NORD/LB

Dear readers,

We will also be taking a summer break. As such, we are letting you know today that our weekly publication will **not** be produced during August. However, we are looking forward to publishing the next edition of our Covered Bond & SSA View via the usual channels on **Wednesday, 01 September**.

Take care and stay healthy,

Your Markets Strategy & Floor Research team

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

28 July 2021 ♦ 27/2021

Investment strategy recommendation and marketing communication

(see disclaimer on the last pages)

Finanzgruppe

Agenda

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Bloomberg: RESP NRDR <GO>

Market overview Covered Bonds

Author: Dr Frederik Kunze

Covered bond market: recent ECB meeting offers no impulses

Due to the presentation of the results of the ECB Strategic Review in the run-up to the most recent ECB meeting, market participants were focused on it to a greater extent than originally anticipated. However, the decisions taken and press conference suggested that the order of the day was very much “more of the same” rather than a change of course in terms of forward guidance (in this context, please refer to more detailed comments in the SSA Market Overview article on the next page). As expected, the ECB opted not to change course, a move which also applies to those instruments and parameters that, in our view, have a direct effect on the EUR benchmark segment. As such, the parameters for the APP and therefore also the CBPP3 remain unchanged. The TLTRO III conditions have likewise been maintained in their current form, while no adjustments have been made to tiering either. Looking ahead to the next few months, the ECB will continue to play a prominent role on the demand side. Over the past twelve months – a market phase characterised by a lack of supply – net purchases under the CBPP3 amounted to just under EUR 11bn. As part of the PEPP, the Eurosystem purchased securities of EUR 4bn (up to the end of May 2021). We have also commented at length on the direct impacts of the third round of targeted long-term refinancing operations (TLTRO III), ex-pressed in particular in the form of weakened momentum for the primary market activities of EMU issuers. In contrast, the current slump in the covered bond segment can be attributed to seasonal effects, although it should also be said that we do not expect a significant spike in issuance activities after the summer recess comes to an end. Nevertheless, we are optimistic that we will also observe some pleasing market developments too. We remain positive with regard to the primary market, and in relation to the prospects for the ESG segment in particular.

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

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

S&P expects dynamic ESG segment and presents covered bond outlook

The risk experts from the rating agency S&P are also confident regarding the growth prospects of the sustainable covered bond sub-market. For example, the agency regards the EU Taxonomy, the EU Benchmarks Regulation and Sustainable Finance Disclosure Regulation in the financial services sector as driving forces behind the sub-segment. Fundamentally speaking, we share this view and expect new issues from both established players and newcomers in the market for green covered bonds in particular, while investor demand should remain intact as well. S&P also presented its own expectations regarding the outlook for the covered bond market at the halfway point of 2021. In this regard, the agency also painted a picture that would suggest that publicly placed bonds would continue to be subdued. When looking at the markets for prime residential mortgage loans, it should come as little surprise that S&P does not see any pandemic-induced dislocations or cliff effects. We also share the view that the Commercial Real Estate (CRE) segment is more exposed to the implications of the pandemic, although at the same time we would assess the negative implications for covered bonds with CRE exposure as manageable.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

Our assessment of the last ECB Council meeting

Just as expected, the meeting of the European Central Bank was entirely dominated by the new monetary policy approved at the beginning of July. Normally, the meeting of the central bankers in July would be a typical transition meeting between June and September without any major news. However, given the new monetary policy strategy, there were more than mere editorial changes in the forward guidance on the agenda, and indeed, according to our Chief Economist, ECB President Christine Lagarde had dropped fairly heavy hints that this would be the case in Venice just under two weeks ago. We had predicted that there would be no implications for either the SSA asset class or the covered bond segment. As expected, the decision taken by the central bankers confirms the very accommodative monetary policy course adopted so far. The ECB's key interest rates remain unchanged along with the main parameters for the bond purchase programmes − the Pandemic Emergency Purchase Programme (PEPP) and the APP. The pace of net purchases under the PEPP will remain significantly higher this quarter than during the first few months of this year. As regards the issue of the post-PEPP policy, attention is therefore already shifting towards the September meeting. However, the ECB Council has set the bar for a rate hike higher still with the new forward guidance for interest rates. In order for a hike to happen, the inflation target of 2% must be reached well before the end of the forecast horizon and it will also have to remain at that level for a sustained period of time. Similarly to the new strategy, this expressly rules out the option of inflation rising even moderately above the inflation target during a temporary phase. Our Chief Economist therefore attributes an even greater importance than before to the ECB's projections, especially its longer-term inflation forecast. As was previously the case, a rate hike before 2024 seems very unlikely. Since the duration of the APP has so far been linked to the timing of the first rate rise, a later change in the direction of interest rates would also extend the purchase period. All this has corresponding implications for the level of capital market yields. With its latest Statement, the ECB has confirmed that monetary policy will remain “persistently” accommodative. Christine Lagarde has used this expression a number of times; the fact that it is included in the Statement is a clear rejection of any thoughts of premature tapering or even thoughts of an exit. This means that we are likely to see signs of a growing divergence in relation to the Fed's policy from 2022 onwards. Admittedly, the decision does not represent any major change in terms of clearer communication. Once again, the issue of how the (new) inflation target is to be reached remained unanswered. Moreover, there is still no clarity as regards the ECB's actual definition of “favourable financing conditions”. It has also become clear that the new formulation of the strategy was very strongly geared towards the current situation. For this reason there was an “overwhelming majority” in favour of a concrete translation of the new strategy into current monetary policy at the meeting, or only isolated resistance in the Council. All in all, the current decision is much more in line with the tradition of the monetary policy so far than Christine Lagarde's advance announcement had suggested. The changes do not come as any surprise and had been priced in.

Flood disaster in NRW and Rhineland-Palatinate, …

Storm "Bernd" will have financial implications in Germany and abroad. After the severe flooding disaster in mid-July and extreme destruction it has caused, the finance administration of North Rhine-Westphalia (NRW) has extended the disaster decree which came into force on 16 July and will now pave the way for around 50 tax measures – some temporary – to assist victims. “Extending the disaster decree aims to provide rapid relief for the victims and helpers and to remove any associated red tape. Immediate support for victims of the flooding is our top priority,” according to Finance Minister Lutz Lienenkämper. The revised decree aims above all to remove any bureaucratic hurdles for companies and firms wishing to help, and to ensure that they can do so without any tax disadvantages. On 16 July, the financial administration had already stated in the disaster decree among other things that special depreciation options would be possible for reconstruction. It will now be possible to include expenses for buying new household goods and clothing and for repairing the damage to owner-occupied homes as exceptional charges. In addition, there will be generous options for offsetting donations against tax. The finance administration will also be required to assist victims in particular by deferring the payment of taxes and suspending advance payments.

… while Wallonia also feels the force

According to Elio Di Rupo (PS; Parti Socialiste), Minister-President of Wallonia, 240 of the 262 municipalities in the Walloon Region have been hit by the floods. Political observers already assume that the floods will also have swept from the table a number of projects in the coalition agreement. Tough (financial) decisions would now have to be taken in the region. This quickly moved on to visions of a "new Wallonia"! The term was used by the Walloon Finance Minister Jean-Luc Crucke (MR; Mouvement Réformateur). Although he wants to stick to plans for a fresh start after the coronavirus, there is no way around the reconstruction of the villages that have been destroyed. Belgium's Prime Minister Alexander De Croo (Open VLD) said at the weekend that Belgium had applied for EU financial aid from the European solidarity fund. The President of the European Commission, Ursula von der Leyen, was well aware of the need and was clearly shocked during a visit to Pepinster and Rochefort. The Minister for Climate, Mobility, Infrastructure and Energy in Wallonia, Philippe Henry (Ecolo), has indicated that investment would have to be brought forward by 15 years in some cases. On the same subject, Finance Minister Crucke said that the Walloon Region would also have to consider where building could now take place, if at all. For example, in small valleys where there was a real danger of flooding because the water would have nowhere to go, the authorities might even have to consider pulling down certain buildings. We hope all our business partners and their families in Germany and further afield are all safe and sound.

First bond from Lower Austria (NIEDOE) acquired as part of purchase programme

For a long time, there were no new issuers in the context of the purchase programme, although there were always lots of new ISINs (494 bonds from German sub-sovereigns plus a further 102 regional bonds). These 596 ISINs are now split between 35 regions, since NIEDOE has been included in purchases for the first time. Spain (47 ISINs) still comes second after the German Bundeslaender, just ahead of Belgium (39). France (8) and Portugal (7) come next. Austria now has one ISIN. All other regions therefore stand at zero.

NRWBK issues its eleventh green bond

NRW.BANK has issued its eleventh green bond (EUR 500m). This is already the second green bond successfully placed this year by North Rhine-Westphalia's promotion bank. The programme will help finance environmentally friendly projects in NRW. According to their framework, these include wind farms, the refurbishment of existing buildings to make them energy-efficient and restoring the Emscher and Lippe rivers. According to CEO Eckhard Forst, "an ever growing number of investors want not only to invest their money for the long term but also in environmentally friendly projects, as illustrated by the latest successful placement of NRW.BANK.Green Bonds. This bond offers our investors just such an opportunity and, at the same time, it supports projects which bolster North Rhine-Westphalia's environmental and social sustainability." According to the press release, the main focus of the current NRW.BANK.Green Bond is on renewable energies such as wind and solar photovoltaic, conversion of existing buildings into energy-efficient buildings, bioenergy and the restoration of the Emscher and Lippe rivers. The effectiveness of the investments is illustrated by an analysis carried out by the Wuppertal Institute for Climate, Environment and Energy which appeared in June for the NRW.BANK.Green Bond 2020. Proceeds from the green bond (also EUR 500m) will be used to finance various ecological projects, especially in the field of energy, the environmental added value of which is illustrated by 220,000 tonnes of CO_2-equivalent savings per EUR 1m. Investors in the current bond mostly come from Germany and the Benelux states. A total of 65% of the bond was allocated to investors with a particular focus on sustainability. As a reminder: similarly to its sustainability principles, NRWBK, as per Bloomberg ticker, has been issuing its own green bonds since 2013 and also social bonds since last year. The bank also invests in a separate sustainable investment portfolio in order to enhance its investment portfolio to include proven sustainable investments. Through a green refinancing curve, the bank offers the recipients of funding the possibility of financing projects which fit in with the EU taxonomy for sustainable investment funds at especially favourable conditions. This green curve is firmly inscribed in NRW.BANK's sustainability guidelines. The same also applies for the direction of the capital market business, which is geared towards the Principles for Responsible Investment (PRI) to which NRWBK became a signatory in December 2020. According to the issuer, the fact that it is a signatory is a further contribution to the entirely sustainable focus of the bank's capital market business.

Primary market

That's enough about the general terms and conditions applying to the NRWBK green bond; now is the time to discuss hard facts related to pricing: the mandate was issued last week for ten years and EUR 500m on a WNG basis. The next day, guidance started at ms flat area. Given order books amounting to EUR 1.1bn, pricing was set at one basis point tighter at ms -1bp. There were no further issues and we are therefore suspending this publication for the month of August and will be returning at the beginning of September.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
NRWBK	DE	20.07.	DE000NWB0AN7	10.0y	0.50bn	ms -1bp	AAA / - / AA	X

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

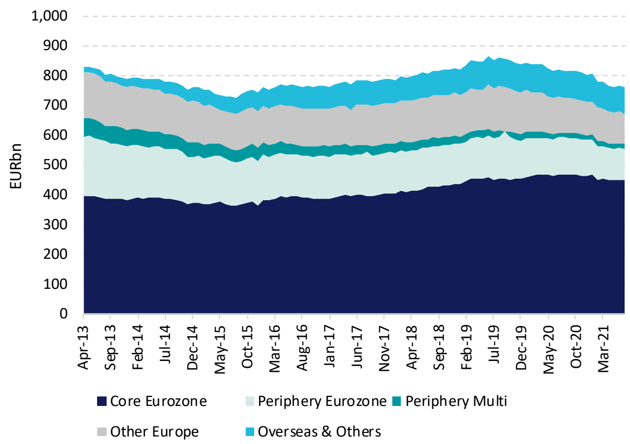
Covered Bonds
NORD/LB Issuer Guide Covered Bonds 2021: A constant during turbulent times

Author: Dr Frederik Kunze

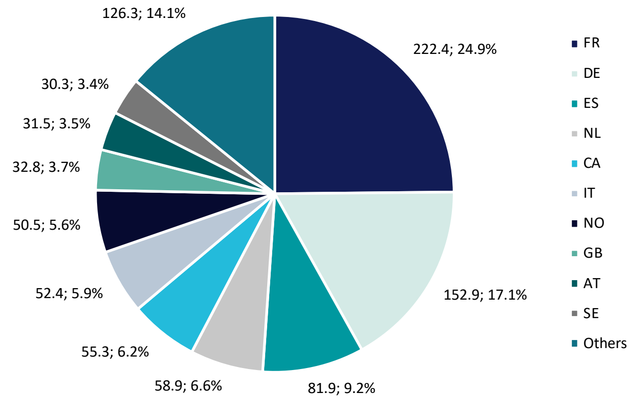
New conditions for covered bond market

In many respects, the global covered bond market is currently undergoing far-reaching changes. The direct and indirect implications of the COVID-19 pandemic are making their impact felt and likewise the ECB's monetary policy which can no longer be looked at separately from it. In our view, these cause and effect relationships become apparent above all through the decline in volume of publicly placed EUR benchmarks which we have observed. One particular reason for the shrinking in the EUR benchmark segment, in our view, is a change in funding behaviour on the part of issuers. Generally lower yields, high savings deposits along with regulatory requirements ultimately make alternative funding avenues look more advantageous (e.g. senior unsecured bonds). The ECB's monetary policy is also having a direct impact on the supply of EUR benchmark bonds. Retained covered bonds have regularly been brought in as collateral as part of the ECB's collateral management in the context of the TLTRO III tenders. These "own use" covered bonds are withheld from the market, but are definitely included in the regular reporting of the volumes outstanding on the part of the issuers. However, the pandemic years 2020 and 2021 have also shown that covered bond markets outside Europe and outside the eurozone have been confronted with new conditions and this remains the case. Whereas the market for USD benchmarks has also presented a rather sluggish picture, institutes including from Canada have been active not only in euro but also in a large number of other currencies. Recently, EUR benchmark issues from Down Under and especially New Zealand have provided a welcome ray of hope in an environment that is otherwise characterised by sluggish issuance activity. The ESG segment has so far shown itself to be very strong in 2021. We should also mention an increase in the number of new issuers and jurisdictions around the world, reflecting not only a comparably dynamic EUR sub-benchmark segment, but also new conditions in the covered bond market. At the same time, we see a not insignificant catalyst function through the harmonisation process in Europe. Albeit with some delay, eurozone jurisdictions which have not already done so are adjusting their national legislation, following the example of Germany, Latvia, France and Denmark. We therefore see more advantages in the new minimum standards than disadvantages for the covered bond market. In the mid to long term, we expect to see a greater convergence of the characteristics of cover pools, although specific national features are unlikely to disappear completely. NORD/LB's Issuer Guide Covered Bonds, which is designed to serve as the most comprehensive possible catalogue of the global covered bond market, was published earlier today (28 July). In our view, a comprehensive and standardised presentation of issuers active in the EUR benchmark and EUR sub-benchmark segments along with their relevant cover pools can provide clear added value. As part of this issue of our weekly publication, we therefore propose to provide another overview of the yearly publication, which continues to evolve along with the market.

EUR iBoxx Covered Volume (EUR bn)



Top 10 countries: outstanding EUR BMKs (EUR bn)



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

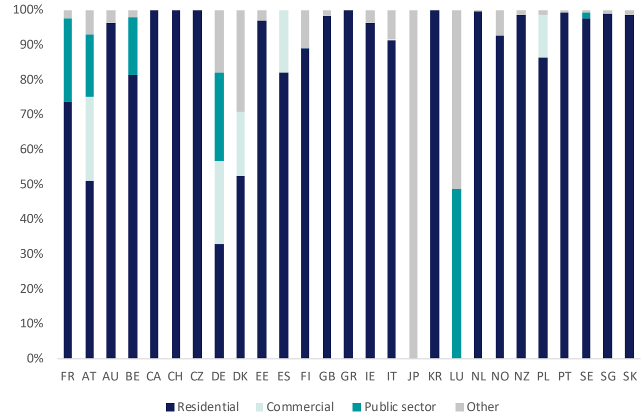
NORD/LB Issuer Guide Covered Bonds 2021: global overview of 205 cover pools of a total of 176 issuers from 27 jurisdictions

The 2021 Issuer Guide includes details of a total of 176 issuers each with outstanding EUR benchmark and/or sub-benchmark issues. As part of our evaluation, we have collated data relating to 205 cover pools in 27 jurisdictions. The volume of the cover pools presented amounts to the equivalent of EUR 2,812bn versus the equivalent of EUR 1,954bn in issues. Of these, the volume of outstanding benchmark bonds amounts to EUR 877bn (1,012 bonds), with issuers from France accounting for the largest share amounting to a volume of EUR 222bn (208 bonds), followed by Germany with EUR 153bn and 229 bonds. As regards the growing importance of the market for ESG covered bonds, the niche role of the sub-segment is clear with a volume of EUR 32.35bn (44 bonds split between France, Norway, Germany, South Korea, Spain, Finland, Italy and Austria). In light of the recent momentum which we have observed, we can expect strong growth rates starting from a low base.

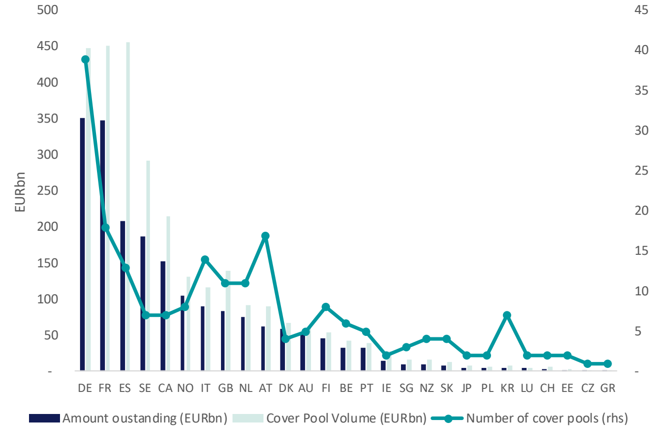
Germany has the most cover pools in the Issuer Guide (39)

The different characteristics in relation to the jurisdictions included in the Issuer Guide are also illustrated by the country profiles resulting from our selection criteria. On this basis, Germany has the most cover pools. We have counted 39 cover pools for the country, 18 for France and 17 for Austria. In the current analysis, the legal framework still applicable in Spain is also reflected in the comparison of cover assets and outstanding covered bonds. However, high overcollateralisation ratios in Spain are likely to move more in the direction of other jurisdictions with the introduction and application of the new legal framework based on the EU directive.

NORD/LB Issuer Guide 2021: breakdown of cover assets by type



NORD/LB Issuer Guide 2021: country overview by outstanding volume (EUR bn)



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

Breakdown of cover asset types: CRE share low

In the case of many jurisdictions, the composition of cover pools as reported by issuers shows a clear picture in relation to the major importance of residential mortgages. In our view, as part of the risk assessment of covered bonds, the question of a possible weak spot has moved to the forefront of thinking, above all in the wake of the escalation of the coronavirus crisis. Changing preferences and demand structures brought about by the pandemic in particular have shifted the focus of attention onto the commercial real estate (CRE) financing segment. As part of this process, those sub-segments which include office buildings and shopping centres and secondly also the hotel and hospitality segment have been and continue to be under particular scrutiny to a certain extent. Here also, the Issuer Guide can be of help. We note significant shares of CRE cover assets in our universe for Germany (24%), Austria (24%), Denmark (19%), Spain (18%) and Poland (12%). However, these percentages also have to be evaluated in conjunction with the respective NPL ratios and against the background of the credit quality of issuers and their option to remove or replace stricken assets.

Conclusion

The covered bond market is undergoing changes brought about by the COVID-19 crisis and monetary policy conditions, but also by regulatory adjustments. In our view, the NORD/LB Issuer Guide Covered Bonds 2021 can help gain an overview of the market even in these difficult times. Apart from a separate market overview of 27 jurisdictions, a total of 176 issuer profiles and a standardised presentation of 205 cover pools also make it possible to draw conclusions at a micro level.

SSA/Public Issuers
Beyond Bundeslaender: Madeira and the Azores

Author: Dr Norman Rudschuck, CIIA

Introduction and Portugal's political system

We are going to take a look at the autonomous Portuguese Atlantic islands of Madeira and the Azores for the first time in this publication. Portugal is a decentralised unitary state, which is in reality very centralistic in its organisation. The Portuguese mainland is divided into 18 districts (distritos) at the highest level, which are each named after their capital, and in turn sub-divided into 308 counties (municípios) and 3,091 municipalities (freguesias). In contrast to this, the groups of islands that are the subject of this report have the status "autonomous region" (região autónoma) and therefore have their own administration. In addition, Portugal is divided into five regions, but these are only of statistical significance. Portugal is a representative democracy with a semi-presidential system of government. The most important executive organs are the President and the Prime Minister with the associated Council of Ministers. The Portuguese President is directly elected by the citizens every five years and nominates the Prime Minister on the basis of the results of the parliamentary elections. The parliament, the Assembleia da República, consists of one chamber and is elected every four years. As autonomous communities, Madeira and the Azores have had extensive legislative powers since 1976. These powers do not cover foreign policy, defence and internal security. Both regions therefore each have a regional executive (Governo Regional) with a Regional President and a democratically elected legislative assembly (Assembleia Regional). Administratively speaking, the autonomous regions are subdivided into counties and municipalities. As parts of Portugal, both autonomous regions have been members of the European Union since 1986.

Current political situation

Since 2016, the current head of state has been President Marcelo Rebelo de Sousa. As a member of the "Partido Social Democrata" (PSD), he won the election against his independent opponent Antonio Sampaio da Novoa in the first round with 52% of the votes cast. The current government under Prime Minister António Costa is called "Cabinet Costa II" and consists of 13 PSD members and eight independent Ministers. In the absence of an absolute majority in parliament, Cabinet Costa II has governed as a minority government since 2019. Since his inauguration, President Rebelo de Sousa has advocated overcoming the social divide resulting from the debt crisis and the austerity measures associated therewith, in particular. Before the financial crisis in 2008/09, Portugal got into difficulties with its payments in subsequent years due to substantial government debt. In May 2011, the country received EUR 78bn in aid from the euro rescue package. During the peak in 2014, government debt amounted to 130.2% of GDP (average in the EU: 90.2%). The measures to reduce the debt burden envisaged tough reforms, which were associated with far-reaching cuts for the population. Some years after the debt crisis, the economy had largely stabilised. Between 2015 and 2018, GDP rose by 2.7% on average each year. From a peak of 16.2% in 2014, unemployment was reduced by 10.1 percentage points, or almost two thirds, to 6.1% (2019) before COVID-19.

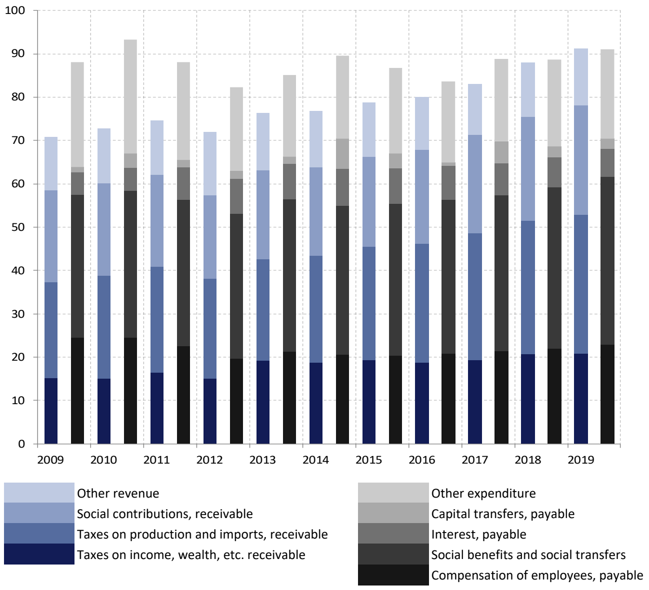
COVID-19 in Portugal

President Rebelo de Sousa announced a national state of emergency in March 2020. In April, the Parliament confirmed comprehensive extensions to the government's freedom to act, thus legitimising this freedom. Strict measures to limit movement were subsequently enacted. Having opened up the economy and suspended the state of emergency in the second half of the year, case numbers again rose sharply in October. In January 2021, Portugal recorded up to 16,432 new infections within one day and the world's highest incidence value (790) at the time, which even rose to 1,215. This was followed by a national lockdown, which was extended several times and reduced the incidence to below 30 by the end of March. This positive development led to a programme of relaxation measures, which envisaged only minor restrictions on public life in Portugal from the beginning of May. However, infections again rose sharply in June after the delta variant became widespread in the greater Lisbon area. By mid-July, 64.1% of the population had received a first vaccination and 46.1% were fully vaccinated. The autonomous regions of Madeira and the Azores rolled out their own package of measures to limit the pandemic at the same time.

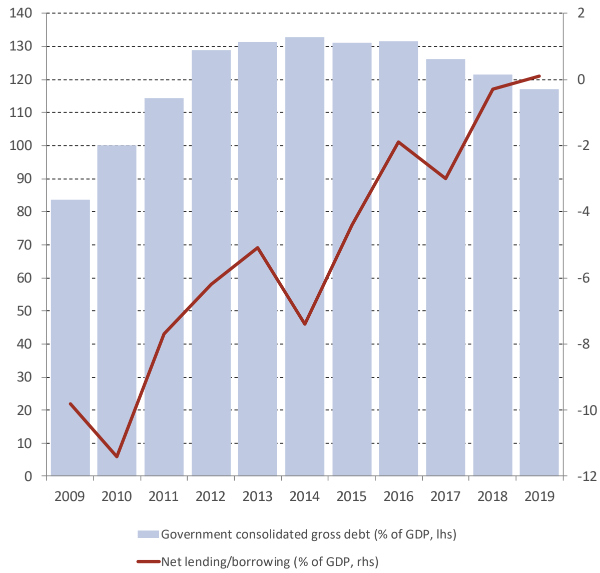
The Portuguese economy

Portugal's economy suffered a recession from 2011 to 2013 following the global financial crisis. However, the macroeconomic adjustments linked to the aid funds rapidly made an impact. Following the conclusion of the austerity programme in May 2014, a gradual, long-term recovery set in thanks to increased exports and an upturn in consumption and investments. GDP grew by around 2.5% in each of the following two years. The budget deficit fell from 11.2% of GDP in 2010 to 1.8% in 2017, exceeding the forecasts of the EU/IMF. Thanks to the lengthy upturn, Portugal's economy was geared up in terms of capacity going into the COVID-19 crisis. Tourism, a key pillar of the service-oriented economy, collapsed in March 2020 following the global travel restrictions. In July, tourist numbers were 64% down on the level of the previous year. The pandemic also caused a deterioration in the public finances: in August 2020, the budget balance slumped to -4.8% of GDP (August 2019: +0.3%). Public finances are also expected to be adversely affected by the pandemic in 2021.

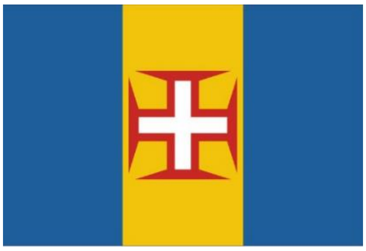
State revenues vs. government spending (EUR bn)



National debt vs. budget balance



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



General information

Number of inhabitants (2019)
254,254

Capital city
Funchal

BIP (2019)
EUR 5.1bn

GDP per capita (2019)
EUR 19,951

Unemployment (Q4 2020)
10.7%

Direct/indirect debt
(% operating earnings 2019)
393.5%

Bloomberg ticker
GOVMAD

Outstanding volume
EUR 2.1bn
No FX diversification

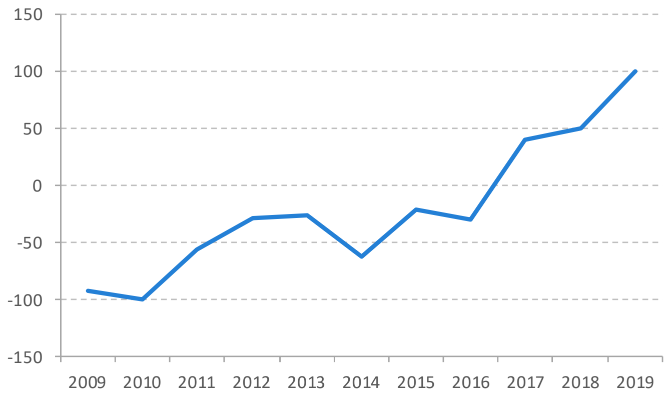
Ratings

	Long-term	Outlook
Fitch	-	-
Moody's	Ba3	Stab
S&P	-	-

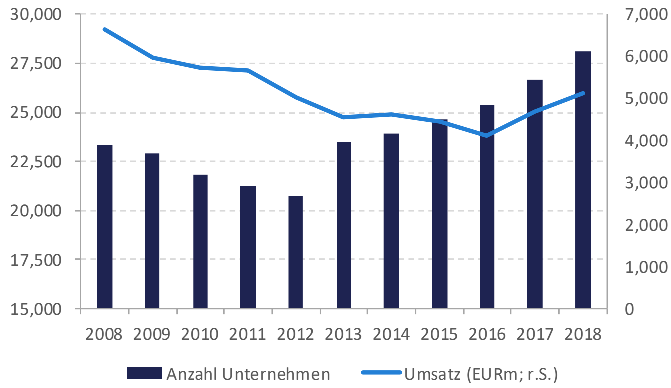
Madeira

The Madeiran archipelago consists of a group of islands covering an area of 800 km in the Atlantic, which is located around 600 km from the north-west coast of Africa and 1,000 km southwest of Lisbon. With 254,254 inhabitants (2019), approximately 2.5% of the Portuguese population live in Madeira. In addition to the main island, Madeira, with its capital Funchal (approximately 100,000 inhabitants), the group of islands consists of the far smaller Porto Santo Island (approximately 5,500 inhabitants) and three uninhabited islands. Together with the Ilhas Selvagens, located 280 km south of the main island, the archipelago constitutes the autonomous region of Madeira. A regional government and a parliament have been instituted within the framework of a separate administration since 1976. Taking account of its GDP of EUR 19,951 per inhabitant (2019), Madeira ranks third among all the Portugal regions and slightly below the national average. Economic activities are concentrated mainly in the tertiary sector, which is driven primarily by longstanding growth in the tourism sector. Accordingly, the contribution to GDP amounted to 21%. Closer examination of the sub-segments shows that the economy is dominated by companies in the hotel trade, wholesale trade and banks. In the secondary sector, the largest share is accounted for by the food and tobacco industry, construction and public service. By joining the EU free trade zone, Madeira benefits from the advantages associated therewith and also operates as a global offshore financial centre through the International Business Center of Madeira (IBCM). A legislative decree initiated in 1986 and supported by the EU also gives the region tax privileges. This aims to generate foreign investment and make the Portuguese corporate landscape more international. Specifically, the IBCM will levy a tax rate on corporate profits of 5% for companies registered there until at least 2027, while a tax rate of 21% is payable in mainland Portugal. Accordingly, 50% of national earnings from corporation tax is already attributable to this region. The volume of economic output of companies under the umbrella of the IBCM also amounts to 21% of national GDP. With respect to the challenging geo-economic situation, Madeira's economy has succeeded through opening-up processes in growing by 4.2% on average in recent years (between 2016 and 2020) and becoming more competitive. In 2011, there was a transparency problem in reporting debt. This has since been rectified but should not go unmentioned.

External trade balance over time (EUR m)



Number of Madeiran companies and trend in sales



Source: Regional Directorate of Statistics of Madeira (DREM), Eurostat, NORD/LB Markets Strategy & Floor Research

General information

Number of inhabitants (2020)
242,500
Capital city
Ponta Delgada
BIP (2019)
EUR 4.4bn
GDP per capita (2019)
EUR 18,405
Unemployment (Q4 2020)
5.5%
Direct/indirect debt
(% operating earnings 2019)
228.1%
Bloomberg ticker
AZORES
Outstanding volume
EUR 1.3bn
No FX diversification

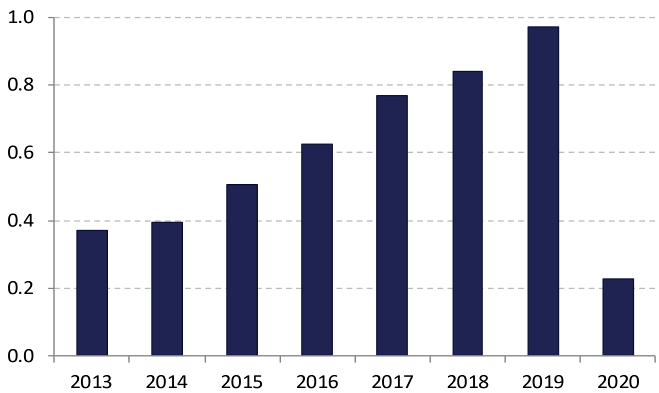
Ratings

	Long-term	Outlook
Fitch	**BBB-**	**Stab**
Moody's	**Ba1**	**Stab**
S&P	**-**	**-**

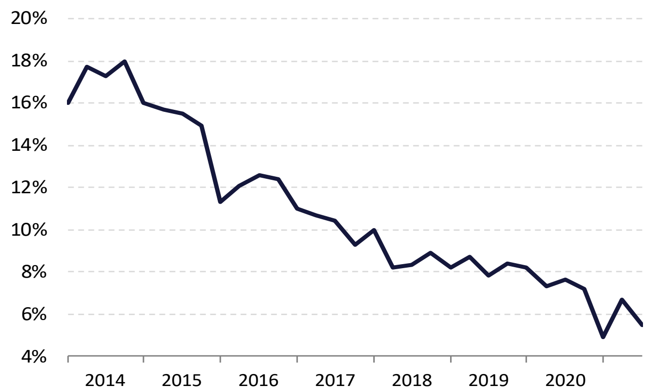
The Azores

The Portuguese group of islands, the Azores, is located in the middle of the Atlantic Ocean between the Eurasian and the North American plates. The most western point of Europe is therefore located in the Azores. The group of islands includes nine larger inhabited islands with a total population of 242,500 and numerous uninhabited islands. Approximately 138,000 people live on the main island, São Miguel, of whom 68,000 live in the capital Ponta Delgada. With GDP per inhabitant of EUR 18,405, the economic output of the Azores was somewhat less than that of mainland Portugal (EUR 20,799). In contrast, unemployment on the Azores was very low, at 5.5% in Q4 2020, and fell by 1.7 percentage points compared with the first quarter of the year despite the pandemic. Overall, great progress has been achieved on the labour market in recent years, following a record high of 17% in 2013. However, youth unemployment is still a problem: 41% of the unemployed are aged under 35. In total, 73% of those employed work in the tertiary sector, whereby the largest share (32.2% of total employment) is attributable to the public sector. The secondary sector provides 17.2% of jobs and the primary sector an above-average (compared with the rest of Europe) of 9.6%. In addition to animal husbandry, the cultivation of pineapples and tea must be highlighted here: thanks to the year-round favourable climate, Europe's only pineapple plantation and two of the three European tea plantations are located on the Azores. Their volcanic origins give the islands a unique landscape, which has increasingly become a magnet for tourists in recent years. The number of annual visitors has almost quadrupled since the beginning of the 2000s, peaking at around 970,000 in 2019. However, tourism collapsed by more than three quarters in 2020 due to the pandemic. The regional economy benefits from comparatively low taxes. Corporate profits are taxed at a standard rate of 16.8% (21% in mainland Portugal) and value added tax on standard products is 18% (23% in mainland Portugal). This makes the latter the second lowest within the EU. To promote regional economic growth, the Azores have also received more than EUR 1.5bn worth of EU development aid since 2014.

Tourists per year (millions)

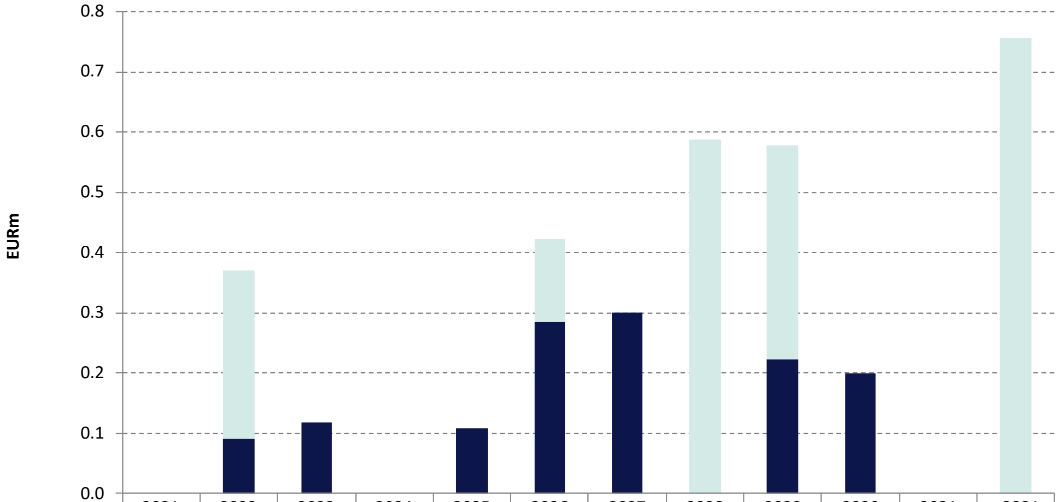


Unemployment rate



Source: OT Acores, SREA, NORD/LB Markets Strategy & Floor Research

Autonomous Portuguese regions: outstanding bonds



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	>2031
GOVMAD	0	280	0	0	0	138	0	589	355	0	0	757
AZORES	0	90	118	0	108	285	300	0	224	200	0	0

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

Outstanding volumes on the Portuguese sub-sovereign market

The regional market as a whole comprises EUR 3.4bn. The volumes are split between GOVMAD (EUR 2.1bn; 9 bonds) and AZORES (EUR 1.3bn; 10 bonds). We cannot find any evidence of FX diversification, meaning that the FX segment accordingly does not feature in the composition of the liabilities, which are diversified solely according to maturity. Approximately EUR 757m from Madeira will not mature until after 2031, while the longest term in the bond portfolio of the Azores is 2030. The two largest bonds were issued by GOVMAD (EUR 458m und EUR 455m). The smallest bonds in each case are for EUR 28.1m and EUR 36m respectively. Madeira was the last region to venture onto the primary market in 2020, when a total of EUR 458m was raised for 14 years. The deal came in at 88 basis points above the Portuguese reference curve, or at ms +124bp. The yield was 1.141% at the issue date. The rating (Baa3) is largely responsible for this. This provides a spread indicator at least.

Autonomous regions yet to issue benchmarks

Given the lack of benchmark bonds, we have opted not to conduct any detailed analysis of spreads or a comparison with peers such as the Bundeslaender, Belgian regions or Canadian provinces. Outstanding bonds are not classified in the iBoxx indices either, as they start from an outstanding bond volume of EUR 1bn per ISIN. Nevertheless, GOVMAD and AZORES offer investors pick-up – especially due to their ratings and their limited liquidity. Both issuers are quite possibly open to private placements and certain expectations in terms of yield on the part of institutional investors.

Fixed coupons predominate for Portugal's holiday islands

Fixed coupons just about account for the largest share of the autonomous Portuguese regions' outstanding bonds. Of the bonds we have identified (19), ten bonds have a fixed coupon while nine are classified as "floating".

Regulatory overview for RGLAs* / ** (Examples)

Issuer	Risk weighting	LCR classification	NSFR classification	Solvency II classification
Belgian regions	0%	Level 1	0%	preferred (0%)
German Bundeslaender	0%	Level 1	0%	preferred (0%)
French regions	20%	Level 2A	15%	preferred (0%)
Italian regions	20%	Level 2A	15%	non-preferred (individual review)
Spanish regions	0%	Level 1	0%	preferred (0%)
Portuguese regions (Guaranteed bonds: Madeira)	***20% (0%)***	***Level 2A (Level 1)***	***15% (0%)***	**preferred (0%)**

*Regional governments and local authorities
** NB: in the absence of an explicit guarantee from the respective nation state, the current LCR level is dependent on the relevant rating (see CQS classification and LCR classification of assets).
Source: NORD/LB Markets Strategy & Floor Research

Exceptions to scope of application of the Leverage Ratio (CRD Art. 2 no. 5) (examples)

EU	Central banks of member states
Belgium	Institut de Réescompte et de Garantie/- Herdiscontering- en Waarborginstituut
Germany	Kreditanstalt für Wiederaufbau (KfW), undertakings which are recognised under the "Wohnungsgemeinnützigkeitsgesetz" as bodies of state housing policy and are not mainly engaged in banking transactions, and undertakings recognised under that law as non-profit housing undertakings (e.g. Rentenbank, L-Bank, IFBHH, IBSH etc.).
France	Caisse des Dépôts et Consignations (CDC)
Italy	Cassa Depositi e Prestiti (CDP)
Spain	Instituto de Crédito Oficial (ICO)
Portugal	***Caixas Económicas existing on 1 January 1986, with the exception of those incorporated as limited companies and Caixa Económica Montepio Geral***

Source: CRD IV, NORD/LB Markets Strategy & Floor Research

Regional governments and local authorities (solvency stress factor allocation of 0% possible; examples)

Country	Regional and local governments
Belgium	Municipalities (Communauté/Gemeenschappen), regions (Régions/Gewesten), towns (Communes, Gemeenten) & provinces (Provinces, Provincies)
Germany	Bundeslaender, municipalities & municipal associations
France	Regions (région), municipalities (commune), "Départements"
Spain	Autonomous regions (comunidades autónomas) and local government (corporación local)
Portugal	***Autonomous regions the Azores and Madeira***

Source: (EU) 2015/2011, NORD/LB Markets Strategy & Floor Research

Summary of Portuguese regions

Risk weighting	20% (state-guaranteed bonds of Madeira: 0%)
LCR classification	Level 2A (state-guaranteed bonds of Madeira: Level 1)
NSFR classification	15% (state-guaranteed bonds of Madeira: 0%)
Solvency II classification	Preferred (0%)

Issuer (Ticker)	Inhabitants	Unemployment (Q4 2020)	GDP per capita (2019)*	Outstanding volume	No. of bonds	Rating
AZORES	242,500	5.5%	18,405	EUR 1.3bn	10	(BBB- / Ba1 / -)
GOVMAD	254,254	10.7%	19,951	EUR 2.1bn	9	(- / Ba3 / -)
Portugal	10,295,909	7.1%	20,737	EUR 160.5bn	23	(BBB / Baa3 / BBB)

*2020 data not yet available for the autonomous regions. Portugal (2020): EUR 19,647
Source: Bloomberg, Regional Directorate of Statistics of Madeira (DREM), Eurostat, NORD/LB Markets Strategy & Floor Research (Rating: Fitch / Moody's / S&P)

Liability mechanism

The Portuguese government does not provide an explicit guarantee for the autonomous regions. However, Moody's, for example, thinks that it is highly likely that the government would assist the autonomous communities in the event of encountering payment difficulties (implicit guarantee). Although official support by the national government for Madeira ended in December 2015, when a cost cutting plan for the region was concluded, financing is still exposed to the Portuguese treasury. The national government approves Madeira's new borrowing and has guaranteed the region's bond issues since 2017. The Portuguese government's guarantee associated with a 0% risk weight and a Level 1 classification under the LCR only applies to these bonds. Four of the nine outstanding bonds were issued prior to this date (exclusively floaters); however, a certain caution is advisable here when selecting investment opportunities.

ECB purchase programmes

With regard to the Eurosystem's purchasing activity under the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP), it is striking that – regardless of the fact that there are no benchmark bonds – bonds issued by both AZORES and GOVMAD have been purchased. Currently, the Eurosystem has four ISINs from AZORES and three from GOVMAD purchased by the Portuguese central bank in its portfolio.

Conclusion

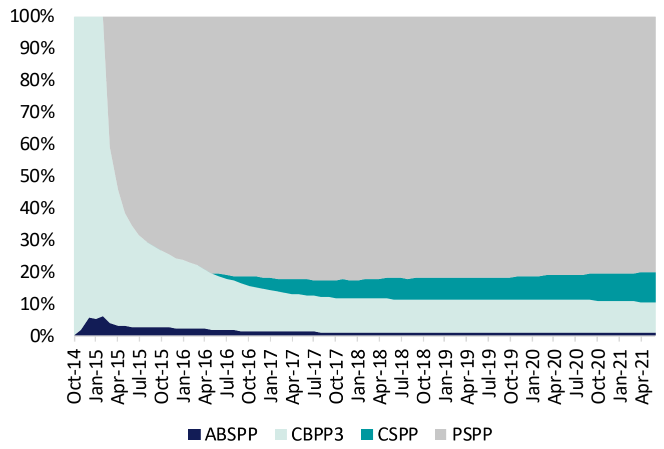
Given the period of favourable financing conditions extended by the ECB, there is an increasing demand for attractive investment opportunities in niche markets what we call "Beyond Bundeslaender". These will also be affected by global COVID-19 infection rates. This report on mainland Portugal (politics and economy) and its autonomous regions (issuers) must also be interpreted in this light. The traditional SSA portfolio is being expanded in terms of maturity and/or yield and is becoming increasingly diversified. We rate the general resilience of the Portuguese economy, which was demonstrated with a sustained recovery following the sovereign debt crisis in 2014, positively, as we do the current crisis management. Prior to the onset of the COVID-19 pandemic, both budgets were sounder than previously (see positive outlook revised to stable in both cases due to the pandemic). Even though the finances of both regions were considerably impaired by the coronavirus outbreak in 2020 because of rising health costs and lower tax revenues, we assume that the central government and/or the EU will provide financial support to mitigate the effects of the pandemic on the region's finances. Opportunities arise regularly on the capital market and generally become more frequent in times of crisis to finance the extra costs, as we have seen with the German Bundeslaender and the Canadian provinces. As a point of criticism, we believe that the autonomous regions could improve the quality of their investor relations presentations, particularly with regard to keeping information up to date. The regions were also cut off from the capital market during the euro crisis, although we do not view this as a risk in future. The return to the pre-crisis level will take years, great leaps or promises from the budget are therefore ruled out. This is also reflected in the ratings, which are less positive than those of Spanish peers (of sub-sovereigns), for example. Here, the difference between an explicit vs. an implicit guarantee for the regions and/or individual bonds is a factor for investors.

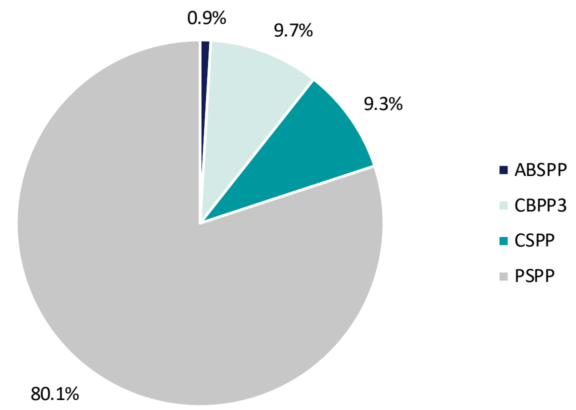
ECB tracker

Asset Purchase Programme (APP)

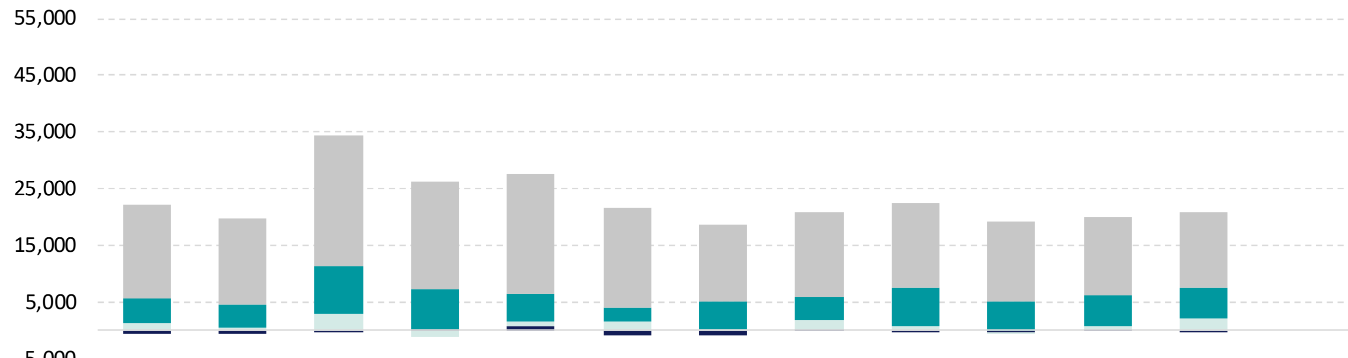
	ABSPP	CBPP3	CSPP	PSPP	APP
May-21	28,520	290,104	276,469	2,407,212	3,002,305
Jun-21	28,196	291,764	281,731	2,415,331	3,017,022
Δ	-314	+2,037	+5,602	+13,320	+20,645

Portfolio structure





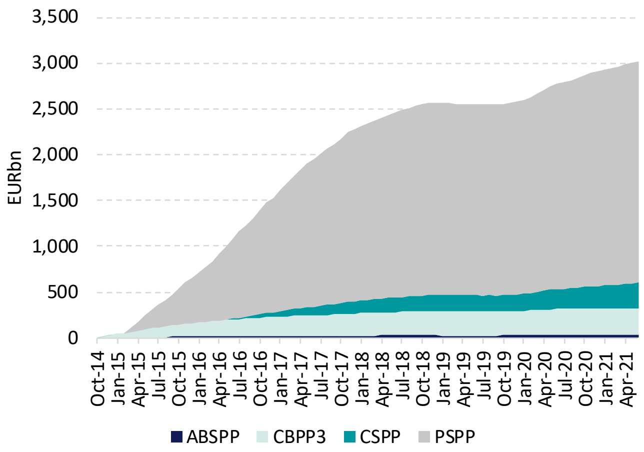
Monthly net purchases (in EURm)



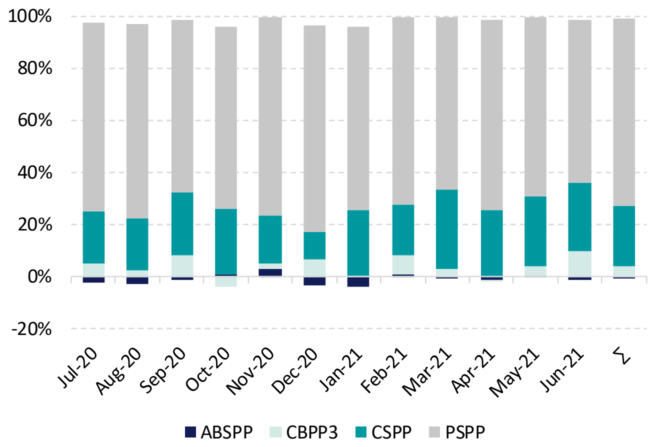
	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	∑
APP	21,529	19,127	34,014	25,349	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,645	269,694
PSPP	16,370	15,150	23,102	19,182	21,241	17,822	13,655	15,129	14,955	14,186	13,973	13,320	198,085
CSPP	4,502	4,004	8,496	6,983	5,009	2,378	4,924	4,064	6,929	5,015	5,394	5,602	63,300
CBPP3	1,198	500	2,839	-1,041	646	1,529	74	1,539	684	-5	686	2,037	10,686
ABSPP	-541	-527	-423	225	824	-800	-807	183	-7	-278	88	-314	-2,377

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

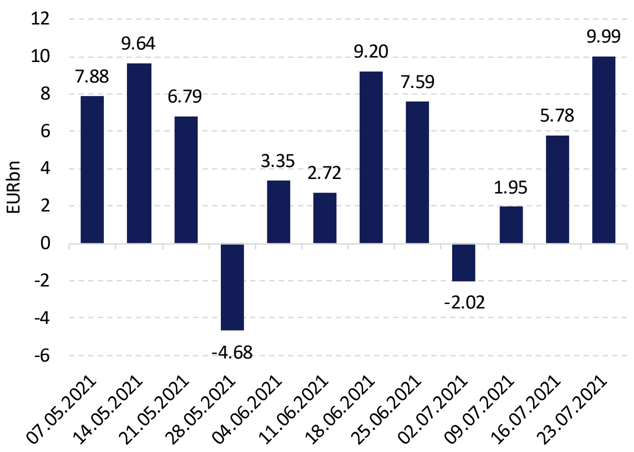
Portfolio development



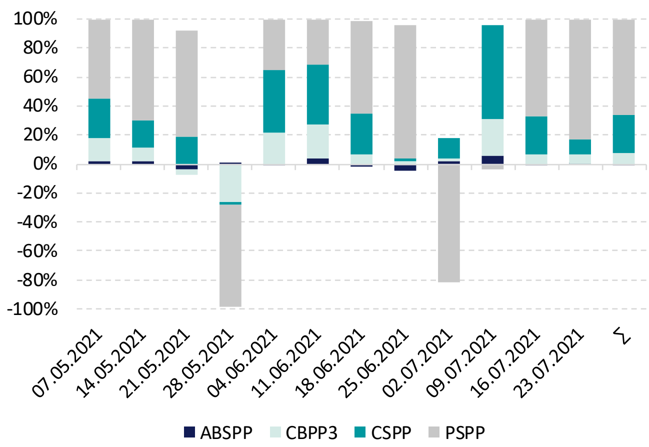
Distribution of monthly purchases



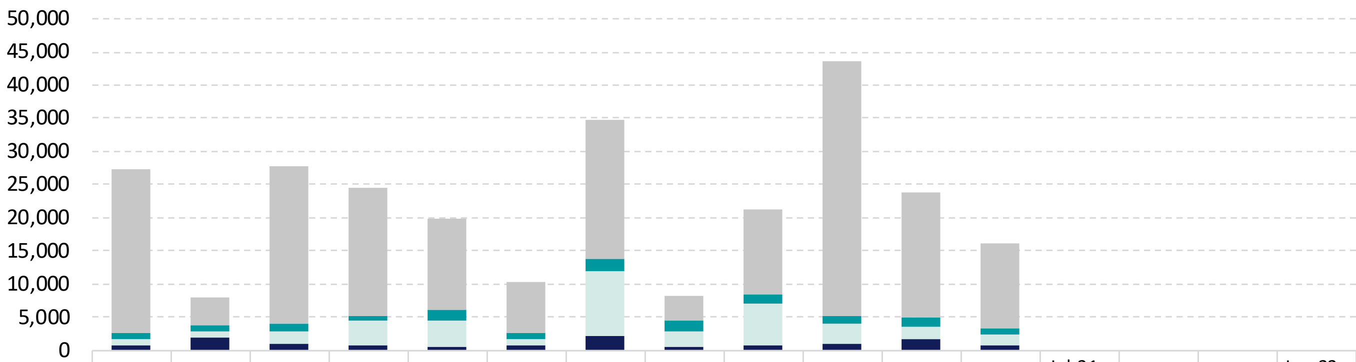
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

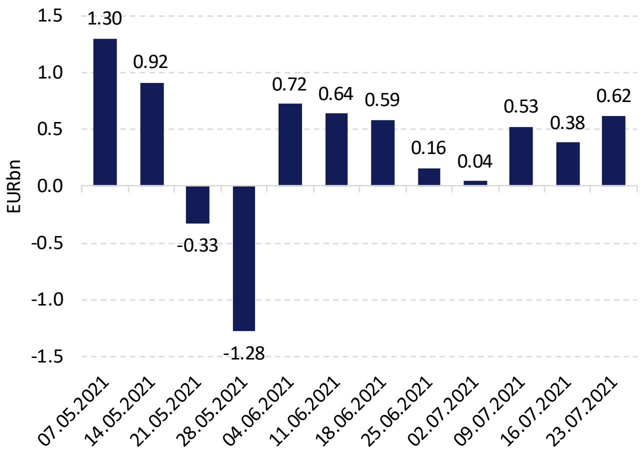


	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-21 - Jun-22	2020	2021	Jan-22 - Jun-22
APP	27,267	8,034	27,684	24,487	19,880	10,311	34,697	8,163	21,148	43,713	23,863	16,097	265,344	262,253	245,843	147,681
PSPP	24,549	4,370	23,661	19,224	13,795	7,811	20,906	3,625	12,603	38,619	18,998	12,714	200,875	201,482	188,467	107,465
CSPP	920	820	1,102	800	1,564	826	1,946	1,590	1,416	1,125	1,341	1,017	14,467	18,267	16,280	8,435
CBPP3	1,132	1,002	1,915	3,775	4,048	937	9,780	2,500	6,352	2,995	1,846	1,518	37,800	33,236	30,138	24,991
ABSPP	666	1,842	1,006	688	473	737	2,065	448	777	974	1,678	848	12,202	9,268	10,958	6,790

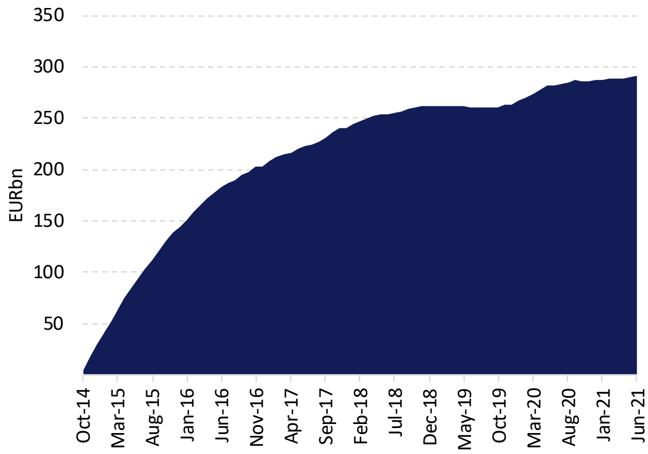
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

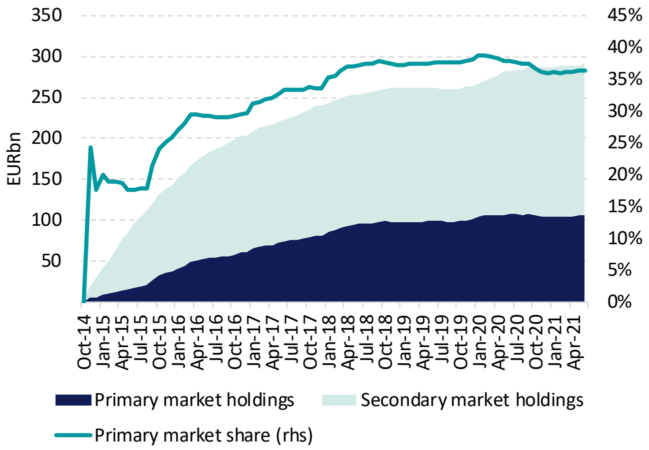
Weekly purchases



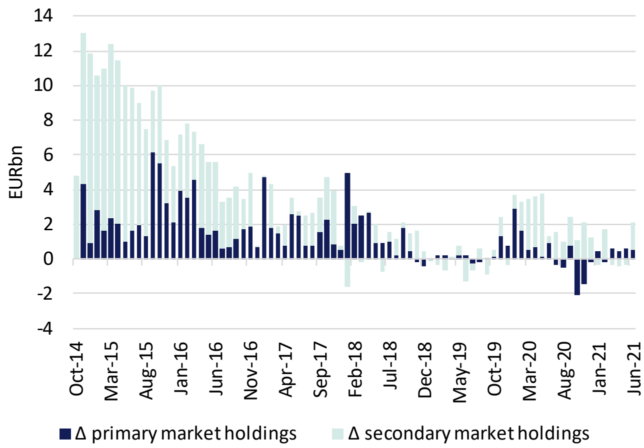
Development of CBPP3 volume



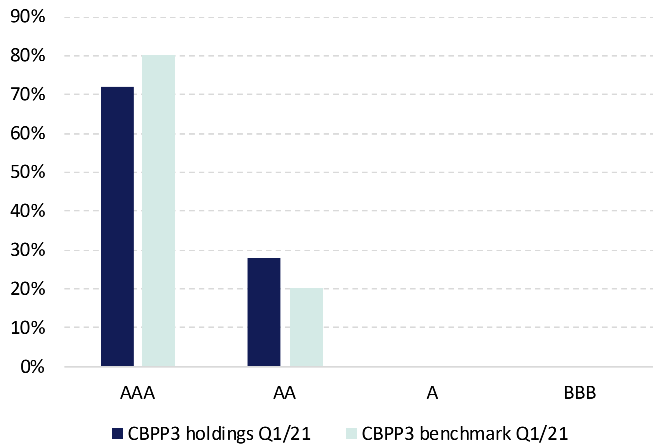
Primary and secondary market holdings



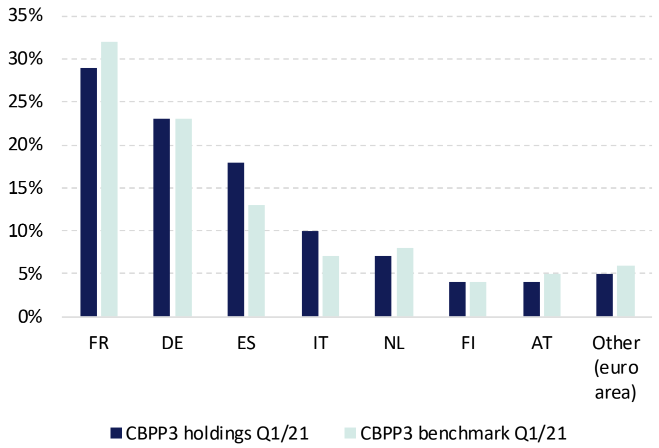
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



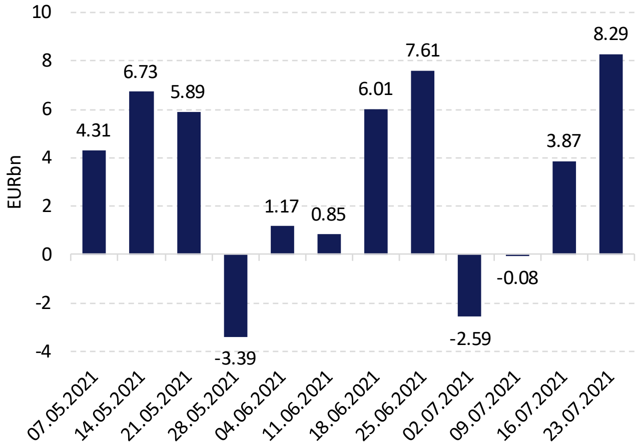
Distribution of CBPP3 by country of risk



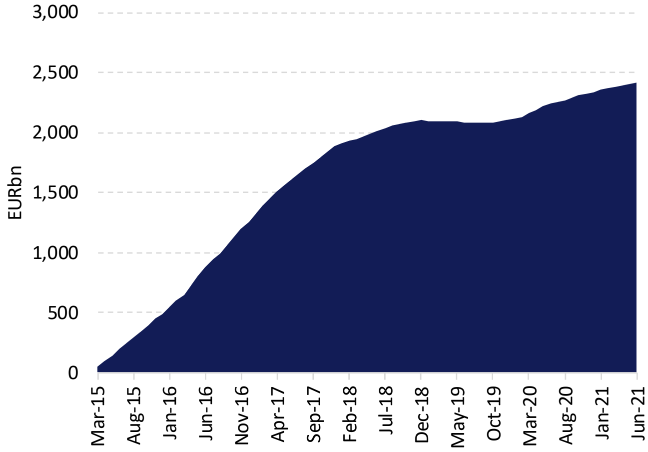
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



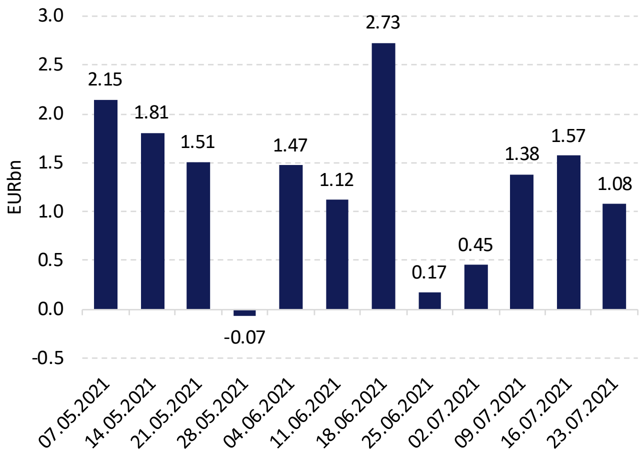
Overall distribution of PSPP buying at month-end

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**

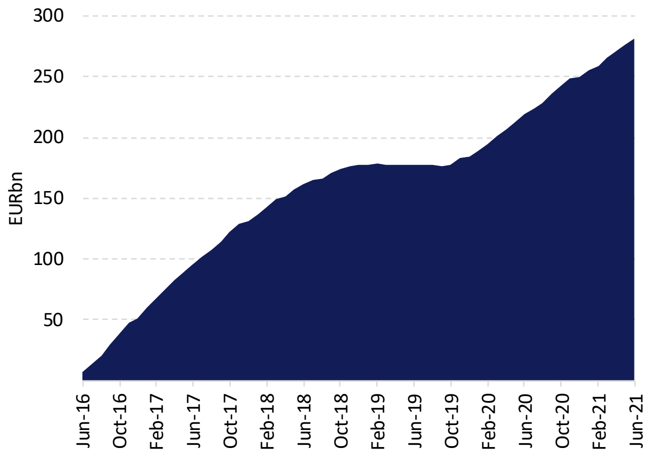
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

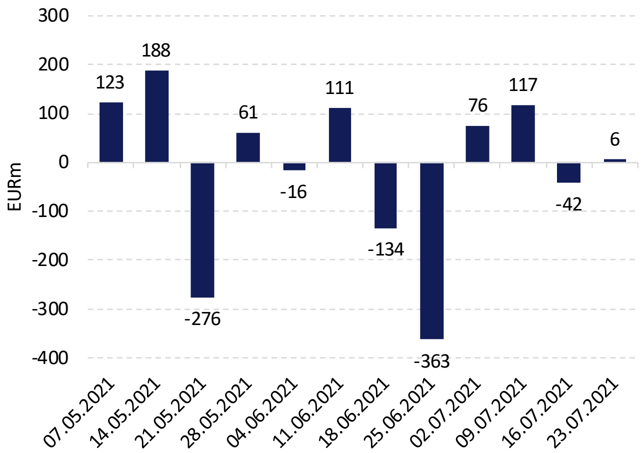


Development of CSPP volume

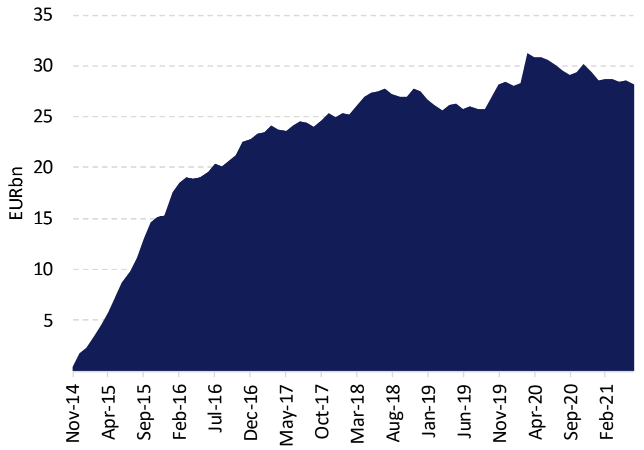


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



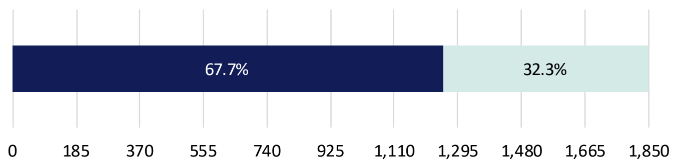
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

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

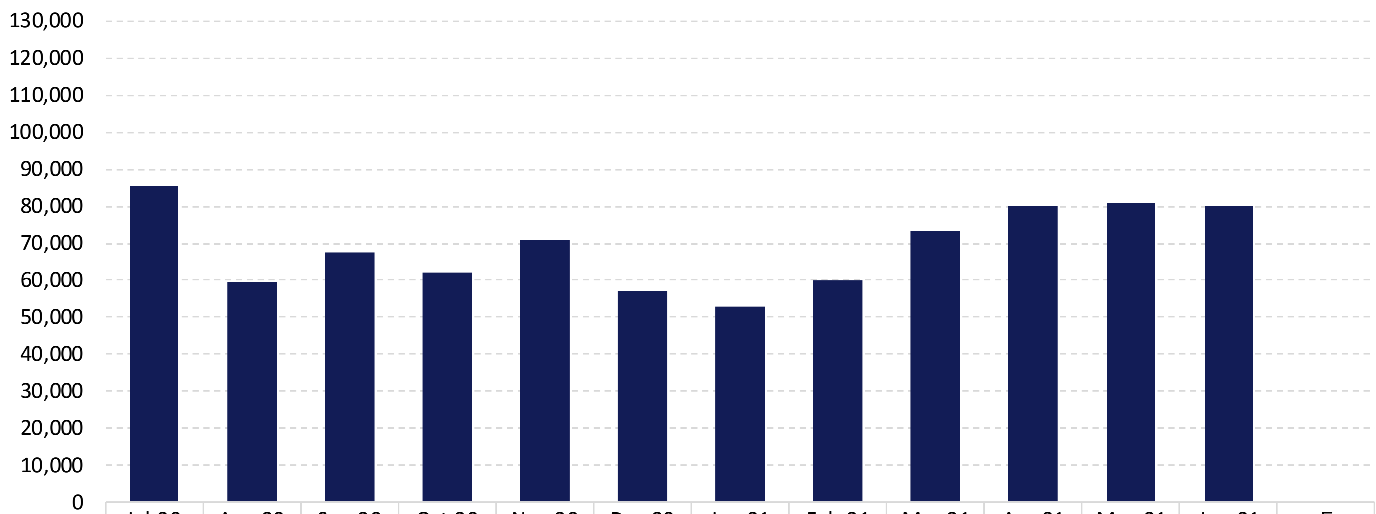
Volume already invested (in EURbn)



Estimated portfolio development

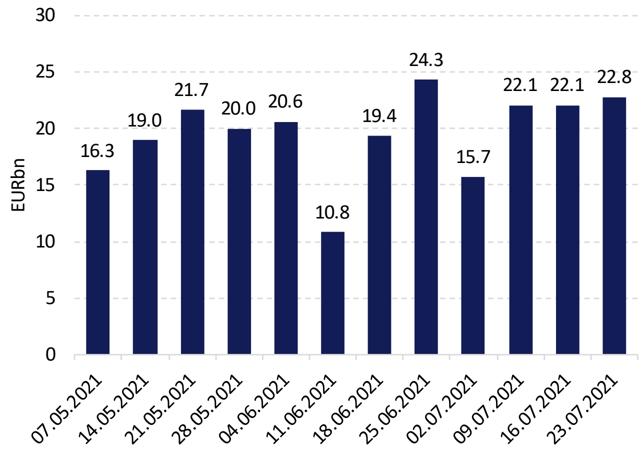
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in …
Average weekly net purchase volume so far	EUR 18.2bn	33 weeks (11.03.2022)

Monthly net purchases (in EURm)

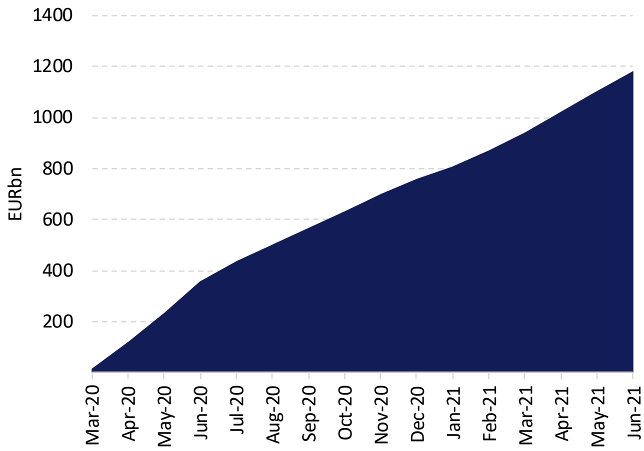


	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	∑
■ PEPP	85,423	59,466	67,308	61,985	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	829,647

Weekly purchases



Development of PEPP volume

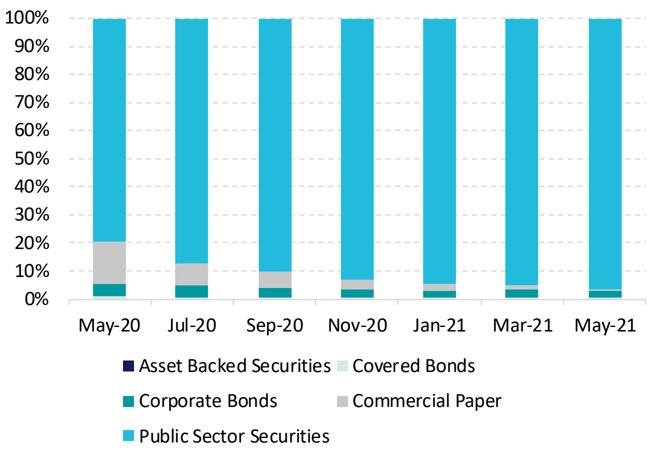


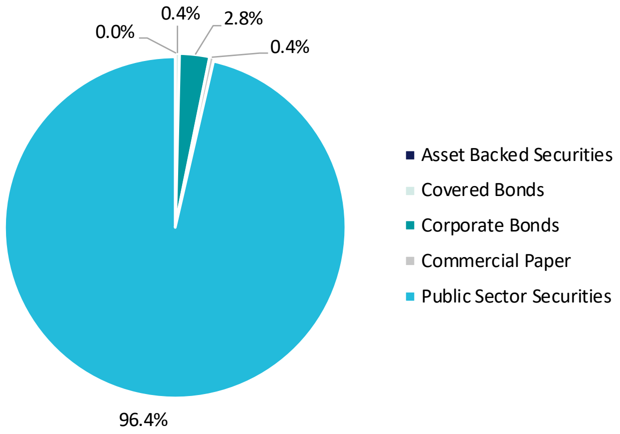
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

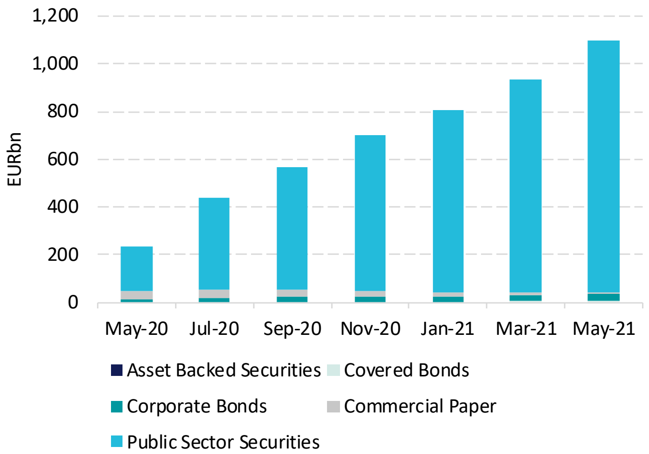
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Mar-21	0	4,055	27,058	12,766	893,844	937,723
May-21	0	4,055	31,014	4,590	1,058,882	1,098,541
Δ	0	0	+3,956	-8,176	+165,038	+160,818

Portfolio structure

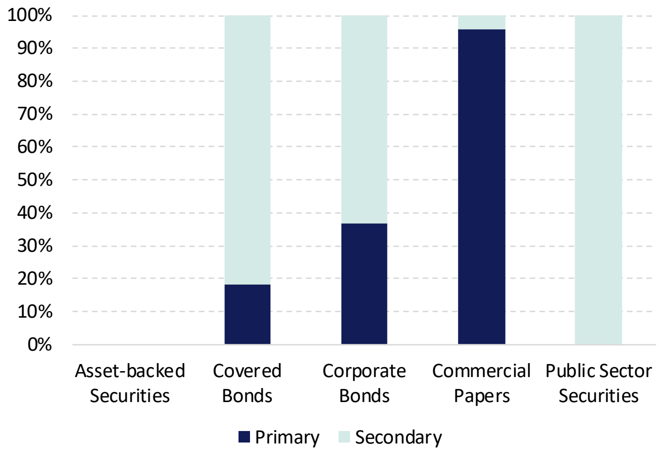




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

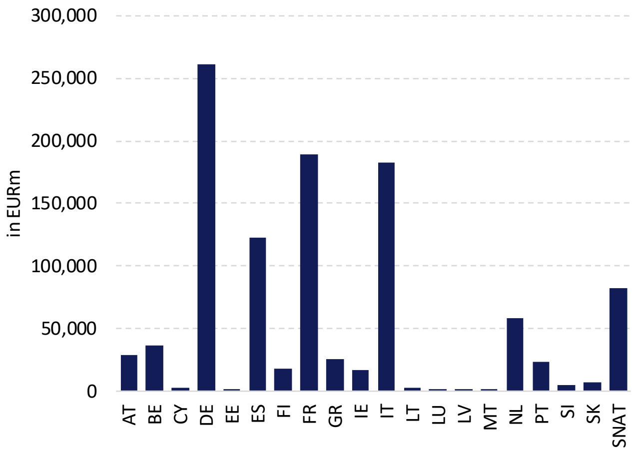
May-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**
Holdings in EURm	0	0	745	3,310	11,431	19,583	4,397	193
Share	0.0%	0.0%	18.4%	81.6%	36.9%	63.1%	95.8%	4.2%

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

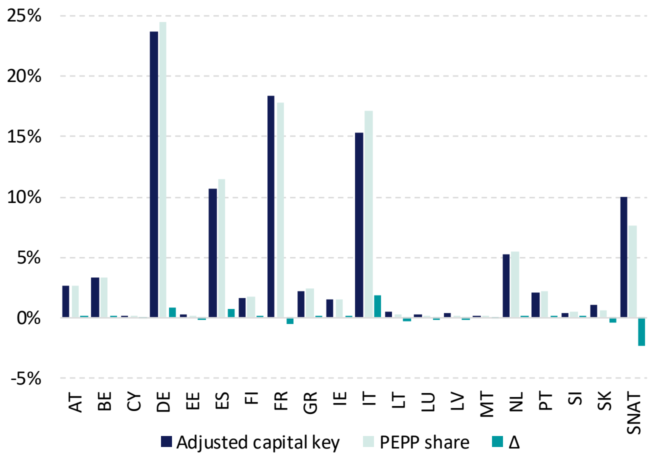
Breakdown of public sector securities under the PEPP

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



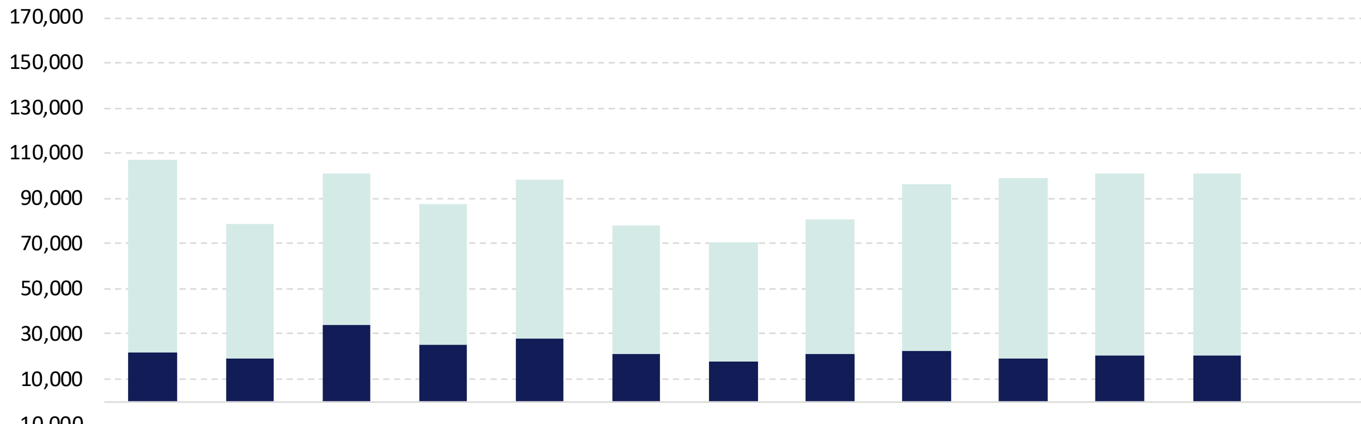
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

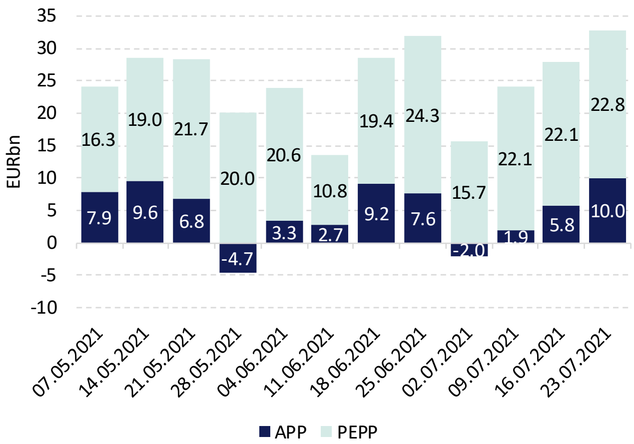
	APP	PEPP	APP & PEPP
May-21	3,002,305	1,104,465	4,106,770
Jun-21	3,017,022	1,184,633	4,201,655
Δ	+20,645	+80,168	+100,813

Monthly net purchases (in EURm)

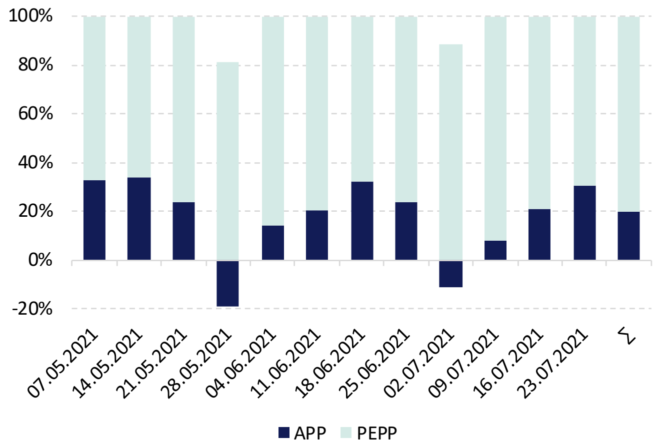


	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	∑
∑	106,952	78,593	101,322	87,334	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,813	1,099,34
PEPP	85,423	59,466	67,308	61,985	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	829,647
APP	21,529	19,127	34,014	25,349	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,645	269,694

Weekly purchases



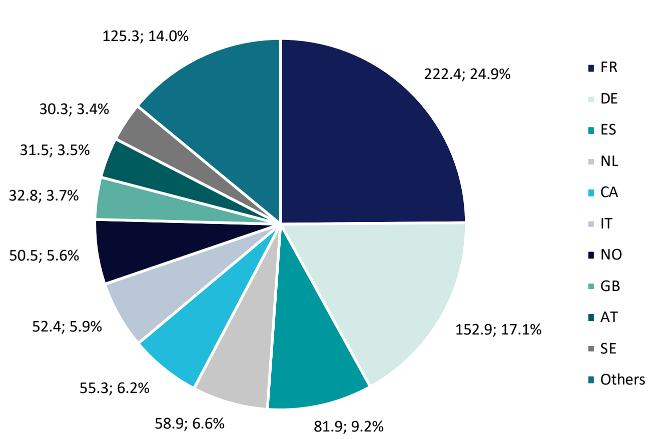
Distribution of weekly purchases



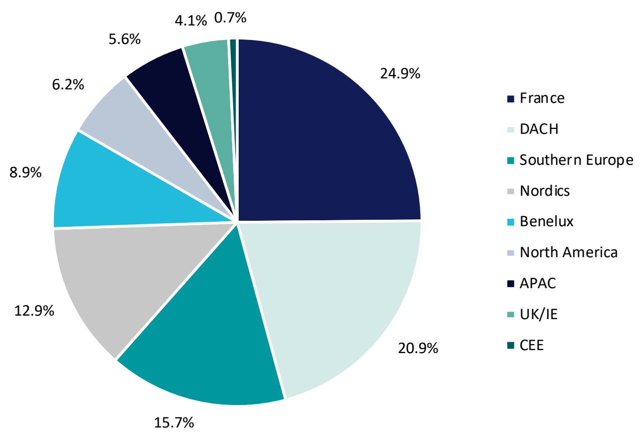
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



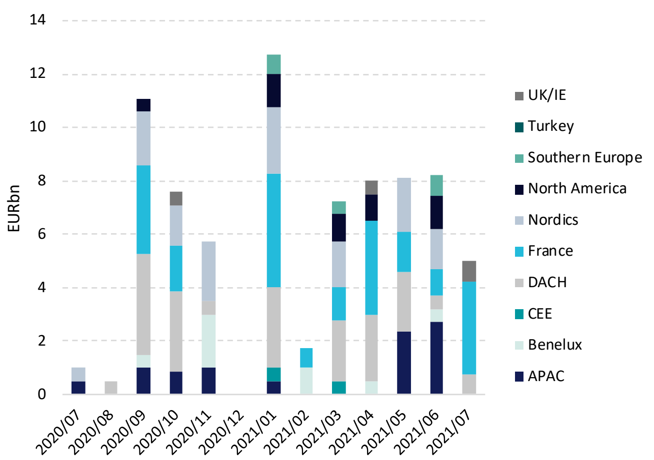
EUR benchmark volume by region (in EURbn)



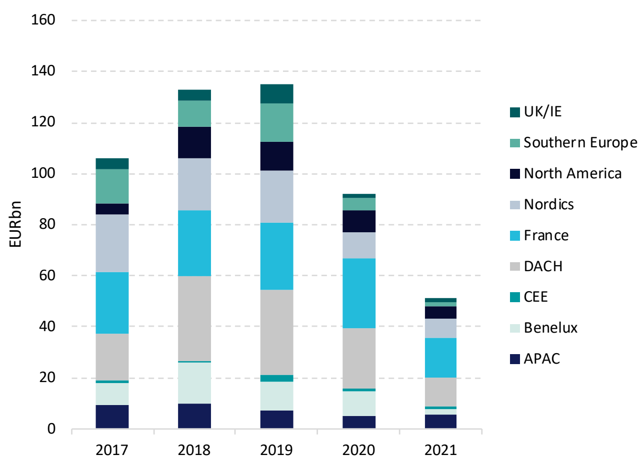
Top-10 jurisdictions

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	3.6	0.90
9	AT	31.5	58	58	0.54	10.0	6.4	0.63
10	SE	30.3	36	36	0.84	7.5	3.5	0.44

EUR benchmark issue volume by month

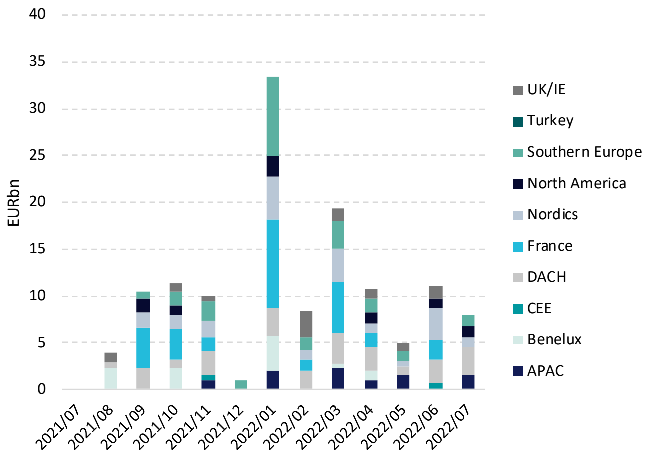


EUR benchmark issue volume by year

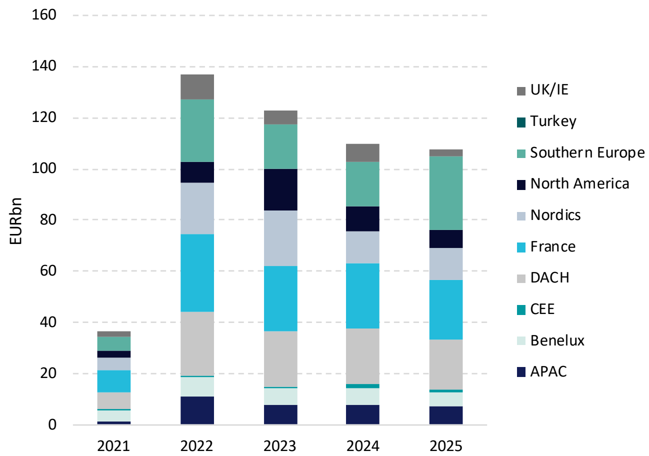


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

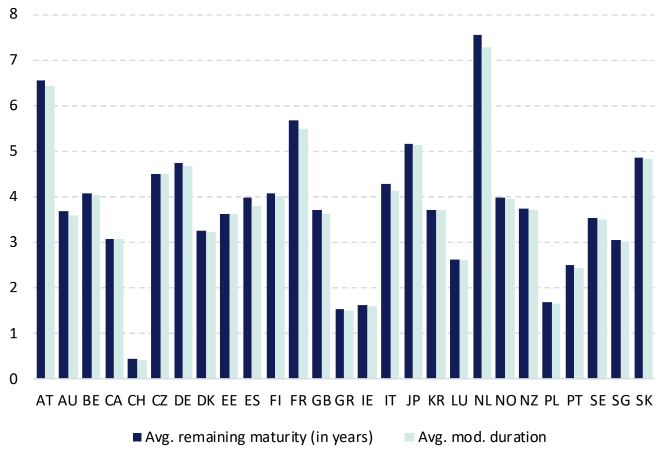
EUR benchmark maturities by month



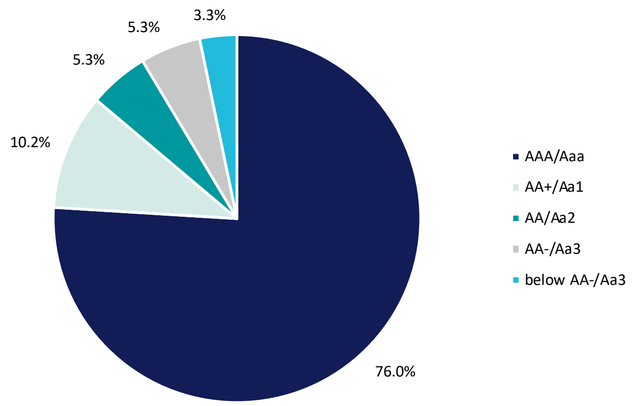
EUR benchmark maturities by year



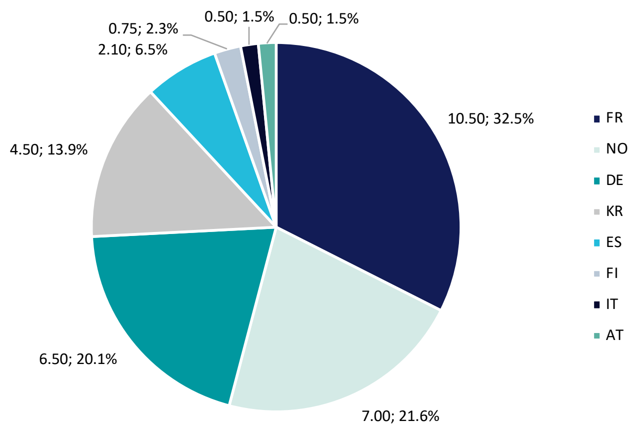
Modified duration and time to maturity by country



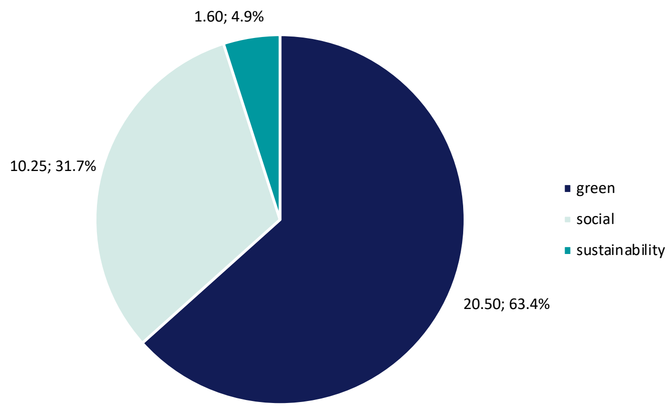
Rating distribution (volume weighted)



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

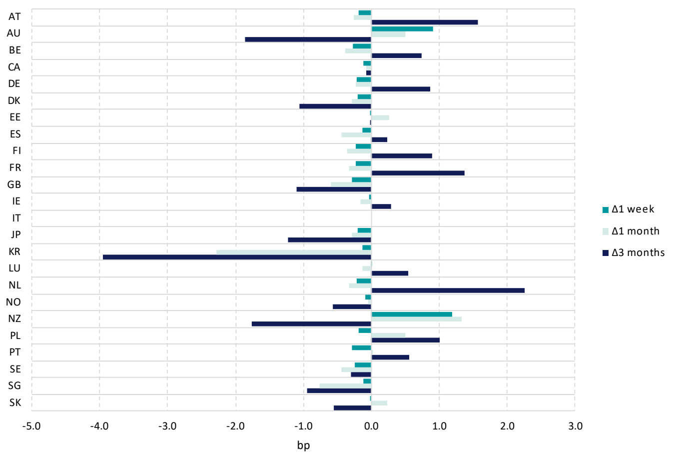


EUR benchmark volume (ESG) by type (in EURbn)

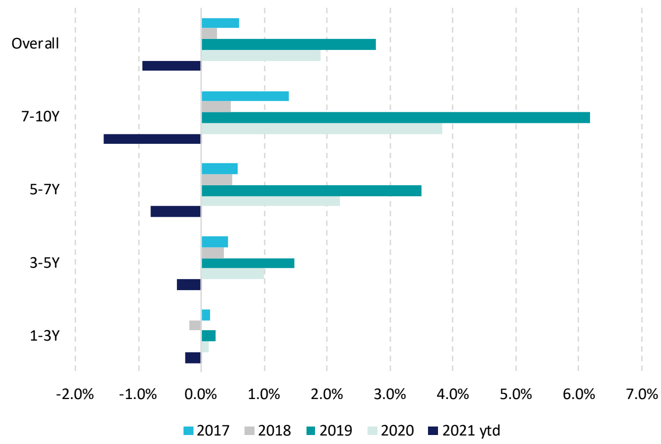


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

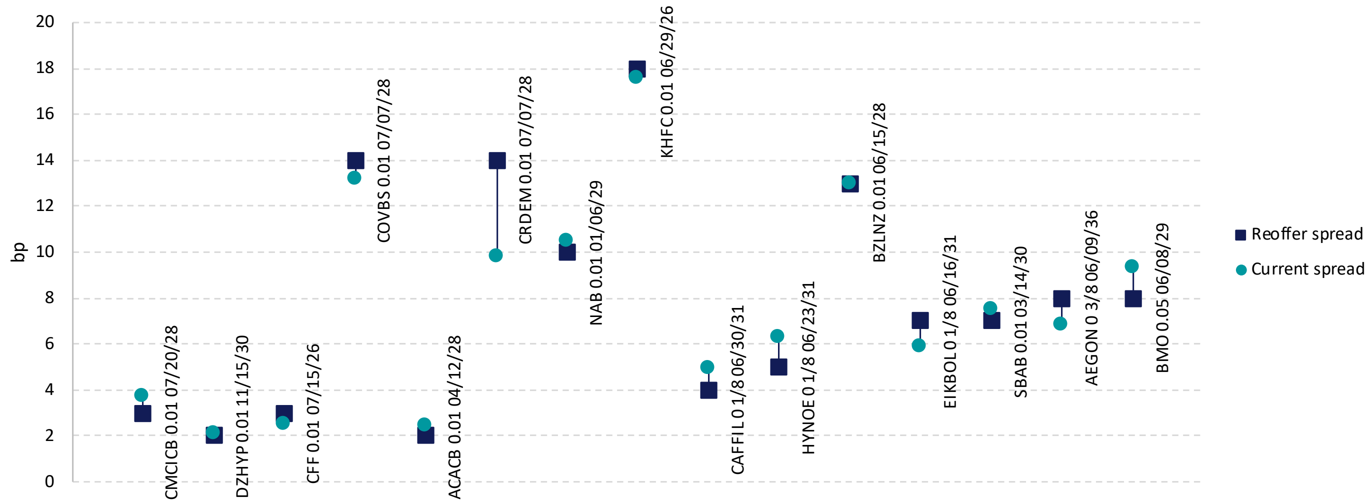
Spread development by country



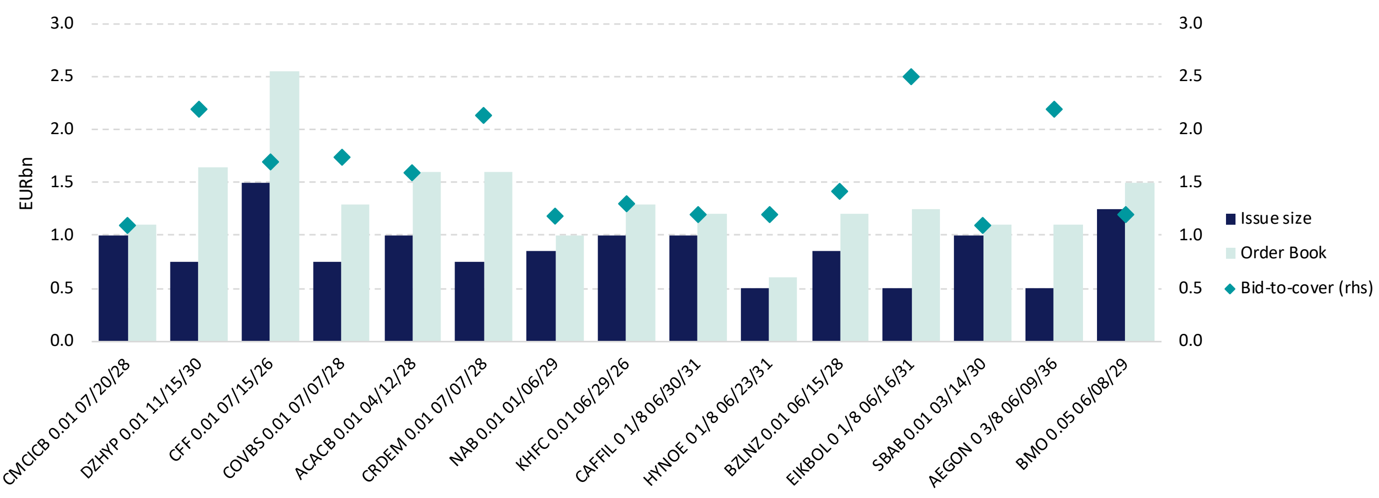
Covered bond performance (Total return)



Spread development (last 15 issues)



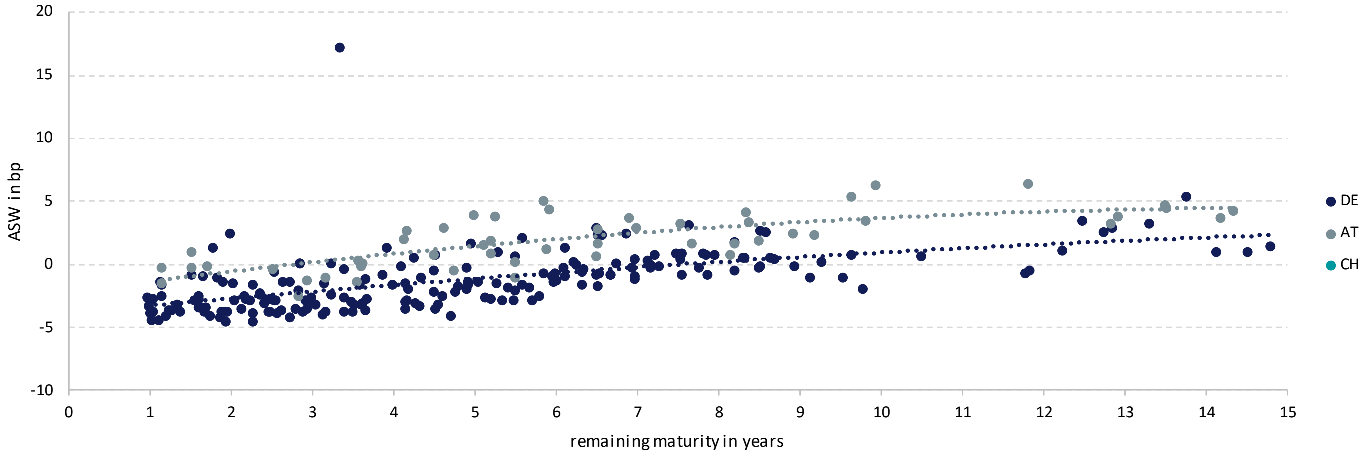
Order books (last 15 issues)



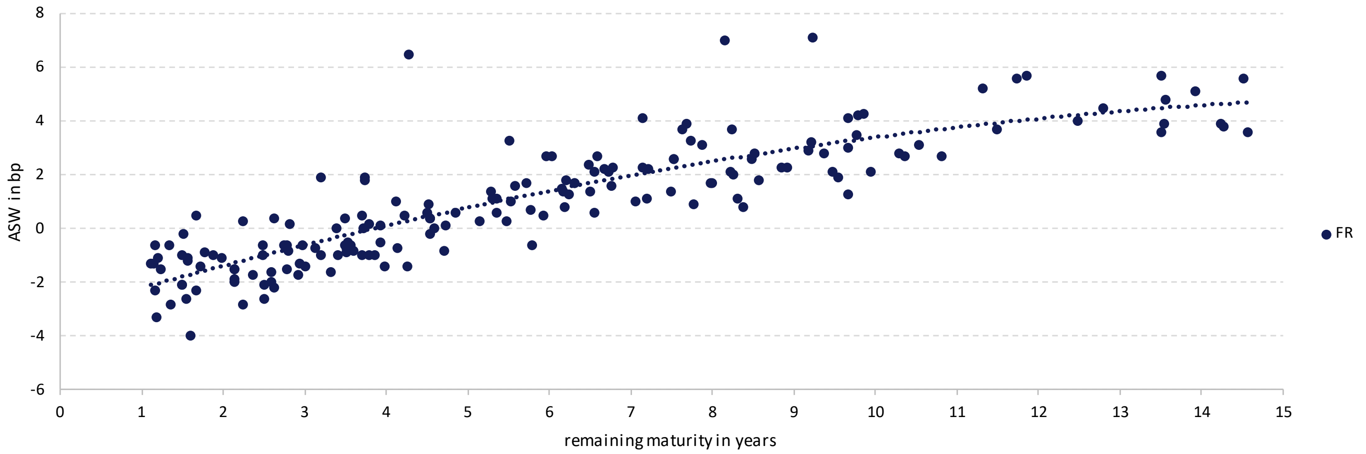
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

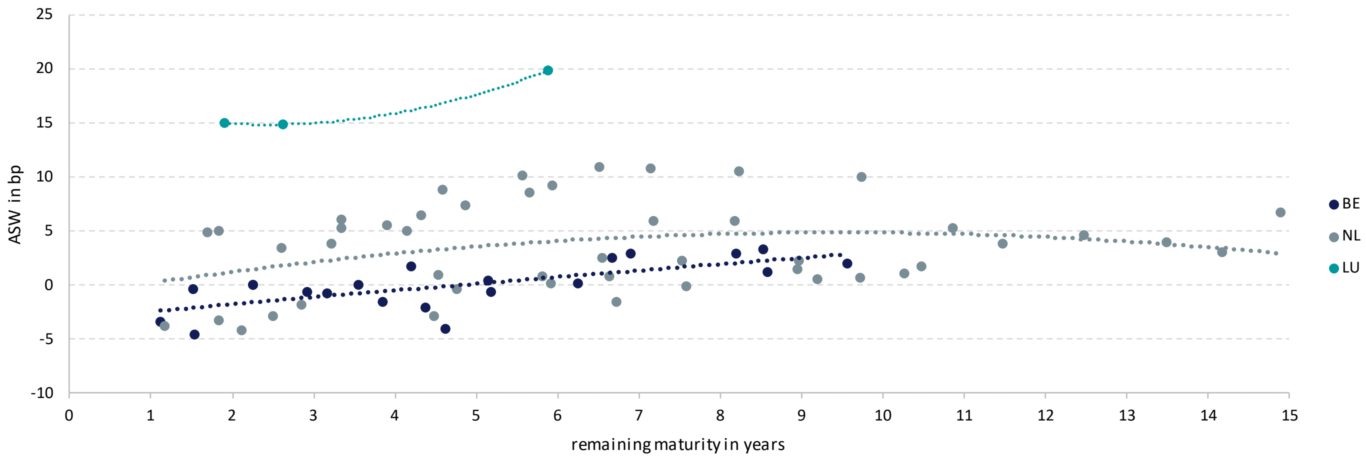
DACH



France

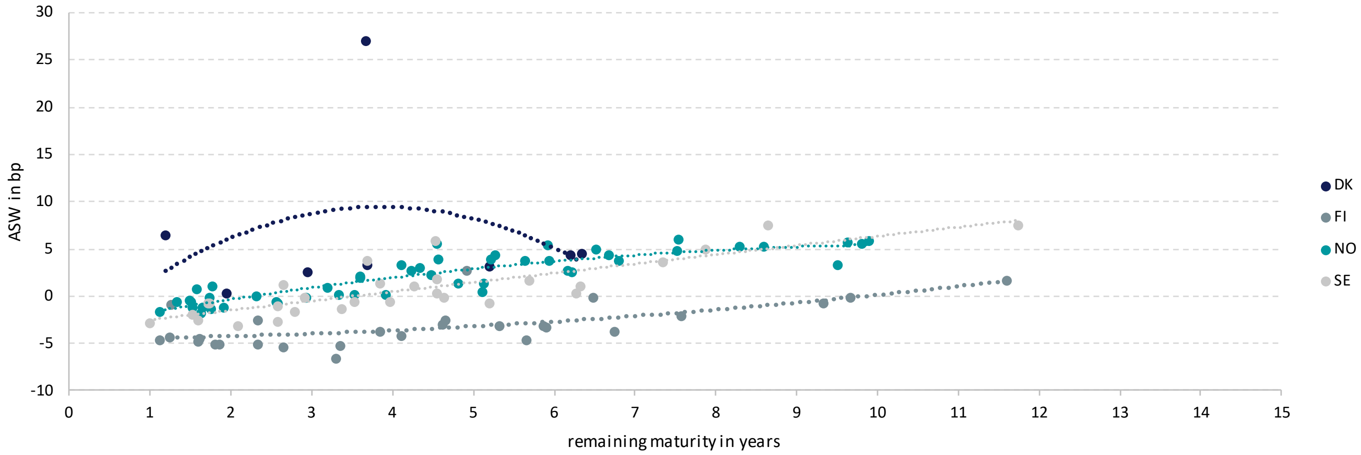


Benelux

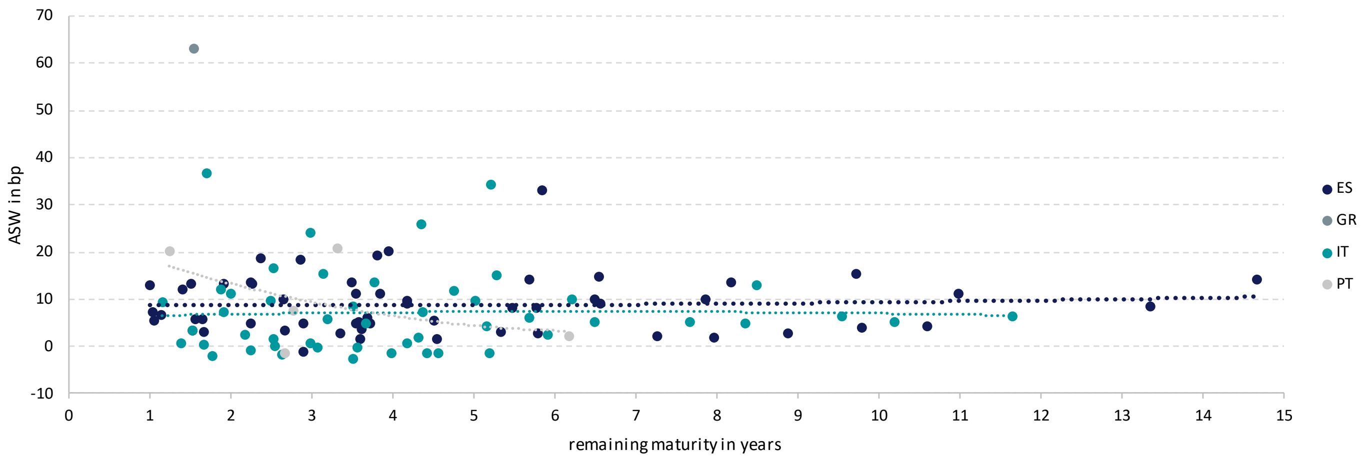


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

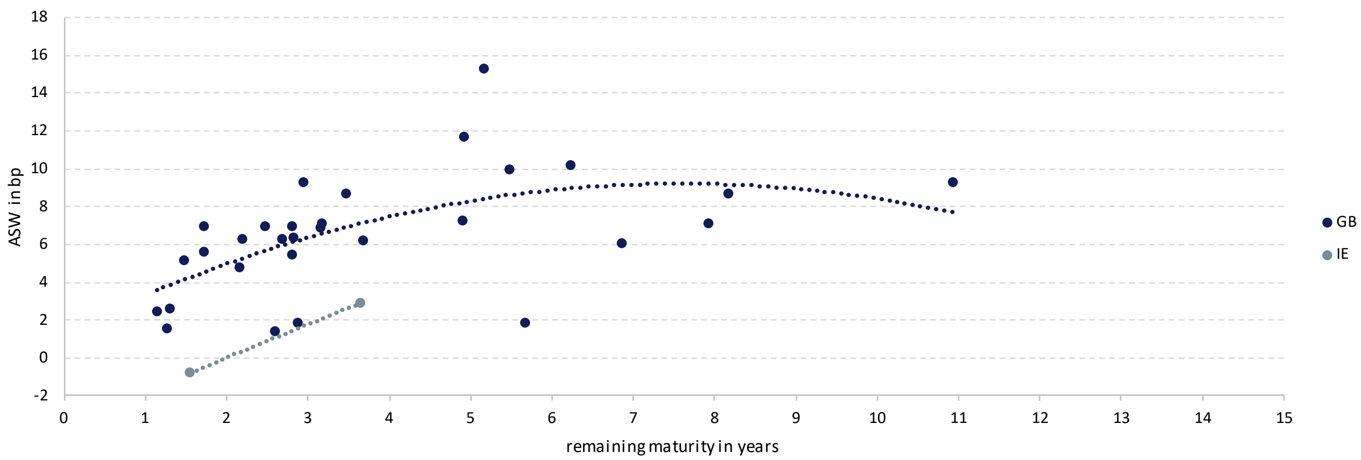
Nordics



Southern Europe

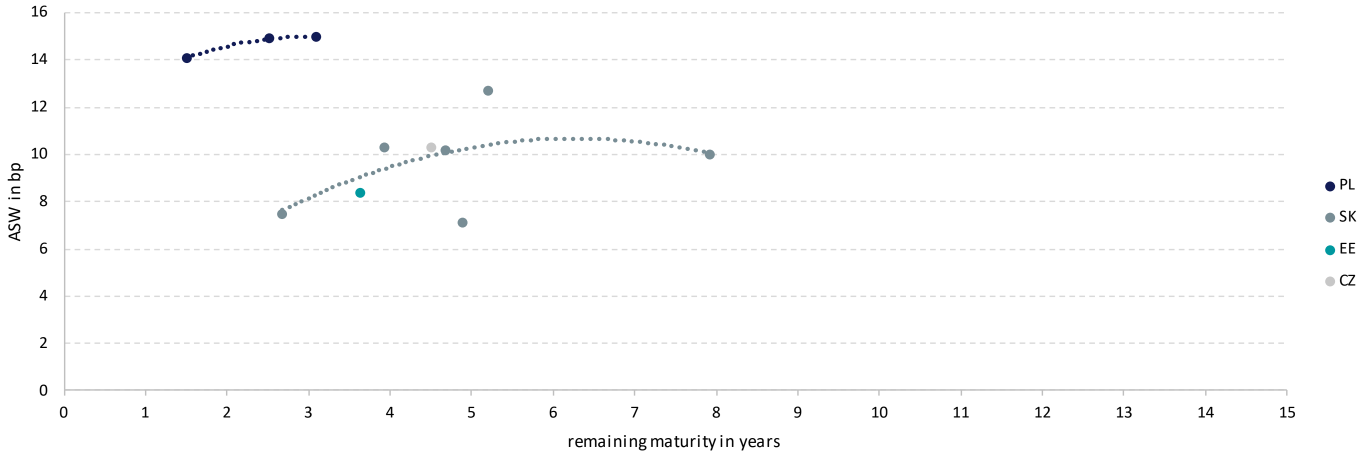


UK/IE

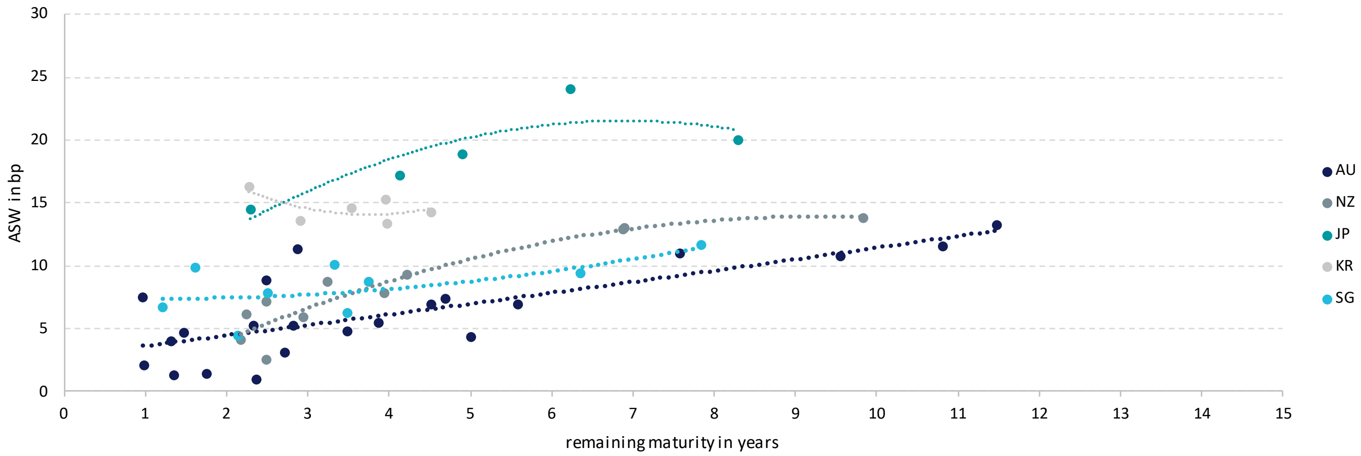


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

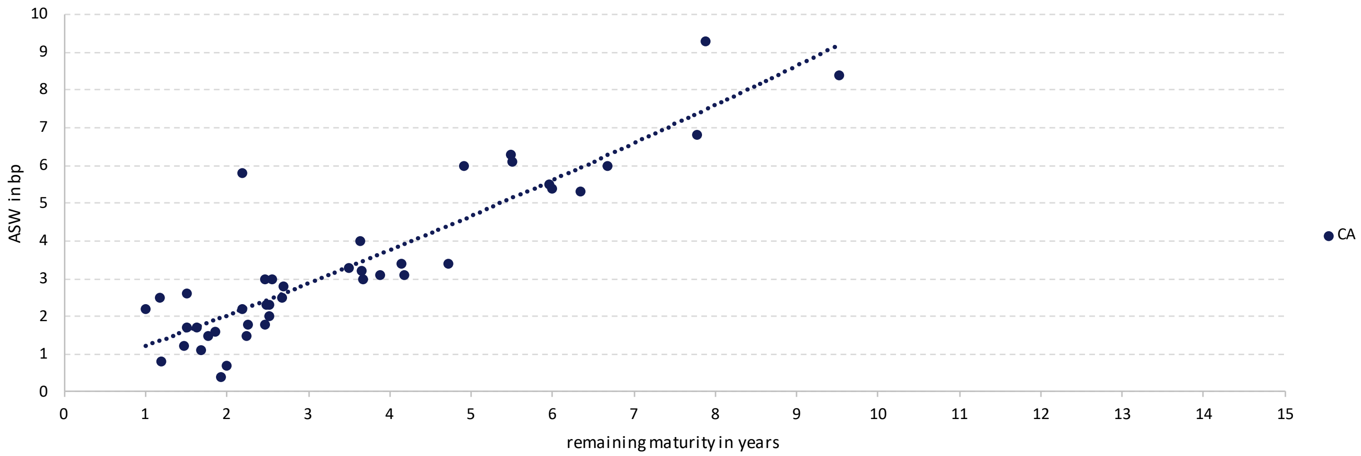
CEE



APAC



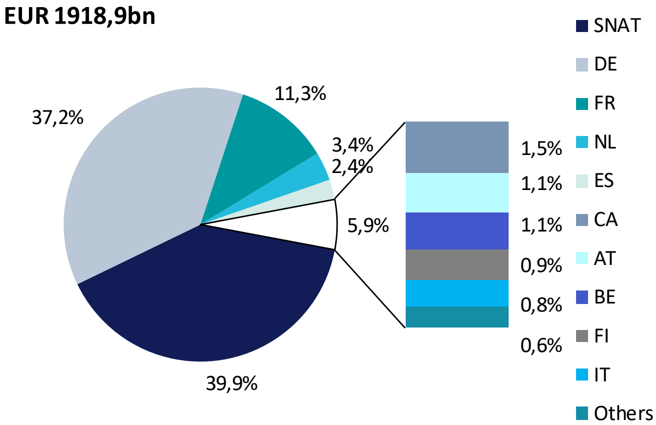
North America



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

Charts & Figures
SSA/Public Issuers

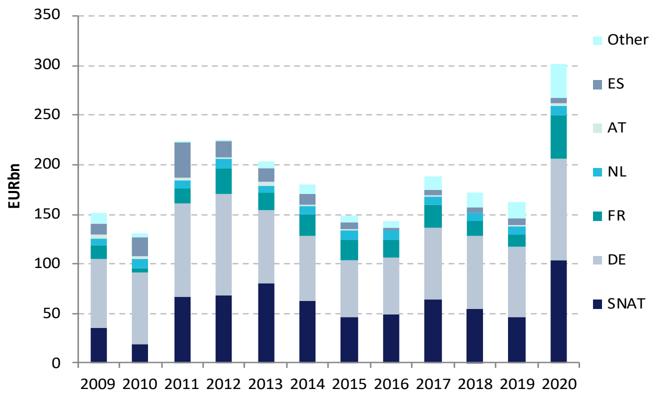
Outstanding volume (bmk)



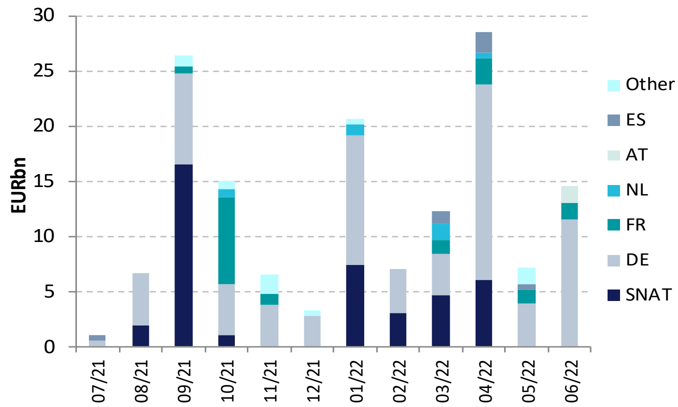
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	765,3	194	3,9	8,6
DE	714,2	559	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

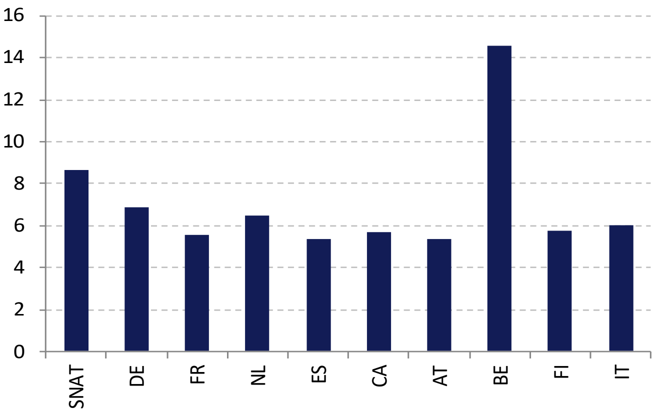
Issue volume by year (bmk)



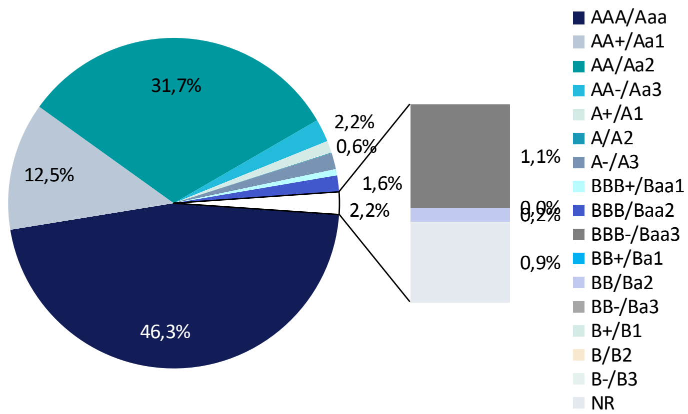
Maturities next 12 months (bmk)



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

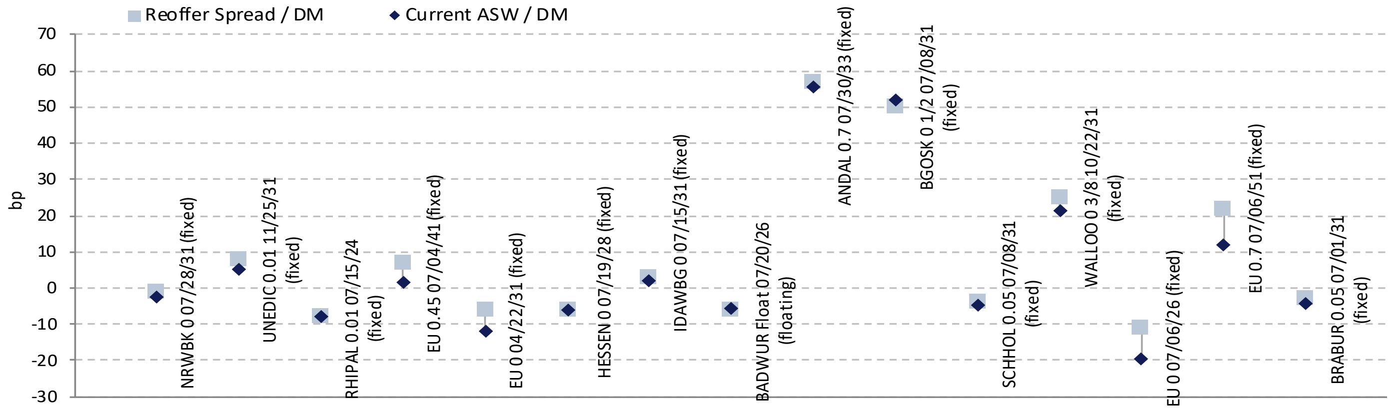


Rating distribution (vol. weighted)

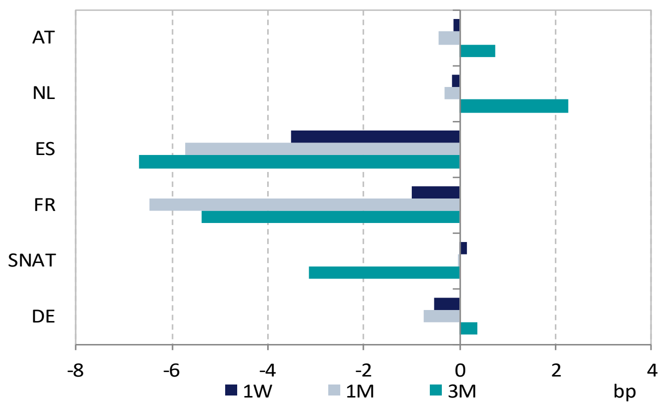


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

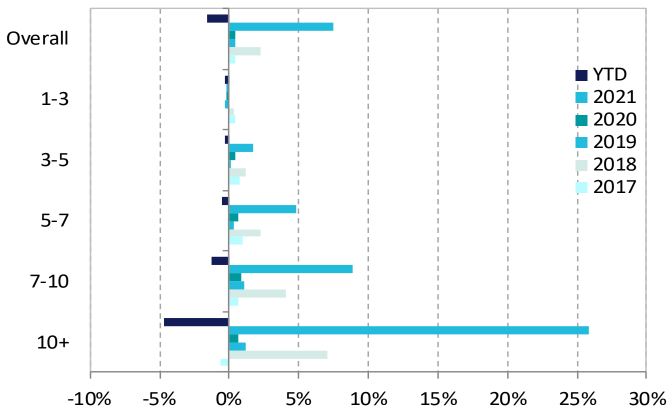
Spread development (last 15 issues)



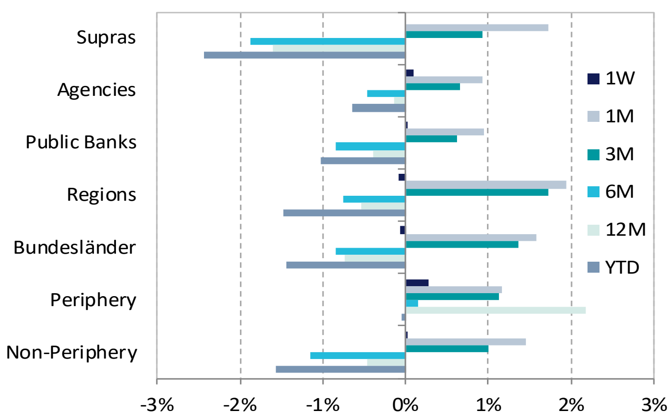
Spread development by country



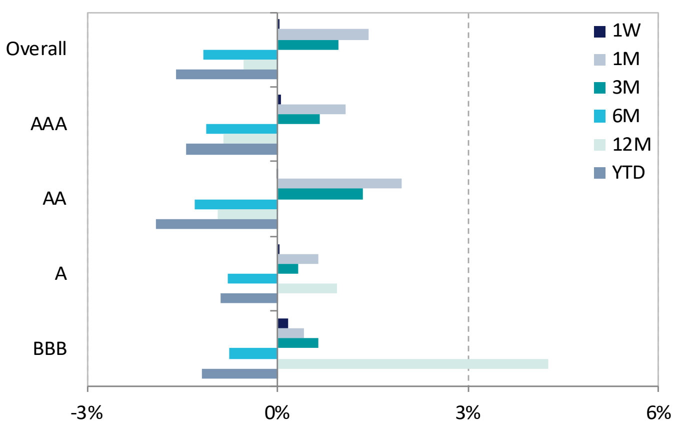
Performance (total return)



Performance (total return) by regions

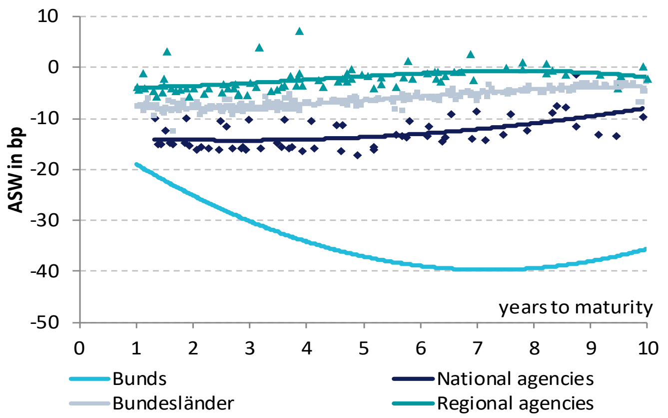


Performance (total return) by rating

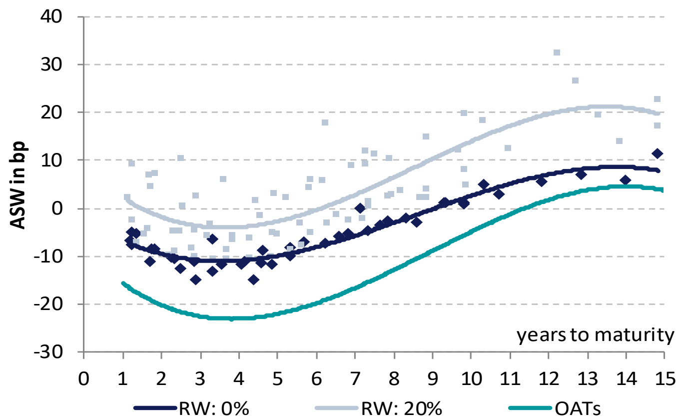


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

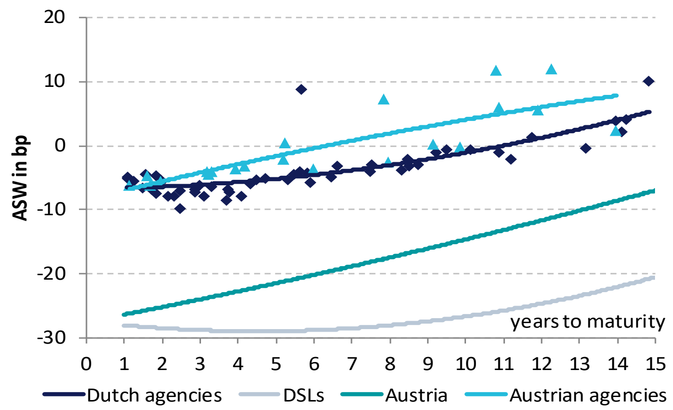
Germany (by segments)



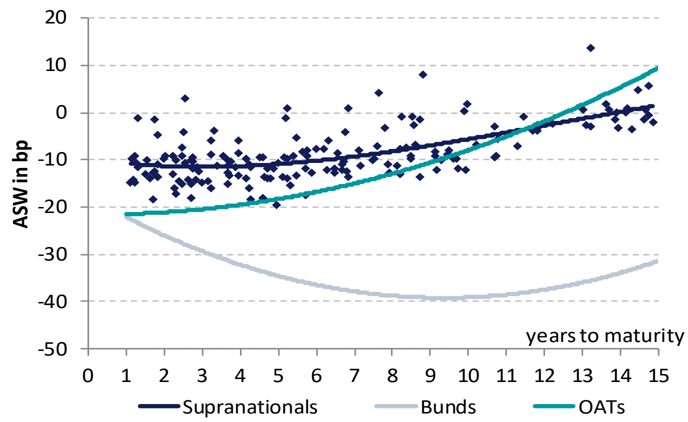
France (by risk weight)



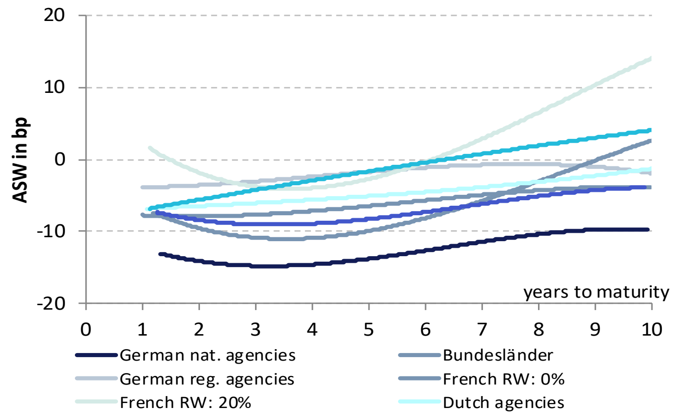
Netherlands & Austria



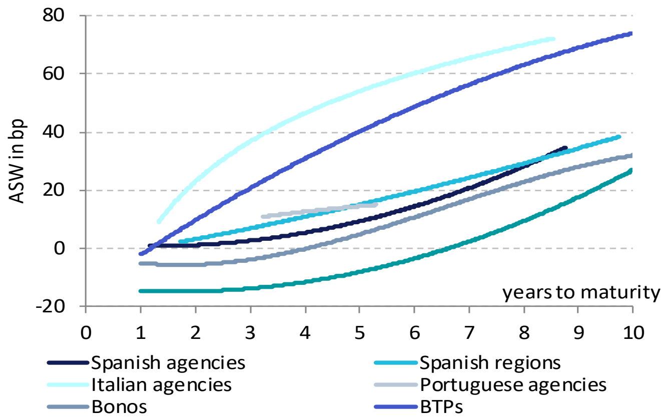
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
26/2021 ♦ 21 July	▪ Summer break just around the corner – a glance at covered bonds in USD and GBP
25/2021 ♦ 14 July	▪ New ECB strategy – communication remains the be-all and end-all ▪ ECB preview: the first meeting under the “new” regime
24/2021 ♦ 07 July	▪ 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	▪ Return of the Australian covered bond market: National Australia Bank issues first EUR benchmark since 2019
22/2021 ♦ 23 June	▪ 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	▪ 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	▪ PEPP reporting: increased pace of purchases in Q2 ▪ Covered bonds vs. senior unsecured bonds
19/2021 ♦ 02 June	▪ ECB preview: Spectre of inflation fuelling tapering thoughts ▪ FX covered bonds: Same symptomatology as EUR benchmarks?
18/2021 ♦ 19 May	▪ United Overseas Bank reinvigorates the market in Singapore ▪ Transparency requirements §28 PfandBG Q1 2021
17/2021 ♦ 12 May	▪ 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	▪ Austria implements requirements of the covered bond directive and harmonises existing legal framework ▪ EIB goes Blockchain
15/2021 ♦ 28 April	▪ EU Taxonomy meets the market for sustainable covered bonds
14/2021 ♦ 22 April	▪ LCR levels and risk weights of EUR benchmarks ▪ NextGenerationEU: NGEU is taking shape
13/2021 ♦ 14 April	▪ 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	▪ Unusual Q1 and revised supply forecast for 2021 ▪ Collective Action Clauses (CACs)
11/2021 ♦ 24 March	▪ Surprising dynamic: Eurosystem lends EUR 331bn to EMU banks via TLTRO III.7 ▪ German Pfandbrief savings banks in Q4 2020
10/2021 ♦ 17 March	▪ Transparency requirements §28 PfandBG Q4/2020 ▪ Credit authorisations for German Bundeslaender in 2021
09/2021 ♦ 10 March	▪ Moody’s covered bond universe – an overview ▪ Oldenburgische Landesbank expands sub-benchmark segment

NORD/LB: Markets Strategy & Floor Research
NORD/LB: Covered Bond Research
NORD/LB: SSA/Public Issuer Research
Bloomberg: RESP NRDR <GO>

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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