bund-swap spread will remain an important market variable for drawing conclusions about the relative attractiveness of covered bonds. In terms of the covered bond sub-market, we again see issuers focusing more strongly on covered refinancing, which is also due to its relative attractiveness.

# Charts & Figures
# Covered Bonds

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



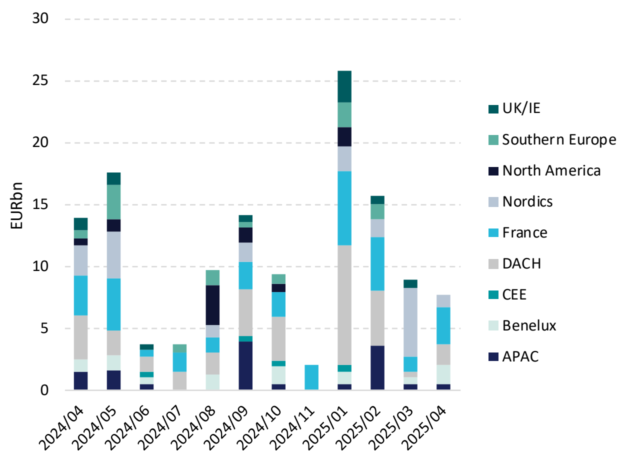

### EUR benchmark volume by region (in EURbn)



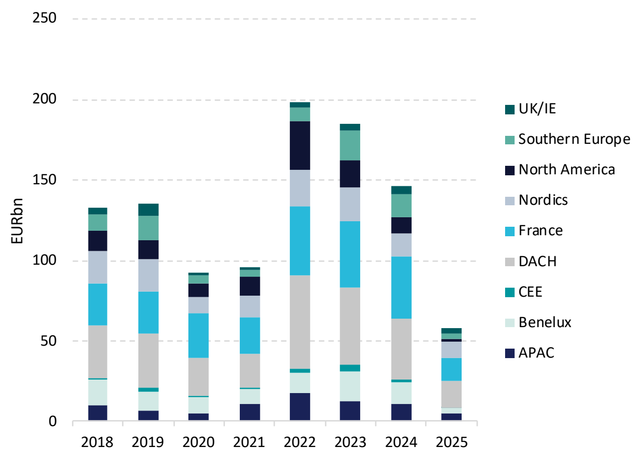

### Top-10 jurisdictions

| 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 | 270.4 | 260 | 32 | 0.98 | 9.2 | 4.6 | 1.60 |
| 2 | DE | 219.5 | 306 | 49 | 0.66 | 7.7 | 3.7 | 1.65 |
| 3 | NL | 83.7 | 84 | 4 | 0.93 | 10.3 | 5.5 | 1.43 |
| 4 | CA | 79.0 | 57 | 1 | 1.36 | 5.6 | 2.4 | 1.52 |
| 5 | AT | 58.6 | 97 | 5 | 0.60 | 7.9 | 3.9 | 1.61 |
| 6 | ES | 56.1 | 46 | 6 | 1.08 | 10.7 | 3.3 | 2.25 |
| 7 | NO | 50.0 | 60 | 12 | 0.83 | 7.1 | 3.4 | 1.28 |
| 8 | IT | 48.3 | 62 | 6 | 0.76 | 8.4 | 3.8 | 2.06 |
| 9 | FI | 41.3 | 47 | 5 | 0.86 | 6.6 | 3.1 | 1.80 |
| 10 | AU | 30.4 | 31 | 0 | 0.98 | 7.6 | 3.5 | 1.87 |

### EUR benchmark issue volume by month

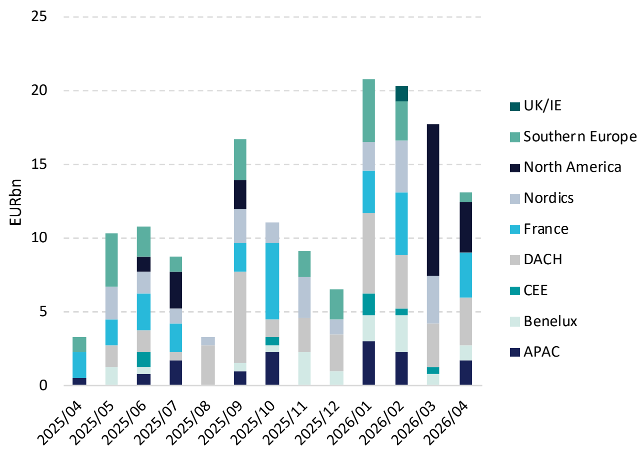



### EUR benchmark issue volume by year

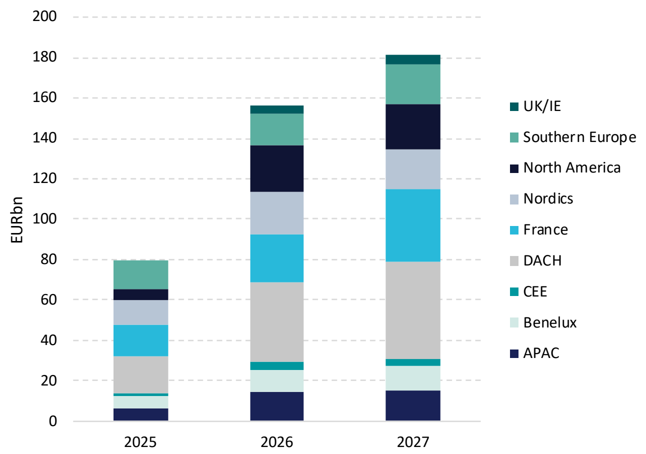



Source: Market data, Bloomberg, NORD/LB Floor Research

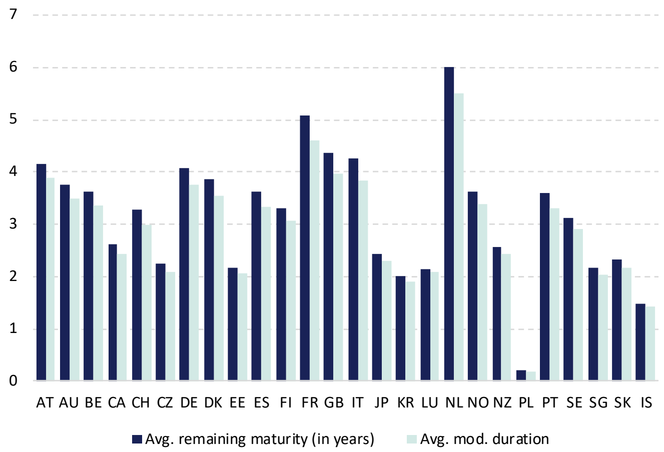
## EUR benchmark maturities by month



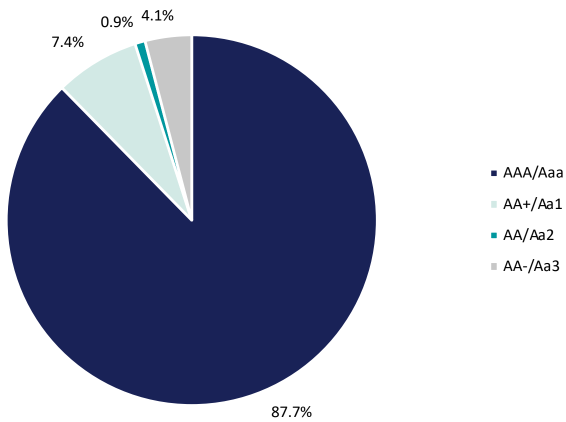

## EUR benchmark maturities by year



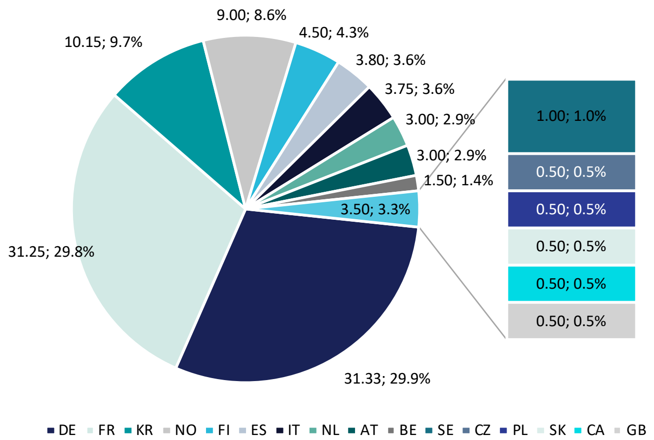

## Modified duration and time to maturity by country



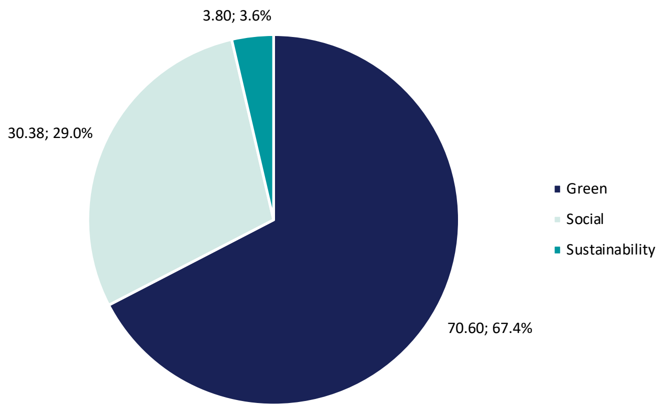

## Rating distribution (volume weighted)




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



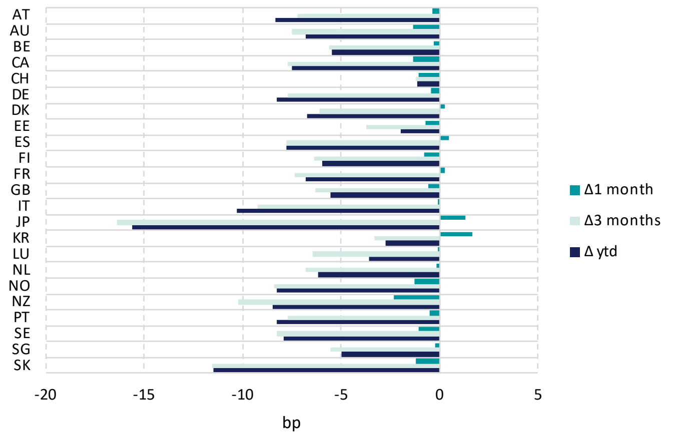

## EUR benchmark volume (ESG) by type (in EURbn)



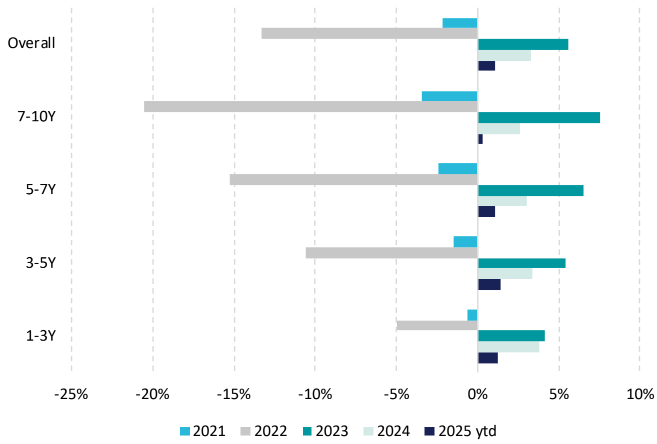

Source: Market data, Bloomberg, NORD/LB Floor Research

NORD/LB

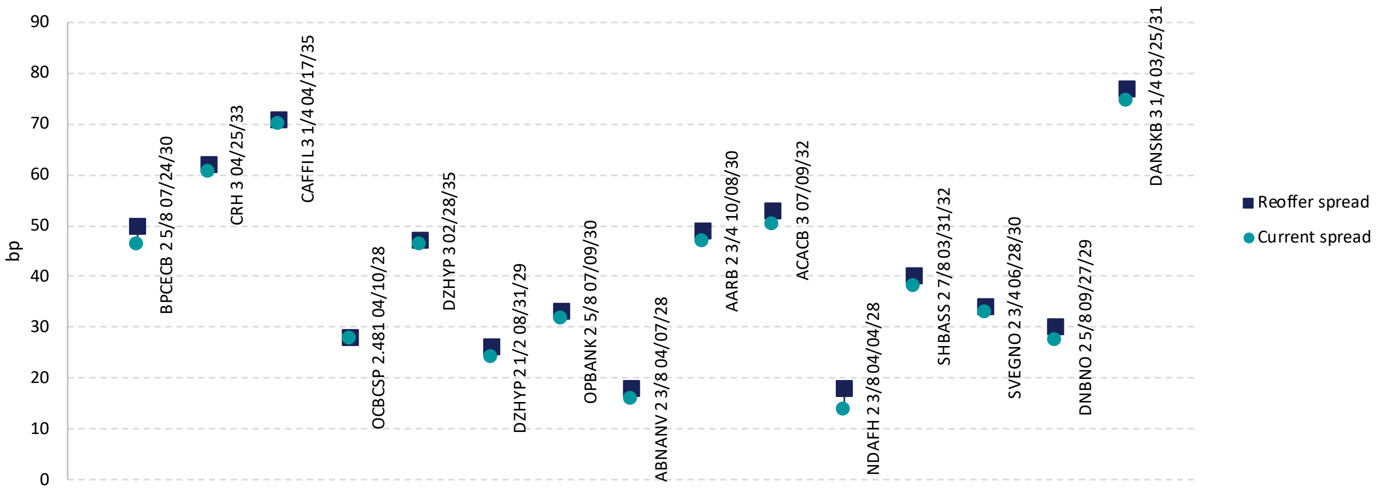
## EUR benchmark emission pattern



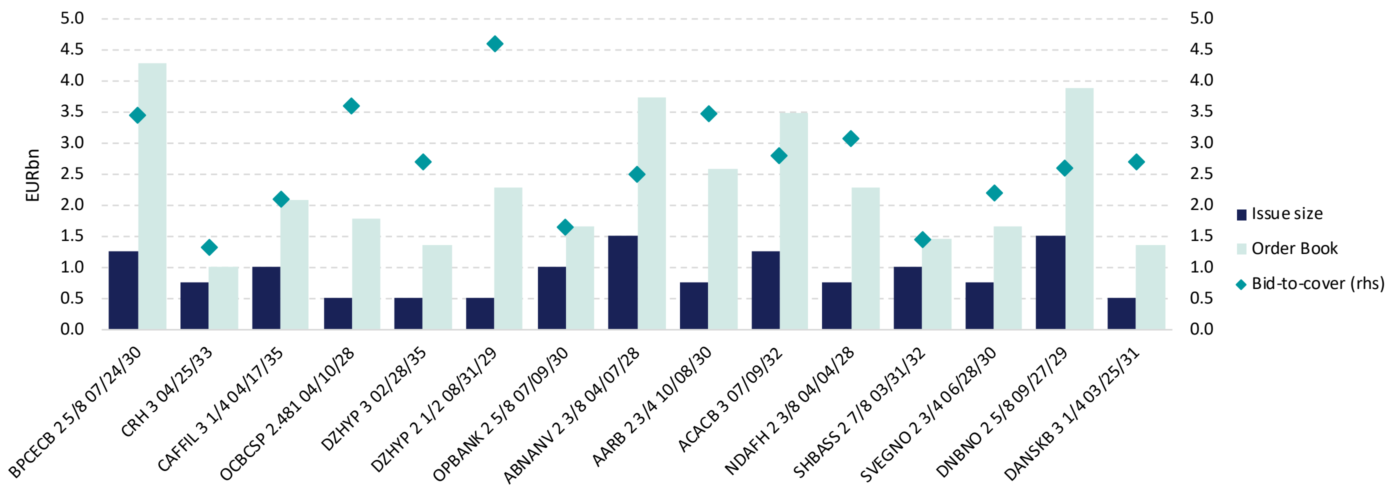

## Covered bond performance (Total return)




## Spread development (last 15 issues)



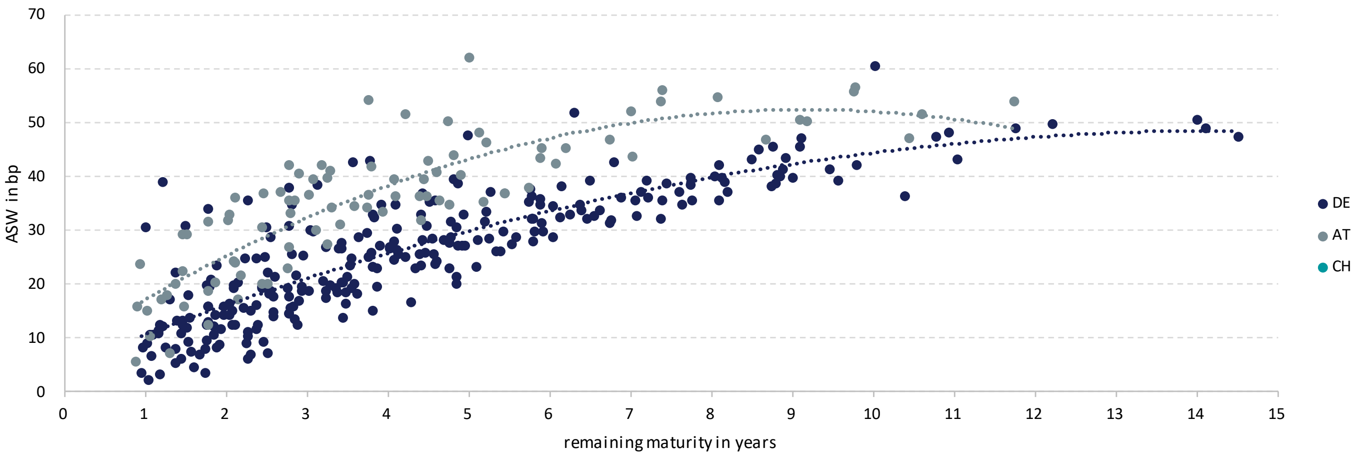

## Order books (last 15 issues)



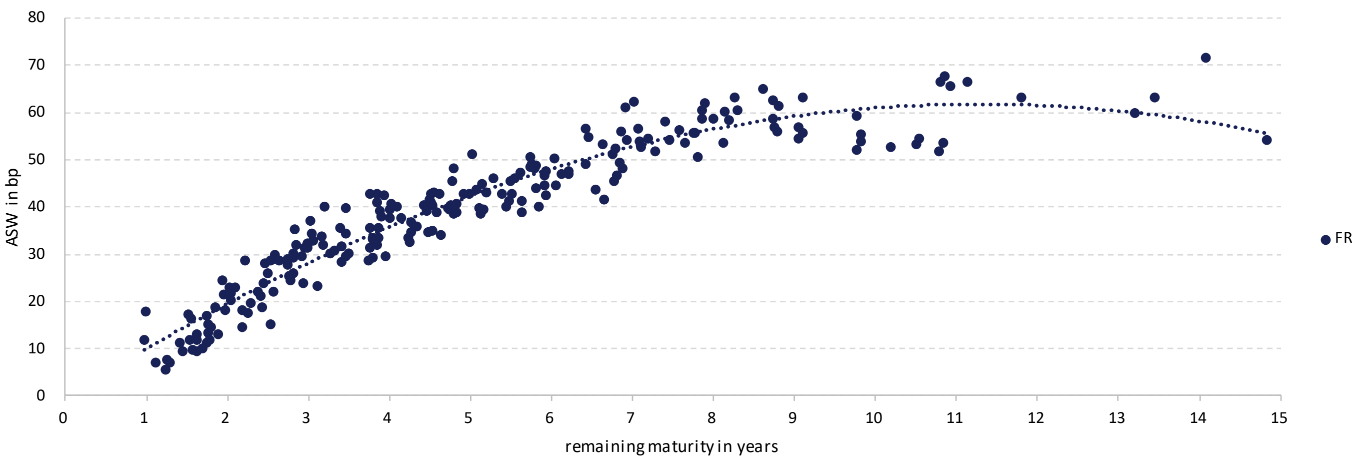

Source: Market data, Bloomberg, NORD/LB Floor Research

## Spread overview[1]

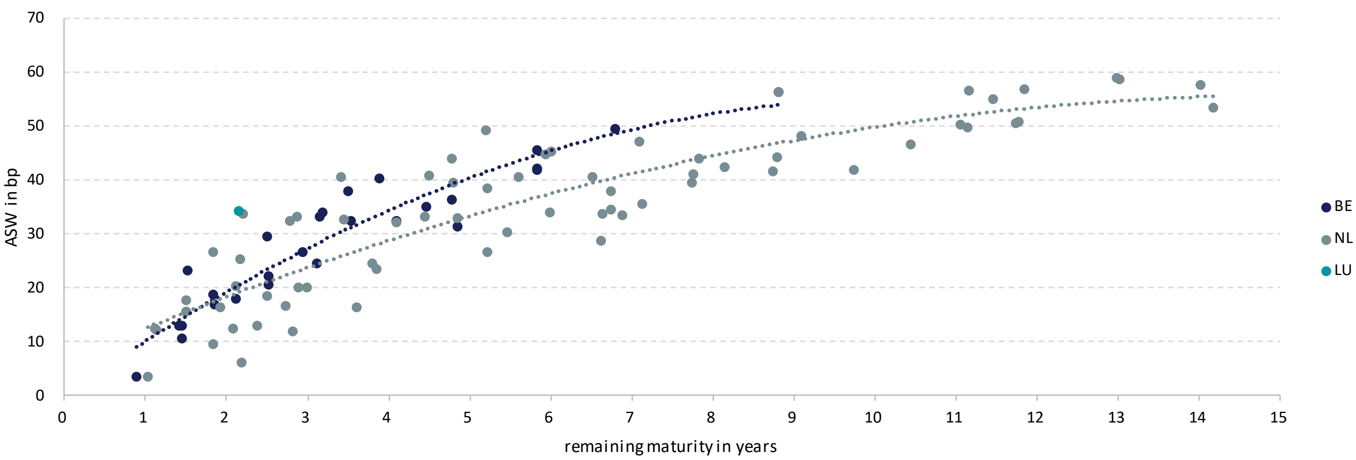
### DACH




### France

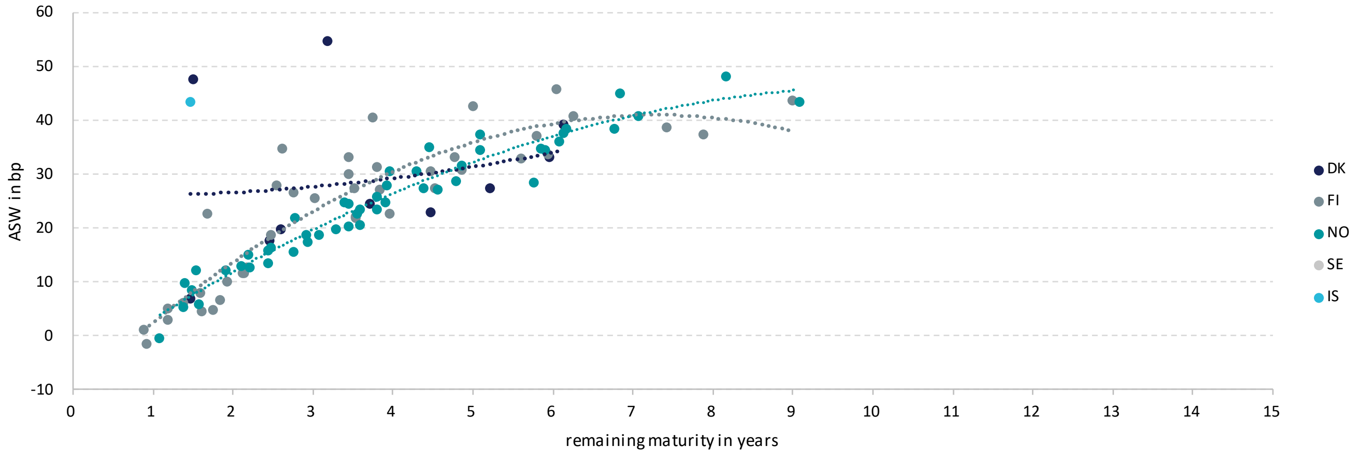



### Benelux

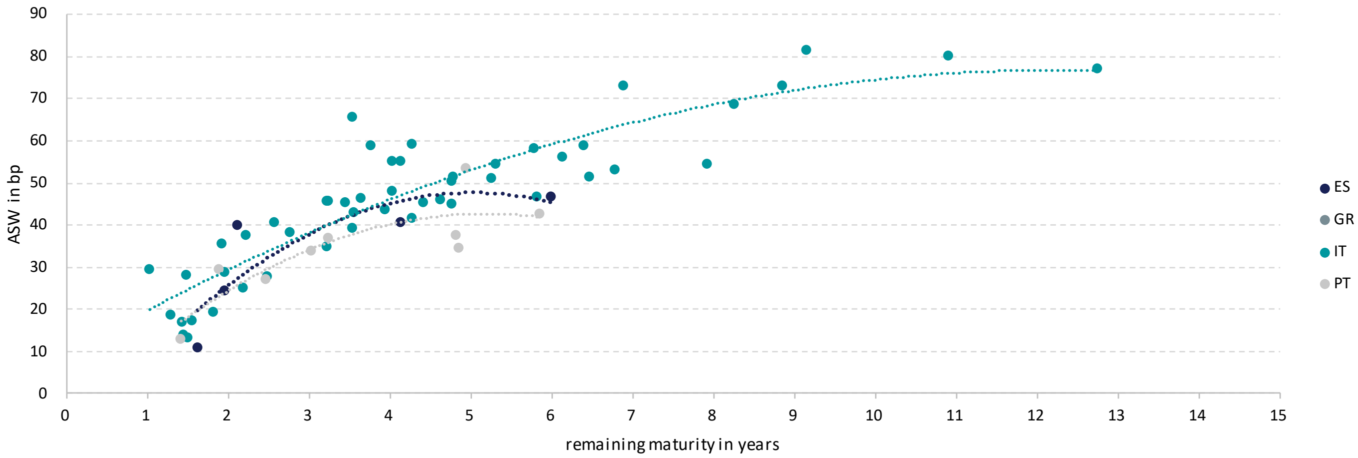



Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

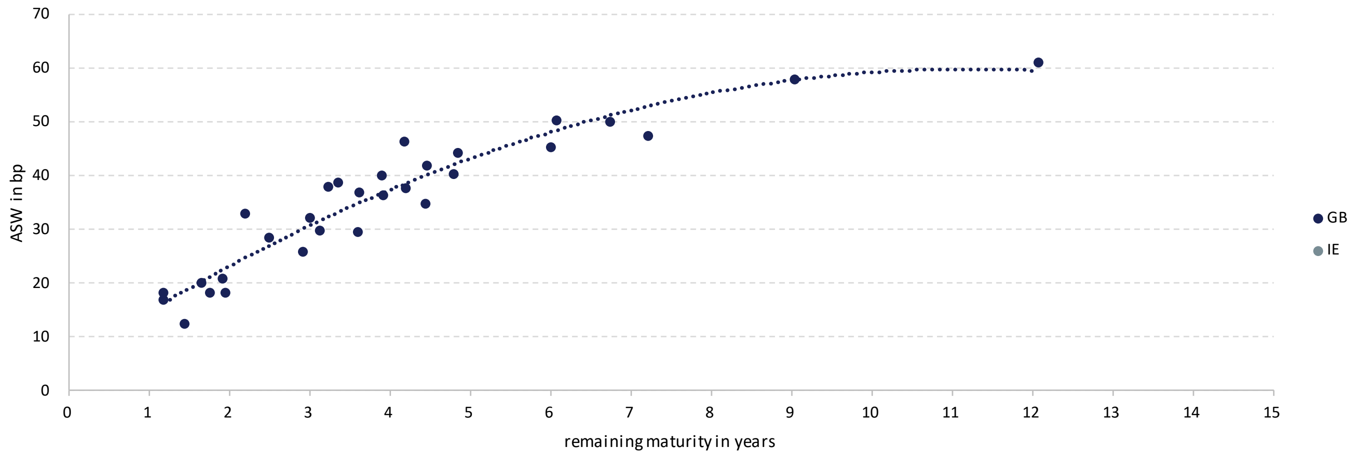
**Nordics**




**Southern Europe**

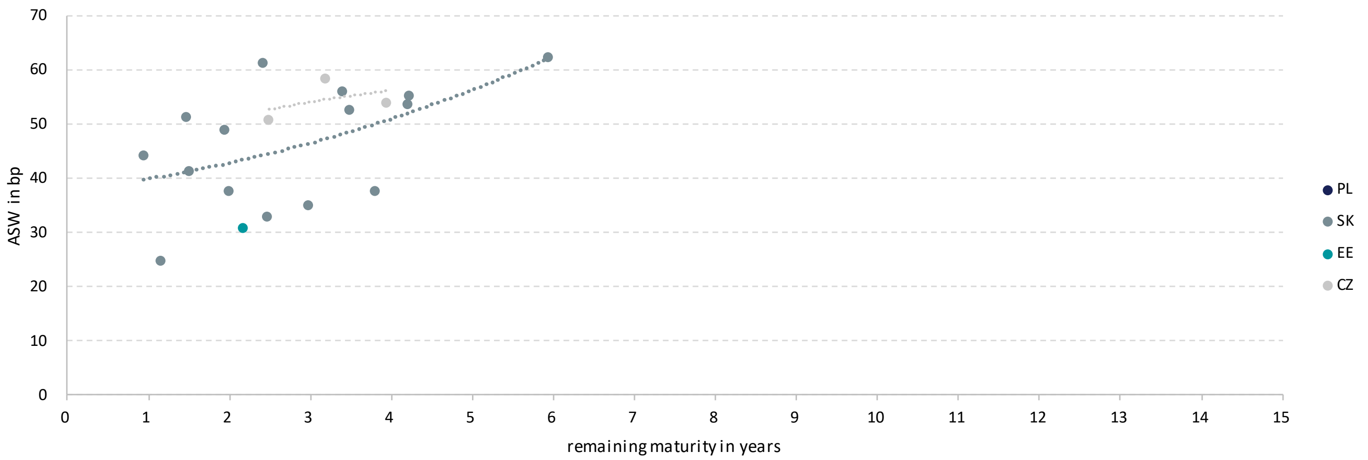



**UK/IE**

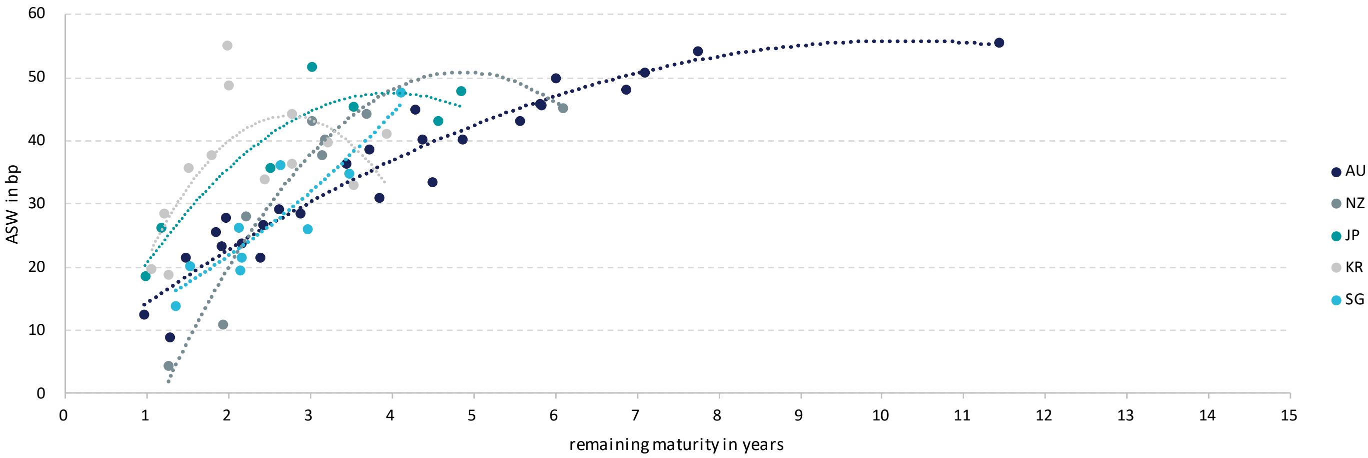



Source: Market data, Bloomberg, NORD/LB Floor Research

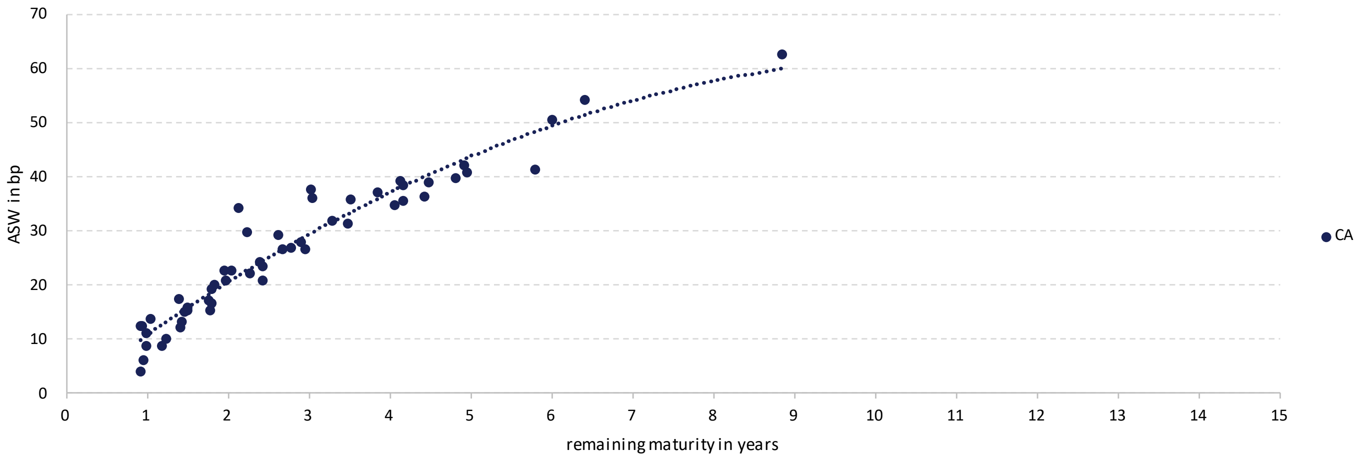
**CEE**




**APAC**



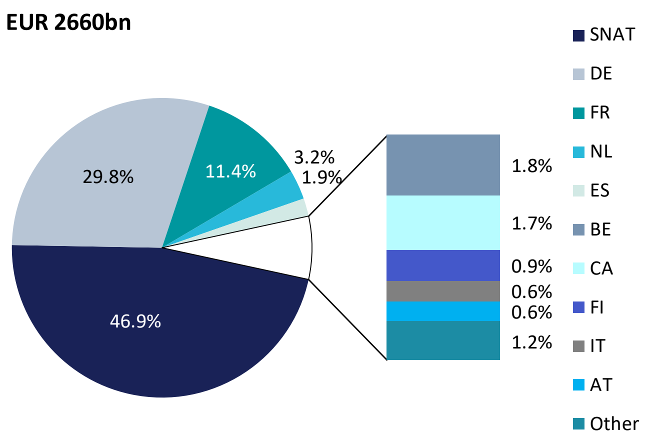

**North America**




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

# Charts & Figures
# SSA/Public Issuers

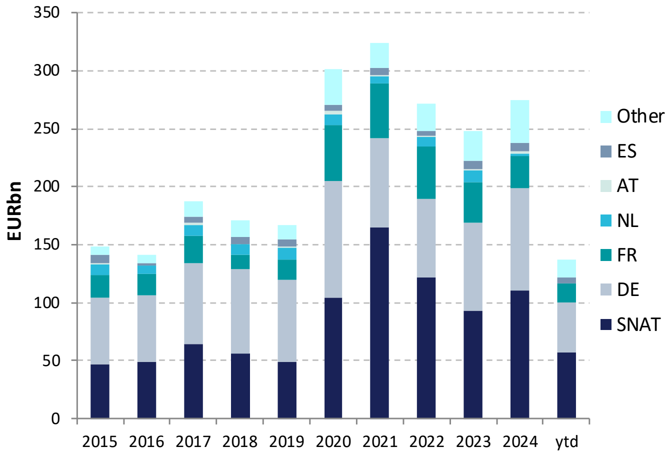
### Outstanding volume (bmk)



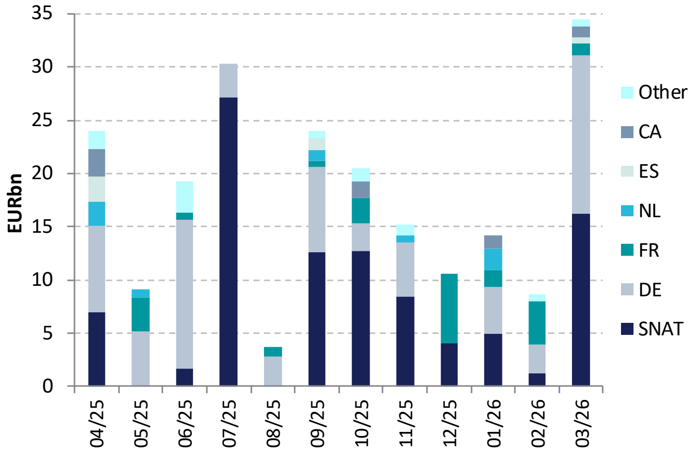

### Top 10 countries (bmk)

| Country | Vol. (EURbn) | No. of bonds | ØVol. (EURbn) | Vol. weight. ØMod. Dur. |
|---|---|---|---|---|
| SNAT | 1,247.3 | 254 | 4.9 | 7.6 |
| DE | 793.2 | 595 | 1.3 | 6.1 |
| FR | 303.1 | 204 | 1.5 | 5.6 |
| NL | 84.2 | 68 | 1.2 | 6.2 |
| ES | 51.5 | 71 | 0.7 | 4.8 |
| BE | 48.4 | 49 | 1.0 | 9.8 |
| CA | 44.1 | 32 | 1.4 | 5.3 |
| FI | 24.6 | 26 | 0.9 | 4.2 |
| IT | 16.1 | 20 | 0.8 | 4.4 |
| AT | 16.0 | 21 | 0.8 | 4.5 |

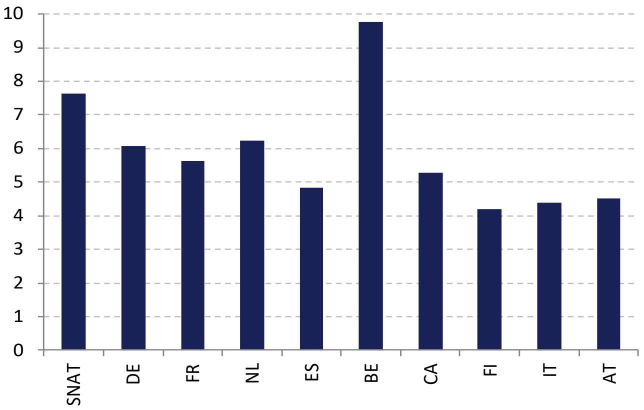
### Issue volume by year (bmk)



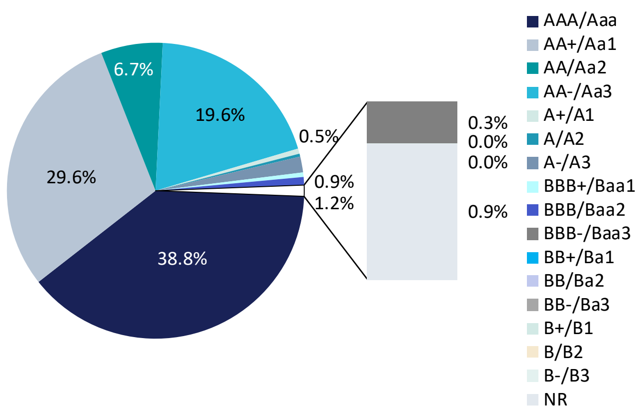

### Maturities next 12 months (bmk)




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

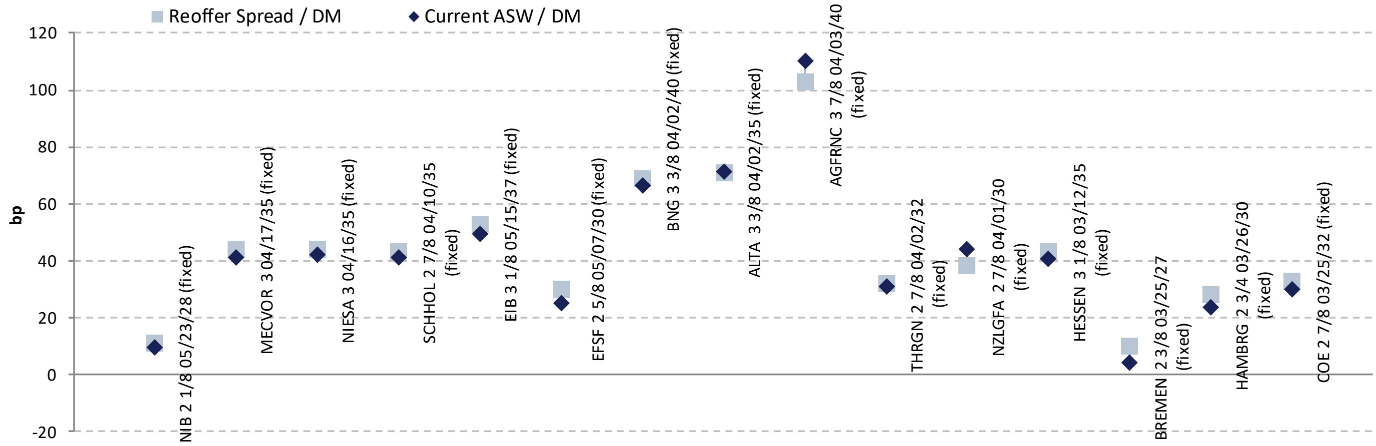



### Rating distribution (vol. weighted)

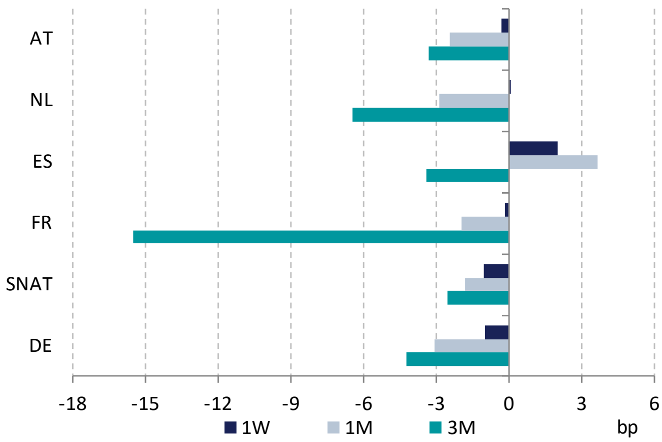



Source: Bloomberg, NORD/LB Floor Research

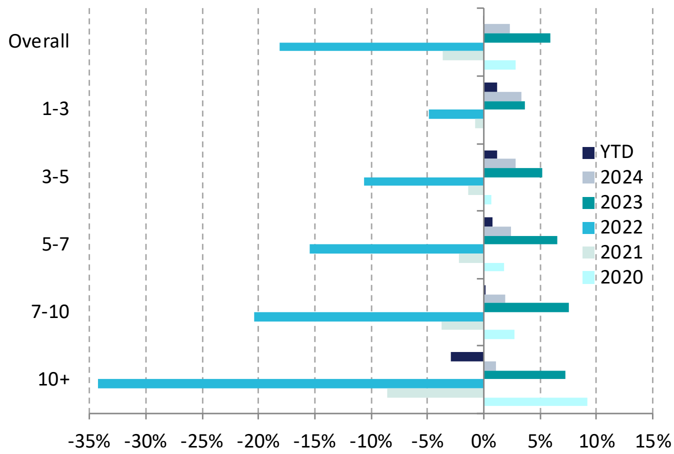
## Spread development (last 15 issues)



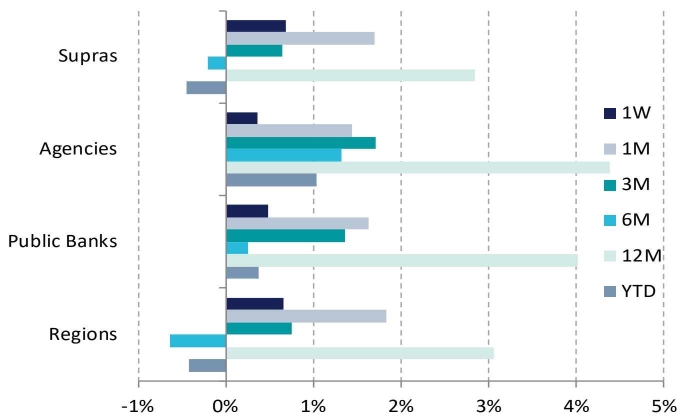

## Spread development by country



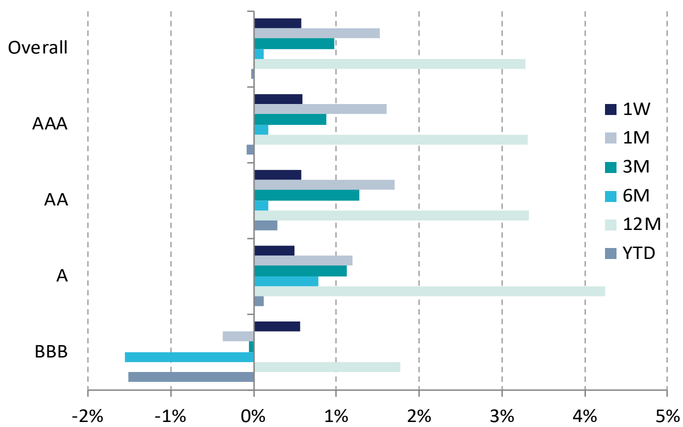

## Performance (total return)




## Performance (total return) by segments

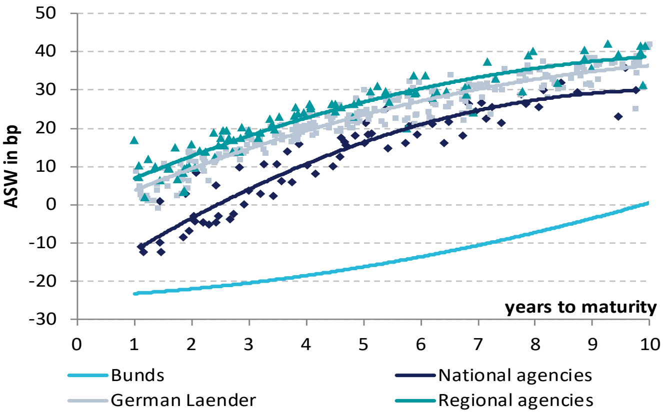



## Performance (total return) by rating

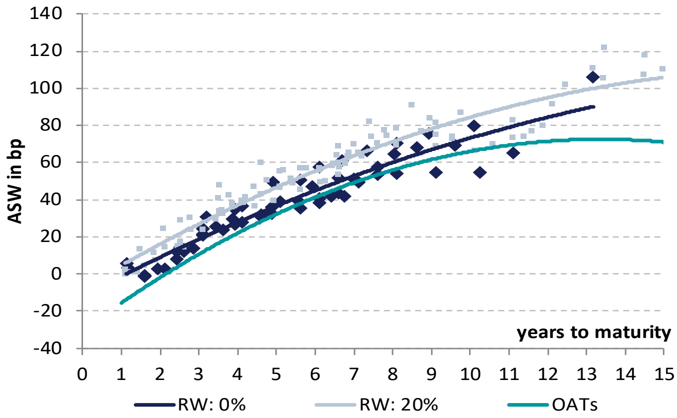



Source: Bloomberg, NORD/LB Floor Research

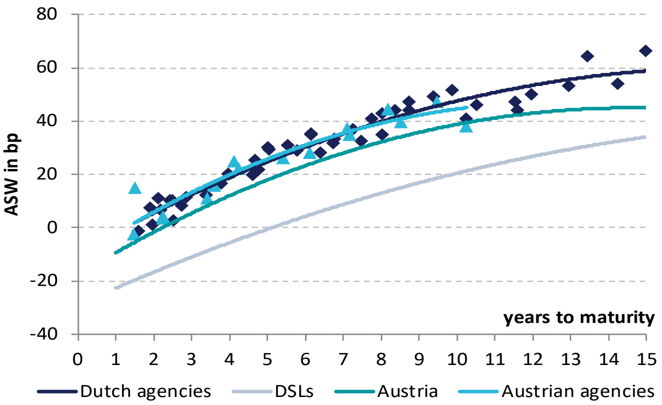
## Germany (by segments)



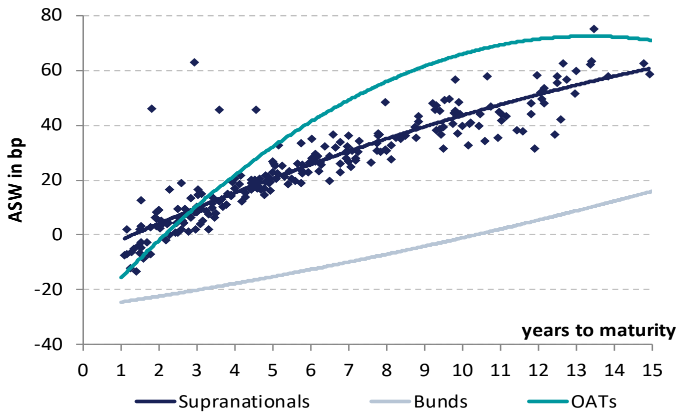

## France (by risk weight)



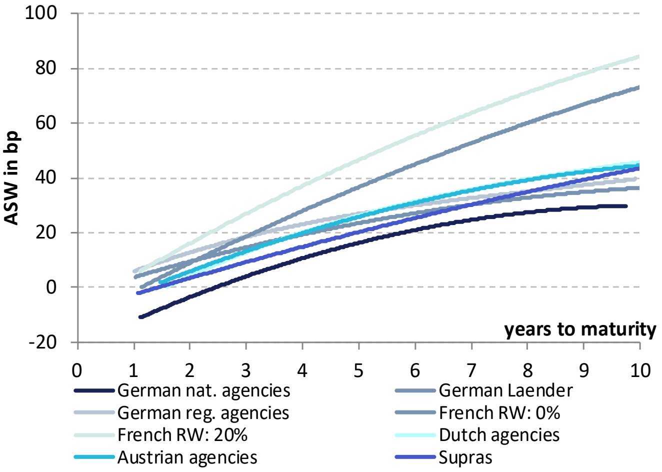

## Netherlands & Austria



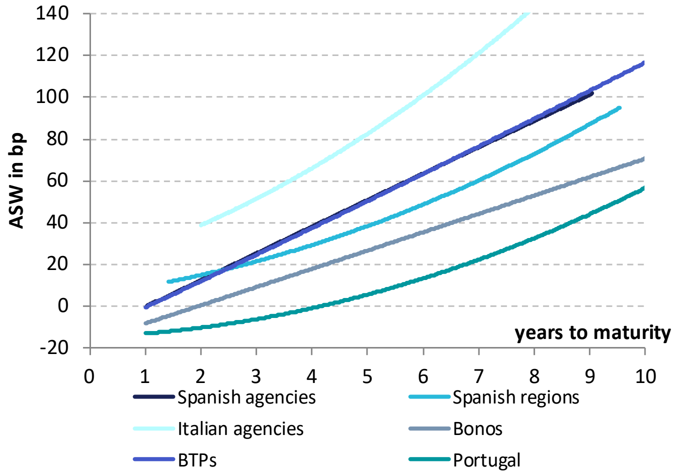

## Supranationals




## Core




## Periphery

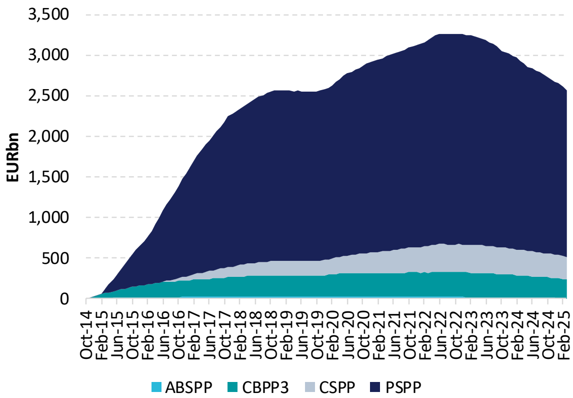



Source: Bloomberg, NORD/LB Floor Research

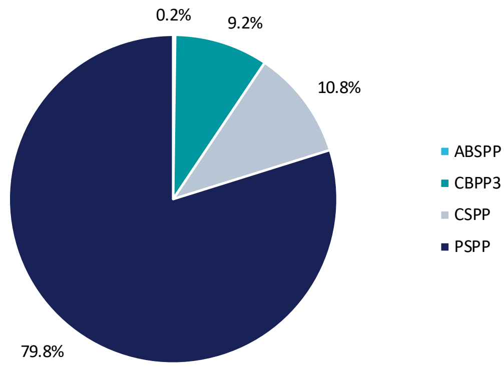
# Charts & Figures
# ECB tracker

## Asset Purchase Programme (APP)

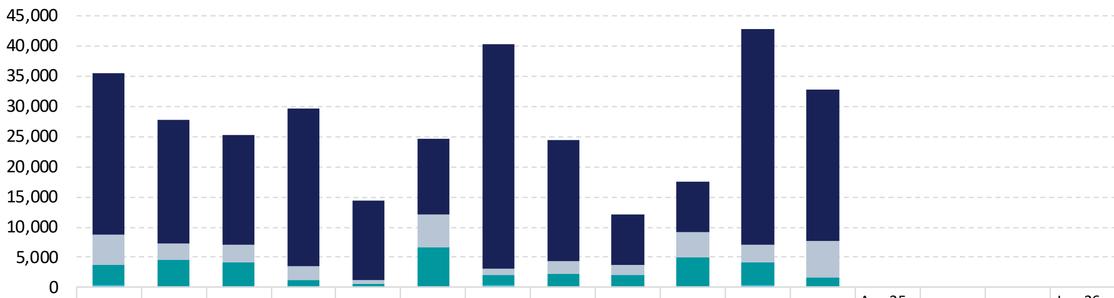
### APP: Portfolio development




### APP: Portfolio structure

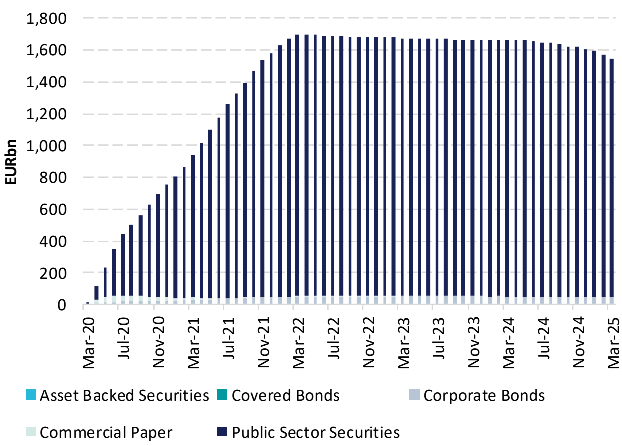



### Expected monthly redemptions (in EURm)

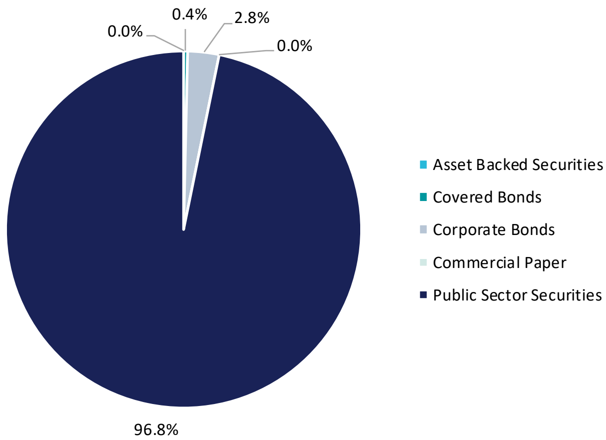



| | Apr-25 | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 | Feb-26 | Mar-26 | Apr-25 - Mar-26 | 2024 | 2025 | Jan-26 - Mar-26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APP | 35,527 | 27,846 | 25,290 | 29,618 | 14,310 | 24,596 | 40,249 | 24,445 | 12,017 | 17,538 | 42,791 | 32,768 | 326,995 | 334,302 | 334,255 | 32,768 |
| PSPP | 26,671 | 20,541 | 18,261 | 26,161 | 13,114 | 12,568 | 37,073 | 20,060 | 8,274 | 8,318 | 35,650 | 25,077 | 251,768 | 264,480 | 253,586 | 25,077 |
| CSPP | 5,137 | 2,699 | 2,940 | 2,156 | 562 | 5,259 | 1,005 | 2,008 | 1,693 | 4,212 | 2,926 | 5,946 | 36,543 | 31,380 | 34,499 | 5,946 |
| CBPP3 | 3,373 | 4,448 | 3,864 | 1,135 | 468 | 6,492 | 1,864 | 2,106 | 1,903 | 4,740 | 3,911 | 1,575 | 35,879 | 32,173 | 42,332 | 1,575 |
| ABSPP | 346 | 158 | 225 | 166 | 166 | 277 | 307 | 271 | 147 | 268 | 304 | 170 | 2,805 | 6,269 | 3,838 | 170 |

### PEPP: Portfolio development



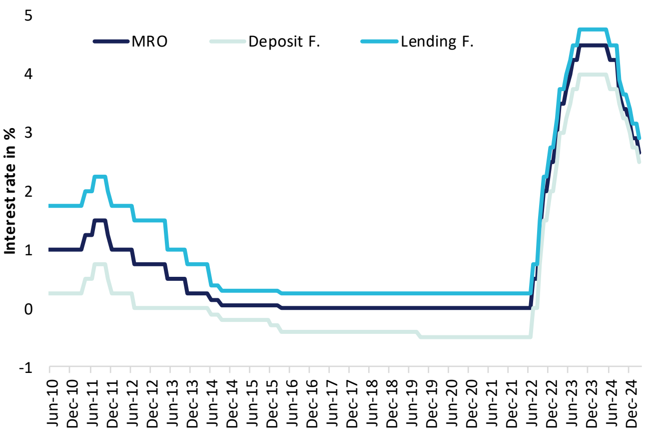

### PEPP: Portfolio structure



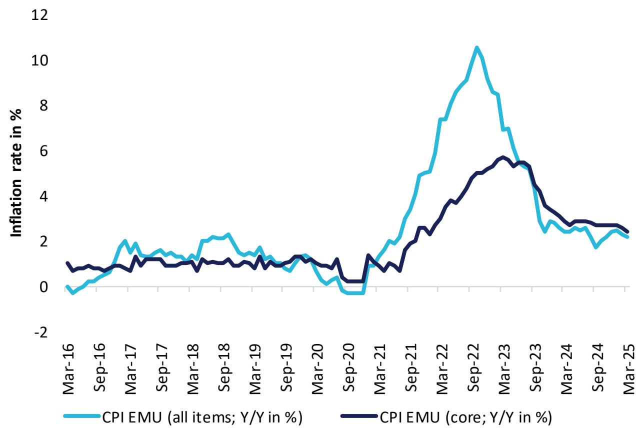

Source: ECB, NORD/LB Floor Research

# Charts & Figures
# Cross Asset

### ECB key interest rates

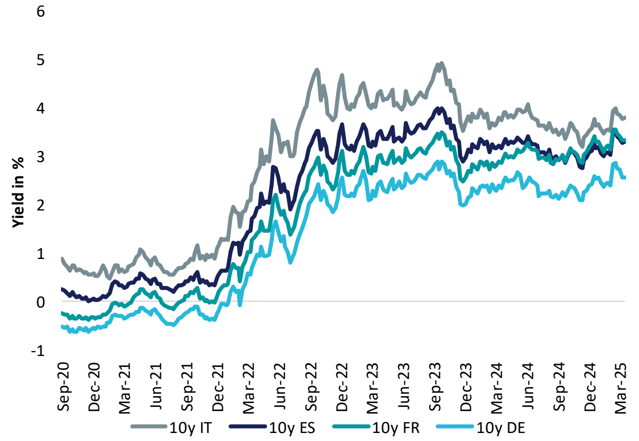



### Inflation development in the euro area

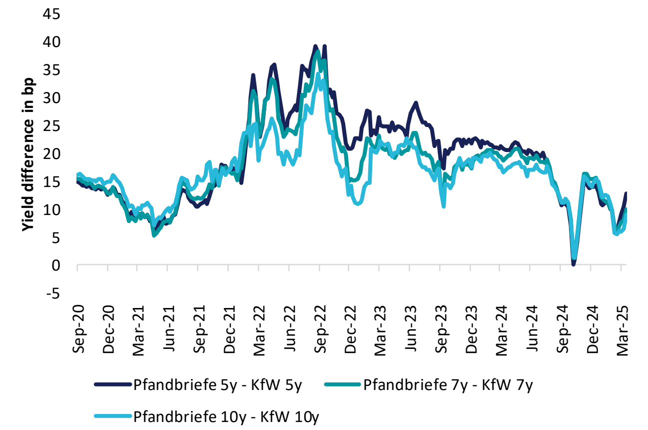



### Bund-swap-spread

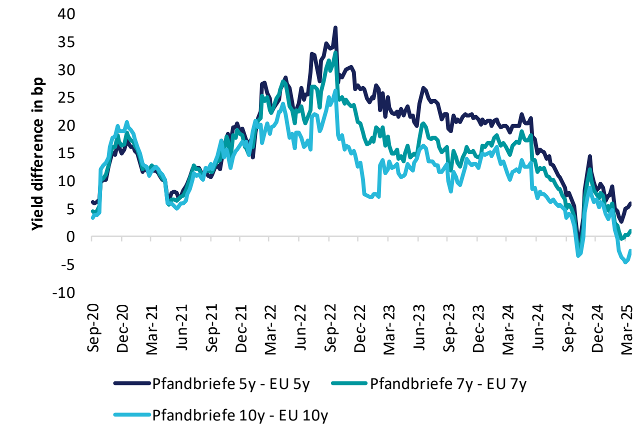

### Selected yield developments (sovereigns)




### Pfandbriefe vs. KfW




### Pfandbriefe vs. EU




Source: ECB, Bloomberg, NORD/LB Floor Research

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

| Publication | Topics |
|---|---|
| 14/2025 ♦ 09 April | ▪ The covered bond universe of Moody's: an overview<br>▪ SSA review: EUR-ESG benchmarks in Q1/2025 |
| 13/2025 ♦ 02 April | ▪ Review of the first quarter in the covered bond segment<br>▪ A review of Q1/2025 in the SSA segment |
| 12/2025 ♦ 26 March | ▪ A look at the Danish covered bond market<br>▪ Teaser: Issuer Guide – Non-European Supras (MDBs) 2025 |
| 11/2025 ♦ 19 March | ▪ Eligibility of covered bonds for repo transactions<br>▪ Current risk weight of supranationals & agencies |
| 10/2025 ♦ 12 March | ▪ Covereds vs. sovereign bonds: A question of attractiveness<br>▪ NGEU: Green Bond Dashboard |
| 09/2025 ♦ 05 March | ▪ Transparency requirements §28 PfandBG<br>▪ Teaser: Issuer Guide – Non-European Agencies 2025 |
| 08/2025 ♦ 26 February | ▪ Overseas Covered Bonds – A Brave New Spread World?<br>▪ Update: Joint Laender – Laender jumbos |
| 07/2025 ♦ 19 February | ▪ An overview of the EUR sub-benchmark segment<br>▪ Export Development Canada – spotlight on EDC |
| 06/2025 ♦ 12 February | ▪ Development of the German property market (vdp index)<br>▪ Occitania – spotlight on OCCTNE |
| 05/2025 ♦ 05 February | ▪ Crelan Home Loan plans return to the covered bond market<br>▪ 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<br>▪ 30th meeting of the Stability Council (December 2024) |
| 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 |

**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) 2025

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 preview: Council members back in crisis intervention mode?

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

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

## Trading

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

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| | |
|---|---|
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| Origination Corporates | +49 511 361-2911 |

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

## Treasury

| | |
|---|---|
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| | |
|---|---|
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**Time of going to press:** 16 April 2025 (08:53)