Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview Covered Bonds

Authors: Lukas Kühne // Dr Frederik Kunze

Primary market: dynamic issuance activities continue

The strong momentum of the primary market, which, as we described in the previous edition of our weekly publication, is reminiscent of the start to a year, continued over the past five trading days as well. In total, nine deals with a volume of EUR 5.5bn were placed with investors. In geographical terms, the majority of the deals originated in the two largest EUR benchmark jurisdictions of France and Germany. The focus of the issuers was apparently on publicly secured covered bonds. All German issuers plus one from France opted for covered bonds featuring public cover assets for their most recent benchmark deals. As such, the volume of publicly placed covered bonds in 2025 rose by EUR 2.75bn to EUR 7.75bn over the past five trading days. In particular, the high average OC ratios of public covered bonds theoretically imply a high issuance potential in this asset class. For more detailed information on individual cover pool data of German Pfandbrief issuers, please refer to our quarterly study "Transparency requirements §28 PfandBG". While we saw Landesbank Baden-Württemberg (LBBW; 10y) and UniCredit Bank (5.5y) come to market from Germany last week, this week it was the turn of Bayerische Landesbank (BayernLB; 7y) to approach investors. In terms of maturity preferences on the part of investors, the LBBW deal with a bid-to-cover ratio of 6.1x impressively demonstrated that long-dated Pfandbriefe remain in demand as well. In the end, the deal went through with a volume of EUR 500m at a reoffer spread of ms +46bp. In contrast, BayernLB and UniCredit Bank (cf. Issuer View) directed their attention more towards the medium maturity segment, issuing EUR 750m and EUR 500m respectively, with both deals featuring reoffer spreads of ms +37bp. Alongside the three German issuers, Caisse Francaise de Financement Local (CAFFIL) also approached investors on the primary market last Wednesday with a new public sector covered bond in social format. Caffil's long-dated bond (12y) met with high investor interest (bid-to-cover ratio 3.2x), meaning that the spread narrowed by six basis points over the course of the marketing phase. Ultimately, this fresh bond carried a volume of EUR 500m. The French duo was completed by Cie de Financement Foncier (CFF) with a dual tranche featuring maturities of 4.1y and 9y. In total, EUR 500m was raised for the shorter bond, with the longer maturity amounting to EUR 750m. Looking at the bid-to-cover ratio (5.0x), investor interest was higher for the shorter-dated bond. The remaining three deals seen over the past five trading days were placed by the issuers Eika Boligkreditt (NO; 7y), Banca Popolare di Sondrio (Sondrio; IT; 5y) and Tatra Banka (SK; 5y). All three issuers limited the final size of their deals to EUR 500m (WNG) upon opening of the books. For Sondrio and Tatra Banka, these transactions represent their first benchmark activities of the year, while Eika Boligkreditt has already been active with a benchmark placed in March 2025. The Sondrio deal (cf. Issuer View) is actually just the fourth benchmark transaction from Italy, leading us to derive a certain degree of catch-up potential from this jurisdiction over the rest of the year. In total, we expect issuances in the amount of EUR 8bn from Italy across the course of 2025.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
Tatra Banka	SK	20.05.	SK4000027389	5.0y	0.50bn	ms +50bp	- / Aaa / -	-
BayernLB	DE	20.05.	DE000BYL0CV6	7.0y	0.75bn	ms +37bp	- / Aaa / -	-
CFF	FR	19.05.	FR001400ZUD8	4.1y	0.50bn	ms +37bp	- / Aaa / AAA	-
CFF	FR	19.05.	FR001400ZUE6	9.0y	0.75bn	ms +64bp	- / Aaa / AAA	-
Eika Boligkreditt	NO	19.05.	XS3079617505	7.0y	0.50bn	ms +40bp	- / Aaa / -	-
UniCredit Bank	DE	15.05.	DE000HV2A0P1	5.5y	1.00bn	ms +37bp	- / Aaa / -	-
Sondrio	IT	14.05.	IT0005651382	5.0y	0.50bn	ms +51bp	AA / - / -	-
LBBW	DE	14.05.	DE000LB4W9X2	10.0y	0.50bn	ms +46bp	- / Aaa / -	-
CAFFIL	FR	14.05.	FR001400ZR04	12.0y	0.50bn	ms +76bp	- / Aaa / -	X

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

Secondary market: stable demand supports secondary market performance

Up to now, the high level of fresh supply of new bonds has been absorbed well by the secondary market, where it has continued to perform as well. The reason for this development is the significant degree of excess demand, in particular for the new deals. This is reflected, among other aspects, in lower secondary market spreads, which have been subject to subtle tightening over the past week. Spread levels have now largely stabilised, although the majority of new issues continue to perform positively on the secondary market. The current focus of investors is on supply in the medium and long-term maturity segments, whereby the trading volumes in long maturities continue to be severely limited in particular.

Moody's: positive impact on cover pool values expected from new mortgage loan regulations in the UK

The rating experts from Moody's recently commented on the rating-specific impact of the UK FCA's proposed changes to the creditworthiness assessment requirements for refinancing existing mortgage loans or reducing the term of loans of this kind. If a new mortgage loan is less affordable for the borrower than the existing loan, a full creditworthiness assessment must be conducted under current regulations. According to Moody's, the FCA's proposed change offers lenders more flexibility to also apply the modified affordability assessment (MAA) method, which was previously used less frequently and does not require a full creditworthiness assessment. This method can be used in cases where refinancing is less affordable for borrowers but still less expensive than a new loan from the existing lender. Moody's assesses the proposed changes as moderately credit positive for the cover pool values of UK issuers. In particular, the rating agency welcomes the lower costs for borrowers as well as the potential reduction of long-term risks associated with mortgage payments in retirement, which should reduce the likelihood of defaults in relation to the mortgage loans included in the cover pool.

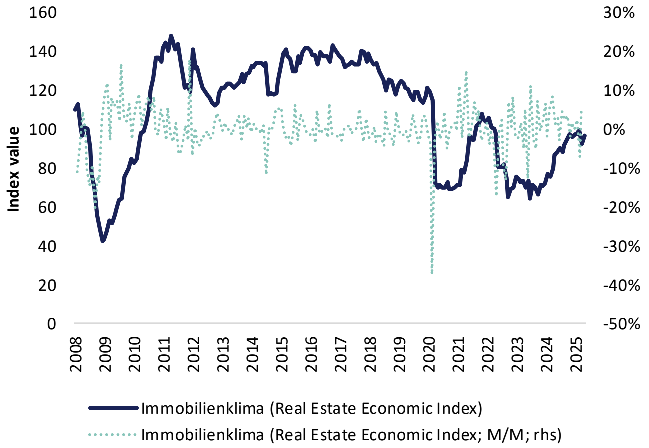
Investor survey for ECBC Factbook 2025

The covered bond market Factbook, compiled by the European Covered Bond Council (ECBC), is set for publication again this year. The NORD/LB Floor Research team will again contribute to this project with a report focused on the investor side. In 2025, the team of authors will once again rely on an investor survey in order to gather assessments from the demand side of the global covered bond market. We look forward to our readers also taking part in the "Covered Bond Investor Survey" under the following link.

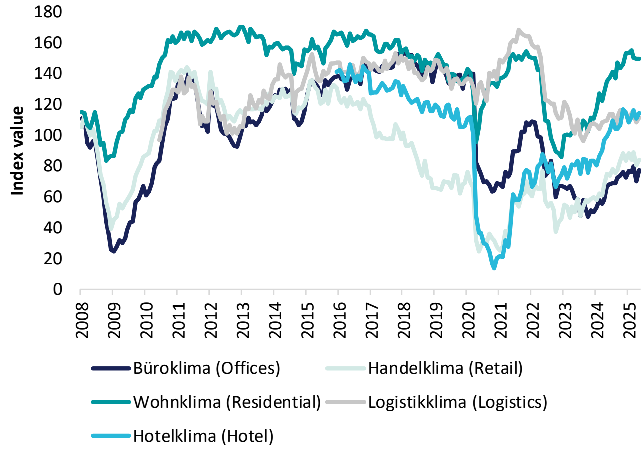
Deutsche Hypo Real Estate Climate Index shaped by volatile development

The Deutsche Hypo Real Estate Climate Index has been one of the most widely observed indicators of the situation on the German real estate market for several years now. Following a setback in April, the mood among real estate experts brightened again significantly as part of the 209th monthly survey (97 points after 92.7 points in the previous month). Nevertheless, the current peak value recorded so far in 2025 of 99.8 points in March was not exceeded this time around. According to Peter Kleinhütten (Head of the Düsseldorf office), this "back and forth" pattern can be attributed to a "mixture of faint hope and persistent uncertainty". Kleinhütten identifies geopolitical risks and the initial difficulties facing the new German government as the primary causes of the real estate index's volatile development. At the same time, however, he notes that the residential and logistics asset classes have remained relatively stable and offered a certain degree of security to investors in spite of these uncertainties. The residential climate (149.8 points) and the logistics climate (111.6 points) remained largely stable (+0.1% Q/Q and +2.6% Q/Q respectively), having recorded only marginal declines versus the values recorded in March. The strongest month-on-month increases, however, were attributable to the office and retail climates, where increases of +9.8% and +4.6% were recorded respectively.

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



Real estate climate by segment



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

Scope: outlook for the European banking sector shaped by uncertainty

This week, the rating experts at Scope presented their Outlook 2025 for the operational environment of 17 European banking sectors. In this, Scope looks at both sector and bank-specific influence factors, in addition to the general economic environment in the respective jurisdictions. Despite the uncertainty surrounding US trade policy, European banks appear to be resilient overall, according to Scope. The rating experts expect that US tariff policy will have a negative impact on the margins and profitability of European banks as a result of weakened economic growth and lower interest rates. Despite a lack of full implementation, the rating experts assess the progress made in the European Banking Union as "credit positive", leading to greater convergence in areas such as regulation, supervision and crisis management. A resilient European banking landscape forms the foundation for successful transactions in the covered bond market, which is primarily dominated by European banks.

BaFin reduces systemic risk buffer for residential properties to 1%

At the end of April 2025, BaFin, the Federal Financial Supervisory Authority in Germany, announced that it would be reducing the systemic risk buffer for residential properties from 2% to 1% and maintaining the countercyclical capital buffer of 0.75% at the same time (cf. press release). The reason for this reduction is that the German residential real estate market is deemed to be less vulnerable; unlike the commercial real estate market, this has continued to stabilise. For example, residential real estate prices have been trending moderately upwards for around 12 months now, while new lending has also recovered since the beginning of 2024. This picture is also reflected in the development of the property price index in the first quarter of 2025 as compiled by the Association of German Pfandbrief Banks (vdp), which is the topic covered in our Focus Article in this present edition of our weekly publication. In the first quarter of 2025, the data from the vdp Property Price Index shows a +3.6% increase in residential property prices compared with the same quarter of the previous year. According to BaFin, persistent cyclical risks have precluded a reduction in the countercyclical capital buffer. Although these have faded over recent years – particularly owing to subdued credit dynamics – the supervisory authority continues to view them as substantial. Moreover, risks such as the uncertainty in relation to future economic developments and trade tensions are moving further into the foreground. Reducing the systemic risk buffer for residential real estate has the potential to stimulate a stronger revival of new residential mortgage lending, in addition to increasing the need for refinancing new business via the covered bond market.

Market overview SSA/Public Issuers

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

KfW Municipal Panel: financial position of German municipalities deteriorates again

The financial situation of German municipalities has deteriorated once again over the last two years – this is the conclusion drawn by the KfW Municipal Panel, which is based on a survey of 2,839 municipalities with more than 2,000 inhabitants (response rate: 34%) in Q1/2025. A total of 36% of municipalities would therefore rate their economic situation in the 2024 budget year as “deficient”, which signifies an increase of +8pps compared with 2022 and +2pps compared with 2023. A further 24% of the finance departments surveyed stated that their financial position in the past year could only be described as “adequate”. The proportion compared with 2022 therefore increased by +2pps. A total of 40% of the municipalities would, however, describe their situation in 2024 as “satisfactory” or better – which was the case for 50% of the participating municipalities two years ago. The results also indicated that greater the number of inhabitants in a municipality, the more likely it was that it would rate its situation as “deficient”. While this proportion stood at 34% for small municipalities with 2,000 to 5,000 inhabitants, 56% of the towns with more than 50,000 inhabitants would rate their financial position as “deficient”. The outlook is not very optimistic either: 84% of the finance departments would expect a “rather adverse” or “very adverse” budget situation for the current 2025 budget year, which more or less corresponds to the previous year’s level. While the proportion of municipalities that expect a “rather adverse” or “very adverse” financial situation in the next five years, at 91%, is roughly on a par with the previous year’s level, it is significantly higher than it was two years ago. “The financial outlook of municipalities has clouded over again, and significantly. The financial uncertainty makes it likely that municipalities will cut back their investment activities,” comments Dr Dirk Schumacher, Chief Economist at KfW, adding that: “The Special Fund for Infrastructure adopted by the Federal Government can help to clear the investment backlog that has accumulated. At the same time, however, the numerous structural financing challenges which municipalities are facing must be urgently addressed.”

ILB: promotional lending rises to around EUR 2bn in 2024

According to a press release, Investitionsbank des Landes Brandenburg (ILB; ticker: ILBB) approved funding of around EUR 2bn (2023: EUR 1.6bn) for almost 4,300 projects in the past financial year. The promotional business was again primarily focused on supporting structural change in Lusatia, which also benefited from funds provided by the EU’s Just Transition Fund (JTF) in addition to the funds from the Structural Development Act. Accordingly, infrastructure funding, at around EUR 1bn (2023: EUR 847m), accounted for the largest share of the promotional result. In addition to promoting the commercial economy (EUR 463m) – through equity and start-up financing among other measures – the promotional result was also supported by substantial commitments in the area of residential construction (EUR 413m). Since demand exceeded the funds available in this area that is so important to society, further funding commitments are said to be likely in the current year. Promotion of EUR 62m (2023: EUR 74m) was attributable to the segment in 2024. The promotional bank again expects new commitments of just under EUR 2bn for 2025.

WIBank: significant increase in new business in 2024; balance sheet total also up

Wirtschafts- und Infrastrukturbank Hessen (ticker: WIBANK) awarded promotional loans of EUR 3.9bn in financial year 2024 and therefore increased its new business volume by around +26% compared with the previous year (2023: EUR 3.1bn). The balance sheet total rose by around EUR +1.8bn to EUR 30.0bn in response to the demand for more funding for promotion-related business and a change in the disclosure of two special funds in the balance sheet based on their retransfer to the state of Hesse. As far as the individual segments are concerned, the "provide & modernise" segment accounted for the lion's share of new business, at 59%. At around EUR 2.3bn, the amount was increased by EUR +300m compared with the previous year, with this increase being primarily attributable to strong demand for infrastructure financing. In the "construct & live" segment, which contributed around 19% to new business in 2024, new business volume almost doubled, expanding to around EUR 746.0m (2023: EUR 387.7m). The new business volume also increased sharply to EUR 778.0m (2023: EUR 616.8m) in the "found & grow" segment. This was down to the approval of two large-scale guarantees to Hessische Landgesellschaft plus significantly increased disbursements from the European Agricultural Guarantee Fund. Approvals associated with a new business volume of EUR 60.7m (2023: EUR 72.0m) were issued in the "train & employ" segment. In total, the annual net profit came to EUR 26.5m, which was EUR +1.1m more than in 2023. On the earnings side, net interest and commission income increased by +12.0m to EUR 181.6m. Of this figure, EUR 86.9m was attributable to net commission income, which rose by EUR +10.2m in response to the deferment of earnings from net interest and commission income resulting from the return of two special funds. A total of EUR 95.4m (2023: EUR 93.6m) was attributable to net interest income including earnings from shares in affiliated companies, which benefited from changes in interest rates and therefore more than offset the partial deferment of earnings. On the other hand, administrative expenses increased by EUR +13.9m to EUR 125.6m compared with 2023.

Bremen: finance department publishes investment report

The senate of the state of Bremen (ticker: BREMEN) has published its investment report for 2023, which provides information on the key metrics of its direct and indirect investments. It shows increases in both grants to companies and grants to in-house operations in the year under review: while the former rose by EUR +59.0m to EUR 214.9m, the latter were also up on the previous year, at EUR 153.3m (EUR +9.3m compared with 2022). Public sector companies received grants of EUR 53.6m, which was EUR +2.3m more than in the previous year. This was offset by increased repayments from the companies to the Bremen state budget, which totalled EUR 22.7m (2022: EUR 16.8m) in 2023, whereby this increase was primarily attributable to higher repayments from BLG Logistics Group (EUR +4.8m) and Governikus GmbH & Co. KG (EUR +1.5m). Repayments from in-house operations came to EUR 452,000. With regard to the annual results of individual companies, the losses at Bremer Straßenbahn AG (BSAG) and Klinikverbund Gesundheit Nord (GeNo) stood out. "Financial year 2023 was in part still defined by the effects of various crises. […] Nevertheless, given the circumstances, the companies succeeded in achieving a positive annual result. Companies' repayments to the budget were almost EUR 6.0m higher in 2023 than in 2022. This is evidence of the companies' performance even in times of crisis," said the Minister of Finance Björn Fecker.

Progress with the establishment of an MDB to finance European armament projects

Following the publication of the European Commission's ideas for the creation of a European defence union in a white paper in March, the establishment of a multilateral development bank, which is expected to finance these armaments projects, is increasingly taking shape. To recap: in order to boost European defence capabilities, the European Commission had called on Member States of the European Union to provide funds of around EUR 800bn for defence in future. Funding is to be ensured firstly by activating the Maastricht Treaty's escape clause and secondly through a newly created credit facility of EUR 150bn – Security Action for Europe (SAFE programme). In the wake of this, a group of MEPs also tabled a joint proposal to establish a "Defence, Security and Resilience (DSR)" Bank in the European Parliament, which will act as a multilateral bank and will ensure the funding of armaments projects by issuing low-interest bonds – backed by the typical AAA rating for multilateral development banks. The favourable terms are then to be passed onto the respective Member States. However, the first issue cannot be expected until the third or fourth quarter of 2026 and even this plan must be seen as ambitious. The funding of companies in the defence industry is also to be facilitated through guarantees to lending banks from DSR Bank. By and large, there is strong support for the concept and representatives of the EU are in advanced discussions with the relevant decision-makers in European Member States. Discussions have also taken place in the context of the SAFE programme between representatives of the EU and the UK: last Monday, both parties agreed to work together more closely, particularly on questions of security and defence, and concluded an agreement to this effect. It also envisages the UK having access to the recently adopted SAFE programme, which is worth EUR 150bn, in addition to being allowed to participate in joint procurement measures, which would also allow British armaments companies to participate in tenders for the EU's defence products.

ECB sets up an innovation platform for a digital euro

The ECB has started an innovation platform in connection with the "Digital Euro (D€)" project to investigate possible payment functions and applications for the digital euro jointly with almost 70 market participants – including representatives from trade, fintech companies, start-ups, banks and other payment services providers. While the "pioneers workstream" is expected primarily to test how conditional payments can be implemented at a technical level using the digital euro and how simulated interfaces to the digital euro could be integrated in participants' platforms, the "visionaries workstream" is expected to carry out analyses of potential applications. The findings gained from the two workstreams are to be published in a report by the ECB later in the year. Apart from the preparations and tests for the possible introduction of a digital euro, the digitalisation of capital markets with regard to the issue of digital bonds continues to gather pace: for instance, some issuers included in our coverage – including KfW, WIBank and L-Bank among others – have already issued digital bonds successfully or participated in initiatives by the ECB to test these processes in the recent past.

Primary market

Following a busy previous week, momentum also remained high in the trading week under review. The European Investment Bank (ticker: EIB) got the ball rolling by raising EUR 4bn (3y) within the framework of its EARN programme at ms +10bp. At the end of the marketing phase, the order book totalled EUR 28.5bn, meaning that the bid-to-cover ratio came to 7.1x. Another issuer from the European supra segment, namely EFSF, also approached investors under its identical ticker and placed EUR 3bn (7y) at ms +34bp (guidance: ms +36bp area, order book: EUR 9.5bn). The International Development Association (ticker: IDAWBG), which is part of the World Bank Group, also ventured onto the market with a sustainable development bond (5y) worth EUR 2bn. The reoffer spread was ms +28bp (guidance: ms +30bp area). Further supply in the ESG segment was provided by Spain's Instituto de Crédito Oficial (ticker: ICO), which issued a green bond worth EUR 500m (7y) at SPGB +5bp (corresponded roughly to ms +40bp). Two issuers from the Netherlands also seized the moment: both BNG Bank (ticker: BNG) and NWB (ticker: NEDWBK), which we looked at in greater depth in our recently published Issuer Guide 2025 – Dutch Agencies, opted for a maturity of five years for their deals, each placing EUR 2bn at ms +31bp in the process. From the other side of the Atlantic, the two Canadian provinces Quebec (ticker: Q) and British Columbia (ticker: BRCOL) put their money where their mouth is. The former issued EUR 3bn (10y) at ms +72bp (guidance: ms +74bp area), the latter placed EUR 1.75bn (15y) at ms +90bp (guidance: ms +92bp area). The order books totalled EUR 11.2bn and EUR 10.4bn respectively. We also have three sub-benchmarks on the notepad: while EUROFIMA (ticker: EUROF) placed a green bond worth EUR 400m (15y) at ms +74bp (guidance: ms +77bp area, order book: EUR 4.2bn) in the previous week, France's Ville de Paris (ticker: VDP) ventured onto the market at the beginning of the new week and raised fresh capital of EUR 350m (15y) at OAT +13bp (corresponded to roughly ms +103bp). The city of Stockholm (ticker: SHOMSE) also met its funding needs with its first issue in EUR, raising EUR 75m in the process. It chose a floater (5.75y), which was priced at +31bp over the 3-month Euribor. The European Union (ticker: EU) was again active on the market, topping up three of its bonds in the course of its fifth bond auction in H1/2025. In the process, the amount of its 2028 bond (coupon: 3.125%) was increased by EUR 2.3bn. The 2031 bond (coupon: 2.5%) was increased in volume by EUR 1.6bn and the 2034 security (coupon: 3.25%) by EUR 1.2bn. The bid-to-cover ratios were 1.45x, 1.75x and 1.34x. Speaking of the EU: its annual two-day budget conference, at which the future development of the EU as an issuer on the capital market in addition to the form of future budgets are to be discussed, is currently taking place. New mandates of interest: KEXIM (roadshow, 3-5y), MAGYAR (BMK, 5y), BRABUR (EUR 500m, WNG, 10y) and AFDB (5y BMK, social).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BRCOL	CA	20.05.	XS3081339072	15.0y	1.75bn	ms +90bp	AA+ / Aa1 / A+	-
ICO	ES	20.05.	XS3080788683	6.9y	0.50bn	ms +40bp	A- / Baa1 / A	X
IDA	SNAT	20.05.	XS3080786398	5.0y	2.00bn	ms +28bp	- / Aaa / AAA	X
EFSF	SNAT	17.05.	EU000A2SCAU4	7.3y	3.00bn	ms +34bp	AA- / Aaa / AA-	-
Q	CA	15.05.	XS3077376047	10.0y	3.00bn	ms +72bp	AA- / Aa2 / -	-
NEDWBK	NL	15.05.	XS3077386434	5.0y	2.00bn	ms +31bp	- / Aaa / AAA	-
BNG	NL	14.05.	XS3076285389	5.0y	2.00bn	ms +31bp	AAA / Aaa / AAA	-
EIB	SNAT	14.05.	EU000A4EBBP0	3.3y	4.00bn	ms +10bp	AAA / Aaa / AAA	-

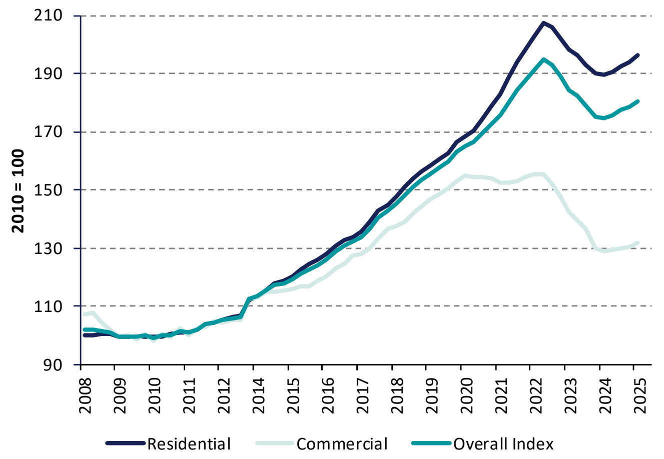
Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

Covered Bonds
Development of the German property market (vdp index)
Author: Dr Frederik Kunze

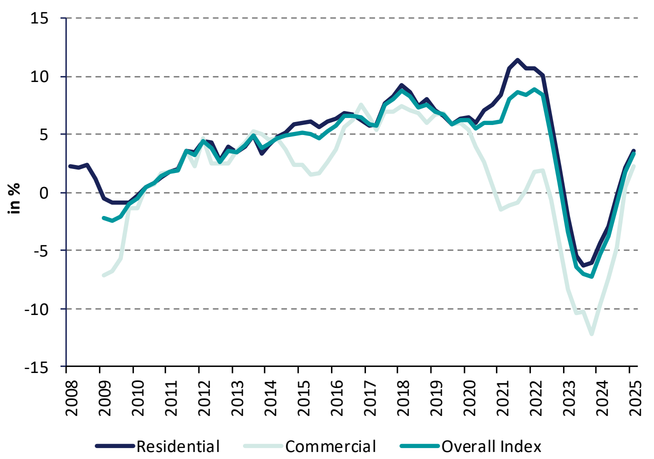
vdp: property price index climbs to 180.5 points

A few days ago, the latest figures for price trends on the German property market were released. The latest information on the vdp property price index relates to the first quarter of 2025. The vdp property price index is based on real transaction data and therefore reflects actual purchase prices and rents. The data is based on information from more than 700 credit institutions in Germany. In the first quarter of 2025, the overall index rose for the fourth consecutive quarter (+1.2% Q/Q) to its current level of 180.5 points (baseline year 2010 = 100 points). The overall index was therefore +5.8 points higher than at the end of the first quarter of 2024. The main driver of the year-on-year price increase was the positive development in residential property prices (+3.6%), while the rise in prices of commercial properties (+2.3%) was lower. On a quarterly basis, the price increase for residential property (+1.2%) was slightly stronger than for commercial property (+1.0%). In our view, the sustained upward trend in property prices suggests a lasting stabilisation of the German property market. Following declines in property prices across the board as recently as 2023, the countermovement began a few quarters ago. The signs of recovery still tend to be stronger for residential property prices.

Index level: overall, residential and commercial



Year-on-year change: all, residential and commercial



Source: vdp, NORD/LB Floor Research

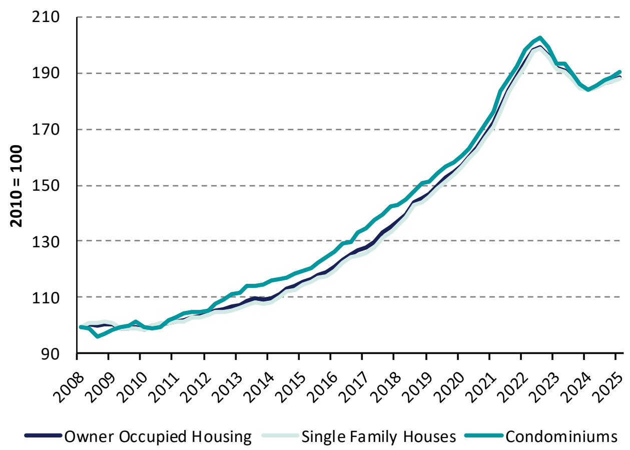
Residential properties: prices of owner-occupied homes by 3.3% Y/Y

In the residential property segment, the sub-category of multi-family housing accounted for the strongest increase (+4.8% Y/Y or +1.7% Q/Q), while an increase of 2.3% Y/Y (+0.7% Q/Q) was reported for owner-occupied homes. The momentum was most pronounced for owner-occupied homes (+3.3% Y/Y or +1.0% Q/Q). The upward trend is therefore continuing in the new reporting year across all residential property classes that we cover.

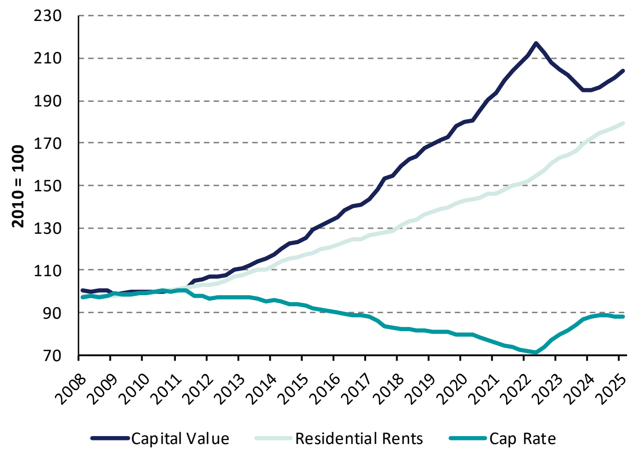
vdp: price trend "should not be overestimated"

In the latest press release, Jens Tolckmitt, Chief Executive of the vdp, makes it clear that although the price trend at the beginning of the year should be seen as positive, he warns against overestimating this momentum. He additionally notes that some "potentially market-relevant announcements" only emerged towards the end of the first quarter of 2025. In this context, he referred to the threat of trade disputes and the announcement of debt-financed investments in Germany. The transaction volume – especially in the commercial property segment – also remains rather subdued. Looking ahead to the second quarter of 2025, Tolckmitt stated that it now remains to be seen whether prices "can confirm the clear upward trend."

Owner-occupied housing



Multi-family housing



Source: vdp, NORD/LB Floor Research

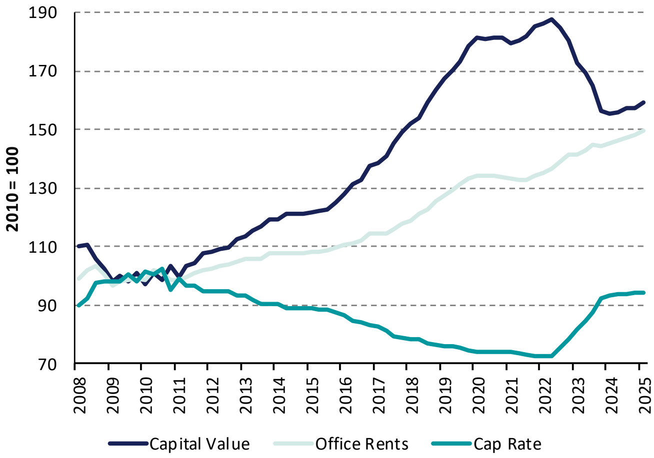
Top 7 housing markets: strong price trend in all cities

Prices for residential property in the top 7 cities (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) rose by an average of +4.6% year on year. The price increases were the most pronounced in Frankfurt am Main (+5.2% Y/Y) and Cologne (+5.2% Y/Y). In terms of new rental contracts in multi-family housing, the vdp figures show an average increase of +4.4% in the top 7 cities.

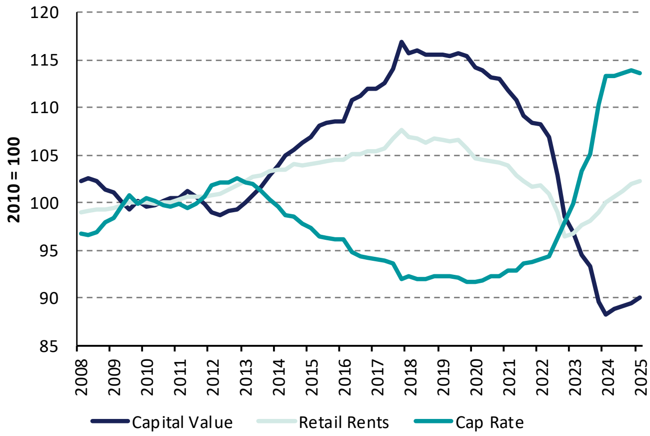
Commercial property prices continue to recover in the first quarter of 2025

Commercial property prices continued to recover in the period under review, resulting in an increase of +2.3% compared with the first quarter of 2024. We should emphasise that prices for both office buildings (+2.4%Y/Y or +1.1% Q/Q) and retail buildings (+2.0% Y/Y or +0.6% Q/Q) increased. New rental contracts also continued their upward trend in the commercial property sub-segment. The +3.1% Y/Y increase in office rents is the strongest rise since the third quarter of 2023. On the retail buildings side, momentum has slowed a little recently: in the first quarter of 2025, new rental contracts rose by +2.3% Y/Y, compared with an increase of +3.0% Y/Y in the previous quarter. The vdp property interest rate index, which is used as an indicator for yields, rose by +0.6% Y/Y for office buildings and by +0.3% Y/Y for retail buildings, meaning that yield increases (especially as a result of the rise in prices) are now weaker than in previous quarters.

Office buildings



Retail buildings



Source: vdp, NORD/LB Floor Research

Conclusion

In its press release, the vdp refers to a "positive start to the year for property prices". At the same time, caution is advised when interpreting the figures for the first reporting period of the new year. After all, the vdp property price index does not yet adequately reflect some special factors. Nevertheless, we see it as an important signal that the highly regarded index can continue its upward trend. Ultimately, the overwhelming majority of the sub-indices are showing signs of a noticeably more pronounced momentum. For Tolckmitt, Chief Executive of the vdp, however, this is precisely where the principle of caution comes into play, when he clarifies: "Even though we have seen slight growth rates in commercial properties for the fourth quarter in succession, we cannot yet be sure of a sustained upswing phase on the commercial property market – economic and geopolitical developments remain factors of uncertainty."

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

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

Banks for regional authorities dominate the Nordic agency market

With outstanding bonds totalling the equivalent of around EUR 214bn, distributed over a total of 1,174 bonds issued by six agencies, the Scandinavian (or Nordic) agency market is medium sized in a European comparison. The players within this market are very similar in many respects. Institutions whose mission is to finance local authorities play a particularly key role. Kommunalbanken (KBN) from Norway, Kommuninvest i Sverige from Sweden, Denmark's KommuneKredit and the Finnish organisation Municipality Finance (MuniFin) account for a large portion of the bonds issued by Nordic agencies that are currently in circulation. Given that they lend to municipalities, municipal associations, regions and public sector companies, there is a constant funding requirement that is largely covered through capital market activities. As measured in terms of total assets at year-end 2024, the largest Nordic agency is the Swedish Kommuninvest i Sverige, while Finland's MuniFin is the second-largest institution. In addition to municipal financiers, other institutions tasked with handling export financing in their respective countries are also active. For example, the mandate of Svensk Exportkredit (SEK) is based on managing the state export financing scheme in Sweden. In this case, specialised lending leads to a funding requirement that is heavily influenced by the demand for export credit and, consequently, by growth in the Swedish export industry. The Finnish agency Finnvera, which is involved in financing small and medium-sized enterprises (SMEs) in addition to export development activities, has a similar mandate.

Nordic agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weight
Kommunalbanken (KBN; Norway)	Municipal bank	100% Norway	Maintenance obligation	20%
Svensk Exportkredit (SEK; Sweden)	Export financier	100% Sweden	-	20%
Kommuninvest i Sverige (Kommuninvest; Sweden)	Municipal bank	100% Kommuninvest Cooperative Society	Joint and several guarantee	0%
Finnvera (Finland)	Export financier	100% Finland	Explicit guarantee	0%
Municipality Finance (MuniFin; Finland)	Municipal bank	53% municipalities, municipal associations and companies in municipality ownership; 31% municipal pension institutions; 16% Finland	Joint and several guarantee	0%
KommuneKredit (Denmark)	Municipal bank	100% all Danish municipalities and regions	Joint and several guarantee	0%

Source: Issuers, NORD/LB Floor Research

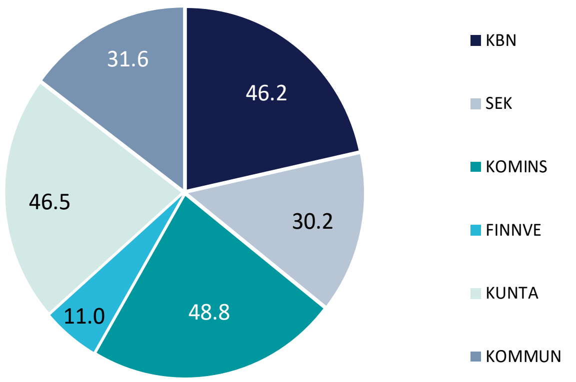
Joint and several liability

Local authorities bear joint and several liability for three of the four municipal financiers (Kommuninvest, MuniFin, KommuneKredit). This means that each individual local authority must assume responsibility for all of the liabilities of the respective municipal bank. If a liability event occurs, the creditors may demand performance or satisfaction of the claim from the entirety of the guarantors. The guarantors are obliged to service the overall claim even if one of the guarantors is unable to make the necessary payments. The respective liability quotas of the local authorities result from regulations in the internal relationship, although in the external relationship there is always an entitlement to full satisfaction of the claims.

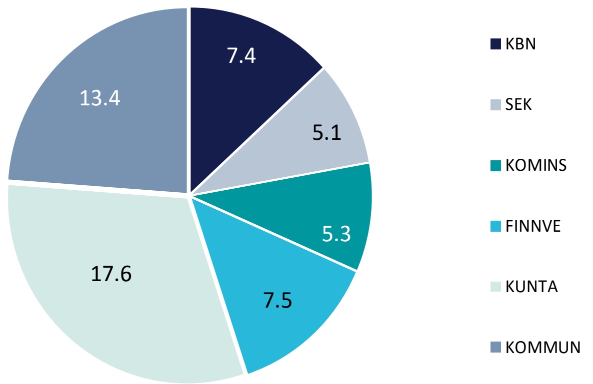
Maintenance obligation

A maintenance obligation exists for Norway's KBN, which requires the Norwegian state to provide KBN with the funding necessary for its functioning through a Letter of Support. The state therefore has a duty to ensure that KBN's finances are managed in such a way that proper business operations are maintained and KBN's liabilities are serviced. The maintenance obligation therefore requires the guarantor to ensure solvency. De facto, this arrangement with the Norwegian state corresponds to an implicit (liquidity) guarantee.

Outstanding equivalent bond volumes (EURbn)



Outstanding EUR benchmarks (EURbn)



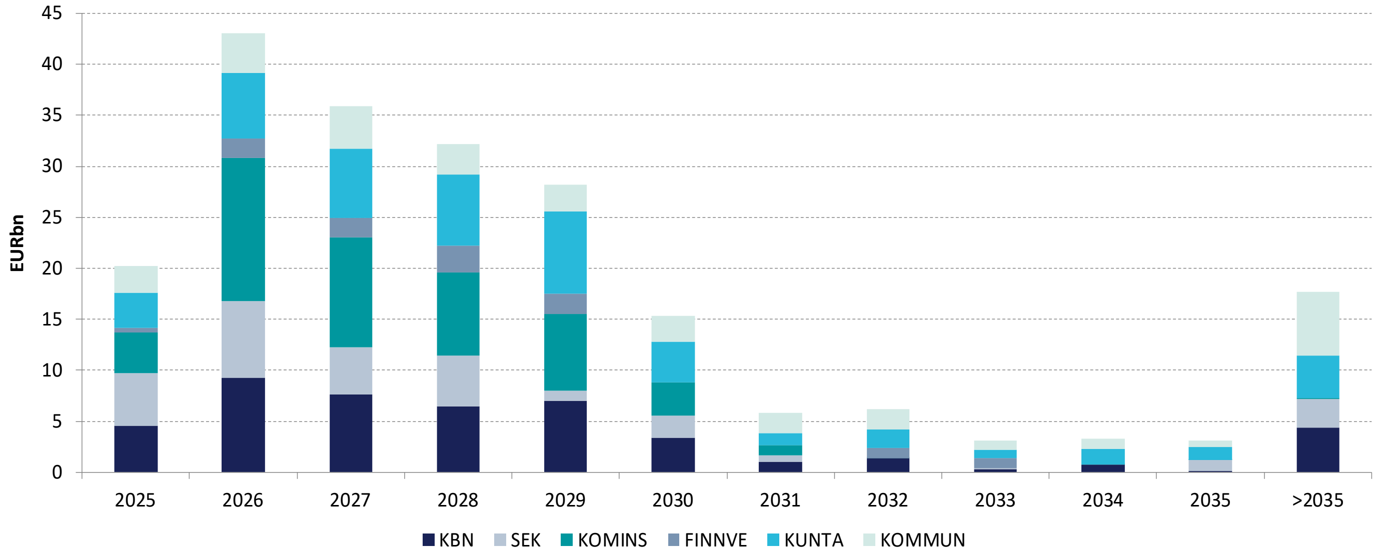
NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Foreign currencies are converted into EUR at rates as at 20 May 2025.
Source: Bloomberg, NORD/LB Floor Research

Nordic agencies – an overview (EURbn/EUR equivalent)

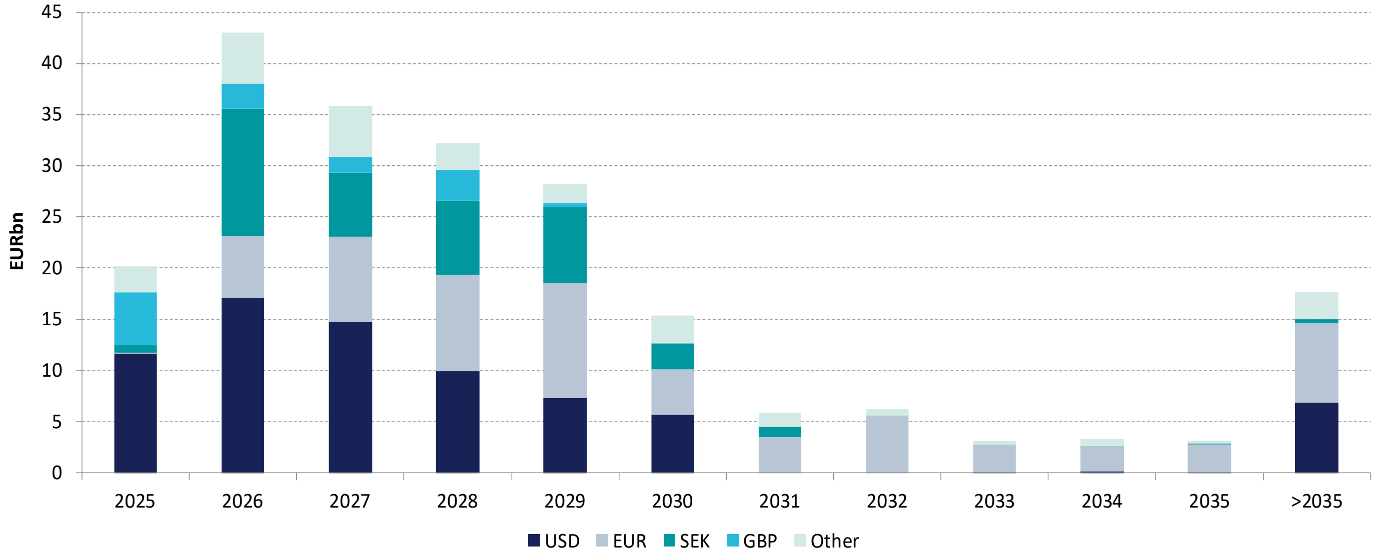
Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding volume	Of which in EUR volume	Funding target 2025	Maturities 2025	Net supply 2025	Number of ESG bonds	ESG volume
KBN	KBN	- / Aaa / AAA	46.2	7.9	9.7	8.1	1.6	14	4.0
SEK	SEK	- / Aa1 / AA+	30.2	6.7	8.8	7.7	1.1	12	3.0
Kommuninvest	KOMINS	- / Aaa / AAA	48.8	5.3	14.0	10.6	3.4	12	7.7
Finnvera	FINNVE	AA+ / Aa1 / -	11.0	7.5	1.5	0.4	1.1	0	0.0
MuniFin	KUNTA	- / Aa1 / AA+	46.5	22.3	9.0	6.5	2.5	13	6.0
KommuneKredit	KOMMUN	- / Aaa / AAA	31.6	14.5	5.0	3.7	1.3	7	4.0
Total			**214.3**	**64.2**	**48.0**	**37.0**	**11.0**	**58**	**24.7**

NB: Foreign currencies are converted into EUR at rates as at 20 May 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

Nordic agencies: outstanding bonds by issuer



Nordic agencies: outstanding bonds by currency



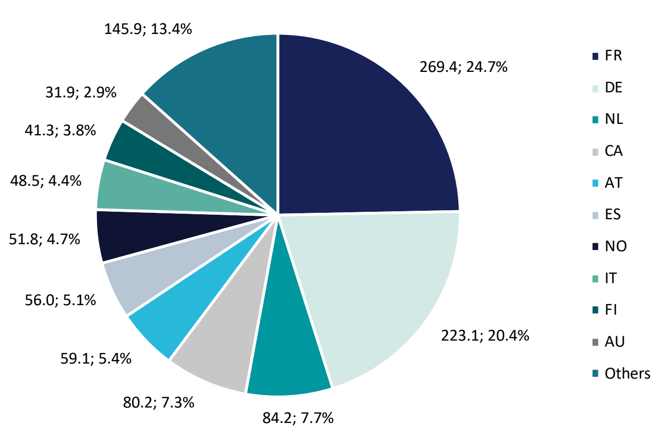
NB: Foreign currencies are converted into EUR at rates as at 20 May 2025.
Source: Bloomberg, NORD/LB Floor Research

Conclusion

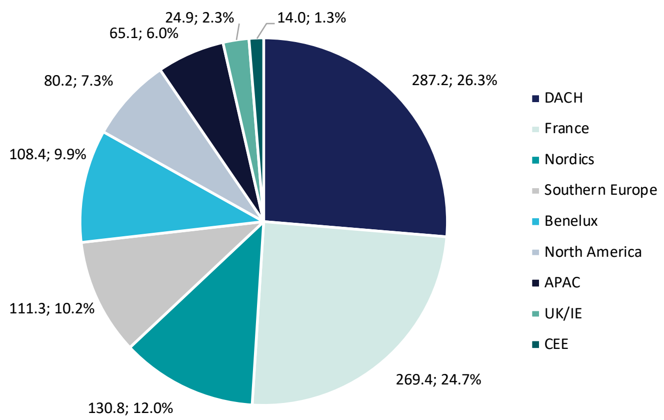
The Nordic agency market is a significant player when compared with other European markets, especially regarding foreign currency bonds. New issues are also at a high level, producing a broad supply in a range of foreign currencies. The EUR plays a not insignificant role in this respect. Looking towards the ESG segment, with the exception of Finnvera, all of the agencies covered in this publication are active in this area, with a distinct focus on the subcategories of green and social. We would expect state support to be forthcoming in the event that any of the institutes covered in the full Issuer Guide were to encounter financial difficulties. Theoretically speaking, the importance of the respective institutions for their owners or states is too great for them not to step in should this ever be required. It should be noted that since no explicit guarantees are in place, KBN and SEK bonds are assigned a risk weight of 20% under CRR/Basel III.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



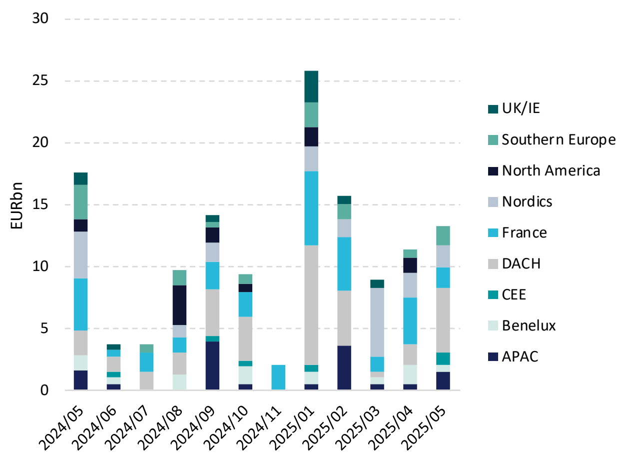
EUR benchmark volume by region (in EURbn)



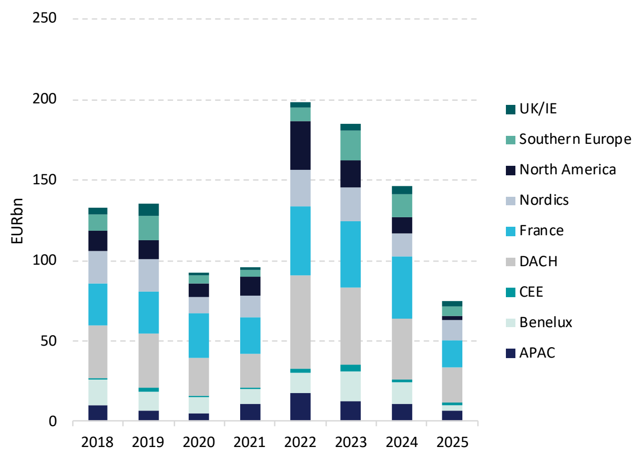
Top-10 jurisdictions

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	260	32	0.97	9.2	4.6	1.64
2	DE	223.1	311	49	0.66	7.7	3.7	1.66
3	NL	84.2	85	4	0.93	10.3	5.4	1.45
4	CA	80.2	58	1	1.36	5.6	2.4	1.54
5	AT	59.1	98	5	0.59	7.9	3.8	1.62
6	ES	56.0	46	5	1.08	10.7	3.3	2.29
7	NO	51.8	62	12	0.83	7.1	3.4	1.32
8	IT	48.5	63	6	0.75	8.3	3.9	2.10
9	FI	41.3	47	5	0.86	6.6	3.0	1.80
10	AU	31.9	32	0	1.00	7.5	3.4	1.89

EUR benchmark issue volume by month

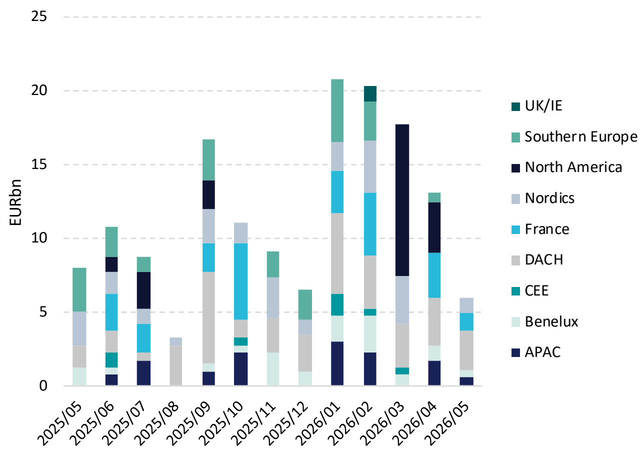


EUR benchmark issue volume by year

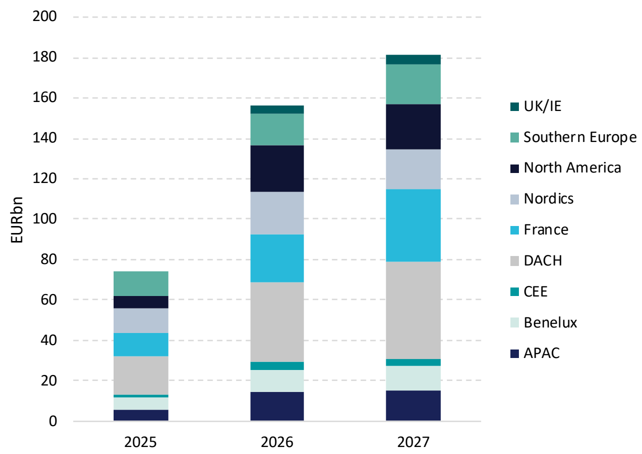


Source: Market data, Bloomberg, NORD/LB Floor Research

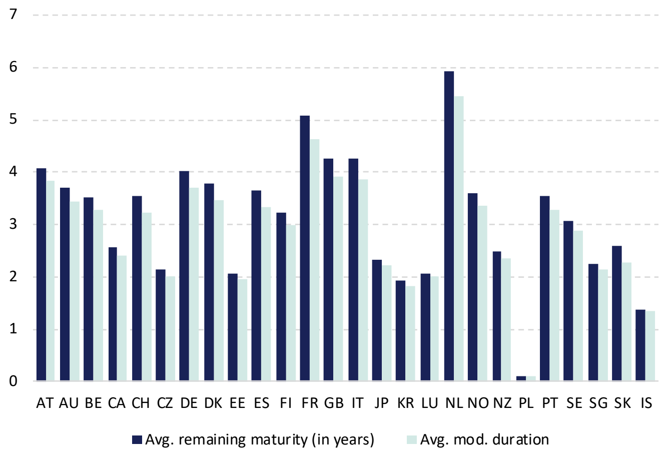
EUR benchmark maturities by month



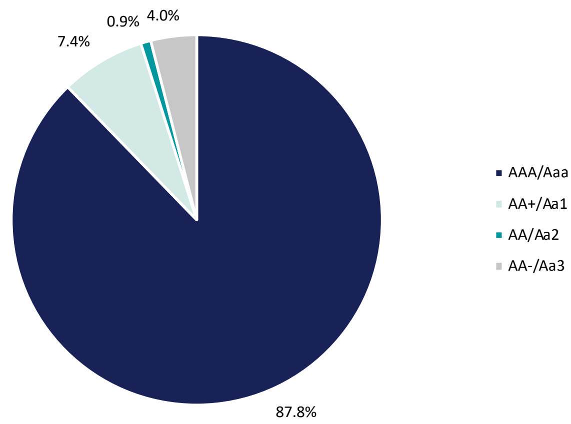
EUR benchmark maturities by year



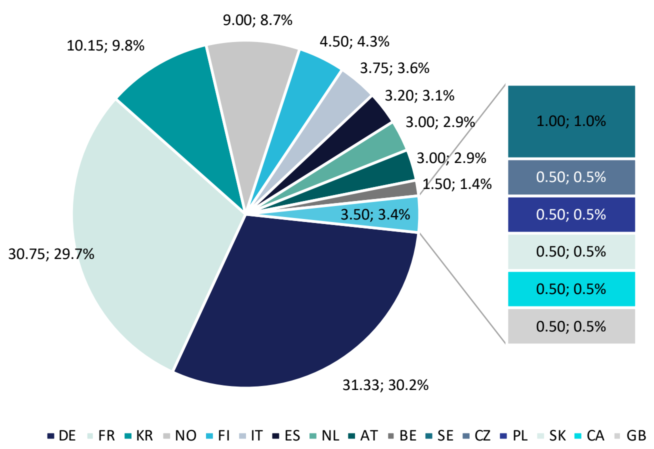
Modified duration and time to maturity by country



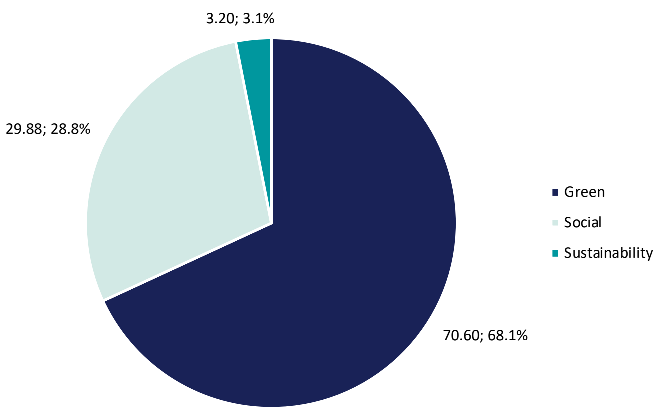
Rating distribution (volume weighted)



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

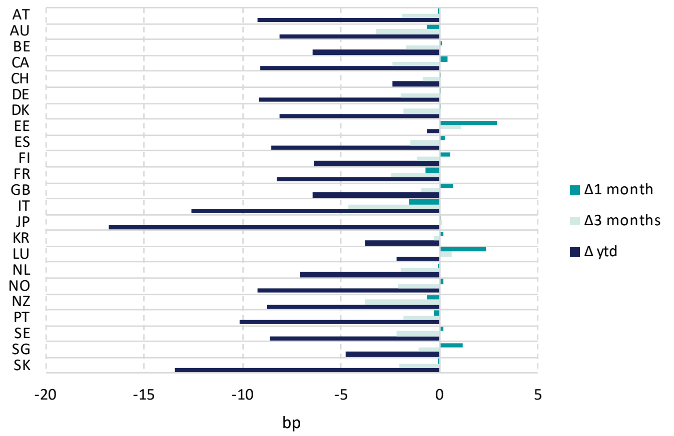


EUR benchmark volume (ESG) by type (in EURbn)

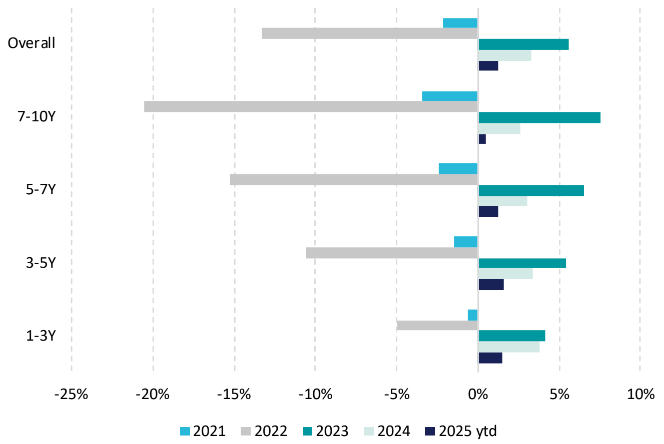


Source: Market data, Bloomberg, NORD/LB Floor Research

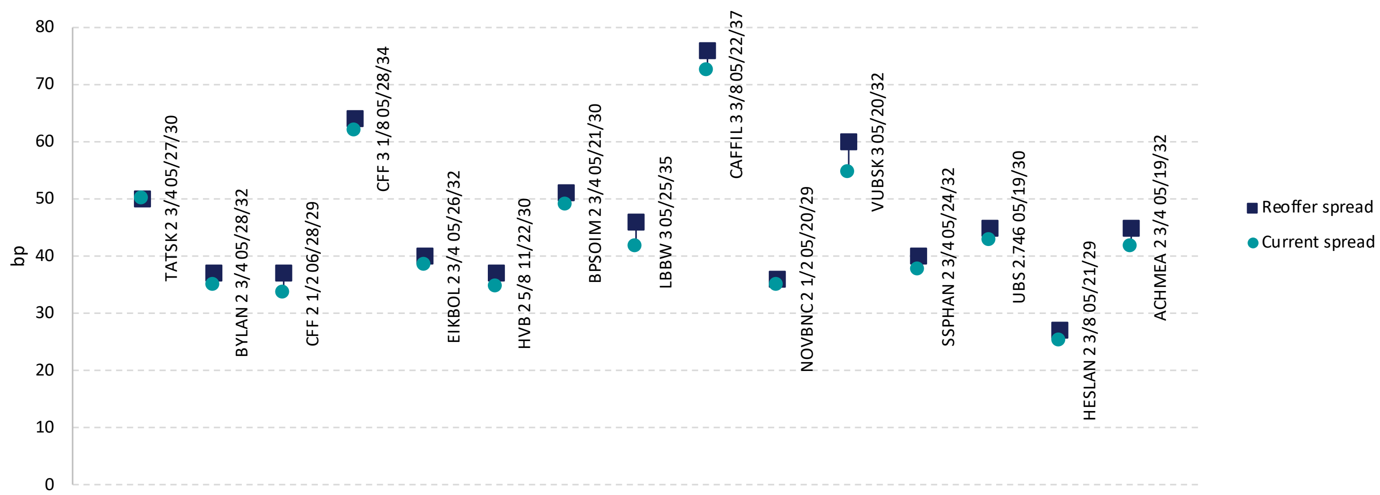
EUR benchmark emission pattern



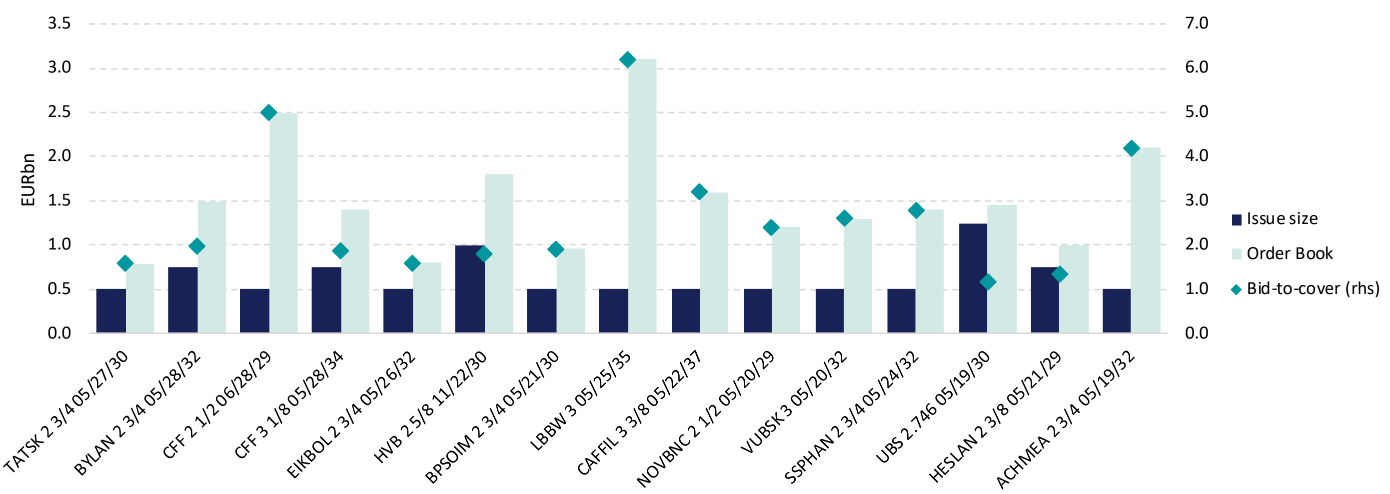
Covered bond performance (Total return)



Spread development (last 15 issues)



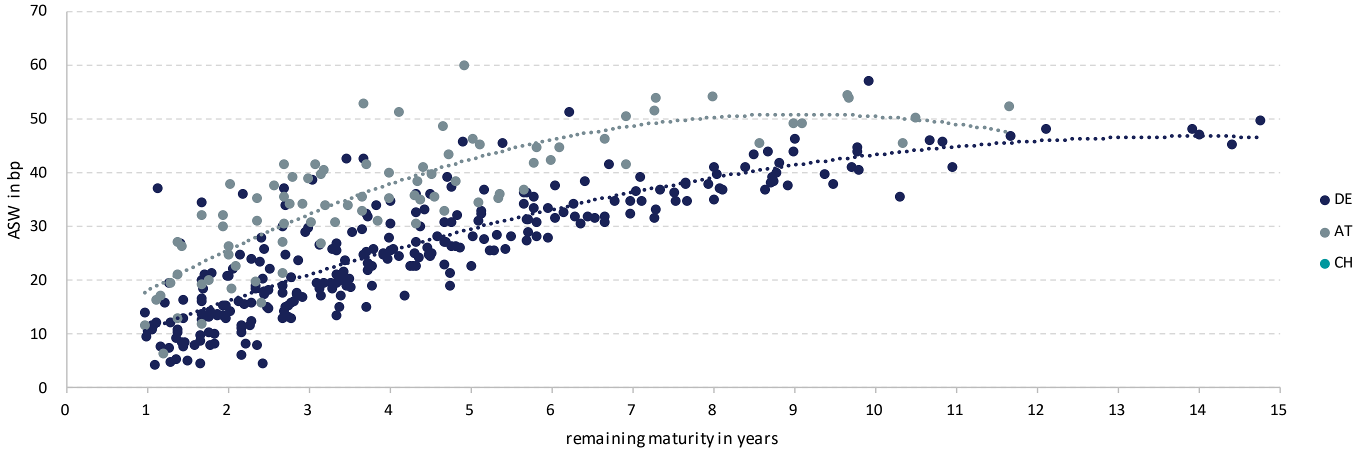
Order books (last 15 issues)



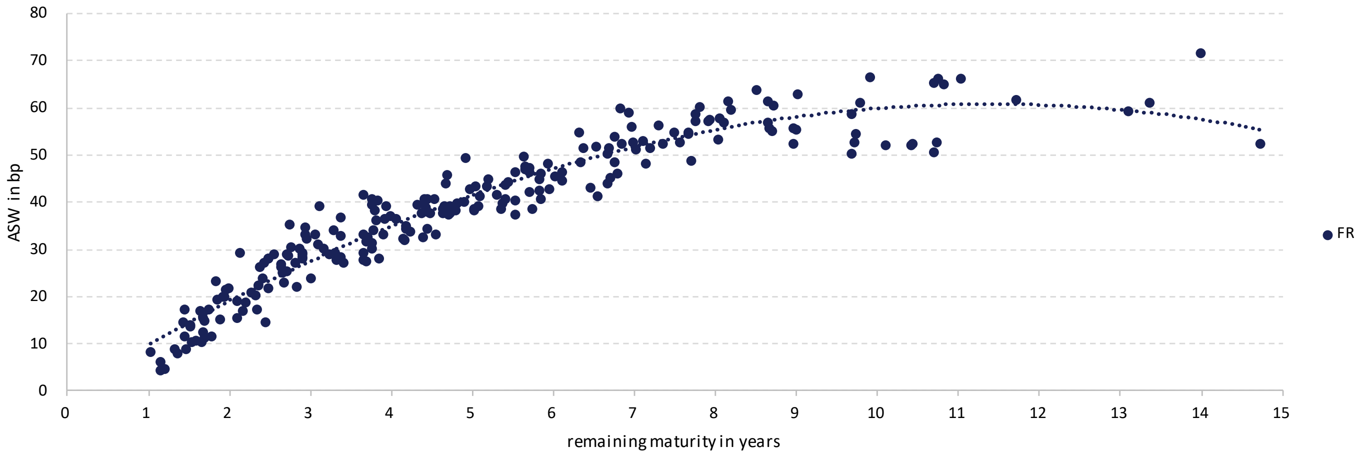
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

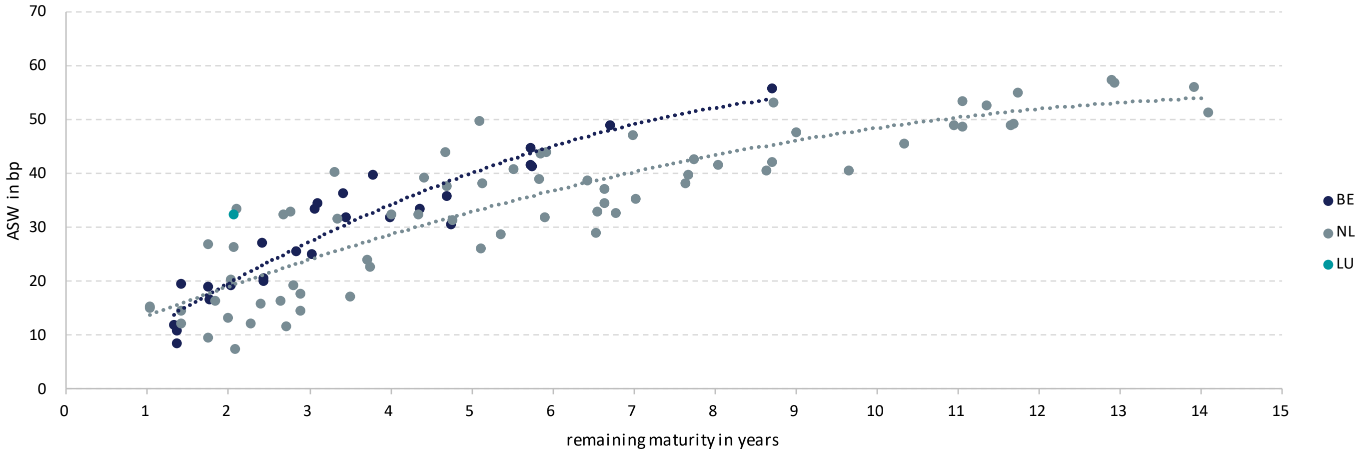
DACH



France

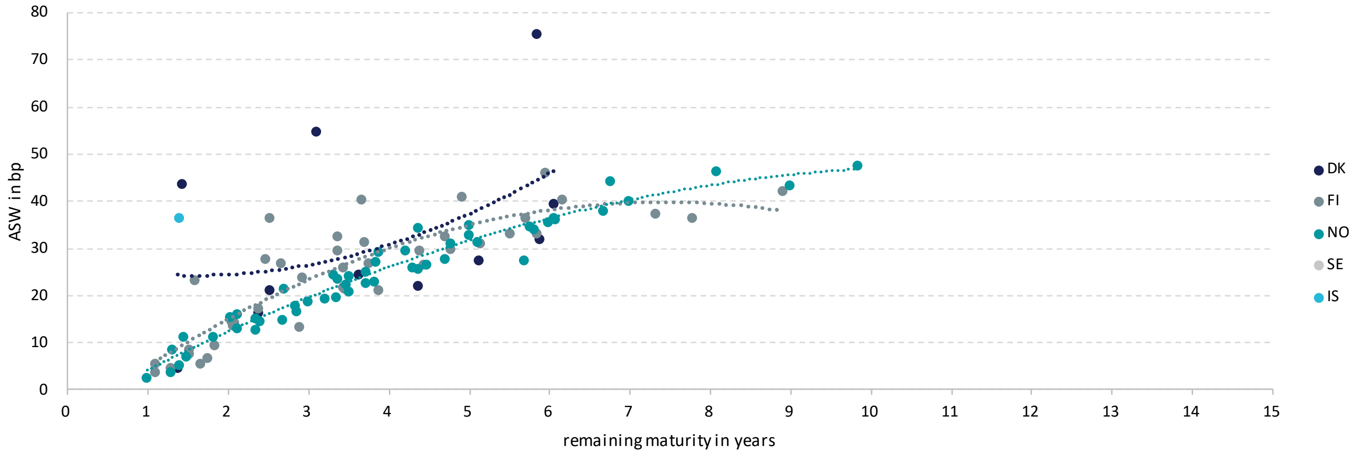


Benelux

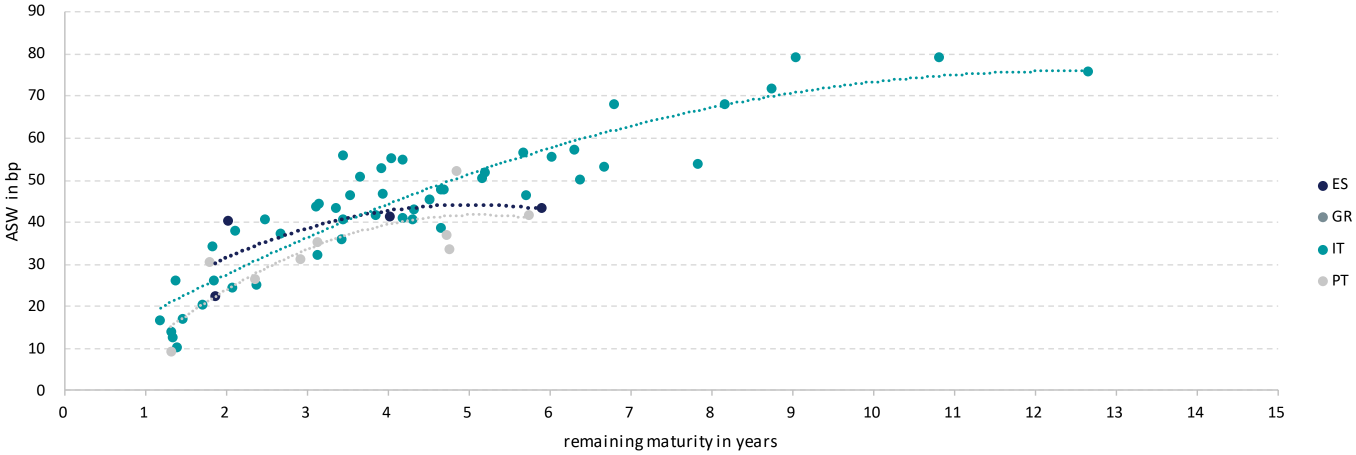


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

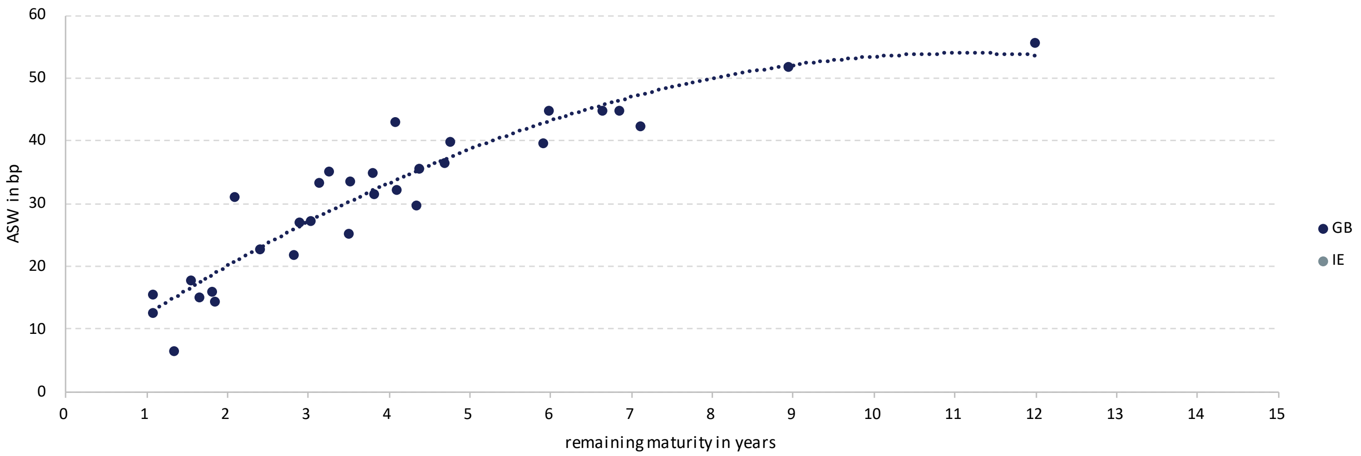
Nordics



Southern Europe

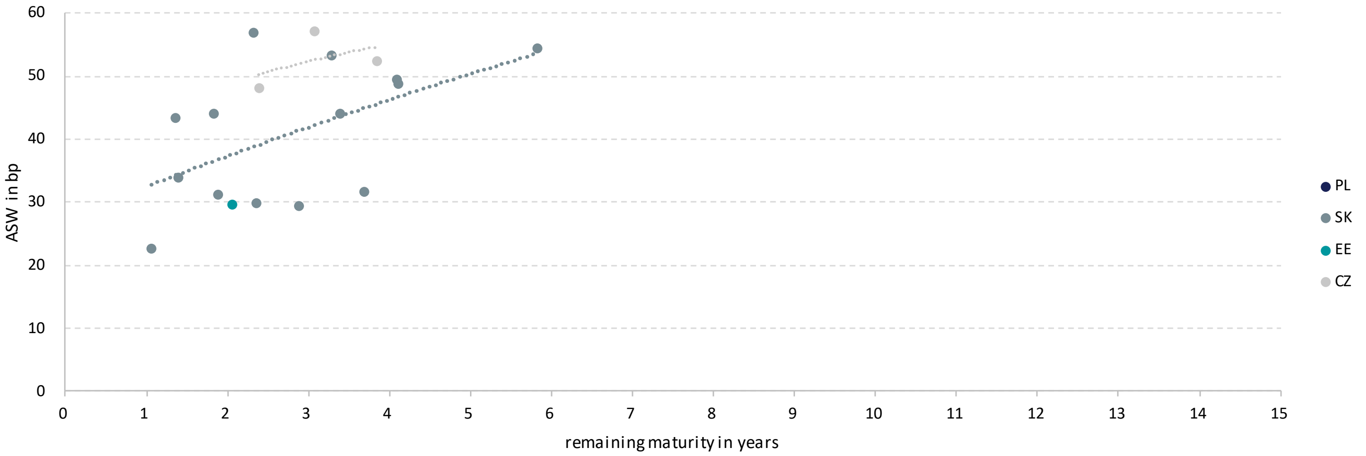


UK/IE

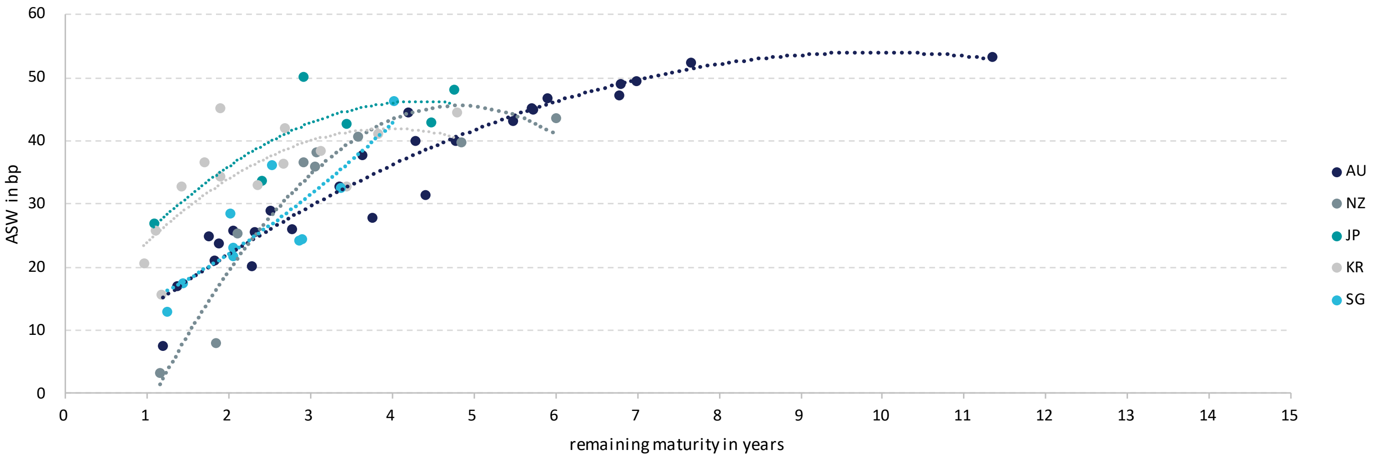


Source: Market data, Bloomberg, NORD/LB Floor Research

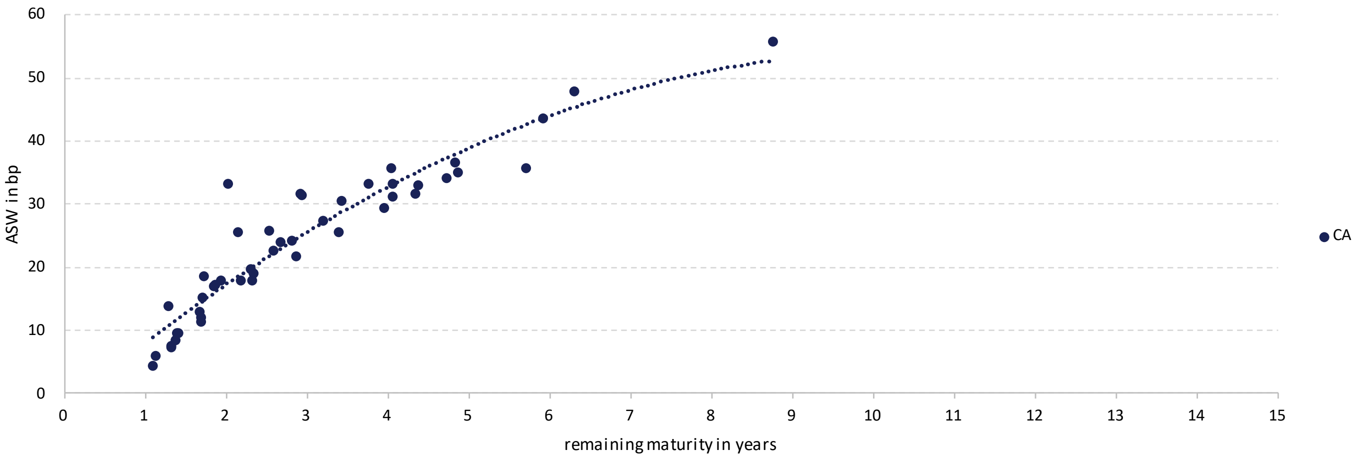
CEE



APAC



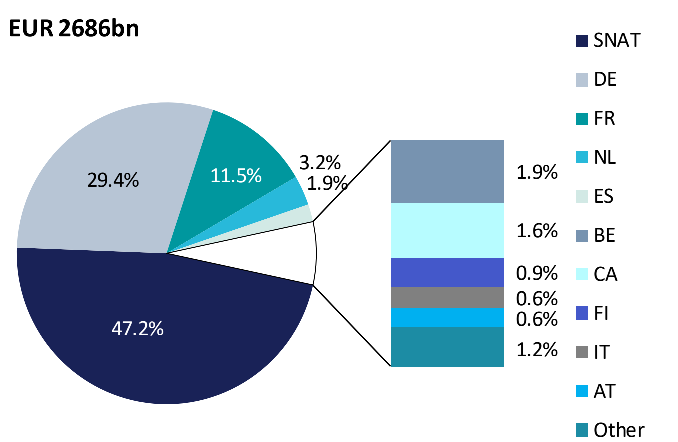
North America



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

Charts & Figures
SSA/Public Issuers

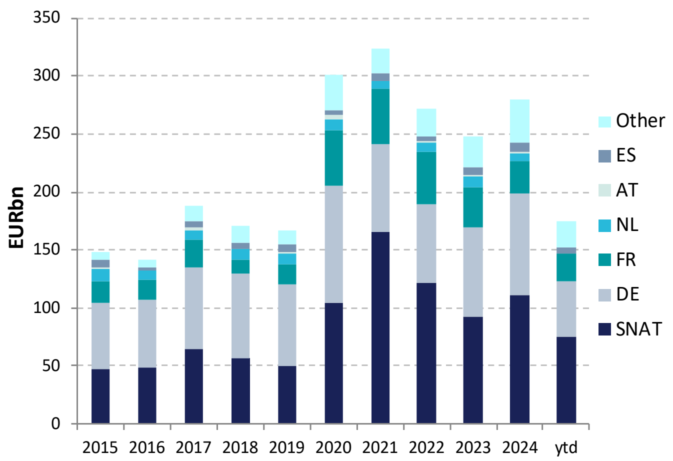
Outstanding volume (bmk)



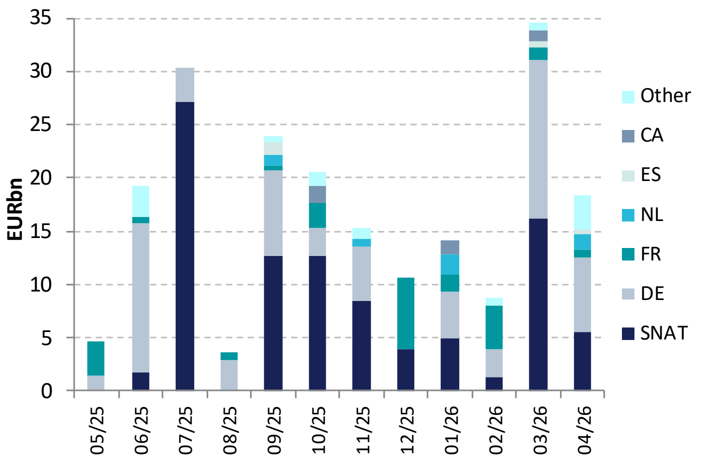
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,268.5	257	4.9	7.6
DE	790.5	596	1.3	6.0
FR	309.3	208	1.5	5.5
NL	85.7	68	1.3	6.3
ES	50.6	72	0.7	5.1
BE	50.1	50	1.0	9.6
CA	43.7	31	1.4	5.7
FI	24.0	25	1.0	4.3
IT	16.1	20	0.8	4.3
AT	16.0	21	0.8	4.4

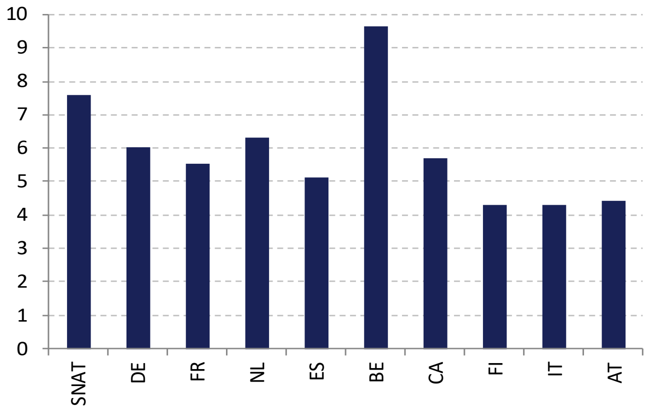
Issue volume by year (bmk)



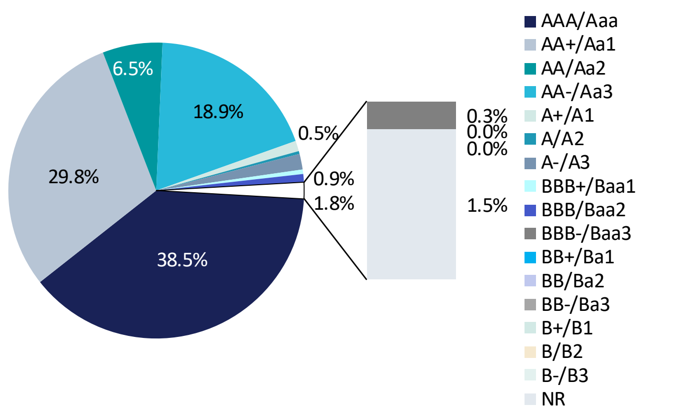
Maturities next 12 months (bmk)



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

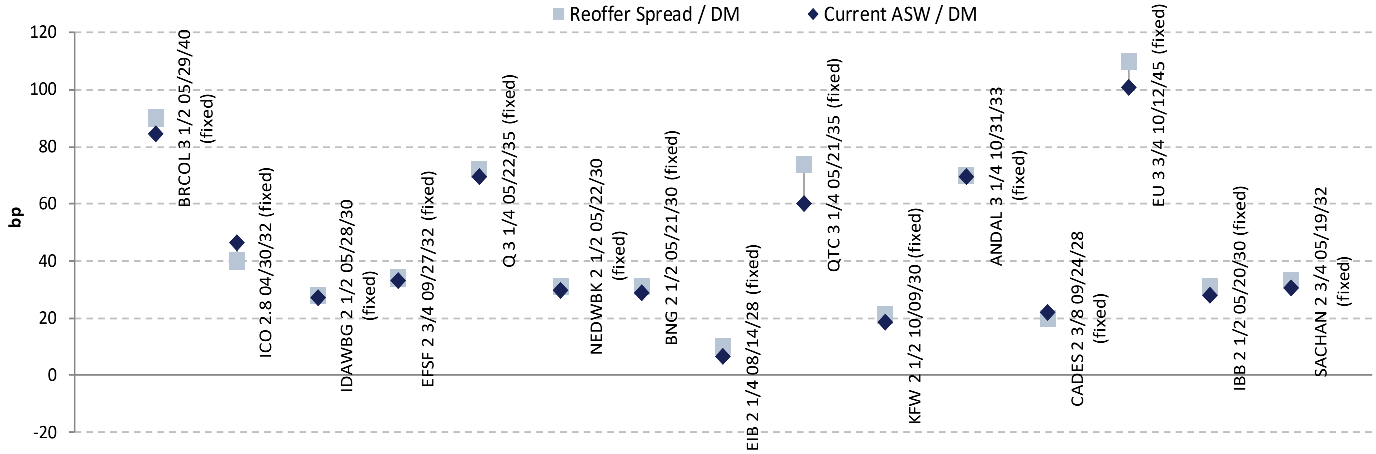


Rating distribution (vol. weighted)

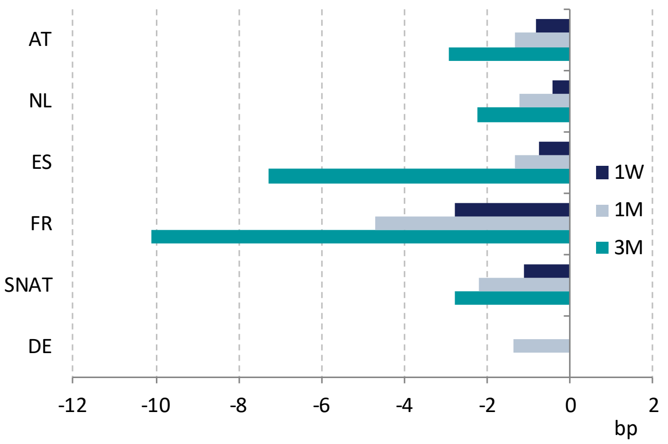


Source: Bloomberg, NORD/LB Floor Research

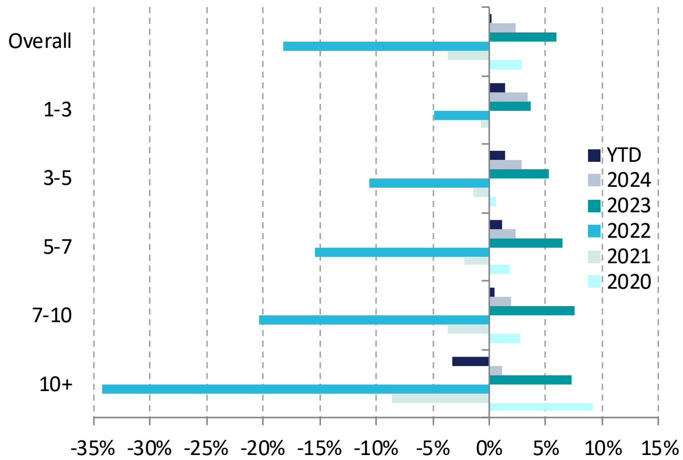
Spread development (last 15 issues)



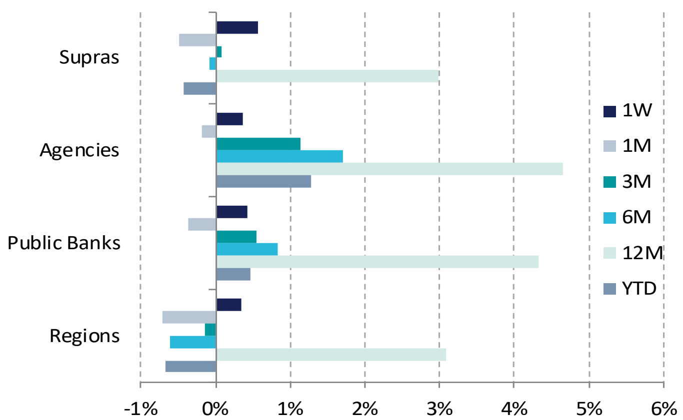
Spread development by country



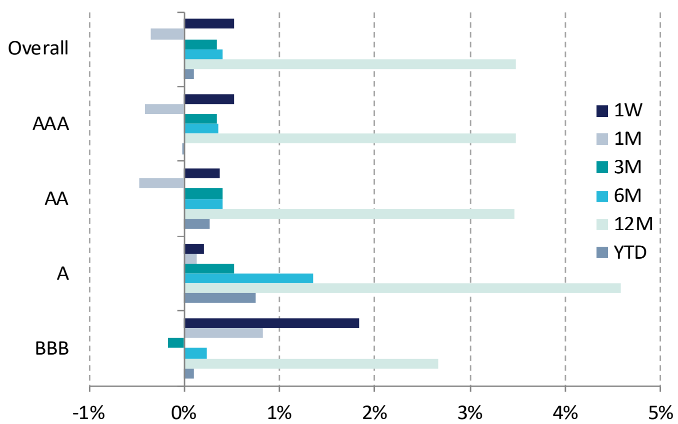
Performance (total return)



Performance (total return) by segments

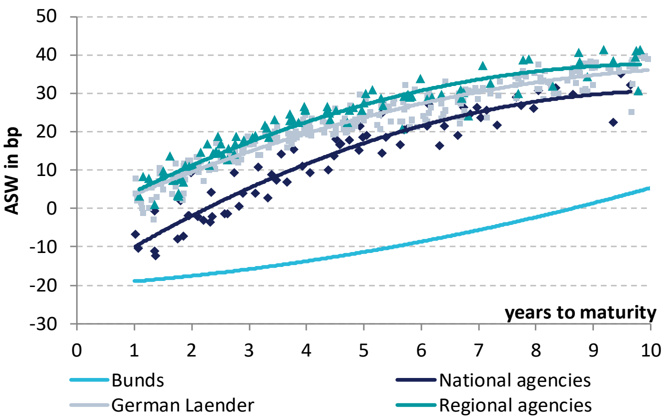


Performance (total return) by rating

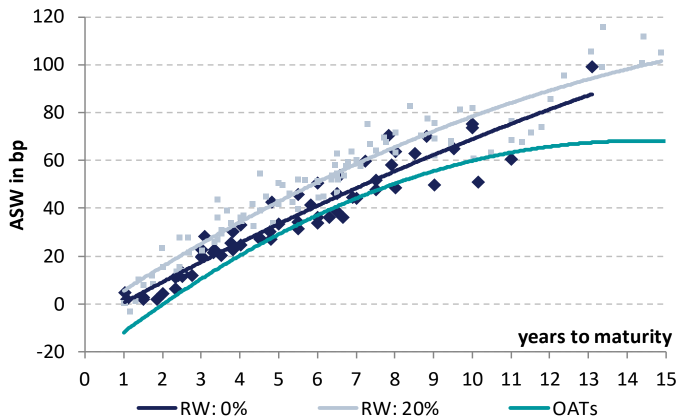


Source: Bloomberg, NORD/LB Floor Research

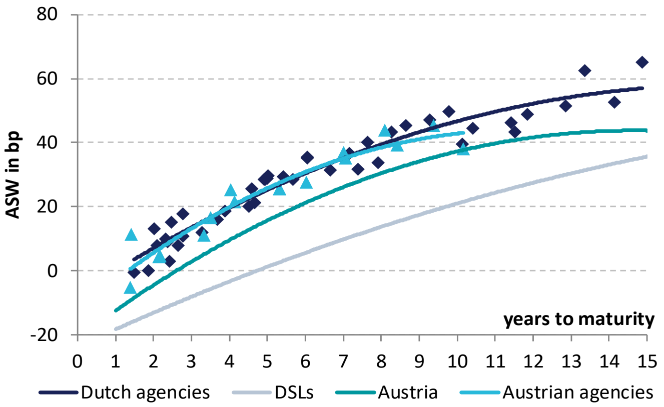
Germany (by segments)



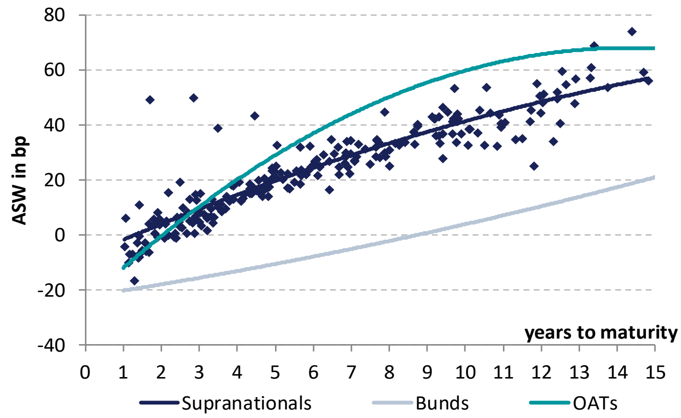
France (by risk weight)



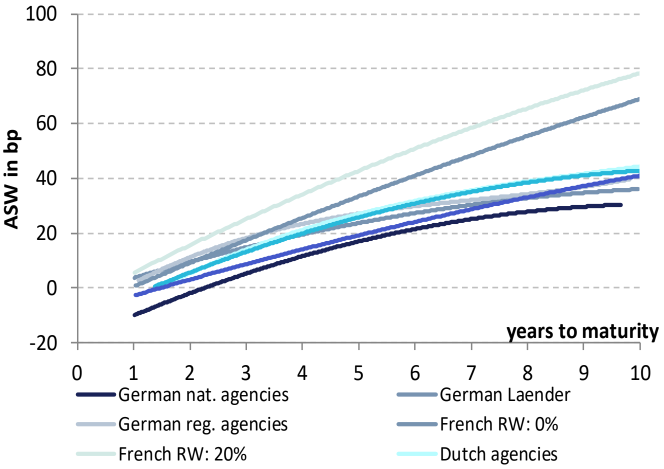
Netherlands & Austria



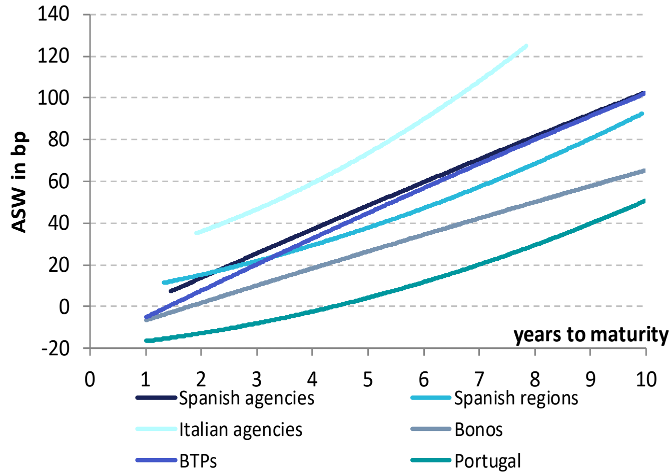
Supranationals



Core



Periphery

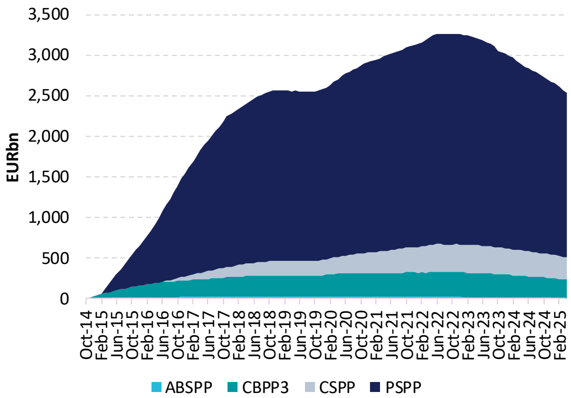


Source: Bloomberg, NORD/LB Floor Research

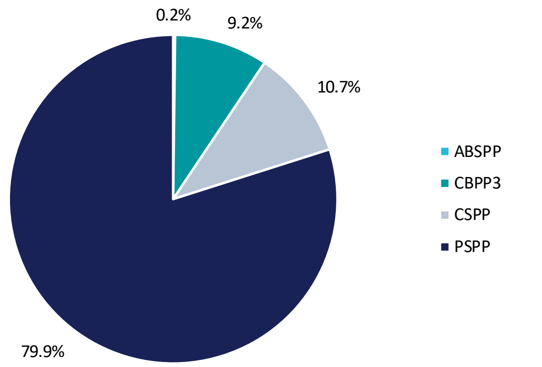
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

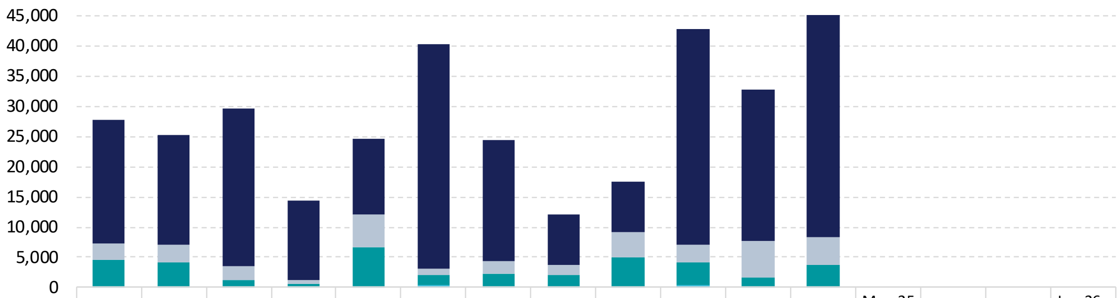
APP: Portfolio development



APP: Portfolio structure

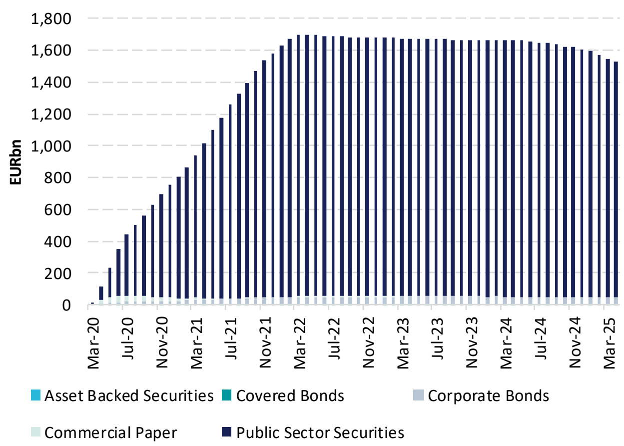


Expected monthly redemptions (in EURm)

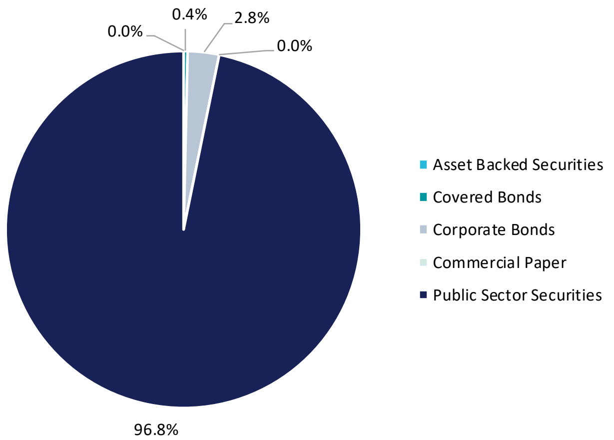


	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-25 - Apr-26	2024	2025	Jan-26 - Apr-26
APP	27,846	25,290	29,618	14,310	24,596	40,249	24,445	12,017	17,538	42,791	32,768	50,965	342,433	334,302	334,255	50,965
PSPP	20,541	18,261	26,161	13,114	12,568	37,073	20,060	8,274	8,318	35,650	25,077	42,520	267,617	264,480	253,586	42,520
CSPP	2,699	2,940	2,156	562	5,259	1,005	2,008	1,693	4,212	2,926	5,946	4,673	36,079	31,380	34,499	4,673
CBPP3	4,448	3,864	1,135	468	6,492	1,864	2,106	1,903	4,740	3,911	1,575	3,685	36,191	32,173	42,332	3,685
ABSPP	158	225	166	166	277	307	271	147	268	304	170	87	2,546	6,269	3,838	87

PEPP: Portfolio development



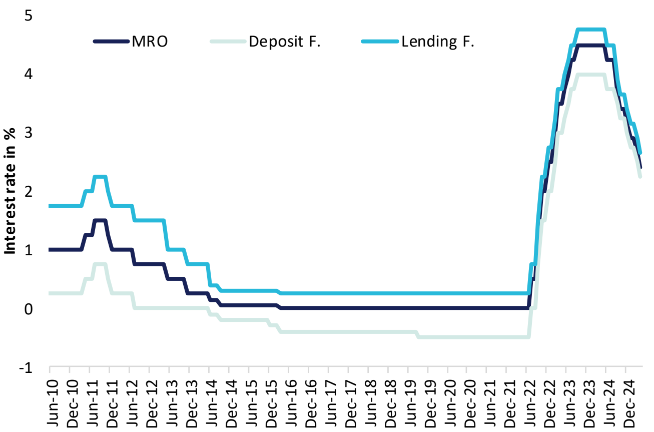
PEPP: Portfolio structure



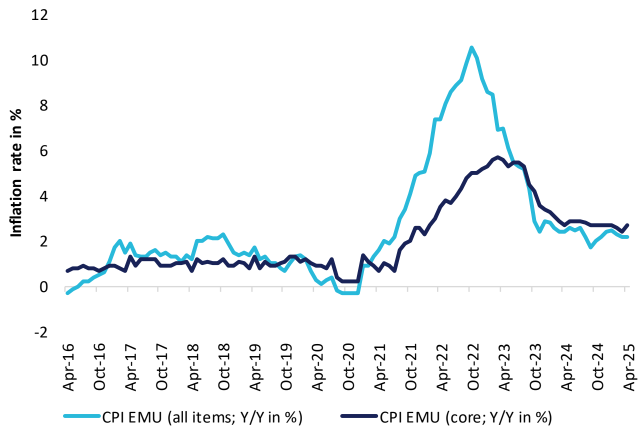
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

ECB key interest rates

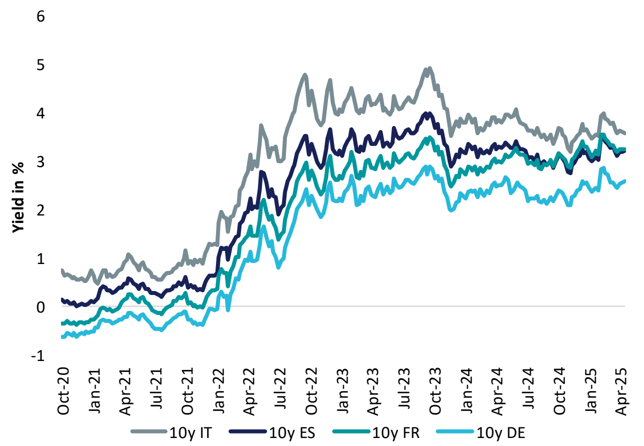


Inflation development in the euro area

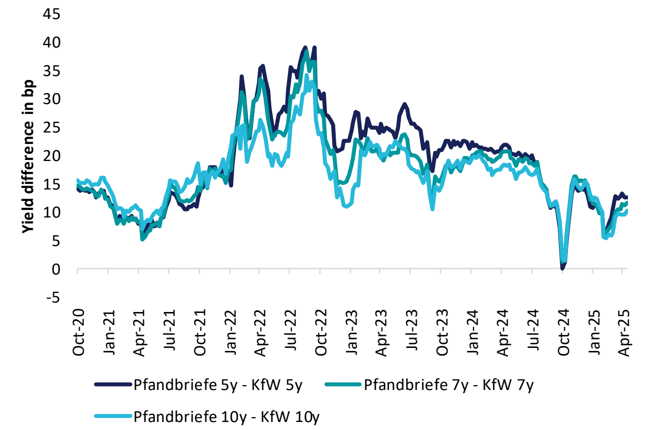


Bund-swap-spread

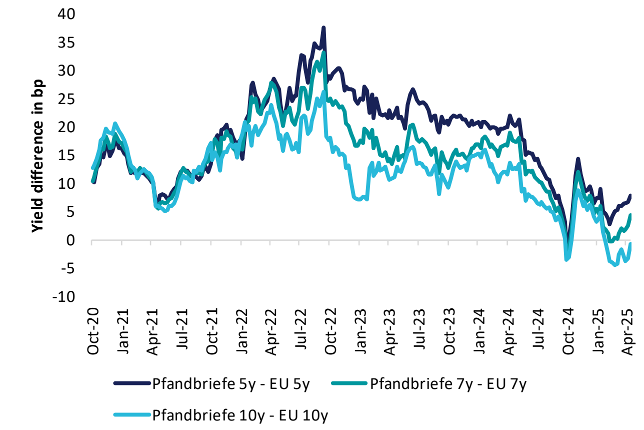
Selected yield developments (sovereigns)



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
18/2025 ♦ 14 May	▪ Transparency requirements §28 PfandBG Q1/2025 ▪ Current LCR classification for our SSA coverage
17/2025 ♦ 07 May	▪ Fitch: rating approach covered bonds ▪ Credit authorisations of the German Laender for 2025
16/2025 ♦ 30 April	▪ Special report on LCR classification and risk weights: a (regulatory) look at the EUR benchmark segment ▪ Teaser: Issuer Guide – Dutch Agencies 2025
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

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 Q1/2025** (quarterly update)
- **Transparency requirements §28 PfandBG Q1/2025 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 2025**
- **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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Time of going to press: 21 May 2025 (08:51)