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08-09 September 2025

Covered Bond & SSA View

NORD/LB Floor Research

30 April 2025 ♦ 16/2025
Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview Covered Bonds

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Primary market: quiet period due to Easter holidays coming to a close

As we were preparing to take a one-week break from our weekly publication due to the Easter holidays, the primary market for covered bonds in EUR benchmark format also seemed to shut down. It was only at the start of the current trading week that issuers began to place deals again. Iccrea Banca, just the third Italian issuer to venture onto the market this year, got the ball rolling straight away on Monday. The issuer expected to raise a volume of EUR 500m for the deal (5.5y) with a guidance of ms +60bp area. On the back of a dynamic marketing phase in which orders totalling EUR 1.2bn were recorded, the Italians actually opted to up the deal size to EUR 600m, contrary to original expectations. A reoffer spread (ms +52bp) that narrowed by eight basis points compared with the original guidance also added to the impression of a quite remarkable deal. Additionally, CCF from France announced a new covered bond deal on Monday, but chose yesterday (Tuesday) for execution. We last reported on the group, which is active on the market both in the guise of CCF and My Money Bank, as part of a focus article. For the current deal, too, the issuer initially had its expectation set on a volume of EUR 500m with a maturity of six years. In the end, EUR 750m was raised at a reoffer spread of ms +56bp (bid-to-cover ratio: 2.3x). The same day, the Canadian Imperial Bank of Commerce (CIBC) became just the second bank from Canada – still the fourth largest jurisdiction as measured by outstanding EUR benchmarks – to approach investors with a fresh covered bond deal this year. Again, the medium maturity segment was in demand here, with the deal carrying a term of five years. Ultimately, the issuer priced the fresh bond at EUR 1.25bn at a reoffer spread of ms +41bp. SEB Bank was behind the third transaction recorded on Tuesday: this deal (5y) in the amount of EUR 1bn was priced at ms +32bp and is already the fourth deal from Sweden so far in 2025. The significantly oversubscribed order books seen for all new issues reflect the continued high level of investor demand for covered bonds, despite a marginal excess supply of fresh produce in the medium-term maturity segment at present.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CCF SFH	FR	29.04.	FR001400ZEJ9	6.0y	0.75bn	ms +56bp	- / Aaa / AAA	-
CIBC	CA	29.04.	XS3067311145	5.0y	1.25bn	ms +41bp	AAA / Aaa / -	-
SEB Bank	SE	29.04.	XS3065236609	5.0y	1.00bn	ms +32bp	- / Aaa / -	-
Iccrea Banca	IT	28.04.	IT0005648917	5.5y	0.60bn	ms +52bp	- / Aa3 / -	-

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

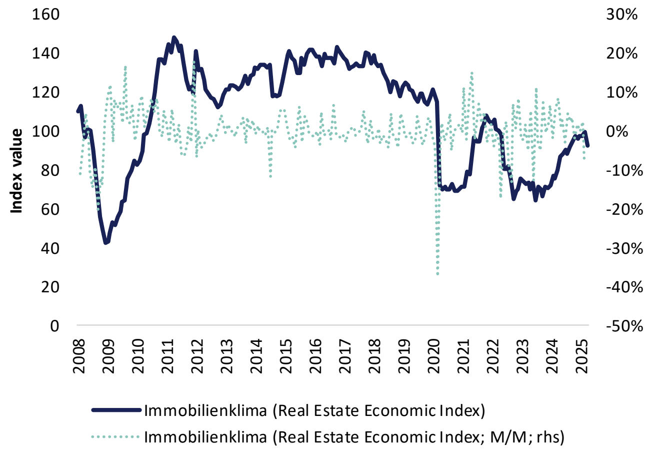
Secondary market: demand for medium maturities sustained

Activities in the secondary market were dampened by the Easter holidays too. Demand for five-year bonds was also sustained with a resurgence and a focus on the buy side, which should point to strong secondary market performance for current deals. The market also appears receptive to longer maturities. However, issues in the <10-year maturity segment currently appear unattractive for issuers due to excessively high spreads.

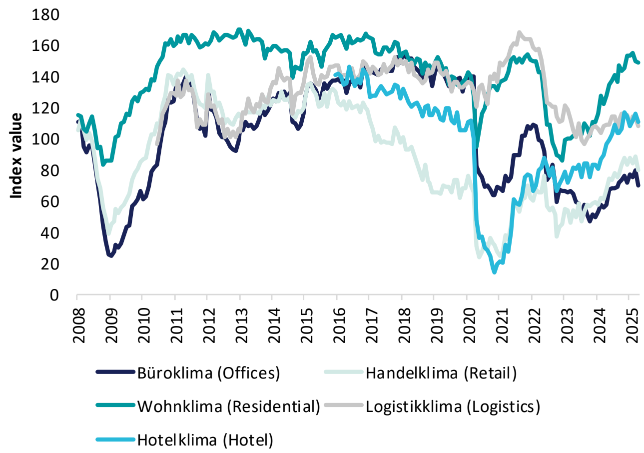
Deutsche Hypo Real Estate Economic Index suffers "bitter setback"

For several years now, the Deutsche Hypo Real Estate Economic Index has garnered a great deal of attention as a barometer for the situation on the German property market. According to Deutsche Hypo, the figures in the 208th monthly survey (92.7 points after 99.8 points the previous month) suggest that hopes for a trend reversal have been left in tatters. In fact, it is said that this amounts to a "bitter setback". For Oliver Boser (Central Acquisition at Deutsche Hypo), while the survey results certainly suggest the presence of "dark clouds over the property market", he also underlines the fact that, in his view, the transaction market remains stable overall. The office property market does, however, remain a challenge, according to Boser. Here, the index declined by -12% month on month. Now, all eyes are on the German fiscal package. In terms of the cover pools in Germany, we do not see any negative consequences from this "bitter setback". Our view on this is based on the dynamic composition of the cover pools and the stringent requirements for cover assets under the Pfandbrief Act (PfandBG) and the Regulation on the Determination of the Mortgage Lending Value (BelWertV).

Real estate climate – overall index and change (M/M)



Real estate climate by segment



Source: Deutsche Hypo, bulwiengesa, NORD/LB Floor Research

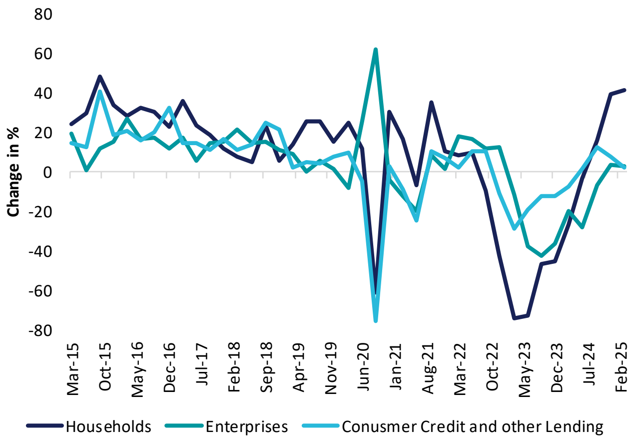
European real estate market: risks and vulnerabilities

A recently published report by the Economic Governance and EMU Scrutiny Unit (EGOV) of the European Parliament provides a far broader overview of the risks on property markets as well as the vulnerabilities of the European financial system. The paper drawn up on behalf of the European Parliament Committee on Economic and Monetary Affairs (ECON) offers, in our view, vital insights into mortgage-backed lending in the common currency area. This sub-market accounts for one-third of all loans issued by banks in the eurozone. With regard to the stability of mortgage-backed loans, the report makes clear that the "CRE crisis" was "under control" overall, even though the proportion of loans in arrears did rise. In terms of residential real estate financing, the authors see the increase in fixed-rate loans as a supportive factor in a market environment characterised by rising mortgage rates. However, they also identify room for improvement, particularly in the lack of uniform standards across Member States – but also in relation to the financing principles of individual banks.

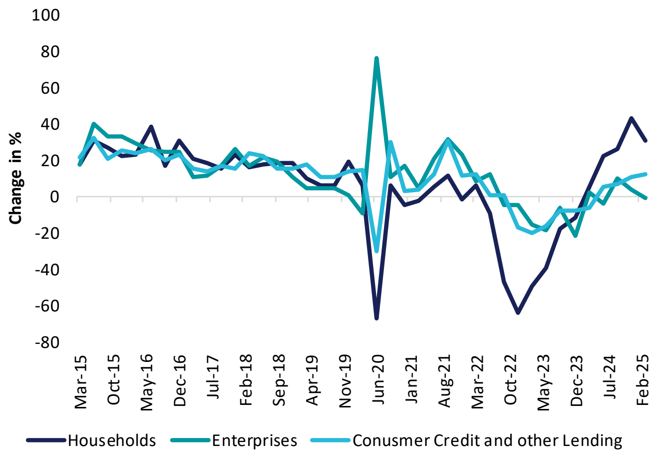
ECB: Bank Lending Survey

On 15 April (cf. press release) the evaluations of the most recent responses to the "ECB Bank Lending Survey" (ECB BLS) were presented. The published data includes responses from 155 banks across the eurozone (survey period: 10–25 March). Commercial banks in the currency union have recently re-tightened lending standards for the corporate sector in anticipation of heightened risks. However, as far as housing loans are concerned there has been an easing, not least due to the competitive environment. On the demand side, the picture for corporate loans was also rather weak, although demand for housing loans was more dynamic. In the context of the "ad hoc" questions scheduled for April, the banks participating in the survey declared, among other aspects, that access to retail funding should become easier over the next three months. With regard to wholesale funding (ECB category: debt securities), which also includes covered bond issuances, the survey depicts a slight drop off at the long end, while funding conditions for short-term securities are set to improve overall.

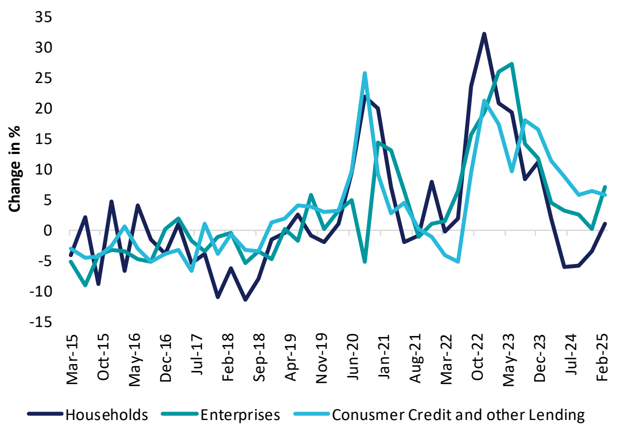
ECB BLS: change in demand (retrospective)



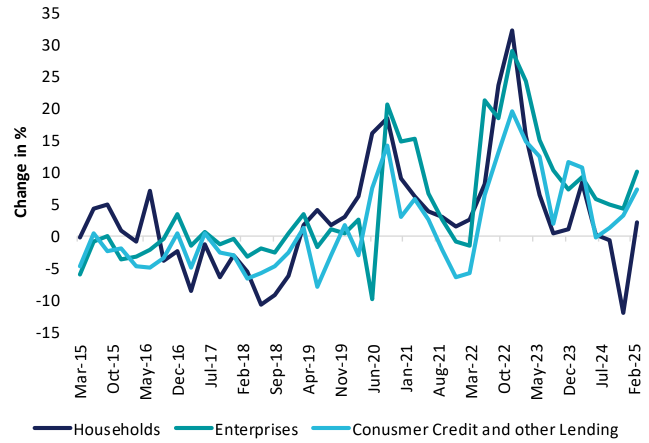
ECB BLS: change in demand (anticipated)



ECB BLS: change in lending standards (retrospective)



ECB BLS: change in lending standards (anticipated)



Source: ECB, NORD/LB Floor Research

DBRS outlines strengths and weaknesses of the French covered bond market

A few days ago, the risk experts at DBRS published their assessment of the covered bond market in France. Among other aspects, they delved into the structure and specific characteristics of what is the largest EUR benchmark jurisdiction by volume. The authors also commented on the strengths and weaknesses of the market that have the potential to influence DBRS's rating assessments of French covered bonds. For example, the risk experts identify a weakness in the fact that hard bullet covered bonds still account for a significant proportion of the market (26% of the total outstanding volume). DBRS also highlights the possibility that, in the event of an issuer default, fixed-interest assets could generate lower liquidation proceeds under certain circumstances (e.g. during phases of high interest rates). For the sake of completeness, DBRS also cites potential third-party risks that may arise from non-EUR issues, while simultaneously underlining the risk mitigation effect of currency swaps. In terms of the strengths of the French covered bond market, the rating experts highlight aspects including its size and relevance, its integration in the eurozone with corresponding investor access, the extremely high proportion of residential assets, the market standard for the management of outstanding receivables from the cover pools, the currently low LTV ratios and the "healthy" level of OC ratios. French issuers of EUR benchmarks have, to a significant degree, driven events on the primary market in recent times. As such, from our perspective, they have once again successfully demonstrated their marketability even in challenging times. We expect the fresh supply from France to total EUR 32bn across the full year 2025. However, the forecast risk here has recently increased significantly. For example, a wider spread gap to seniors could induce some issuers to focus on covered funding to a greater extent, which could, in and of itself, lead to higher gross issuance volumes for covered bonds. However, in our view there is also a significant risk that the generally subdued market environment might depress funding requirements to such a significant extent that even the EUR 32bn target would no longer be reached. This is a risk that we are increasingly observing in relation to most other EUR benchmark jurisdictions as well. In terms of issuance volumes so far this year, France ranks in second place at EUR 15.3bn – with Germany taking top spot (EUR 15.5bn) and Norway (EUR 4.75bn) in a distant third place.

Fitch discusses the Dutch mortgage market: focus on owner-occupied real estate

So far this year, we have recorded deals in the amount of EUR 2bn from the Netherlands. While ABN AMRO raised EUR 1.5bn (3.0y) from investors on 01 April, NN Bank opened up the Dutch primary market two weeks earlier with a deal of EUR 500m (6.0y). At present, we are projecting an issuance volume of EUR 5bn across the full year 2025 from this jurisdiction. The risk experts from Fitch recently commented on the Dutch real estate market, focusing on the market for owner-occupied residential properties in the process. In the view of the rating agency, this segment is characterised by a highly regulated environment that helps to limit credit risks. Fierce competition (even outside the traditional banking sector) is another feature of the market, according to Fitch. The risk experts also underline the high relevance for long-term, fixed-interest mortgage financing. Generally speaking, loan terms of 30 years are predominant, with interest rates fixed for either 10, 20 or 30 years. With regard to ESG characteristics, Fitch also highlights the "strong data availability" in relation to Energy Performance Certificates (EPCs) and the significant incentives for energy-efficient renovations (including interest rate discounts for financing households).

UK I: PRA suspends changes to LCR-eligibility of non-UK covered bonds

As we reported in the previous edition of our weekly publication, the UK Prudential Authority (PRA) of the Bank of England had drawn up plans to amend the treatment of covered bonds from issuers outside the UK (third-country issuers) with regard to their LCR classification. Accordingly, UK banks would no longer be able to use them as LCR assets in the future. Only bonds registered by 31 January 2025 may be categorised as Level 2A High Quality Liquid Assets (HQLA) on a decreasing basis (i.e. until their sale or maturity) via a mechanism known as "Modification by Consent" (MbC). This change to previous practice was unannounced and came as a surprise to many market participants. At the same time, we also highlighted the timing of this decision, which can be described as unfortunate at the very least. This is due to the fact that the European Banking Authority (EBA) is also simultaneously reviewing the regulatory classification of covered bonds from third countries. As a result of the numerous questions and comments, the PRA has now announced that it is suspending the process for the time being and withdrawing the amendment in order to properly address the issues raised and to clarify its approach (cf. PRA press release dated 17 April). In the meantime, UK banks are not obligated to make changes to the registration of non-UK covered bonds as LCR-eligible assets. While this should initially be seen as good news for UK bank investors, we believe that the suspended changes should not be interpreted as a total U-turn in relation to the original plan. From a technical perspective, this seems entirely understandable, as non-UK covered bonds do not meet all LCR regulations in the UK. As such, we shall have to wait and see if the PRA issues any further communications with regard to potential changes in its approach to this matter.

UK II: Skipton Building Society with successful GBP deal

After the Easter holidays ushered in a very quiet period on the primary market for covered bonds, another issuer from the UK, namely Skipton Building Society, emerged from hibernation at the end of the previous trading week to place a GBP bond in FRN format on the market on 24 April. The bank decided on an issuance volume of GBP 500m in advance and selected a maturity of short five years. At the end of the marketing phase, orders totalled GBP 1.2bn. The deal was priced at SONIA +57bp, which was five basis points below the original guidance (SONIA +62bp area). In summary, this transaction was a success in our view, especially given the uncertainty permeating the current market situation. In the year to date, we have observed six new GBP issues (all floaters) including the most recent deal, of which four deals were placed in January: Nationwide Building Society (GBP 1.0bn; SONIA +55bp), CCDJ (GBP 600m; SONIA +63bp), Coventry Building Society (GBP 600m; SONIA +55bp), and Virgin Money (GBP 500m; SONIA +53bp). This was followed in March by Paragon Bank, a newcomer to the covered bond segment. The bank, which specialises in the area of buy-to-let mortgages, placed its inaugural deal of GBP 500m (3.0y) at SONIA +60bp on the market (cf. previous weekly edition). With the exception of CCDJ from Canada, all of these transactions originated from UK issuers. While this seems understandable given their domestic currency, it is quite common for issuers from "third countries" to issue covered bonds in GBP for diversification purposes, for example. The issue of the LCR eligibility of non-UK covered bonds discussed above is therefore also of relevance here, as it could reduce the potential investor base for these bonds, thereby rendering potential GBP-denominated covered bond deals less attractive for issuers.

Moody’s rates registered mortgage Pfandbriefe from Bausparkasse Mainz at Aaa

Bausparkasse Mainz has announced in a recent press release that its registered mortgage Pfandbriefe have been awarded the top rating of Aaa from Moody’s. According to Matthias Riedel, CFO of Bausparkasse Mainz, this means that institutional investors that require an external rating to invest can now also be targeted by the bank. The mortgage portfolio, which is located exclusively in Germany and contains solely first-class residential properties, was highlighted during the evaluation process in particular. The asset quality is also reflected in a low collateral score, which currently stands at 4.8%. In terms of challenges, the rating agency points to the high degree of issuer dependency in the programme. Similar to most covered bond programmes in Europe, the issuer has few restrictions regarding the future composition of the cover pool. For example, newly added assets could increase both credit quality and refinancing risks. Bausparkasse Mainz is primarily active in the market with private placements, whereby new issues in the amount of EUR 50m are planned for the current year.

European Mortgage Federation publishes Quarterly Review Q4/2024

The European Mortgage Federation (EMF) recently published its Quarterly Review for Q4/2024, which traditionally sheds light on the most recent developments on the mortgage and housing markets across the EU. Overall, in the fourth quarter of 2024, economic growth at European level was slightly positive at +0.1% in the eurozone and +0.2% in the EU compared to the previous quarter but was lower than in the third quarter of 2024 (+0.4% in both cases). Unemployment remained at a low level (in fact, the number of people in employment increased by +0.1% in both the eurozone and the EU), while inflation, at 2.4% in the eurozone, was close to the long-term ECB target of 2%. The total stock of residential mortgages in the EMF's country sample was up slightly, reaching a value of EUR 8.2tn at the end of the fourth quarter. However, this does actually represent a marginal decline of -0.7% year on year. Total gross lending (not seasonally adjusted) grew to EUR 323bn in the fourth quarter, as against EUR 289bn in the previous quarter. This figure also represented a comparatively sharp rise against the same quarter of the previous year (+17%). This can be seen when looking at individual countries too; with the exception of Czechia, France and Portugal, total gross lending was up in every country included in the sample. According to the EMF, no clear pan-European trend could be observed in house prices overall, although inflation and a subsequent decline in household savings represented two of the major cross-border issues uncovered by the review. As a result of these developments, government efforts have largely been focused on measures aimed at improving the affordability of housing and mortgages. In our view, greater refinancing requirements on the part of banks owing to increased lending is always a positive development for the covered bond market, as this has the potential to be reflected in increased new issuance activities, among other aspects.

Market overview
SSA/Public Issuers

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

ECB continues its interest rate descent unabated in April

The ECB has continued its downward trend by opting to cut key interest rates once again – the interest rate pause has therefore been cancelled again and instead the ECB has "delivered as urgently needed". The ECB's Governing Council lowered the interest rate on the deposit facility by 25 basis points to 2.25% with effect from 23 April. Furthermore, the rate on the main refinancing operations was reduced from 2.65% to 2.4%, and the rate on the marginal lending facility was cut from 2.9% to 2.65%. However, a glance at the press release reveals a number of changes compared to the press release on the decisions of 06 March, which we looked at in our Special. While in March, it was stated that monetary policy would become "meaningfully less restrictive", an "assessment" of the current impact of the ECB's monetary policy is missing in the current statement. In this context, it is notable in our opinion that the passage in which the Governing Council says that the disinflation process is well on track has been retained. It is also clarified that inflation is developing in line with expectations. However, contrary to the March press release, the Governing Council refrained from using the word "broadly". At the press conference, the ECB did not reveal any details about the meetings scheduled for 2025, but emphasised its usual meeting-by-meeting approach and the data-dependency of its decisions. Based on what we think we know by now, the doves probably have the upper hand for the time being, which means that there will probably be more than the four interest rate cuts we originally assumed for 2025.

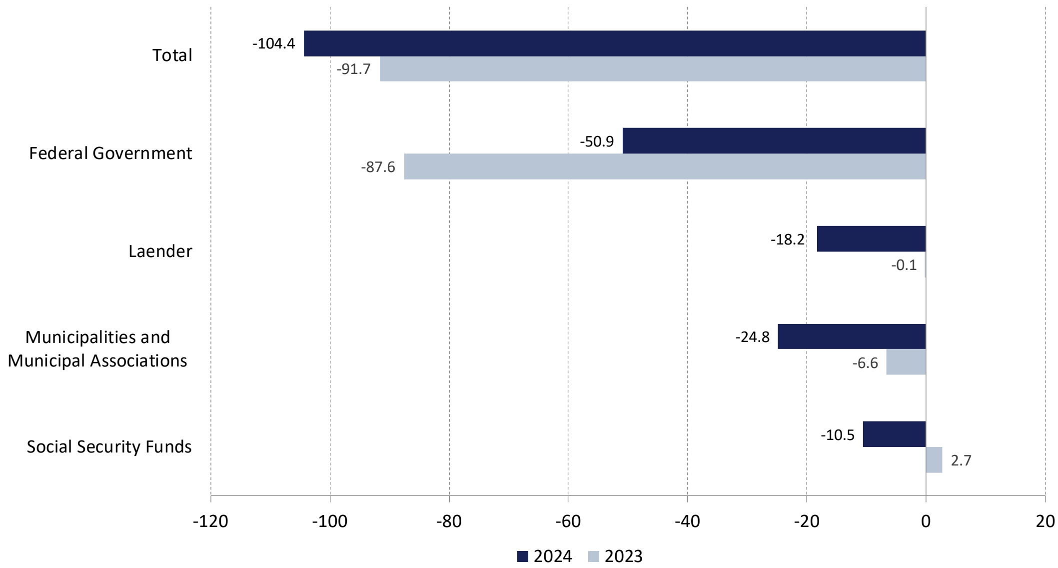
Kommunalbanken: Net interest income and green lending both up

The municipal financier Kommunalbanken (ticker: KBN) has published its annual report for 2024. Accordingly, the bank was able to increase its net interest income from NOK 2,105m in the previous year to NOK 2,253m thanks to a rise in money market interest rates (EUR equivalent: EUR 192.3m). In total, KBN generated an annual profit of NOK 1,474m (2023: NOK 1,432m.). Compared with the same period last year, total assets increased by NOK +46bn to NOK 568bn, which was reportedly due to the weakness of the Norwegian krone in addition to the growth in lending. Jannicke Trumpy Granquist, CEO of KBN, was suitably satisfied, and said: "KBN saw a good level of demand in 2024 for long-term instalment loans. The demand was particularly driven by the largest municipalities and county authorities, which had the highest lending growth. KBN's portfolio of green lending for investment in climate and environmentally friendly projects increased by +25.0% in 2024, equivalent to NOK 13bn." By the end of the year, 152 municipalities, seven district authorities and 84 other clients had received green loans from KBN, with the volume of outstanding green loans totalling NOK 68bn. On the funding side, the Norwegian agency was active on the international capital markets in 2024 with 38 new issues in eight currencies, raising fresh capital of NOK 92bn (2023: NOK 77bn) in the process. This year, the municipal financier was active with a EUR benchmark on the SSA primary market for the first time on 04 February, raising EUR 1bn (7y) at ms +40bp. The bank has communicated a funding target equivalent to EUR 9.7bn for 2025, which is currently set against maturities of around EUR 5.5bn.

German public sector financing deficit 2024 – expenditures at record level

At the beginning of April, the German Federal Statistical Office presented the figures for the overall public budget for 2024: revenues totalling EUR 1,978bn (+6.8% Y/Y) were offset by record expenditures of around EUR 2,082bn (+7.1% Y/Y). As a result, the core and extra budgets of the federal government, the Laender, municipalities and municipal associations as well as social security funds closed last year with a financing deficit of EUR 104.4bn, as calculated in accordance with the financial statistics. The deficit was therefore EUR +12.7bn higher than at the end of 2023. According to the results of the quarterly cash statistics, the deficit – as in previous years – was largely borne by the federal government (EUR 50.9bn), even though there was a discernible downward trend in this regard. By contrast, the financing deficit of the Laender as well as municipalities and municipal associations was up considerably: the former posted a negative balance of EUR 18.2bn after a balanced situation in the previous year, while a deficit of EUR 24.8bn was registered at municipal level. Social security funds, which had still reported a small surplus in the previous year, were also in deficit to the tune of EUR 10.5bn, which was due in particular to the development in long-term care, pension and health insurance. While revenues (+8.1% Y/Y) at federal level grew faster than expenditures (+1.0% Y/Y) in 2024, the trend was the opposite for the Laender and municipalities: the Laender recorded an increase in revenue of +2.8% Y/Y – but expenditure grew by +6.2% Y/Y. There was an even clearer divergence in the trend for municipalities: here spending increased by +12.7% Y/Y, while revenues grew by just +7.6%. In terms of social security, the growth rates were somewhat more balanced (revenues: +5.3% Y/Y; expenditures: +6.9% Y/Y). Although all major types of revenues grew steadily, total income was nowhere enough to offset the increase in expenditure, which exceeded EUR 2tn for the first time. In particular, this was due to higher social security expenses and increased expenditures from military procurements. In addition, the inclusion of local public transport companies in the overall budget resulted in special effects that were especially relevant for the federal government.

Financial balances of the overall public budget by level (EURbn)



Brandenburg: Double budget approved for 2025/26

At its meeting on 28 March, the cabinet approved the draft double budget for the German federal state of Brandenburg (ticker: BRABUR) for the years 2025 and 2026 and then forwarded it to the state parliament, which had already discussed it during the first reading. The draft budget for 2025 is EUR 16.7bn, while the draft budget for 2026 is EUR 17.4bn. However, both budgets have coverage gaps of EUR 1.9bn (2025) and EUR 2.5bn (2026), which are to be closed by various measures. Accordingly, to balance the overall budget, global underspending of 2.5% (2025) and 2.2% (2026) of the budget volume is to be achieved through the economical use of budget funds. Owing to the tense economic situation and the revenue situation, the annual repayments of EUR 85.3m for the loans taken out between 2020 and 2023 as a result of the emergency situation would be suspended in 2025 and 2026. In view of the annual financial statements for 2024, which still have to be posted, it is currently expected that the originally envisaged withdrawal from the general reserve of EUR 1.6bn will not have to be used in full, meaning that EUR 700m will remain in it. These funds would then also be available to cover the 2025/26 period. In addition, there will be no withdrawal from the provident fund. The repayment claims against municipalities that arose in the years 2023 and 2024 (2023: EUR 45.4m; 2024: EUR 49.3m) in the context of the housing benefit reform could be applied to 2025 and 2026 and contribute to closing the coverage gap. "In view of the budget situation and the weakening economy, these were certainly the most difficult budget negotiations compared with previous years. The job of a finance minister is to present a balanced draft budget. We have succeeded. It is a budget without financial leeway, but not an austerity budget. […] We are making savings that were negotiated in the executive talks and using the possibility of cyclical borrowing. In order to bring about urgently needed structural changes, the state government will set up a budget structure commission in the near future," as Finance Minister Robert Crumbach explains.

KommuneKredit offers insights into financial year 2024

In mid-March, the municipal financier KommuneKredit (ticker: KOMMUN) provided an insight into its figures for 2024. The Danish bank can look back on a generally satisfactory financial year, which was shaped above all by the expansion of the Danish district heating network and the associated increase in net lending by DKK 345m to DKK 6.2bn (EUR equivalent: EUR 834m). Profit before tax and impairments amounted to DKK 523m, up by DKK +259m on the previous year. This was primarily due to the increase in net interest income, which amounted to DKK 730m in the year under review (2023: DKK 467m). By contrast, the overall result fell significantly from DKK 414m (2023) to DKK 8m. The reason for this was negative impairments, which offset the positive impairments of previous years. Common Equity Tier 1 (CET1) capital totalled DKK 10,188m at the end of the year, as against DKK 10,180m in the previous year, accounting for around 4% of total assets. For 2025, KOMMUN assumes that the share of green loans will continue to rise, as has been the case in previous years. Conversely, net lending is expected to be DKK 0.5bn and therefore well below the usual level. In addition, net interest income of around DKK 750m and constant administrative costs of approximately DKK 215m are expected.

S&P reduces outlook for Austria and national agencies

The rating agency S&P announced a few weeks ago that it was reducing its outlook for the Republic of Austria from positive to stable, while affirming its AA+ rating. The risk experts put the outlook adjustment down to the continuing dampened economic prospects after two years of recession and a growing budget deficit that is described as higher than previously expected. Despite an ambitious budget consolidation programme, the rating experts do not expect the new government to succeed in lowering the deficit to less than 3% of GDP before 2026 without impairing economic growth. A few days later, the outlook for five sub-sovereign issuers was lowered, as expected. This affected, among others, Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFiNAG, ticker: ASFING), Oesterreichische Kontrollbank AG (OeKB, ticker: OKB) and ÖBB-Infrastruktur AG (ticker: OBND), which all form part of our coverage. Given the existing government guarantees, their outlooks were also all lowered to stable, with the ratings confirmed as well.

Primary market

We are back in action after our Easter break and shall cover the issues that took place in our absence for you in the usual way. After the holidays, the French promotional bank Bpifrance (ticker: BPIFRA) kicked things off with a volume of EUR 750m and a ten-year maturity. The final reoffer spread then came to OAT +15bp, which at the time of issue corresponded to approximately ms +88bp. Another French issuer in the shape of Unédic (ticker: UNEDIC) followed with a social bond: The administrator of the unemployment insurance system finally raised EUR 2bn (10y) at OAT +9bp (corresponded to approximately ms +81bp). Speaking of French agencies: as part of the government's ongoing efforts to reduce the budget deficit, the responsible Minister Amélie de Montchalin recently announced that plans are to be drawn up by the end of the year to either merge or abolish a third of the active agencies. The government expects this measure to generate savings of up to EUR 3bn. It is not yet known which institutions will specifically be affected by this. Of course, we will inform you as soon as we have more precise information. Let us return to new issues and turn our attention to Germany: Yesterday, on Tuesday, the Free State of Saxony (ticker: SAXONY) approached investors with a EUR 500m bond and ten-year maturity. The final spread was set at ms +41bp. In addition, Bayerische Landesbodenkreditanstalt (ticker: BYLABO) put its money where its mouth is: EUR 500m (5y) was sought in social format, which was raised at ms +29bp. Last Monday, the EU also held its fourth bond auction in H1/2025 (cf. funding plan), with three bonds available for bidding for the first time: the 2029 bond was increased by EUR 2.1bn, the 2034 bond by EUR 1.8bn and the 2038 bond by EUR 1.2bn. Regarding new mandates for the near future, we have no news to report.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BYLABO	DE	29.04.	DE000A161R28	5.0y	0.50bn	ms +29bp	- / Aaa / -	X
SAXONY	DE	29.04.	DE0001789410	10.0y	0.50bn	ms +41bp	- / - / AAA	-
UNEDIC	FR	23.04.	FR001400ZAD0	10.1y	2.00bn	ms +81bp	AA- / Aa3 / AA-	X
BPIFRA	FR	22.04.	FR001400Z784	10.1y	0.75bn	ms +88bp	AA- / Aa3 / -	-

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

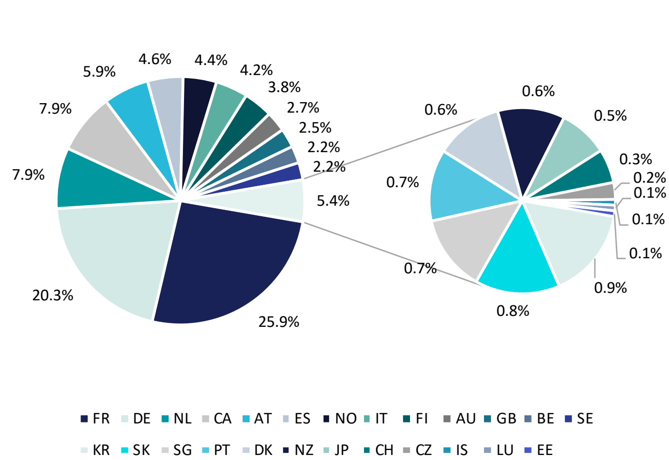
Covered Bonds
Special report on LCR classification and risk weights: a (regulatory) look at the EUR benchmark segment

Author: Alexander Grenner

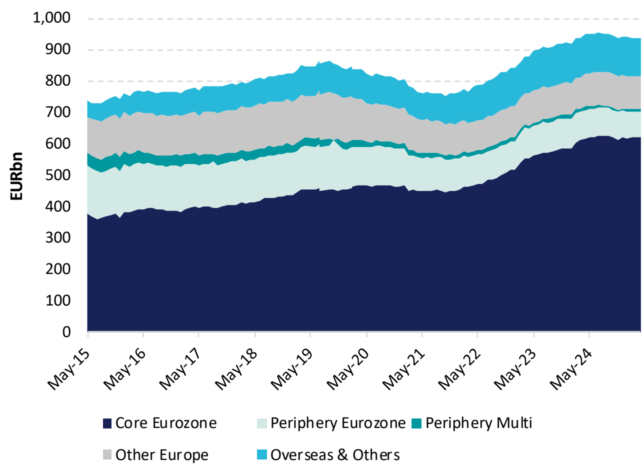
Banks still most important investor group in the EUR benchmark segment

By 29 April, EUR 62bn had been placed in the covered bond primary market in the year to date. The issuance volumes at the end of April were considerably higher in the preceding years of 2023 (EUR 104bn) and 2024 (EUR 86bn). In our view, the lower supply volume in the covered bonds asset class has recently been due in particular to the uncertain trading policy situation, which has provoked fresh movement in the markets on an almost daily basis. There are also reasons on the issuer side as well. For some banks, the narrow spread between covered bonds and seniors has made unsecured financing look significantly more attractive at times. In terms of investor groups, "Banks" accounted for the major share again in the current year with 44.2% of the issued covered bonds, followed by "Asset Managers & Funds" with 27.1%. One of the reasons for the strong focus of bank treasuries on the asset class covered bonds is likely to be their potential preferential treatment from a regulatory perspective as well as their risk profile. To support our readers, we regularly publish our Covered Bond Special – Risk Weights and LCR Levels for Covered Bonds. In this publication, we describe the regulatory fundamentals for determining the risk weight and LCR level and apply these rules to the EUR benchmark segment. Implementing the EU Covered Bond Directive has given rise to adjustments to the regulatory frameworks that had to be taken into account. However, there have been limited changes with regard to classification. In today's weekly publication, we provide an overview of this universe, which forms the basis for the Special report referred to above and ultimately depicts the most important market for covered bonds.

Composition – iBoxx EUR Covered



Trend in volumes – iBoxx EUR Covered

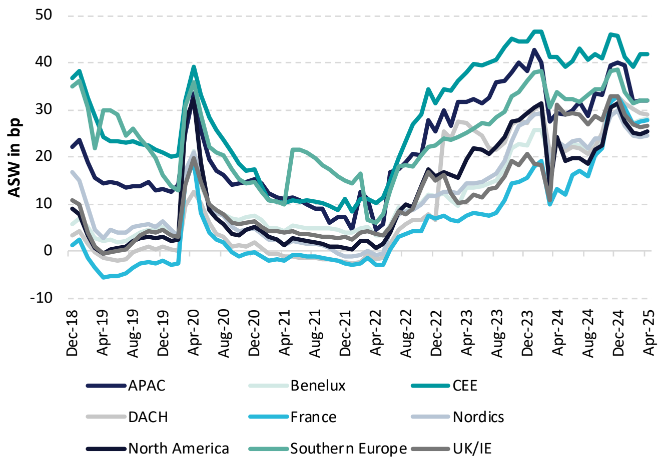


Source: Market data, Bloomberg, NORD/LB Floor Research

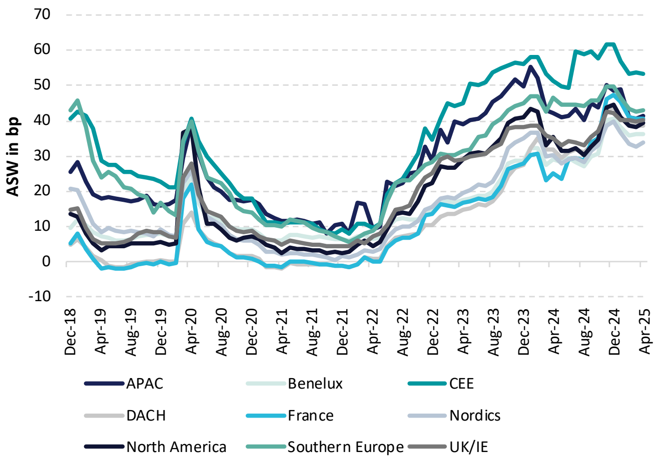
iBoxx EUR Covered: investment grade rating and minimum volume of EUR 500m
The iBoxx EUR Covered index criteria only permit the inclusion of publicly placed bonds with a fixed coupon, denominated in euros and with a minimum outstanding volume of EUR 500m. The bonds must also have an investment grade rating from the agencies Fitch (≥BBB-), Moody's (≥Baa3) or S&P (≥BBB-). If there is more than one rating, the mean value method is applied (cf. Markit iBoxx Rating Methodology). The bonds in the iBoxx EUR Covered index must have a remaining term to maturity of a least one year, whereby for soft bullet covered bonds, the original maturity date is used. The composition of the iBoxx EUR Covered index is rebalanced monthly after close of business on the last working day of the reporting month.

iBoxx EUR Covered comprises an outstanding volume of EUR 935bn
The index for the reporting month of April 2025 encompasses an outstanding volume of EUR 935bn. In April 2024, the total outstanding bond volume in the iBoxx EUR Covered index was EUR 949bn. The benchmark index currently comprises 1,087 bonds from 25 jurisdictions. The largest volume is attributable to France with EUR 243bn (233 bonds), followed by Germany (EUR 190bn; 266 bonds), the Netherlands (EUR 74bn; 74 bonds), Canada (EUR 73bn; 53 bonds) and Austria (EUR 56bn; 92 bonds). The proportion of covered bonds whose issuers are within the eurozone stands at 76.7% in April 2025. The focus of issuers on shorter maturities is also reflected in the remaining term to maturity for the bonds included in the iBoxx index, with this trend having been consolidated in recent years. The proportion of bonds with a remaining term to maturity of up to five years stands at 70.5%, whereby the remaining term to maturity category of "one to three years" (45.1%) is notably larger than the "three to five years" category (25.4%). A further 15.1% is attributable to the "five to seven years" segment and 9.6% to the "seven to ten years" segment. The "more than ten years" category only comprises 4.7%. The two deals with the longest remaining term to maturity (30 years and 21.4 years respectively) come from France. Overall, banks from the Netherlands dominate the "long end" and account for 33.8% of this maturity segment, followed by issuers from France (33.2%) and Germany (13.8%).

Spread trend – iBoxx EUR Covered (generic; 3y)



Spread trend – iBoxx EUR Covered (generic; 5y)



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

Spread trend: regulatory treatment is one explanation

The uncertainty surrounding international trade policies referred to earlier has also led to sharply widening credit spreads. However, covered bond spreads have largely been unaffected by this, which speaks to the traditionally high level of confidence investors have in this asset class. Looking at the spread differences between covered bonds, one of the most significant distinctions is the regulatory classification of the individual bonds, which explains much of the price differences. The best possible treatment for covered bonds, that is the allocation of a 10% risk weight under the CRR, eligibility as a Level 1 asset in the context of LCR management and central bank eligibility as collateral with the ECB, results in higher demand and consequently comparatively lower spreads, as revealed by an assessment that initially only takes these factors into account. We should also mention here that regulatory treatment is not the only variable which explains the spread differences. National factors, such as "home bias" and consequently most of the investor base in the individual jurisdictions, as well as the relative value assessment of covered bonds and government bonds, for example, can significantly affect prices between the jurisdictions. In recent years, the ever-dwindling influence of the Eurosystem on pricing has become obvious and has resulted, at least at times, in a stronger differentiation between generic spreads at individual issuance country level in the market.

Changes to the CRR relevant for covered bonds

On 01 January 2025, several changes to the Capital Requirements Regulation (CRR) came into effect that are also relevant for covered bonds. These are Articles 129 and 229. For instance, Article 129 (3) CRR includes a new sub-paragraph that stipulates that property valuations below market or collateral value are permitted. Article 129 (5) adjusted the risk weight allocation of unrated covered bonds. Another relevant amendment relates to Article 229 CRR and defines the property value as a conservative valuation approach for immovable assets. Detailed information on the changes can also be found in our recently published Special.

Conclusion

In the current year, the covered bond market has been characterised by a significant shortage of supply, which the current trade policy uncertainty has exacerbated even further. In this market environment, covered bonds have so far escaped notable spread widening, which we believe is testament to the quality of the asset class. Our regular analysis of the covered bond market, including in terms of regulatory treatment of the individual bonds, is based on the iBoxx EUR Covered benchmark index. In the most recent issue of our Special on Risk Weights and LCR Classification of Covered Bonds, we list the regulatory classification for 161 issuers (187 pools) and 1,092 bonds (excluding multi cédulas) from 25 jurisdictions. Several amendments came into force on 1 January 2025, which relate to Articles 129 and 229 of the CRR. One of these changes is the possibility of using the property value as a possible third valuation approach alongside collateral and market value for assessing real estate used as collateral in the cover pool.

SSA/Public Issuers
Teaser: Issuer Guide – Dutch Agencies 2025

Authors: Dr Norman Rudschuck, CIIA // Tobias Cordes

Dutch agency market shaped by two public sector agencies

Measured in terms of the number of issuers, the Dutch agency market is comparatively small. Three agencies regularly issue bonds: Bank Nederlandse Gemeenten (BNG), Nedelandse Waterschapsbank (NWB) as well as Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO). However, despite the low number of issuers, the Dutch agency market is medium sized within Europe as measured in terms of the volume of outstanding bonds, which comes in at the equivalent of EUR 167.2bn split between a total of 563 bonds placed by the three issuers. Not least on account of the fact that the Netherlands is particularly exposed to the consequences of climate change, Dutch agencies are especially active on the market for ESG (Environmental, Social, Governance) bonds and SRI (socially responsible investment) productsThe funding strategy within this segment is exceptionally expansive, with bonds covering the full spectrum of green, social and sustainability formats.

BNG and NWB above all relevant for the financing of the public sector

The two main players on the Dutch agency market, BNG and NWB, focus (almost) exclusively on the provision of funding to the public sector. Accordingly, both agencies make funding available to companies in the healthcare and housing construction sectors, in particular. Loans to these companies are guaranteed by funds for which the Dutch government is ultimately liable. These loans, which account for a large proportion of the BNG and NWB credit portfolios, consequently benefit from an implicit guarantee provided by the Dutch government. Other major clients from the public sector include municipalities and the Dutch water boards (Waterschappen), which shape both the business model and ownership structure of NWB. These institutions, some of which were founded as long ago as the 13th century, play a key role in managing the water industry in the Netherlands. Among other aspects, they are responsible for water treatment and supply, in addition to ensuring water quality. As such, they enjoy a special status, particularly due to the fact that around a quarter of the surface area of the Netherlands is actually below sea level. In contrast, FMO concentrates on development aid in the areas of energy, banks and the agricultural sector, as well as food and water, while additionally maintaining a particular focus on the private sector.

Dutch agencies – an overview

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

Source: Issuers, NORD/LB Floor Research

No explicit guarantee for BNG or NWB

Neither BNG nor NWB are explicitly guaranteed by either the central state or another regional government in the Netherlands. Nevertheless, it is highly likely – owing to their particular importance for the financing of the public sector – that the state or public sector would support both institutions should either encounter any financial difficulties. The owners of both banks are, in addition to the Dutch government, both the municipalities and water boards, for which BNG and NWB are hugely important in terms of funding.

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

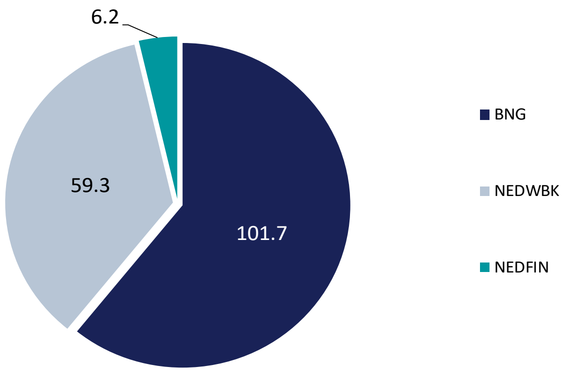
With the Dutch state having not provided any explicit guarantees, it should be noted that neither BNG nor NWB benefit from a 0% risk weight in line with the CRR/Basel III. However, in our view, the particularly strong maintenance obligation for FMO means that a risk weight of 0% is possible for this agency. Unlike BNG or NWB, the Dutch state implicitly guarantees the liabilities of FMO. As part of an agreement, it was specified that the Dutch state should strive to avoid situations in which FMO is unable to service its financial liabilities on time. Moreover, where FMO incurs losses from unforeseeable business risks, the Dutch state is obliged to step in to support the promotional development bank, assuming that no provisions have been made for this eventuality and that general risk reserves have been exhausted. While our understanding of the situation is that a risk weight of 20% is to be applied to BNG and NWB, according to an instruction from the Dutch central bank, the corresponding bonds are classified as Level 1 assets under the LCR Regulation.

Dutch agencies – an overview (EURbn/EUR equivalent)

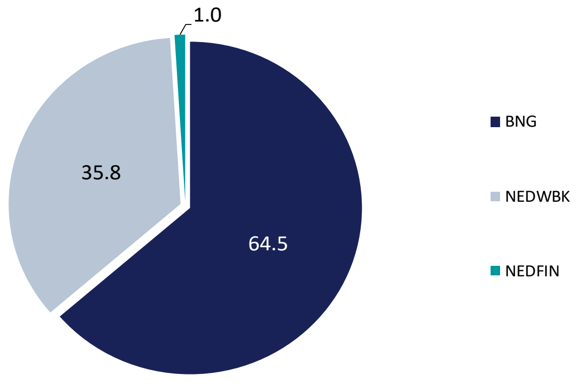
Name	Ticker	Rating (Fitch / Moody's / S&P)	Outstanding Volume	Of which in EUR volume	Funding target 2025	Maturities 2025	Net Supply 2025	Number of ESG bonds	ESG volume
BNG	BNG	AAA / Aaa / AAA	101.7	69.1	16.0	12.1	3.9	33	30.9
NWB	NEDWBK	- / Aaa / AAA	59.3	41.6	12.0	9.1	2.9	37	27.2
FMO	NEDFIN	AAA / - / AAA	6.2	1.3	1.9	1.5	0.4	9	2.7
Total			**167.2**	**112.0**	**29.9**	**22.7**	**7.2**	**79**	**60.8**

NB: Foreign currencies are converted into EUR at rates as at 29 April 2025.
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Floor Research

Outstanding bond volumes (EURbn)

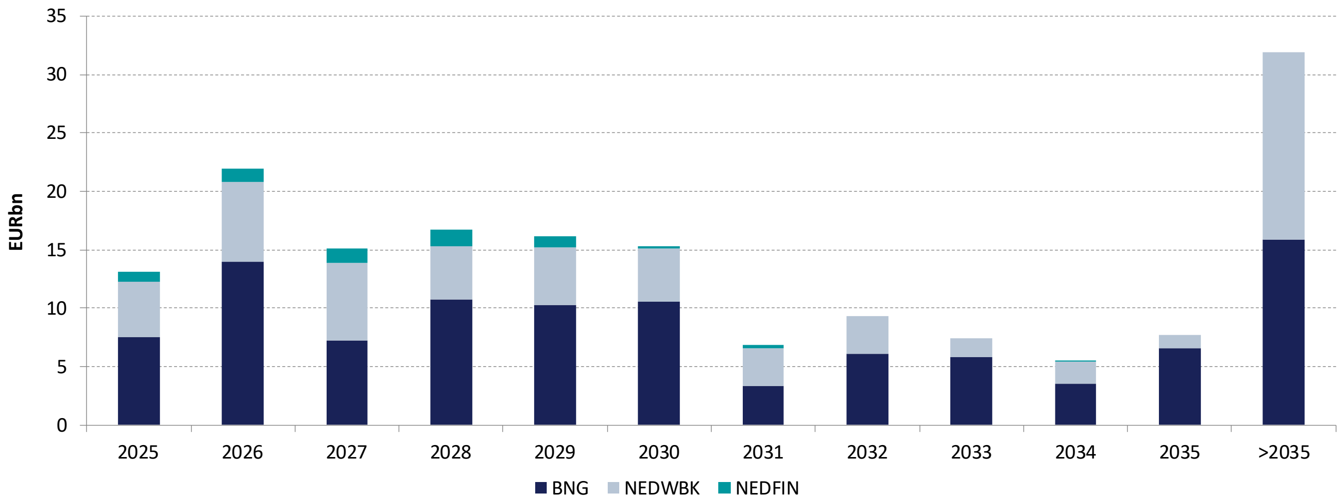


Outstanding EUR benchmarks (EURbn)

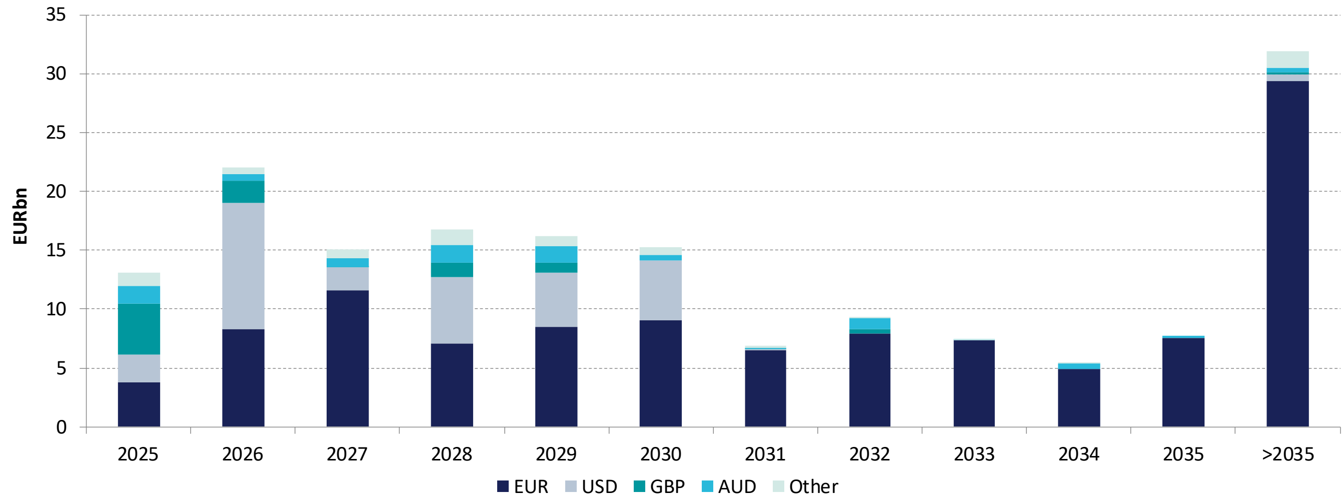


NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Dutch agencies: outstanding bonds by issuer



Dutch agencies: outstanding bonds by currency



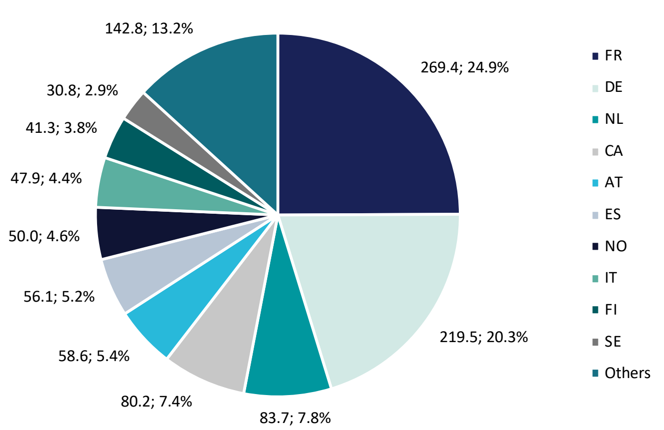
NB: Foreign currencies are converted into EUR at rates as at 29 April 2025.
Source: Bloomberg, NORD/LB Floor Research

Conclusion

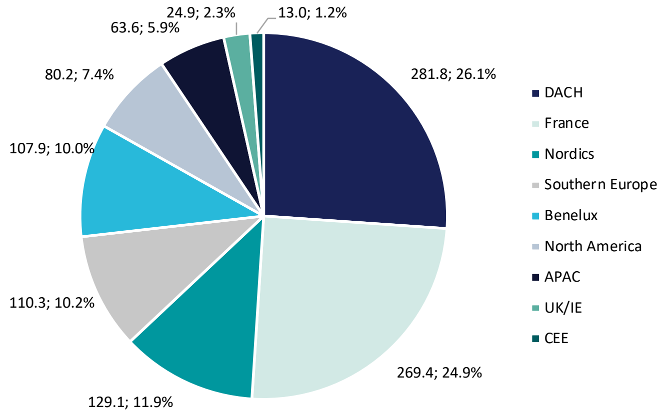
Despite the low number of issuers, the Dutch agency market is medium sized within Europe as measured in terms of the volume of outstanding bonds, which comes in at the equivalent of EUR 167.2bn split between a total of 563 bonds placed by the three Dutch agencies that form part of our coverage. From our point of view, demand for financing solutions on the part of the agencies seems set to rise over the next few years. This would entail increased funding requirements and is additionally likely to impact the liability side of the agencies' balance sheets. In terms of funding targets for 2025, BNG is planning to raise EUR 14-18bn. For its part, NWB has calculated a refinancing requirement of EUR 11-13bn, with FMO intending to secure a sum of EUR 2.0bn in fresh capital. Owing to the fact that the Dutch state has not provided any explicit guarantees, it should be noted that neither BNG nor NWB benefit from a 0% risk weight in line with the CRR/Basel III. However, the particularly strong maintenance obligation for FMO means that, in our opinion, a risk weight of 0% is possible for this agency.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



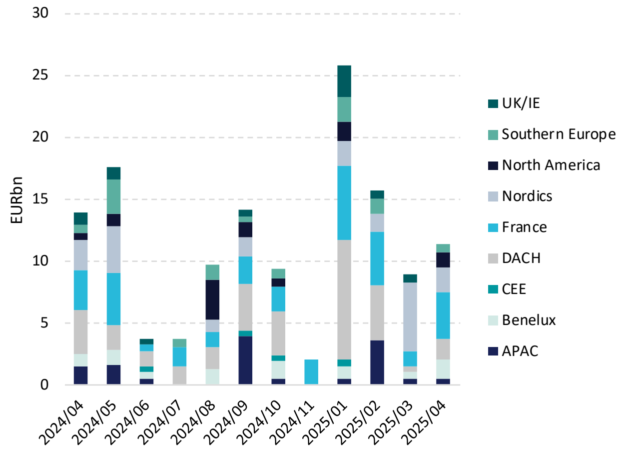
EUR benchmark volume by region (in EURbn)



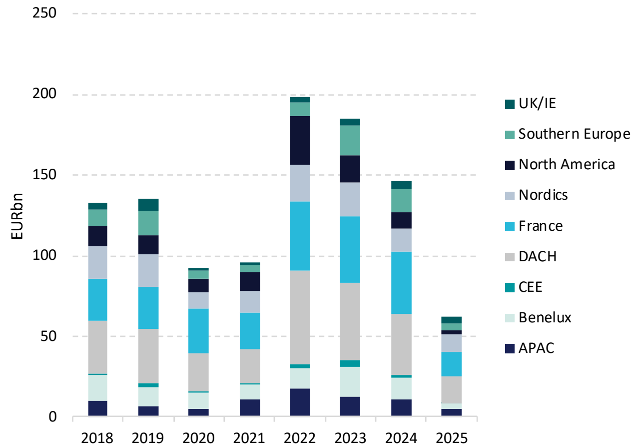
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	269.4	259	32	0.98	9.2	4.6	1.62
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	80.2	58	1	1.36	5.6	2.4	1.54
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	3.3	1.28
8	IT	47.9	62	6	0.75	8.3	3.9	2.09
9	FI	41.3	47	5	0.86	6.6	3.0	1.80
10	SE	30.8	34	1	0.90	7.0	2.9	1.50

EUR benchmark issue volume by month



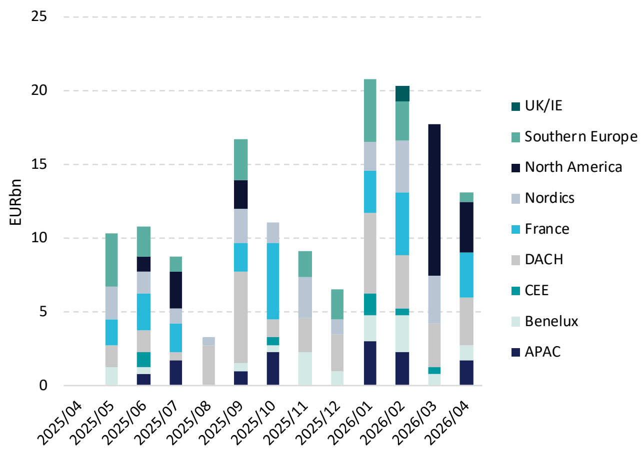
EUR benchmark issue volume by year



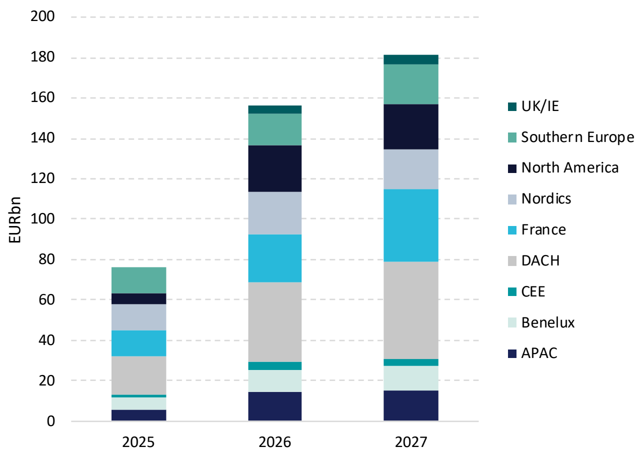
Source: Market data, Bloomberg, NORD/LB Floor Research

NORD/LB

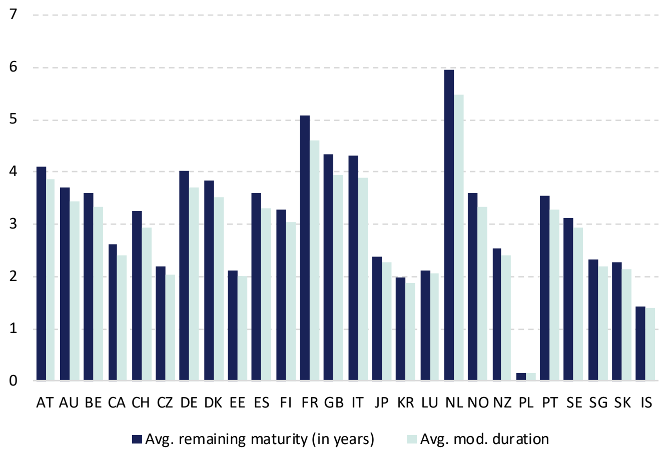
EUR benchmark maturities by month



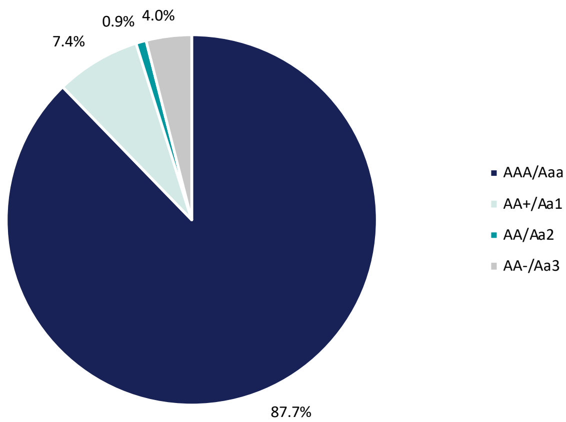
EUR benchmark maturities by year



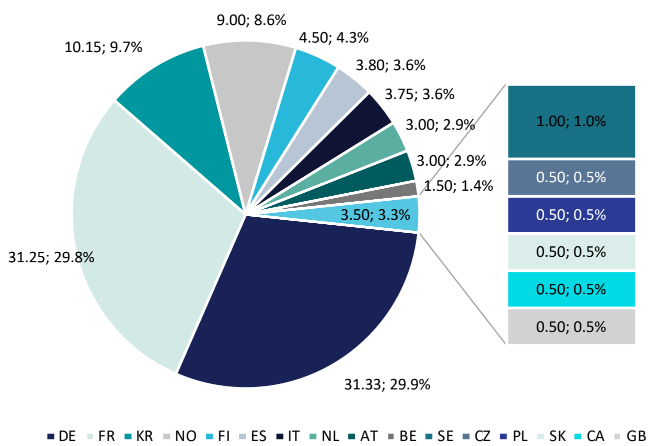
Modified duration and time to maturity by country



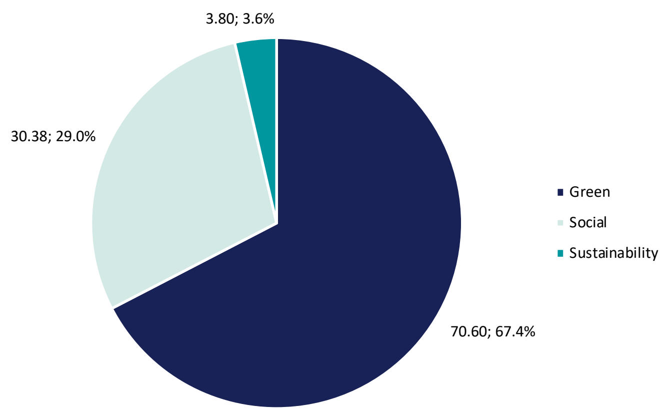
Rating distribution (volume weighted)



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



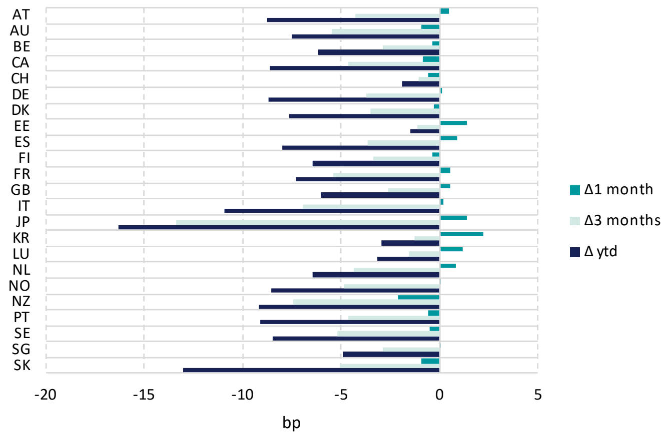
EUR benchmark volume (ESG) by type (in EURbn)



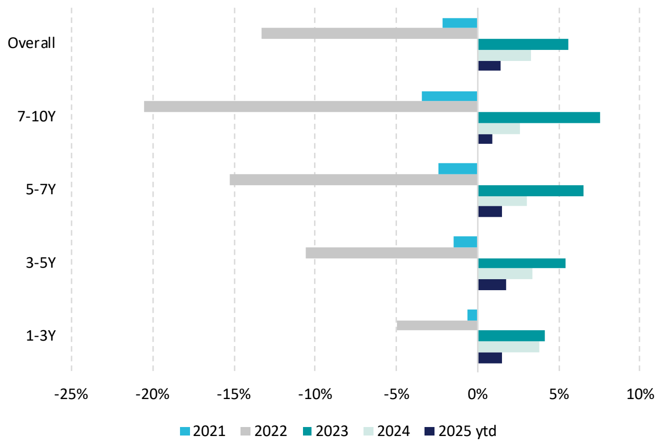
Source: Market data, Bloomberg, NORD/LB Floor Research

NORD/LB

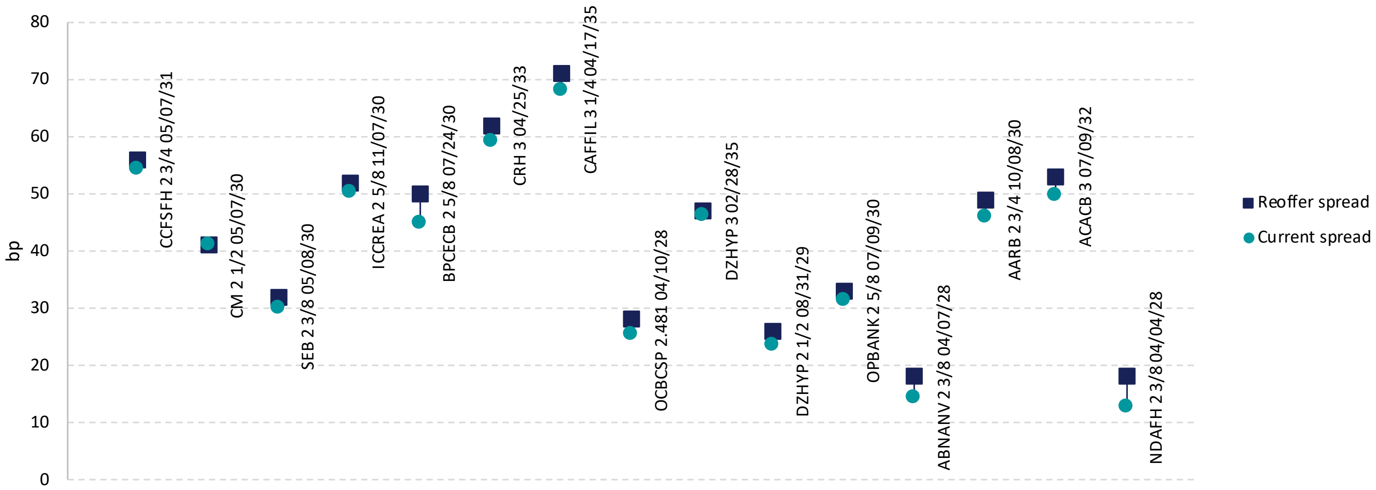
EUR benchmark emission pattern



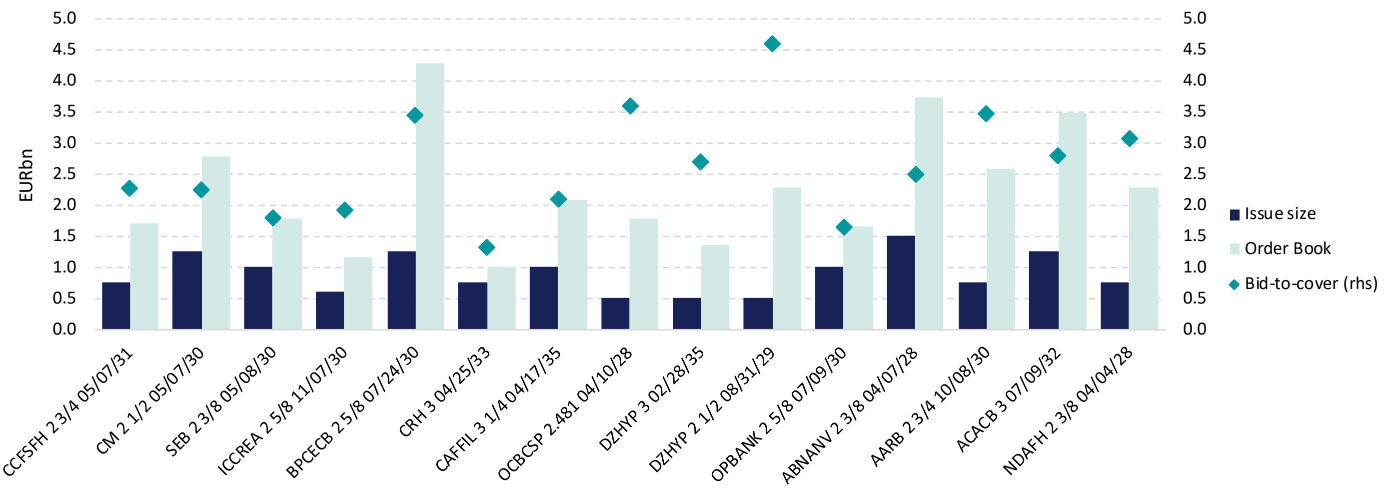
Covered bond performance (Total return)



Spread development (last 15 issues)



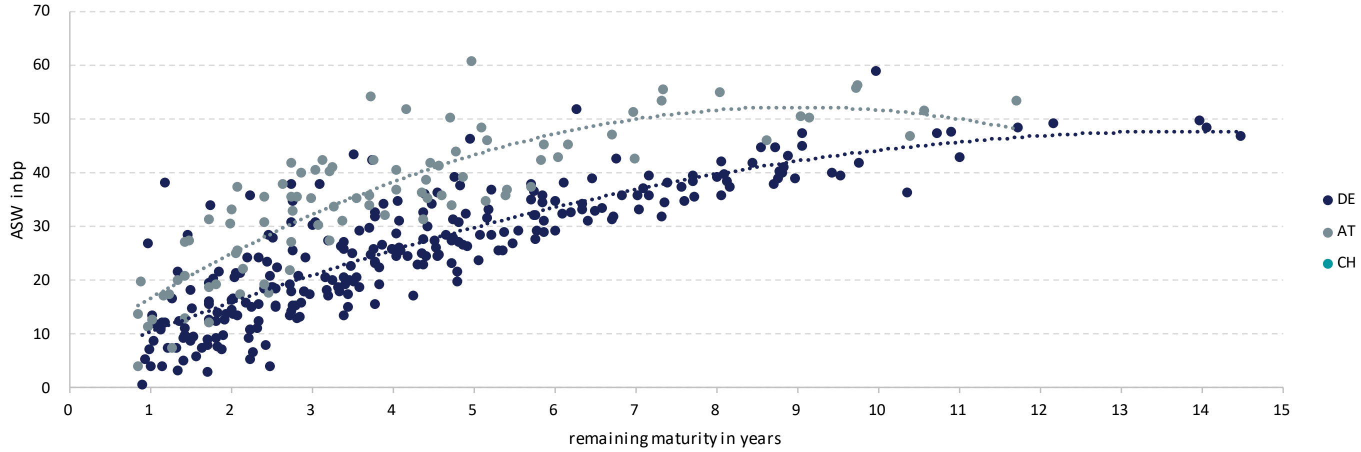
Order books (last 15 issues)



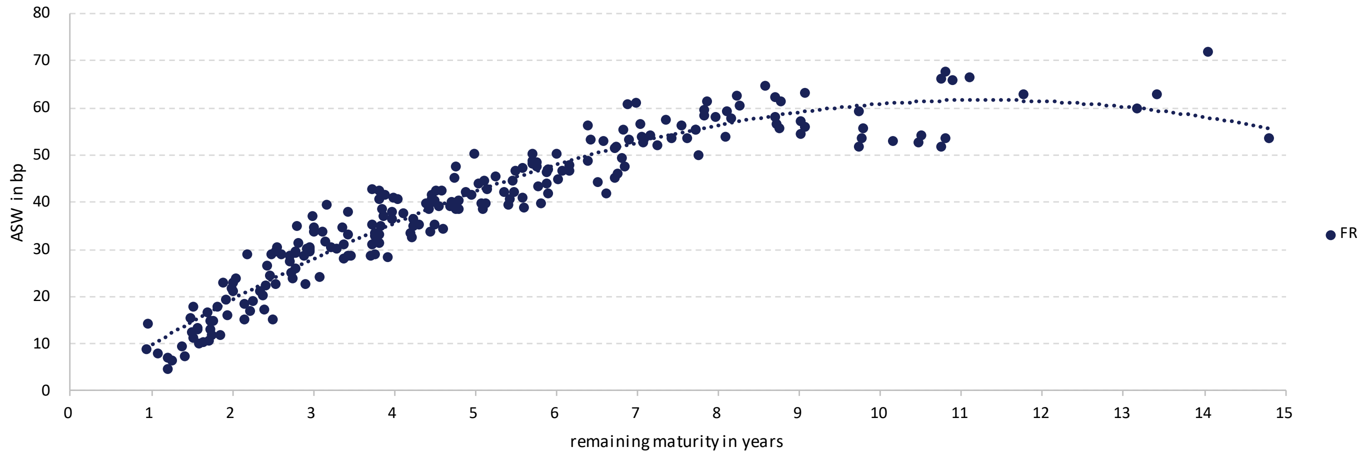
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

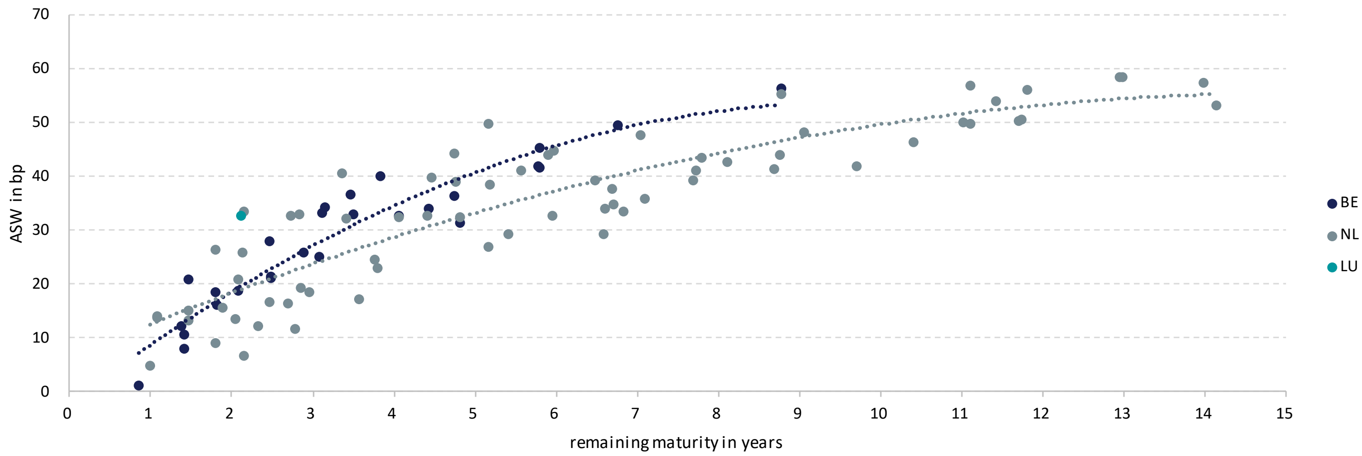
DACH



France

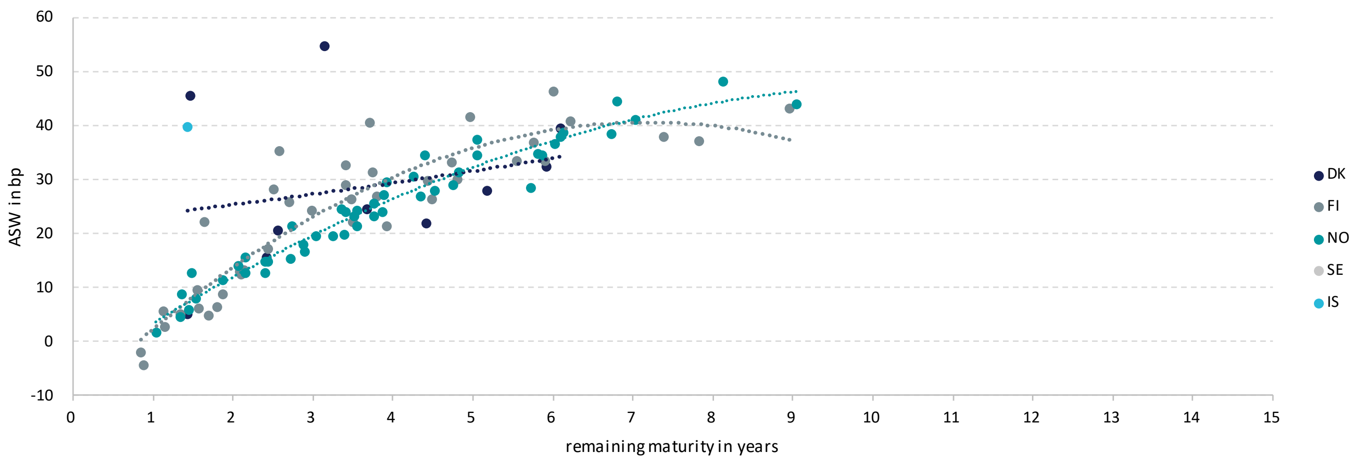


Benelux

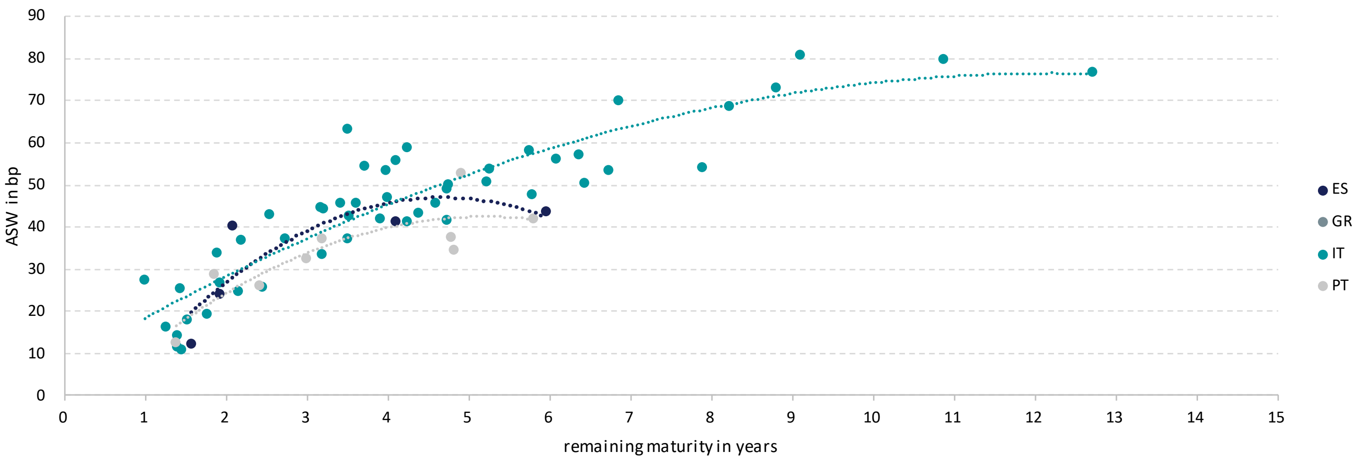


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

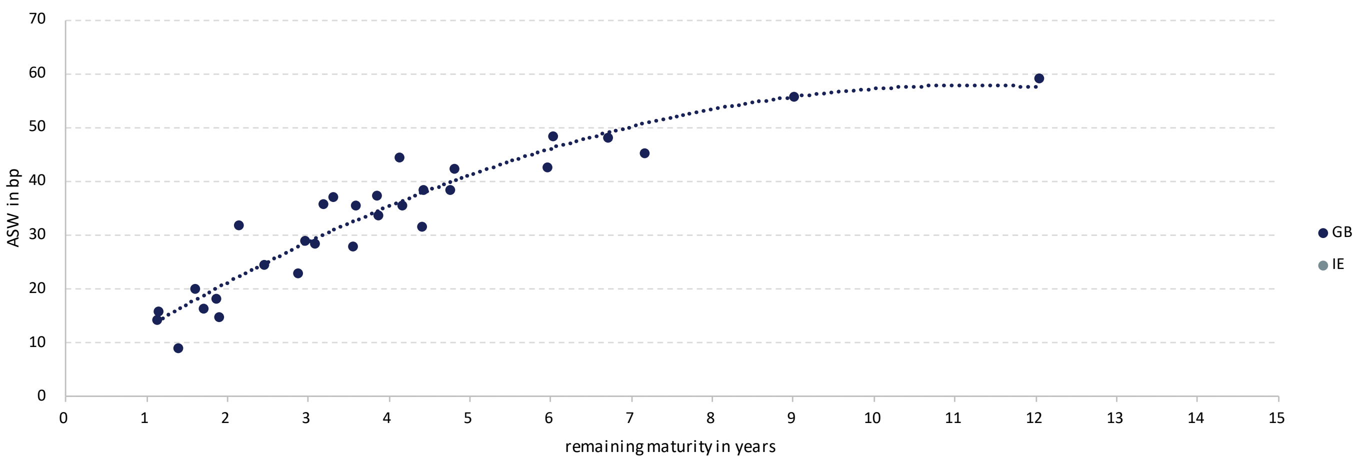
Nordics



Southern Europe

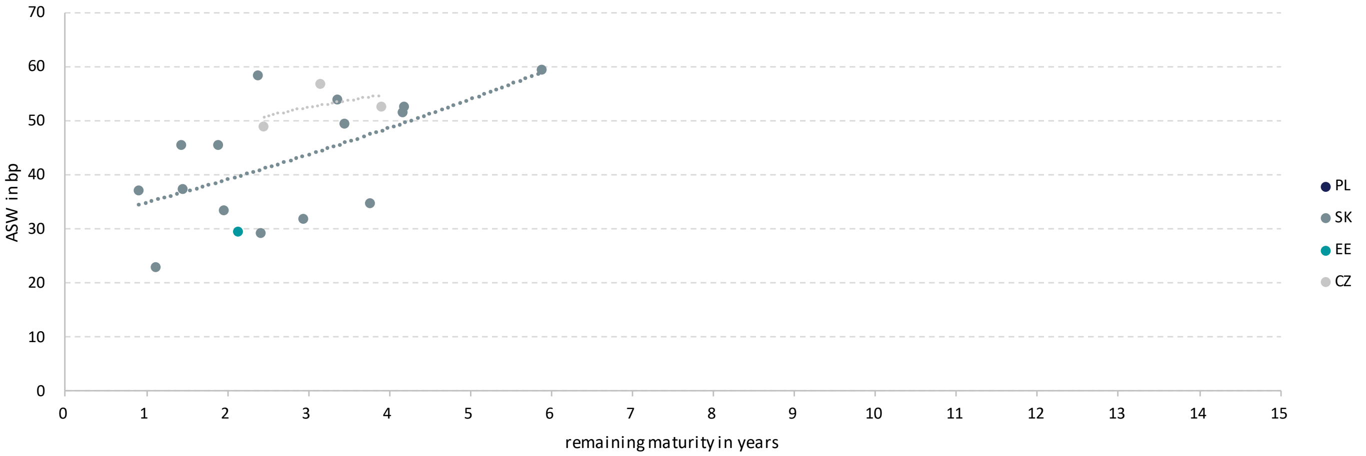


UK/IE

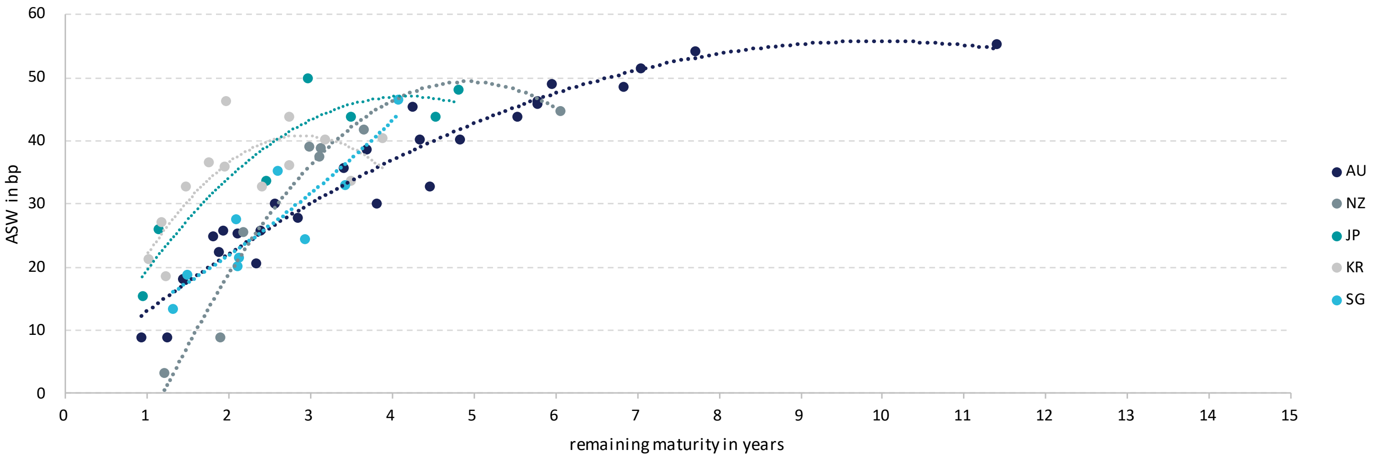


Source: Market data, Bloomberg, NORD/LB Floor Research

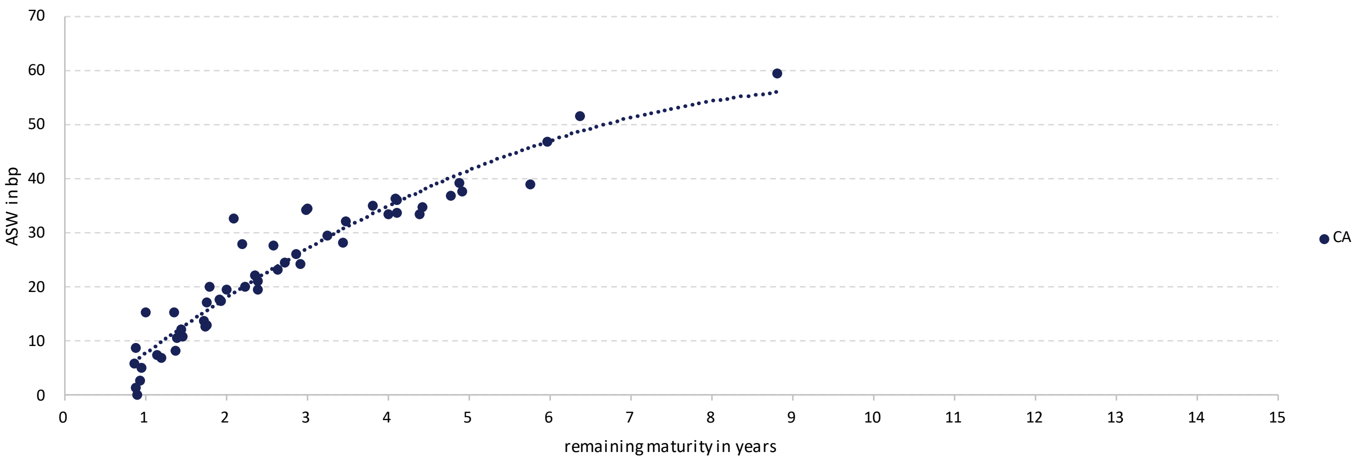
CEE



APAC



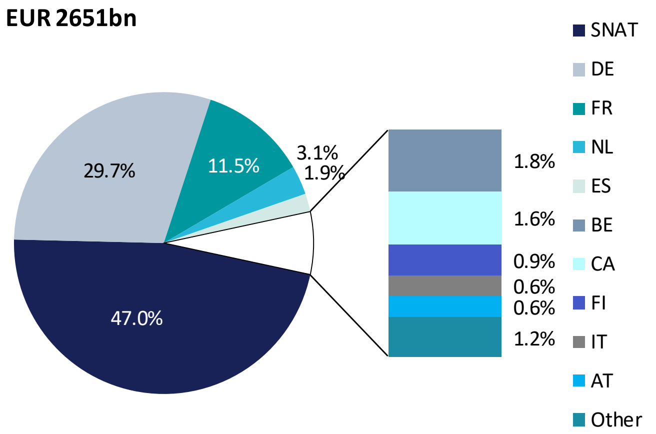
North America



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

Charts & Figures
SSA/Public Issuers

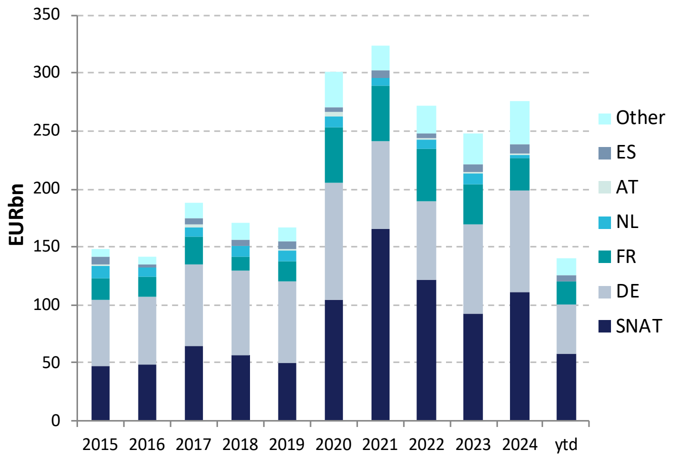
Outstanding volume (bmk)



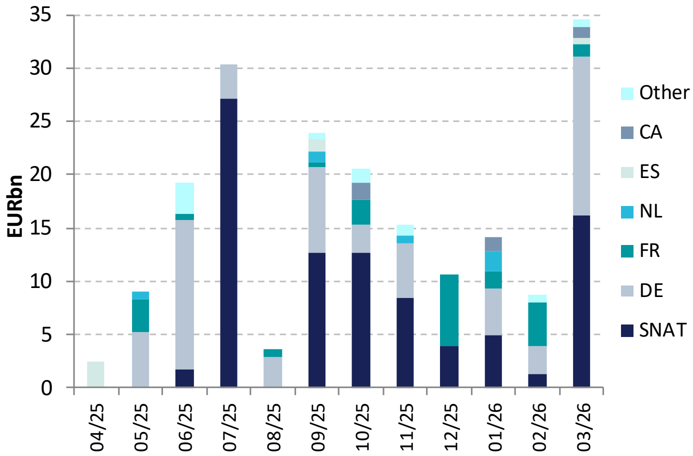
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,246.4	253	4.9	7.6
DE	787.1	593	1.3	6.1
FR	305.8	206	1.5	5.6
NL	82.3	67	1.2	6.4
ES	51.5	71	0.7	4.9
BE	48.4	49	1.0	9.7
CA	42.0	29	1.4	5.5
FI	24.0	25	1.0	4.3
IT	16.1	20	0.8	4.3
AT	16.0	21	0.8	4.5

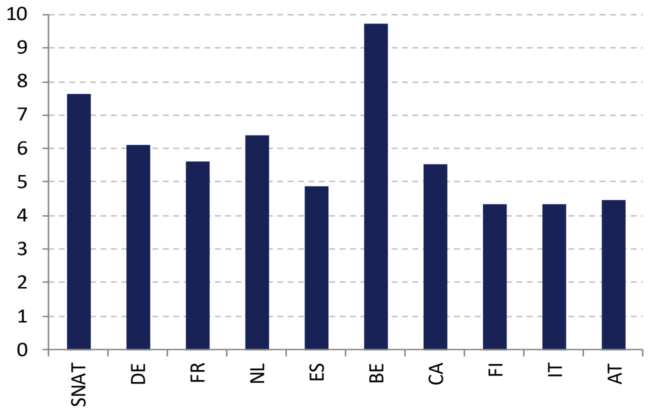
Issue volume by year (bmk)



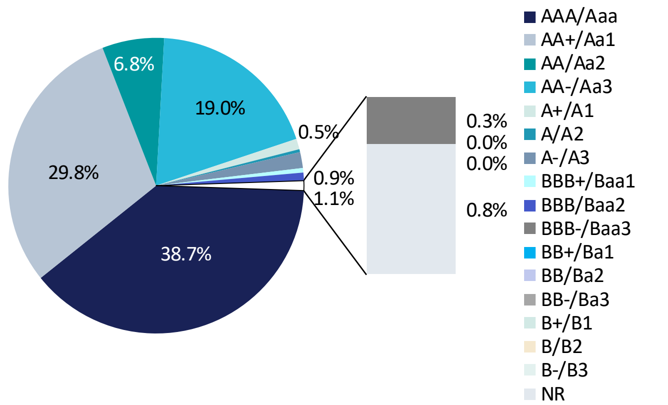
Maturities next 12 months (bmk)



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

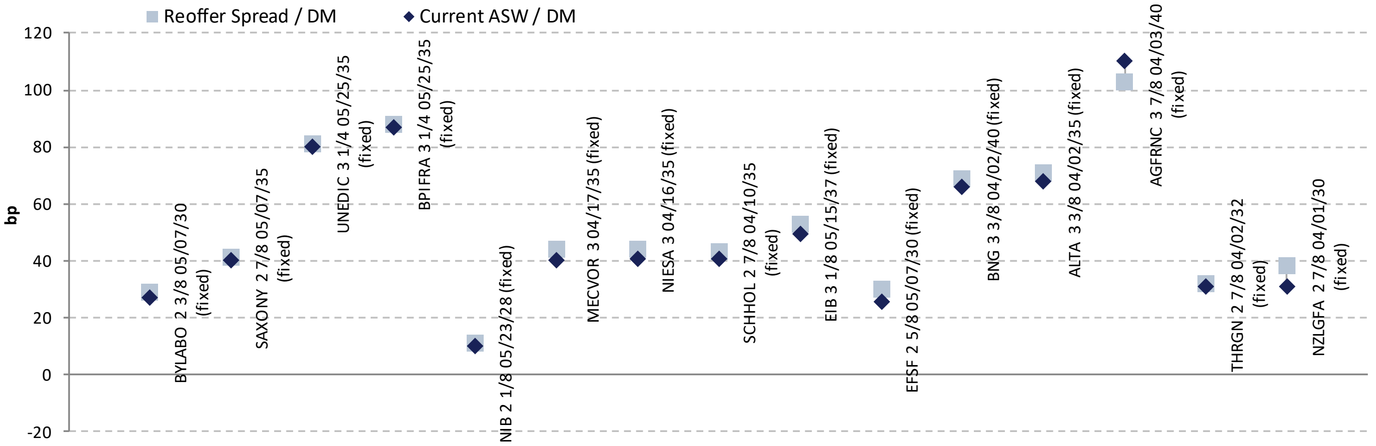


Rating distribution (vol. weighted)

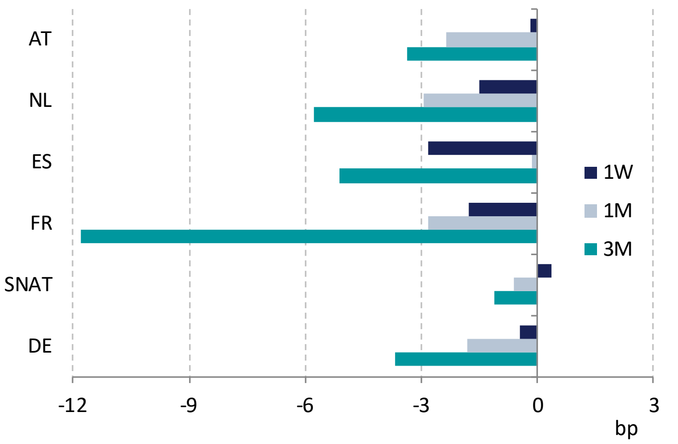


Source: Bloomberg, NORD/LB Floor Research

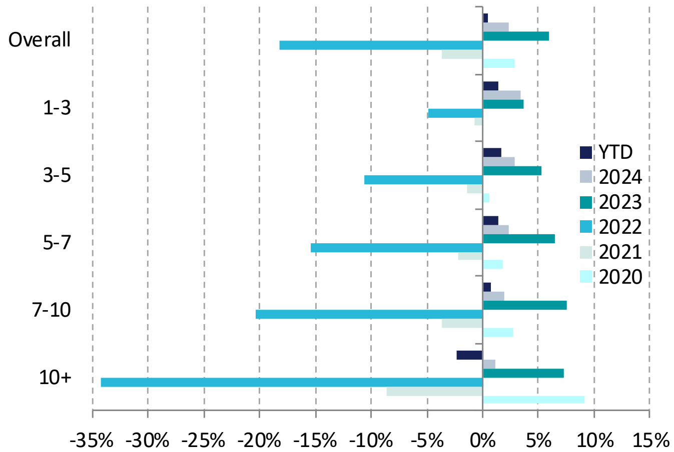
Spread development (last 15 issues)



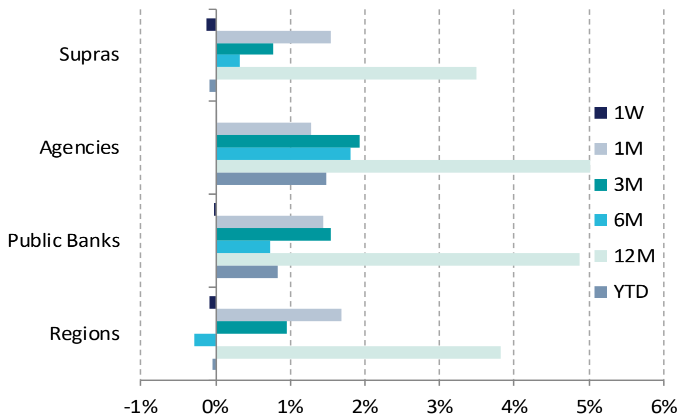
Spread development by country



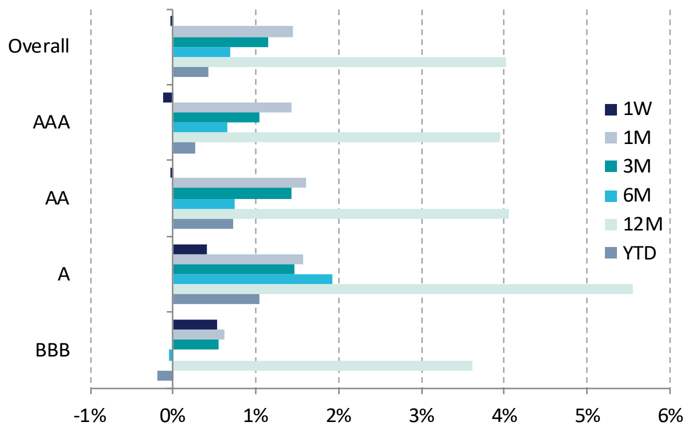
Performance (total return)



Performance (total return) by segments

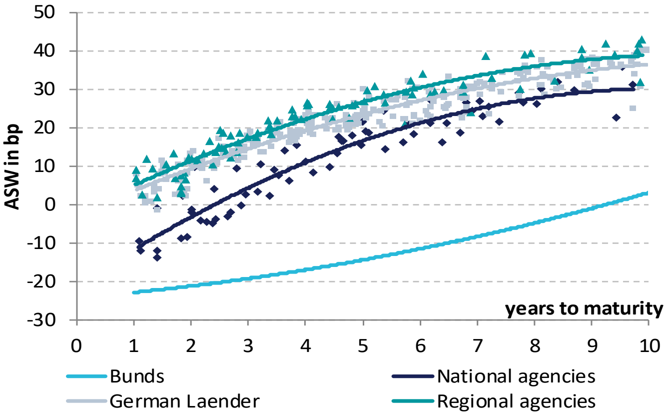


Performance (total return) by rating

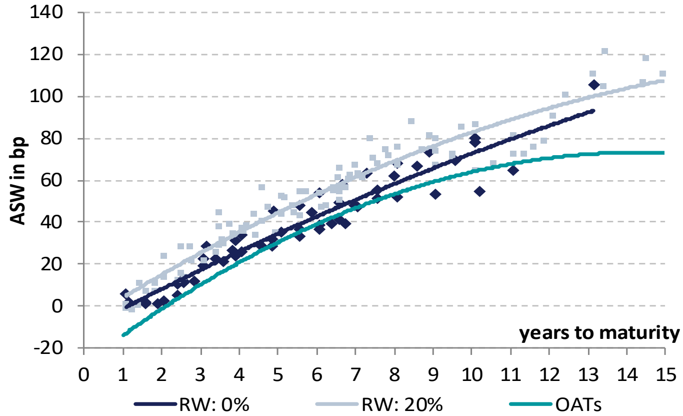


Source: Bloomberg, NORD/LB Floor Research

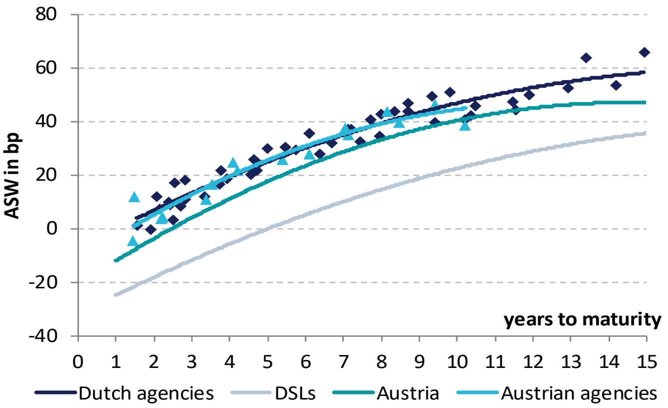
Germany (by segments)



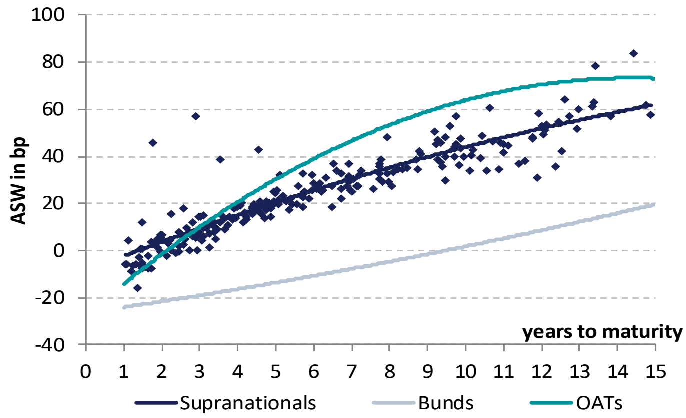
France (by risk weight)



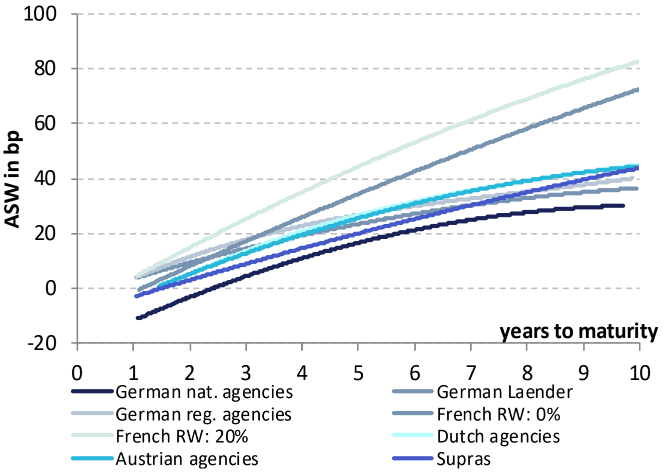
Netherlands & Austria



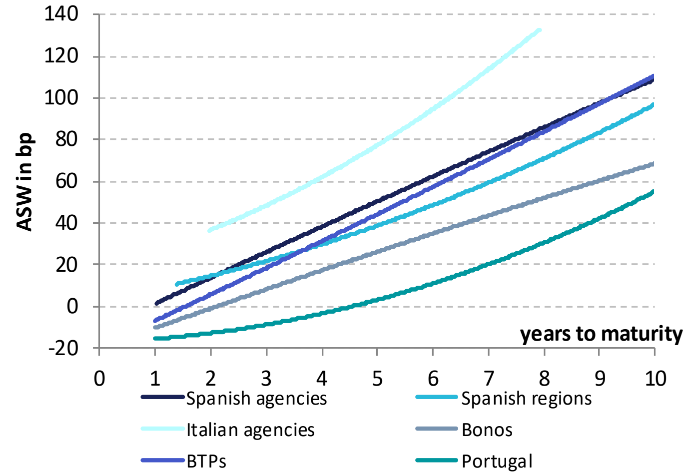
Supranationals



Core



Periphery

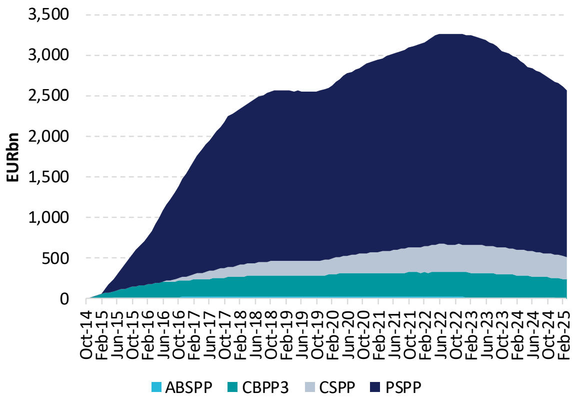


Source: Bloomberg, NORD/LB Floor Research

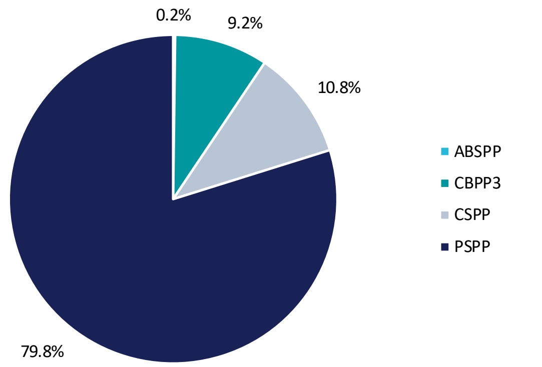
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

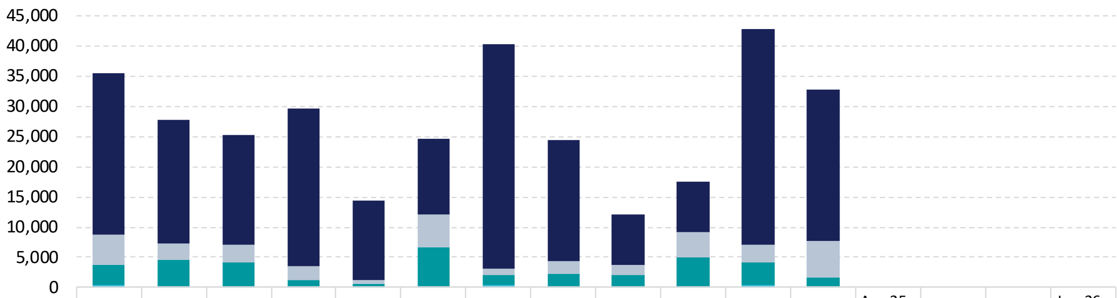
APP: Portfolio development



APP: Portfolio structure

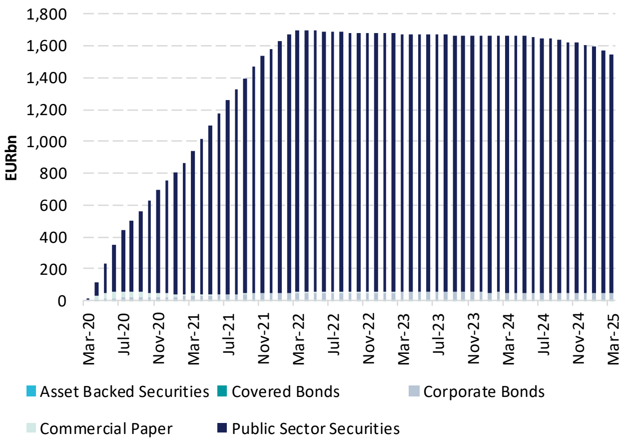


Expected monthly redemptions (in EURm)

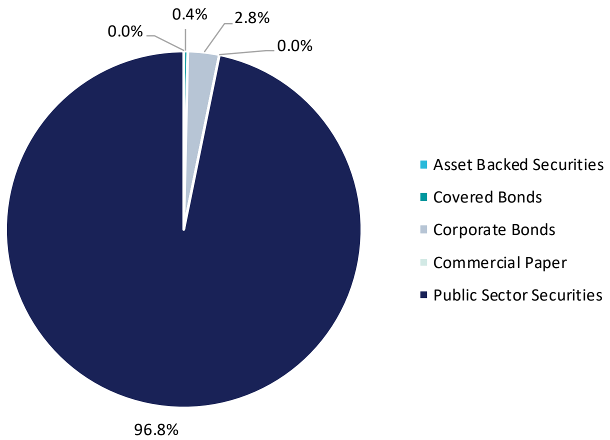


	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-25 - Mar-26	2024	2025	Jan-26 - Mar-26
APP	35,527	27,846	25,290	29,618	14,310	24,596	40,249	24,445	12,017	17,538	42,791	32,768	326,995	334,302	334,255	32,768
PSPP	26,671	20,541	18,261	26,161	13,114	12,568	37,073	20,060	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



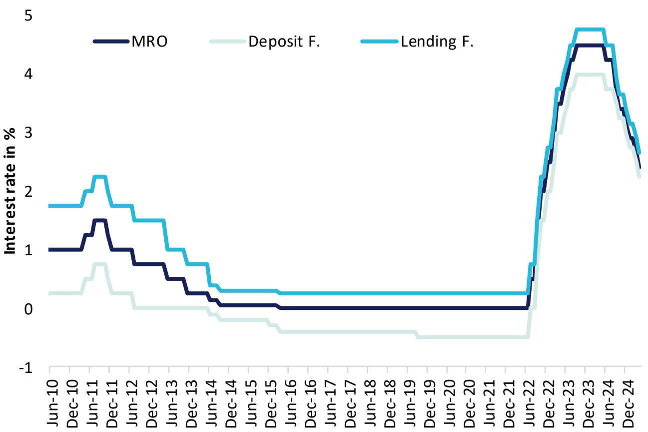
PEPP: Portfolio structure



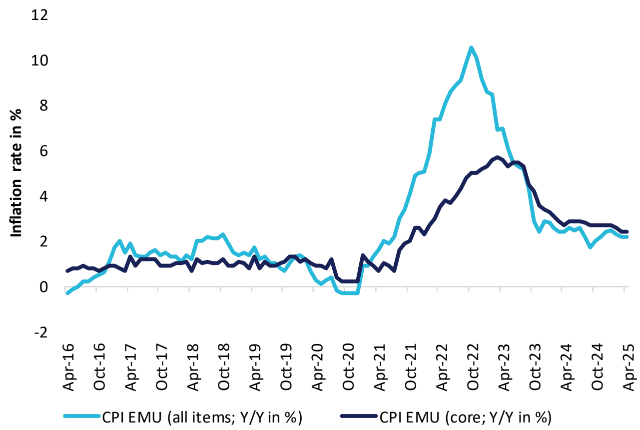
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

ECB key interest rates

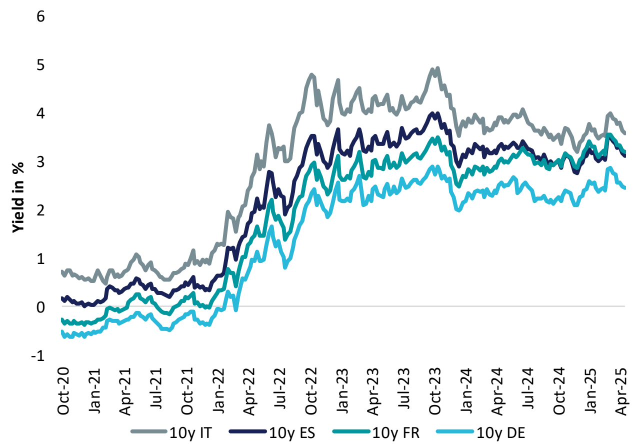


Inflation development in the euro area

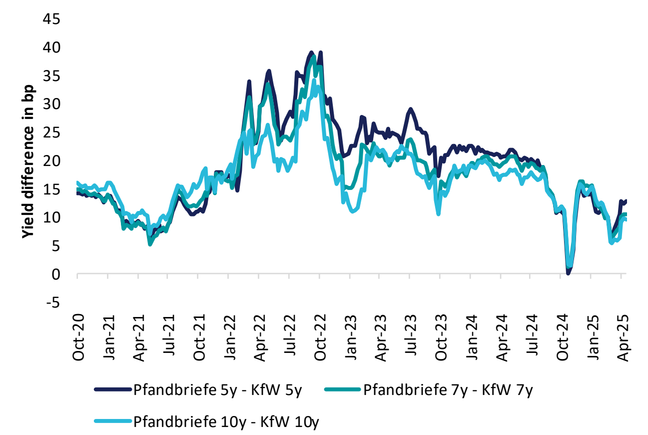


Bund-swap-spread

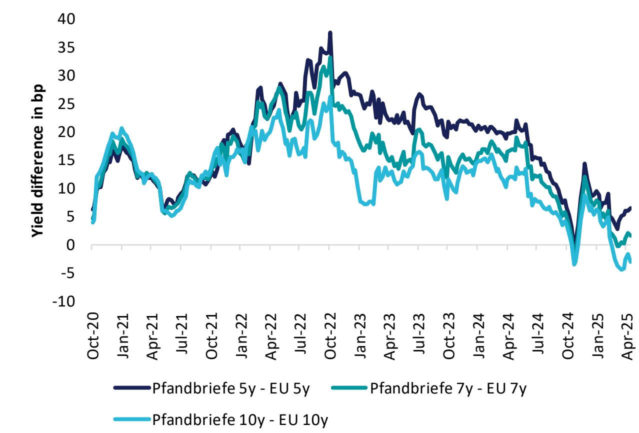
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

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Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
15/2025 ♦ 16 April	▪ Cross Asset: Relative value – What is the state of play?
14/2025 ♦ 09 April	▪ The covered bond universe of Moody's: an overview ▪ SSA review: EUR-ESG benchmarks in Q1/2025
13/2025 ♦ 02 April	▪ Review of the first quarter in the covered bond segment ▪ A review of Q1/2025 in the SSA segment
12/2025 ♦ 26 March	▪ A look at the Danish covered bond market ▪ Teaser: Issuer Guide – Non-European Supras (MDBs) 2025
11/2025 ♦ 19 March	▪ Eligibility of covered bonds for repo transactions ▪ Current risk weight of supranationals & agencies
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 (vdp 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

NORD/LB: Floor Research

NORD/LB: Covered Bond Research

NORD/LB: SSA/Public Issuers Research

Bloomberg: RESP NRDR <GO>

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Appendix
Publication overview

Covered Bonds:

- Issuer Guide – Covered Bonds 2024
- Risk weights and LCR levels of covered bonds (updated semi-annually)
- Transparency requirements §28 PfandBG 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
- Another ECB rate cut: "You say it's urgent, so urgent"

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

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