

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Market overview

Covered Bonds

Author: Dr Frederik Kunze

Primary market: DekaBank issues sub-benchmark to save the day in a quiet trading week

Over the past five trading days, no new EUR benchmark bonds were placed on the market. We have DekaBank's public Pfandbrief in sub-benchmark format to thank for the fact that the past trading week was not a total blank. The issuer was previously active on the market back in April with a public sector covered bond featuring a 10y term to maturity, which was likewise placed in sub-benchmark format. On this latest occasion, however, DekaBank opted for a somewhat shorter maturity of five years. The deal for EUR 250m attained the top rating (Aaa) from Moody's and initially started out in the marketing phase with guidance in the area of ms +3bp, before ultimately being priced at ms flat. In total, 90% of the allocation went to investors in Germany, with banks (69%) the dominant investor type for the deal. The next-largest share went to central banks/OI (20%) and asset managers/funds (11%). The S-Finanzgruppe was recently the driving force behind growth in the green Pfandbrief segment. In this context, Sparkasse Hannover issued its first Pfandbrief deal in green format on [14 July 2021](#). With this deal for EUR 50m, the bank was responsible for general growth within the ESG universe, which is also of increasing importance for the covered bond segment.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

S&P and Moody's comment on EU covered bond market harmonisation process

On 8 July 2021, the first significant deadline in the European covered bond market harmonisation process duly passed. From this date, countries with EEA relevance were supposed to have implemented the necessary legislative amendments arising from the EU Directive. Up to now, only Germany, France, Denmark and Latvia have fulfilled this technicality. Nevertheless, market observers such as the rating agency S&P are confident that all countries will be able to apply the new laws by 8 July 2022, which is regarded as the hard deadline for the process. However, S&P points out that those countries which have been sluggish in their implementation efforts will now lose out on transitional time. The risk experts at Moody's recently commended the draft bills already in place in Germany and France, coming to the conclusion that the details of the legislation, which already met most of the EU requirements, have been strengthened once again. In the case of Germany, the rating agency highlighted, for example, the implications of the potential for maturity extensions should the need arise and more stringent OC requirements. At this point, we believe it makes sense to discuss potential newcomers to the covered bond segment. For example, the National Bank of Georgia recently made a [public announcement](#) with a view to introducing a law. The proposal was [presented](#) jointly with representatives from the European Bank of Reconstruction and Development (EBRD). We expressly welcome growth in the covered bond segment from CEE markets as a positive development. However, the extent to which countries such as Georgia are able to tap into either the benchmark or sub-benchmark segment should not (yet) be held up as some kind of yardstick.

Market overview

SSA/Public Issuers

Author: Dr. Norman Rudschuck, CIIA

ECB heading for summer break tomorrow

Summer slump successfully prevented: the new ECB strategy will also have implications for tomorrow's July meeting of the ECB Governing Council and, in our view, will mainly lead to linguistic adjustments. In terms of the monetary policy decision-making parameters, we do not foresee any adjustments and also expect the increased pace of purchases to be maintained. We justify this not least with the assessment that the ECB Governing Council will continue to regard the inflation trend as temporary, declare the pandemic by no means over and will therefore see the recovery as fraught with considerable uncertainty. More than ever, communication will remain the key to the European Central Bank's success. Therefore, we quote President Lagarde again: "We're going to look at the circumstances, we're going to look at what forward guidance we need to revisit, we're going to look at the calibration of all the tools we are using to make sure that it is aligned with our new strategy." We think it would be somewhat premature to transfer the PEPP to the APP at this stage.

Lower Saxony: Double budget 2022/23 and medium-term plan 2021 to 2025

The Lower Saxony state government has approved the draft double budget 2022/23 and medium-term plan 2021 to 2025. The effects of the Covid-19 pandemic have also played a decisive role in this double budget, with which the federal state is gradually moving towards fiscal normality. According to the state government, the goal remains not to accumulate any new debt from 2024 onwards and to start repaying the debt taken on due to the emergency situation. This requires long-term savings measures, for which the presented medium-term plan paves the way. Nevertheless, current challenges outside the Covid-19 pandemic will be addressed within constitutional limits. For example, the state government has decided on a package of measures to digitalise the state administration and is planning a total volume of around EUR 200m for this in the years 2022 to 2025. In so doing, it will reinforce the ongoing implementation of the requirements of the German Online Access Act and the associated digitalisation of the state administration, including the modernisation of specialist processes. Strengthening the digitalisation measures will make it possible to implement the initial steps for raising the digitalisation dividend starting in 2024. In addition, important projects such as the introduction of a third support assistant in child day-care centres, the increase in hospital funding, the introduction of the student and trainee ticket and the implementation of the Stadt.Land.ZUKUNFT project will be made possible. The state government's intention to start debt repayment with EUR 100m in 2024 and to pay it off within 25 years remains unchanged. At the same time, due to the economic impact of the pandemic, it must be assumed that there will be a considerable reduction in tax revenues for many years. Any investor or political opponent will know that this can only be compensated for in the form of permanent spending cuts. With the medium-term plan, Lower Saxony is pursuing a path that should quickly lead to a structurally balanced budget.

NIESA: on the way back to a balanced budget

According to the press release, all ministries contributed to dealing with the enormous need for consolidation. In particular, reducing or freezing vacancies is intended to ensure the Lower Saxony's ability to act in the long term. In the years of the double budget, this will have an impact of EUR 114m and EUR 93m. All departments also made consolidation contributions outside the personnel budgets. Only in this way will it be possible to reduce total expenditure by around EUR 200m p.a. in the long term. In order to structurally balance the state budget, revenues must increase significantly more than expenditures. This requires a growth-oriented policy. The economic stimulus and crisis package with additional spending to overcome last year's coronavirus pandemic is the foundation for this. The resolutions on the double budget will continue to support economic growth. Tax revenues in Lower Saxony are expected to come in at around EUR 30.3bn next year and around EUR 31.1bn in 2023. This is approximately EUR 1.3bn and EUR 1.1bn below the planned pre-crisis level respectively. At the same time, the pandemic situation continues to require extensive expenditure to deal with its consequences and to maintain existing structures beyond the crisis. Nevertheless, the state government's draft does not provide for emergency loans, but only loans within the framework of the economic adjustment. Although the economy is recovering, a negative cyclical component is still expected; therefore, loans of EUR 227m in 2022 and up to EUR 113m in 2023 are planned. The restriction of new borrowing will be possible because burdens in connection with the pandemic will be financed from the Covid-19 Special Fund. In total, EUR 368m is planned for 2022 and EUR 134m for 2023. The management of pandemic-related expenditure in the Special Fund over the course of this year and the last has proved successful. As long as funds from the special fund are used, there will also be clear constitutional limits. The adopted double budget is therefore limited to a few new projects, dispenses with different priorities and thus safeguards what has been achieved so far. The draft budget is therefore within the constitutional framework set by the debt brake. We see here a roadmap back to balanced budgets, and the rating agencies are likely to see this path as well.

EFSF approves fifth successive reduction of step-up margins for Greece

The EFSF Board has decided to reduce to zero the step-up margin accrued by Greece from 1 January to 17 June (2021) as part of the medium-term debt relief measures agreed for the country back in 2018. The value of this fifth consecutive reduction amounts to EUR 103.3m. In addition, as part of the debt relief measures, the ESM made a transfer of EUR 644.42m to Greece on behalf of the eurozone Member States following their approval. This value corresponds to the proceeds from the SMP/ANFA holdings (details: [this publication, issue #5/2021](#)). The 2% step-up margin refers to the EUR 11.3bn EFSF loan to Greece (part of the second Greek programme), which was used to finance a debt buyback in 2012. Each semi-annual decision (until 2022) to reduce the margin to zero is based on a positive assessment of the ongoing implementation of key reforms adopted by Greece under the terms of the ESM programme and compliance with post-programme policy commitments. The total amount of debt relief applied in all five tranches now exceeds EUR 4.2bn.

ESG: KfW issues sectoral guidelines as a transformative promotional bank

As a transformative promotional bank, KfW actively supports the German Federal Government in implementing the Climate Action Programme 2030 to achieve the climate goals. KfW has already been working on its Sustainable Finance Roadmap since 2019, thereby placing its strategic focus even more strongly on the transformation of the economy and society with the aim of improving economic, ecological and social living conditions. In particular, according to its press release, it aims to give its customers and partners targeted support in the transition process so that the sweeping structural transformation becomes an economic and social success. In order to bring its financing activities in line with the Paris Climate Agreement, KfW implemented initial sectoral guidelines for the shipping, automotive as well as iron and steel sectors on 1 July 2021. The Paris-compliant sectoral guidelines define the minimum climate compatibility requirements for technologies financed, and with their gradually rising level of ambition will contribute to moving KfW's financing portfolio towards greenhouse gas neutrality. Two further sectoral guidelines will enter into force for the electricity generation and building sectors in September 2021. The role and activities of KfW as a transformative promotional bank are also important to its investors, as they are increasingly focusing on the sustainability activities of issuers and enquiring about their impact. The issuance of its "Green Bonds – Made by KfW" and the related transparent reporting has already put KfW in a very good position to provide its investors with impact data on the underlying loan programmes. "As our 'tranS-Form' project advances, there will be even greater transparency about the sustainability of our entire loan portfolio. I am convinced that this added value will also act as a catalyst through the capital markets in order to drive the global transformation process", said Dr Günther Bräunig, CEO and Chief Sustainability Officer of KfW.

Primary market

While other primary market activities have already been paused (please refer to the Market Overview for covered bonds), we still have a concise list of new issues in the segment for supranationals, sub-sovereigns and agencies. Rhineland-Palatinate, which is currently severely affected by the flood disaster, kicked things off: EUR 500m came in at ms -8bp for three years. There were no further details about the deal or the books. Shortly afterwards, we received word of a UNEDIC mandate. The French issuer opted for a ten-year social bond. This ultimately comprised EUR 2bn and came in 11 basis points above the French reference bond (FRTR 0% 11/25/31). The guidance had been OAT +13bp area. The books grew to over EUR 5bn. Trailing behind the EU – due to sheer size – but still in the top spots, French agencies in particular are among the leading issuers of social bonds. In addition, KfW was active with a tap deal (2028 maturity; EUR 1bn) at ms -10.5bp. Again, no further details regarding the deal were published. For its part, NRWK mandated a consortium for a green bond (EUR 500m WNG). As the summer holidays have already started in NRW as well, we see this as further confirmation that not all issuers and investors are resting on their laurels at the moment. Attention will now turn to the ECB meeting on Thursday (22 July).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
UNEDIC	FR	19.07.	FR0014004QY2	10.3y	2.00bn	ms +8bp	AA / Aa2 / -	X
RHIPAL	DE	14.07.	DE000RLP1320	3.0y	0.50bn	ms -8bp	AAA / - / -	-

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

Covered Bonds

Summer break just around the corner – a glance at covered bonds in USD and GBP

Author: Dr Frederik Kunze

A glance at non-EUR bond issues just before the summer break

The summer break is just around the corner, including for the global covered bond markets. Following our half-year review of the EUR benchmark bond segment, we take the imminent inactivity in the primary market as an opportunity to look at the placements this year to date in the US dollar (USD) and pound sterling (GBP). Although these two sub-markets play a considerably smaller role than the EUR benchmark bond segment in terms of volume, we would by no means rate these two niche markets as insignificant. This assessment is based on both the existing primary funding requirement in the relevant currencies of some issuers and the opportunistic considerations of the financial institutions concerned. In addition to specific pricing advantages, the possibility of accessing other groups of investors, beyond the euro, is also likely to be relevant in this context. For this reason if no other, it is worth taking a look at market activity in 2021 (ytd).

USD benchmark bond issues in 2021 (ytd)

Issuer	Country	Timing	ISIN	Maturity	Volume USD bn	Reoffer Spread	Description
CIBC	CA	29.06.21	USC24285JP17	5.0y	2.00	ms +22bp	CM 1.15 07/08/26
Aareal Bank	DE	03.02.21	XS2297684842	4.0y	0.75	ms +24bp	AARB 0 5/8 02/14/25
Deutsche Pfandbriefbank	DE	13.01.21	DE000A3H2ZW1	3.0y	0.75	ms +23bp	PBBGR 0 1/2 01/19/24

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

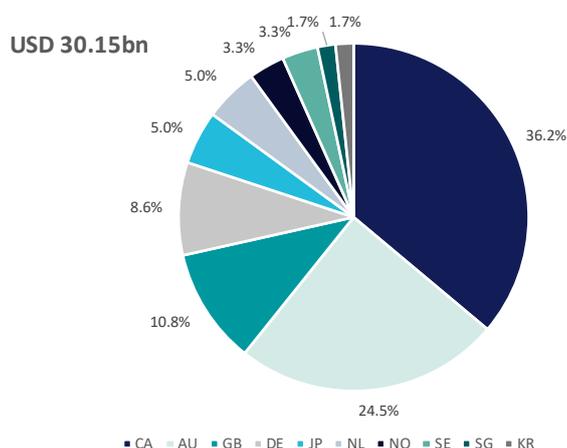
USD primary market in 2021 – as sluggish as its big brother?

The market for USD benchmarks is proving to be as sluggish as the EUR benchmark bond segment. This trend is not all that surprising for the simple reason that similar factors impact on potential USD issuers. In particular, this concerns alternative funding options, for example in the form of customer deposits, central bank liquidity and unsecured bond issues. In 2021, only three bond issues in USD benchmark format have been evident to date, partly as a result of the above-mentioned influencing factors. The Canadian CIBC last placed a deal worth USD 2.0bn in the market, with Aareal Bank (USD 750m, 4.0y) and Deutsche Pfandbriefbank (USD 750m, 3.0y), two German financial institutions, also approaching USD investors. At five years, the maturity CIBC chose for its bond issue was certainly rare. The share of bond issues from Germany is also remarkable. Of the seven deals placed in 2020, four came from Canada (USD 3.9bn in total), two from the UK (USD 2.25bn) and one from Australia (USD 1.75bn). One year earlier in 2019, the market was more differentiated still, with 17 bond issues across six jurisdictions – Canada (USD 8bn, 6 bond issues), Australia (USD 3.25bn, 2 bond issues), Germany (USD 3.05bn, 5 bond issues), Japan (USD 1.5bn, 2 bond issues), the UK (USD 1bn, 1 bond issue) and Singapore (USD 500m, 1 bond issue).

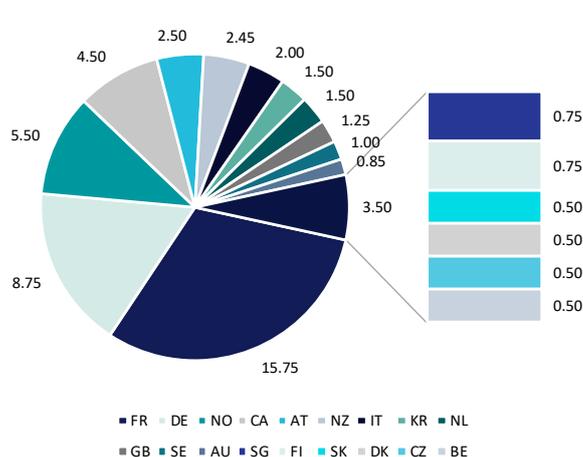
USD market is also shrinking

In summary, it should be noted that the market for covered bond benchmark issues in USD is also shrinking as a result of the prevailing general conditions. This is not least reflected in the current composition of the iBoxx USD Covered. The benchmark index now totals a volume of USD 30.15bn – in January 2021, it still amounted to USD 37.4bn. With regard to the composition, the US deals of Canadian issuers (36.2%) continue to dominate, ahead of bonds from financial institutions in Australia (24.5%). Canadian covered bond issuers, in particular, had above-average activities, both in the wake of the outbreak of the coronavirus crisis in 2020 and over the past few quarters and months, including in foreign currency such as the Australian dollar and pound sterling.

Composition of the iBoxx USD Covered



EUR benchmark bond issues in 2021 (ytd; EUR bn)



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

GBP primary market in 2021 – UK issuers and banks in Canada and Germany opt for GBP deals

We would actually go so far as to say that the market for GBP-denominated covered bonds is very dynamic. This certainly is the case compared with bond issues in other currencies as well as in a comparison with 2020. In 2021, a considerable eight deals have already been issued so far in GBP benchmark format. The publicly placed covered bond issues worth at least GBP 250m each, with fixed or variable coupons, totalled an impressive GBP 6.65bn. In 2020 as a whole, deals worth GBP 7.85bn were recorded – a figure that could still be matched in 2021. The latest bond issue of Münchener Hypothekbank (MunHyp) worth GBP 350m with a fixed coupon represents something of a rarity, given that variable-rate bonds linked to the SONIA now tend to be the norm in the market for GBP benchmark bond issues. Based on volume, Canadian issuers accounted for the highest share of new placements in 2021 (ytd) at GBP 3.8bn (3 bond issues), followed by UK banks with two deals worth a combined GBP 1.5bn. Germany accounted for GBP 1.35bn, across three bond issues. In their domestic market, British banks are dominant with a total share of 65% of the bond issues placed since 2011, followed by Canada (19%) and Germany (4%). Referencing the iBoxx GBP Covered does not seem particularly appropriate to us, since the [iBoxx criteria for GBP issues also](#) rule out floating rate bonds. In July 2021, the index included 16 bond issues totalling only GBP 11.14bn.

GBP benchmark bond issues in 2021 (ytd)

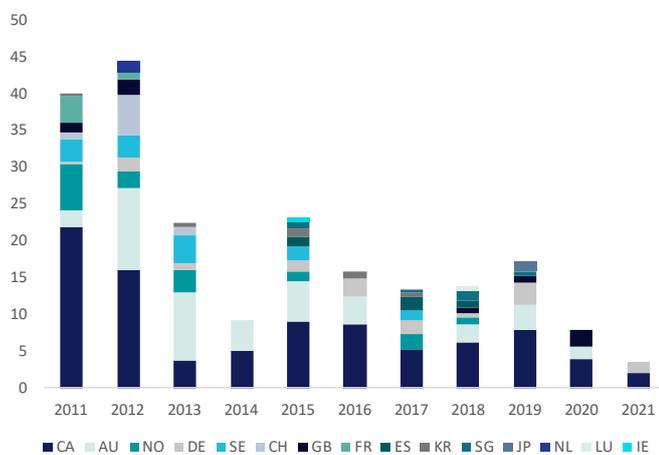
Issuer	Country	Timing	ISIN	Maturity	Volume GBP bn	Reoffer Spread	Description
MunHyp	DE	07.07.	XS2363916474	3.4y	0.350	UKT +39bp	MUNHYP 0 1/2 12/11/24
Royal Bank of Canada	CA	06.07.	XS2356566047	5.0y	1.250	SONIA +28bp	RY Float 07/13/26
CIBC	CA	15.06.	XS2355578787	5.0y	1.250	SONIA +22bp	CM Float 06/23/26
TSB Bank	GB	14.06.	XS2356227343	7.0y	0.500	SONIA +37bp	TSBLN Float 06/22/28
Bank of Nova Scotia	CA	11.06.	XS2337339977	5.0y	1.300	SONIA +28bp	BNS Float 06/22/26
Aareal Ban	DE	22.04.	DE000A3H2Z80	4.0y	0.500	SONIA +31bp	AARB Float 04/29/25
Deutsche Pfandbriefbank	DE	19.04.	XS2305266137	3.0y	0.500	SONIA +27bp	PBBGR Float 04/26/24
Nationwide Building Society	GB	16.02.	DE000MHB4446	10.0y	1.000	SONIA +24bp	NWIDE Float 02/24/31

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

Insights into the investor side

Non-EUR covered bond issues represent a valid option for issuers and investors, in our opinion. However, particularly in relation to the investor side, we have far less differentiated insights than for the EUR segment. Although the availability of data is limited, some conclusions are indeed possible on the basis of the information about the marketing of the relevant deals. For example, differences are evident with regard to the order books for GBP and USD deals. The bid-to-cover ratios of GBP deals averaged 1.13 in 2021 (ranging from 1.0 to 1.6). This figure is significantly lower than the average recorded in 2020 (2.1) and 2019 (2.0). For the US market, we calculated an average bid-to-cover ratio of 1.6 in 2021, which is higher than the previous year's level (2020: 1.5) and also above the average in 2019 (1.3). The limited availability of information is particularly pertinent to the analysis of the investor structure. For the GBP deal of Royal Bank of Canada of 6 July 2021, we at least have the relevant allocation figures. Accordingly, 62% of the volume went to investors from the GBP currency area (UK share: 83%). EMEA investors accounted for 12% while 5% was allocated to accounts in Asia. With regard to the types of investors, banks dominated at 65%. Asset managers and insurance companies accounted for a combined share of 30% while the remaining 5% went to central banks and official institutions.

USD covered bonds (USD bn)



GBP covered bonds (GBP bn)



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

Conclusion

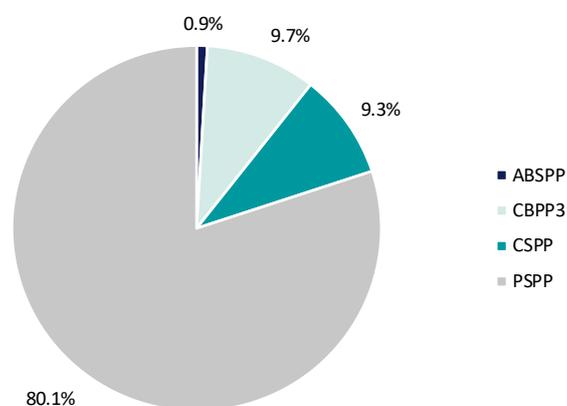
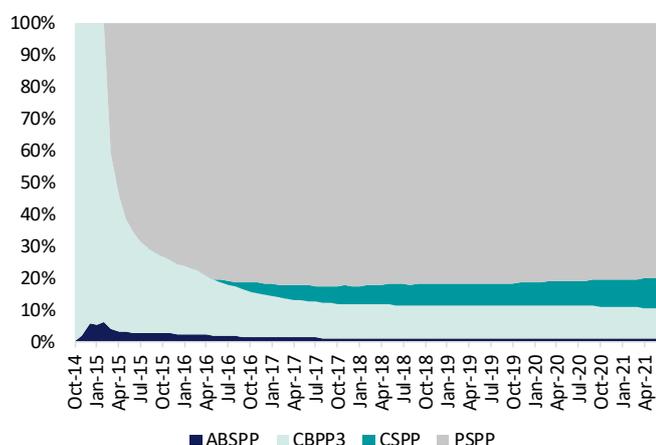
It is not very surprising that the non-EUR covered bond segments have also been directly affected by the pandemic and the resultant interdependencies. Nevertheless, the GBP sub-market has been far more active in the current year to date than its USD counterpart. The simultaneous presence of Canadian financial institutions in both the GBP market and on the USD side is once again striking in 2021. We see this partly as a result of the importance of covered bonds to the FX funding of Canadian financial institutions. However, the primary market transactions of Pfandbrief issuers in both the USD segment and on the GBP issues side should also be highlighted. In terms of the outlook for the period after the summer break, i.e. the remaining months of the second half of this year, we are cautiously optimistic that the GBP market is set to exceed the 2020 figure in 2021 in terms of the issuance volume. Overall, the USD segment is likely to continue to shrink, although we would not want to rule out that some issuers will rely on secured USD funding, and their reason for this will not exclusively be their primary funding requirement. Nonetheless, the negative net supply for the iBoxx USD Covered seems to be set in stone.

ECB tracker

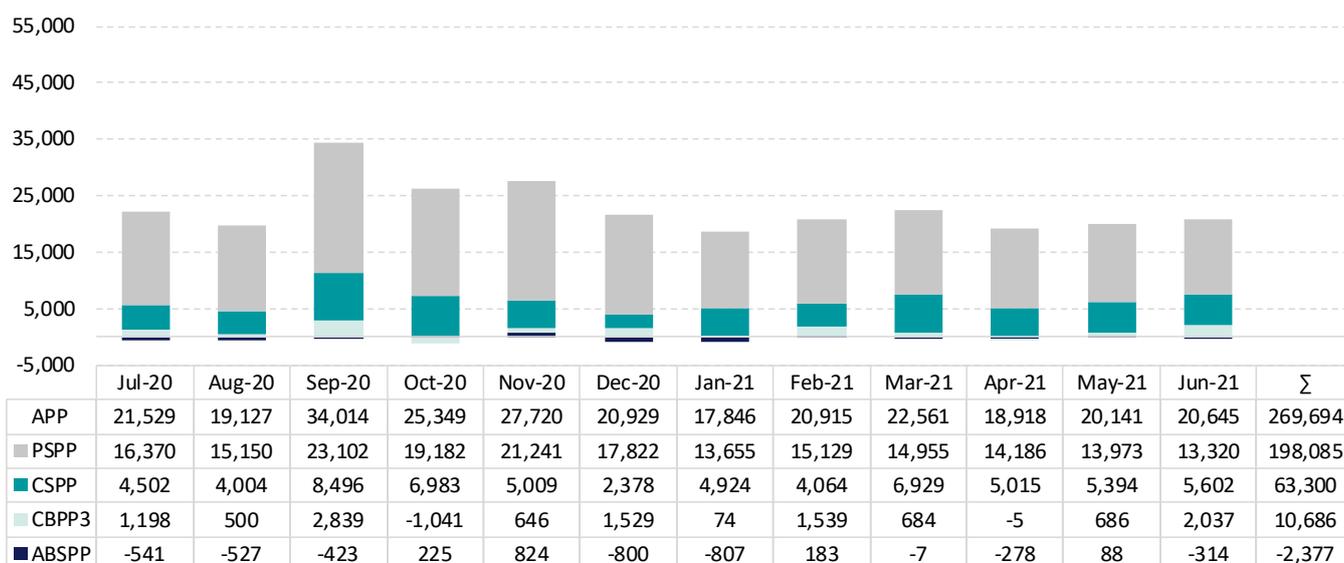
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
May-21	28,520	290,104	276,469	2,407,212	3,002,305
Jun-21	28,196	291,764	281,731	2,415,331	3,017,022
Δ	-314	+2,037	+5,602	+13,320	+20,645

Portfolio structure

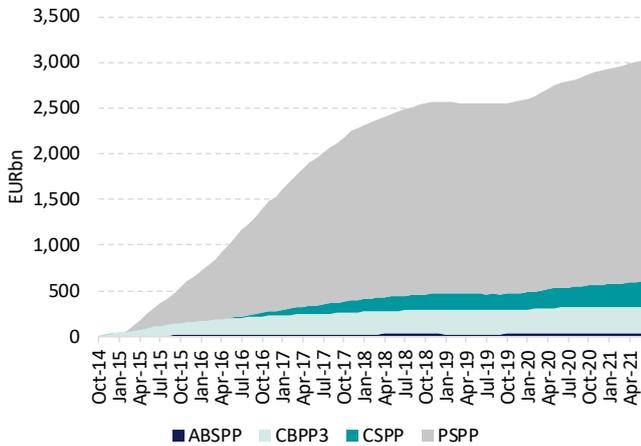


Monthly net purchases (in EURm)



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

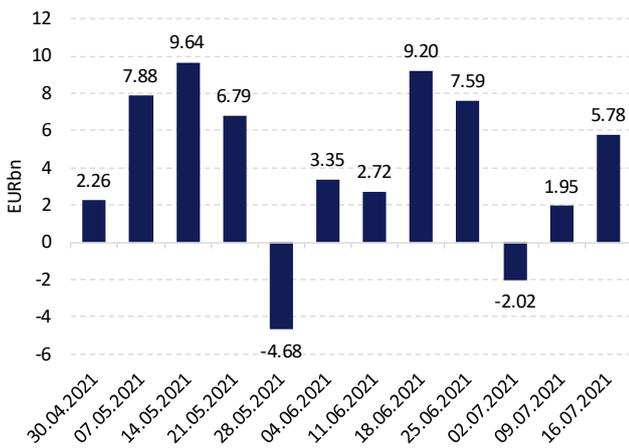
Portfolio development



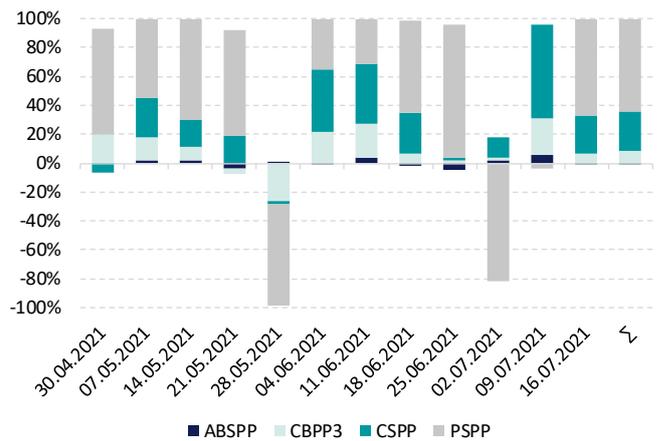
Distribution of monthly purchases



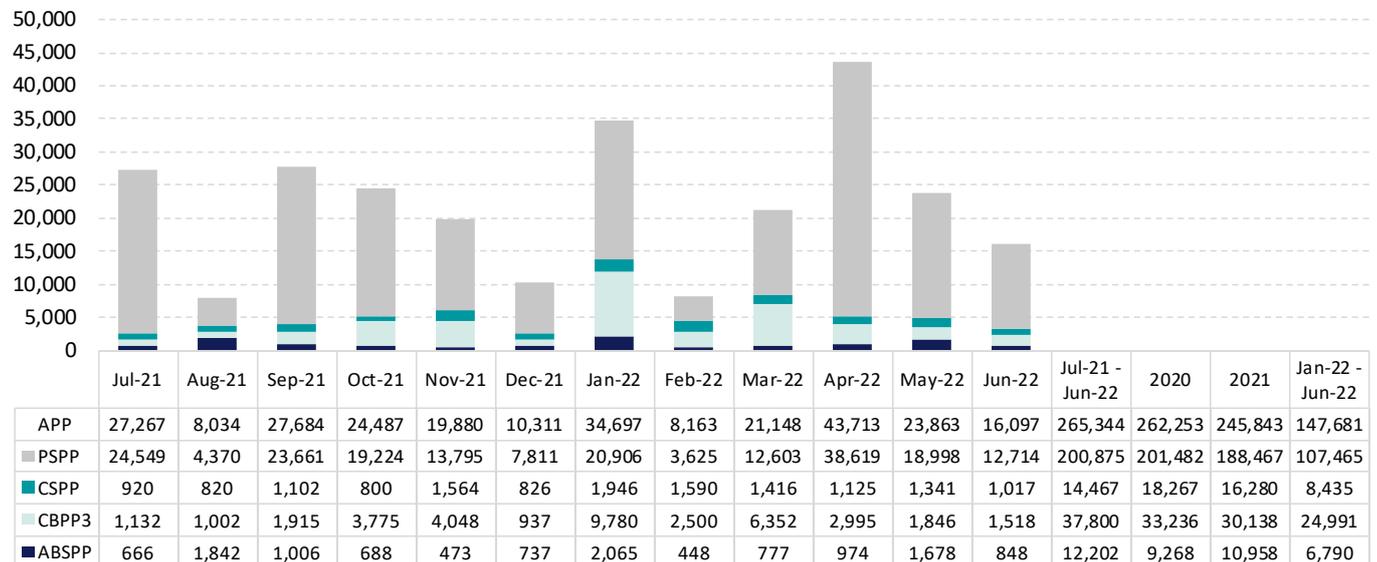
Weekly purchases



Distribution of weekly purchases

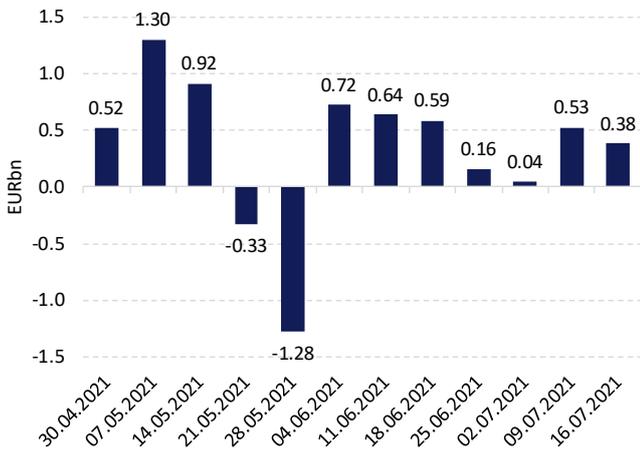


Expected monthly redemptions (in EURm)

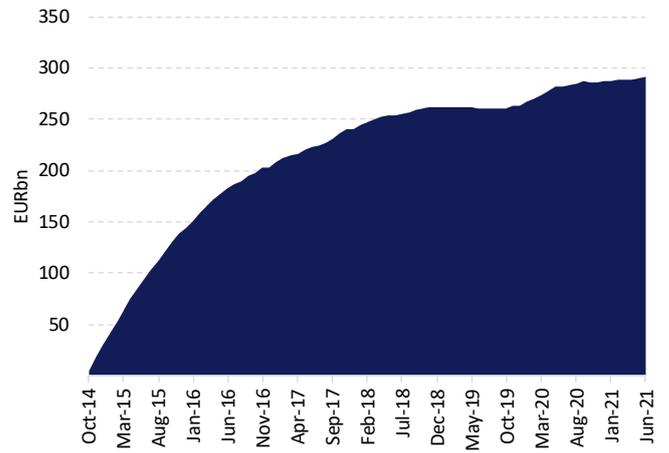


Covered Bond Purchase Programme 3 (CBPP3)

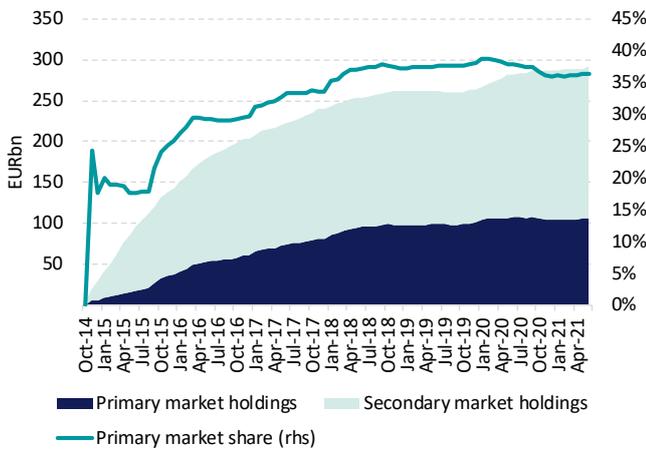
Weekly purchases



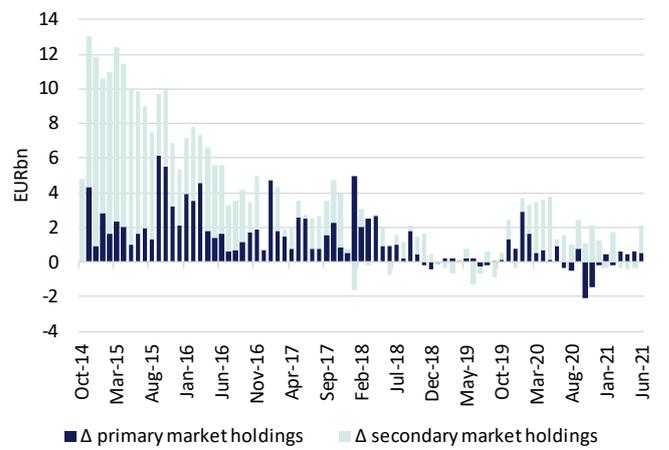
Development of CBPP3 volume



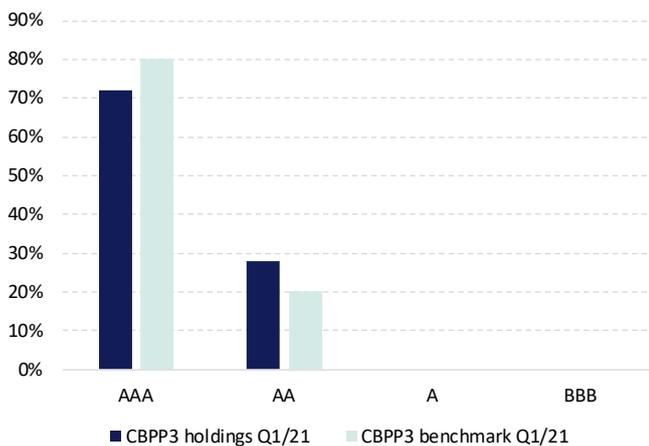
Primary and secondary market holdings



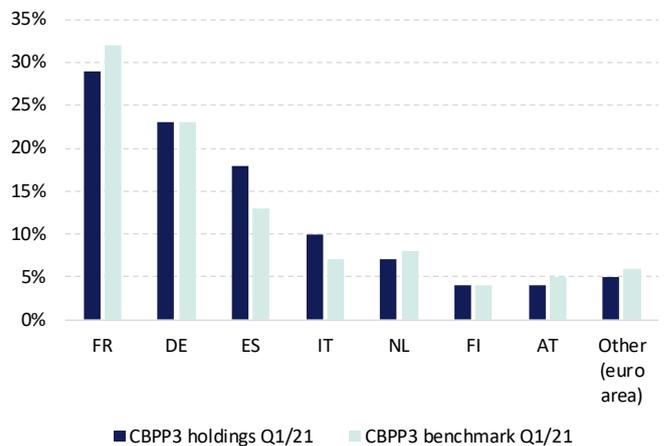
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating

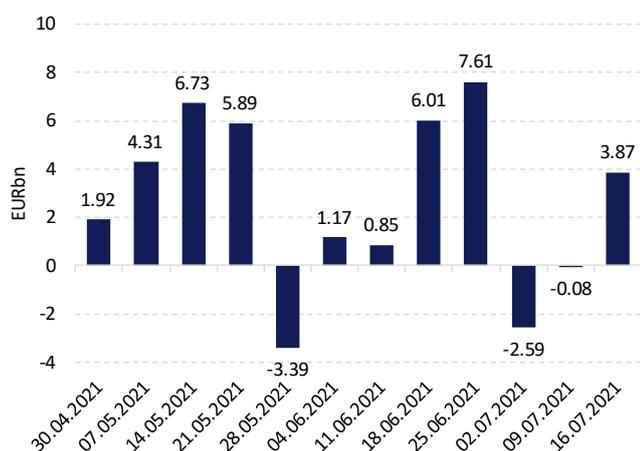


Distribution of CBPP3 by country of risk

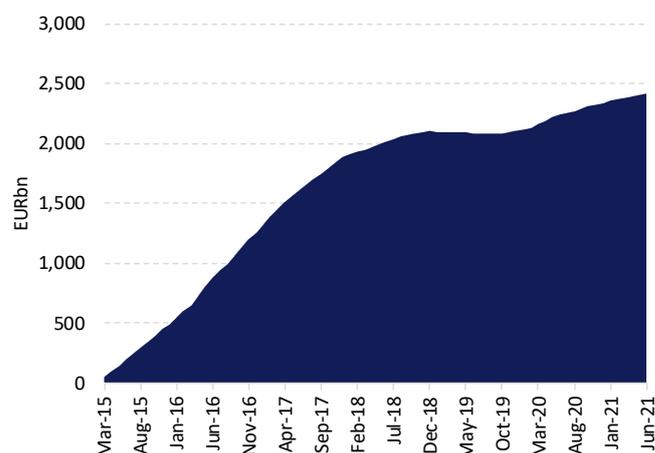


Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key ¹	Purchases (EURm)	Expected purchases (EURm) ²	Difference (EURm)	Avg. time to maturity ³ (in years)	Market average ³ (in years) ³	Difference (in years)
AT	2.7%	71,823	68,831	2,992	7.5	7.6	-0.1
BE	3.4%	90,376	85,677	4,699	8.0	10.2	-2.2
CY	0.2%	3,763	5,060	-1,297	9.9	8.8	1.1
DE	24.3%	609,448	619,935	-10,487	6.6	7.6	-1.0
EE	0.3%	397	6,625	-6,228	9.2	7.5	1.7
ES	11.0%	301,766	280,427	21,339	8.0	8.4	-0.4
FI	1.7%	37,685	43,197	-5,512	6.9	7.7	-0.8
FR	18.8%	496,901	480,313	16,588	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	39,425	39,823	-398	8.5	10.1	-1.6
IT	15.7%	421,648	399,514	22,134	7.1	7.9	-0.8
LT	0.5%	5,038	13,611	-8,573	10.2	10.6	-0.4
LU	0.3%	3,427	7,747	-4,320	5.6	7.2	-1.7
LV	0.4%	2,959	9,163	-6,204	11.3	10.4	0.9
MT	0.1%	1,259	2,467	-1,208	9.5	9.2	0.3
NL	5.4%	124,784	137,818	-13,034	7.7	9.0	-1.4
PT	2.2%	47,126	55,041	-7,915	7.0	7.2	-0.2
SI	0.4%	9,438	11,323	-1,885	9.9	10.2	-0.3
SK	1.1%	16,004	26,932	-10,928	8.2	8.3	-0.1
SNAT	10.0%	265,069	254,834	10,235	7.7	8.9	-1.2
Total / Avg.	100.0%	2,548,336	2,548,336	0	7.3	8.2	-0.9

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

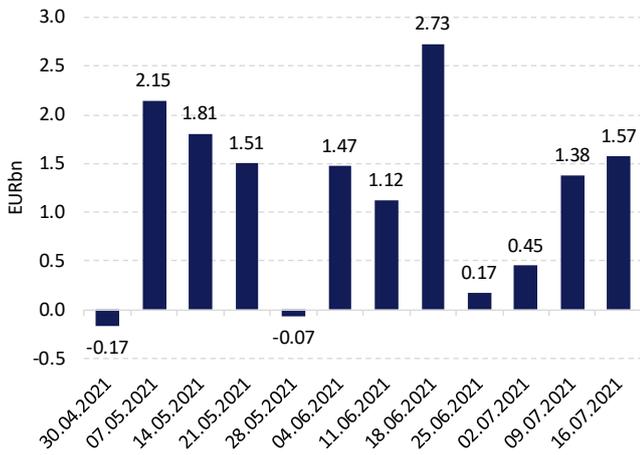
² Based on the adjusted distribution key

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

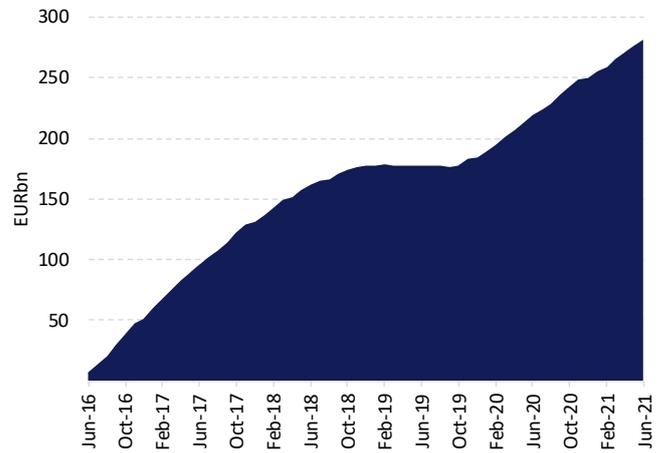
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

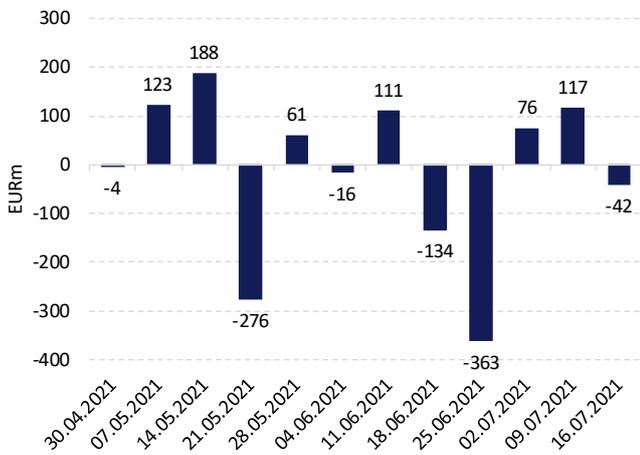


Development of CSPP volume

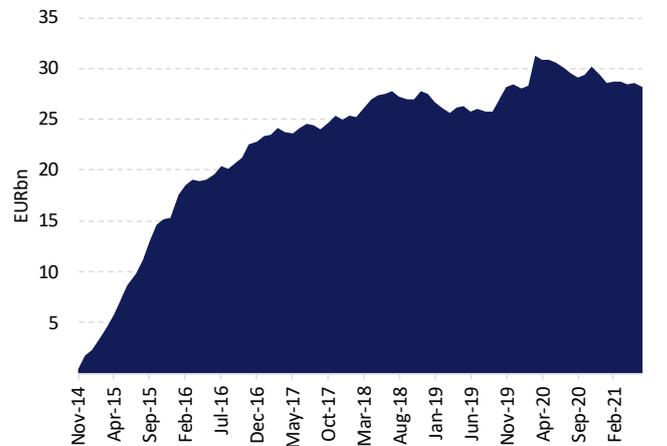


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



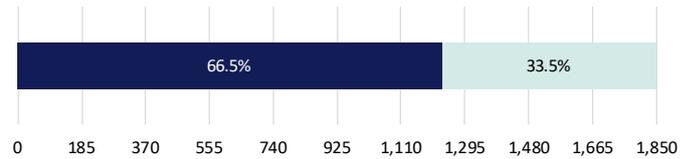
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
May-21	1,104,465
Jun-21	1,184,633
Δ	+80,168

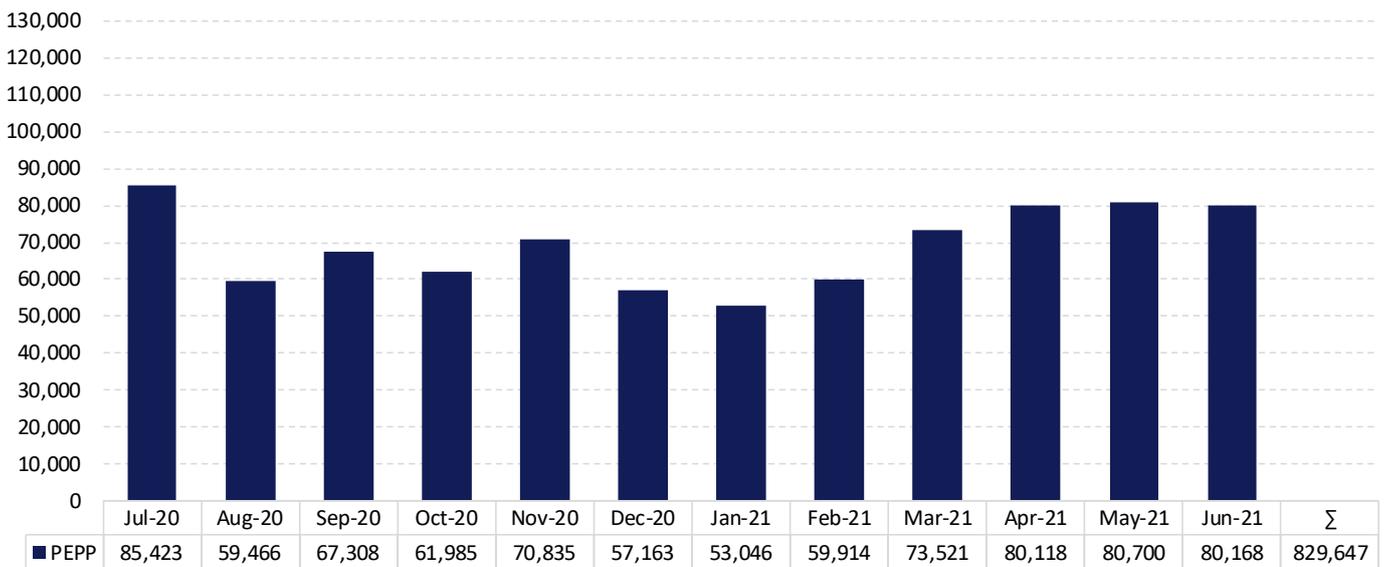
Volume already invested (in EURbn)



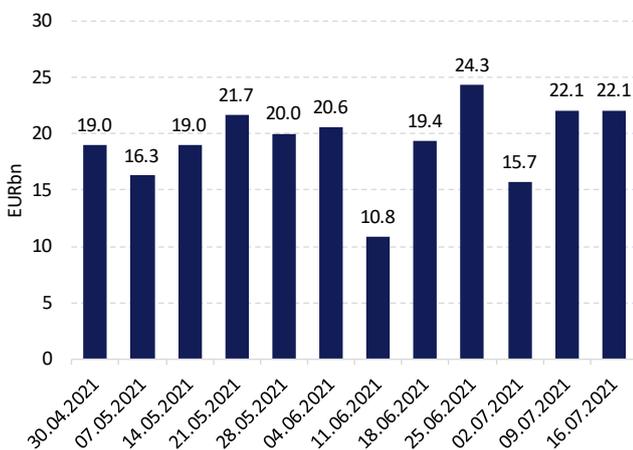
Estimated portfolio development

Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 18.1bn	34 weeks (11.03.2022)

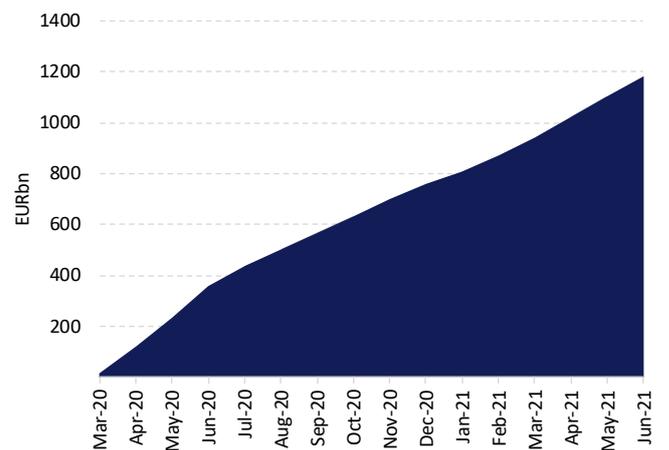
Monthly net purchases (in EURm)



Weekly purchases



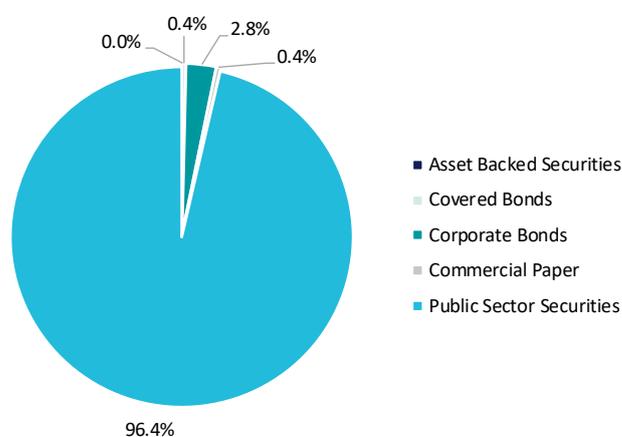
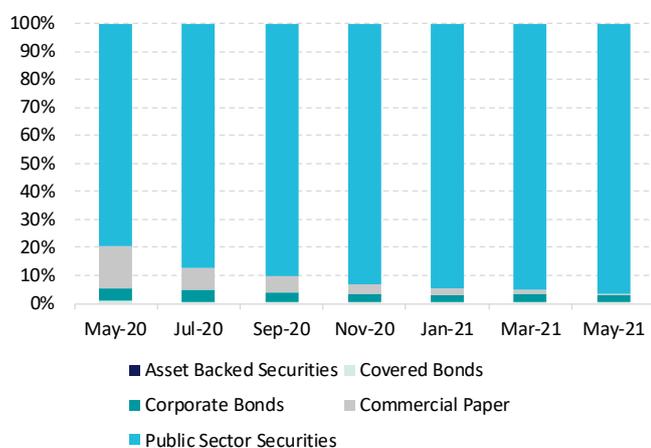
Development of PEPP volume



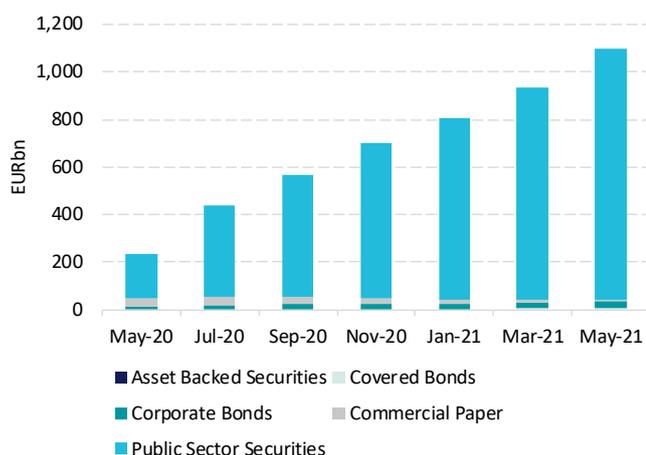
Holdings under the PEPP (in EURm)

	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Mar-21	0	4,055	27,058	12,766	893,844	937,723
May-21	0	4,055	31,014	4,590	1,058,882	1,098,541
Δ	0	0	+3,956	-8,176	+165,038	+160,818

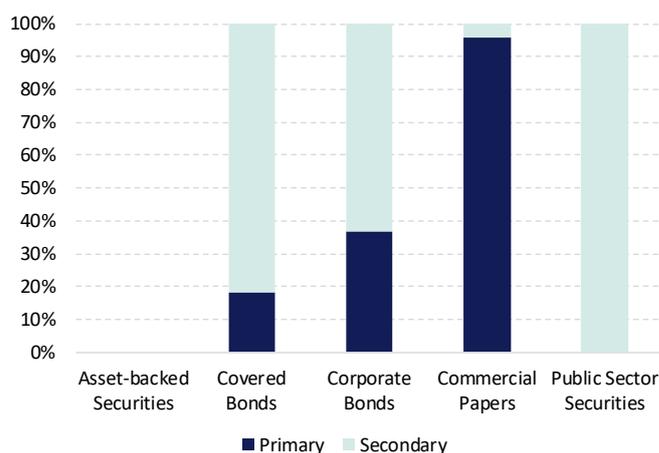
Portfolio structure



Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

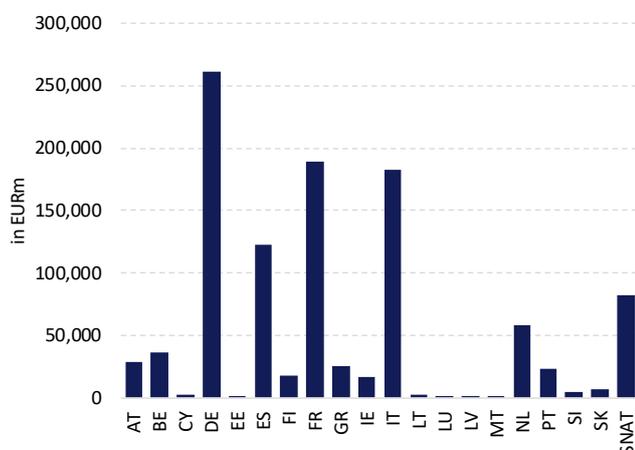
May-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	745	3,310	11,431	19,583	4,397	193
Share	0.0%	0.0%	18.4%	81.6%	36.9%	63.1%	95.8%	4.2%

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

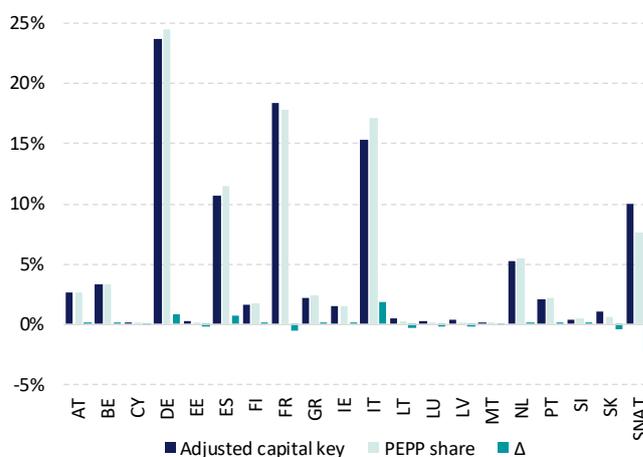
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key ¹	PEPP share	Deviations from the adj. distribution key ²	Ø time to maturity (in years)	Market average ³ (in years)	Difference (in years)
AT	28,731	2.6%	2.7%	0.1%	9.4	6.9	2.6
BE	36,086	3.3%	3.4%	0.1%	6.7	9.1	-2.5
CY	2,060	0.2%	0.2%	0.0%	9.7	8.3	1.4
DE	261,137	23.7%	24.5%	0.8%	6.1	6.8	-0.7
EE	255	0.3%	0.0%	-0.2%	9.0	7.3	1.7
ES	122,583	10.7%	11.5%	0.8%	8.3	7.6	0.7
FI	18,174	1.7%	1.7%	0.1%	7.3	7.5	-0.2
FR	189,672	18.4%	17.8%	-0.6%	8.5	7.7	0.8
GR	25,680	2.2%	2.4%	0.2%	9.5	9.9	-0.5
IE	16,770	1.5%	1.6%	0.1%	9.2	9.5	-0.3
IT	182,946	15.3%	17.2%	1.9%	6.9	7.0	-0.1
LT	2,505	0.5%	0.2%	-0.3%	11.1	9.9	1.2
LU	1,726	0.3%	0.2%	-0.1%	7.0	6.6	0.5
LV	1,344	0.4%	0.1%	-0.2%	9.8	9.7	0.1
MT	305	0.1%	0.0%	-0.1%	7.9	8.7	-0.8
NL	58,043	5.3%	5.5%	0.2%	6.0	8.4	-2.3
PT	23,730	2.1%	2.2%	0.1%	7.4	7.3	0.1
SI	4,838	0.4%	0.5%	0.0%	9.2	9.3	-0.2
SK	6,384	1.0%	0.6%	-0.4%	9.5	8.4	1.1
SNAT	81,801	10.0%	7.7%	-2.3%	10.4	8.4	2.1
Total / Avg.	1,064,769	100.0%	100.0%	0.0%	7.6	7.5	0.1

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key

¹ Based on the ECB capital key, adjusted to include supras ² Based on the adjusted distribution key³ Weighted average time to maturity of the bonds eligible for purchasing under the PEPP

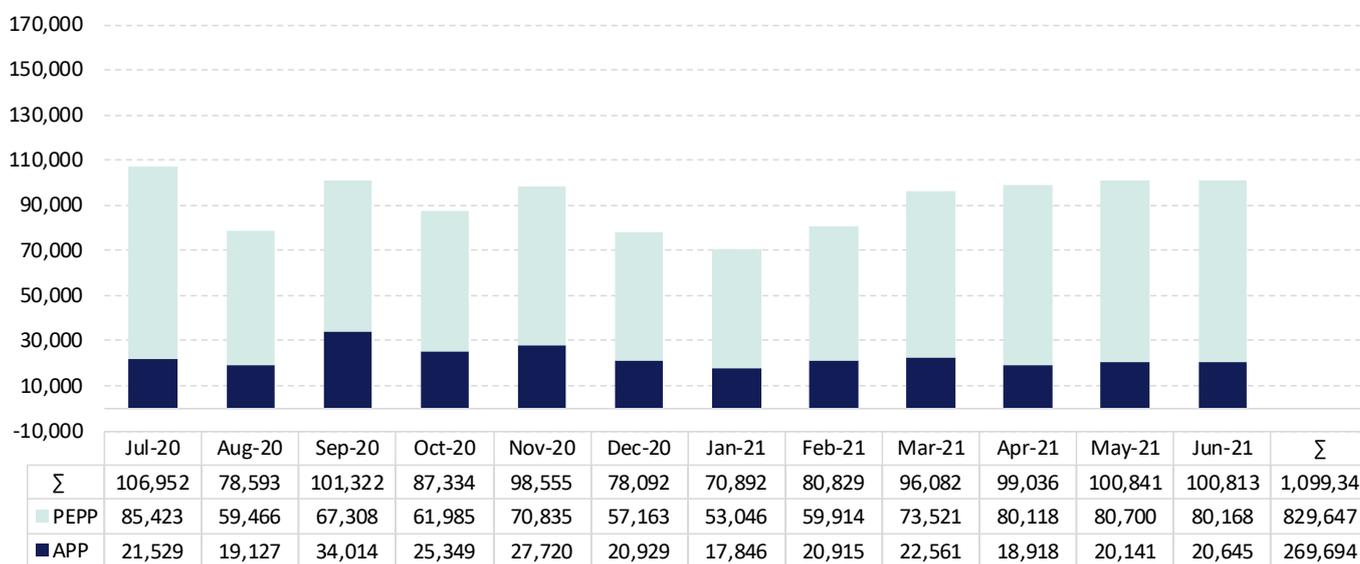
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

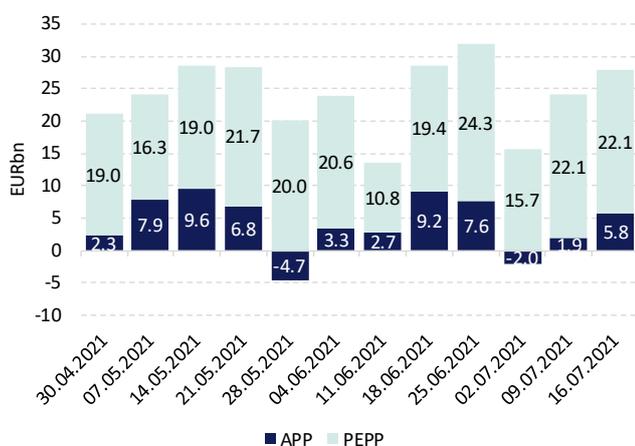
Holdings (in EURm)

	APP	PEPP	APP & PEPP
May-21	3,002,305	1,104,465	4,106,770
Jun-21	3,017,022	1,184,633	4,201,655
Δ	+20,645	+80,168	+100,813

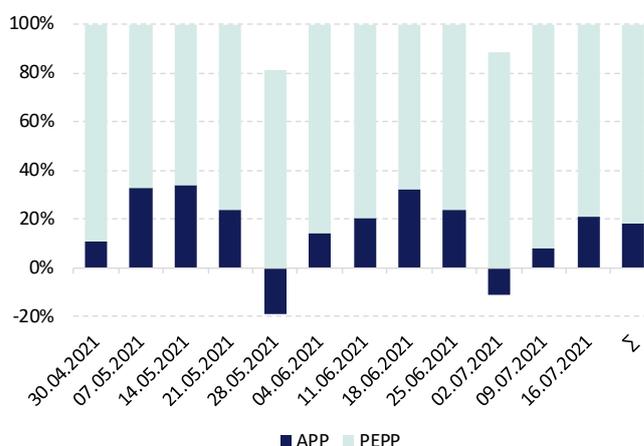
Monthly net purchases (in EURm)



Weekly purchases



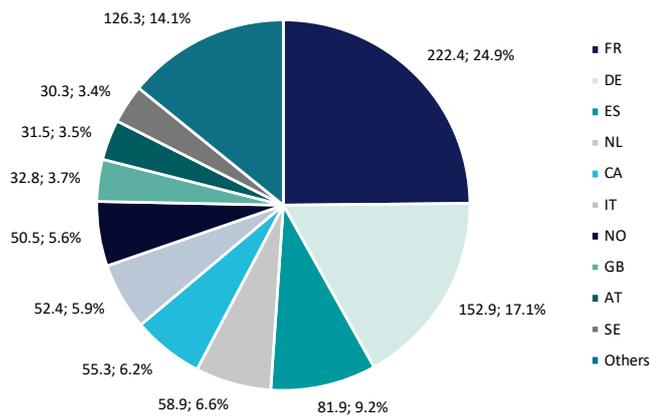
Distribution of weekly purchases



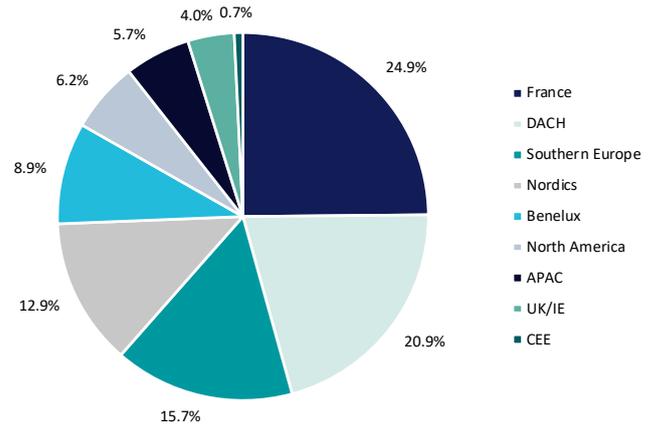
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



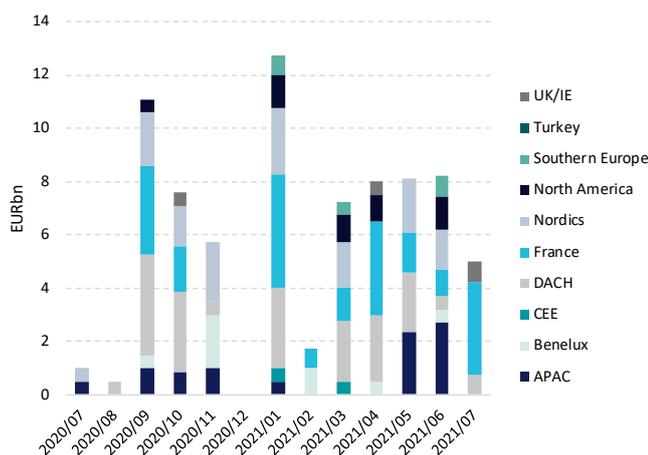
EUR benchmark volume by region (in EURbn)



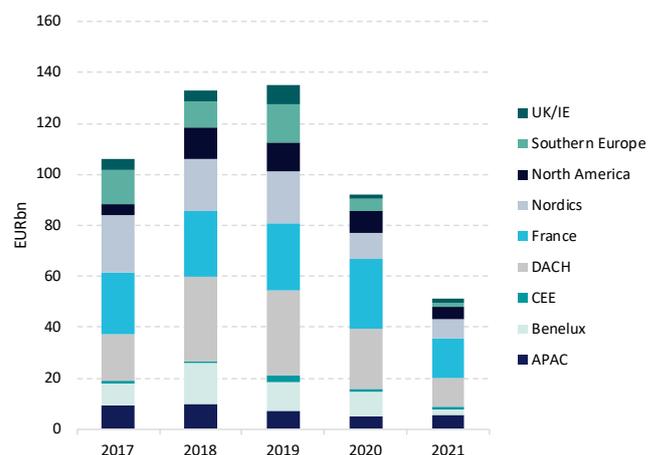
Top-10 jurisdictions

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	222.4	208	208	0.95	10.1	5.5	1.03
2	DE	152.9	228	228	0.61	8.4	4.7	0.43
3	ES	81.9	67	67	1.13	11.4	3.8	1.79
4	NL	58.9	60	60	0.93	11.3	7.3	0.90
5	CA	55.3	48	48	1.12	6.1	3.1	0.26
6	IT	52.4	61	61	0.83	9.1	4.1	1.38
7	NO	50.5	57	57	0.89	7.3	4.0	0.45
8	GB	32.8	39	39	0.87	8.3	3.7	0.90
9	AT	31.5	58	58	0.54	10.0	6.5	0.63
10	SE	30.3	36	36	0.84	7.5	3.5	0.44

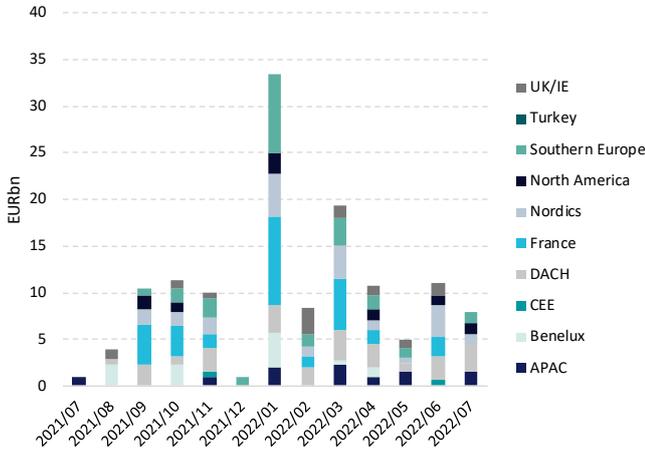
EUR benchmark issue volume by month



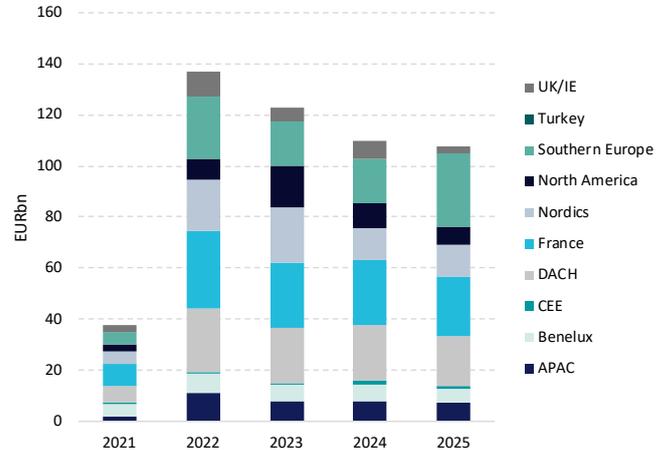
EUR benchmark issue volume by year



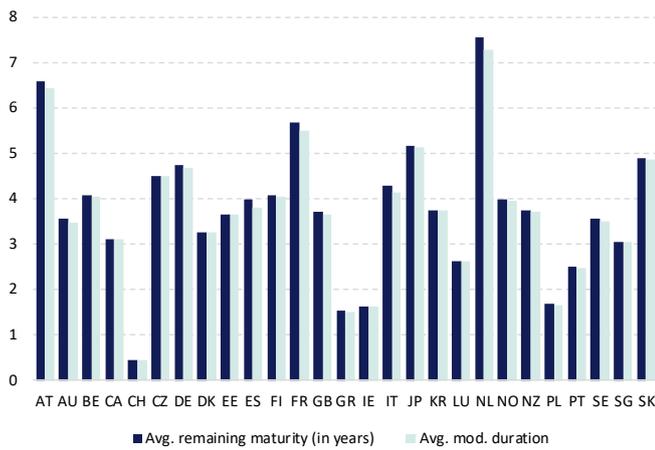
EUR benchmark maturities by month



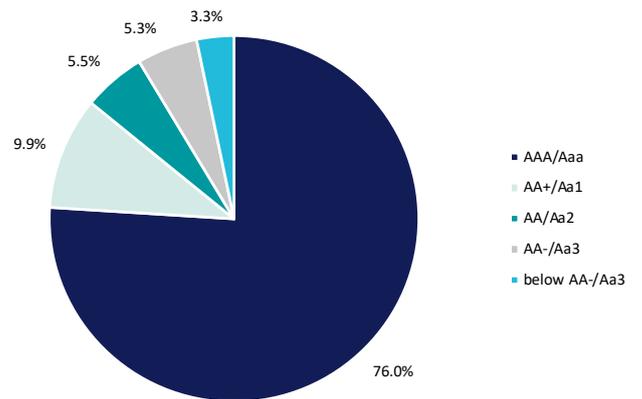
EUR benchmark maturities by year



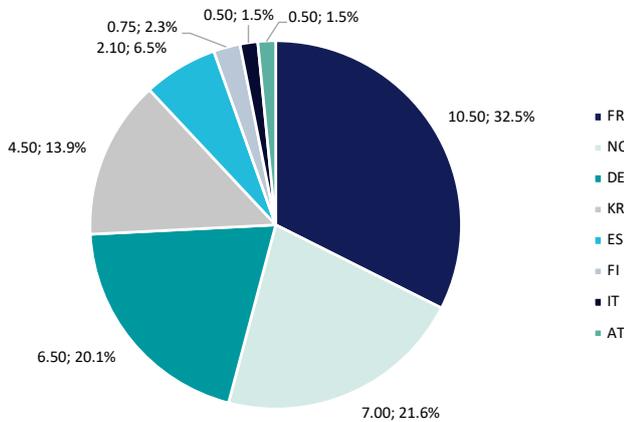
Modified duration and time to maturity by country



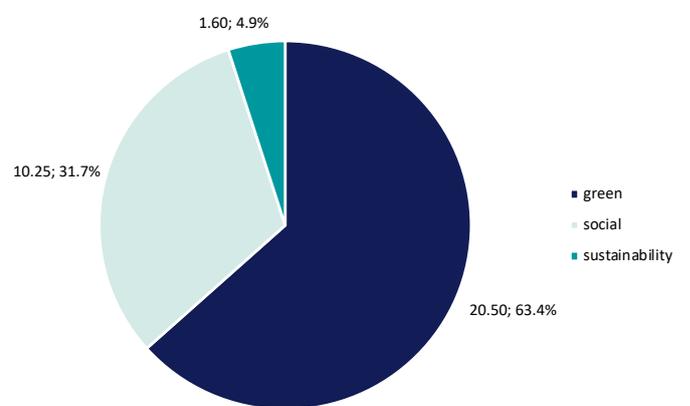
Rating distribution (volume weighted)



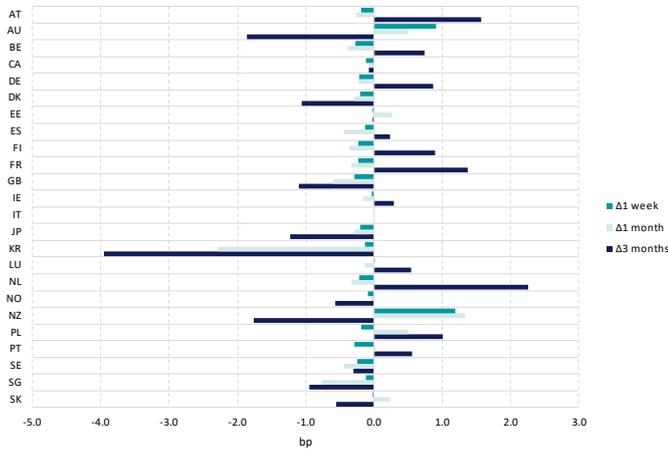
EUR benchmark volume (ESG) by country (in EURbn)



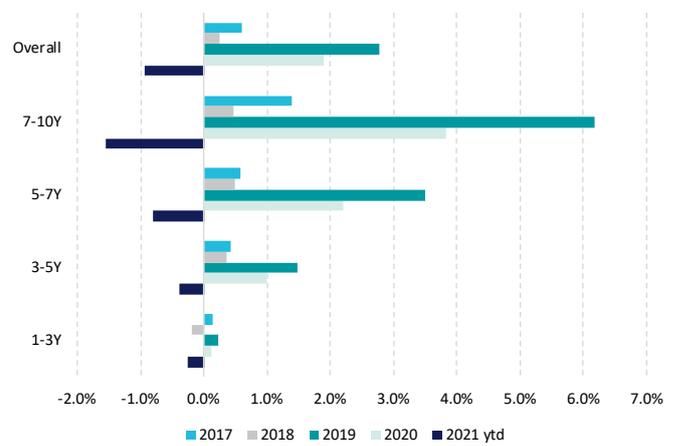
EUR benchmark volume (ESG) by type (in EURbn)



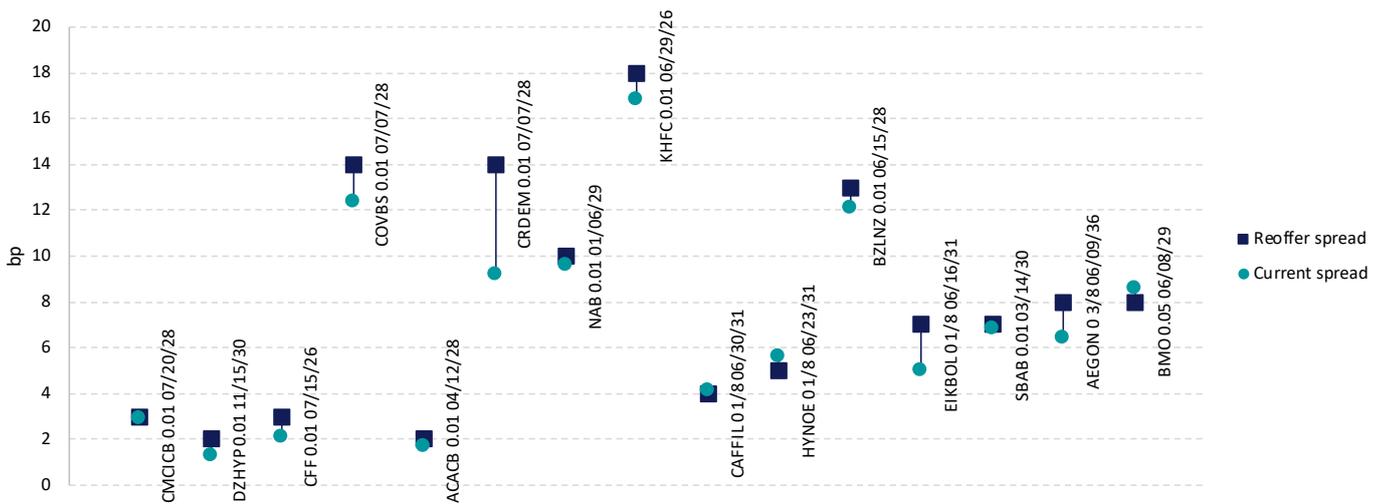
Spread development by country



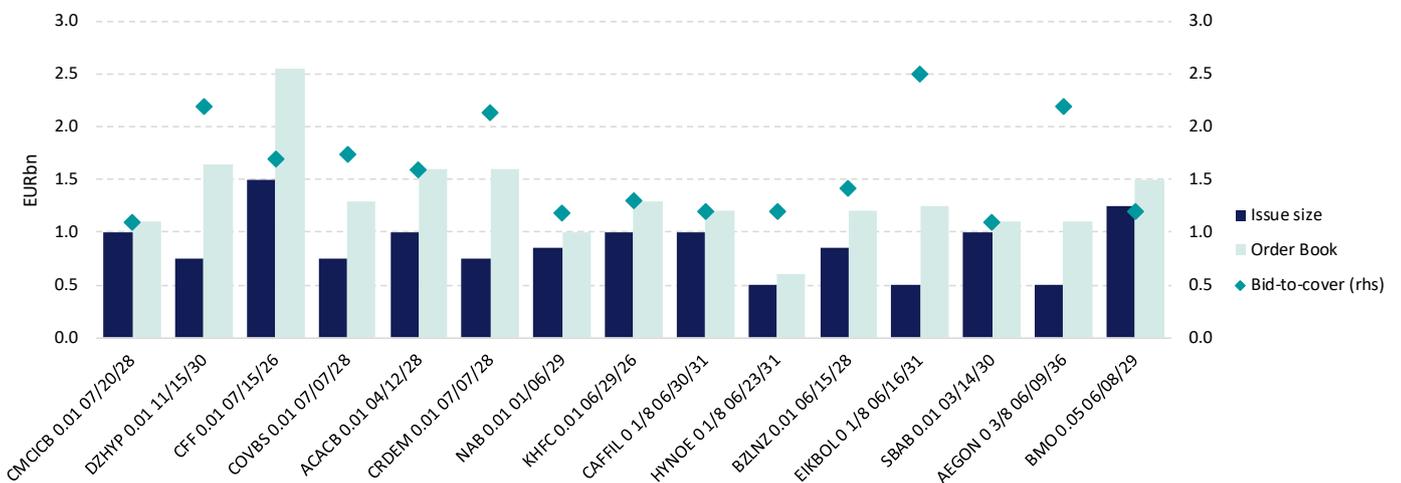
Covered bond performance (Total return)



Spread development (last 15 issues)

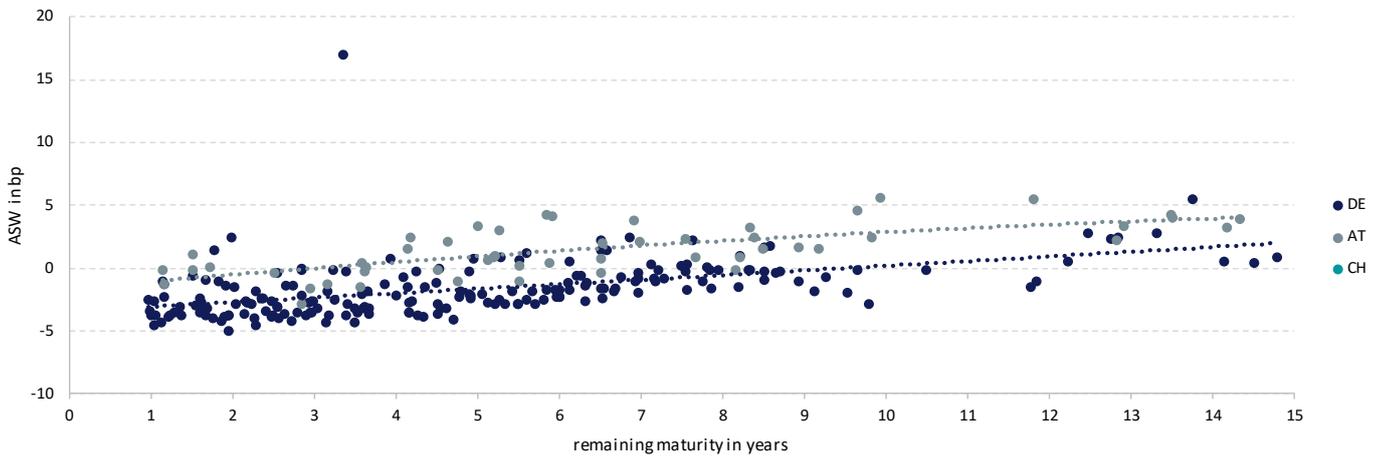


Order books (last 15 issues)

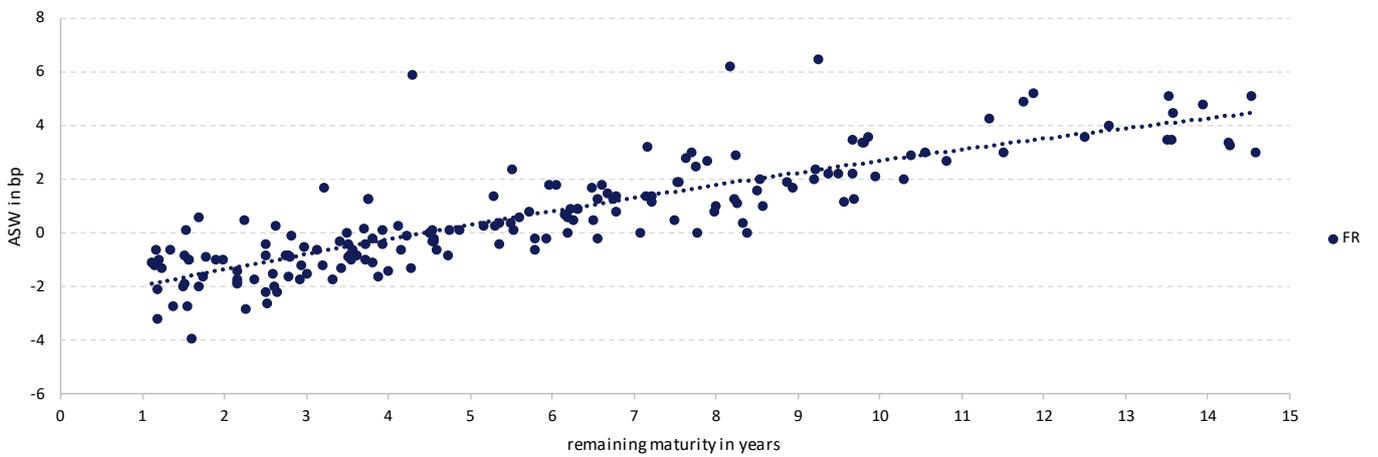


Spread overview¹

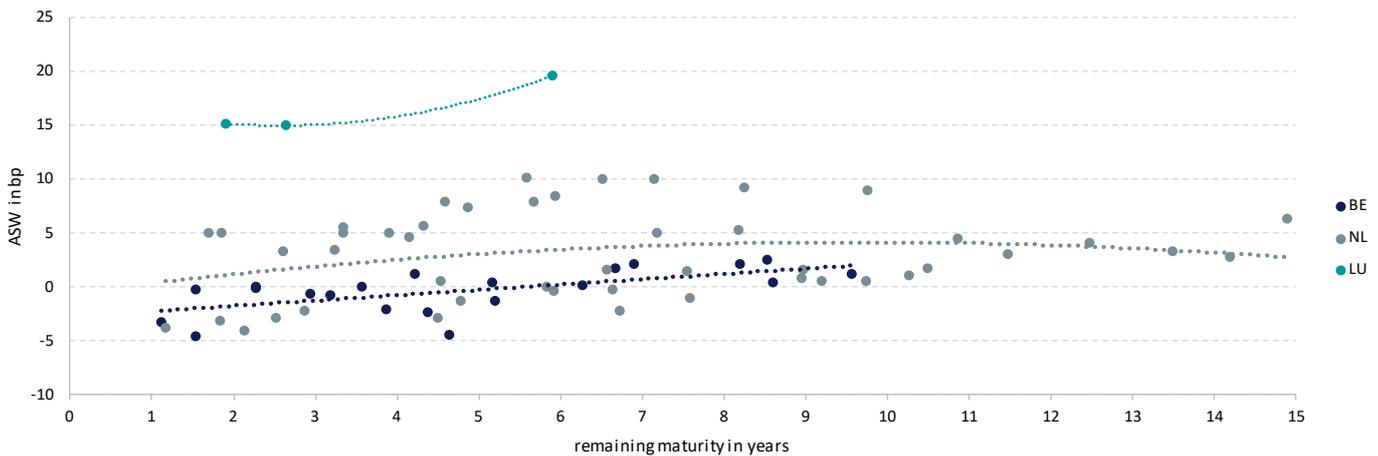
DACH



France

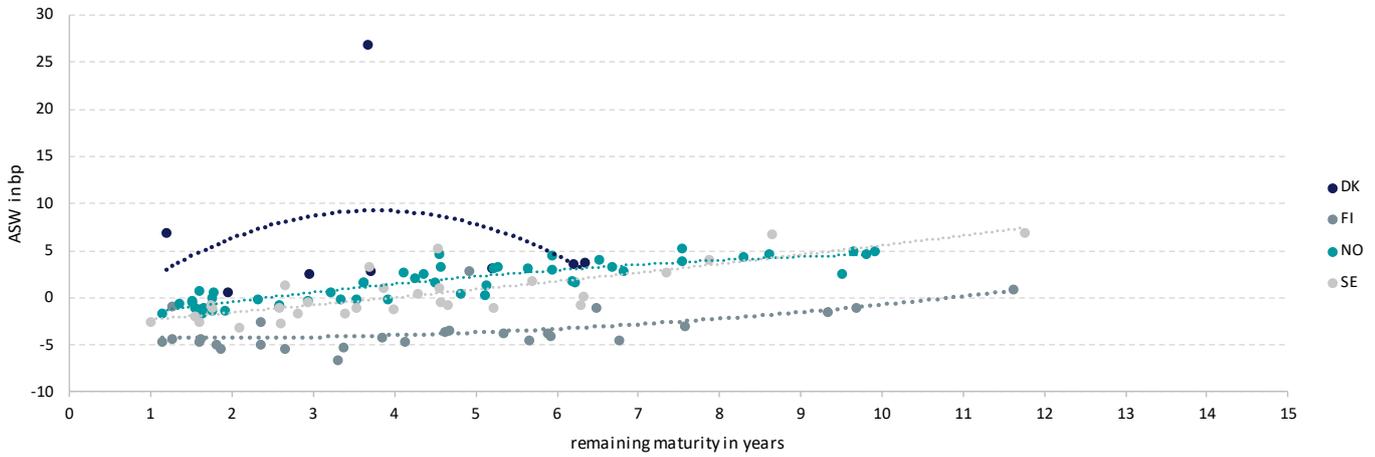


Benelux

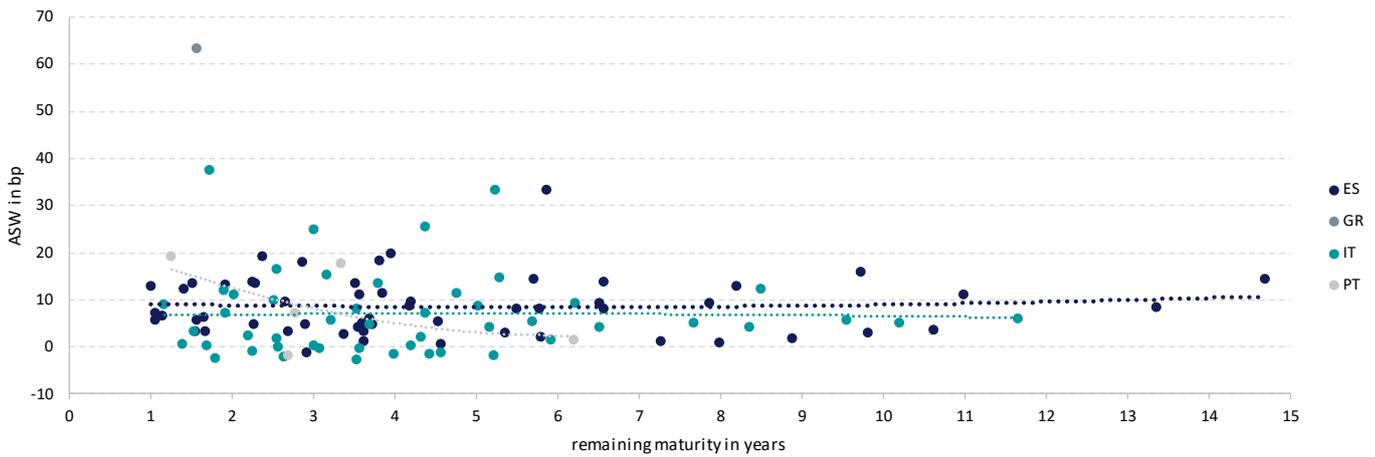


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research ¹Time to maturity 1 ≤ y ≤ 15

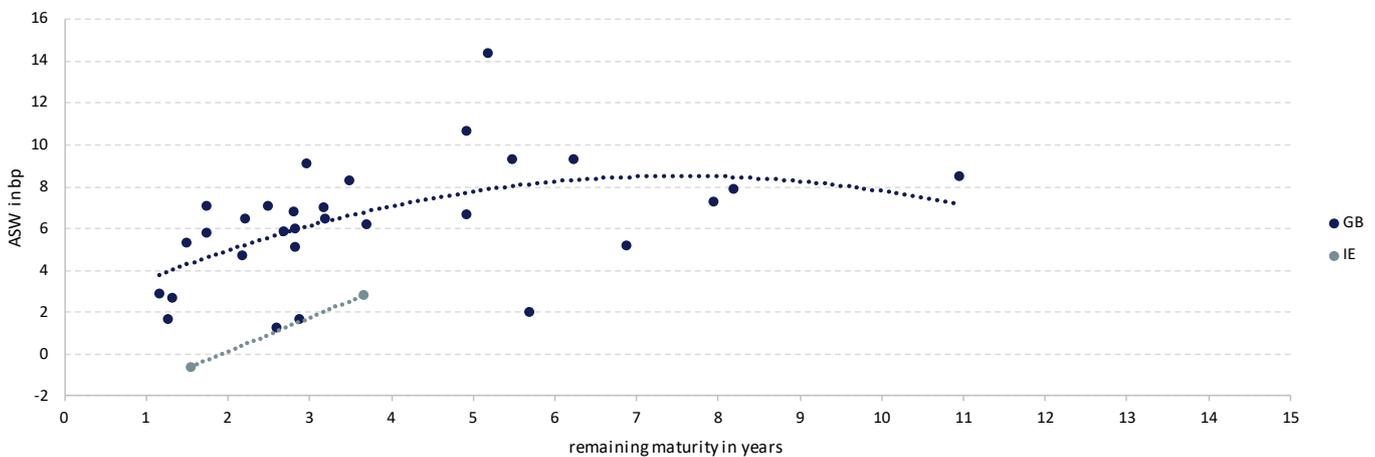
Nordics 🇩🇰 🇸🇪 🇳🇴 🇫🇮



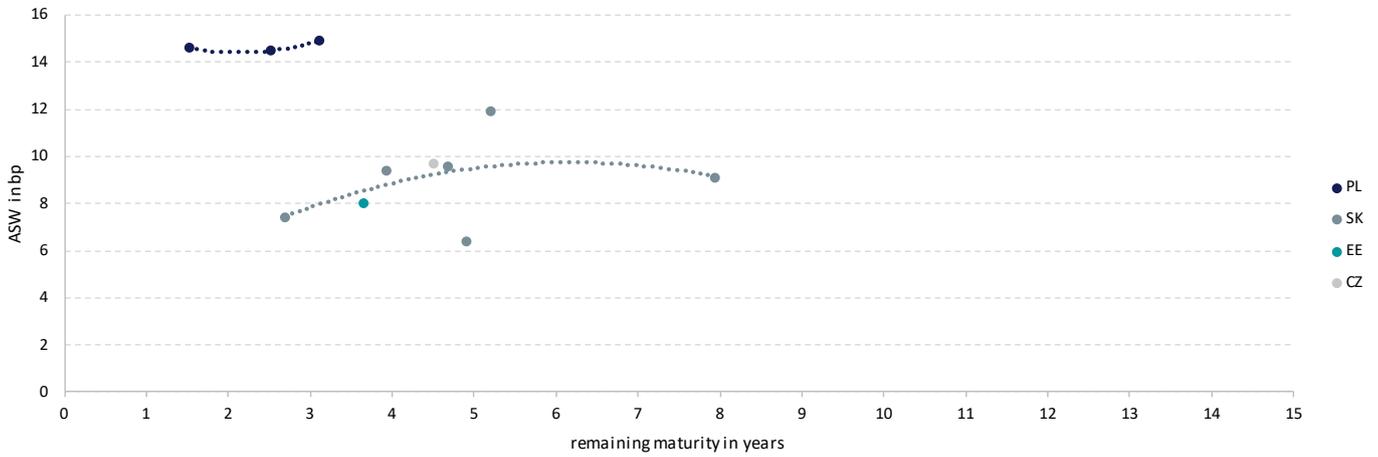
Southern Europe 🇪🇸 🇬🇷 🇮🇹 🇵🇹



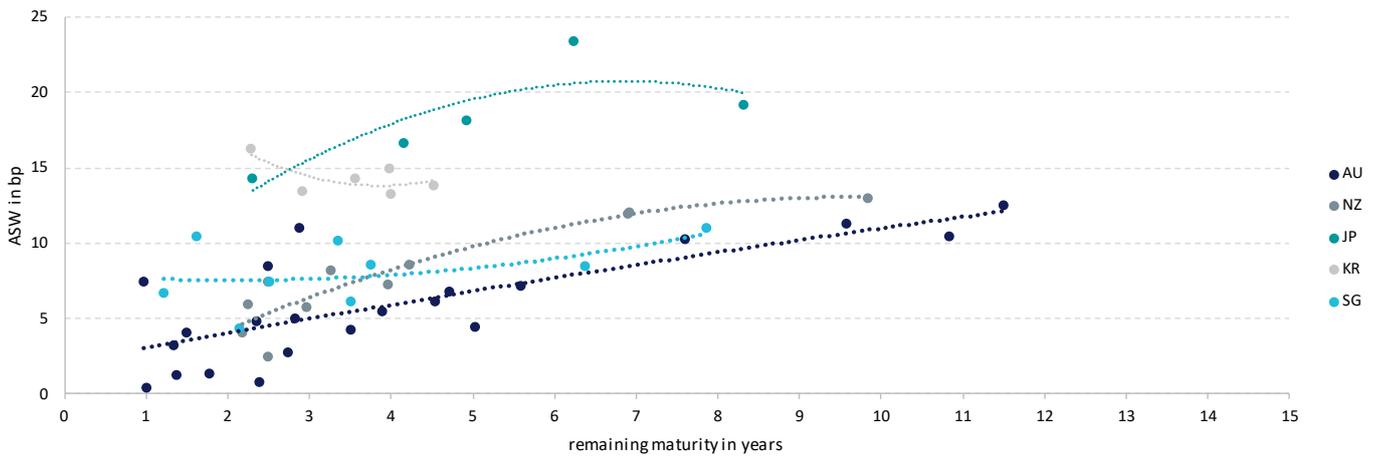
UK/IE 🇬🇧 🇮🇪



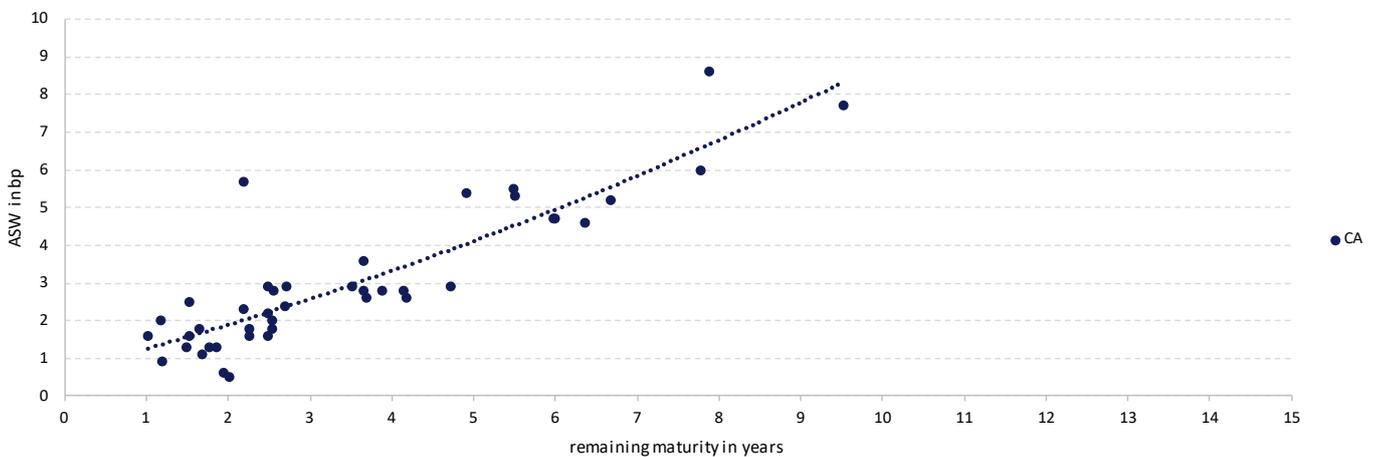
CEE 



APAC 



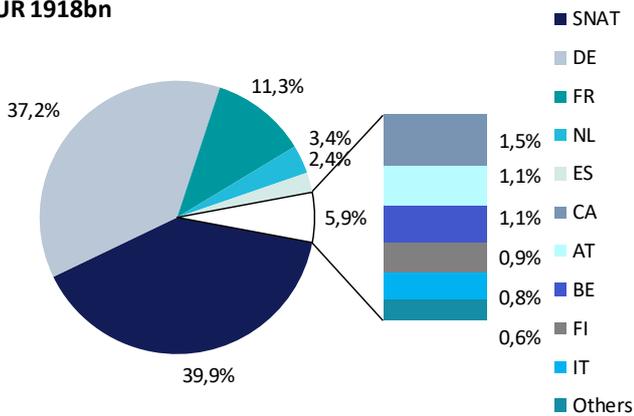
North America 



Charts & Figures SSA/Public Issuers

Outstanding volume (bmk)

EUR 1918bn



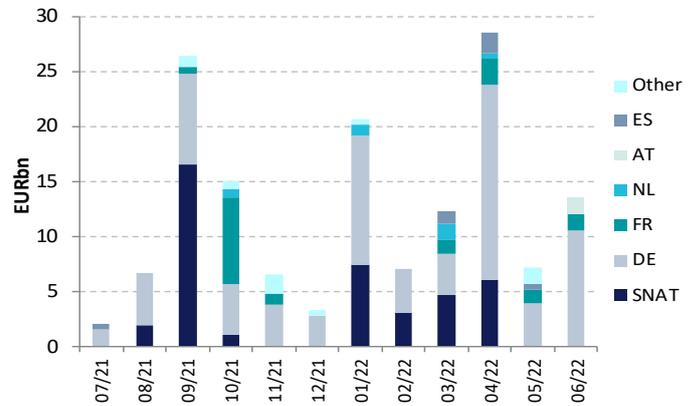
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	765,1	194	3,9	8,6
DE	713,5	558	1,3	6,9
FR	216,5	146	1,5	5,5
NL	64,6	65	1,0	6,5
ES	45,2	56	0,8	5,4
CA	28,5	20	1,4	5,7
AT	21,2	23	0,9	5,4
BE	20,2	24	0,8	14,6
FI	17,0	22	0,8	5,7
IT	15,0	19	0,8	6,0

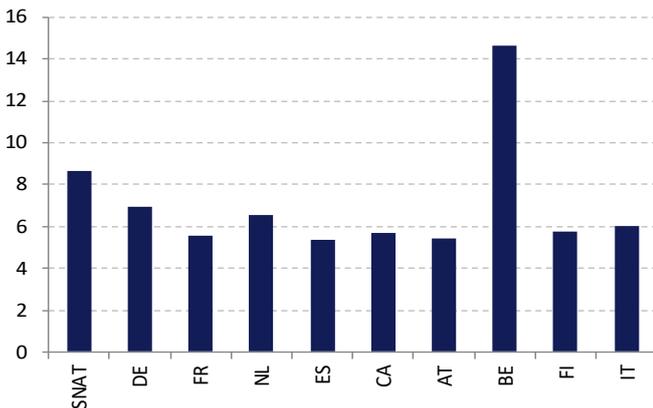
Issue volume by year (bmk)



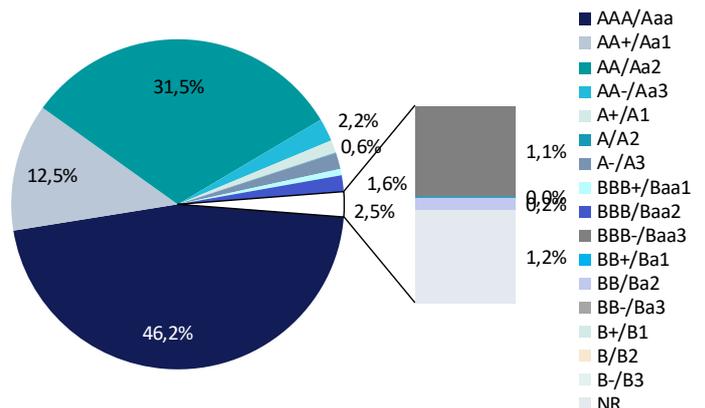
Maturities next 12 months (bmk)



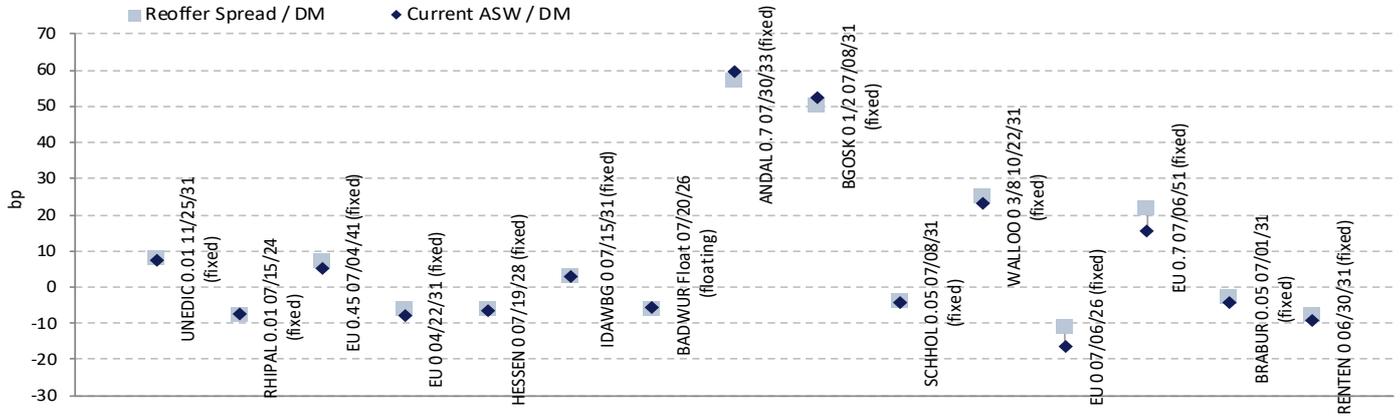
Avg. mod. duration by country (vol. weighted)



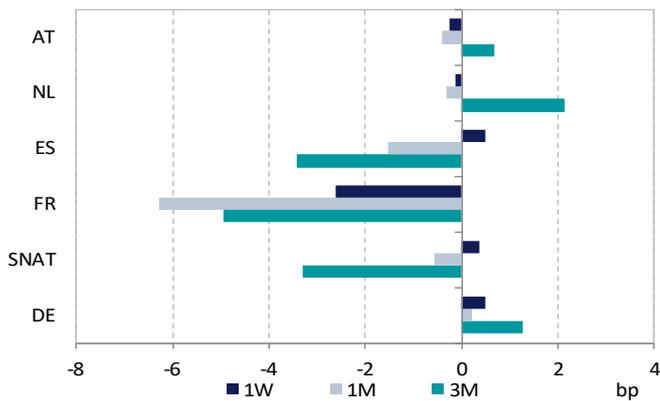
Rating distribution (vol. weighted)



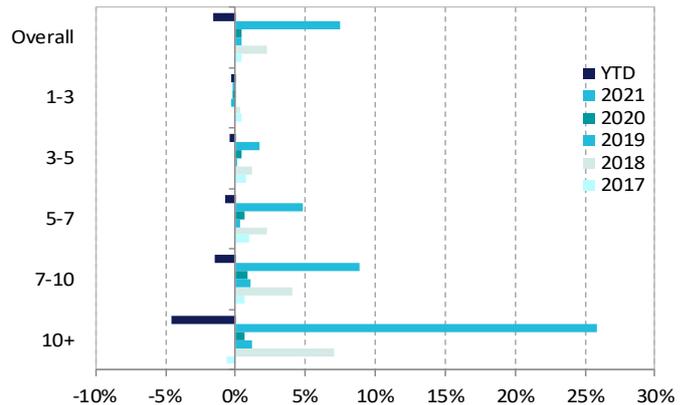
Spread development (last 15 issues)



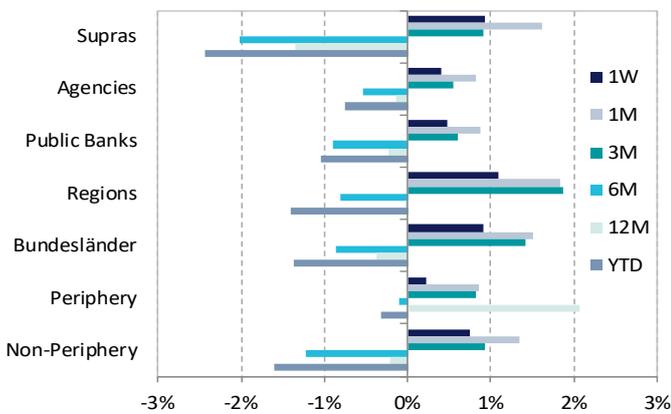
Spread development by country



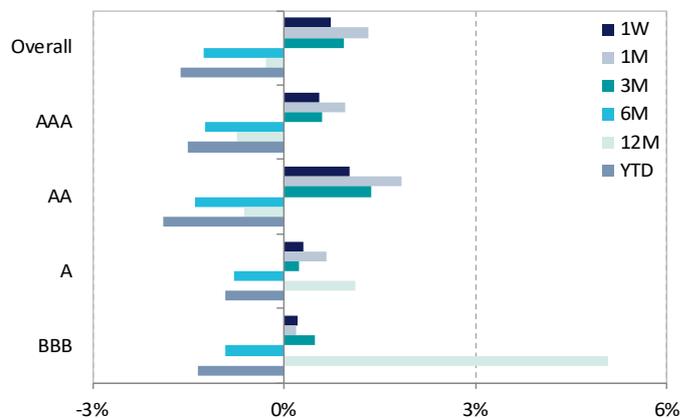
Performance (total return)



Performance (total return) by regions

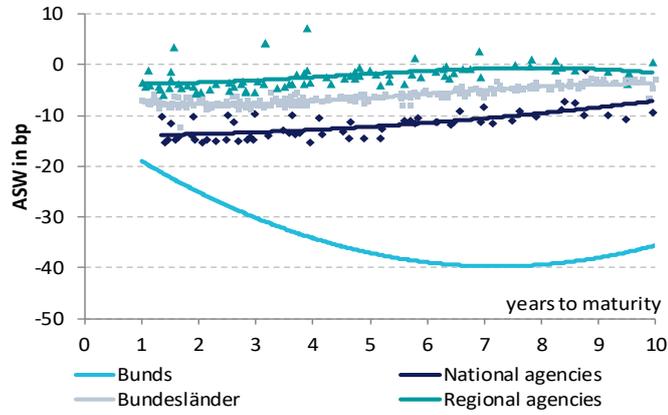


Performance (total return) by rating

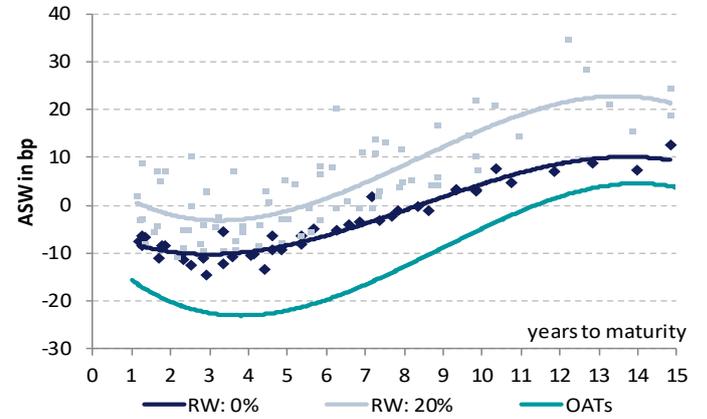


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

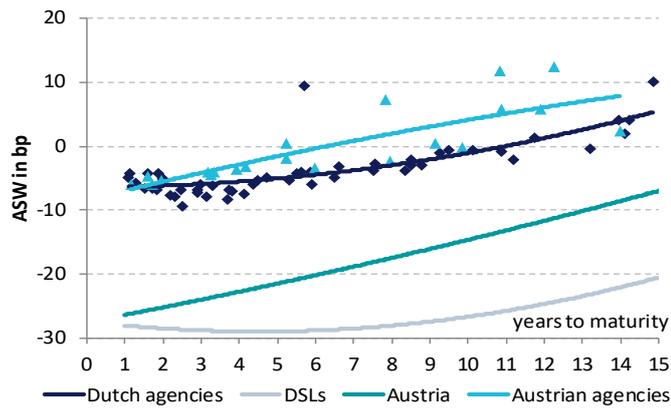
Germany (by segments)



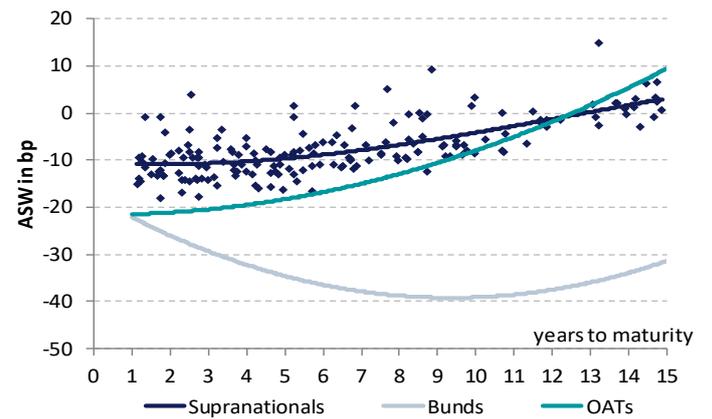
France (by risk weight)



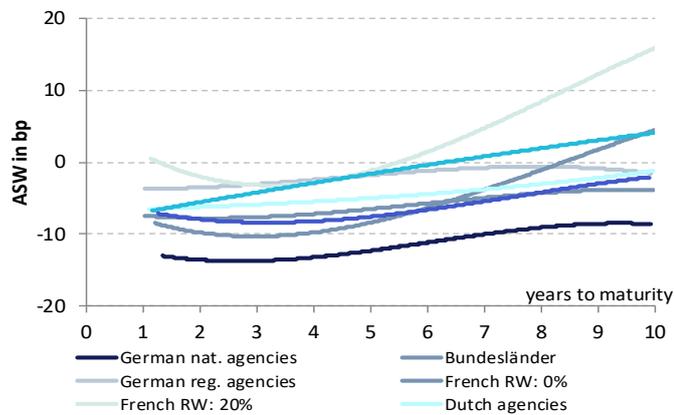
Netherlands & Austria



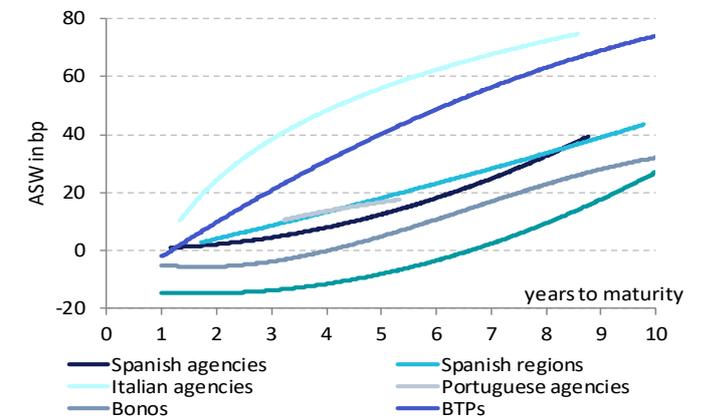
Supranationals



Core



Periphery



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

Appendix

Overview of latest Covered Bond & SSA View editions

Publication	Topics
25/2021 ♦ 14 July	<ul style="list-style-type: none"> New ECB strategy – communication remains the be-all and end-all ECB preview: the first meeting under the “new” regime
24/2021 ♦ 07 July	<ul style="list-style-type: none"> Covered Bonds: Review of H1 and outlook for H2 2021 Half-time report 2021 – how will the SSA segment fare in the second half?
23/2021 ♦ 30 June	<ul style="list-style-type: none"> Return of the Australian covered bond market: National Australia Bank issues first EUR benchmark since 2019
22/2021 ♦ 23 June	<ul style="list-style-type: none"> TLTRO III.8 neither really strong nor extraordinarily weak: implications for the covered bond market Realignment of the German real property tax
21/2021 ♦ 16 June	<ul style="list-style-type: none"> ICMA Green and Social Bond Principles: 2021 update The covered bond universe of Moody’s: an overview Covered bonds vs. senior unsecured bonds
20/2021 ♦ 09 June	<ul style="list-style-type: none"> PEPP reporting: increased pace of purchases in Q2 Covered bonds vs. senior unsecured bonds
19/2021 ♦ 02 June	<ul style="list-style-type: none"> ECB preview: Spectre of inflation fuelling tapering thoughts FX covered bonds: Same symptomatology as EUR benchmarks?
18/2021 ♦ 19 May	<ul style="list-style-type: none"> United Overseas Bank reinvigorates the market in Singapore Transparency requirements §28 PfandBG Q1 2021
17/2021 ♦ 12 May	<ul style="list-style-type: none"> ASB Finance opens primary market “Down Under”: Our outlook for the rest of the year Development of the German property market
16/2021 ♦ 05 May	<ul style="list-style-type: none"> Austria implements requirements of the covered bond directive and harmonises existing legal framework EIB goes Blockchain
15/2021 ♦ 28 April	<ul style="list-style-type: none"> EU Taxonomy meets the market for sustainable covered bonds
14/2021 ♦ 22 April	<ul style="list-style-type: none"> LCR levels and risk weights of EUR benchmarks NextGenerationEU: NGEU is taking shape
13/2021 ♦ 14 April	<ul style="list-style-type: none"> Predominant ECB strategy: wait-and-see but remain proactive PEPP reporting: First year done; a second (at least) now follows OSFI abandons temporarily increased 10% limit with immediate effect: (in)direct implications for Canadian benchmarks
12/2021 ♦ 31 March	<ul style="list-style-type: none"> Unusual Q1 and revised supply forecast for 2021 Collective Action Clauses (CACs)
11/2021 ♦ 24 March	<ul style="list-style-type: none"> Surprising dynamic: Eurosystem lends EUR 331bn to EMU banks via TLTRO III.7 German Pfandbrief savings banks in Q4 2020
10/2021 ♦ 17 March	<ul style="list-style-type: none"> Transparency requirements §28 PfandBG Q4/2020 Credit authorisations for German Bundesländer in 2021
09/2021 ♦ 10 March	<ul style="list-style-type: none"> Moody’s covered bond universe – an overview Oldenburgische Landesbank expands sub-benchmark segment

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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Issuer / security	Date	Recommendation	Bond type	Cause
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