With the Whitsun holiday approaching
...we'll be taking a short break!
The next edition of the CSV
will be published on **11 June 2025**

Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

Floor analysts:

Covered Bonds/Banks

Dr Frederik Kunze
frederik.kunze@nordlb.de

Lukas Kühne
lukas.kuehne@nordlb.de

Alexander Grenner
alexander.grenner@nordlb.de

SSA/Public Issuers

Dr Norman Rudschuck, CIIA
norman.rudschuck@nordlb.de

Lukas-Finn Frese
lukas-finn.frese@nordlb.de

Tobias Cordes, CIIA
tobias.cordes@nordlb.de

NORD/LB:
Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
RESP NRDR <GO>

Market overview
Covered Bonds

Author: Lukas Kühne

Primary market: dynamic market development continues unabated

After recording above-average issuance activities in our last two editions, momentum on the primary market has remained high, although it has at times been interrupted by holiday-related breaks. In the past five trading days, we observed six new issues with a total volume of EUR 4.3bn on the primary market. With May now coming to an end, we can certainly speak of a "strong" month on the primary market. In total, covered bonds amounting to EUR 18.3bn were placed on the market in the current month up to our editorial deadline. This means that the month of May has recorded the second-highest issuance volume of 2025 so far, surpassed only by January. When compared with the issue volumes in the same month of previous years, May 2025 is at a similarly high level. The high issue volume was to some extent driven by Pfandbrief issuers, who placed six bonds on the market in May alone. Most recently from Germany, Deutsche Pfandbriefbank (pbb) approached its investors last week and was able to issue a EUR 500m bond (4y) at ms +48bp (cf. Issuer View). On the preceding day, Federation des Caisses Desjardins du Quebec (CCDJ) and Erste Group Bank (Erste) were active in the market, serving the medium and long maturity segments, respectively, with bonds of five years (CCDJ) and ten years (Erste). In addition to Pfandbrief issuers, French covered bond issuers were undoubtedly among the driving forces on the primary market. This was impressively demonstrated this week by Credit Mutuel Home Loan SFH SA (Credit Mutuel) with a dual tranche comprised of maturities of five and ten years. The spreads of both bonds could be reduced in the course of the marketing phase: a total of EUR 1.5bn was placed at ms +45bp in the shorter maturity, while the longer-dated bond of EUR 750m was priced at ms +68bp. With a term in excess of seven years, HYPO NOE Landesbank für Niederösterreich und Wien (HYPO NOE) opted for a maturity almost exactly in the middle of the dual tranche from Credit Mutuel. With the mandate for its new public sector covered bond, HYPO NOE (cf. Issuer View) set the size of its new issue at EUR 500m (WNG). The spread was reduced by three basis points to ms +49bp in the course of the marketing phase. With six public sector EUR benchmarks now outstanding, HYPO NOE is one of the most active Austrian issuers in this segment.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
HYPO NOE	AT	27.05.	AT0000A3MEN4	7.3y	0.50bn	ms +49bp	- / Aa1 / -	-
Credit Mutuel	FR	27.05.	FR00140103M8	10.0y	0.75bn	ms +68bp	AAA / Aaa / AAA	-
Credit Mutuel	FR	27.05.	FR00140103L0	5.0y	1.50bn	ms +45bp	AAA / Aaa / AAA	-
pbb	DE	22.05.	DE000A382640	4.0y	0.50bn	ms +48bp	- / Aa1 / -	-
Erste Group Bank	AT	21.05.	AT0000A3M7Y2	10.0y	1.00bn	ms +52bp	- / Aaa / -	-
CCDJ	CA	21.05.	XS3081960380	5.0y	0.75bn	ms +41bp	AAA / Aaa / -	-

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

Secondary market: sellers more present in very short and long maturities

Against the backdrop of the latest tariff announcements from the USA, spreads in the secondary market remain resilient. Supply and demand in the secondary market are proving to be ever more balanced, with a comparatively low transaction volume. While sellers showed increased interest in very short maturities (≤2y) or at the long end (8y–10y), buyers tended to focus on names in the medium maturity segment. Most new issuances are able to continue performing in the secondary market, even if the potential for spread narrowing remains very constrained presently and is limited to a few basis points at most.

EUR sub-benchmark segment: first market appearance from Natixis since June 2023

Approaching investors on Tuesday was Natixis Pfandbriefbank (Natixis), a rather unusual Pfandbrief issuer in the EUR sub-benchmark segment in terms of its cover pool. As at 31 March 2025, more than 75% of the bank's cover pool consists of commercial assets. Furthermore, in geographical terms, the largest share of the cover pool volume (41.7%) is located in France, closely followed by Germany with 40.4%. Most Pfandbrief issuers in the EUR sub-benchmark segment – especially from the savings bank sector – generally have a higher proportion of residential assets in their cover pools, most of which tend to be located in Germany. Natixis chose a maturity of three years for its first sub-benchmark appearance since June 2023 and, as had already been communicated with the mandate, the final volume of the bond was EUR 250m (WNG). The spread was reduced by 7bp to ms +33bp during the marketing phase (guidance: ms +40bp area).

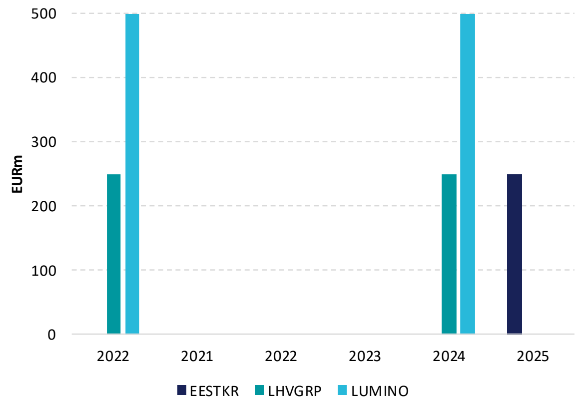
Moody's raises rating outlook for Italy!

Last week, the rating experts at Moody's raised their rating outlook for Italy from "stable" to "positive", while the rating remained unchanged at Baa3. The improvement in the outlook was attributable in particular to a more positive than expected fiscal situation and a stable political environment in Italy. According to Moody's, this development suggests a higher chance of the government achieving its medium-term budget and structural planning goals. The rating experts say raising the outlook to positive is also supported by a robust labour market, sound household and corporate balance sheets and a healthy banking sector. An improvement in Italy's net foreign investment position is also likely to boost the country's economic resilience in the future. The "country ceiling" – which indicates the best-possible rating of a financial product rated by Moody's – has not been raised for Italy and remains at Aa3. An Italian covered bond can therefore still be assigned a top rating of Aa3 at Moody's. If the positive outlook leads to a rating upgrade for Italy to Baa2 in the future, this would have a positive effect on the country ceiling and consequently also on the credit ratings of Italian covered bonds. In the event of a sovereign upgrade, the maximum possible rating could increase by one notch to Aa2, limited by the country ceiling, and would therefore also lead to a rating upgrade for some Italian covered bonds. However, a rating upgrade does not automatically follow and is always a case-by-case decision by the rating agency.

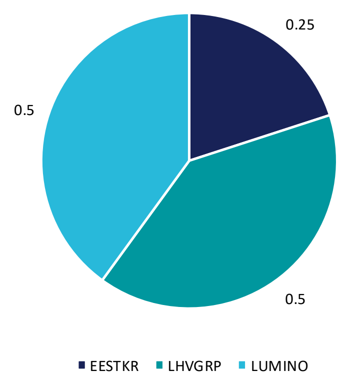
LHV Pank plans another EUR sub-benchmark deal

LHV Pank (ticker: LHVGRP) from Estonia recently announced its intention to place its third EUR sub-benchmark transaction on the market. For this announced market placement, the bank indicated it would be offering investors an issue volume of EUR 300m with a maturity of four years. According to LHV Pank, the earliest possible date of issuance is 02 June. This would make LHV Pank the second issuer from Estonia to place a new bond in this sub-segment in 2025 so far. Previously, Coop Bank (ticker: EESTKR) had sought investors in the EUR sub-benchmark segment for its inaugural transaction (4y; EUR 250m). We would like to take the announcement by LHV Pank as an opportunity to briefly examine the covered bond markets in the Baltic countries of Estonia, Latvia and Lithuania.

BMK/SBMK: issuance volume of the Baltic states



BMK/SBMK: outstanding volume of the Baltic states



Source: Bloomberg, NORD/LB Floor Research

Baltic covered bond market: niche segment on a growth trajectory?

It is only in recent years that the covered bond market in the Baltic countries has become more strongly established. The first EUR benchmark transaction took place in March 2020, when Luminor Bank (ticker: LUMINO) placed an inaugural benchmark covered bond (EUR 500m) on the market. Currently, Luminor Bank is still the only benchmark-size issuer from the Baltic countries. However, two other issuers are active with placements in the market for EUR sub-benchmarks, namely LHV Pank and Coop Bank. Geographically speaking, all active issuers are located in Estonia. Overall, the Estonian covered bond market is undoubtedly one of the niche markets, with a total outstanding volume of EUR 1.25bn (spread across four deals). One advantage of Estonian legislation is that cover assets from the other two Baltic countries can also be included in cover pools. For example, as at 31 March 2025, Luminor Bank's cover pool is made up of Lithuanian (50.5%), Latvian (26.4%) and Estonian (23.1%) assets. Given the size of the mortgage markets in the Baltic states, a geographical restriction to only one country is considered an obstacle to the placement of covered bonds in benchmark or sub-benchmark size. With this in mind, we believe that the further harmonisation of legislation is desirable and could provide a boost to growth in the covered bond markets of the Baltic countries, especially Latvia and Lithuania where no issuer is currently active in the markets we are monitoring. However, at present we regard the growth prospects of the covered bond markets in the Baltic countries as very limited.

vdp: significant increase in real estate financing volume in the first quarter

Last week, the Association of German Pfandbrief Banks (vdp) published figures on the real estate financing of its member banks in the first quarter of 2025 (cf. press release). When compared with the first quarter of 2024, the volume of property financing rose by +24.5% to EUR 36.1 bn. According to the vdp, the positive trend was primarily driven by new lending for residential properties, which was +31.9% higher year on year. This increased lending volume for residential properties was primarily attributable to multi-family houses (+52.2% Y/Y). Considerable rises were also recorded for detached and semi-detached houses (+25.8%) and condominiums (+28.9%). In this context, vdp Chief Executive Jens Tolckmitt pointed out that the development of prices and lending volumes over the remainder of this year will primarily depend on the long-term interest rate level, which in turn will affect investors' return expectations. In light of this, Tolckmitt remarked that the "number of uncertainty factors in the environment" being faced make it "difficult to predict their implications for the property market". He emphasised that it was even more important for the German economy to quickly return to speed. The development of commercial properties was also positive, increasing by 11.4% year on year, but it is almost 5% down on the preceding quarter. At EUR 4.3bn, the lending volume for office properties was considerably lower (-25.9% Y/Y), while significant growth was achieved for retail properties (+48% Y/Y) and hotels (>+100%). In our view, sustained growth in the volume of real estate lending and the associated higher refinancing requirements should also have a positive impact on the issuance volume in the Pfandbrief market.

Scope: Italian banking sector in strong position

In their quarterly report on the development of the Italian banking market, the rating experts at Scope have concluded that banks are in a strong position overall. Italian banks are among the most profitable financial institutions in Europe, which Scope attributes in particular to the high interest margins as well as the efficiency gains and improved credit quality in recent years. Although the rating experts expect a moderate weakening of performance, they are maintaining their favorable outlook. Scope sees conceivable downside risks for the Italian banking sector posed by geopolitical tensions, such as a possible intensification of the trade war with the USA. In addition, the rating experts expect that the surge in M&A activities seen on the Italian banking market has the potential, should these announcements come to fruition, to reshape the sector. In particular, Italian policymakers supported the creation of a third major banking group through the merger of Monte dei Paschi di Siena and Mediobanca. Conversely, UniCredit's acquisition of Banco BPM is viewed with scepticism, especially by the supervisory authorities. Overall, the rating agency considers a possible further consolidation in the Italian banking sector to be credit positive, as synergy effects could be leveraged and increased market power would lead to stronger financial performance in the medium term. All four banks affected by M&A transactions are active issuers in the primary market for covered bonds. Of these, only Banco BPM has been active on the market so far this year, placing a covered bond deal with a volume of EUR 750m with investors back in February.

Market overview
SSA/Public Issuers

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

EU budget conference 2025

The European Union (ticker: EU) held its annual budget conference on 20-21 May. The event was mainly an open discussion about the most pressing questions and issues that need to be addressed and resolved ahead of the next proposal for the Multiannual Financial Framework (MFF). The MFF is supposed to ensure that EU expenditure develops in an orderly manner and within the limits of its own resources. The current MFF will remain in force until the end of 2027. The European Commission intends to submit a formal proposal for the next MFF by 01 July of this year that will then take effect in 2028. Right at the start, Ursula von der Leyen, President of the European Commission, announced extensive changes to the existing procedure: in future, funds from the EU budget will only be paid to Member States once concrete results and milestones have been achieved, as is already the case with the national recovery and resilience plans that form the core of the EUR 800bn NextGenerationEU (NGEU) programme. The MFF 2028-2034 will therefore be based on the same principle. "This is the strongest incentive to get things done", said the Commission President in her speech. Von der Leyen added: "The new budget will be faster, focusing not just on how much is spent but what is delivered for our citizens and businesses." As 90% of the budget is allocated in advance from the outset, the EU is too inflexible, and the current model does not allow it to respond appropriately to challenges such as climate change or geopolitical tensions in good time. In addition, the duration of the common budget could soon be shortened in order to achieve a greater degree of spending flexibility. This question was raised in an internal paper from the College of Commissioners that was made public shortly before the conference.

New look for Hesse's third green bond

On 23 May, the German federal state of Hesse (ticker: HESSEN) officially mandated a bank consortium for the issue of its third green bond in EUR benchmark format. To market this bond deal, the sub-sovereign is planning to hold a global investor call in German and English on 02 June, in addition to individual investor meetings on the following days until 06 June. The issue proceeds are then to be used for spending categories which Hesse specified within an updated Green Bond Framework. A total of 31 projects have been selected (including five new projects compared with 2023) that Hesse wants to (re)finance. The majority of the funds will be used primarily to promote climate-friendly public transport. The new projects include broadband expansion initiatives and the creation of climate-resilient forests. The expected issuance volume is said to be EUR 1.5bn, but the maturity is not yet known. Hesse already issued a green bond in 2021 and 2023, raising an aggregated sum of EUR 1.6bn. In both cases, a term to maturity of 10 years was chosen.

ECB repo rules: update to the list of eligible preferred agencies

On 19 May, the ECB published an updated overview of the agencies it classifies as “preferred” – in this context, the term denotes an agency that fulfils the quantitative criteria defined by the ECB. This includes an outstanding amount of the issuer’s marketable assets of EUR ≥10bn and a nominal value of EUR benchmarks of ≥50% of the outstanding volume on average. As part of the update that has now been implemented, the French credit institution Caisse des Dépôts et Consignations (CDC; ticker: CDCEPS) has been confirmed as fulfilling these criteria, whereas the Finnish export financier Finnvera (ticker: FINNVE) and the German LfA Förderbank Bayern (LfA, ticker: BAYLAN) have lost their previous status. For the Bavarian agency, this means there is also a changed allocation in terms of haircut categories: LfA has now switched from its previous Category II to IV, resulting in a higher haircut over the entire maturity spectrum (e.g. AAA – A – rating, six-year term: Category II: 3.5%; Category IV: 14.0%). By contrast, CDC has now risen from category IV to II. For Finnvera, however, there is no change to the classification – the export financier remains in category IV according to the ECB database.

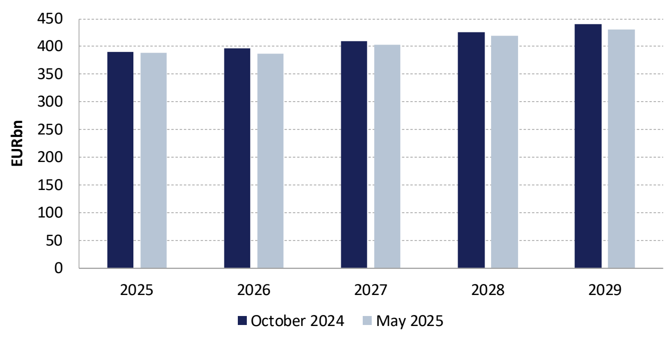
Quebec submits budget for 2025/26

The Canadian province of Quebec (ticker: Q) has submitted its budget for 2025/26 and plans to make investments of CAD 12.3bn (EUR equivalent: EUR 7.8bn) over the next five years. While the Ministry of Finance is expecting further tariff adjustments in the coming months and anticipates average tariffs of 10%, the effects of which will be felt for around two years, the government is going to make extensive infrastructure investments in order to boost the economy and support businesses that have run into difficulties due to the trade conflict with the USA, in addition to taking measures aimed at strengthening cooperation with other provinces during the transition phase. According to the 2025/26 budget, funds totalling CAD 5.4bn have been earmarked for this. The government also announced that the Quebec Infrastructure Plan (QIP) for 2025-35 would be increased by CAD +11bn to CAD 164bn. Companies are also to be provided with transitional aid of CAD 4.1bn, which is intended to promote investment and export projects. Investments of CAD 6.8bn are reportedly planned over the next six years to improve public services in the areas of health, education and social affairs. In terms of the budgetary situation, the government is continuing to work towards reducing its long-term debt. Even though economic growth of +1.1% and +1.4% is expected in 2025 and 2026 respectively, debt is likely to increase until 2027/28 because of the infrastructure investments, but will fall again by the end of March 2030. However, the gloomy economic outlook – partly due to the trade dispute with the USA – would necessitate a review of the originally agreed targets for reducing long-term debt beyond 2030. A deficit of CAD -13.6bn (2.2% of GDP) is expected for the 2025/26 budget, after taking into account payments of earmarked income into the Generation Fund in accordance with the Balanced Budget Act. The government has also committed to gradually closing the budget gap to restore the budgetary balance by 2029/30. Therefore, a sum of CAD 1bn is to be offset in the 2027/28 financial year and CAD 2.5bn in each of the following two years. In terms of refinancing activities, the province recently raised fresh capital in the amounted of EUR 3bn (10y) at ms +72bp.

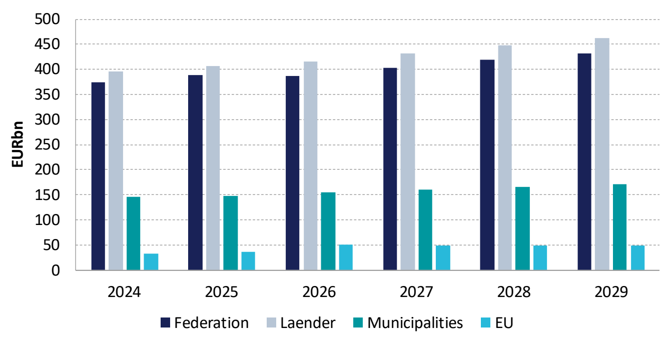
Federal Minister of Finance Lars Klingbeil presents the results of the May tax estimate

Following the 168th meeting of the "Tax Estimates" working group from 13-15 May in Bremen to analyse the expected development of tax revenues, the results have now been presented. Accordingly, tax revenues for the federal government, Laender and municipalities are expected to total EUR 979.7bn in 2025 – including the tax relief that will come into force by May 2025, which is lower than forecast in the October tax estimate. Over the entire forecast period until 2029, tax revenue would be around EUR -16bn lower on average per year compared with the estimate in October 2024. This would result in an annual average loss of revenue totalling EUR -7bn for the Bund, as the German federal government is known. This decline is said to be mainly due to the tax relief that is supposed to compensate for the effects of cold progression. Unlike at federal level, the projected tax revenues for the Laender in 2025 of EUR 407.3bn is higher than assumed in the October estimate (EUR 406.3bn), but growth is also expected to be slower in the following years due to the stagnating economy. Accordingly, tax revenues in the period 2026-29 would be around EUR -6.5bn lower annually (range: EUR -6bn to -7bn) than expected in October. However, according to Moody's, this average expected growth in tax revenues of +3% is offset by spending increases of around +4%, meaning that risk experts anticipate that budget deficits of the Laender could remain high or increase slightly in the coming years due to the limited possibilities for increasing revenue. While the provisional deficit of the Laender in 2024 is around EUR -8.8bn, risk experts expect a deficit of between EUR -10bn and EUR -15bn for 2025 due to the updated tax estimate. According to Moody's, the downward revision of revenue expectations will also make it more difficult for the Laender to comply with fiscal requirements such as the debt brake. The new federal government only recently relaxed the rules and granted the Laender more leeway for managing their own debt. The tax estimates of the working group are based on the federal government's spring projections, according to which only GDP stagnation can be expected for the current year 2025. Price-adjusted growth in economic output of +1.0% is expected for 2026, partly in light of the hoped-for stimulus from the special infrastructure fund. By way of comparison: in October last year, growth rates of +1.1% and 1.6% were forecast for 2025 and 2026 respectively. "The economy remains in troubled waters," as the new Federal Minister of Finance, Lars Klingbeil, explained. "The results show that we need to boost revenues through higher economic growth. This is the only way we can gain new financial headroom."

Estimate of federal tax revenues



Results of the tax estimate (May 2025)



Source: Federal Ministry of Finance, Nord/LB Floor Research

Primary market

In the past trading week, a fair amount of fresh produce was brought to market again. In this edition of our weekly publication, we can report six new issues in EUR benchmark format with an aggregated volume of EUR 5.5bn. Let's start in chronological order: we already pointed out the mandate of Brandenburg (ticker: BRABUR) last week and the books were then opened shortly after going to print. The issuer sought to raise EUR 500m (10y), which ultimately went through in line with the guidance at ms +41bp. The bid-to-cover ratio amounted to 1.9x. Staying with the German Laender segment, Saarland (ticker: SAARLD) also tapped the market with a floater (6y): a total of EUR 500m changed hands here at a reoffer spread of +26bp over the six-month Euribor (guidance: 6mE +26bp area). Berlin (ticker: BERGER) followed this up with its fourth EUR benchmark this year: the German capital approached investors with a new issuance volume of EUR 1.5bn and a five-year term. The final price was set at ms +26bp. By the end of the marketing phase, the order book had filled to EUR 2.5bn. Still in Germany albeit over in the agency segment, NRW.BANK (ticker: NRWBK), the promotional bank of North Rhine-Westphalia, was active in the ESG segment in the form of a EUR 1bn social bond (10y). A guidance of ms +44bp area was communicated at the beginning of the bookbuilding process, with the final order book amounting to EUR 2bn, producing a reoffer spread of ms +42bp in the end. The African Development Bank (ticker: AFDB) also launched a fresh ESG deal: the multilateral development bank was seeking to raise EUR 1bn (5y) in the form of a social bond, which was priced at ms +28bp (bid-to-cover ratio: 2.2x). Outside of our regular coverage at present, the Hungarian Development Bank (ticker: MAGYAR) issued fresh supply of EUR 1bn (5y) at a remarkable spread of ms +215bp (guidance: ms +225bp area). In the coming week, the European Union (ticker: EU) awaits with its sixth bond auction in H1/2025 (cf. funding plan). We are also expecting its funding plan for the second half of the year to be published at the end of June and anticipate a funding requirement of EUR 70bn for H2/2025. Based on the new mandates that have been issued, we expect the following transactions in the near future: as already mentioned on the first page of our Market Overview section, Hesse (ticker: HESSEN) is planning to issue its third green bond. In addition, the Autonomous Community of Madrid (ticker: MADRID) from Spain is intending to place a green bond under the European Green Bond Standard and is holding talks with investors this week. It would be the first bond of its kind issued by a (European) sub-sovereign. NRWBK is also in the starting blocks with its first blockchain-based digital bond: this deal will reportedly feature a volume of EUR 100m with a two-year term. Furthermore, Ontario Teachers' Finance Trust (ticker: ONTTFT), a Canadian pension fund, has mandated a bank consortium for the issue of a green EUR benchmark (6.5y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BERGER	DE	27.05.	DE000A4DE9E5	5.0y	1.50bn	ms +26bp	AAA / Aa1 / -	-
SAARLD	DE	26.05.	DE000A383U25	6.0y	0.50bn	6mE +26bp	AAA / - / -	-
NRWBK	DE	22.05.	DE000NWB0AZ1	10.0y	1.00bn	ms +42bp	AAA / Aa1 / AA	X
MAGYAR	Other	21.05.	XS3081701362	5.1y	1.00bn	ms +215bp	BBB / Baa2 / -	-
AFDB	SNAT	21.05.	XS3080782488	5.0y	1.00bn	ms +28bp	AAA / Aaa / AAA	X
BRABUR	DE	21.05.	DE000A351UP3	10.0y	0.50bn	ms +41bp	- / Aaa / -	-

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

Cross Asset
Teaser: ESG update 2025 – Focus on greenium and socium+

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

Introduction

As part of our annual ESG update, we traditionally look at both global market events – in relation to which, at a volume of EUR 912.4bn we recorded growth again following two years of a declining trend – as well as regulatory developments and challenges. In this respect, our primary focus is on the Omnibus package and the EU Green Bond Standard (EUGBS). Speaking of green bonds: this year, we are also keen to focus in particular on yield aspects related to green and social securities and explore whether there are any yield discounts or possibly even pick-ups on the relevant bonds of selected issuers in the covered bonds and SSA/Public Issuers segments that form the core markets in our coverage. In the context of green securities in particular, numerous empirical studies have been published exploring whether green bonds are associated with a systemic yield disadvantage for investors or with more favourable refinancing conditions on the issuer side – this situation forms the basis of the term “greenium”. Due to the fact that the available material dealing with similar investigations for social bonds is pretty thin on the ground and that we are not aware of any suitable portmanteau here, we extended our analysis to include the social bond segment and to this end coined the term “socium+” as a social counterpart to “greenium”. In this teaser article ahead of the publication of the full ESG update, we outline our methodological approach and discuss the significant variance in the results of our analysis. The key aim of our study is to explore the existence and form of a potential greenium and/or socium+ on the part of certain issuers in our coverage. In this context, we also critically examine the limitations of our analysis. For example, we did not take into consideration any market-specific factors such as differences in the liquidity of the securities in question, maturity differences, or the general interest rate environment at the time of the new issue.

Methodology

Scientific studys have settled on two methodologies to determine greeniums: the first is a “matching” process, in which green bonds are compared against their most similar conventional counterparts. The second approach looks at all of the conventional bonds placed by an issuer within a defined framework and calculates a corresponding spread curve on the basis of this data. Thereafter, the distances to the maturity-congruent curve value of the issuer are determined for the spreads of the green bonds and the greenium is calculated from this. This is the approach we have settled on for our study. Our analysis only includes benchmark bonds (outstanding volume: EUR ≥500m) with maturities of between 12 months and 30 years from selected issuers that we consider to be suitable on account of their size and issuance activities in both conventional (vanilla) and green formats. The construction of the issuer curve is based on the Z-spreads of the corresponding bonds. After calculating the green bond distances to the maturity-congruent curve point, we determine the issuer-specific premiums using the median value in order to minimise the influence of statistical outliers.

Overview: Population and respective calculated greenium

Segment	Issuer	Bloomberg ticker	Number of bonds (vanilla)	Number of green bonds	Greenium (median; in bp)
Covered Bonds	Berlin Hyp	BHH	10	8	0.97
	BPCE SFH	BPCECB	32	5	2.97
	Credit Agricole Home Loan SFH	ACACB	22	3	0.98
	DZ HYP	DZHYP	31	5	4.55
SSA/Public Issuers	EU	EU	43	5	0.04
	EIB	EIB	48	17	0.42
	KfW	KFW	40	12	-0.06
	NRW.BANK	NRWBK	24	13	-0.97
	Bpifrance	BPIFRA	18	4	2.88
	ADIF Alta Velocidad	ADIFAL	5	7	3.04

Source: Bloomberg, NORD/LB Floor Research

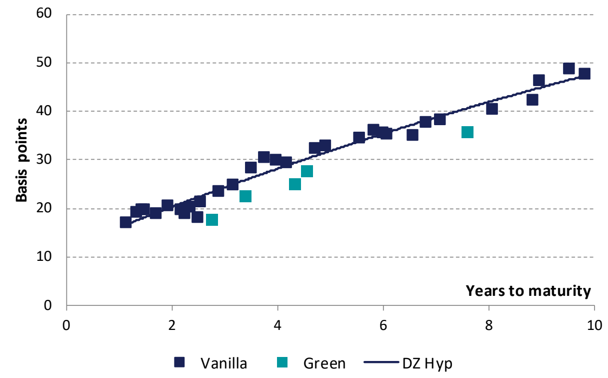
Differing results between – and within – our segments

The table above summarises our study's key findings for the respective segments and issuers. At this juncture, we should also emphasise that on the SSA side we have opted not to include any regional governments or local authorities (RGLA) owing to what we consider to be an insufficient database for sub-sovereigns. For example, the Spanish region of Madrid (ticker: MADRID) has a high outstanding volume of green EUR benchmarks, but hardly any conventional bonds to form a corresponding comparative spread curve. In contrast, the German federal state of NRW exclusively issues sustainability bonds. Nevertheless, we assume that the data basis will facilitate both qualitative and quantitative analysis in this segment moving forwards. Our analysis of covered bonds encompasses a total of 95 conventional covered bonds and 21 green covered bonds placed by four issuers – two each from France and Germany. These two jurisdictions combined feature both the highest issuance volume in the EUR benchmark segment and the highest volume of green covered bonds. However, in light of the varying spread levels between Pfandbriefe and French covered bonds, we believe that a combined analysis of both markets would not be expedient and may even result in incorrect conclusions being drawn. A separate analysis of the covered bonds in the sample according to their respective jurisdiction produces a median greenium for Germany of 2.78bp and 2.22bp for France. This suggests that investors are willing to accept a spread discount of between two and three basis points to hold green covered bonds from Germany and France. However, the green SSA segment is represented by six of the most active issuers in this market, which regularly issue both green and conventional bonds. In turn, this provides sufficient data points for our analysis. In total, the SSA sample comprises 58 green bonds. As ever, it should be noted here that the EU, EIB and KFW are weighted heavily in our study. All things considered, the greenium for our SSA issuers amounts to 2.16bp. As a result, the current (secondary) market data suggests that investors are willing to accept a yield discount of around 2bp to acquire a green bond rather than a conventional bond of the same maturity. Naturally, there is a wide range of issuer-specific factors that should always be taken into consideration. For example, while the greenium for the heavyweights in the supranational segment – i.e. EU and EIB – is only marginally into positive territory, it is actually negative for German agency issuers such as KFW and NRWBK. Meanwhile, the greenium for BPIFRA from France and the Spanish issuer ADIFAL stands at around 3bp in each case.

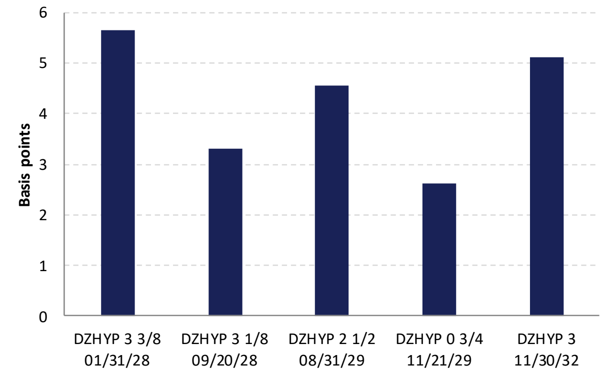
Disparate picture for greeniums on covered bonds

In our analysis, we looked at four of the most prominent issuers of green covered bonds in the EUR benchmark segment: Berlin Hyp, BPCE SFH, Credit Agricole Home Loan SFH, and DZ HYP. Based on secondary market prices as at 30 April 2025, the median greenium for these four issuers is 0.97bp to 4.55bp. However, this median analysis should not obscure the fact that the respective premiums or greeniums of individual bonds can vary to a significant extent. Taking the green bonds of BPCE SFH (FR; ticker: BPCECB) as an example, we can clearly see the divergent forms of greenium for a single issuer. At the time of our analysis, two of the issuer's five green covered bonds are above the maturity-congruent curve points and therefore do not feature a greenium, with one green bond (remaining term: 9.1y) issued by BPCE SFH actually trading more than eight basis points below the calculated spread curve. Particularly in the context of the small number of comparable bonds in this maturity segment, this apparently high greenium of 8bp should not be overestimated. In total, BPCE SFH has only five other outstanding conventional covered bonds (i.e. not ESG-related) with a maturity of more than eight years that could be used to model the spread curve. Conversely, the greenium for DZ HYP is far more consistent based on secondary market prices. All of the issuer's green Pfandbriefe offer a greenium of between 2.61bp and 5.66bp, from which conclusions can be drawn with regard to the attractiveness of the issuer's green bonds.

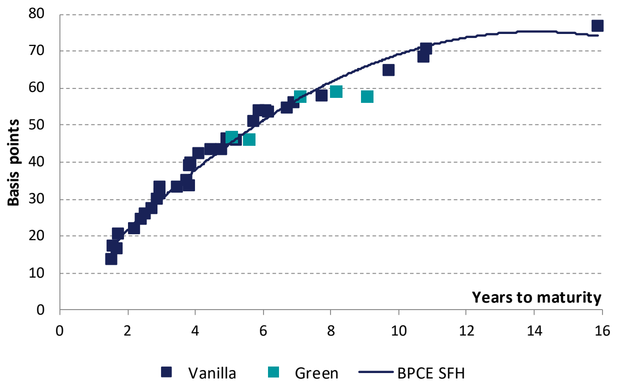
DZ HYP spread curve (Z-spreads)



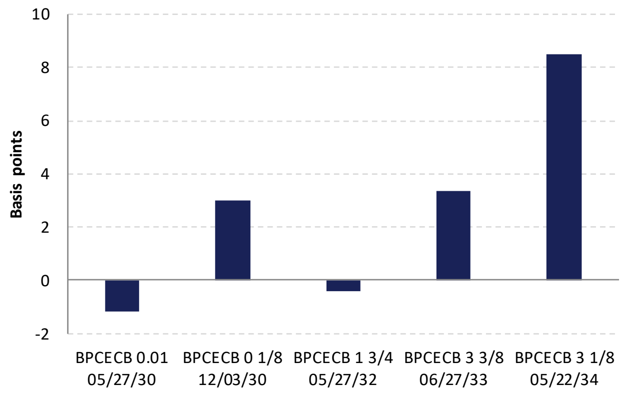
Greenium: DZ Hyp



BPCE SFH spread curve (Z-spreads)



Greenium: BPCE SFH

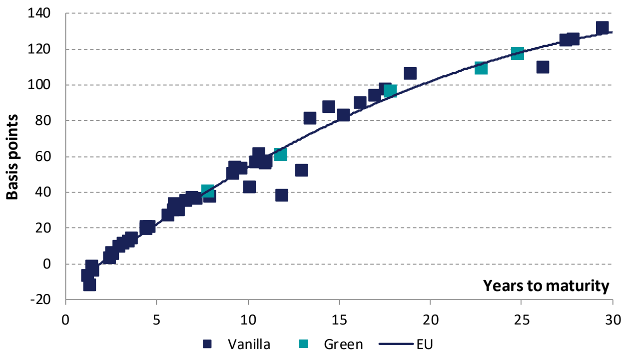


Source: Bloomberg, NORD/LB Floor Research

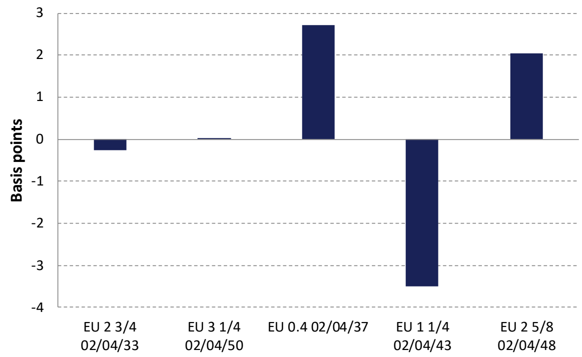
Greeniums in the SSA segment

For our SSA sample of six issuers, we have included a series of charts below, two each for the EU and KFW. The left-hand charts show the issuer curve and the corresponding green bonds, while the right-hand charts depict the bond-specific greenium. Across the five EU green bonds analysed, we determine a marginally positive median greenium of 0.04bp. We calculated the highest greenium of 2.72bp for the 2037 bond. Among the EU bonds, the 2043 bond stands out in particular, which is trading with a higher spread level (3.51bp wider) compared with both the maturity-congruent curve point and the nearest conventional bond. With regard to the 12 Green Bonds – Made by KfW that we have analysed, we determined greenium values of between -2.61bp to 1.72bp. As at the reporting date, the median value was in slightly negative territory at -0.06bp. This more or less correlates with our calculations for NRWBK: the current margin results in another negative greenium of -0.97bp for the agency from North Rhine-Westphalia. This implies that investors are currently compensated for acquiring NRW.BANK.Green Bonds with a higher yield of just under 1bp. The picture for the French issuer BPIFRA and ADIFAL from Spain is diametrically opposed: the green bonds issued by both organisations result in a greenium of just under 3bp, according to our calculations. In this context, however, it should be noted that both issuers have a significantly lower number of "active" green bonds and the outstanding volume is also lower. Nevertheless, these results clearly demonstrate the extent to which greeniums are – or can be – different from one SSA issuer to another.

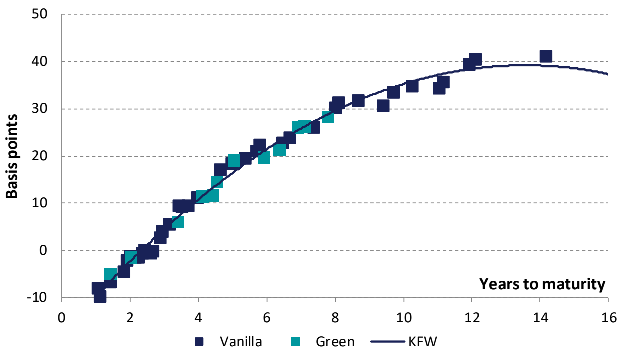
EU spread curve (Z-spreads)



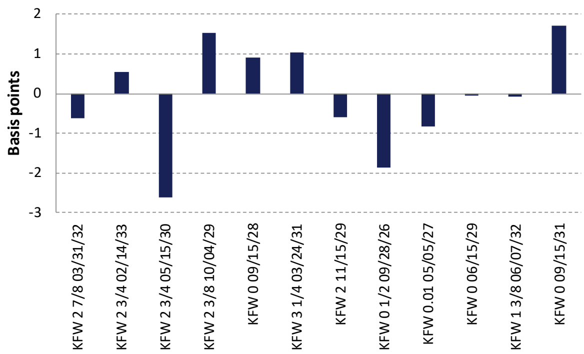
Greenium: EU



KFW spread curve (Z-spreads)



Greenium: KFW



Source: Bloomberg, NORD/LB Floor Research

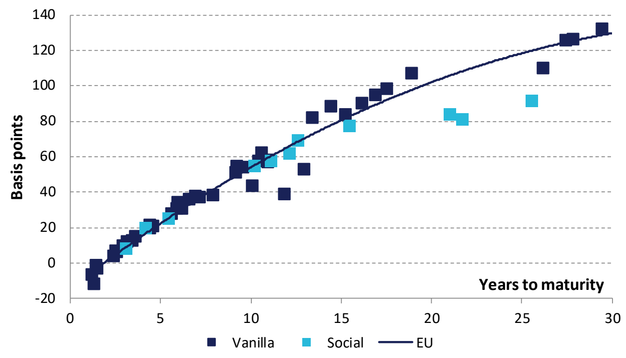
"Socium+" – a portmanteau for social premium

In addition to bonds issued in the green format, social bonds represent a commonly used refinancing tool for ESG issuers in both our SSA and covered bond universe. There is no obvious portmanteau to be made from the words "social" and "premium". For this reason, we came up with the term "socium+". Derived from "socius", a Latin term for companion or comrade, among other meanings, this seemed an obvious starting point.

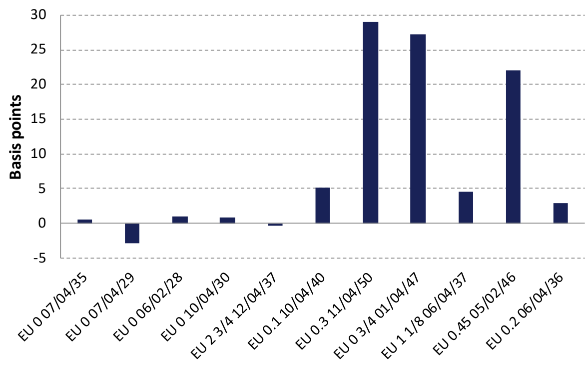
Socium+ for selected issuers in our SSA coverage…

Given that some of the issuers mentioned on previous pages, the EU for example, have both outstanding green and social bonds, we have expanded our analysis for these market players to include the segment of social securities and slightly widened the spectrum of issuers. In terms of the SSA universe, the EU is again a significant player in the social bond segment, despite not issuing any bonds with this label since 2022. Funds raised under the SURE programme account for the outstanding social volume of the EU in its entirety. We have calculated a median Socium+ of 2.99bp for the eleven SURE Social Bonds. Just two of the bonds are above the interpolated spread curve. A very high yield discount for EU social bonds is in evidence, especially in the ultra-long maturity segment (>20y). It is also worth mentioning that the NRW.BANK.Social Bonds are currently trading with a premium of 2.54bp. As such, the pricing of social bonds can occasionally deviate quite significantly from that of green bonds.

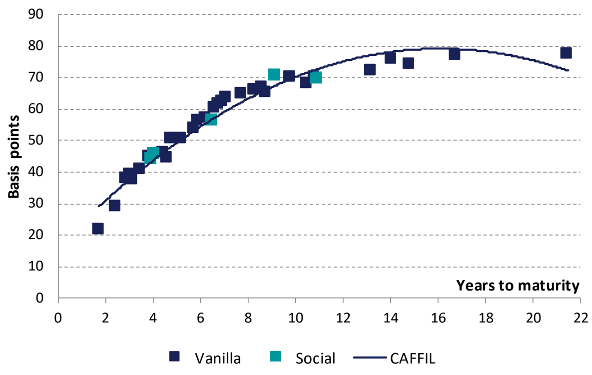
EU spread curve (Z-spreads)



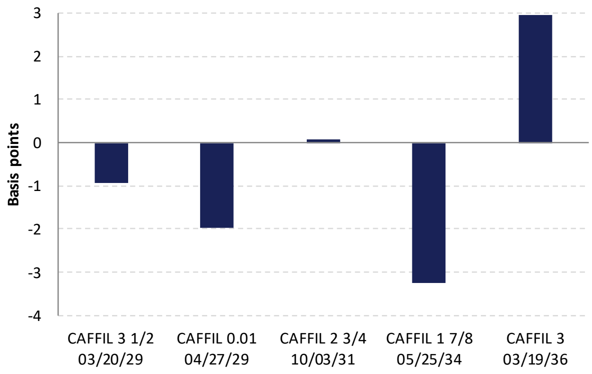
Socium+: EU



CAFFIL spread curve (Z-spreads)



Socium+: CAFFIL



Source: Bloomberg, NORD/LB Floor Research

...and for covered bonds

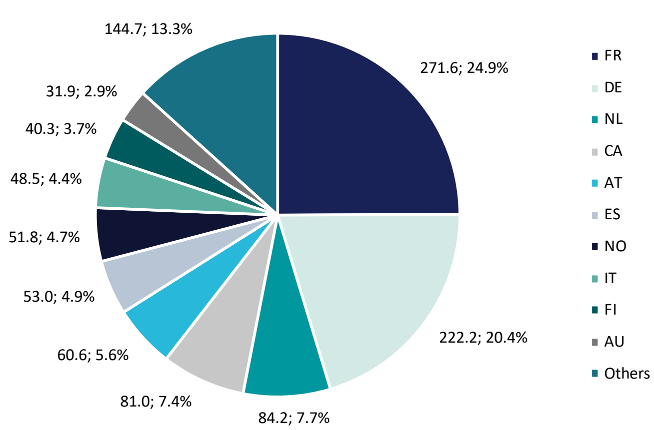
For the covered bond segment, we expanded the spectrum of issuers studied with the addition of Caisse Française de Financement Local (CAFFIL) and Deutsche Kreditbank (DKB), which are among the most active issuers of covered bonds in social format. While we determined a median premium for the green bond deals of all covered bond issuers included in this study, this picture is reversed in part when considering a potential socium+. In this instance, only the two German issuers, DKB and BHH, show a premium of 0.28bp and 2.37bp respectively. In contrast, only one social covered bond, from CAFFIL, is trading significantly below the issuer's interpolated spread curve, resulting in a median premium of -0.94bp for CAFFIL. Overall, socium+ in the covered bond segment are far lower than those for covered bonds in green format. At the same time, our data suggests that socium+ differ between Germany and France. While admittedly our study only looks at a few issuers, and the number of covered bonds placed in social format is not excessively high, we were unable to identify a social premium for any of the French issuers. However, this was not the case for German Pfandbrief issuers.

Conclusion

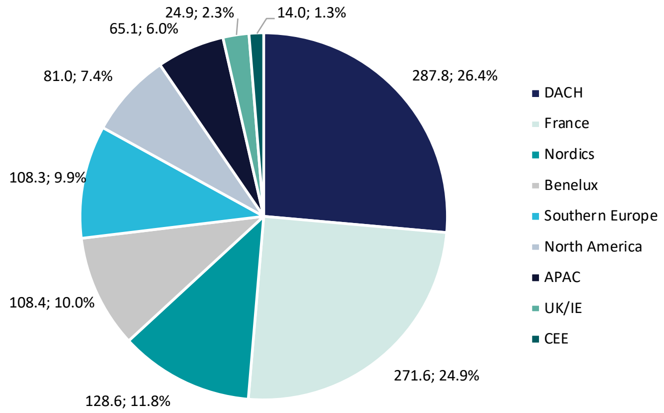
In our empirical analysis, we arrive at the conclusion that investors on the secondary market are occasionally forced to accept spread discounts that vary significantly in size on green bonds from selected issuers in our core segments of SSA/Public Issuers and covered bonds. As far as our covered bond sample is concerned, criteria such as country of origin, number of outstanding green bonds and distribution of bonds across the maturity spectrum all play a significant role in shaping the greenium. For example, we recorded a higher greenium for green Pfandbriefe than is the case for green covered bonds from France. In terms of our public issuers, we actually determined negative premiums for green bonds issued by German promotional banks, while in contrast we calculated a greenium of around 3bp for the French BPIFRA. With social bonds also representing a widespread refinancing tool for the issuers in our coverage in addition to green bonds, we have expanded our analysis to include this sub-segment. The results here indicate that any potential socium+ for covered bonds would be lower than is the case for green covered bonds. In contrast, the yield discount for social bonds from selected public issuers is markedly higher. Irrespective of a potential premium for green and social bonds, we consider both types of bond to be essential components in the future refinancing strategies of the issuers that form part of our coverage. In our estimation, the market for green bonds is likely to enjoy real momentum as it develops in the next few years. One reason for this is the EUGBS, which has been in force for issuers to use since the end of 2024. We have already registered a handful of new deals placed under this new label. Moving forwards, we primarily expect issuers from the SSA segment to make more frequent use of this format. For details on our specific projection and an assessment as to whether the EUGBS will also help to advance the covered bond universe, please refer to our ESG update 2025, which is set for publication in June!

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



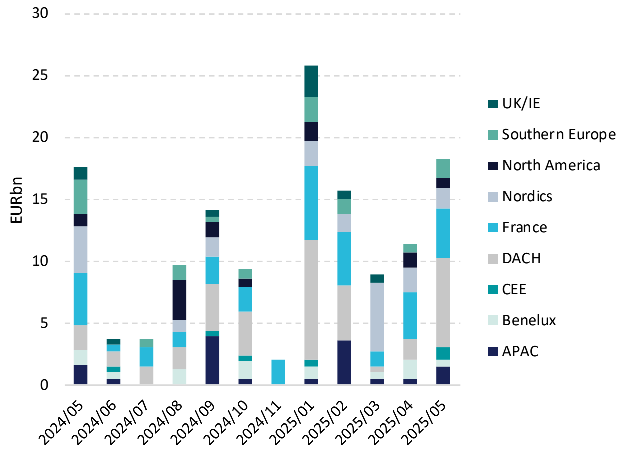
EUR benchmark volume by region (in EURbn)



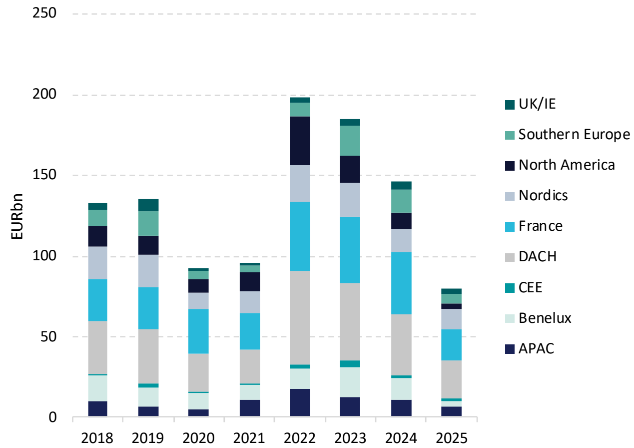
Top-10 jurisdictions

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	271.6	262	32	0.97	9.2	4.6	1.65
2	DE	222.2	310	49	0.66	7.7	3.7	1.67
3	NL	84.2	85	4	0.93	10.3	5.4	1.45
4	CA	81.0	59	1	1.35	5.6	2.4	1.56
5	AT	60.6	100	5	0.60	8.0	3.9	1.65
6	ES	53.0	45	5	1.07	10.5	3.4	2.25
7	NO	51.8	62	12	0.83	7.1	3.3	1.32
8	IT	48.5	63	6	0.75	8.3	3.8	2.10
9	FI	40.3	46	5	0.86	6.6	3.0	1.83
10	AU	31.9	32	0	1.00	7.5	3.4	1.89

EUR benchmark issue volume by month

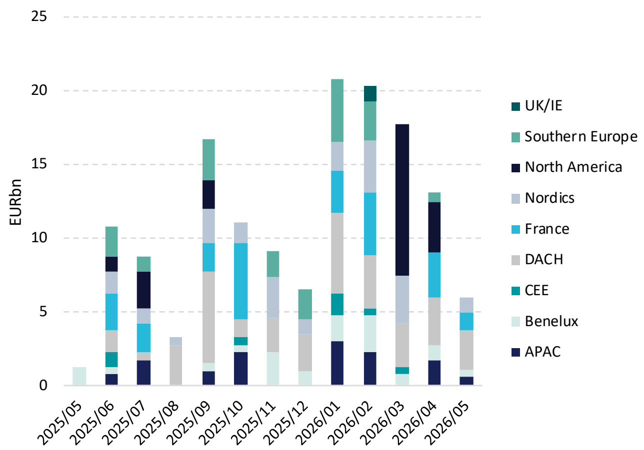


EUR benchmark issue volume by year

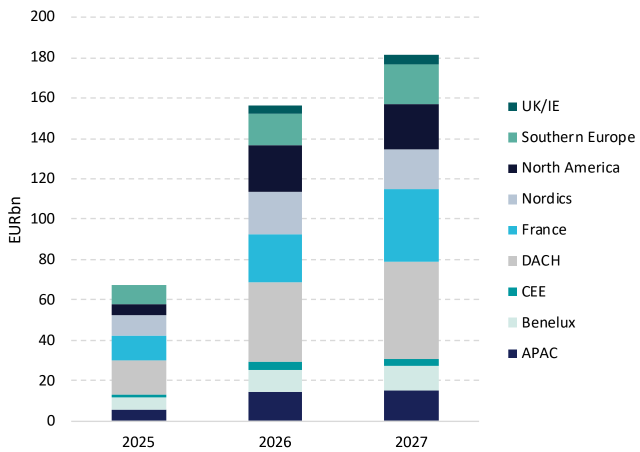


Source: Market data, Bloomberg, NORD/LB Floor Research

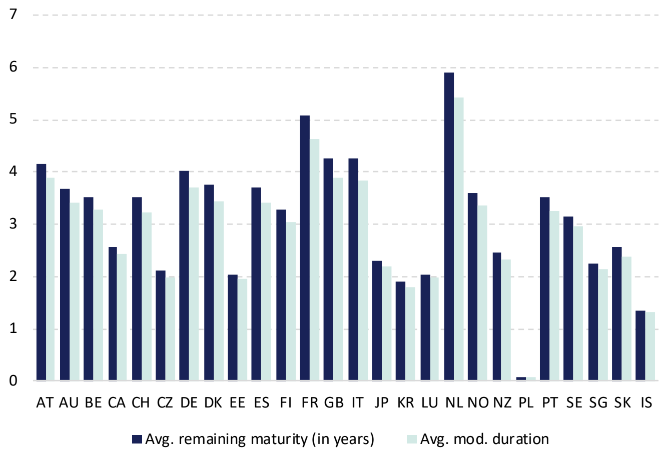
EUR benchmark maturities by month



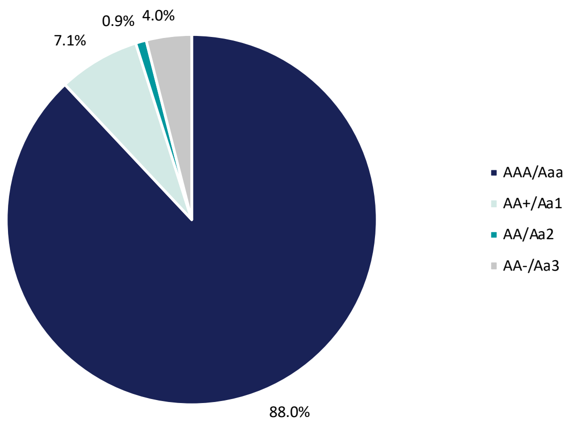
EUR benchmark maturities by year



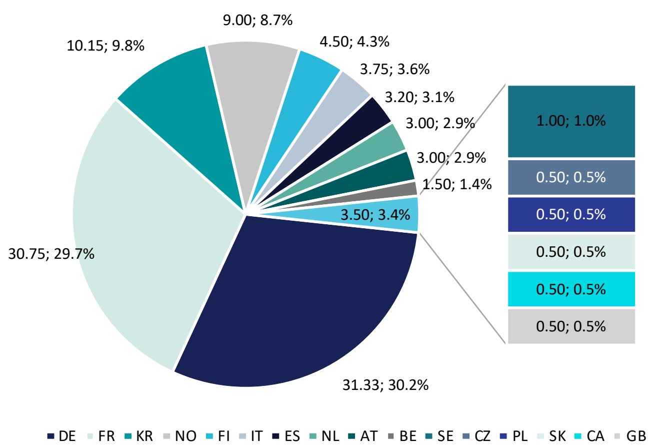
Modified duration and time to maturity by country



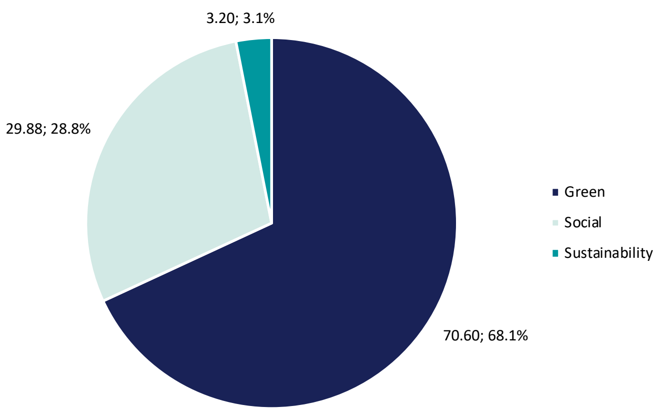
Rating distribution (volume weighted)



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

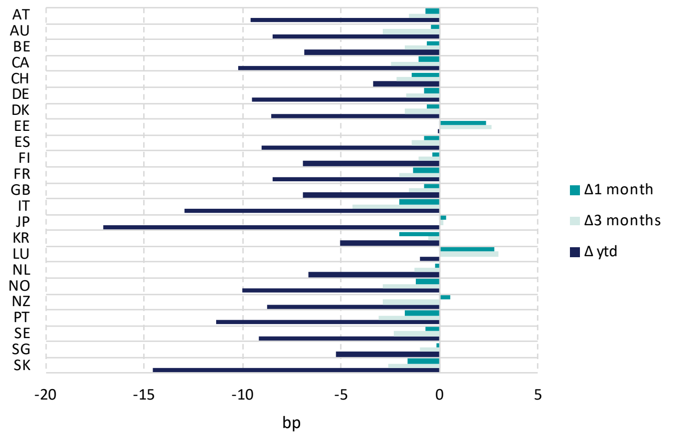


EUR benchmark volume (ESG) by type (in EURbn)

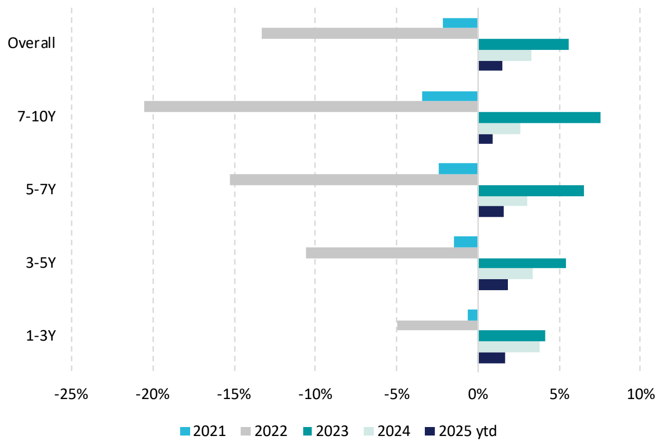


Source: Market data, Bloomberg, NORD/LB Floor Research

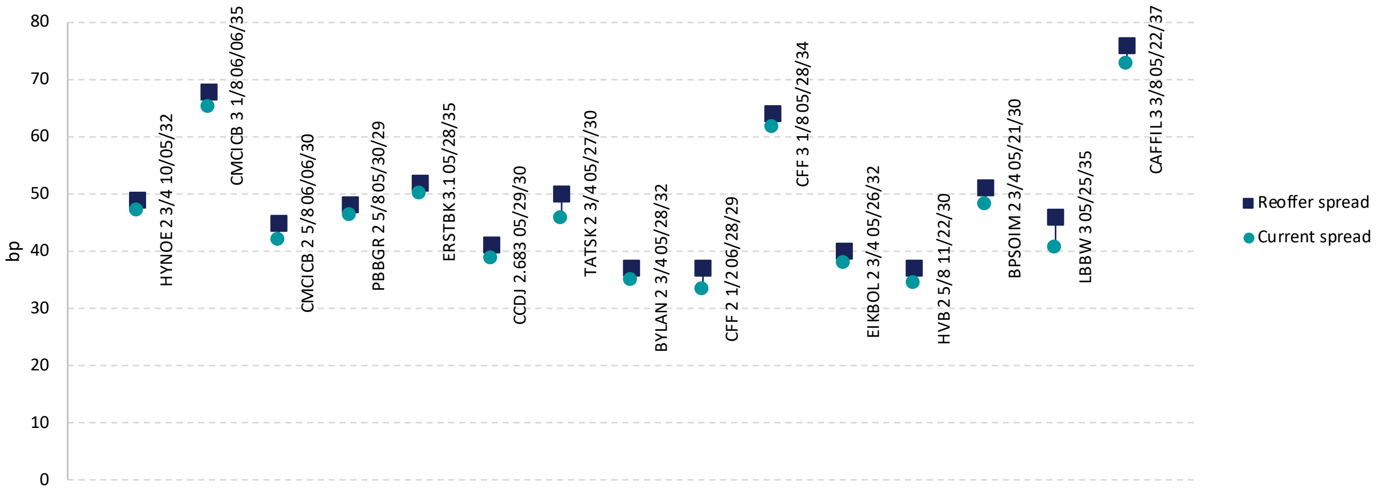
EUR benchmark emission pattern



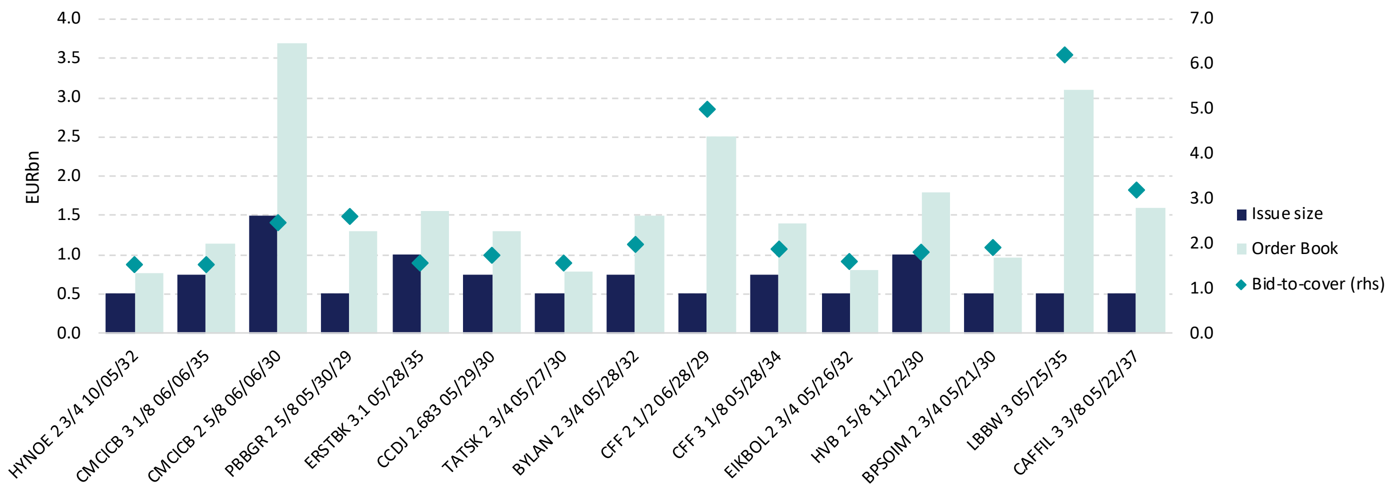
Covered bond performance (Total return)



Spread development (last 15 issues)



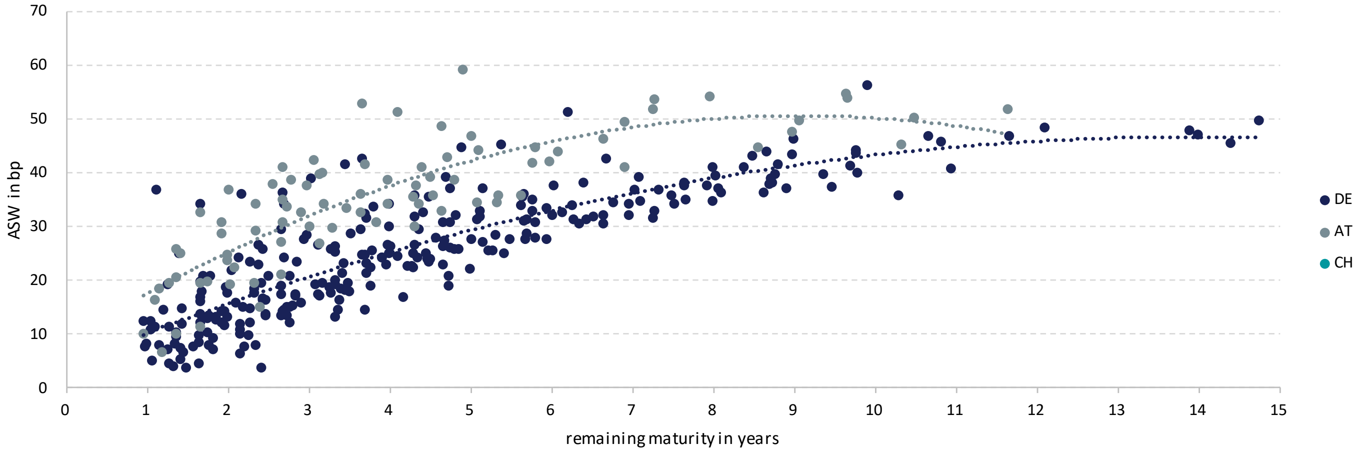
Order books (last 15 issues)



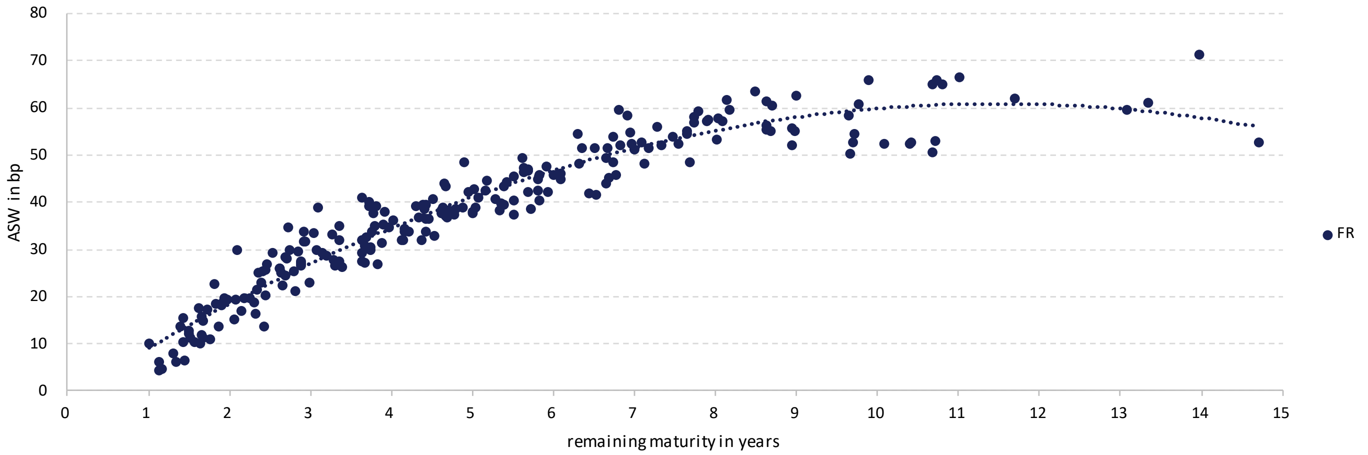
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

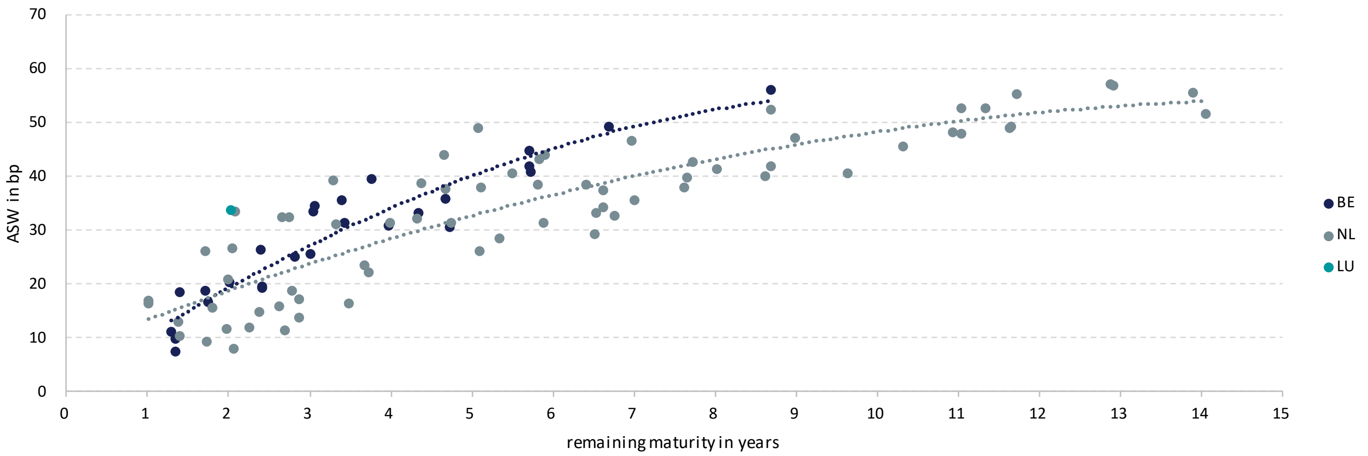
DACH



France

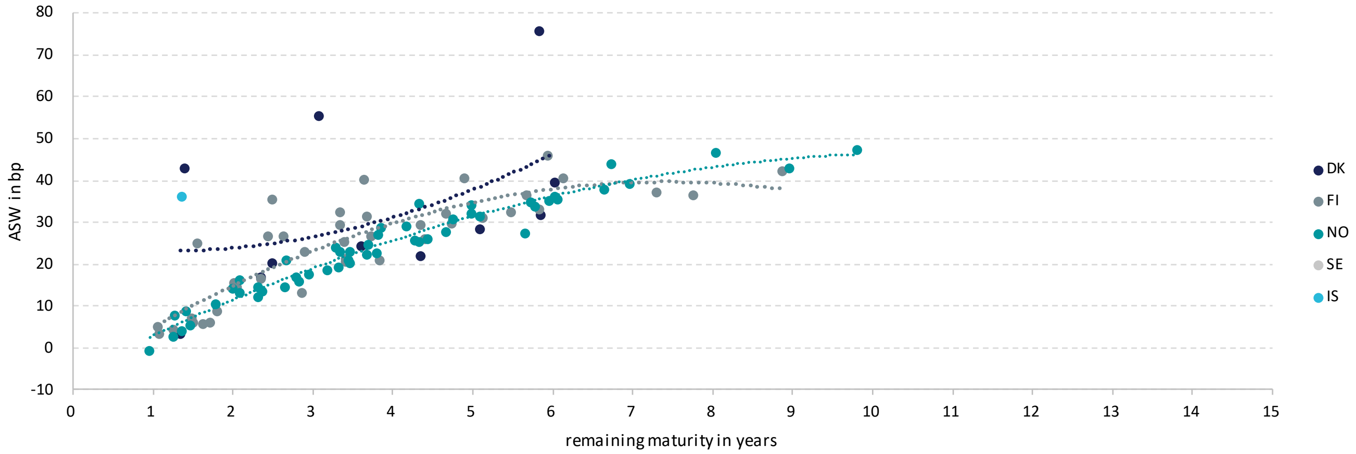


Benelux

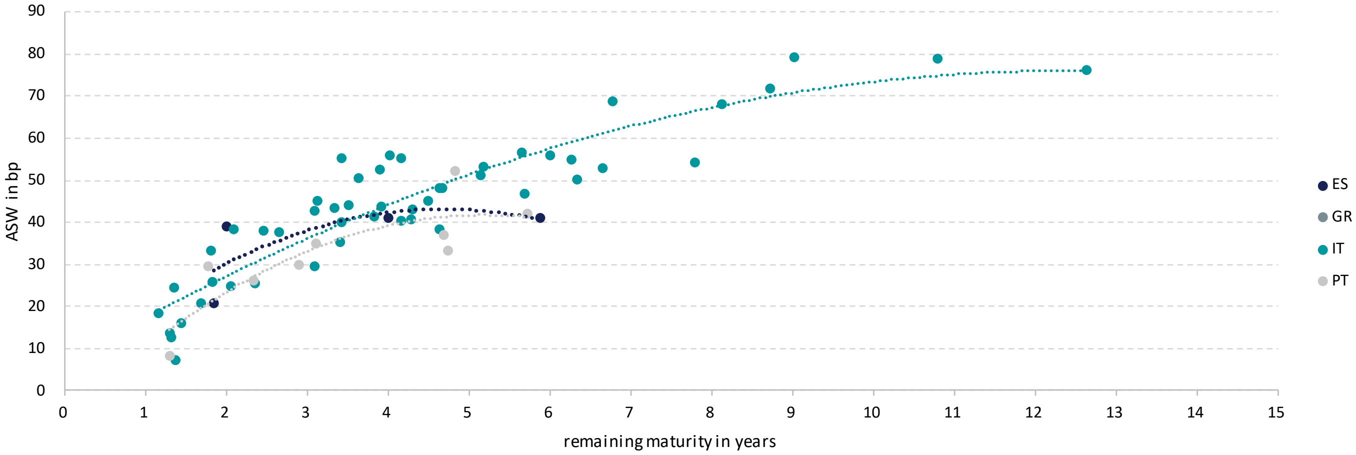


Source: Market data, Bloomberg, NORD/LB Floor Research [1]Time to maturity 1 ≤ y ≤ 15

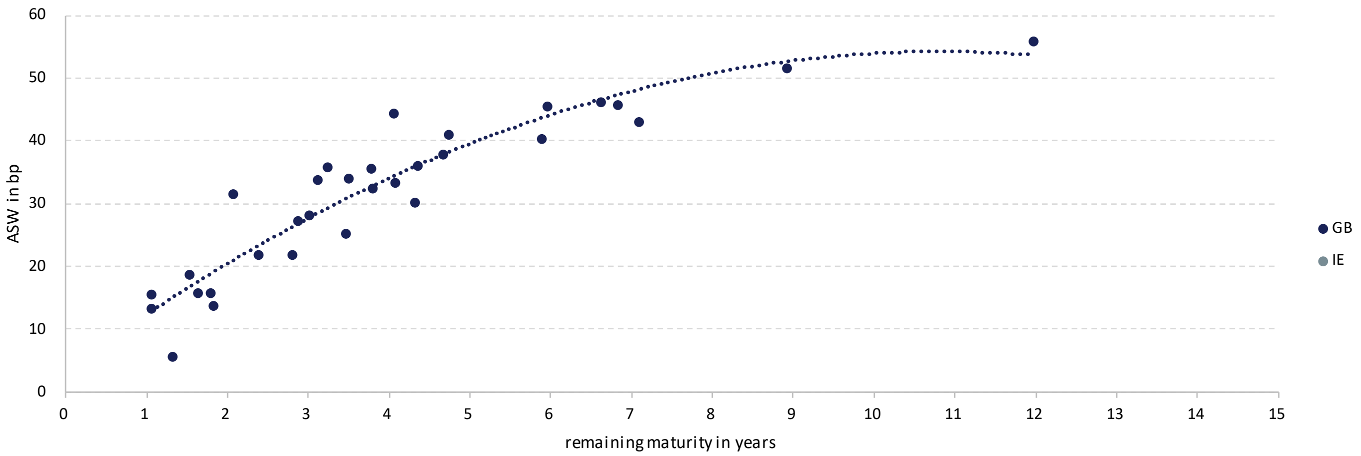
Nordics



Southern Europe

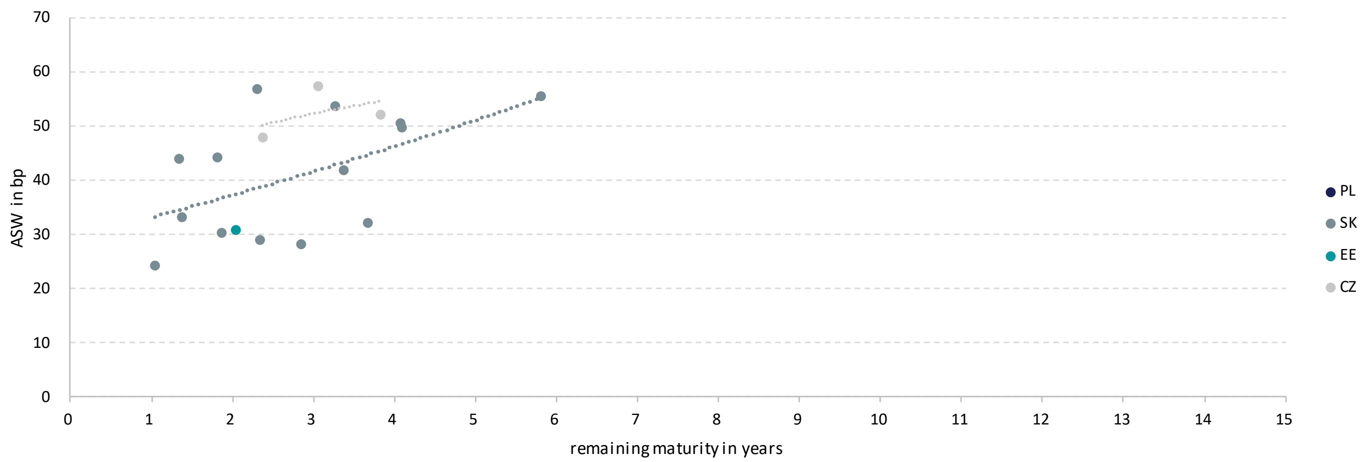


UK/IE

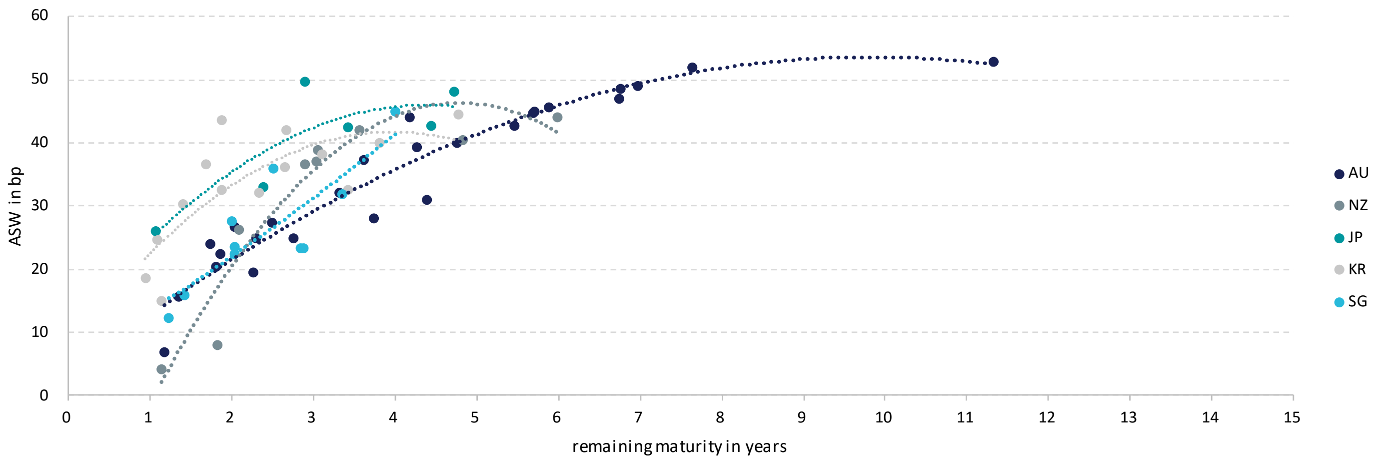


Source: Market data, Bloomberg, NORD/LB Floor Research

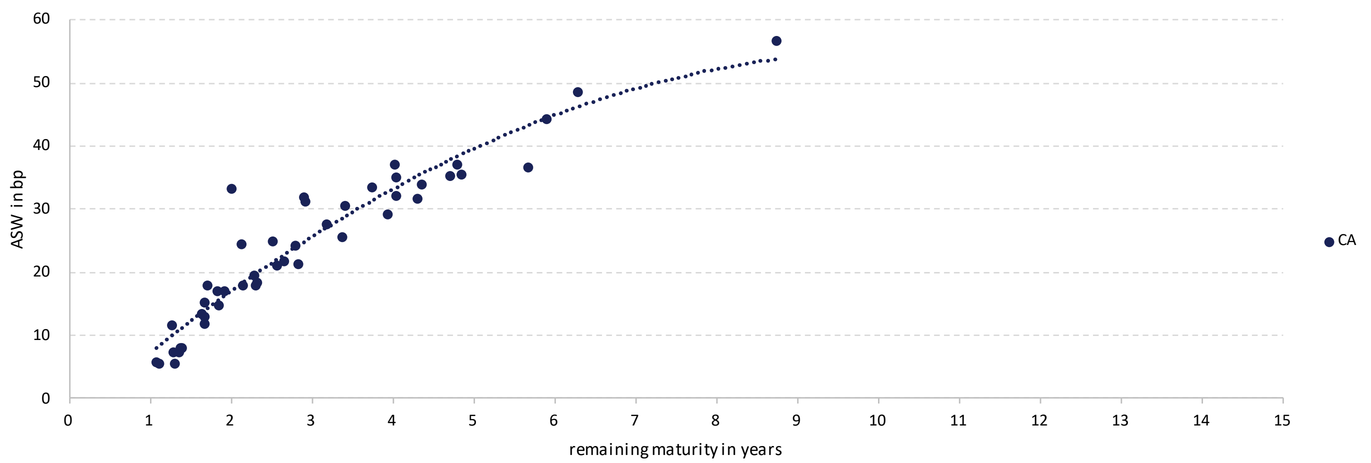
CEE



APAC



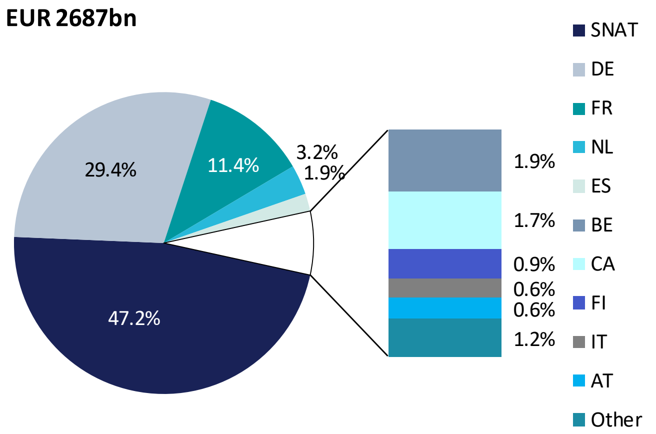
North America



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

Charts & Figures
SSA/Public Issuers

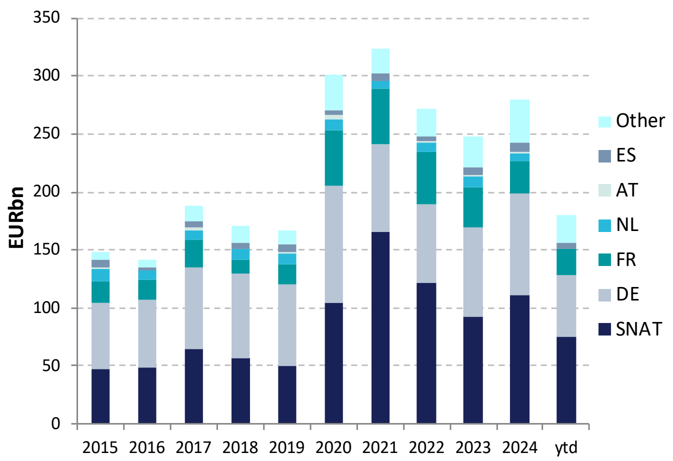
Outstanding volume (bmk)



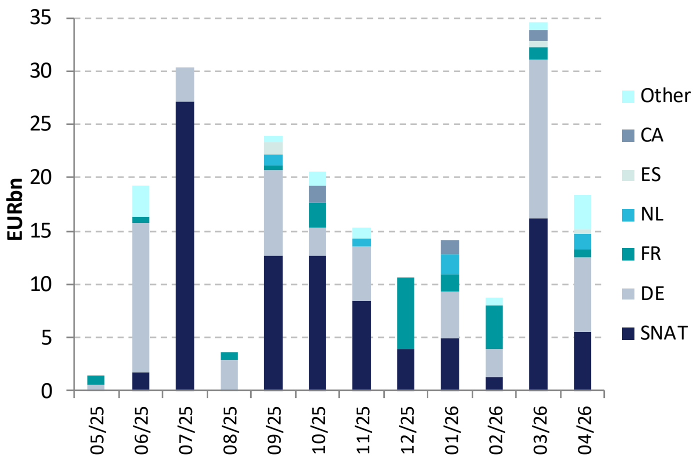
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,269.5	258	4.9	7.6
DE	791.0	597	1.3	6.0
FR	307.4	207	1.5	5.6
NL	85.8	68	1.3	6.3
ES	50.6	72	0.7	5.1
BE	50.1	50	1.0	9.6
CA	45.9	31	1.5	5.8
FI	24.0	25	1.0	4.3
IT	16.1	20	0.8	4.3
AT	16.0	21	0.8	4.4

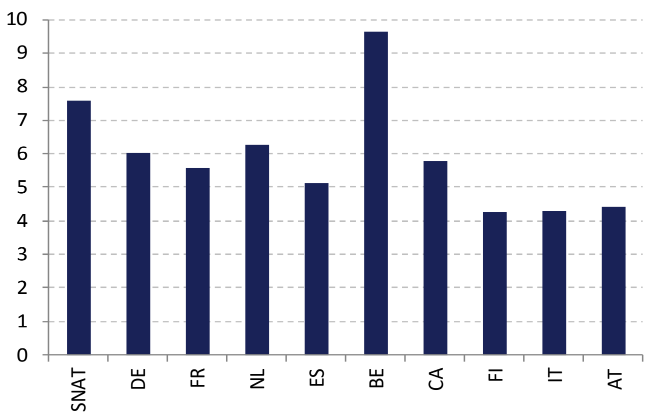
Issue volume by year (bmk)



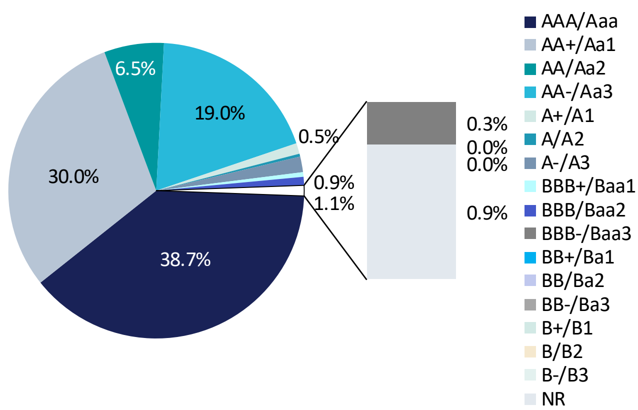
Maturities next 12 months (bmk)



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

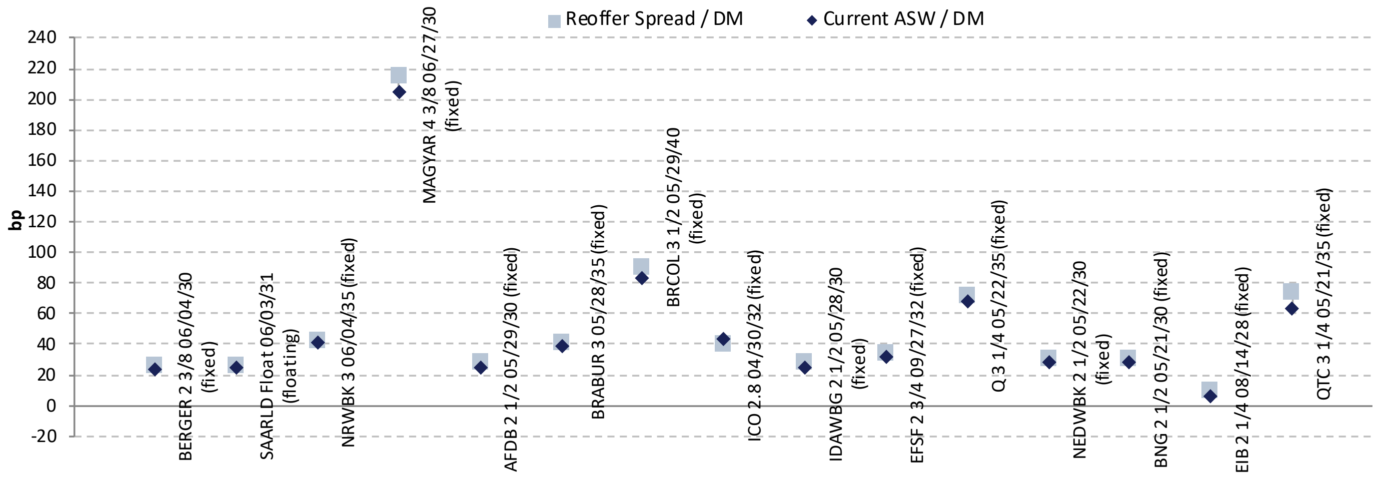


Rating distribution (vol. weighted)

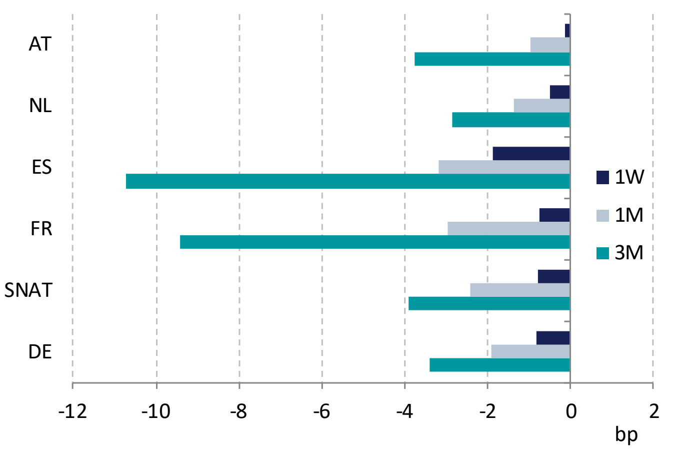


Source: Bloomberg, NORD/LB Floor Research

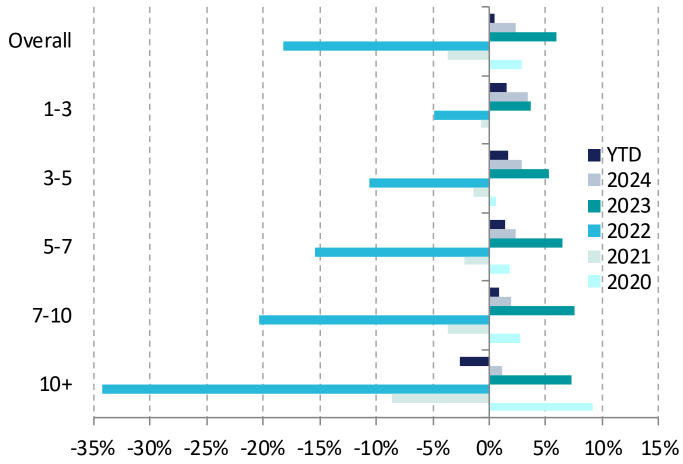
Spread development (last 15 issues)



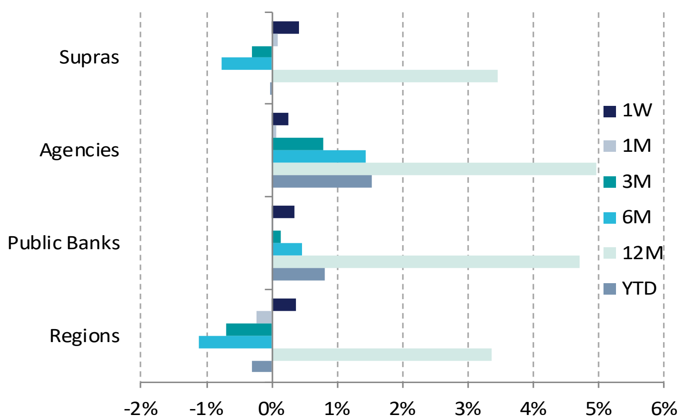
Spread development by country



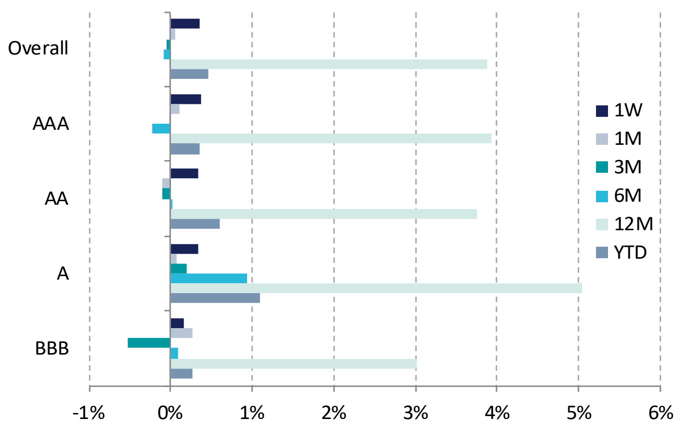
Performance (total return)



Performance (total return) by segments

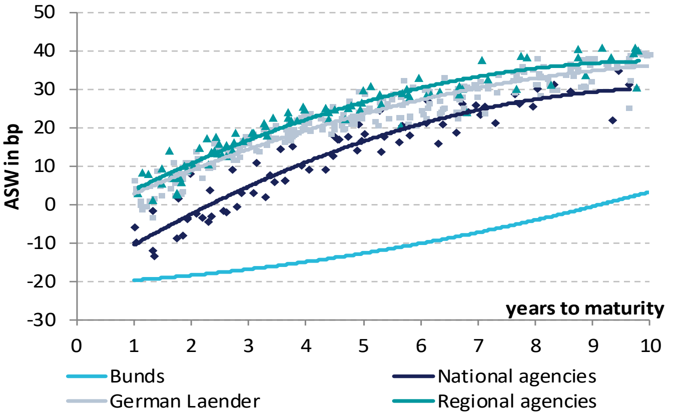


Performance (total return) by rating

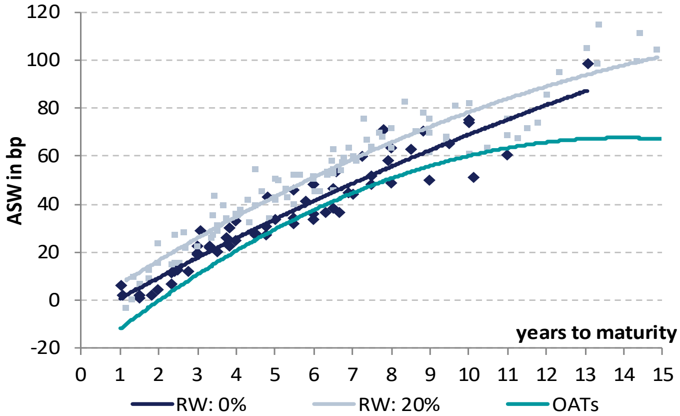


Source: Bloomberg, NORD/LB Floor Research

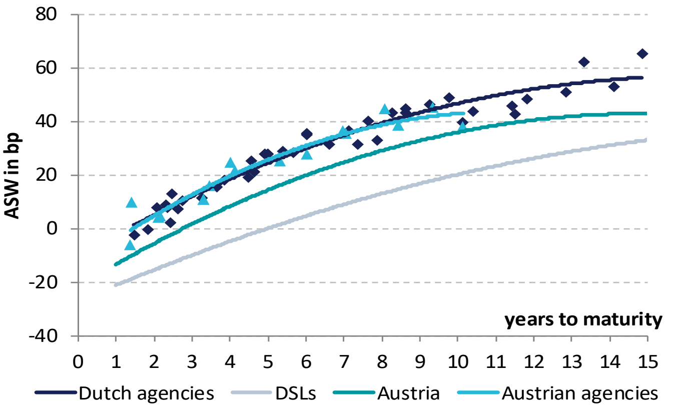
Germany (by segments)



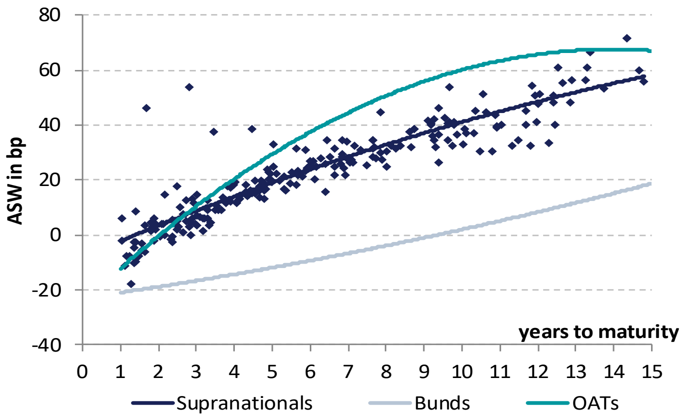
France (by risk weight)



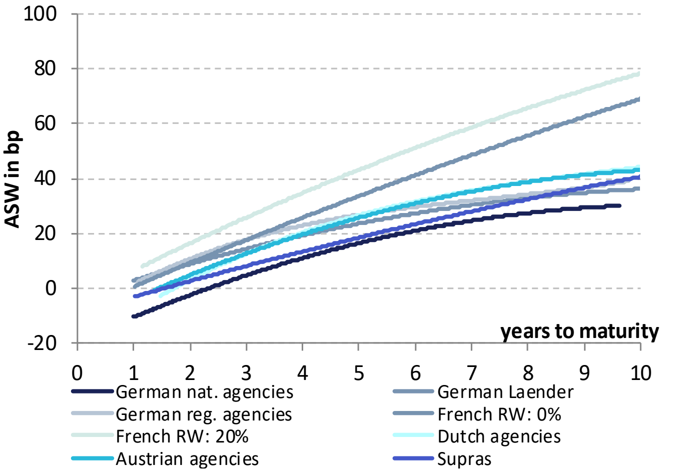
Netherlands & Austria



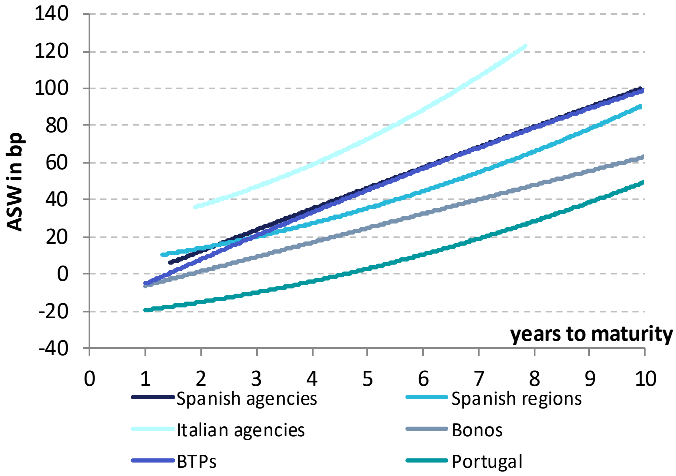
Supranationals



Core



Periphery

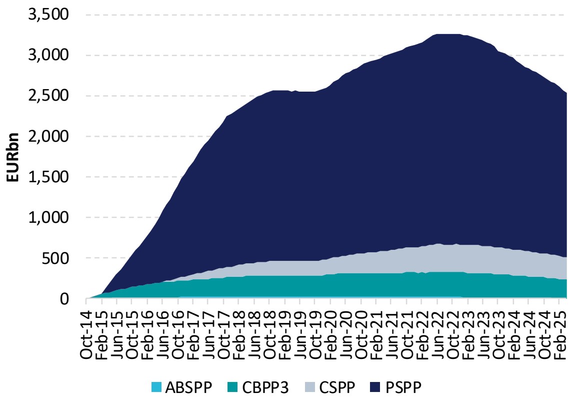


Source: Bloomberg, NORD/LB Floor Research

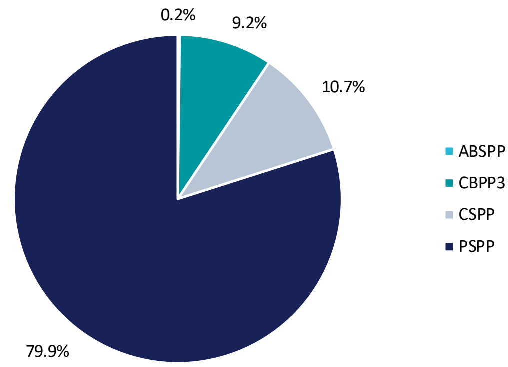
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

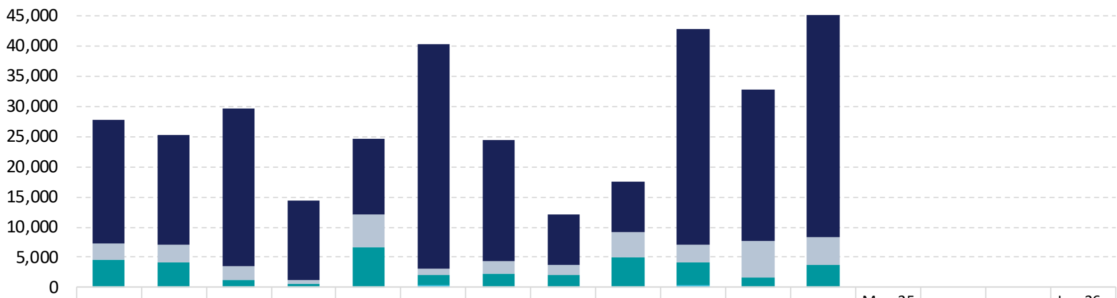
APP: Portfolio development



APP: Portfolio structure

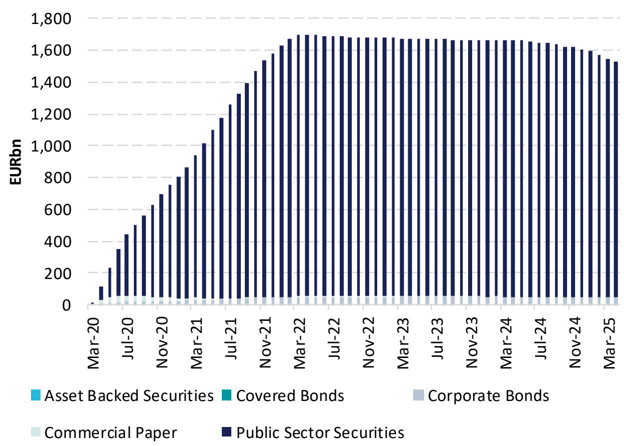


Expected monthly redemptions (in EURm)

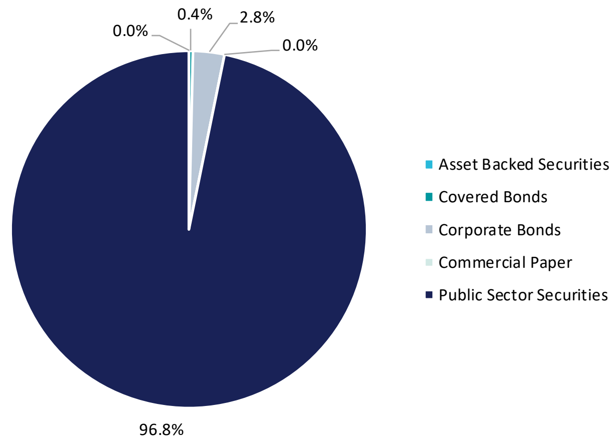


	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-25 - Apr-26	2024	2025	Jan-26 - Apr-26
APP	27,846	25,290	29,618	14,310	24,596	40,249	24,445	12,017	17,538	42,791	32,768	50,965	342,433	334,302	334,255	50,965
PSPP	20,541	18,261	26,161	13,114	12,568	37,073	20,060	8,274	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



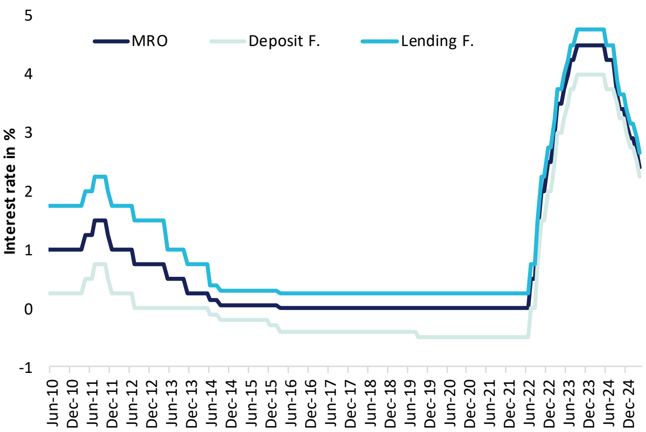
PEPP: Portfolio structure



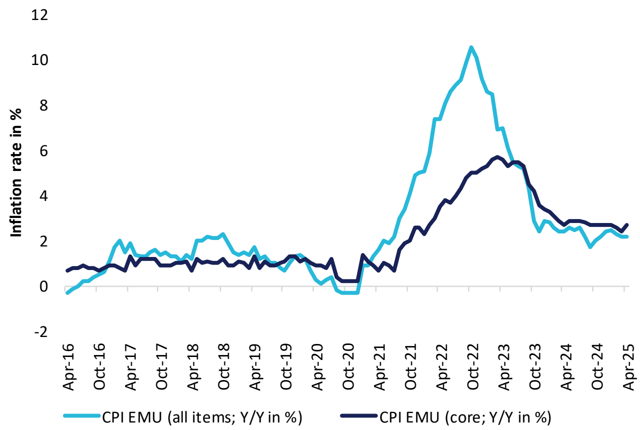
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

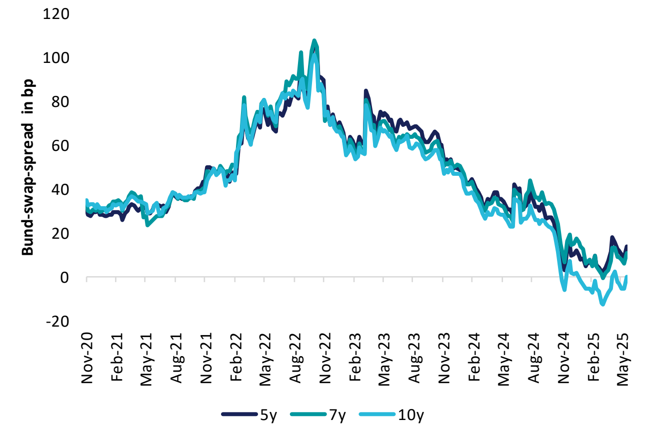
ECB key interest rates



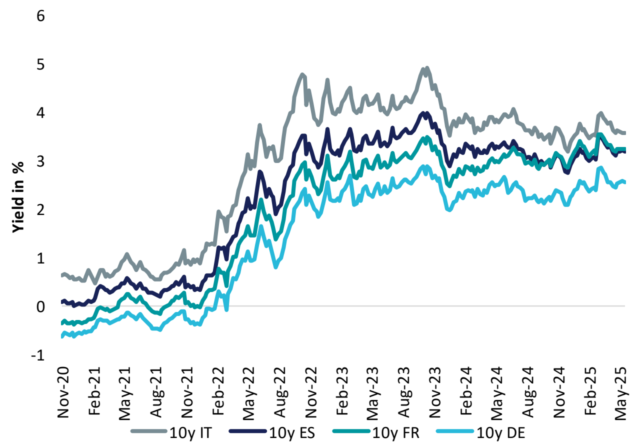
Inflation development in the euro area



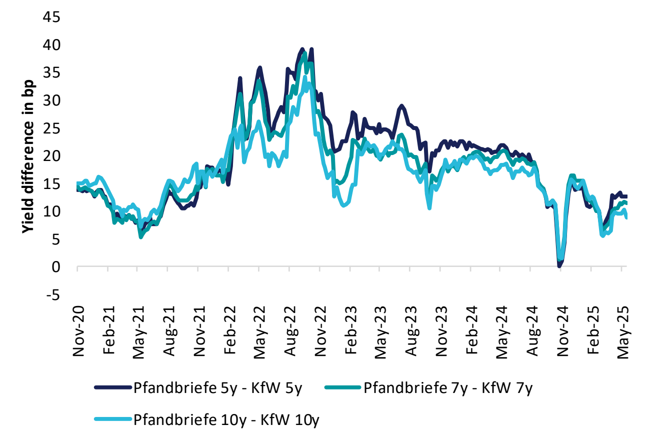
Bund-swap-spread



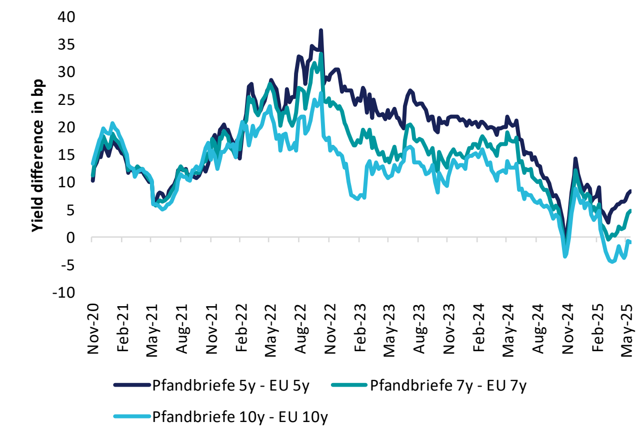
Selected yield developments (sovereigns)



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
19/2025 ♦ 21 May	▪ Development of the German property market (vdp index) ▪ Teaser: Issuer Guide – Nordic Agencies 2025
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

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Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
RESP NRDR <GO>

Appendix
Publication overview

Covered Bonds:

Issuer Guide – Covered Bonds 2024

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

Transparency requirements §28 PfandBG 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 2025

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"

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NORD/LB:
Covered Bond Research

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Bloomberg:
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Appendix
Contacts at NORD/LB

Floor Research

Dr Frederik Kunze
Covered Bonds/Banks

+49 172 354 8977
frederik.kunze@nordlb.de

Dr Norman Rudschuck, CIIA
SSA/Public Issuers

+49 152 090 24094
norman.rudschuck@nordlb.de

Lukas Kühne
Covered Bonds/Banks

+49 176 152 90932
lukas.kuehne@nordlb.de

Lukas-Finn Frese
SSA/Public Issuers

+49 176 152 89759
lukas-finn.frese@nordlb.de

Alexander Grenner
Covered Bonds/Banks

+49 157 851 65070
alexander.grenner@nordlb.de

Tobias Cordes, CIIA
SSA/Public Issuers

+49 162 760 6673
tobias.cordes@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Trading

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

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Sales Wholesale Customers

Firmenkunden	+49 511 361-4003
Asset Finance	+49 511 361-8150

Treasury

Liquidity Management/Repos	+49 511 9818-9620 +49 511 9818-9650

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oek@nordlb.de

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