

**Dear readers,**

Due to the short week coinciding with the upcoming Whitsun weekend, there will be **no Covered Bond & SSA View** next week.

The next edition of the Covered Bond & SSA View will therefore be published on **Wednesday, 02 June 2021**.

We wish you all a relaxing, sun-filled Whitsun weekend.

**Your Markets Strategy & Floor Research team**

## Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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## Market overview

### Covered Bonds

Authors: Dr Frederik Kunze // Henning Walten, CIIA

#### Primary market: Three new deals

Over the past five trading days, three further banks approached their investors with the offer of a EUR benchmark. Last Wednesday, UniCredit Bank from Germany was quick out of the blocks to issue EUR 500m over eight years. This transaction marks the bank's third market appearance of the year so far. Previously, UniCredit Bank had raised EUR 500m for 15 years in mid-January in addition to EUR 750m for 12 years at the start of March. Its most recent bond went to market at ms -1bp, while the guidance had actually been four basis points wider at ms +3bp area. With the order book totalling EUR 1.6bn, the mortgage-backed Pfandbrief was also more than three times oversubscribed. At -0.023%, the issuing yield slipped marginally into negative territory. Yesterday, on Tuesday, one issuer each from Singapore and Austria then opted to access the market. Both banks had already mandated their syndicates on Monday. For the first time in three years, Raiffeisen-Landesbank Steiermark offered its investors a EUR-denominated benchmark. This was also just the second EUR benchmark from Austria with a term to maturity of 20 years. The pioneer in this regard was BAWAG, who made the first move in this maturity segment around two months ago. Pricing for this deal came in at ms +7bp, with no further tightening observed during the book-building process. On the other hand, a remarkable narrowing of two basis points was achieved in the 2021 debut of United Overseas Bank. In total, EUR 750m changed hands for this transaction, which can be described as the only successful placement yesterday due to a highly challenging market environment. In our opinion, it is also worth highlighting in this context that successful covered bond placements are clearly possible even in choppy waters and even when the ECB is not a reliable source of demand on the primary and secondary market – as is the case with the UOB deal. With a term to maturity of eight years, the bond was also the longest-dated EUR benchmark from Singapore since bond deals in this market segment were first issued from the Asian country back in 2016. The issue yield stood at +0.124%. This bond also marks the opening of the covered bond market for Singapore in 2021, for which reason we have included a brief overview of this national jurisdiction later on in this edition. These three deals have brought the total volume of bonds placed so far in 2021 to EUR 35.5bn, which is on a par with the level seen at the end of February 2020.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
UOB	SG	18:05.	XS2345845882	8.0y	0.75bn	ms +10bp	- / Aaa / AAA	-
RLB Steiermark	AT	18:05.	AT000B093547	20.0y	0.50bn	ms +7bp	- / Aaa / -	-
UniCredit Bank	DE	12:05.	DE000HV2AYJ2	8.0y	0.50bn	ms -1bp	- / Aaa / -	-

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

**SaarLB places second EUR sub-benchmark**

Yesterday (18 May) also saw the German issuer SaarLB place its second EUR-denominated sub-benchmark in the form of a public sector Pfandbrief. A volume of EUR 250m was issued for ten years. The challenging market environment was also in evidence here, reflected in the fact that the deal was only 1.2x oversubscribed, with no tightening in evidence versus the guidance. The total volume of EUR sub-benchmarks placed so far in 2021 therefore stands at EUR 1.95bn and will already exceed the previous year's volume of EUR 2.05bn with the next sub-benchmark deal.

**Fitch comments on outlook for covered bonds in Australia and New Zealand**

The risk experts at Fitch recently commented on the outlook for the covered bond markets Down Under, i.e. in the national jurisdictions of Australia and New Zealand. In particular, the rating agency referred to the correlation between the improving economic outlook and rising issuance activity. Fitch is of the view that wholesale funding should gain more traction again over the course of the second half of the year in particular. In so doing, the focus is likely to be more on longer maturity segments, according to the risk experts. The analysis also predicts a more marked dynamic in lending growth in the two countries, which is also in line with the economic recovery paths. In relation to Australia, Fitch also highlights high levels of activity in the residential property segment, not least referring to the interest rate level that is favourable for this development. [As part of the previous edition of our weekly publication](#), we also looked at the two markets Down Under and accordingly outlined our comparatively dynamic expectations. Overall, therefore, we essentially share the views expressed by the rating experts at Fitch. With ASB Finance from New Zealand opting to access the market slightly earlier than anticipated, this development should also represent more of a prelude of more to come rather than a false start.

## Market overview

### SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

#### Update: (gross) credit authorisations remain at high level; now total EUR 119.4bn

In 2021, the German Bundeslaender did not complete their (preliminary) borrowing planning for the current year until mid-March, which was unexpectedly late and mainly due to the coronavirus crisis. Accordingly, figures are now available for all credit authorisations. The data, the gross amount of which can broadly be seen as a funding target, provides a comparatively good indication of how active the Laender are likely to be on the capital markets this year. This plan also includes SSD deals and private placements. In 2021, the gross amount aggregated across all Laender is around EUR 119.4bn, which equates to a reduction compared with the previous year's figure (2020: EUR 154.4bn), which was distorted by the coronavirus crisis. In the years prior to the pandemic, credit authorisations were still significantly lower at EUR 70.3bn (2020; prior to the onset of the pandemic and due to the introduction of the debt brake) and EUR 66.8bn (2019). The increasing focus of the Laender on the issue of budgetary consolidation was clearly reflected in this trend by March 2020. All Laender finance ministries are planning to have a balanced – or even positive – Laender budget from 2022 at the earliest, due to the debt brake that will only then take effect again. The majority even want to slightly reduce the absolute mountain of debt. The year of 2020 was marked by several supplementary budgets, with some Laender even forced to implement two. However, 2021 should be a little quieter on this front, as the planning basis is different now to that in place at the end of 2020 in anticipation of the current year. In today's figures we see a rounding correction for Brandenburg (net minus EUR 100m to EUR 1.81bn). In gross terms, however, there was an increase of EUR 0.8bn.

#### Update: German Bundeslaender credit authorisations 2021 (EUR bn)\*

	Net	Gross
Baden-Wuerttemberg	2,50	21,39
Bavaria	10,60	11,96
Berlin	0,00	6,61
Brandenburg	1,81	4,55
Bremen	1,18	2,79
Hamburg	2,39	4,57
Hesse	2,85	8,04
Mecklenburg-Western Pomerania	2,15	3,20
Lower Saxony	1,12	7,64
North Rhine-Westphalia	13,80	29,20
Rhineland-Palatinate	1,27	7,88
Saarland	0,50	2,20
Saxony	2,00	2,80
Saxony-Anhalt	-0,10	1,75
Schleswig-Holstein	0,55	3,78
Thuringia	-0,07	1,00
<b>Total</b>	<b>42,55</b>	<b>119,36</b>

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

\* partly rounded or provisional figures

**KfW figures for Q1 2021**

KfW got off to a very good start in the 2021 promotional year, according to a press release. In the first three months, the promotional volume reached a high of EUR 24.5bn (Q1/20: EUR 19.8bn, +24%). The volume of commitments in the domestic promotional business developed particularly strongly due to the continuing strong demand for KfW Corona aid (EUR 19.7bn; +45%). Energy-efficient housing finance also experienced a high increase in demand to EUR 7.8bn (+55%). Unsurprisingly, the financial year will again be strongly influenced by domestic “KfW Corona aid”. The KfW Special Programme, the heart of the coronavirus aid measures, remains an important support for businesses, as the figures for Q1 showed. However, at EUR 3.5bn, demand weakened significantly compared to the previous quarter and was particularly focused on micro-enterprises. For example, in KfW Schnellkredit, more than 80% of the loans were granted to companies with fewer than 10 employees. In the KfW Entrepreneur Loan Corona-Aid and KfW Start-up Loan Corona-Aid, around 98% of the loans are now committed to the lowest turnover class. The total volume of commitments since the start of coronavirus aid for all target groups at home and abroad currently stands at EUR 56.0bn (as of 30 April 2021). In export and project finance, the commitment volume was, as expected, below the previous year’s level (EUR 3.4bn; -41%) due to the effects of the ongoing coronavirus crisis on world trade. The promotion of developing and emerging countries rose to EUR 1.2bn (+116%). After a coronavirus-related slump in the previous year, at EUR 0.9bn (+193%), the KfW Development Bank division was back at the level of the years prior to the onset of the coronavirus pandemic. Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) committed financing of EUR 249m (+10%). The commitments of the growing business area KfW Capital totalled EUR 74m (+8%). At EUR 560.5bn, total assets are above the level of 31 December 2020 (EUR 546.4bn), primarily due to increased liquidity holdings (EUR +10.2bn) and an increase in the credit volume (EUR +5.8bn) resulting from disbursements as part of the coronavirus aid measures. Balance sheet equity rose to EUR 32.5bn due to the very good quarterly result and the relief in the revaluation reserve (31 December 2020: EUR 31.8bn). To re-finance its promotional business, KfW has already raised funds totalling EUR 31.9bn (Q1/20: EUR 27.7bn) on the international capital markets and can look back on a successful start to refinancing. For 2021 as a whole, KfW is still planning a funding volume of EUR 70-80bn. The annual target includes EUR 10bn to be issued in the form of green bonds – of which EUR 2.6bn had already been raised in a wide variety of currencies as of the quarterly reporting date. The business area financial markets also invested around EUR 240m in securities for the green bond portfolio in Q1/21 to promote climate and environmental protection projects. The funding portfolio volume on the reporting date was thus EUR 2,075m. The portfolio, which has existed since 2015, is now being continued and expanded at a level of EUR 2-2.5bn after reaching the target of EUR 2bn. Overall, a surplus of EUR 569m was generated following a loss of EUR 592m 12 months ago, the institution announced on Monday. The reason for this was, among other things, positive value developments in the investment portfolio. In addition, KfW reversed risk provisions already made for impending loan losses, as the economy developed better than anticipated. In addition, the promotional business increased as outlined above.

**Ville de Paris: Fitch downgrades issuer to AA-**

The coronavirus pandemic has many implications, two of which are highly relevant to the capital market: increased refinancing needs on the part of issuers and, as a result, negative ramifications for ratings in some quarters. In terms of the German Bundeslaender, just two have suffered a rating downgrade, while the rating outlook for two others was also changed. Fitch has now taken another closer look at the issuer Ville de Paris (VDP). The rating agency concluded that the previous rating of AA was no longer tenable and that a rating of AA- was now appropriate. The outlook has been set at stable. The downgrade reflects Fitch's expectations that repayments from the Parisian issuer (net adjusted debt/operating balance) will exceed 12x in the expected scenario. This is due to the negative impact of the coronavirus pandemic on the city's finances, which adversely affected the city's operating revenue and spending needs. It also highlights the significant dependency of the city's budget on volatile tax items over which it has little control, such as property transfer duties. With around 2.1 million inhabitants, VDP (to use its Bloomberg ticker) is the centre of an urban area with around 13 million inhabitants. The city is responsible for primary education, municipal services and social aid. For a more in-depth analysis, see our Covered Bond & SSA View from 2020 (Edition 47). In the case of the Bundeslaender, we could not subsequently identify any spread changes leading to disadvantageous refinancing terms. We do not expect any notable spread reactions for Ville de Paris either, as the downgrade is not the fault of the issuer, but is due to the overall pandemic situation.

**Primary market**

Various deals were on the agenda during the past trading week, but the EU once again outshone everyone and everything. In a dual tranche, the emerging heavyweight raised a total of EUR 14.137bn with maturities of eight and 25 years. Here, the shorter maturity accounted for EUR 8.137bn, with a total of EUR 6bn allocated to the ultra-long maturity. The guidance was ms flat area (8y) and ms +19bp area respectively, with the order books coming to EUR 51.2bn and EUR 37.5bn respectively, ultimately producing final spreads of ms -2bp and ms +17bp. The SURE programme is therefore fully refinanced and the final billions can be paid out to the applicants. This means that the "social bonds" project is over for the time being and everyone is still looking to the EU as a mega-issuer, as "Next Generation EU" will soon (approx. July) be launched with around EUR 800bn until end of 2026. Other deals during the trading week came from RHIPAL (EUR 600m for three years at ms -8bp) and from NIESA (EUR 500m for seven years at ms -3bp). KFW always represents another heavyweight issuer. On this occasion, it successfully raised EUR 3bn for 15 years at ms -3bp (books: EUR 12.7bn). Investor calls for a sustainability bond (5-7y) are scheduled at the French CDC from 19 May. Then, yesterday lunchtime, NRW mandated a consortium for a sustainable dual tranche (10 & 20y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
EU	SNAT	17.05.	EU000A3KRJR4	25.6y	6.00bn	ms +17bp	AAA / Aaa / AA	X
EU	SNAT	17.05.	EU000A3KRJQ6	8.1y	8.137bn	ms -2bp	AAA / Aaa / AA	X
NIESA	DE	17.05.	DE000A3E5TU4	7.0y	0.50bn	ms -3bp	AAA / - / -	-
KFW	DE	12.05.	DE000A3H3KE9	15.0y	3.00bn	ms -3bp	AAA / Aaa / AAA	-
RHIPAL	DE	12.05.	DE000RLP1304	3.0y	0.60bn	ms -8bp	AAA / - / -	-

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

## Covered Bonds

# United Overseas Bank reinvigorates the market in Singapore

Authors: Dr Frederik Kunze // Henning Walten, CIIA

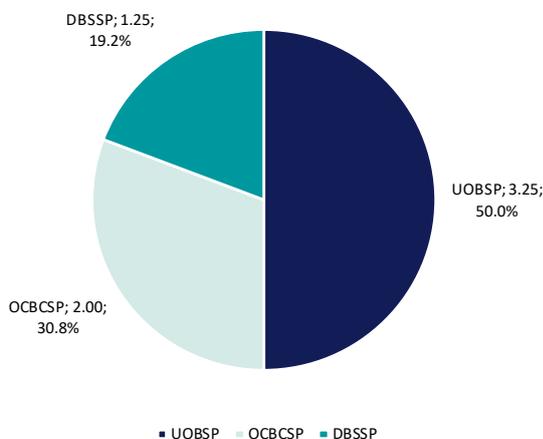
### First EUR benchmark of 2021 from Singapore

The successful placement of a EUR benchmark covered bond yesterday by United Overseas Bank (UOB) finally breathed new life into the primary market in Singapore. The EUR 750m bond features a maturity of eight years and is the third Singapore deal from UOB. The bank's last appearances in the market were in November 2020 (UOBSP 0.01 12/01/27; EUR 1.0bn) and September 2018 (UOBSP 0 1/4 09/11/23; EUR 500m). The most recent issues from the country's two other active benchmark issuers were also quite some time ago in April 2018 (Oversea-Chinese Banking Corporation (OCBC); OCBCSP 0 5/8 04/18/25; EUR 500m) and November 2017 (DBS Bank (DBS); DBSSP 0 3/8 11/21/24; EUR 500m). This pleasing sign of life from Singapore has prompted us to provide a brief overview of the market and outline our expectations for spread movements and issuance performance for 2021.

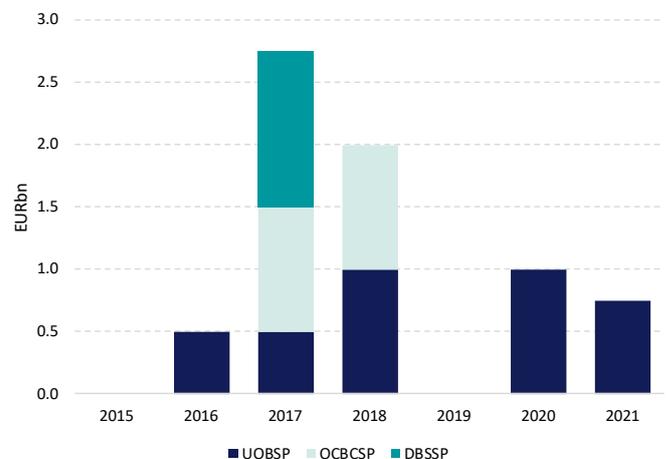
### Singapore: rationale for EUR benchmark issues

In our opinion, regularly appealing to potential investors and going to the market when there is a funding requirement are crucial to having a successful presence in the EUR benchmark segment for overseas issuers. We also believe that establishing and maintaining a sufficiently distinct curve is a further important criterion for many investors. In our opinion, the UOB deal from yesterday also showed that real money investors regard EUR benchmark covered bonds from non-EMU jurisdictions as a highly interesting and workable investment.

### SG: outstanding volume by issuer



### SG: issues by year



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

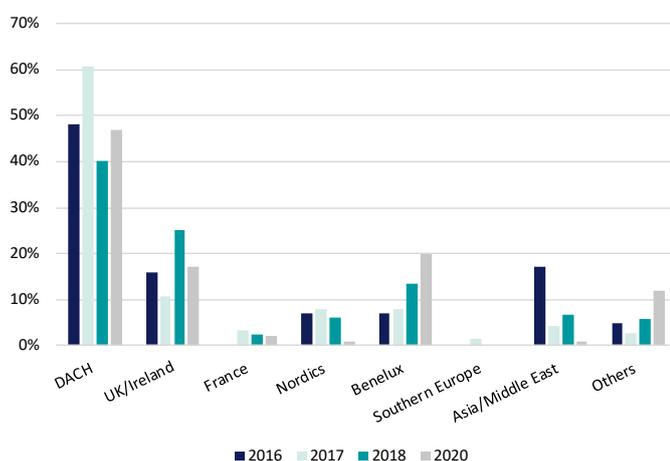
### Total of EUR 6.5bn in outstanding EUR benchmarks in Singapore

The covered bond market for EUR benchmarks in Singapore started in 2016 with a bond from the most recent issuer – United Overseas Bank. Since then, there have been a further eleven deals, with UOB undoubtedly the most active issuer in the EUR benchmark segment. So far, DBS Bank and OCBC have only been active in 2017 and 2018. With regard to maturities, in previous years, bonds were issued as either five or seven-year deals. Yesterday's bond with a term of eight years is therefore something of a novelty for the Singapore market. In terms of issuance volume, with the exception of three bonds (DBS in 2017 (EUR 750m), UOB in 2020 (EUR 1.0bn) and the latest UOB deal, all the bonds featured a volume of EUR 500m. With a market share of 50% (EUR 3.25bn), UOB accounts for half of the outstanding EUR benchmark volume. Next follows OCBC (EUR 2.0bn, 30.8%), with DBS Bank bringing up the rear with just two outstanding benchmarks (19.2% or EUR 1.25bn). The market currently comprises a volume of EUR 6.5bn and therefore ranks between Denmark (EUR 7.50bn) and Portugal (EUR 5.75bn) in 16th place out of a total of 27 EUR benchmark jurisdictions. Both UOB and OCBC have one bond each that matures within the next 12 months, which is why the number of EUR covered bonds included in the iBoxx EUR Covered currently stands at eight (see spread overview).

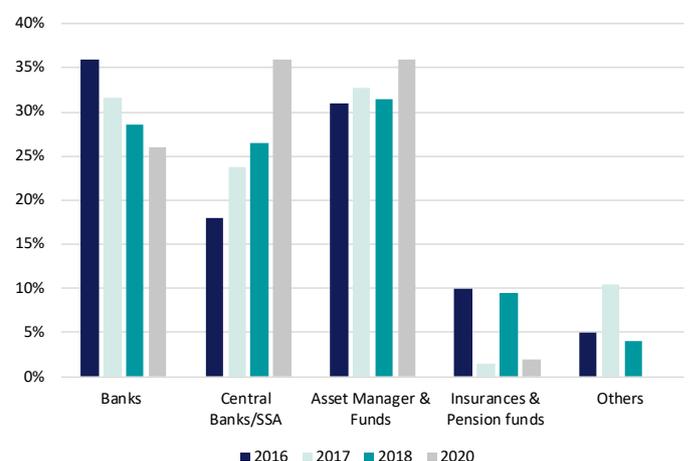
### Some differences in investor breakdown versus overall market

The investor breakdown for EUR benchmarks from Singapore shows that investors from the German-speaking DACH region of Germany, Austria and Switzerland are the most important group of buyers. In the past, an average of 51% of the volume was attributable to this group. The second biggest investor group is buyers from the UK/Ireland (17%), followed by buyers from the Benelux-region (11%). Compared with the overall market, the share attributable to UK/Ireland investors is disproportionately high (17% compared with 7%). Less prominent, on the other hand, are French investors in particular. The breakdown by type of investor also reveals notable differences. While banks accounted on average for a share that was around ten percentage points smaller, asset managers & funds were somewhat more active in issues from Singapore. Despite the fact that bonds from Singapore are not purchased by the ECB, the share attributable to the central banks/SSA investor group stands at around 25% for both Singapore and the overall market.

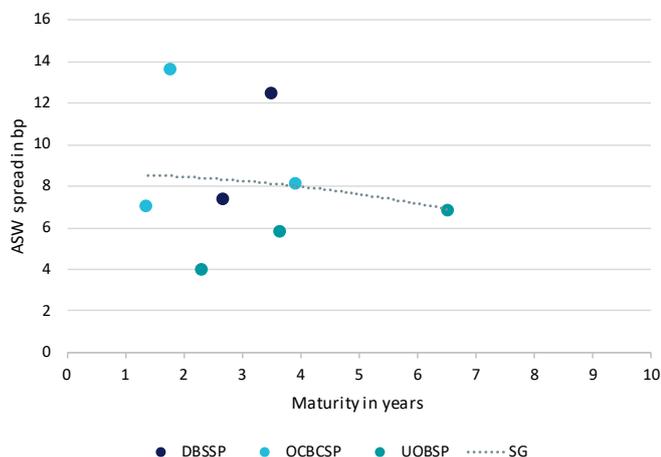
#### Investor breakdown by country



#### Investor breakdown by type



### Spread overview – Singapore



### Spread movement – Singapore



### Cover pools in Singapore

	DBS Bank	Oversea-Chinese Banking Corp	United Overseas Bank
Covered bonds outstanding	SGD 4,346m (EUR 2,717m)	SGD 3,996m (EUR 2,498m)	SGD 5,277m (EUR 3,345m)
Cover pool volume	SGD 10,670m (EUR 6,670m)	SGD 6,841m (EUR 4,276m)	SGD 10,451m (EUR 6,625m)
Current OC (nominal / legal)	145.5% / 3.0%	71.2% / 3.0%	98.2% / 3.0%
Type	98.4% Residential	100% Residential	99.4% Residential
Main country	100% Singapore	100% Singapore	100% Singapore
Main region	47.3% Outside Central Region	64.6% Outside Central Region	72.8% Outside Central Region
Number of mortgage loans	16,309	11,454	17,341
Share of 10 largest exposures	0.35%	0.92%	0.71%
NPLs	0.05%	0.01%	0.04%
Fixed interest (Cover Pool / CBs)	51.3% / 84.0%	40.1% / 88.2%	52.4% / 87.8%
WAL (Cover Pool / CBs)	19.5y / 1.9y	18.7y / 2.0y	20.2y / 3.7y
CB Rating (Fitch / Moody's / S&P)	AAA / Aaa / -	AAA / Aaa / -	- / Aaa / AAA
Cut-off date	30 April 2021	30 April 2021	31 March 2021

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

### Outlook for the rest of 2021

With regard to the issuance volume we expect out of Singapore for 2021, for the time being we are sticking to our forecast that the country's new placements are set to total EUR 1.5bn. We believe the UOB deal confirms our decision to leave Singapore's market out of the significant downwards revision of our forecast for 2021 back in March and not to curb our expectations for the country. With maturities amounting to just EUR 500m in 2021, this would produce a rarely seen positive net supply (EUR 1.0bn) for Singapore in the current year. Given the dearth of investments despite growing inflation concerns as well as the fundamental relative appeal of EUR benchmarks from Singapore, we see more signs pointing towards further spread tightening in spite of the positive net supply, although the increased supply in the overall market has recently caused a slight increase in investment alternatives. On the whole, the EUR benchmark segment is facing a notable contraction in 2021 and further massive purchasing activity on the part of the Eurosystem. We believe this combination will continue to have spillover effects for those EUR benchmarks not purchased by the Eurosystem.

### Legal framework in Singapore: cover asset restriction a strength

With regard to the outlook for covered bond issues in 2021 and beyond, the increase in the asset encumbrance limit from 4% to 10% implemented in 2020 is also likely to enhance the potential for the appearance of both new issuers and new deals from established players in the market. However, we do not expect any direct and pronounced reaction from the banks, since the newly gained leeway for the placement of covered bonds represents only one prerequisite for a significantly larger covered bond market. The corresponding funding requirement must also be present in particular. Yet, we believe that the limit adjustment does represent a long-term growth stimulus, since it has made the costly establishment of a cover pool relatively more advantageous for smaller banks especially. One notable strength of the country's covered bond legislation is that the cover assets are essentially restricted to mortgage loans. In contrast, the cover calculation requirement could be improved to make a net present value calculation necessary alongside the nominal coverage.

### Singapore: overview of legislation

Designation	Singapore Covered Bonds
Special covered bond law	Yes
Cover assets (incl. substitute cover)	Mortgage loans
Owner of assets / Specialist bank principle	Issuer / No
Geographical scope	-
Loan to value - Mortgage loans	80%
Preferential claim by law	Yes
Cover register	Yes
Substitute assets / Limit of substitute assets	Yes / 15%
Minimum OC	3% nominal value
Asset encumbrance	10% issue limit ( <i>new</i> )
UCITS compliant / CRD compliant / ECB eligible	No / No / No

Source: National legislation, ECBC, NORD/LB Markets Strategy & Floor Research

### Conclusion

Singapore remains an important, albeit comparatively small, sub-market in the EUR benchmark segment. We view UOB's recent market activity as a clear indication of the continued relevance of EUR-denominated covered bonds for the country's banks. Adjusting the issuance limit to 10% will act as a growth stimulus over the long term. Based on our issuance expectations for 2021, we still see some tightening potential for covered bonds from Singapore, even though the issues do not enjoy the same regulatory privileges as those from EMU jurisdictions and are not eligible for purchase under the ECB's purchase programmes. Nevertheless, EUR benchmarks from Singapore should still be able to benefit somewhat from the overarching market technicals as it is clear that there is still demand from real money investors.

## Covered Bonds

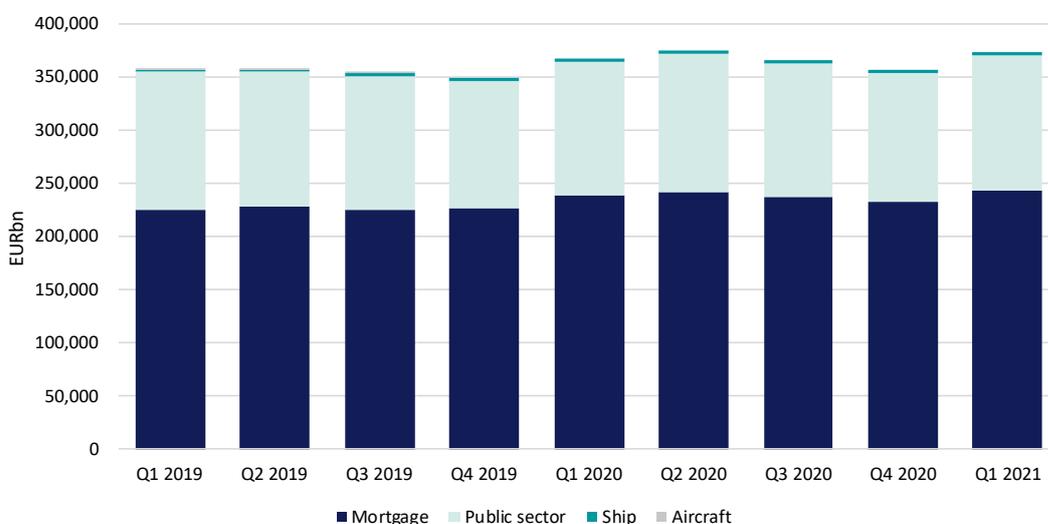
### Transparency requirements §28 PfandBG Q1 2021

Author: Henning Walten, CIAA

#### ALTE LEIPZIGER Bauspar extends issuer group

The Pfandbrief issuers belonging to the Association of German Pfandbrief Banks (vdp) have just published the transparency reports on the composition of their cover pools in accordance with Section 28 of the German Pfandbrief Act (PfandBG) for Q1 of the current year. ALTE LEIPZIGER Bauspar has joined the group of issuers in the mortgage Pfandbrief segment, although its contribution to the outstanding volume is only marginal at EUR 10m. Our report "[Transparency requirements §28 PfandBG Q1 2021](#)" therefore now encompasses cover pool data for 35 mortgage Pfandbrief issuers with immediate effect as well as for 25 public sector Pfandbrief issuers as before.

#### Movement in outstanding volume

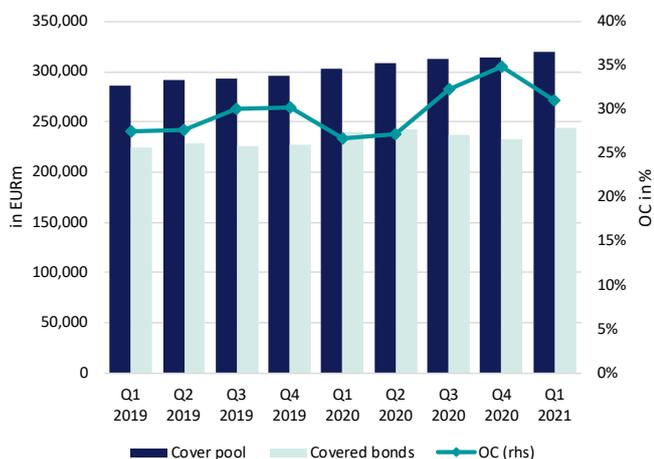


Source: vdp, NORD/LB Markets Strategy & Floor Research

#### Total volume rises significantly by EUR 16.8bn

With outstanding Pfandbriefe amounting to EUR 373.8bn, the total volume has risen significantly versus the previous quarter and is therefore on a par with the level in Q2 2020. The volume had declined in each of the two preceding quarters. Growth was recorded in the volume of both outstanding mortgage Pfandbriefe (EUR +10.8bn; +4.6%) and public sector Pfandbriefe (EUR +6.0bn; +4.9%). In contrast, with regard to cover assets, there was a rise in mortgage assets of EUR 5.2bn, while the cover pool volumes for public sector Pfandbriefe decreased by EUR 2.4bn. Consequently, the ratio between outstanding bonds and cover assets fell in both cases. Overall, the ratio for mortgage Pfandbriefe was 31.1% (previous quarter: 34.9%), while for public sector Pfandbriefe, the ratio dropped by 7.9 percentage points from 27.7% to 19.8%. At EUR 2.2bn, ship Pfandbriefe remain a niche segment, recording a decline in both assets (EUR -64m) and outstanding bonds (EUR -29m).

### Movement in mortgage Pfandbriefe



### Movement in public sector Pfandbriefe



Source: vdp, NORD/LB Markets Strategy & Floor Research

#### Mortgage Pfandbriefe up by EUR 10.8bn

The volume of outstanding Pfandbriefe in the mortgage Pfandbrief segment increased by EUR 10.8bn in Q1 2021. At EUR 2.2bn, the biggest rise was recorded by LBBW, followed by BayernLB, Berlin Hyp, Commerzbank and apoBank with over EUR 1.0bn in mortgage Pfandbriefe each. In contrast, the outstanding volume fell at Deutsche Bank by EUR 1.1bn; followed at some distance by Helaba (EUR -610m), Deutsche Hypo (EUR -418m) and DZ HYP (EUR -198m). Overall, as of the end of the quarter the outstanding mortgage Pfandbriefe of EUR 243.9bn were offset by cover assets amounting to EUR 319.7bn.

#### Volume also rises in public sector Pfandbrief segment

Just like the volume of mortgage Pfandbriefe, the volume of public sector Pfandbriefe also rose in the past quarter. The increase in outstanding public sector Pfandbriefe of EUR 6.0bn equates to a rise of +4.9%. It is notable here that while not one public sector Pfandbrief issuer increased its outstanding volume in Q4 2020, as many as four banks have now posted significant increases in the shape of DKB (EUR +2.2bn), Helaba (EUR +1.8bn), BayernLB (EUR +1.6bn) and LBBW (EUR +1.5bn). However, there were also issuers with a decline in outstanding volumes, although NORD/LB was the only bank to record a notable decrease (EUR -1.1bn), followed by Münchener Hypothekbank with EUR -301m. Overall, the outstanding volume of public sector Pfandbriefe amounted to EUR 127.8bn as of the end of Q1 2021. This volume was offset by cover assets of EUR 153.0bn, which meant the average overcollateralization dropped to 19.8% (previous quarter: 27.7%).

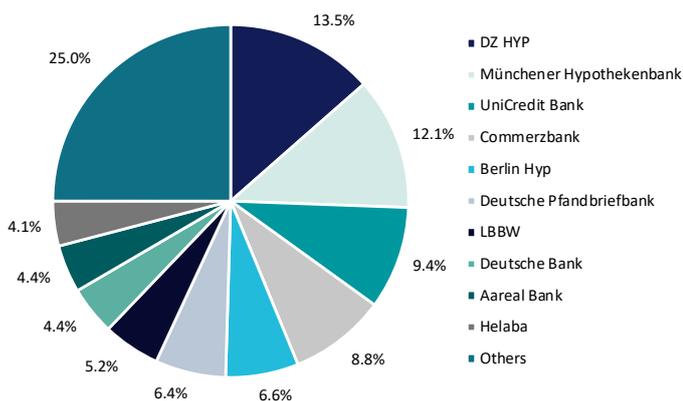
#### Ship Pfandbriefe remain a niche product

With a volume of EUR 2.2bn, the ship Pfandbriefe segment remains a niche market within the covered bond market in Germany. Currently there are only three banks with outstanding ship Pfandbriefe, namely Commerzbank, Hamburg Commercial Bank and NORD/LB, with around 90% attributable to Hamburg Commercial Bank.

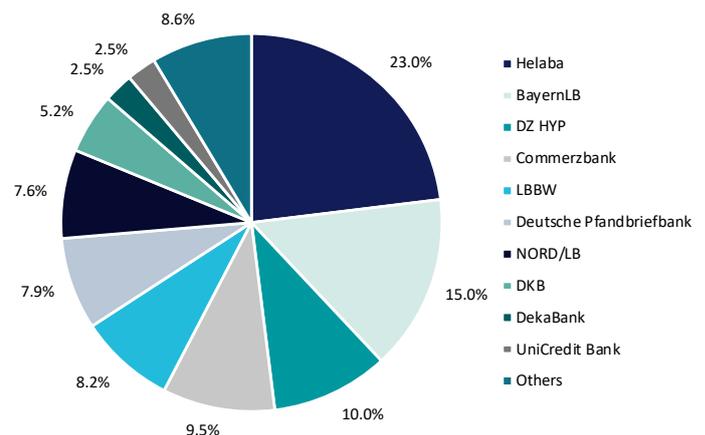
### Minor changes in the top-10

There are a few changes in the rankings for the ten biggest mortgage Pfandbrief issuers versus the previous quarter. While the top four remain unchanged, Berlin Hyp and Deutsche Pfandbriefbank have once again swapped 5th and 6th spot. The same is also true of Helaba and Deutsche Bank at the bottom end of the table. At 25%, a somewhat larger volume is attributable to the remaining issuers than in Q4 2020 (23.9%). In contrast, there was less movement in the public sector Pfandbrief segment with only LBBW and NORD/LB swapping round in places 5 and 7. The market share attributable to the 15 public sector Pfandbrief issuers not included in the top-10 dropped by around one percentage point from 9.4% to 8.6%, which means a slightly higher market concentration for the largest issuers. On the whole, market share volatility has been low in both segments in recent quarters.

### Market share – mortgage Pfandbriefe



### Market share – public sector Pfandbriefe



Source: vdp, NORD/LB Markets Strategy & Floor Research

### Conclusion

The total volume of outstanding Pfandbriefe again increased significantly in the past quarter. We would attribute this less to the issuance of publicly placed bonds and more to the uptake of central bank liquidity in the context of the TLTRO III.7 at the end of March as this tender was once more well received. Here, Pfandbriefe are likely to have been used to a certain extent as collateral with the ECB again, although there are no concrete figures on this for German issuers. Further information on the German Pfandbrief market can be found in our current report "[Transparency requirements §28 PfandBG Q1 2021](#)".

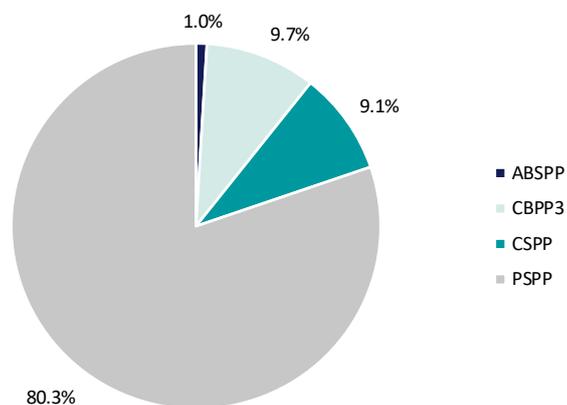
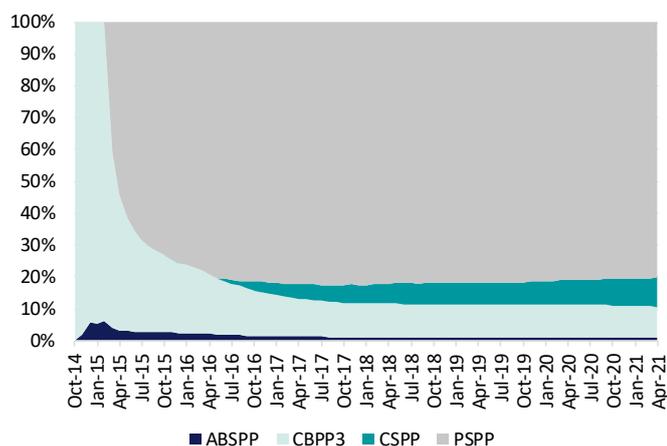
## ECB tracker

### Asset Purchase Programme (APP)

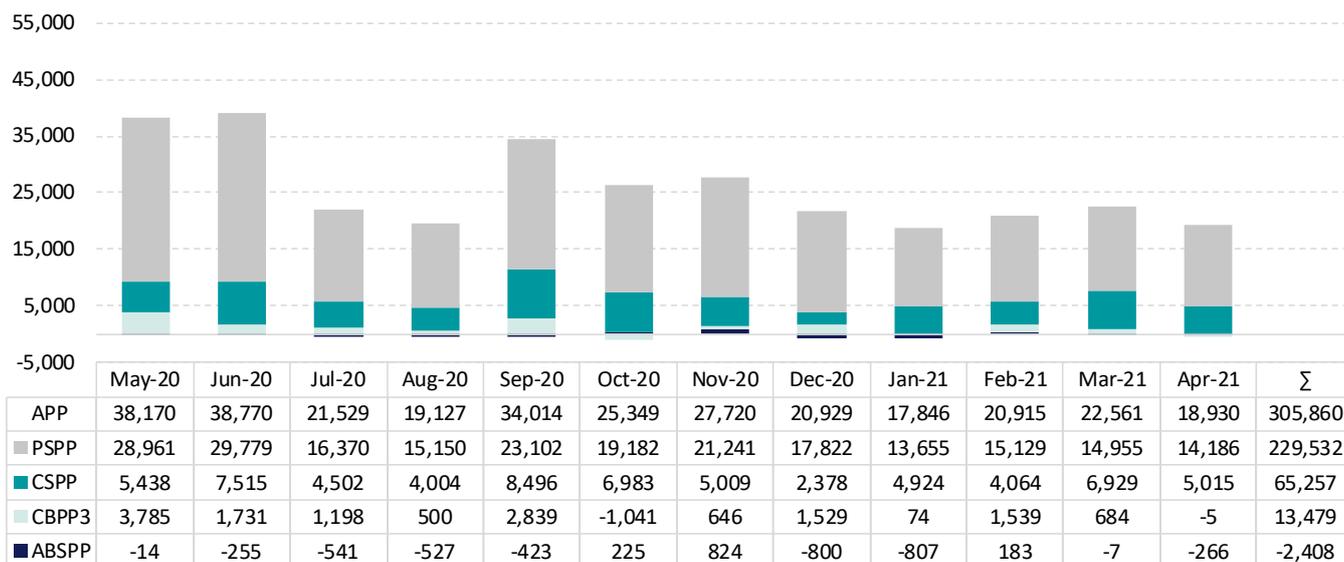
#### Holdings (in EURm)

	ABSPP	CBPP3	CSPP	PSPP	APP
Mar-21	28,709	289,424	266,060	2,379,053	2,963,246
Apr-21	28,443	289,418	271,075	2,393,239	2,982,176
Δ	-266	-5	+5,015	+14,186	+18,930

#### Portfolio structure

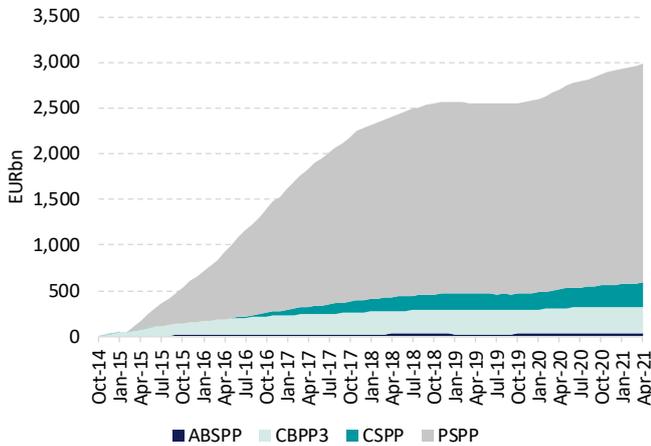


#### Monthly net purchases (in EURm)

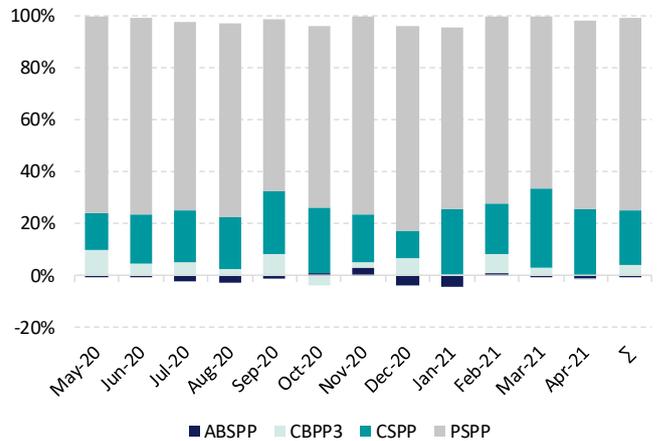


Source: ECB, NORD/LB Markets Strategy & Floor Research

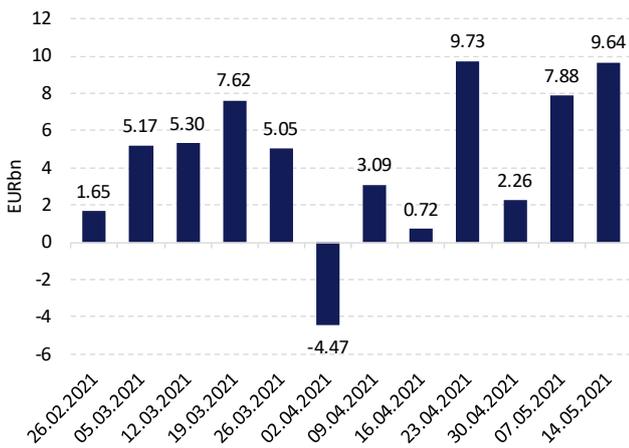
### Portfolio development



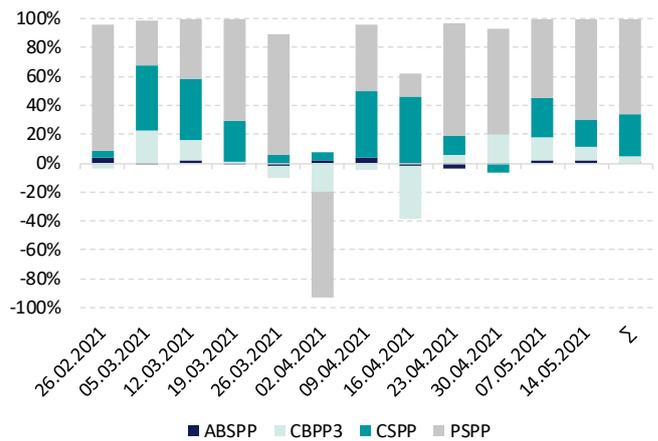
### Distribution of monthly purchases



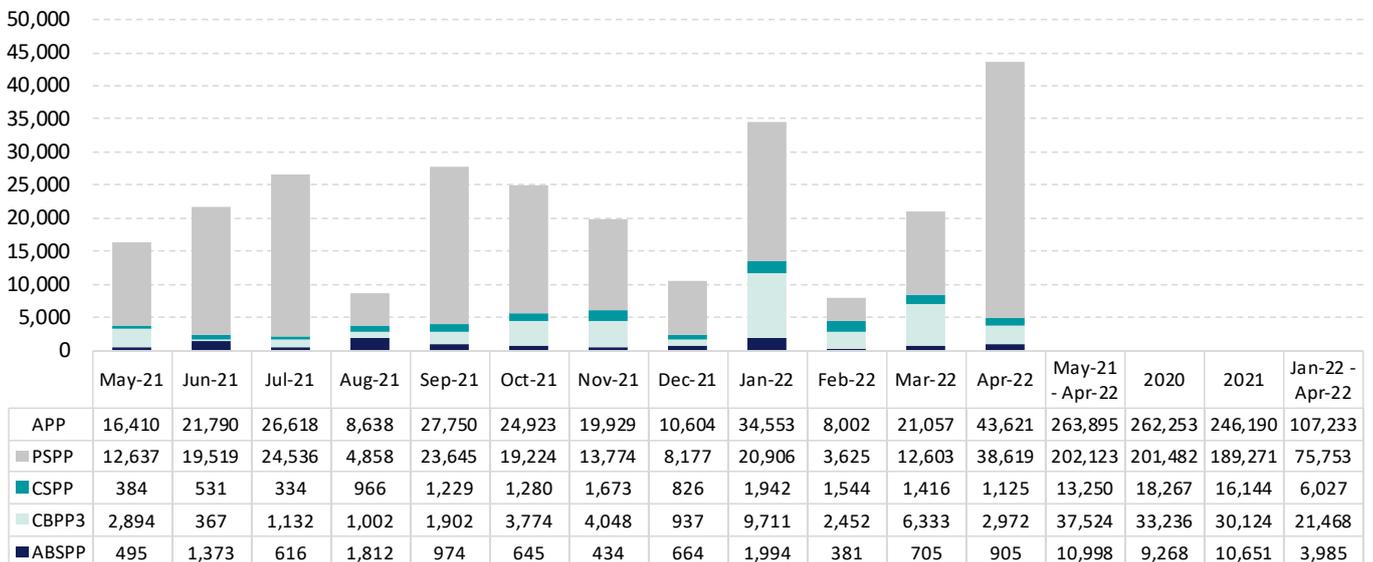
### Weekly purchases



### Distribution of weekly purchases

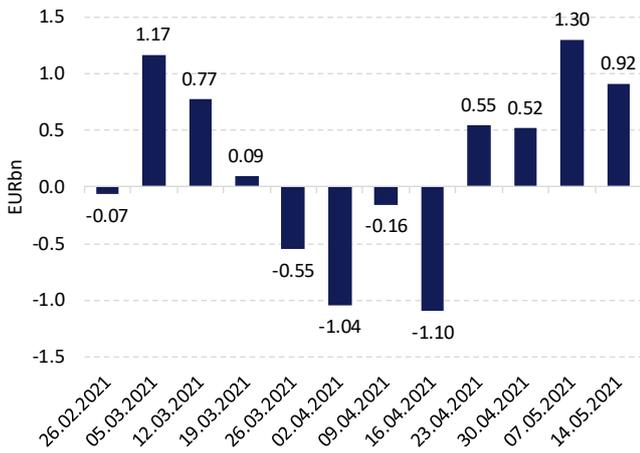


### Expected monthly redemptions (in EURm)

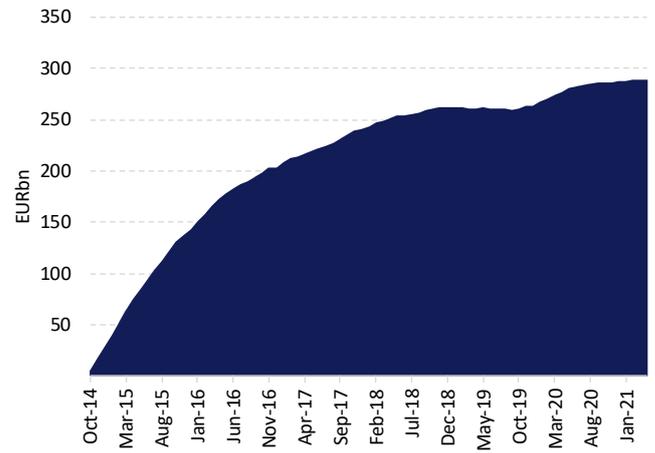


### Covered Bond Purchase Programme 3 (CBPP3)

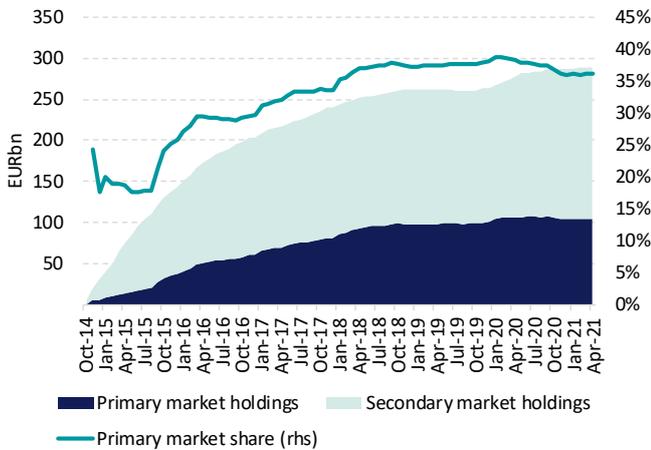
#### Weekly purchases



#### Development of CBPP3 volume



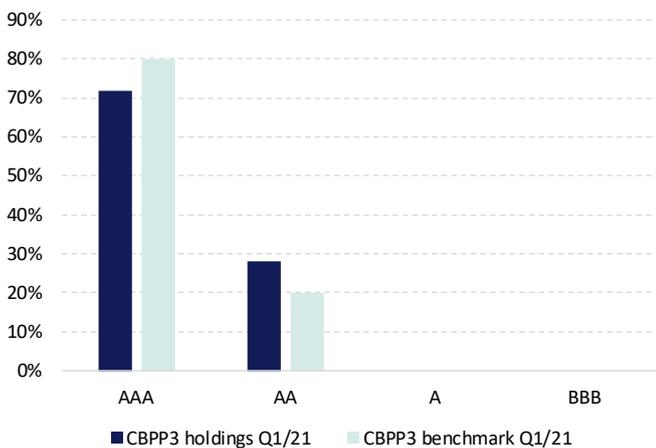
#### Primary and secondary market holdings



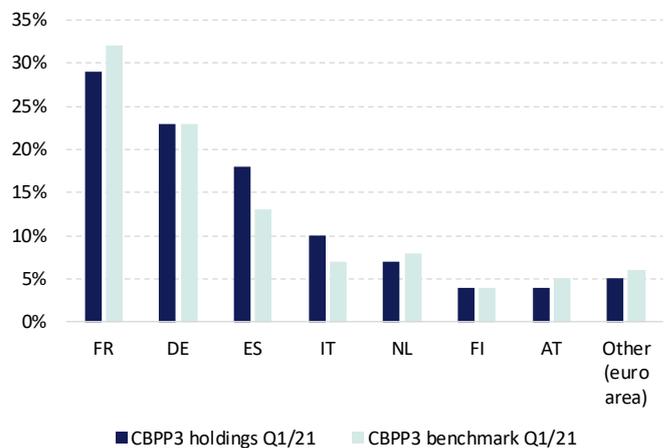
#### Change of primary and secondary market holdings



#### Distribution of CBPP3 by credit rating

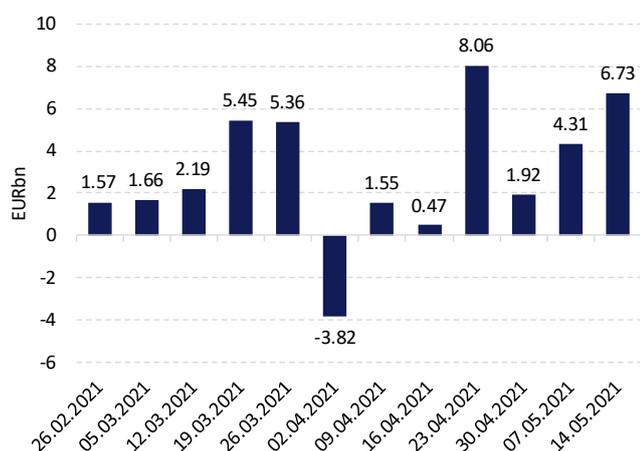


#### Distribution of CBPP3 by country of risk

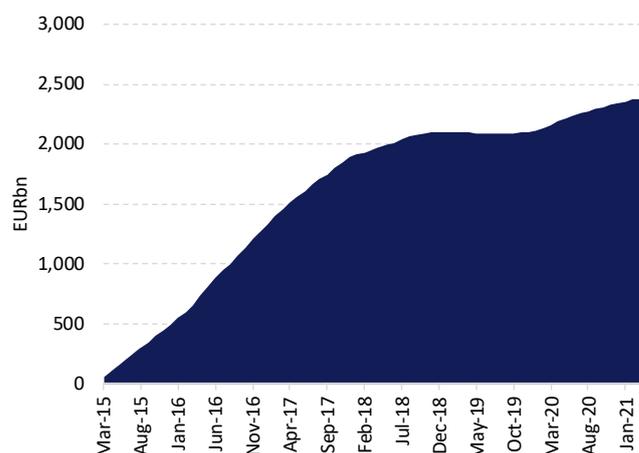


## Public Sector Purchase Programme (PSPP)

### Weekly purchases



### Development of PSPP volume



### Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key <sup>1</sup>	Purchases (EURm)	Expected purchases (EURm) <sup>2</sup>	Difference (EURm)	Avg. time to maturity <sup>3</sup> (in years)	Market average <sup>3</sup> (in years) <sup>3</sup>	Difference (in years)
AT	2.7%	70,653	68,094	2,559	7.5	7.6	-0.1
BE	3.4%	89,126	84,760	4,366	8.0	10.2	-2.2
CY	0.2%	3,611	5,006	-1,395	9.9	8.8	1.1
DE	24.3%	598,996	613,295	-14,299	6.6	7.6	-1.0
EE	0.3%	372	6,554	-6,182	9.2	7.5	1.7
ES	11.0%	296,991	277,424	19,567	8.0	8.4	-0.4
FI	1.7%	36,318	42,734	-6,416	6.9	7.7	-0.8
FR	18.8%	494,566	475,168	19,398	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	38,881	39,396	-515	8.5	10.1	-1.6
IT	15.7%	424,762	395,235	29,527	7.1	7.9	-0.8
LT	0.5%	4,927	13,465	-8,538	10.2	10.6	-0.4
LU	0.3%	3,301	7,664	-4,363	5.6	7.2	-1.7
LV	0.4%	2,808	9,065	-6,257	11.3	10.4	0.9
MT	0.1%	1,229	2,440	-1,211	9.5	9.2	0.3
NL	5.4%	122,372	136,342	-13,970	7.7	9.0	-1.4
PT	2.2%	46,005	54,451	-8,446	7.0	7.2	-0.2
SI	0.4%	9,112	11,202	-2,090	9.9	10.2	-0.3
SK	1.1%	15,494	26,644	-11,150	8.2	8.3	-0.1
SNAT	10.0%	261,517	252,104	9,413	7.7	8.9	-1.2
<b>Total / Avg.</b>	<b>100.0%</b>	<b>2,521,042</b>	<b>2,521,042</b>	<b>0</b>	<b>7.3</b>	<b>8.2</b>	<b>-0.9</b>

<sup>1</sup> Based on the ECB capital key, adjusted to include supras and the disqualification of Greece

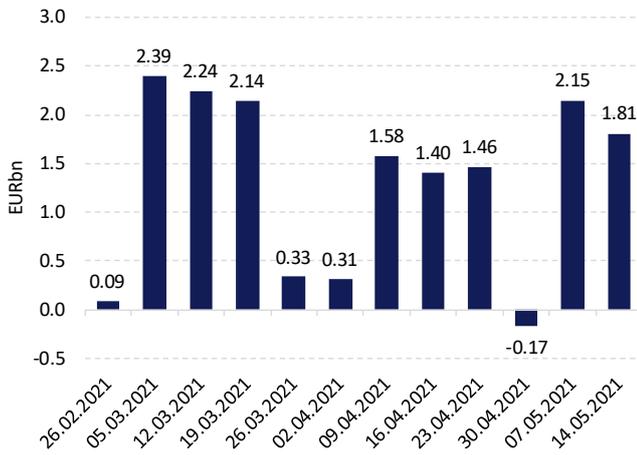
<sup>2</sup> Based on the adjusted distribution key

<sup>3</sup> Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)

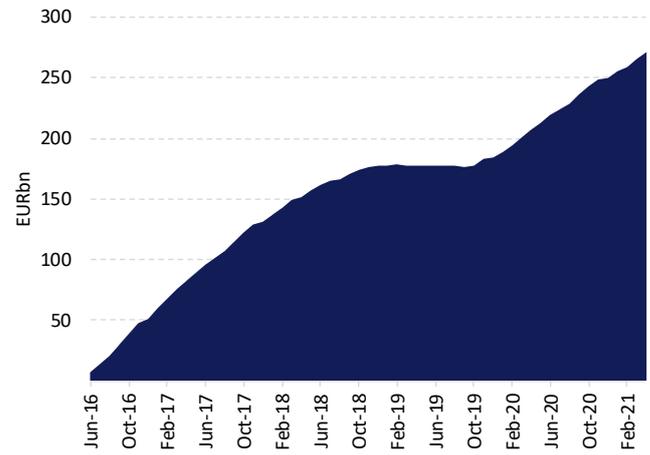
Source: ECB, NORD/LB Markets Strategy & Floor Research

### Corporate Sector Purchase Programme (CSPP)

#### Weekly purchases

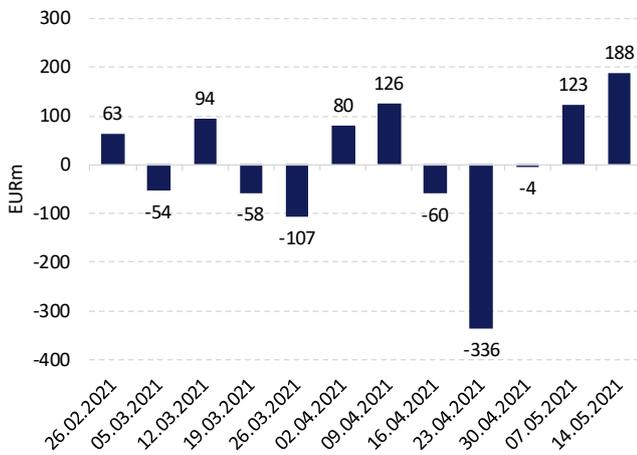


#### Development of CSPP volume

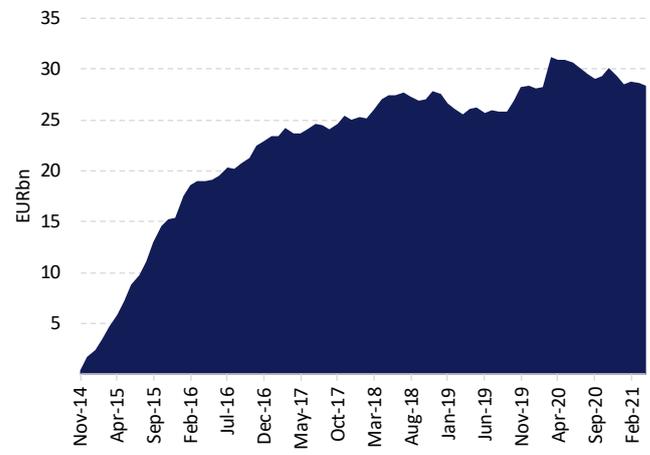


### Asset-Backed Securities Purchase Programme (ABSPP)

#### Weekly purchases



#### Development of ABSPP volume



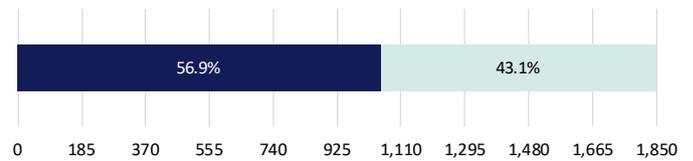
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

## Pandemic Emergency Purchase Programme (PEPP)

### Holdings (in EURm)

	PEPP
Mar-21	943,647
Apr-21	1,023,766
<b>Δ</b>	<b>+80,118</b>

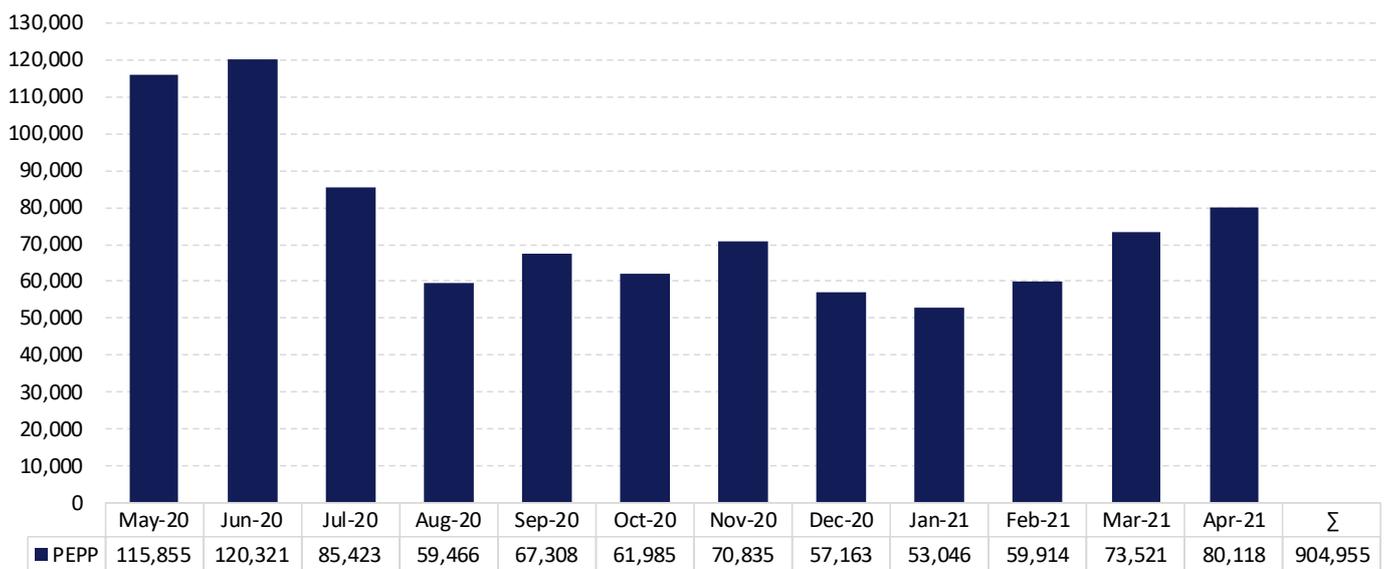
### Volume already invested (in EURbn)



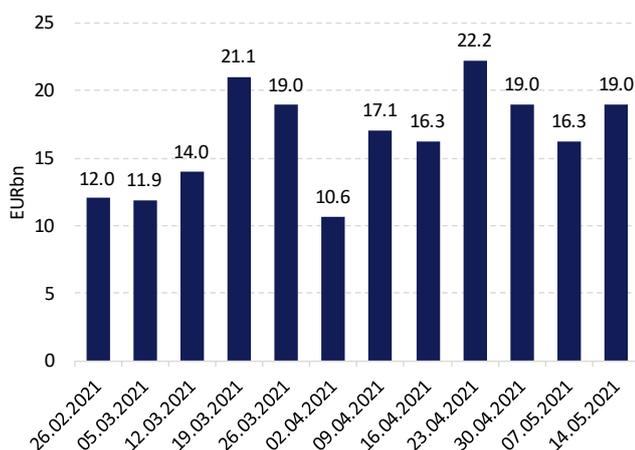
### Estimated portfolio development

Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 17.8bn	45 weeks (25.03.2022)

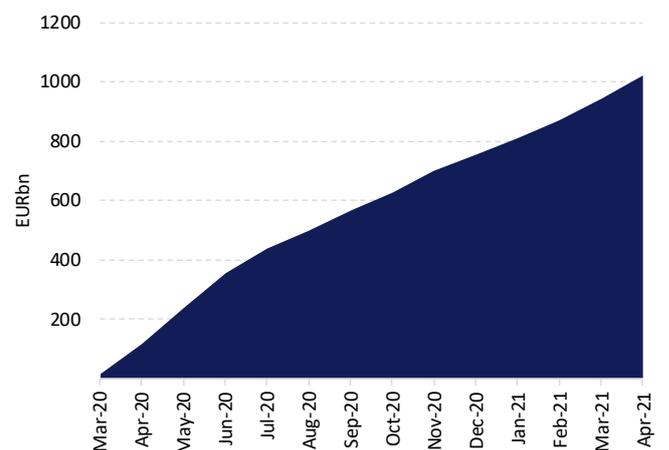
### Monthly net purchases (in EURm)



### Weekly purchases



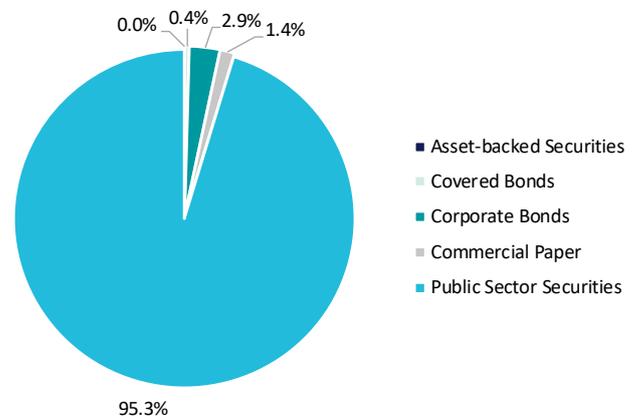
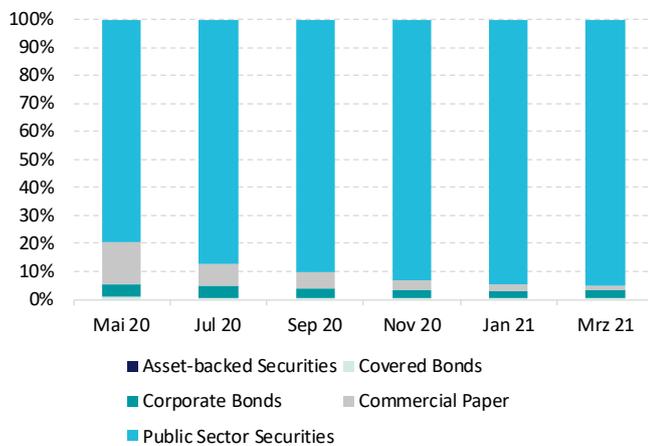
### Development of PEPP volume



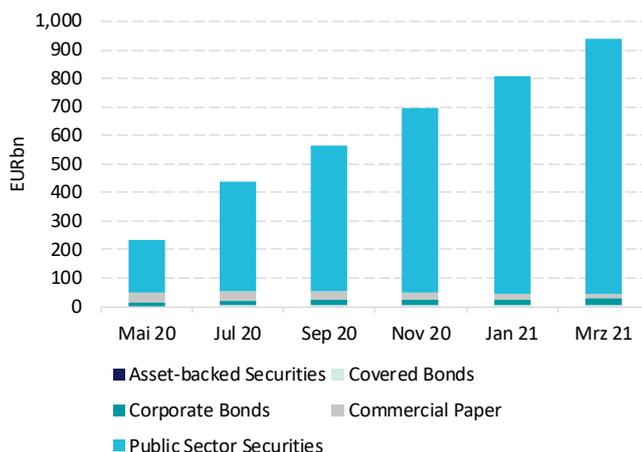
### Holdings under the PEPP (in EURm)

	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Jan-21	0	3,120	22,315	16,611	764,710	806,756
Mar-21	0	4,055	27,058	12,766	893,844	937,723
$\Delta$	0	+935	+4,743	-3,845	+129,134	+130,967

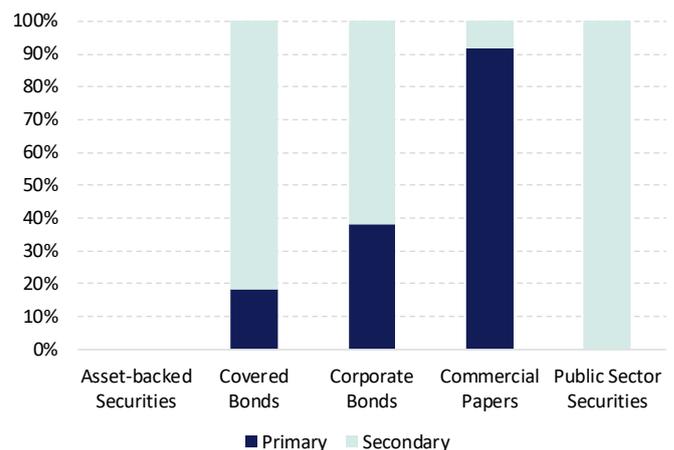
### Portfolio structure



### Portfolio development



### Share of primary and secondary market holdings



### Breakdown of private sector securities under the PEPP as of March 2021

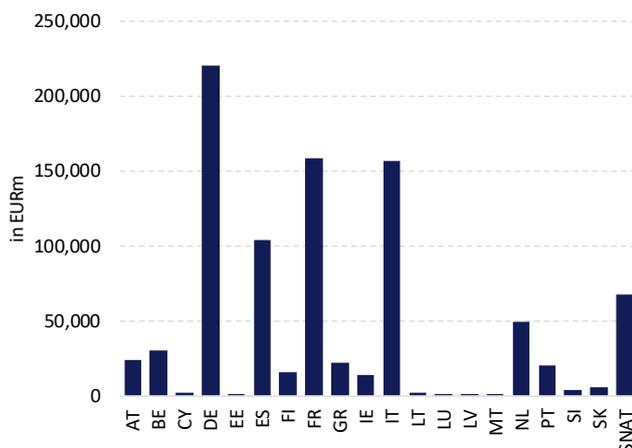
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	745	3,310	10,333	16,725	11,716	1,050
Share	0.0%	0.0%	18.4%	81.6%	38.2%	61.8%	91.8%	8.2%

Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

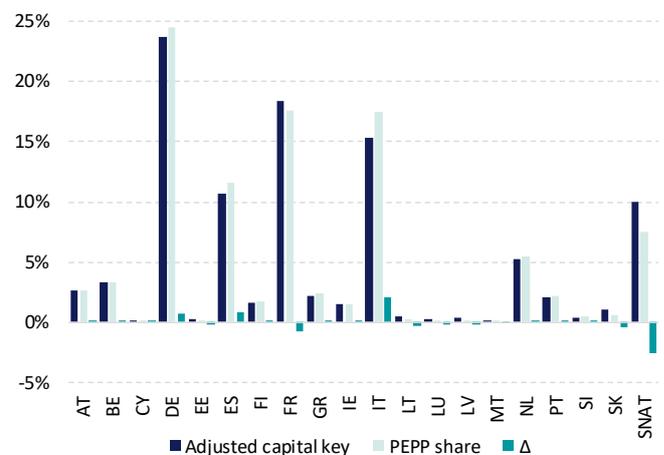
## Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key <sup>1</sup>	PEPP share	Deviations from the adj. distribution key <sup>2</sup>	Ø time to maturity (in years)	Market average <sup>3</sup> (in years)	Difference (in years)
AT	24,225	2.6%	2.7%	0.1%	9.7	7.0	2.7
BE	30,478	3.3%	3.4%	0.1%	6.7	9.3	-2.6
CY	1,899	0.2%	0.2%	0.0%	10.1	8.4	1.7
DE	220,519	23.7%	24.5%	0.8%	5.6	6.7	-1.1
EE	255	0.3%	0.0%	-0.2%	8.8	7.5	1.4
ES	104,227	10.7%	11.6%	0.9%	8.4	7.5	0.9
FI	15,347	1.7%	1.7%	0.1%	7.2	7.1	0.1
FR	158,231	18.4%	17.6%	-0.8%	8.4	7.5	0.9
GR	21,936	2.2%	2.4%	0.2%	8.8	10.1	-1.3
IE	14,162	1.5%	1.6%	0.0%	9.0	9.4	-0.4
IT	156,819	15.3%	17.4%	2.1%	6.8	7.0	-0.2
LT	2,365	0.5%	0.3%	-0.3%	11.5	10.2	1.3
LU	1,371	0.3%	0.2%	-0.1%	6.6	6.7	-0.2
LV	1,105	0.4%	0.1%	-0.2%	9.7	9.9	-0.3
MT	290	0.1%	0.0%	-0.1%	7.7	8.1	-0.4
NL	49,023	5.3%	5.4%	0.2%	5.1	7.9	-2.8
PT	20,126	2.1%	2.2%	0.1%	6.7	6.8	-0.1
SI	4,224	0.4%	0.5%	0.0%	9.6	9.5	0.1
SK	5,892	1.0%	0.7%	-0.4%	8.8	8.3	0.6
SNAT	67,236	10.0%	7.5%	-2.5%	10.3	8.2	2.1
<b>Total / Avg.</b>	<b>899,731</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>7.3</b>	<b>7.4</b>	<b>0.0</b>

## Distribution of public sector assets by jurisdiction



## Deviations from the adjusted distribution key

<sup>1</sup> Based on the ECB capital key, adjusted to include supras <sup>2</sup> Based on the adjusted distribution key<sup>3</sup> Weighted average time to maturity of the bonds eligible for purchasing under the PEPP

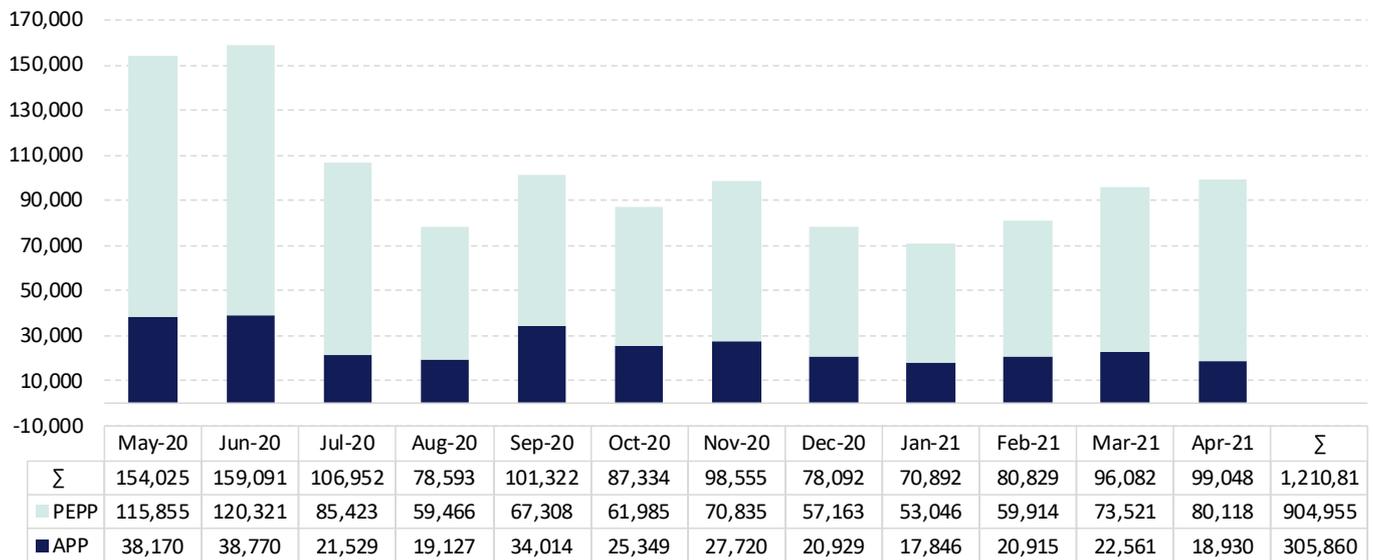
Source: ECB, Bloomberg, NORD/LB Markets Strategy &amp; Floor Research

## Aggregated purchase activity under APP and PEPP

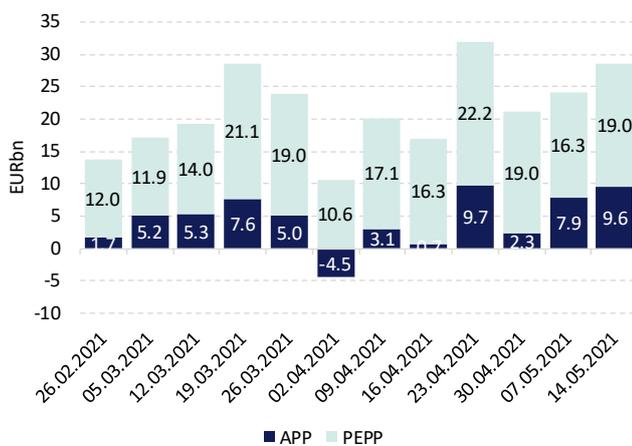
### Holdings (in EURm)

	APP	PEPP	APP & PEPP
Mar-21	2,963,246	943,647	3,906,893
Apr-21	2,982,176	1,023,766	4,005,942
$\Delta$	+18,930	+80,118	+99,048

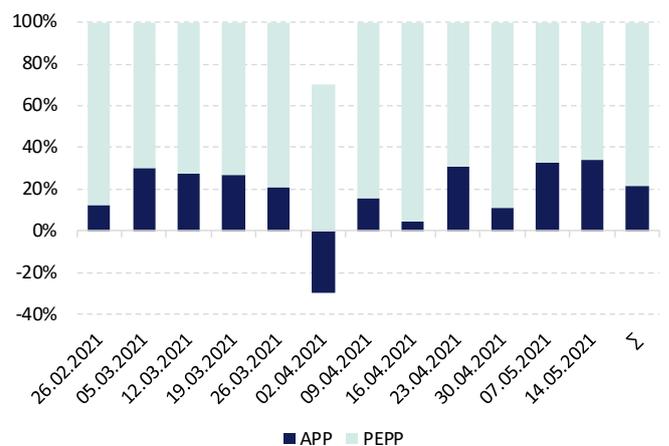
### Monthly net purchases (in EURm)



### Weekly purchases

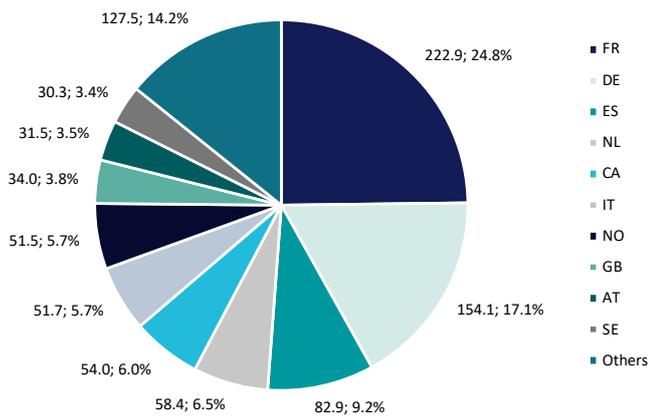


### Distribution of weekly purchases

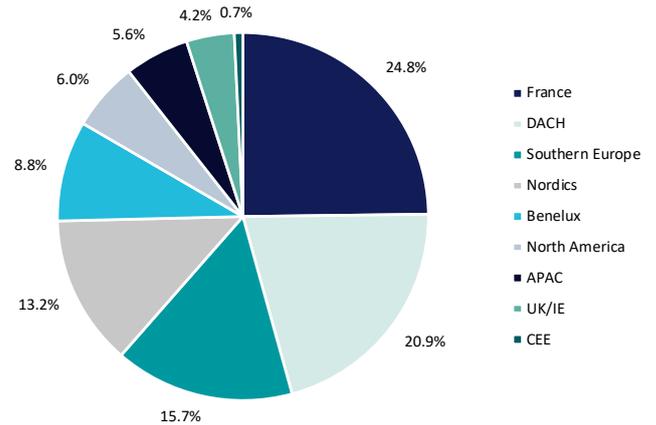


# Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



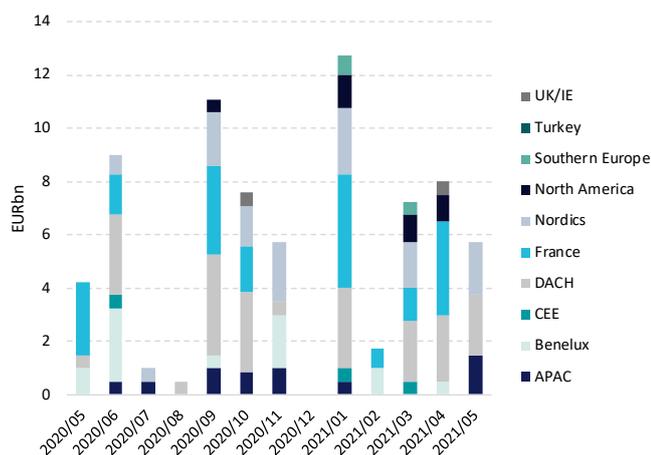
EUR benchmark volume by region (in EURbn)



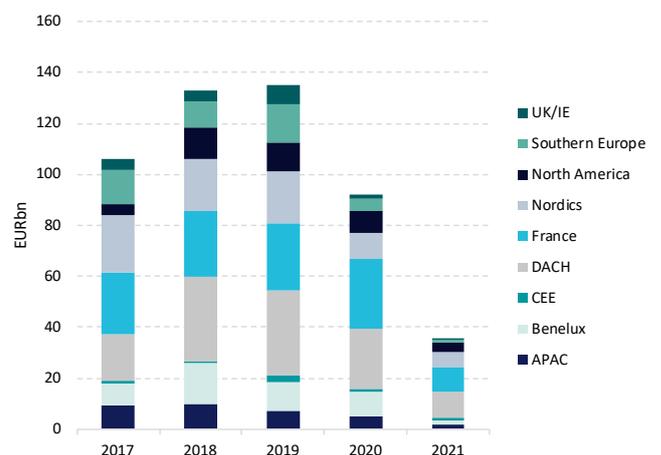
Top-10 jurisdictions

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	222.9	206	8	0.96	10.2	5.5	1.10
2	DE	154.1	230	13	0.60	8.3	4.8	0.44
3	ES	82.9	68	3	1.13	11.3	3.9	1.79
4	NL	58.4	59	0	0.93	11.2	7.3	0.90
5	CA	54.0	47	0	1.12	6.1	3.2	0.27
6	IT	51.7	60	1	0.83	9.1	4.3	1.41
7	NO	51.5	57	7	0.90	7.3	4.0	0.52
8	GB	34.0	40	0	0.88	8.5	3.5	1.02
9	AT	31.5	58	1	0.54	9.9	6.4	0.65
10	SE	30.3	36	0	0.84	7.5	3.4	0.47

EUR benchmark issue volume by month

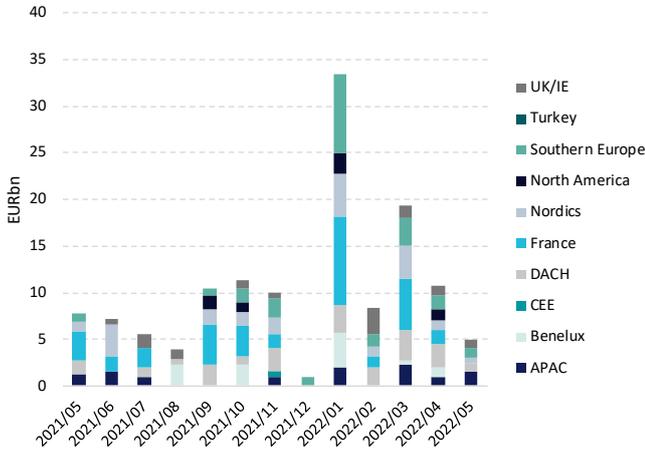


EUR benchmark issue volume by year

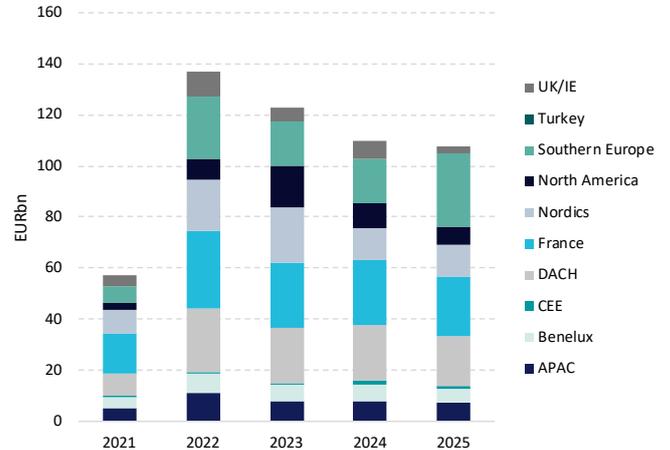


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

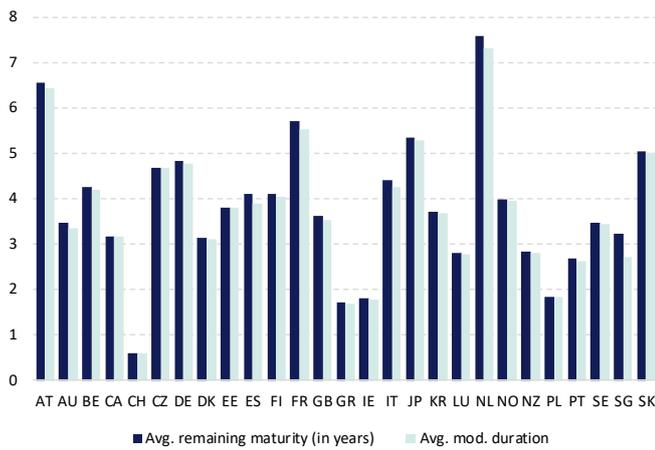
### EUR benchmark maturities by month



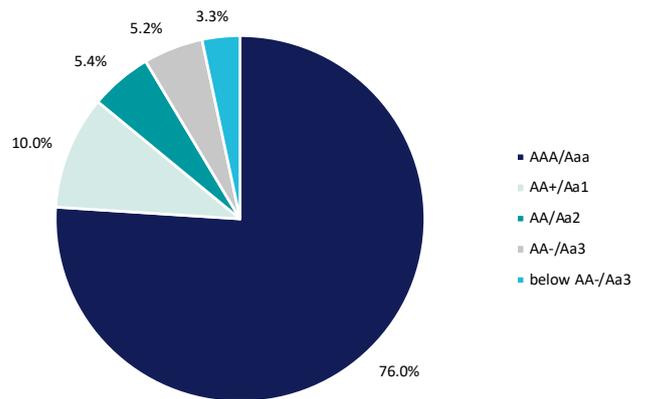
### EUR benchmark maturities by year



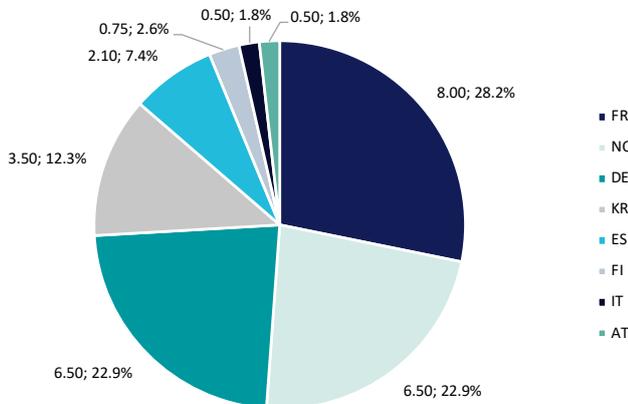
### Modified duration and time to maturity by country



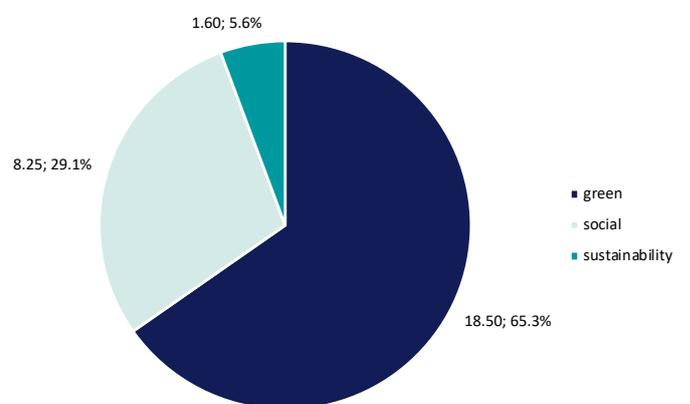
### Rating distribution (volume weighted)



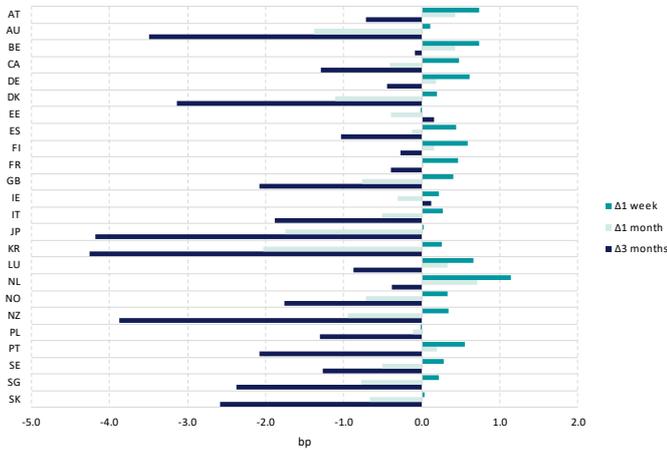
### EUR benchmark volume (ESG) by country (in EURbn)



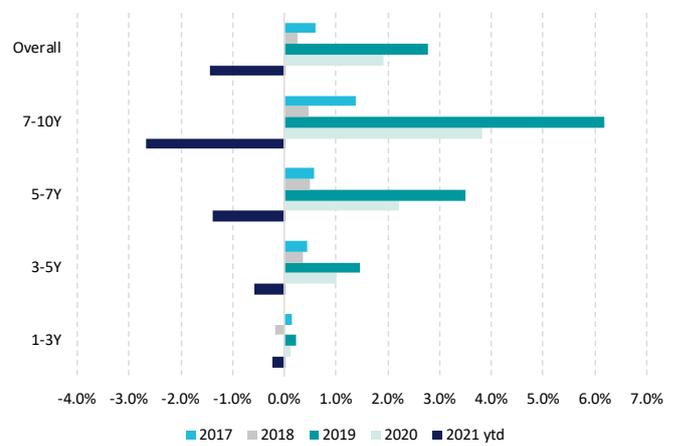
### EUR benchmark volume (ESG) by type (in EURbn)



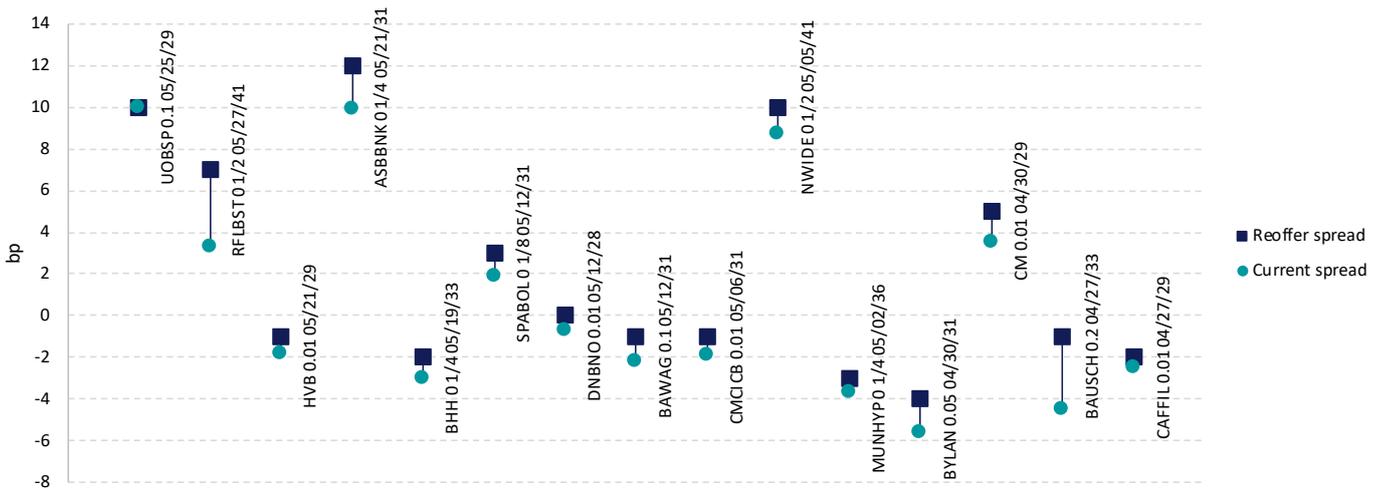
### Spread development by country



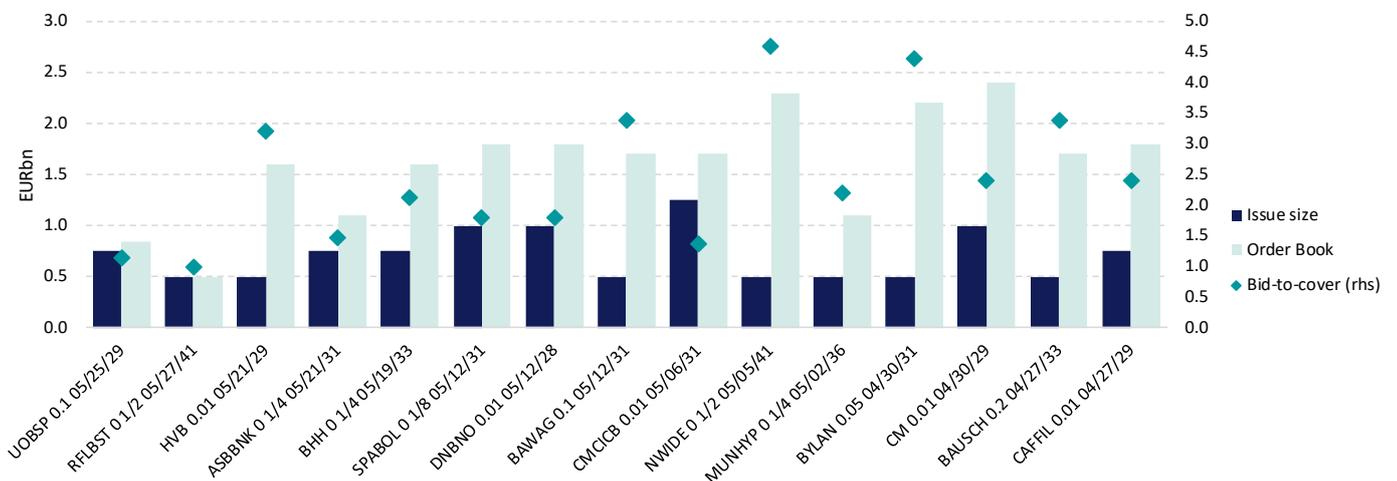
### Covered bond performance (Total return)



### Spread development (last 15 issues)

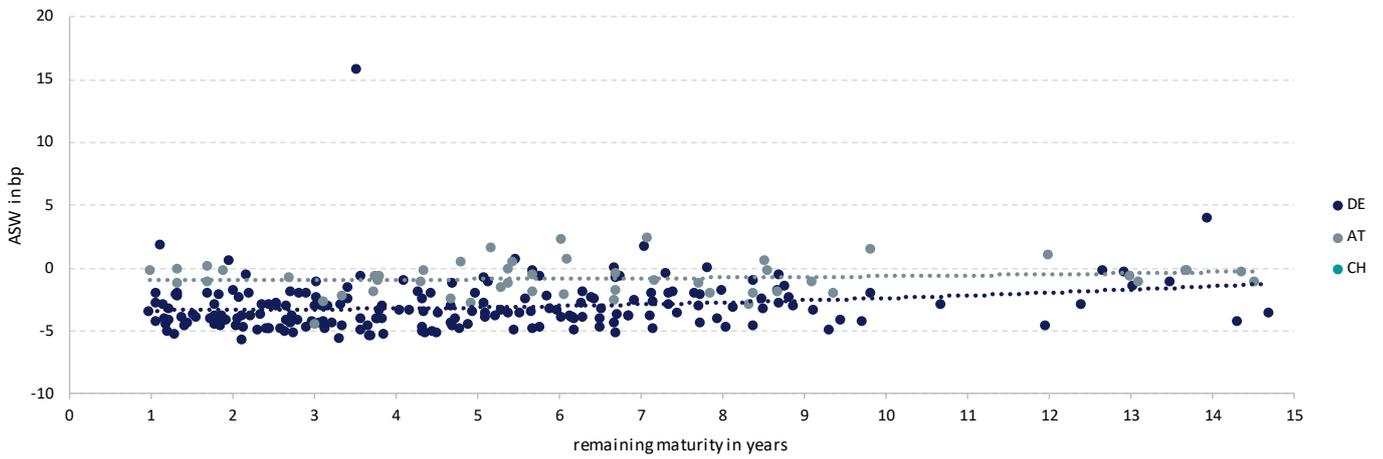


### Order books (last 15 issues)

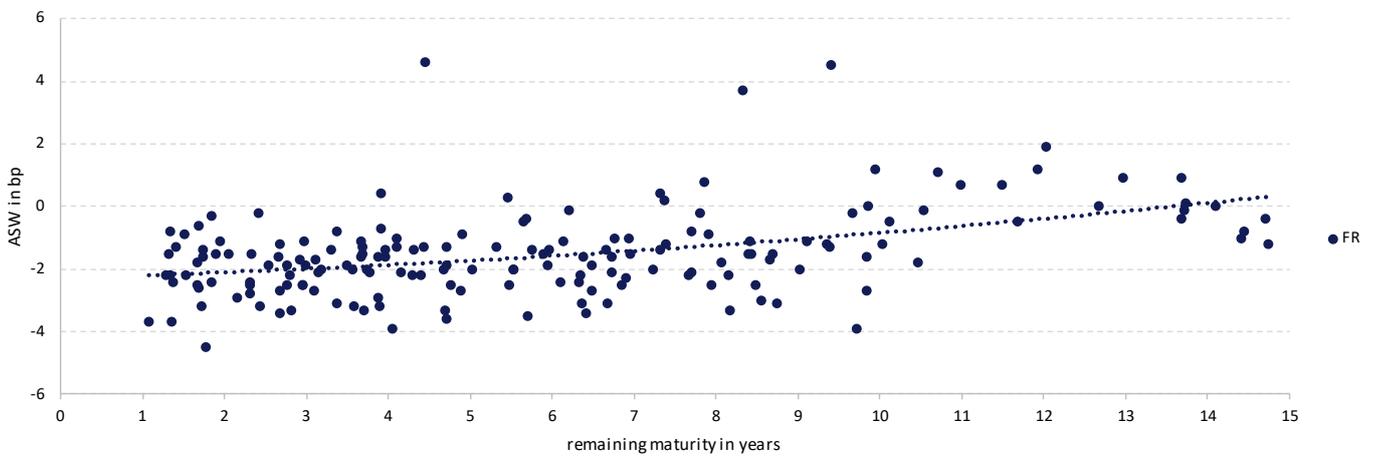


### Spread overview<sup>1</sup>

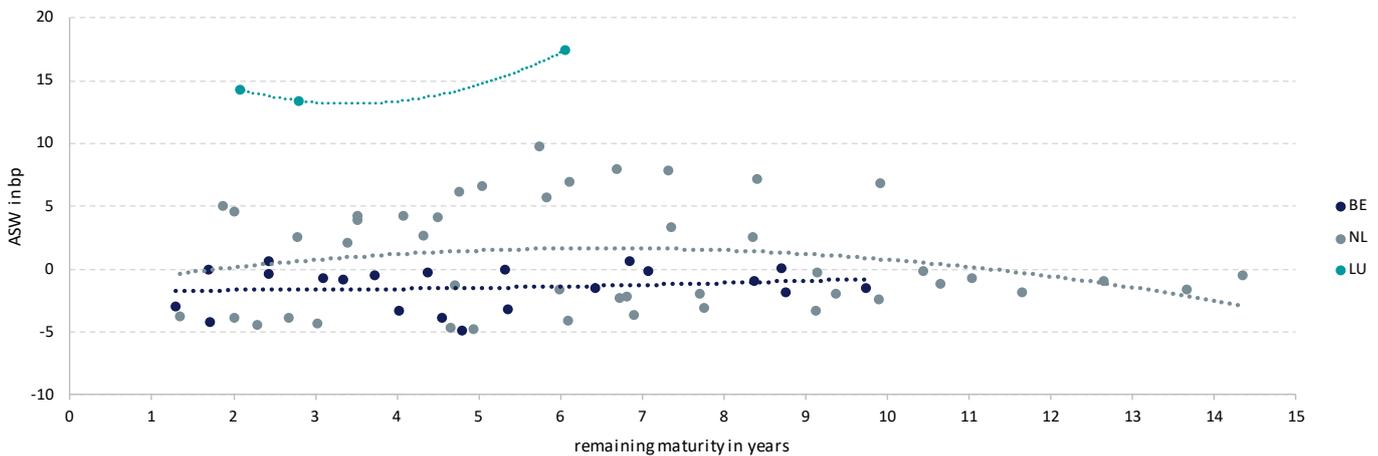
#### DACH



#### France

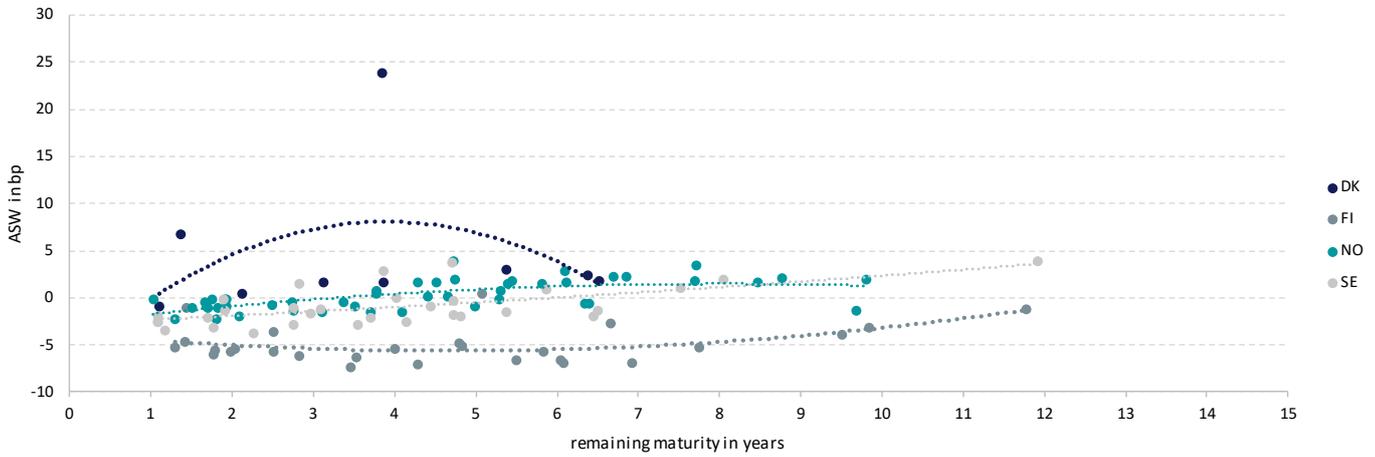


#### Benelux

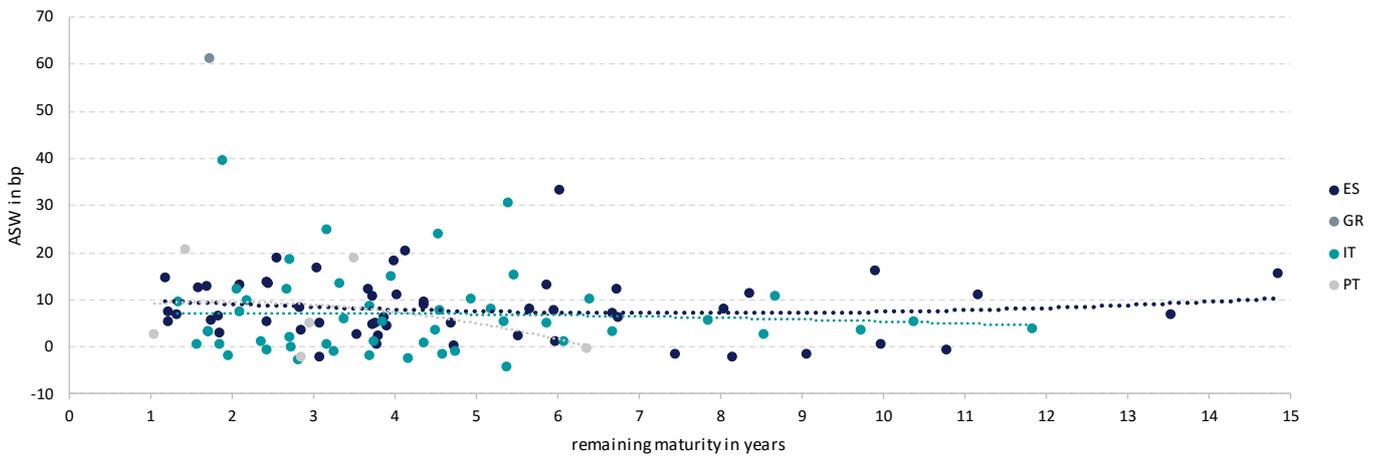


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research <sup>1</sup>Time to maturity 1 ≤ y ≤ 15

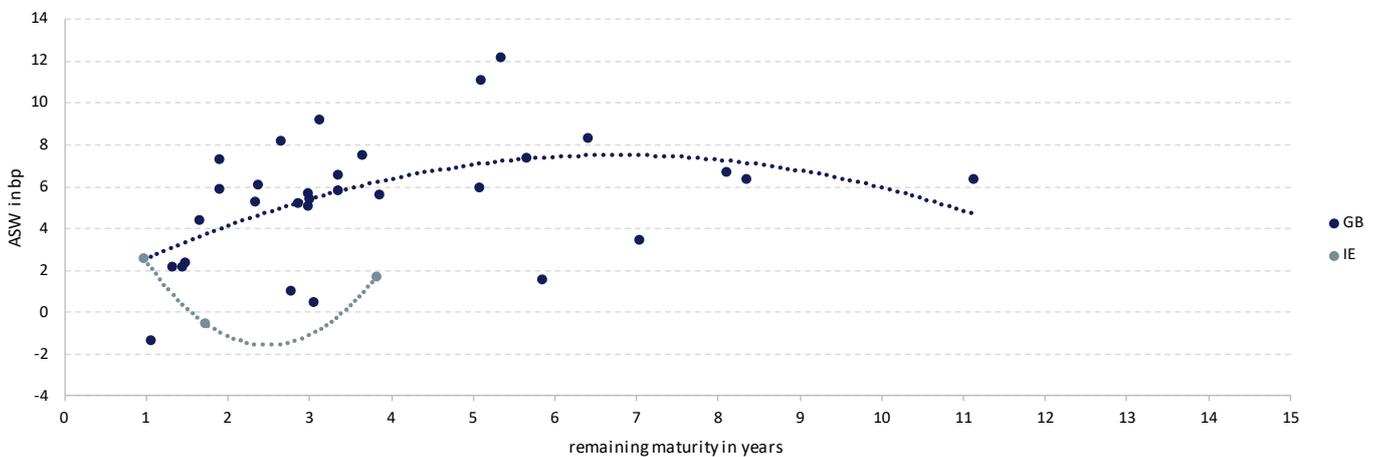
**Nordics** 🇩🇰 🇫🇮 🇳🇴 🇸🇪



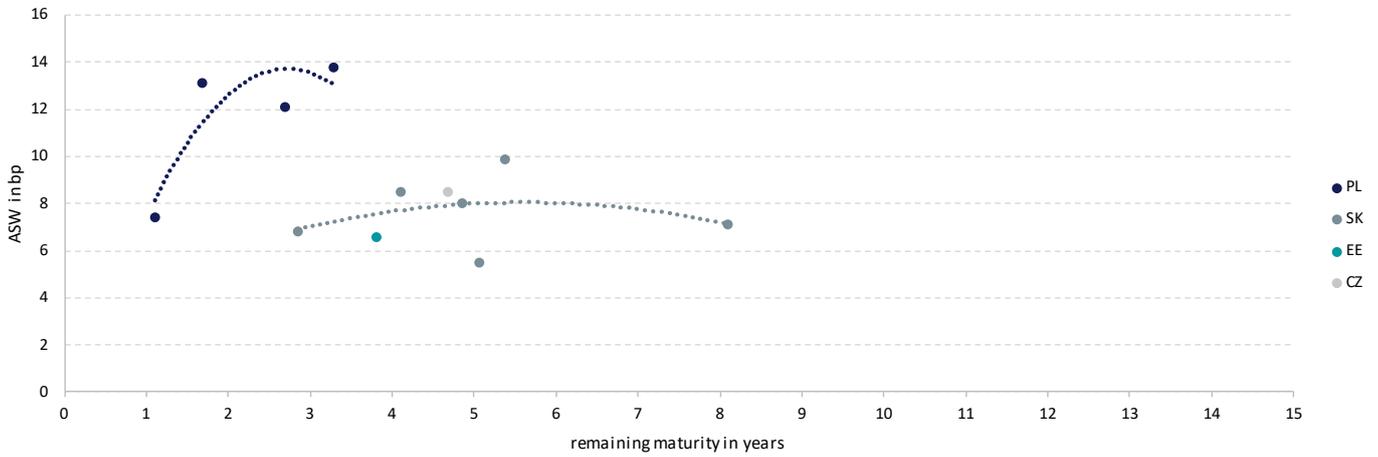
**Southern Europe** 🇪🇸 🇬🇷 🇮🇹 🇵🇹



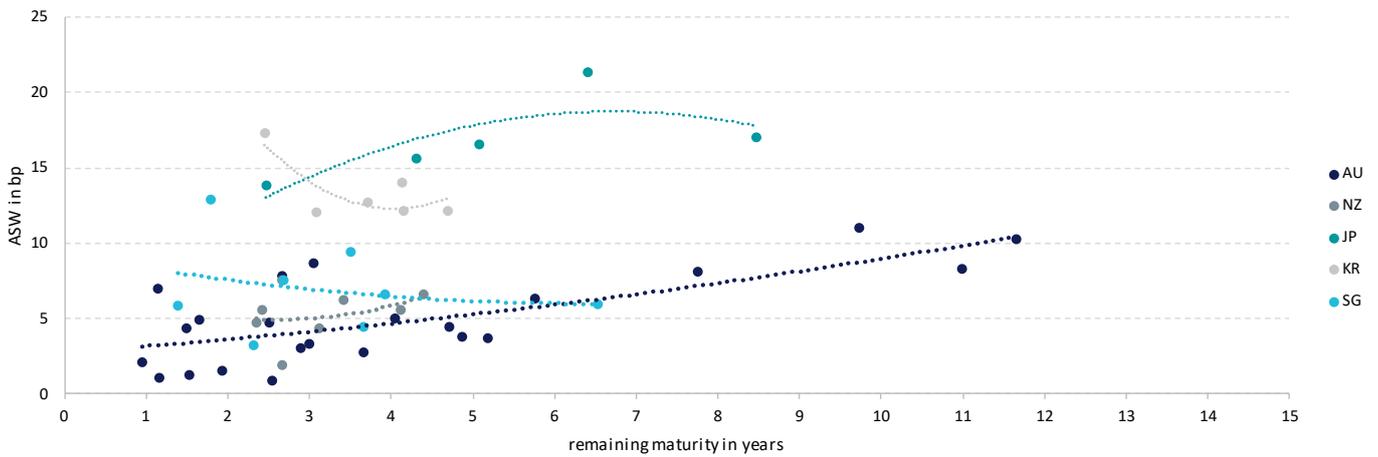
**UK/IE** 🇬🇧 🇮🇪



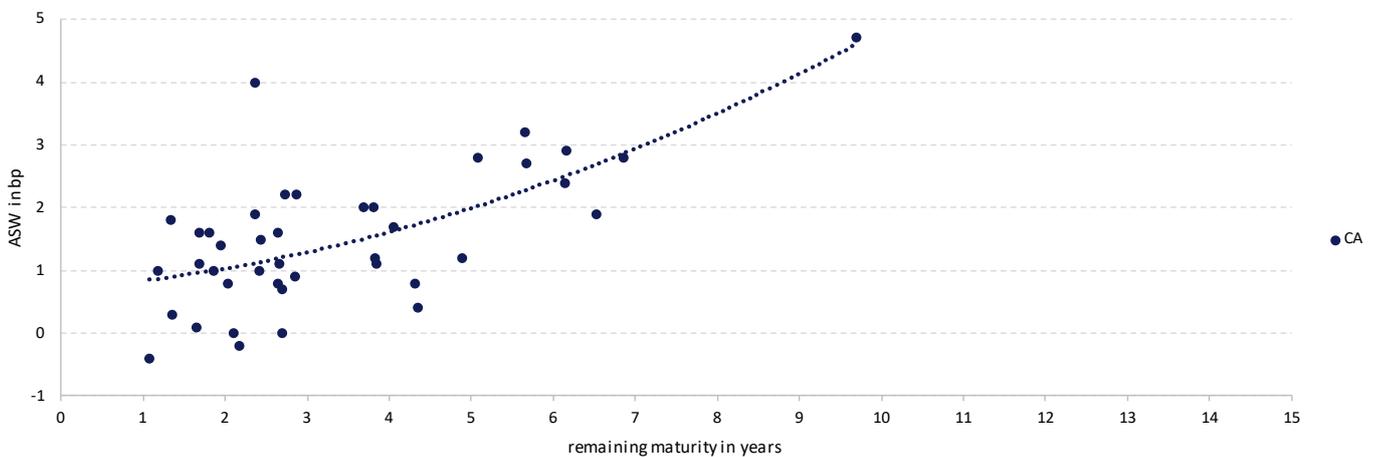
**CEE** 🇸🇰 🇵🇱 🇨🇪



**APAC** 🇦🇺 🇳🇿 🇯🇵 🇰🇷 🇸🇬



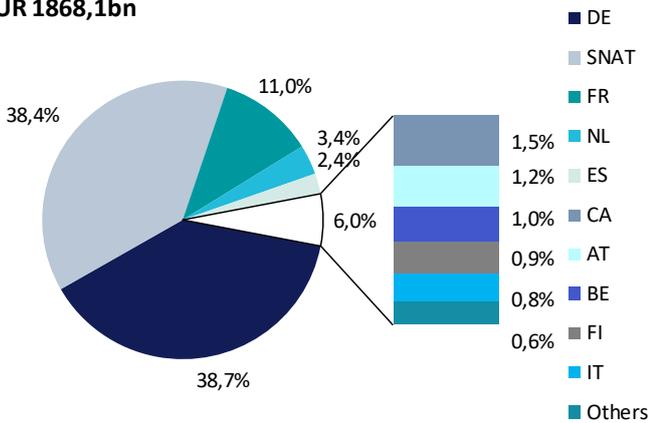
**North America** 🇨🇦



# Charts & Figures SSA/Public Issuers

## Outstanding volume (bmk)

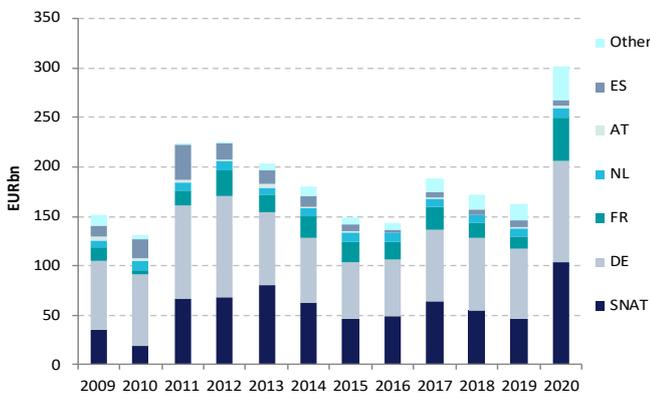
EUR 1868,1bn



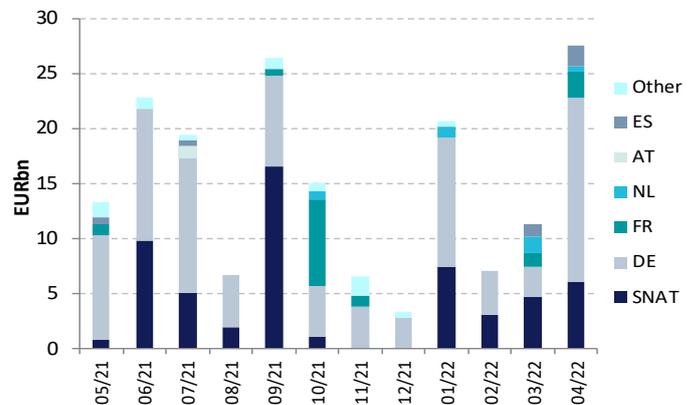
## Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	721,0	559	1,3	6,7
SNAT	703,9	187	3,8	8,1
FR	205,7	141	1,5	5,5
NL	64,4	65	1,0	6,7
ES	44,4	54	0,8	5,3
CA	27,5	19	1,4	5,7
AT	21,8	23	0,9	5,2
BE	18,7	22	0,9	14,9
FI	17,0	22	0,8	5,9
IT	15,8	20	0,8	5,7

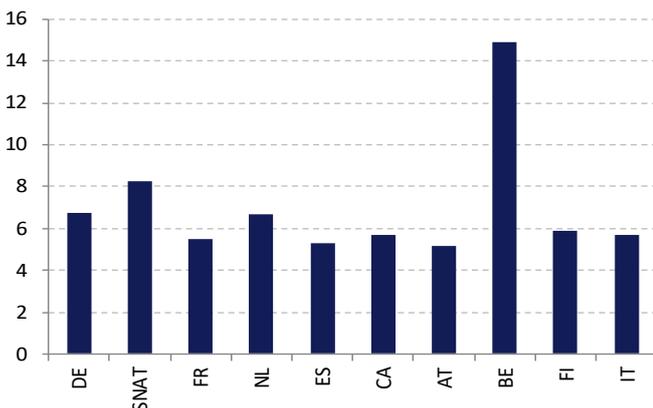
## Issue volume by year (bmk)



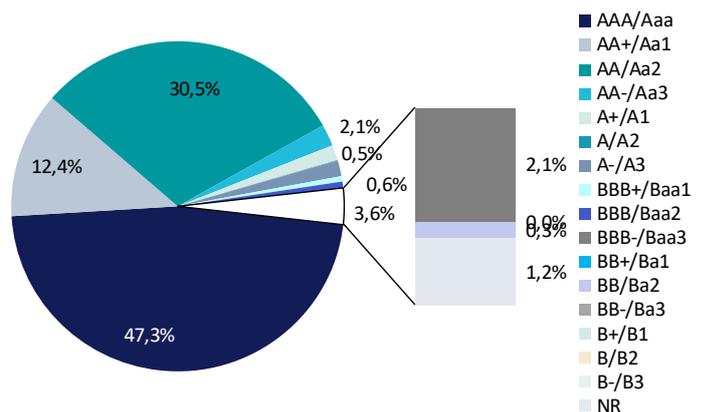
## Maturities next 12 months (bmk)



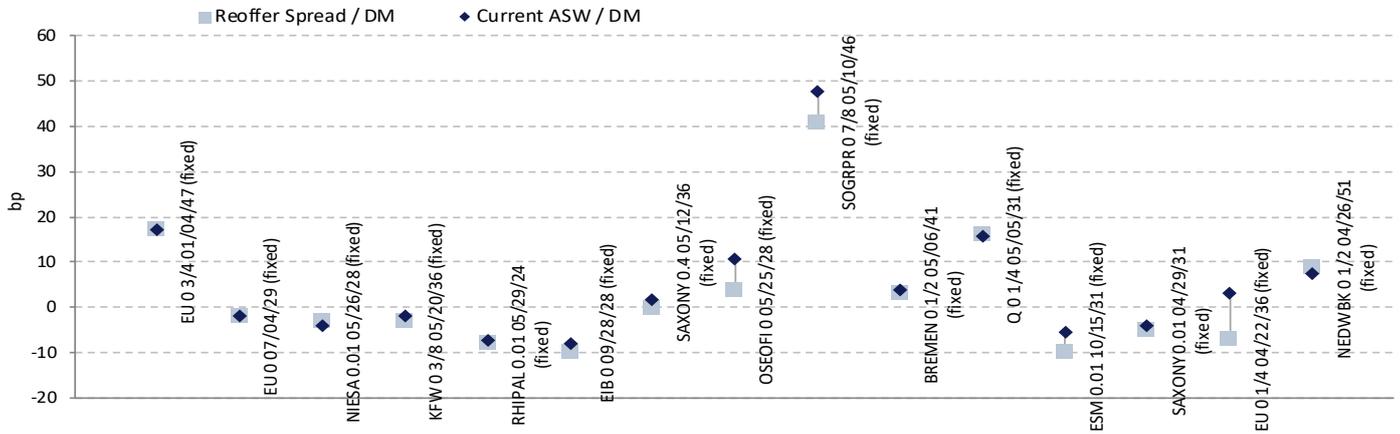
## Avg. mod. duration by country (vol. weighted)



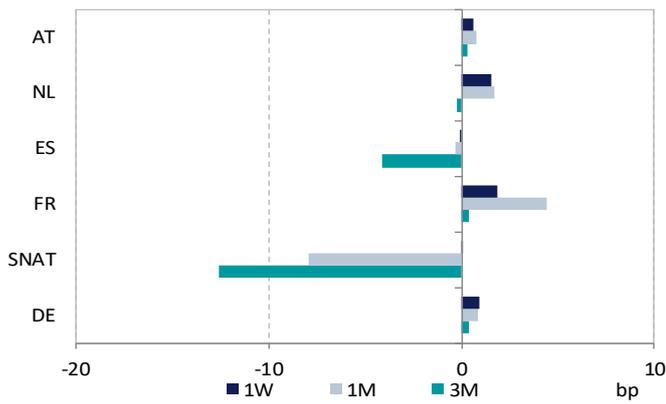
## Rating distribution (vol. weighted)



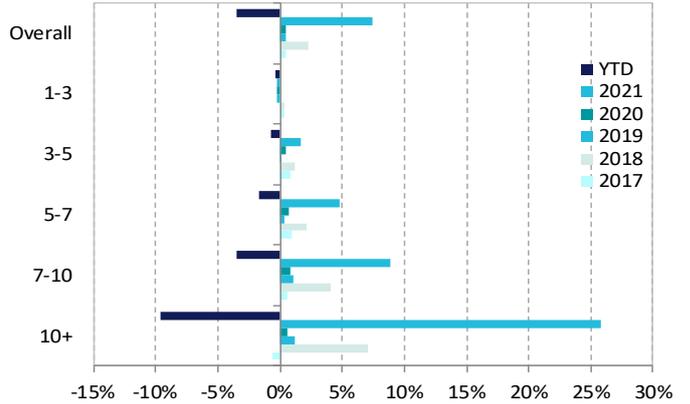
### Spread development (last 15 issues)



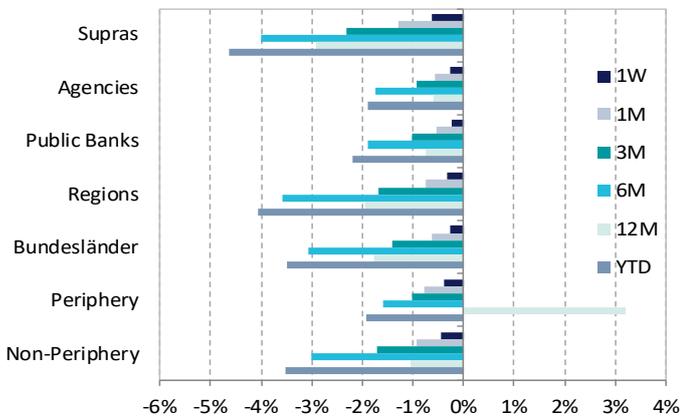
### Spread development by country



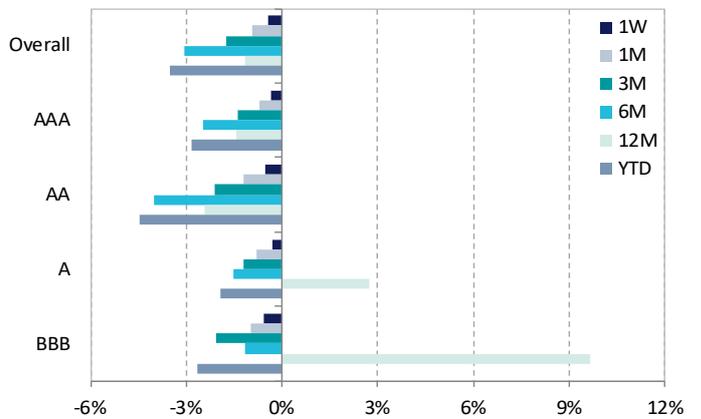
### Performance (total return)



### Performance (total return) by regions

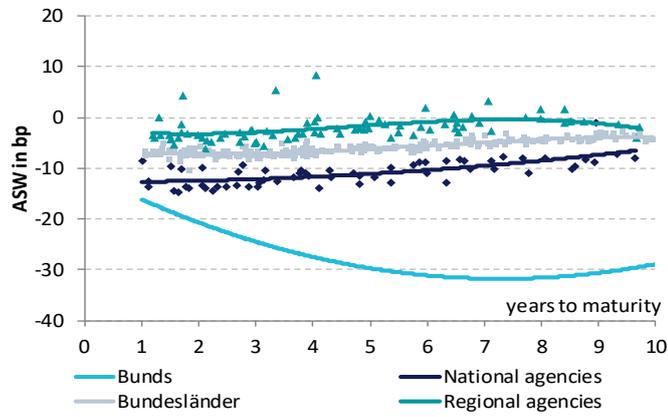


### Performance (total return) by rating

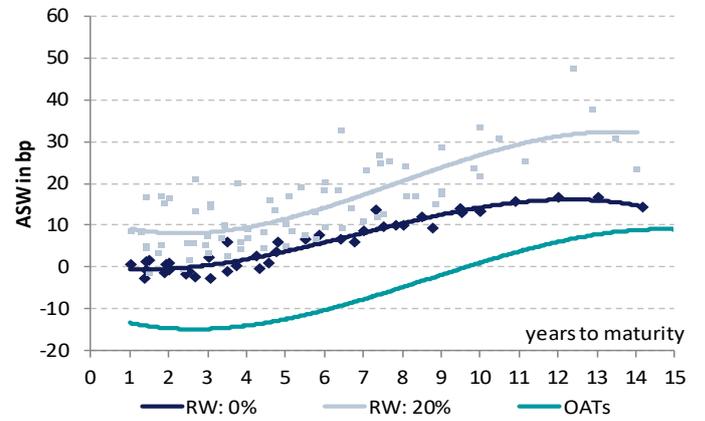


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

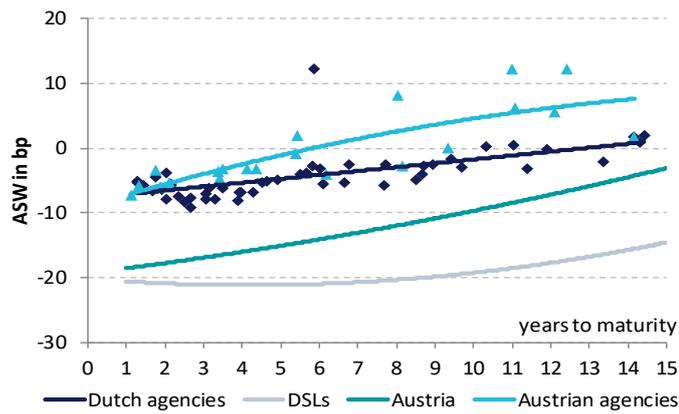
### Germany (by segments)



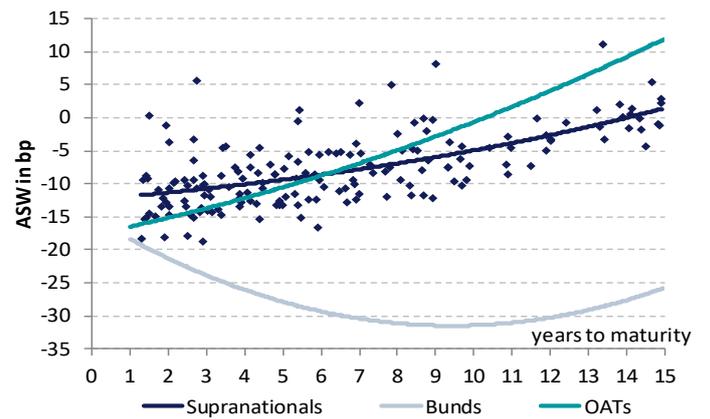
### France (by risk weight)



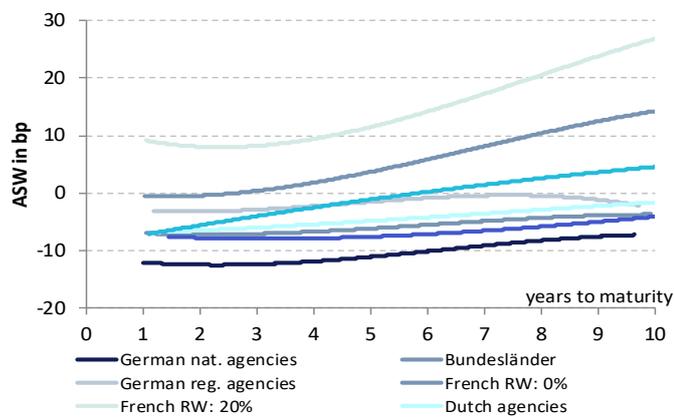
### Netherlands & Austria



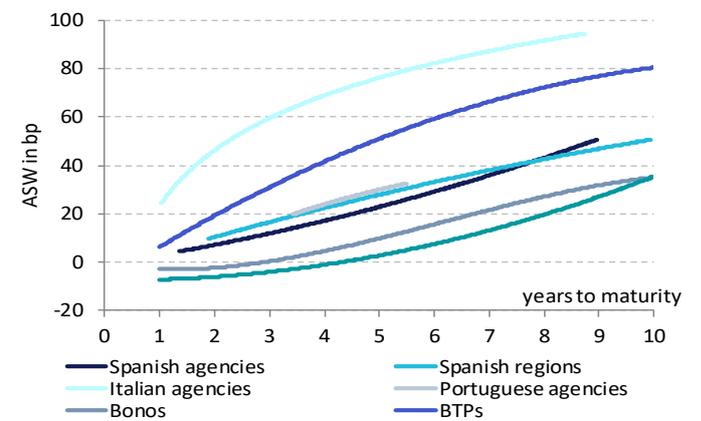
### Suprationals



### Core



### Periphery



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

## Appendix

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

Publication	Topics
17/2021 ♦ 12 May	<ul style="list-style-type: none"> <li>ASB Finance opens primary market “Down Under”: Our outlook for the rest of the year</li> <li>Development of the German property market</li> </ul>
16/2021 ♦ 05 May	<ul style="list-style-type: none"> <li>Austria implements requirements of the covered bond directive and harmonises existing legal framework</li> <li>EIB goes Blockchain</li> </ul>
15/2021 ♦ 28 April	<ul style="list-style-type: none"> <li>EU Taxonomy meets the market for sustainable covered bonds</li> </ul>
14/2021 ♦ 22 April	<ul style="list-style-type: none"> <li>LCR levels and risk weights of EUR benchmarks</li> <li>NextGenerationEU: NGEU is taking shape</li> </ul>
13/2021 ♦ 14 April	<ul style="list-style-type: none"> <li>Predominant ECB strategy: wait-and-see but remain proactive</li> <li>PEPP reporting: First year done; a second (at least) now follows</li> <li>OSFI abandons temporarily increased 10% limit with immediate effect: (in)direct implications for Canadian benchmarks</li> </ul>
12/2021 ♦ 31 March	<ul style="list-style-type: none"> <li>Unusual Q1 and revised supply forecast for 2021</li> <li>Collective Action Clauses (CACs)</li> </ul>
11/2021 ♦ 24 March	<ul style="list-style-type: none"> <li>Surprising dynamic: Eurosystem lends EUR 331bn to EMU banks via TLTRO III.7</li> <li>German Pfandbrief savings banks in Q4 2020</li> </ul>
10/2021 ♦ 17 March	<ul style="list-style-type: none"> <li>Transparency requirements §28 PfandBG Q4/2020</li> <li>Credit authorisations for German Bundesländer in 2021</li> </ul>
09/2021 ♦ 10 March	<ul style="list-style-type: none"> <li>Moody’s covered bond universe – an overview</li> <li>Oldenburgische Landesbank expands sub-benchmark segment</li> </ul>
08/2021 ♦ 03 March	<ul style="list-style-type: none"> <li>Repayment structures on the covered bond market</li> <li>ECB in a tight spot: litmus test for PEPP flexibility and preview of the second interest rate meeting of the year</li> </ul>
07/2021 ♦ 24 February	<ul style="list-style-type: none"> <li>An overview of the EUR sub-benchmark segment</li> <li>ECB: crowding-out effects take hold</li> <li>PEPP vs. PSPP: Similarities and differences</li> </ul>
06/2021 ♦ 17 February	<ul style="list-style-type: none"> <li>Insights into the iBoxx EUR Covered</li> <li>Development of the German property market</li> </ul>
05/2021 ♦ 10 February	<ul style="list-style-type: none"> <li>PEPP reporting: upswing in public sector assets continues; covered bonds inconsequential</li> </ul>
04/2021 ♦ 03 February	<ul style="list-style-type: none"> <li>Argenta Spaarbank expands Belgian market for EUR benchmarks</li> <li>An overview of the Fitch covered bond universe</li> <li>January 2021 packs a punch to kick off the new year</li> </ul>
03/2021 ♦ 27 January	<ul style="list-style-type: none"> <li>An unusual – albeit expected – start to the year?</li> <li>A look at USD benchmarks</li> <li>ESM reform – restructuring continues</li> </ul>
02/2021 ♦ 20 January	<ul style="list-style-type: none"> <li>Spread considerations – APAC covered bonds riding the wave of ECB purchase programmes?</li> <li>Return of the Danish market for EUR benchmark bond issues</li> <li>22nd meeting of the Stability Council (Dec. 2020)</li> </ul>

## Appendix

### Publication overview

#### **Covered Bonds:**

**Issuer Guide Covered Bonds 2020**

**Risk weights and LCR levels of covered bonds**

**Transparency requirements §28 PfandBG**

**Transparenzvorschrift §28 PfandBG Sparkassen (German only)**

#### **SSA/Public Issuers:**

**Issuer Guide – Supranationals & Agencies 2019**

**Issuer Guide – Canadian Provinces & Territories 2020**

**Issuer Guide – German Bundeslaender 2020**

**Issuer Guide – Down Under 2019**

#### **Fixed Income:**

**ESG update**

**Analysis of ESG reporting**

**ECB holds course, but ups the ante – PEPP running until 2022**

**ECB launches corona pandemic emergency**

**ECB responds to corona risks**

## Appendix

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Sales MM/FX	+49 511 9818-9460
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Origination Corporates	+49 511 361-2911

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

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Frequent Issuers	+49 511 9818-9640

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**Additional information**

**Time of going to press:** 19 May 2021 08:49h (CET)

**Disclosure of possible conflicts of interest at NORD/LB in accordance with Section 85 (1) of the German Securities Trading Act (WpHG) in conjunction with Article 20 of the Market Abuse Regulation (EU) No. 596/2014 and Articles 5 and 6 of Regulation (EU) 2016/958.**

None

**Sources and price details**

For the preparation of investment recommendations, we use issuer-specific financial data providers, our own estimates, company information and publicly available media. Unless otherwise stated in the information, price information refers to the closing price of the previous day. Fees and commissions are incurred in connection with securities (purchase, sale, custody), which reduce the return on the investment.

**Basis of valuation and frequency of updates**

For the preparation of investment recommendations, we use company-specific methods from fundamental securities' analysis, quantitative / statistical methods and models as well as from technical information processes. It should be noted that the results of the information are snapshots and past performance is not a reliable indicator of future returns. The basis of valuation may change at any time and in an unforeseeable manner, which may lead to divergent assessments. The recommendation horizon is 6 to 12 months. The above information is prepared on a weekly basis. Recipients have no right to publish updated information. For more detailed information on our assessment bases, check under: [www.nordlb-pib.de/Bewertungsverfahren](http://www.nordlb-pib.de/Bewertungsverfahren).

**Recommendation system**

**Positive:** Positive expectations for the issuer, a bond type or a bond placed by the issuer.

**Neutral:** Neutral expectations for the issuer, a bond type or a bond of the issuer.

**Negative:** Negative expectations for the issuer, a type of bond or a bond placed by the issuer.

**Relative Value (RV):** Relative recommendation to a market segment, an individual issuer or a range of maturities.

**Breakdown of recommendations (12 months)**

**Positive:** 37%

**Neutral:** 55%

**Negative:** 8%

**Recommendation record (12 months)**

For an overview of our overall pension recommendations for the past 12 months, please visit [www.nordlb-pib.de/empfehlungsuebersicht\\_renten](http://www.nordlb-pib.de/empfehlungsuebersicht_renten). The password is "renten/Liste3".

Issuer / security	Date	Recommendation	Bond type	Cause
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