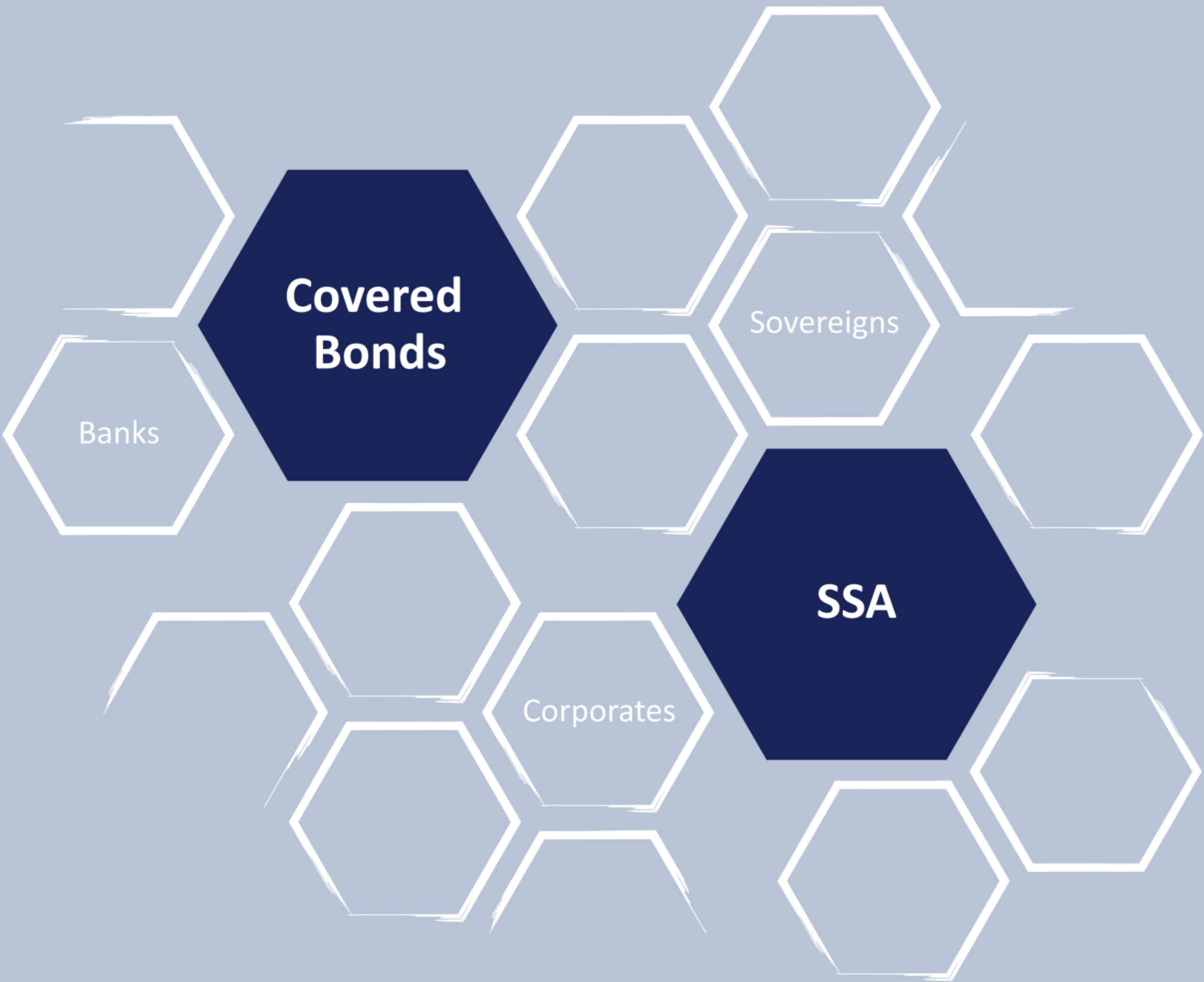


Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

1 September 2021 ♦ 28/2021

Investment strategy recommendation and marketing communication
(see disclaimer on the last pages)

NORD/LB

Agenda

Floor analysts:

Dr Frederik Kunze
Covered Bonds
frederik.kunze@nordlb.de

Dr Norman Rudschuck, CIIA
SSA/Public Issuers
norman.rudschuck@nordlb.de

NORD/LB:
Markets Strategy & Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuer Research

Bloomberg:
RESP NRDR <GO>

Market overview
Covered Bonds

Author: Dr Frederik Kunze

Covered bond market: the primary market is back!

After the issuance from Credit Mutuel Home Loan SFH (EUR 1.0bn at ms +3bp) marked the final primary market activity prior to the summer recess back on 08 July, the market has been open again since 17 August It was Berlin Hyp which got things moving again. Its mortgage Pfandbrief (EUR 500m; 5y) went into the marketing phase in the area of ms +2bp, whereas final pricing came in at ms -2bp. At 54%, the lion's share of this issuance went to investors from the DACH region, following by investors from Asia (15%), the Nordics (12%) and the Benelux countries (10%). In terms of investor type, Central Banks/OI dominated proceedings (43%). A share of 32% of the allocation went to Banks, while Asset Managers received 24%. With an order book of EUR 2.1bn, we can certainly describe this deal as representing a successful start on the back of the summer recess. The next day, another German bank – on this occasion pbb – approached investors. This mortgage Pfandbrief was again worth EUR 500m (WNG) with a term to maturity of five years, although it was placed at ms flat (initial guidance: ms +4bp area). Once again, this deal was primarily allocated to investors based in the DACH region (55.2%). Here, too, investors from the regions Benelux (13.9%), Nordics (12.5%) and Asia (10%) accounted for the next largest shares of the deal, albeit in a slightly different order to the Berlin Hyp transaction. At 51.9%, the majority of the allocation was again snapped up by Central Banks/OI, followed by banks (34.1%) and Asset Managers (34.1%). The bid-to-cover ratio of 3.6x again reflects high demand. On 24 August, another deal from the DACH region followed hot on the heels of these two successful issuances from Germany, with BAWAG placing the inaugural green benchmark from Austria. The bond is based on the issuer's recently presented Green Finance Framework, which was developed in conformity with the ICMA Green Bond Principles 2021, among other aspects, while the framework's selection criteria align with the EU Taxonomy to a significant extent. This green covered bond worth EUR 500m featured a term to maturity of eight years and kicked off the marketing phase at ms +5bp, while the re-offer spread – five basis points tighter – was fixed at ms flat, which according to our calculations is within the issuer's own curve. As was the case with the preceding mortgage Pfandbrief deals from Austria's neighbour Germany, the order book reached a quite significant volume (EUR 1.6bn), producing a bid-to-cover ratio of 3.3x in the process. In total, 52% of the allocation went to investors based in Germany and Austria, followed by the Nordics (19%), Benelux states (15%) and the UK/Ireland (11%). A high share of the allocation went to real money investors (41%) in the form of Asset Managers and Funds, while Central Banks/OI (24%), Banks (15%) and Insurance Firms/Pension Funds (15%) accounted for the remainder of the bond volume. In August, the issuance volume totalled EUR 1.5bn, which represents a huge rise on the same month of the previous year, the pandemic-hit 2020 (EUR 500m; one bond), and is equal to the level recorded in 2019 (EUR 1.5bn; two bonds). Based on the order books and bid-to-cover ratios, but also with regard to the low and in part negative new issue premiums, the impression of a more than solid start after the summer recess is solidifying in our minds. However, the downside over the further course of the year will, in our opinion, remain the scarcity of supply on the market. In this respect, we also welcome any activities in the sub-benchmark segment in addition to newcomers in the ESG segment.

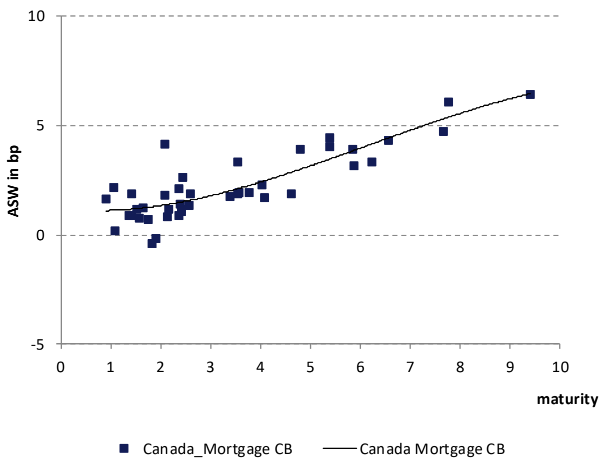
Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BAWAG	AT	24.08	XS2380748439	8.0y	0.50bn	ms +0bp	- / Aaa / -	X
pbb	DE	18.08	DE000A3E5K73	5.0y	0.50bn	ms +0bp	- / Aa1 / -	-
Berlin Hyp	DE	17.08	DE000BHY0HZ2	5.0y	0.50bn	ms -2bp	- / - / -	-

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

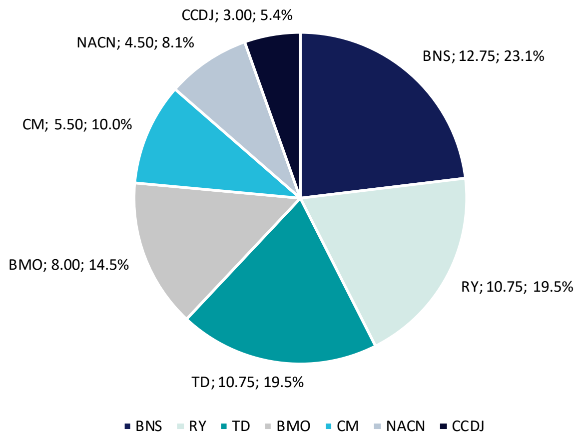
EUR benchmark segment: newcomer from Canada

As it turned out, a new dynamic was actually in evidence on the EUR subbenchmark segment after the summer recess, with a Canadian bank making an appearance in this covered bond sub-segment for the first time. The Canadian newcomer, Equitable Bank, mandated for investor calls in connection with a transaction in euros at the start of the new trading week, which got underway yesterday (on Tuesday). An AA rating from Fitch and DBRS is likely to be awarded to the 3y soft bullet covered bond that is expected to follow. The cover pool for the issuance programme comprising CAD 2bn at Equitable Bank totalled CAD 628m (or EUR 421m) as at the reporting date of 30 July 2021. In geographical terms, the largest share of cover assets is attributable to the province of Ontario (78.2%). With a total of 1,385 mortgage loans and an average loan value of CAD 453,528, we can talk of a granular cover pool in this instance. Given the inaugural character of this deal, the expected rating and a classification in the EUR sub-benchmark segment, the upcoming covered bond should offer a notable premium in terms of the ASW spread. We expect a spread indication above mid-swap, roughly in the area of ms +9bp.

Canada: spread landscape



Canada: EUR benchmark segment



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

Covered Bonds in the APAC region: Fitch and Moody's with statements

As part of the publication "APAC Covered Bonds Quarterly", Fitch discussed, among other developments, rising real estate prices in New Zealand and drew a connection between this trend and interest rate levels. According to Fitch, the measures initiated by the RBNZ and the government to cap this increase should not lead to any negative impact on covered bonds. With regard to the covered bond market in Singapore, Moody's has determined that the higher costs of real estate acquisition would be largely offset by improved financing conditions for new properties ("Housing Affordability") over the next 12 to 18 months, which in turn can be regarded as bolstering the good credit quality of covered bonds.

EMF Quarterly Review: market for mortgage financing on the growth path

A few days ago, the European Mortgage Federation (EMF) published its quarterly report on the European real estate and mortgage markets. The EMF Quarterly Review for Q1 2021 shows that the volume of mortgage financings rose again during this period. An increase of 6% versus Q1 2020 was recorded for net lending in the EMF country sample (16 jurisdictions in total). For markets such as Germany (+6.6% Y/Y) and France (+5.6% Y/Y) or even the UK (+7.7% Y/Y), the time series for outstanding mortgage financing showed correspondingly significant increases in Q1 2021. We see the EMF's comments with regard to keeping an eye on the measures implemented at national government level in connection with a transition towards a more sustainable real estate market as more than just a side note. In this context, the press release also addresses tax incentives and measures to support the renovation of existing properties.

Germany: vdp Property Price Index rises significantly (again)

The dynamics on the German property market are also evident when looking at the highly regarded vdp Property Price Index. The index of the Association of German Pfandbrief Banks (vdp) climbed in the second quarter of 2021 to 188.5 points, setting a new record value in the process. The increase amounts to 8% year on year. In the opinion of Jens Tolckmitt, Chief Executive of the Association of German Pfandbrief Banks, this increase reflects a sustained rise in demand set against a more sluggish development on the supply side in comparison with this dynamic. A rise of 10.7% for residential properties in Germany can be seen in the segment reporting in comparison with Q2 2020, while commercial properties are displaying a negative dynamic at -1.1% year on year. The sub-category of retail properties is above all responsible for this decline, with a fall of -2.6% year on year having been recorded in this context. As part of our weekly publication, the next issue will include details on the time series for property price developments based on the vdp database, which takes into account the transaction data from more than 700 credit institutions.

NORD/LB Capital Market Spotlight: focus on the French covered bond market

Although no French issuer has so far made an appearance on the primary market after the end of the summer recess, the covered bond market of the "Grande Nation" is one of the most important and at the same time dynamic settings for EUR benchmarks. For us, this is not least reflected in the constant presence of French issuers in the wake of increasing uncertainty on the financial markets in the first six months of 2021. Moreover, the largest share of new issuances in both 2020 and 2021 in addition to the highest outstanding volume of EUR benchmarks is still accounted for by the jurisdiction of France. In this context, we are delighted to invite you to attend the latest edition of our digital investor conference *NORD/LB Capital Market Spotlight*, in which we shall focus on this sub-market. This event is scheduled to take place tomorrow (02 September 2021). As part of our "France Day", two major players in the EUR benchmark segment, namely La Banque Postale and CAFFIL, will be profiled, with the implications of sustainability aspects discussed by a panel. If you are interested in taking part, please do not hesitate to get in touch with your Sales contact or simply email markets@nordlb.de. We look forward to seeing you there. Moreover, a current overview of the French covered bond market can be found in the focus article on France in this edition of our weekly publication.

Market overview SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

Special federal government and Laender fund: “2021 Reconstruction Aid”

During our summer break, Germany’s federal cabinet adopted a draft text proposed by the Federal Ministry of Finance and the Federal Ministry of the Interior for the establishment of a special flood relief fund (2021 Reconstruction Aid) and to amend other laws (Reconstruction Aid Act 2021 [Aufbauhilfegesetz 2021]). The special fund will be financed to the tune of up to EUR 30bn using federal funds. According to the Federal Ministry of Finance, this includes EUR 2bn in spending on the reconstruction of federal infrastructure which will be covered by the federal government alone. In a spirit of solidarity, the federal government and the Laender will each fund half of the costs of the reconstruction measures by the Laender, which will amount to EUR 28bn. In a first tranche, the federal government will provide EUR 16bn from the 2021 federal budget for the special fund. As of 2022, federal grants to the fund will be made as needed in accordance with the Budget Act (Haushaltsgesetz). In this way, the federal government will ensure the liquidity of the special fund and make sure that sufficient resources are available. The contribution of the Laender to the financing will be implemented by adjusting the vertical apportionment of VAT revenue over a period of 30 years. As early as 21 July 2021, the German government decided to contribute half of the emergency aid to the affected Laender. The immediate assistance is intended to cover emergency expenses incurred by individuals, businesses and local authorities. The federal government will initially provide EUR 400m to finance approved immediate assistance by the Laender. An administrative agreement to this effect was signed by the federal government and the affected Laender on 30 July 2021. The special fund will provide financial resources to fund the necessary measures for private households, businesses and other bodies that have suffered damage, as well as to rebuild the infrastructure destroyed by the heavy rain and flooding. In the coming years, significant financial efforts will be necessary in order to repair the damage suffered by private households, businesses and public bodies (associations, foundations etc.) and to repair or rebuild damaged and destroyed infrastructure at federal, Laender and local authority levels. The new law will also authorise the federal government to issue, in agreement with the Laender, a statutory instrument defining the allocation of reconstruction funds among the affected Laender and establishing uniform principles for providing support. The different levels of damage suffered by the affected parties will be taken into account when allocating funds to the federal government, Laender and local authorities as well as when granting assistance. Companies in financial distress due to the floods do not have to file for insolvency until 31 October 2021. The question as to whether an extra issuer (such the former BULABO ticker for the first and only Bund-Laender bond) would be created for this or whether the same ticker would be reactivated also occurred to us. We do not see any spread advantage here and the filling of the special fund is likely to come from the current 2021 budget according to the plan as outlined above. Of course, there is always the possibility of a supplementary budget at federal level or in the afflicted Laender. However, it is still too soon to accurately or reliably assess the extent of all the damage.

23rd Meeting of the Stability Council

The Stability Council met at the beginning of the summer under the chairmanship of the Federal Minister of Finance and the Minister of Finance of North Rhine-Westphalia (Chair of the Conference of Finance Ministers). As expected, measures to fight the pandemic continue to have a major impact on the budgets at Bund and Laender level as well for the municipalities and social security funds. Pandemic-related and economic uncertainties continue to exist, and these are expected to cause significant additional costs that will have to be covered by public budgets. It was and will continue to be necessary to take such costs adequately into account during the budget preparation process. The Stability Council is of the view that a natural disaster or exceptional emergency (as referred to in Germany's Basic Law) will continue to exist in 2022. As we understand it, this would mean another suspension of the debt brake (at least) in 2022. Germany's general government budget balance for 2020 turned out to be better than previously forecast in December. The costs to public budgets caused by lockdowns and by measures to mitigate the effects of the pandemic led to a general government structural deficit of only 2.0% of GDP in 2020, according to the press release. In December, the Stability Council assumed the deficit for 2020 would amount to 2.5% of GDP. The Stability Council expects the general government structural deficit to rise markedly in 2021 for pandemic-related reasons, with public budgets returning to a course of consolidation after that. It expects Germany to return to compliance with the upper limit on the general government structural deficit (0.5% of GDP) starting in 2024. The Stability Council considers that the projected reduction in the general government structural deficit by more than 0.5% of GDP in both 2022 and 2023 will meet the European fiscal surveillance benchmark for a reduction in the structural deficit. The Stability Council's advisory board confirms that, in both 2022 and 2023, Germany – under current fiscal plans – will significantly exceed the upper limit on the general government structural deficit as set out by the European budgetary surveillance process. From 2024 onwards, however, this could well be achieved given the current fiscal policy. In the advisory board's view, Germany will reduce its general government structural deficit by at least 0.5% of GDP per year from 2022 onwards, and will therefore comply with the Stability and Growth Pact's consolidation targets. To recap: in 2020, consolidation procedures expired in Berlin, Bremen, Saarland, Saxony-Anhalt and Schleswig-Holstein. These Laender were required to achieve structurally balanced budgets in 2020. The Stability Council finds that Berlin and Schleswig-Holstein satisfied this requirement. Owing to the extraordinarily high costs of the pandemic, the Stability Council acknowledges that the current circumstances are highly exceptional and describes those targets not achieved by Bremen, Saarland and Saxony-Anhalt as immaterial. At the meeting, Bremen and Saarland provided the latest reports on the implementation of their adjustment programmes. The repayment targets for 2020 were not achieved due to the financial burden of the coronavirus pandemic. Given the highly exceptional circumstances, the Stability Council deems these failures to be permissible. The Stability Council finds that the adjustment programmes have been completed and, following an in-depth review, there are currently no impending budgetary emergencies. However, the Stability Council believes that considerable efforts will be needed in the coming years to prevent any new abnormalities within the context of the annual budgetary surveillance process and to ensure compliance with the Laender debt brake rules and the provisions of the Consolidation Aid Act (Sanierungshilfengesetz).

Primary market

While the topic of ESG is also becoming an increasingly important issue for ever more sovereign issuers – for example Spain, which now has green issuance plans in the works – the primary market has picked up considerably again in any case. Today's section summarises almost all activities from August for the SSA segment: KfW (EUR 1bn, 2030, at ms -15bp), and the EIB (EUR 100m, 2028 sustainability bond, ms -16bp) set the ball rolling with two taps. These were more than just test balloons. In fact, these deals can be regarded as gateways to increased market activity in the days that followed. The first benchmark after low activity levels came from Hesse on 17 August: EUR 500m (WNG) came in at ms -9bp with a four-year maturity. The bond was more than twice oversubscribed. After that, KfW gave a major boost to the market: EUR 5bn came in at ms -15bp for seven years. On the one hand, the guidance was ms -13bp area, but on the other, the final books still amounted to more than EUR 18bn. Only 14% of the bond was allocated to German investors, 20% went to UK/Ireland, 12% to Scandinavia, and 11% to France. This meant that not even 50% of the bond had been distributed to those major regions, so granular was the allocation worldwide. Consistent with the good market sentiment, BAYERN brought two taps to market: EUR 250m for the 2032 maturity at ms -6bp and EUR 350m at ms -10bp (2025). A week ago, two jumbos arrived from our neighbouring countries: Société du Grand Paris, responsible for infrastructure (re)construction in the Paris metropolitan area and a regular issuer of green bonds, raised EUR 1.5bn for 15 years. Pricing was both 21bp over OATs and above mid-swap. At EUR 1.7bn, the books were not particularly full and the spreads may have been maxed out. BNG, on the other hand, recorded a bid-to-cover ratio of over 2.0x for its bond. This comprised EUR 1.75bn and came in at ms -3bp for seven years. The books closed at over EUR 3.5bn. There was also a window for another Dutch company, namely NWB: this "SDG Housing Bond" was sized EUR 1bn (WNG) and promotes social housing projects in line with the NWB framework. The deal was priced at ms -3bp, although initial guidance had been pointing in the direction of ms flat area, but ultimately the order books reached EUR 2bn. Another German issuer came from the far north: SCHHOL raised EUR 1bn for four years at ms -8bp. In total, EUR 2.9bn, a figure not seen for a long time, accumulated in the order books, with tightening by one basis point against the guidance (ms -7bp area) recorded here. Finally, we refer to two rare Asian names, coincidentally both from Japan: JFM, Japan Finance Organization for Municipalities, brought EUR 1bn to market at ms +18bp for ten years. DBJJP, Development Bank of Japan, already mandated on 23 August for a four-year sustainability bond and yesterday the consortium presented the IPT at ms +16bp area. We expect completion today. In addition, the ESM will bring its annual USD transaction: a total of USD 2bn (WNG) has been announced for two years at ms +1bp area. This means that the funding window of 20-24 September no longer seems to be needed, as the EFSF has already reached its target for 2021 and the ESM is only planning on EUR 2bn per quarter.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
JFM	Other	25.08.	XS2377379461	10.0y	1.00bn	ms +18bp	- / A1 / A+	-
SCHHOL	DE	25.08.	DE000SHFM816	4.0y	1.00bn	ms -8bp	AAA / - / -	-
NEDWBK	NL	24.08.	XS2382267750	10.0y	1.00bn	ms -3bp	- / Aaa / AAA	X
BNG	NL	24.08.	XS2381566616	7.0y	1.75bn	ms -3bp	AAA / Aaa / AAA	-
SOGRPR	FR	23.08.	FR00140058G6	15.0y	1.50bn	ms +21bp	- / Aa2 / -	X
KFW	DE	17.08.	DE000A3E5LU1	7.2y	5.00bn	ms -15bp	- / Aaa / AAA	-
HESSEN	DE	16.08.	DE000A1RQD68	3.9y	0.50bn	ms -9bp	- / - / AA+	-

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

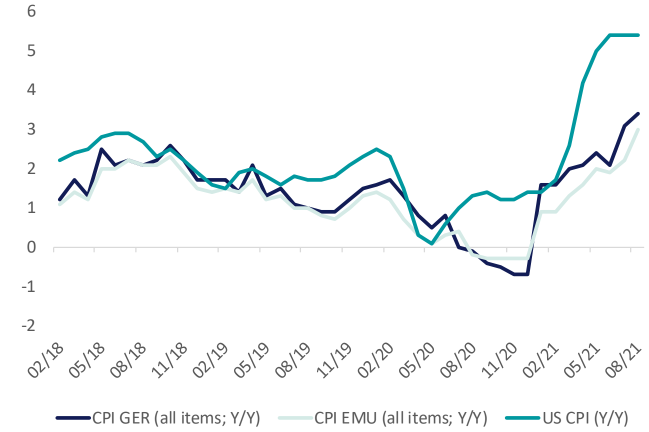
Cross Asset
ECB preview: focus on the pace of PEPP purchases?

Authors: Dr Norman Rudschuck, CIIA // Dr Frederik Kunze

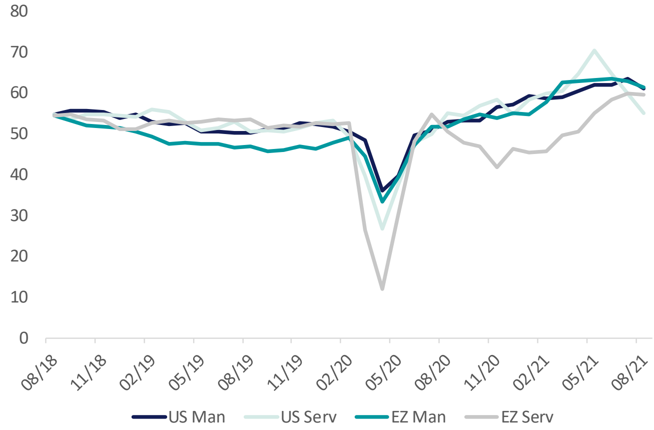
ECB meeting: growth and inflation concerns also on the agenda alongside PEPP

The next ECB regular key rate meeting is scheduled for 9 September 2021. After the July meeting of the ECB Governing Council was accorded special significance simply because of the previous announcement of the central bank's new strategy, we would see the coming meeting more as a kind of staging post on the road to March 2022. Nevertheless, we would by no means describe it as a non-event when the ECB Governing Council meets on Thursday next week. After all, poor decision-making by central bankers based on the general economic and pandemic conditions could certainly have negative consequences. The assessment of the situation is by no means trivial, as the latest reports from the US Federal Reserve imply. Fed Chairman Powell's speech last Friday made it clear that even if the turnaround in interest rates is only expected in the distant future, this does not have to be at odds with tapering by the US Federal Reserve. The "bone of contention" in the USA also remains the question of how ominous the development on the price front actually is. Even though we continue to assume that the price increases observed in the Eurozone are transitory in nature, we look with some concern at the negative implications of supply bottlenecks and supply chain disruptions. Combined with a flattening of economic activity in China, certain braking effects must be anticipated for global economic momentum, but also for growth in the Eurozone. All in all, the strong recovery in the second quarter of 2021 is likely to be followed by a certain disenchantment. We see the developments in the purchasing managers' surveys as an indication of this. That the pandemic is by no means a thing of the past for the ECB too is evident not least from the continuation of the PEPP. Although the success of vaccines in the euro area and in Europe as a whole is considerable, there is still scope for negative surprises both of a direct and indirect nature. These include unchecked waves of infection in other economic areas due to lower vaccination rates, as well as the potential risks of new virus mutations.

Price development (CPI Y/Y in %)



Purchasing managers' surveys



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

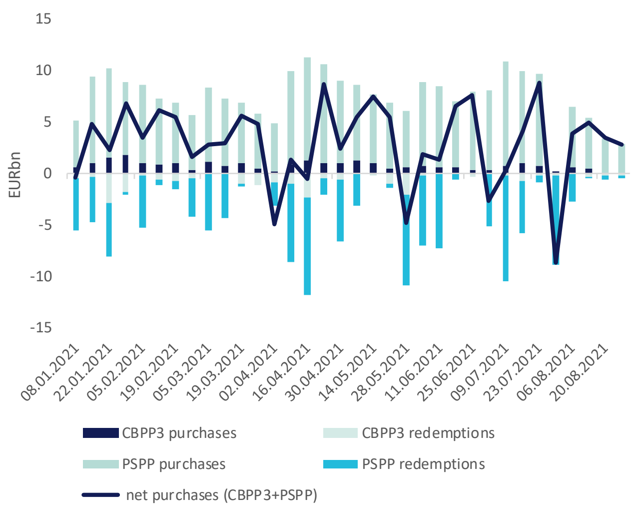
Last ECB meeting: new ECB strategy and adjusted forward guidance

Once again, the monetary policy decisions of 22 July 2021 did not result in any adjustments to the key rates or other monetary policy control parameters. With the communication of the results and measures from the completed strategy review process, which also took place in July, the meeting was nevertheless of great importance, as mentioned above. The symmetrical inflation target of 2% over the medium term is one of the new features, as is the adjusted forward guidance on interest rates. Accordingly, the ECB Governing Council remains committed to a "persistently accommodative monetary policy stance" with the intention of achieving the inflation target. However, with the new forward guidance on interest rates, the Governing Council has once again raised the bar for an interest rate hike somewhat higher. Now the inflation target of 2% must be reached well ahead of the end of its projection horizon and must also be sustained. In line with the new strategy, this explicitly includes the possibility that inflation may also be moderately above the inflation target in a temporary phase. As can be seen, among other things, from the minutes of the Governing Council meeting on 21 and 22 July, it was once again emphasised during the key rate meeting that the new strategy was based on a unanimous decision. Moreover, the central bankers agreed that the changes to the forward guidance in particular would support market participants' understanding of the new ECB strategy. In this context, the ECB minutes also reveal that some members of the ECB's Governing Council would have favoured a more far-reaching or stricter interpretation of the forward guidance. In this context, we believe it is important to emphasise that the credibility of the forward guidance is also considered a critical asset by the Governing Council. Thus, it was also recorded in the minutes that overly "ambitious" formulations could jeopardise credibility. However, this argument was not enough to brush aside all requests for modifications. So while the ECB's strategy was unanimously agreed, not all voting central bankers rallied behind the adjusted forward guidance proposal. Among other things, it is our understanding that the implicit probability and continuance of overshooting the inflation target has been impaired.

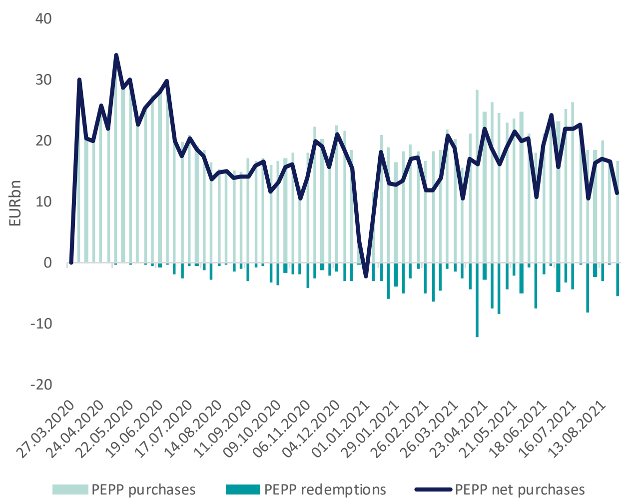
Parameters unchanged, PEPP purchases continue at increased pace

At the July meeting, the central bank also confirmed the continuation of accelerated purchases under the PEPP for the ongoing third quarter of 2021. The duration of the PEPP until at least the end of March 2022 and the envelope of EUR 1,850bn were also confirmed in July. However, this pace of purchases has been less pronounced on the market recently, which we believe is probably also due to the seasonal pattern of the ECB's purchase programmes. With regard to both net and gross purchases, the PEPP was rather restrained in the summer months – also as a result of the low level of market activity. At this point, however, we believe it definitely makes sense to heed Christine Lagarde's comments: A handful of weekly data points do not allow any conclusions to be drawn that the ECB has abandoned its communicated strategy of increasing the pace of purchases under the PEPP. Based on the longer-term view since the programme's inception (see also the following chart on weekly purchases under the PEPP), we would indeed see indications of more brisk purchasing activity.

Purchases under the PSPP and CBPP3 (2021 ytd)



Purchases under the PEPP (since inception)



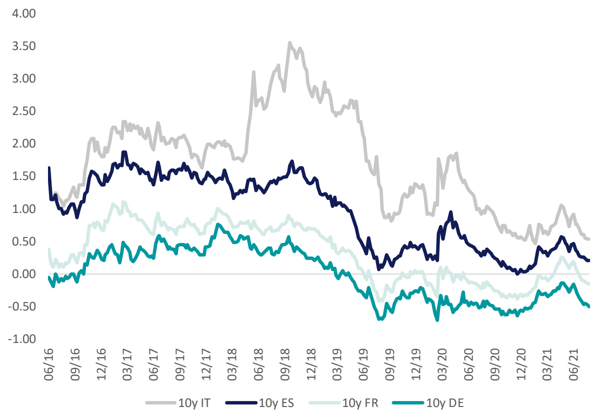
Source: ECB, NORD/LB Markets Strategy & Floor Research

ECB playing for time

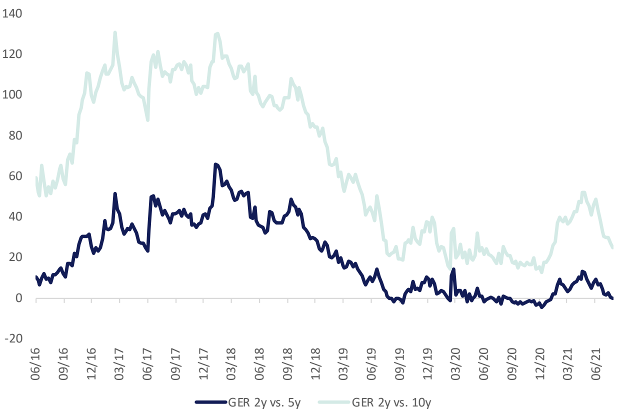
There are unlikely to be any formal changes to the central bank's toolbox at the upcoming ECB meeting. Accordingly, neither the structure of the purchase programmes should be adjusted nor should the key rates be adjusted. The parameters for the TLTRO III programme and the graduated interest rate are also likely to remain unchanged. Ultimately, the current structure of the ECB's monetary policy instruments provides an appreciable degree of flexibility. So, in our view, the meeting will focus in particular on PEPP purchases. Given the assessment that vaccination progress will contain the negative implications of new waves of infection, we are indeed once again increasingly focusing on the question of when this scenario will have an impact on the pace of purchases under the PEPP or the pandemic emergency programme as a whole. In this context, ECB Chief Economist Phillip R. Lane recently referred to the purpose of the programme in a Reuters interview. Thus, financing conditions should be sufficient to cushion the negative shock of the pandemic on inflation. For the September meeting, Lane announced that the Council would deliberate on the calibration of purchases in the last quarter of the year, taking into interest rate developments as well as the outlook for inflation. In this context, the ECB chief economist once again emphasised the flexibility of the PEPP by pointing out that the pace of purchases could be reduced or increased depending on financing conditions. We would also take it as an indication of a steady hand from the monetary watchdogs that Lane explicitly referred to the time lag between the September meeting and March 2022. Even beyond the time horizon of the PEPP, the ECB has an instrument at its disposal in the form of the APP, to which the focus of attention will again increasingly shift, with which the securities purchases can be continued, which in turn takes the pressure off the ECB when it comes to communicating its next steps. In our view, this again suggests a rather more uneventful September meeting, even if, given price developments in the common currency area as well as current yield levels, calls for a change of course are likely to grow louder – which is also what most reporters' questions are likely to focus on.

Capital market interest rates: current pace of purchases priced in?
In recent weeks, there has been a significant decline in capital market interest rates, e.g. for yields on 10y government bonds from Germany and France, but also Italy and Spain. Term spreads on Bunds also signalled an easing with a view to expected rate rises. All in all, this suggested that the favourable financing conditions no longer required an increased pace of purchases. However, the yields observed on the market are indeed also the result of market participants' expectations that the ECB will intervene noticeably via APP and PEPP. In this respect, in our opinion, it almost had to be expected that an overly hawkish communication could partly trigger unwelcome reactions on the capital market. This is now shown not least by the latest market reactions to statements by ECB Governing Council member Robert Holzmann, which stimulated the debate with regard to a PEPP reduction. We continue to believe that this discussion is necessary and that a reduction in purchases is likely before the end of 2021. However, in the coming week, we think the likelihood of an "increased pace of purchases" will remain high, even though it is not linked to concrete figures.

Government bond yield development (in %)



Term spreads (Germany; in basis points)



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

Covered bond market: little new impetus in terms of monetary policy
As in our previous ECB previews, we can ascertain little in the way of potential fresh impetus from the ECB's monetary policy with regard to the covered bond market. In this context, the central bank should continue to exert its simultaneous influence on the market after the meeting, resulting in lower supply while implying high demand by the Eurosystem. The increased pace of purchases in the context of the PEPP is likely to play at most a minor role for covered bonds, since in this market securities purchases via the PEPP are hardly ever made, or only to a negligible extent. ECB chief economist Lane has also pointed out that it is far from time to talk about new editions of TLTRO. This statement seems quite plausible to us, as the maturities are scheduled until the end of 2024. However, September should not be entirely uninteresting for the covered bond market: Credit institutions have until 15 September 2021 to inform the Eurosystem with regard to planned voluntary repayments from the first five TLTRO III tenders (see ECB calendar). The commercial banks can then theoretically roll these amounts into subsequent tenders or consider refinancing more on the market again if needed.

SSA segment: Substantial supply still matched by strong demand

Substantial supply from SSA issuers (mainly EU, but also German issuers such as KfW and the Bundeslaender), which is now increasing again after the summer break, is matched by continuing strong demand from investors (primary market) and the Eurosystem (secondary market). All significant players have a substantial presence in the market and even the German issuers are also increasingly approaching investors. In addition to sub-sovereigns, this is the case for the usual representatives of E-supras (in particular, the EU and EIB, but also the EFSF and ESM) as well as KfW. With monthly new borrowings of EUR 20bn, QE/APP is unjustly regularly overshadowed by the newer but far faster growing PEPP. The focus is likely to switch increasingly to this aspect of quantitative easing by 2022 at the latest

Still no clarification from the ECB

We are still concerned by the discussions about the ISIN limits that the ECB has imposed on itself for the APP and PSPP, respectively. As stated on numerous occasions, a 33% ceiling per issuer or issue usually applies and this ceiling is only increased to 50% for supranationals. Here, the ECB is not providing any explanation as far as the PEPP is concerned and is refusing to provide the information that is urgently required in the interests of transparency. Numerous enquiries on our part have been persistently ignored to date. However, the issue of a blocking minority is important if tensions in the public sector were to re-emerge. Here, the ECB would benefit from more transparency, as it largely lives on its credibility and market confidence. Otherwise, effective verbal interventions will not be possible.

Conclusion and comments

The ECB's next regular key rate meeting is due to take place in eight days' time, or to be more precise on 9 September 2021. We see the coming meeting – as explained – more as a kind of staging post on the road to the end of the PEPP in March 2022, although we would not go as far as describing it as a non-event. After all, poor decision-making by central bankers based on the general economic and pandemic conditions could certainly have negative consequences. The assessment of the situation is by no means trivial, as the latest reports from the US Federal Reserve imply (Jackson Hole). That the pandemic is by no means a thing of the past for the ECB too is evident not least from the continuation of the PEPP – market participants are now beginning to speculate about an extension of the PEPP until October 2022 for the first time. Not only do we consider this approach premature, but we do not think it will be on the ECB's agenda in this or a similar form. It is more likely that there will be talk of a reduction in the pace of purchases for Q4 2021 and Q1 2022, although not necessarily at this meeting. Moreover, the PEPP is sufficiently flexible even without a new resolution and does not have to be exhausted in the full amount of EUR 1,850bn – irrespective of the pace of purchases.

Covered Bonds
France – largest jurisdiction in EUR benchmark bond segment: a covered bond overview of the "Grande Nation"

Author: Dr Frederik Kunze

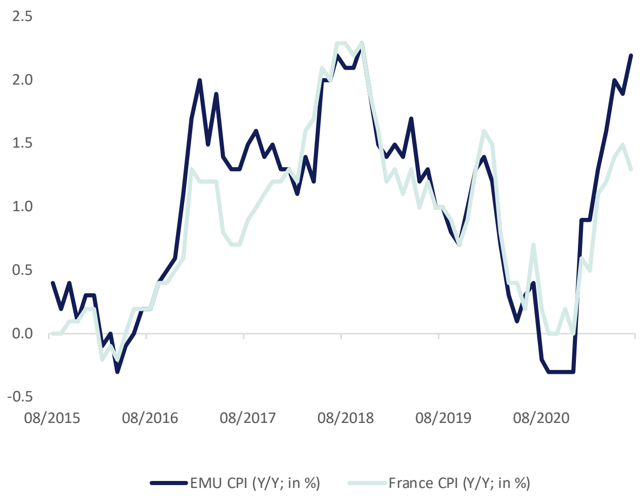
Overview of the French covered bond market

The Covid pandemic as well as its indirect and direct consequences have impacted on the international covered bond markets. At the same time, the ECB's monetary policy, the associated low interest rate level and regulatory provisions continue to influence the funding behaviour of issuers. In addition, Europe's covered bond markets face a turning point. The integration of minimum standards for covered bonds in national legislation is accelerating – albeit with some delay in certain countries – and is contributing to the further development of the covered bond segment, which is something to be welcomed in our opinion. As part of the current edition of our weekly publication, we provide a focused overview of what currently is the largest jurisdiction for EUR benchmarks. It comprises a description of the current economic situation in France and statutory conditions for covered bonds under French law as well as an outline of the benchmark segment in the "Grande Nation".

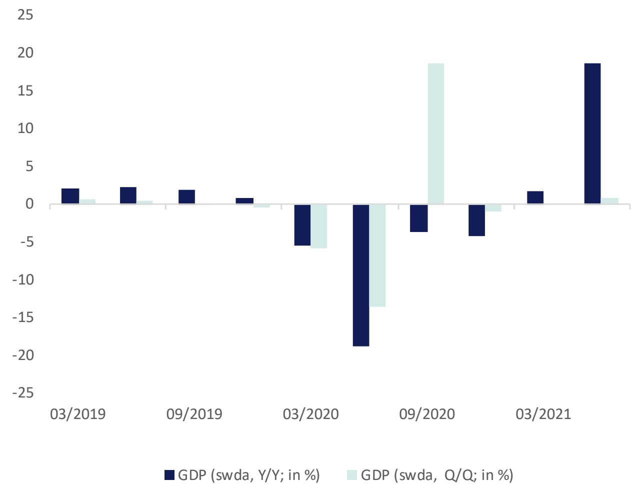
Economic trend

The Covid pandemic and the associated direct and indirect consequences have left their mark on the French economy, and continue to do so. The dramatic downturn in economic activity during the first half of 2020 was followed by phases of a significant recovery. The economic environment has continued to be marked by how the ongoing challenges posed by the pandemic are managed and by the progress made with vaccination. The rate of price increases in France, including in consumer prices, is affected by a complex set of factors (such as base effects and increasingly also the consequences of delivery bottlenecks). As elsewhere, the public sector in France also countered the impacts of the pandemic. A drastic rise in unemployment was prevented and loan losses (relating to housing finance, for example) have remained manageable to date and/or largely at the pre-crisis level. In view of the fact that these indicators tend to be lagging in nature, we see no indication so far of a risk of significant and sustained increases. Nevertheless, the threat of a slowdown in economic activity is also emerging in the second biggest economy of the Eurozone, following the substantial recovery in the first half of 2021. This is evident, for example, in the latest findings of sentiment and purchasing managers surveys. In addition to the services sector, the emerging slowdown implicates the manufacturing industry. Downside risks for the expansion of France's national economy at global level may also arise if China's growth course flattens more rapidly than expected. However, it can be stated that, overall, major distortions caused by the crisis were prevented in the French economy.

Price trend in the eurozone and France



GDP growth in France



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

French property market – long-term trend continues

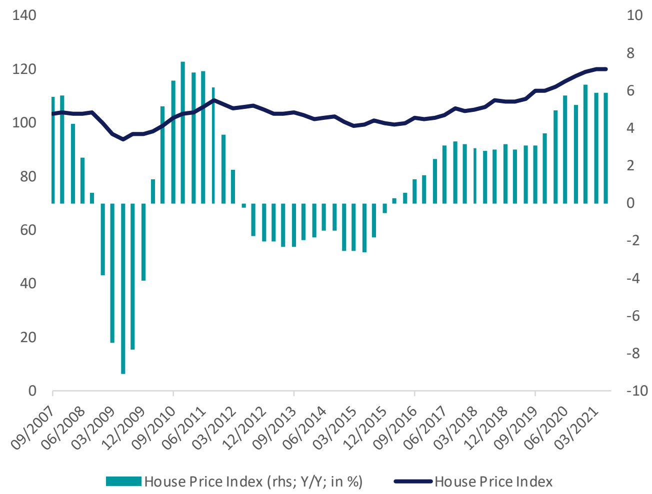
In the course of the coronavirus crisis, a high level of stability has been evident in the French property market overall. This conclusion is also valid against the backdrop of temporary hesitancy in terms of selling property in the wake of the outbreak of the coronavirus. Uncertainty in this respect only had a temporary impact. The understandable tightening of lending standards has neither brought about a trend reversal in property prices nor in lending to date. A long-term consequence of the pandemic and lockdowns resulted in a shift in preferences in France towards living in the country and bigger homes. The ongoing low interest rate level is additionally boosting demand for financing and residential property. This demand is met by short supply overall in the French property market, which ultimately is providing momentum for construction. Measures taken to mitigate climate change are increasingly taking hold in the property segment, also in France. In addition to national campaigns ("loi climat et resilience"), in the context of green covered bonds, the new EU green bond standard and the associated EU taxonomy should be mentioned, in particular.

Banking sector remains robust

Partly as a result of the bold interventions and support measures taken by the French government, the country's financial institutions have so far proved to be comparatively robust throughout the crisis. As a matter of fact, the capital resources of French financial institutions prior to the pandemic were already at a comfortable level. Liquidity conditions also have been, and remain, more than adequate. The NPL ratios of the country's financial institutions were comparatively low and/or sufficient provisions had been set up. Nonetheless, an increase in NPL ratios across all loan portfolios is expected as a result of the crisis. However, this potential increase may be offset by the above-mentioned capital resources (capital ratios considerably exceed regulatory minimum requirements). With regard to funding opportunities for the French banking sector, covered bonds play an important role, in our view. Indeed, French issuers, in particular, successfully approached investors with covered bonds shortly after the start of the crisis in 2020.

France: INSEE sentiment surveys

France – price trend for existing property



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

Legal conditions in France

Covered bond legislation in France, in our opinion, ensures a very high level of asset quality for the bonds issued under the framework, including in an international comparison. As a result of adjustments in the context of EU harmonisation – more on this in the following – further strengthening has occurred in this respect. Under French legislation, covered bonds were and are, in principle, issued by specialised financial institutions (établissements de crédit spécialisés). With regard to the legal form of these covered bond issuers, a distinction is made between Société de crédit foncier (SCF), Société de financement de l'habitat (SFH) and Caisse de Refinancement de l'Habitat (CRH). Both SCF and SFH are supervised by Banque de France's Autorité de contrôle prudentiel et de résolution (ACPR), in order to guarantee high asset quality and the legal privileges arising from covered bonds for investors. Specialised financial institutions in the form of SCF may use a broader spectrum of cover assets because of the legal framework (mixed cover pools). The covered bonds placed are issued as obligations foncières (OF). Bonds issued by SFH are launched as obligations à l'habitat (OH), with CRH bond issues representing the third category of bonds. These are exclusively placed by an issuing vehicle (the Caisse de Refinancement de l'Habitat). For OF, residential and commercial property loans are permitted as per the SCF legal framework, which are collateralised either with a mortgage or by guarantees from financial institutions or insurance companies. Furthermore, public sector exposures, intragroup mortgage backed securities (MBS) and mortgage promissory notes (billets à ordre) and such paper issued by third parties, all are also permitted cover assets. In accordance with the SFH legal framework, residential property loans (collateralised with a mortgage or guaranteed) as well as the relevant MBS and promissory notes are suitable cover assets for the OH cover pool. The main difference to OF is that the permitted assets also encompass public sector backed cover assets and commercial property financing. Residential property loans (collateralised with a mortgage or guaranteed) and promissory notes are eligible cover assets for CRH.

Focus on the legal framework for OF and OH

For mortgage cover assets used for housing purposes, a LTV limit of 80% must be applied for OF and OH. For commercial cover assets, the value here is 60%. Conversely, for property loans that are guaranteed by the Fonds de garantie de l'accession sociale (FGAS), 100% can be counted towards the limit. In addition, the legal framework for SCF and SFH stipulates binding overcollateralisation of a minimum of 5% (nominal). In order to avoid maturity mismatches, the weighted time to maturity of the cover assets must not exceed the weighted time to maturity of the covered bonds by more than 18 months. To mitigate any potential liquidity risks, the specialised financial institution must also maintain a liquidity buffer for servicing necessary payment obligations. This means that the required funds must continuously be secured for a period of 180 days into the future.

Parts of the amended French legislation

On 6 July 2021, the French government passed a decree which, together with a directive adopted on 30 June 2021, enshrines the EU directive on covered bonds in French law. This makes France one of the jurisdictions which reported execution within the original timeframe (i.e. by 8 July 2021). The country's new legislation is applicable from 8 July 2022. This is different to the situation in Germany, for example, where key aspects (including maturity shifts) are already applicable law. The existing French legislation was largely in line with the EU directive and/or goes beyond it in parts. For example, France upholds its own, more stringent standards, which is also the case in other jurisdictions. An important amendment to the legislation relates to the introduction of triggers for maturity shifts in the case of a soft bullet structure. This is in line with the EU directive, which does not grant issuers any discretion in this respect and instead relies on objective triggers. Maturity extension therefore only arises if (1) the issuer becomes insolvent or (2) following a decision by the French supervisory authority (ACPR), if an issuer is unable to meet the liquidity requirements (180 days). For Moody's, this amendment in particular results in enhanced credit quality. With regard to the eligible cover assets, the stringent criteria apply, so that no new asset classes and/or types of cover assets are introduced. Moody's also assesses as credit positive the introduction of a required minimum credit quality for guarantors in the case of home loans (minimum EU CQS2). An SCF-specific arrangement in the previous act, which restricted the share of guaranteed residential loans to 35% of the SCF cover pool, is being removed. This means that the two French covered bond regulations (for SCF and SFH respectively) are aligned on this point. The effect on the credit quality of covered bonds would theoretically differ, although the risk experts at Moody's believe that the effect should be manageable overall because, in general, guaranteed home loans account for far less than 35% of the SCF cover pools. A further change in the new legislation relates to the fact that bonds issued by securitisation entities are no longer permitted as cover assets (to date, a limit of 10% of the cover pool was stipulated). No impact on asset quality is expected. In addition, the substitute cover limit of a maximum of 15% of all of the issuer's liabilities remains in place, with lower limits specified, depending on the asset quality: CQS1 – maximum 15%, CQS2 – maximum 10% and CQS3 – maximum 8%.

Covered bond legislation in France (applicable law)

Description	Obligations foncières	Obligations à l'habitat	Caisse de Refinancement de l'Habitat
Abbreviation	OF	OH	CRH
Separate act	Yes	Yes	Yes
Cover assets (incl. assets serving as substitute cover where applicable)	Mortgage loans (collateralised with a mortgage, guarantee), public sector claims, MBS, promissory notes	Residential property loans (collateralised with a mortgage, guarantee), RMBS, promissory notes	Residential property loans (collateralised with a mortgage, guarantee), promissory notes
Owner of the assets	Issuer or financial institution (pledged to the issuer)	Financial institution (pledged to the issuer)	Financial institution (pledged to the issuer)
Specialist bank principle	Yes	Yes	Yes
Geographical restriction - mortgage cover	EEC, Level 1 countries[1]	EEC, Level 1 countries[1]	EEC, Level 1 countries[1]
Geographical restriction - public sector cover	EEC, CH, US, CA, JP, NZ, AU, other	-	-
Lending limit - mortgage cover	Personal: 80% Commercial: 60% FGAS guarantee: 100%	Personal: 80% FGAS guarantee: 100%	Personal: 90% FGAS guarantee: 100%
Statutory preferential right in bankruptcy	Yes	Yes	Yes
Cover register	No	No	Yes
Derivatives in the cover pool	Yes	Yes	No
Substitute cover/limit	Yes / 15%	Yes / 15%	No / -
Minimum overcollateralisation	5% nominal	5% nominal	25% (fixed rate) 50% (variable rate)
Asset encumbrance	-	-	-
Article 52.4 UCITS Directive fulfilled	Yes	Yes	Yes
CRD compliant/ECB eligible	Yes / yes	Yes / yes	Yes / yes

Source: national legislation, ECBC, rating agencies, NORD/LB Markets Strategy & Floor Research

[1] Level 1 countries: countries which have the highest credit rating from an external rating agency recognised by the ACPR

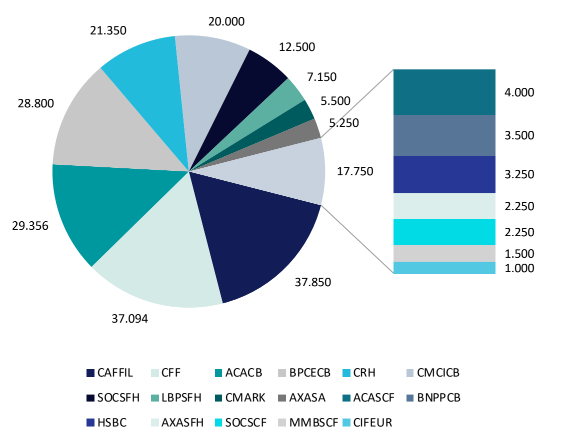
Covered bond benchmark segment in France

The highest share of EUR benchmark bonds outstanding is attributable to issuers from France. Covered bonds from France account for a share of 24.9% (EUR 222.6bn) of the volume outstanding, totalling EUR 894bn. The next highest share is attributable to Germany (EUR 153.4bn, or 17.2%). In the current year, similar to 2020, issuers from France were the most active in the market. In terms of primary market deals, covered bonds from France accounted for a share of 29.7% (EUR 27.4bn of the total volume amounting to EUR 92.2bn). In the current year, 2021, the highest share again is attributable to France (30%), with benchmark bond issues placed in a volume of EUR 15.75bn. The 15 currently active benchmark bond issuers from France maintain a total of 18 cover pools, of which 14 are mortgage cover pools. A detailed overview of active issuers in the market as well as their cover pools is available in the current edition of our NORD/LB Issuer Guide Covered Bonds, which was published in July this year.

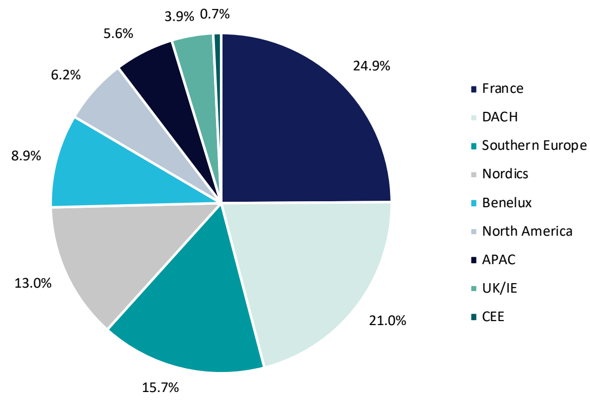
Marked negative net supply expected in 2021

The last bond issue from France was launched on 8 July 2021 (CM Home Loan, CMCICB 0.01, EUR 1.0bn). Since the end of the summer lull, no French issuer has been present in the market or announced a forthcoming issue. However, we expect activities by some issuers from France in the remaining months of 2021 and forecast an issuance volume of EUR 17bn for 2021 as a whole. Combined with the high number of maturities in calendar year 2021 (EUR 30bn), this results in marked negative net supply for what is currently the largest covered bond jurisdiction in the benchmark segment.

EUR benchmarks in France (outstanding, EUR bn)



EUR benchmarks (outstanding, share in %)

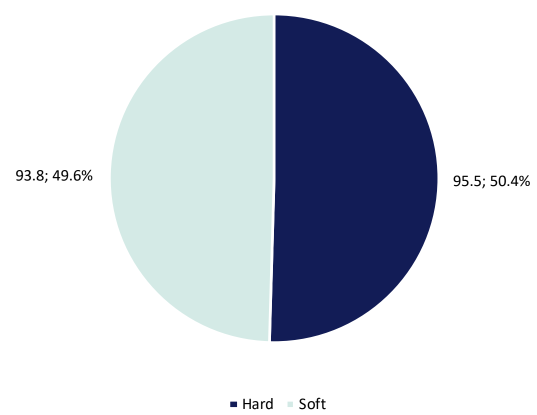


Source: issuers, Bloomberg, NORD/LB Markets Strategy & Floor Research

France – redemption structure for EUR benchmarks

In France, nine issuers have bonds featuring a uniform maturity pattern (all either hard or soft bullet bonds). Five financial institutions, the majority, are issuers who have the option to extend the maturity. Only the bonds outstanding from CRH, CAFFIL, CFF and Société Générale SCF are exclusively hard bullet bonds. Eight issuers have placed benchmark bond issues in the past with both a hard and soft bullet structure.

FR – redemption structure shares (EUR bn)



Redemption structure in France

Emittent	Hard	Soft
Arkea Home Loans SFH	X	X
Arkea Public Sector SCF		X
AXA Bank Europe SCF		X
AXA Home Loan SFH		X
BNP Paribas Home Loan SFH	X	X
BPCE SFH	X	X
Caisse de Refinancement de l'Habitat	X	
Caisse Francaise de Financement Local	X	
Cie de Financement Foncier	X	
Credit Agricole Home Loan SFH		X
Credit Agricole Public Sector SCF	X	X
Credit Mutuel Home Loan SFH	X	X
HSBC SFH France	X	X
La Banque Postale Home Loan SFH	X	X
MMB SCF		X
Societe Generale SCF	X	
Societe Generale SFH	X	X

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

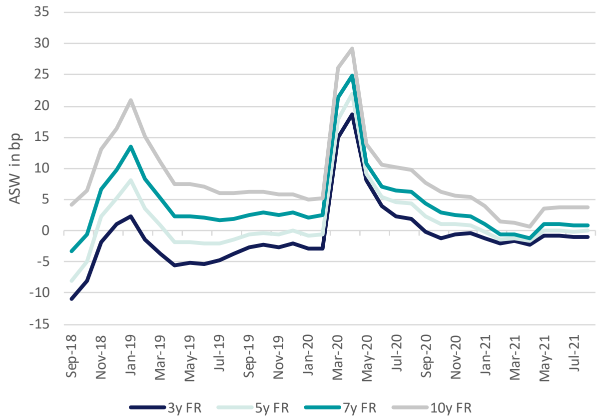
Dynamic ESG segment in France

As previously reported, ESG bond issues are also on course for growth in the EUR benchmark segment. The total volume of EUR benchmarks in ESG format currently amounts to EUR 32.85bn. At EUR 10.5bn, France is also responsible for the highest share in this segment. Next are Norway (EUR 7bn) and Germany. Most of the French ESG deals are green issues (EUR 6.75bn), followed by social covered bonds. In this context, it is remarkable that the last two ESG bond issues from France were both social covered bonds. CA Home Loan (29 June 2021, ACACB 0.01) and CAFFIL (28 April 2020, CAFFIL 0.01) placed two bond issues to finance and fund social assets respectively.

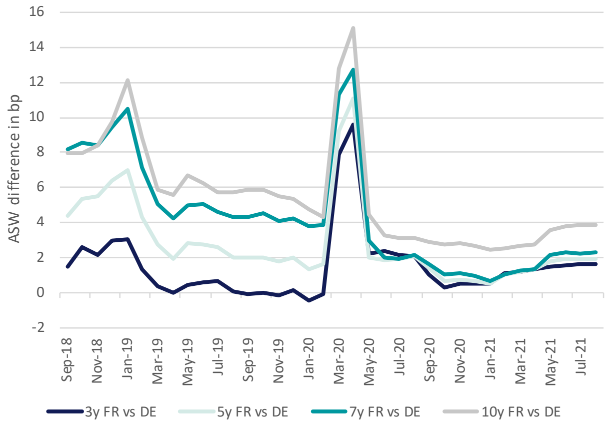
Sideways movement in spreads

The spread trend reflects both the comparatively high asset quality and the conditions in the market for EUR benchmark bond issues. An ongoing high level of demand from the Eurosystem and primary market activities which have been curbed, partly as a result of the ECB's TLTRO III tender, have provided support for spreads in France. To this extent, we see few risks in terms of above-average spread widening. However, at the same time and across all maturity ranges, we do not expect significant tightening of ASW spreads. By year-end 2021, we anticipate moderate increases of a low single-digit figure, although we do not expect a shift in regime to a new level.

Covered bonds – spread trend in France



Covered bonds – spread trend FR vs DE



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

Conclusion

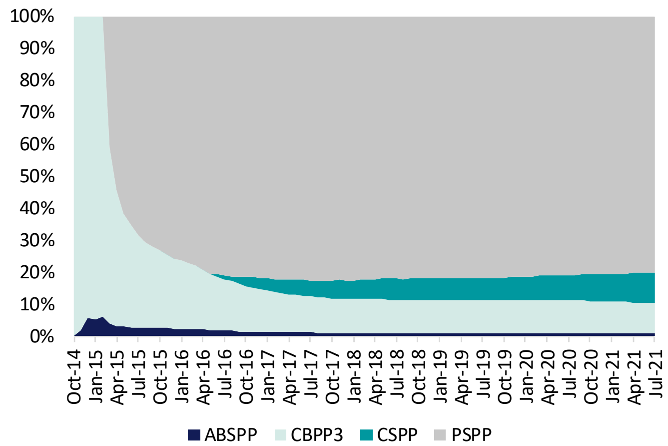
The "Grande Nation", the second biggest Eurozone economy, was hard hit by the coronavirus crisis, but was able to shrug off the dramatic negative consequences relatively quickly – which was also the case for other national economies. The position of the banking sector is sound. In the covered bond market, issuers from France accounted for the highest shares of the volume outstanding and of primary market placements, both in 2020 and in the current year. The negative net supply expected for 2021 is the result of curbed primary market activities and a high number of bonds maturing. The adjustment to France's national covered bond legislation resulting from EU harmonisation are limited and enhance what was already a strong legal framework in the country.

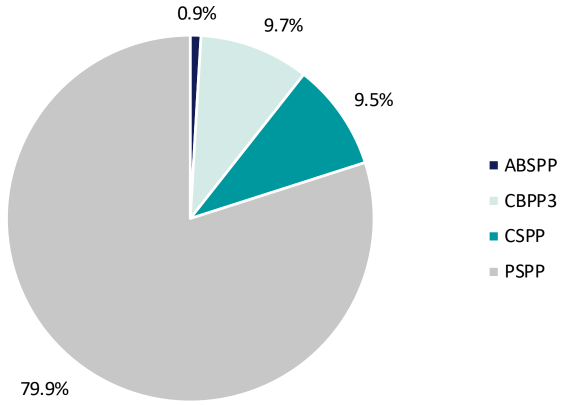
ECB tracker

Asset Purchase Programme (APP)

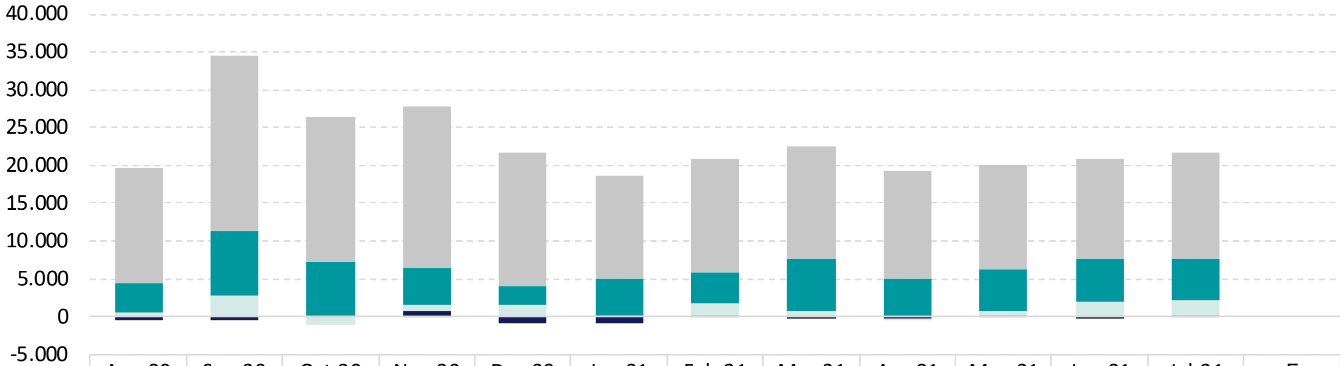
	ABSPP	CBPP3	CSPP	PSPP	APP
Jun-21	28,190	291,764	281,731	2,415,331	3,017,016
Jul-21	28,401	293,776	287,233	2,429,274	3,038,684
Δ	+211	+2,011	+5,502	+13,943	+21,667

Portfolio structure





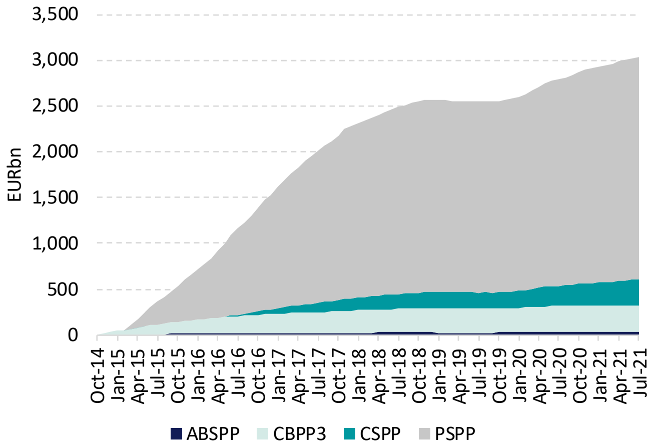
Monthly net purchases (in EURm)



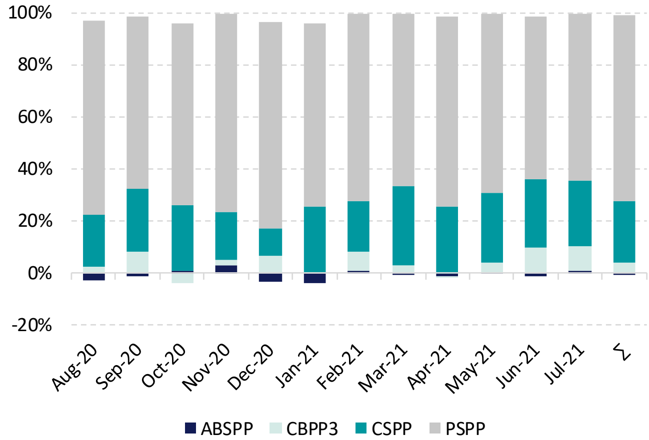
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	∑
APP	19.127	34.014	25.349	27.720	20.929	17.846	20.915	22.561	18.918	20.141	20.640	21.667	269.827
PSPP	15.150	23.102	19.182	21.241	17.822	13.655	15.129	14.955	14.186	13.973	13.320	13.943	195.658
CSPP	4.004	8.496	6.983	5.009	2.378	4.924	4.064	6.929	5.015	5.394	5.602	5.502	64.300
CBPP3	500	2.839	-1.041	646	1.529	74	1.539	684	-5	686	2.037	2.011	11.499
ABSPP	-527	-423	225	824	-800	-807	183	-7	-278	88	-319	211	-1.630

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

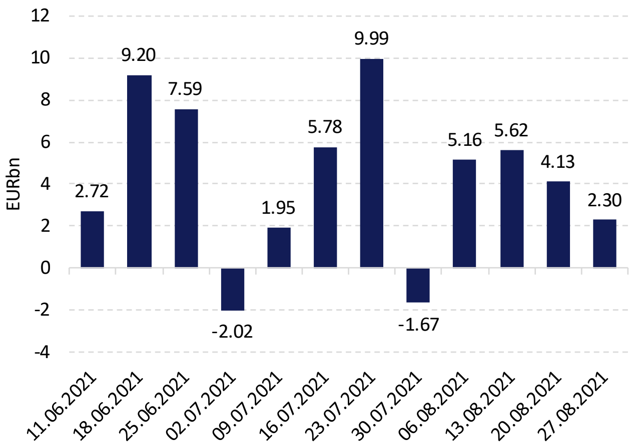
Portfolio development



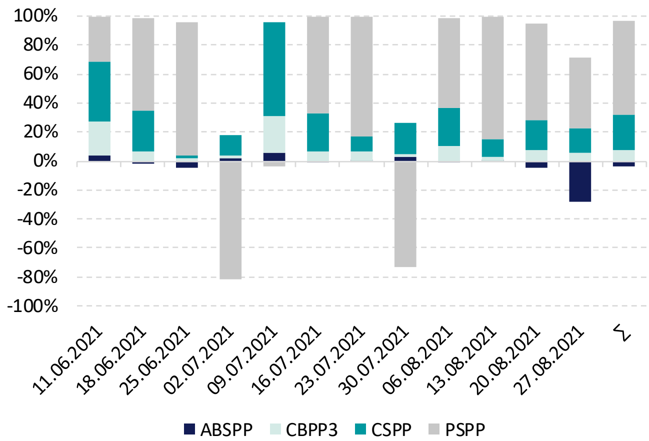
Distribution of monthly purchases



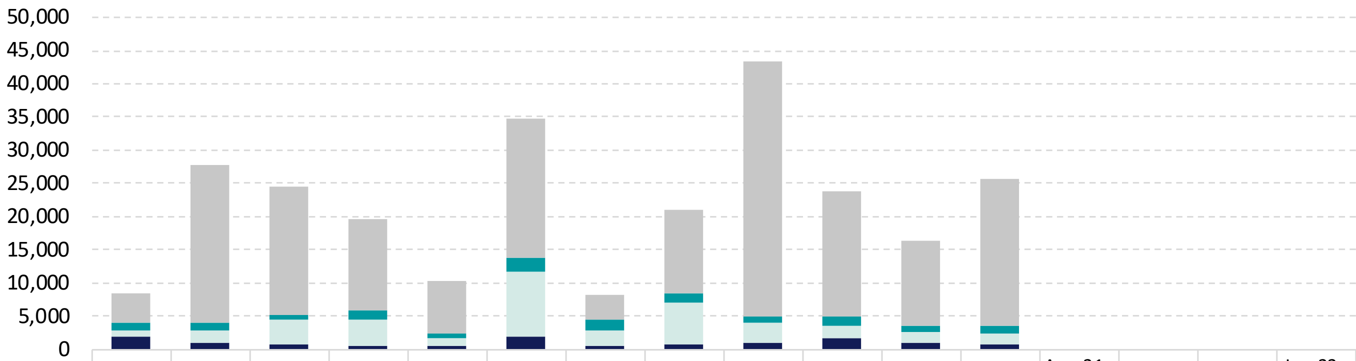
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

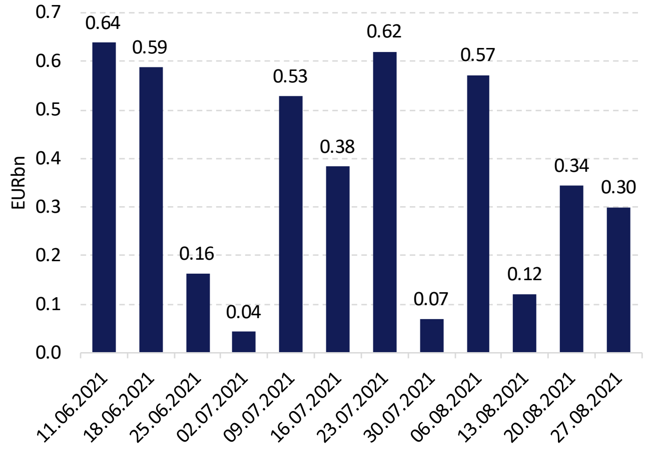


	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-21 - Jul-22	2020	2021	Jan-22 - Jul-22
APP	8,355	27,702	24,489	19,658	10,205	34,657	8,124	21,115	43,495	23,845	16,277	25,677	263,599	262,253	245,812	173,190
PSPP	4,370	23,664	19,224	13,799	7,811	20,906	3,625	12,603	38,442	18,998	12,714	22,111	198,267	201,482	188,478	129,399
CSPP	1,115	1,102	800	1,269	826	1,946	1,590	1,416	1,125	1,341	1,017	1,191	14,738	18,267	16,288	9,626
CBPP3	1,002	1,920	3,775	4,048	937	9,787	2,503	6,365	2,997	1,866	1,520	1,553	38,273	33,236	30,143	26,591
ABSPP	1,868	1,016	690	542	631	2,018	406	731	931	1,640	1,026	822	12,321	9,268	10,903	7,574

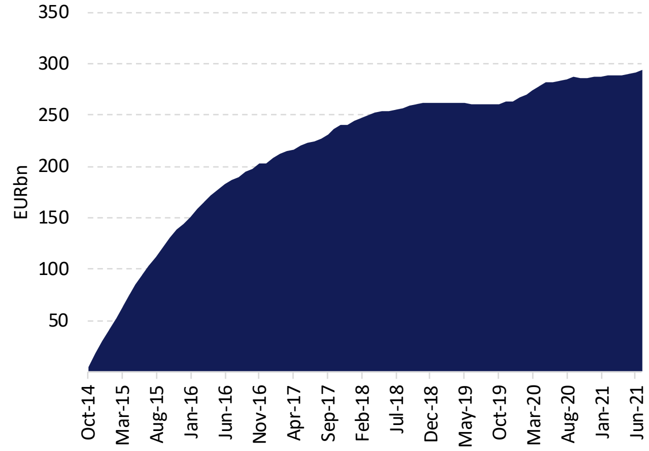
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

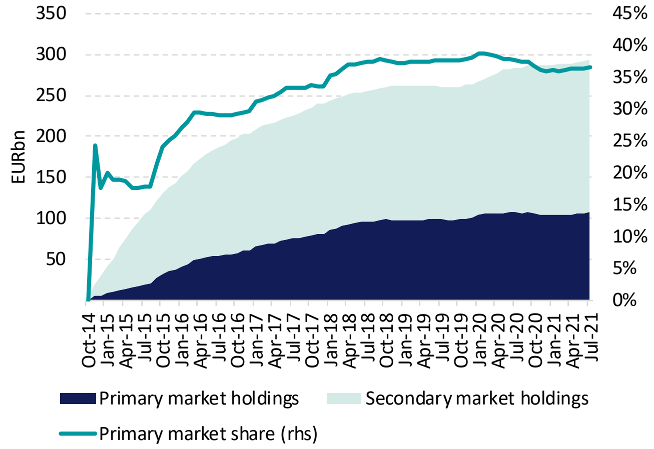
Weekly purchases



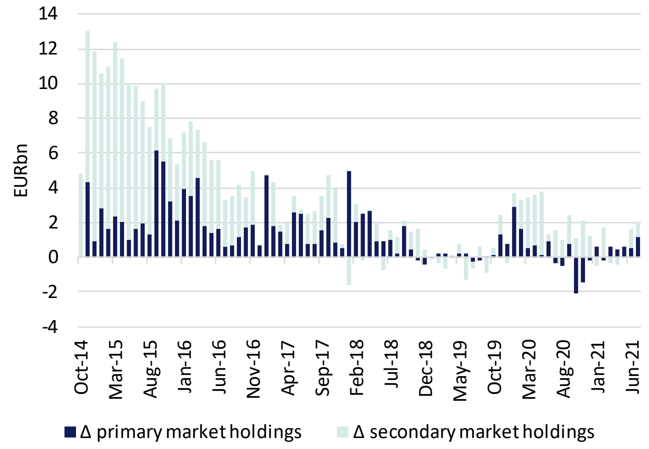
Development of CBPP3 volume



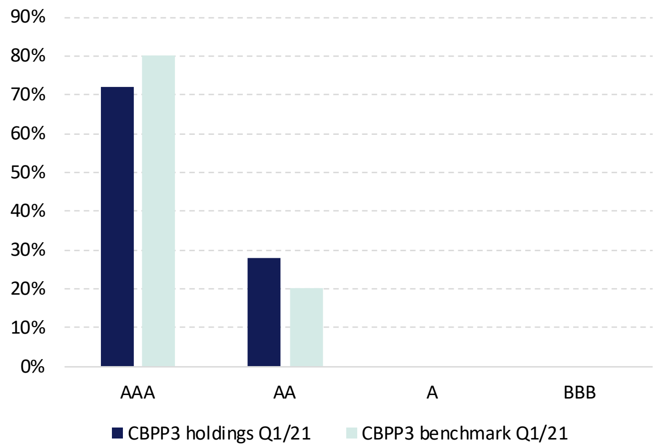
Primary and secondary market holdings



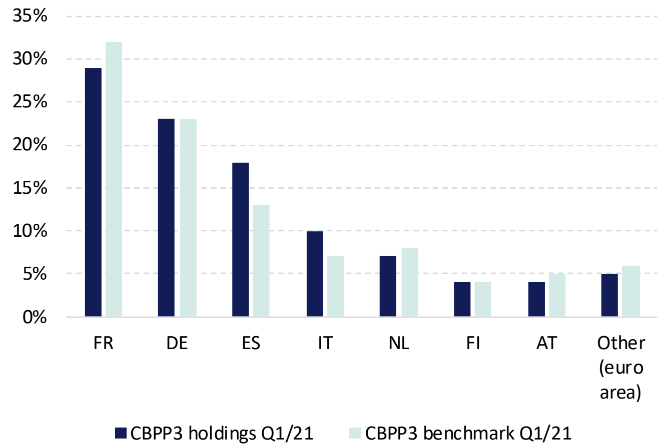
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



Distribution of CBPP3 by country of risk

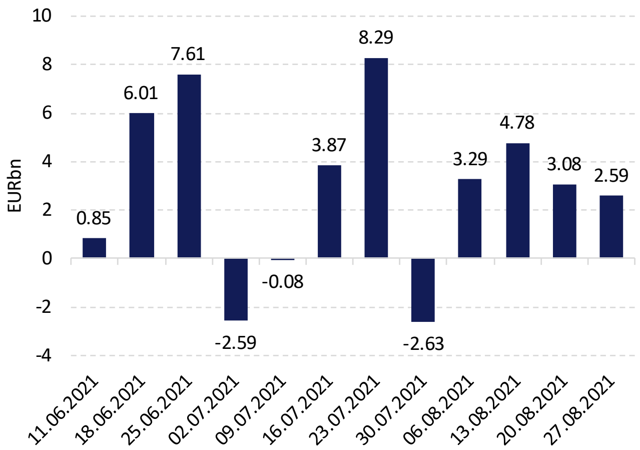


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

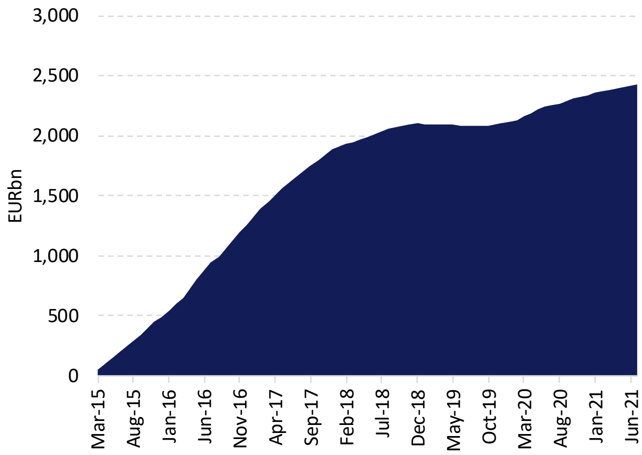
NORD/LB

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



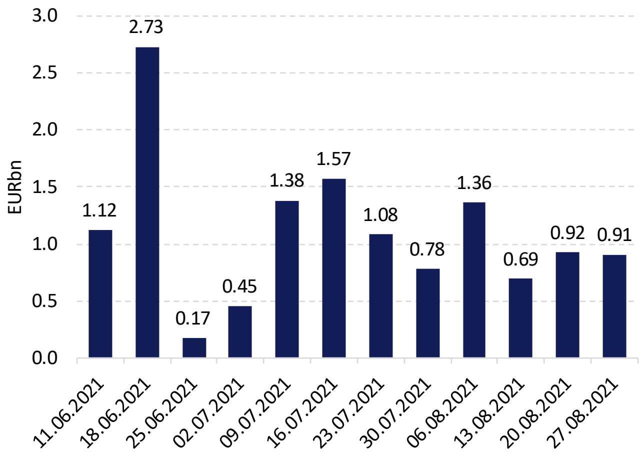
Overall distribution of PSPP buying at month-end

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%	72,454	69,207	3,247	7.5	7.6	-0.1
BE	3.4%	91,164	86,146	5,018	8.0	10.2	-2.2
CY	0.2%	3,837	5,088	-1,251	9.9	8.8	1.1
DE	24.3%	614,057	623,327	-9,270	6.6	7.6	-1.0
EE	0.3%	397	6,661	-6,264	9.2	7.5	1.7
ES	11.0%	298,256	281,962	16,294	8.0	8.4	-0.4
FI	1.7%	38,550	43,433	-4,883	6.9	7.7	-0.8
FR	18.8%	501,633	482,941	18,692	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	39,695	40,041	-346	8.5	10.1	-1.6
IT	15.7%	427,357	401,699	25,658	7.1	7.9	-0.8
LT	0.5%	5,156	13,685	-8,529	10.2	10.6	-0.4
LU	0.3%	3,513	7,789	-4,276	5.6	7.2	-1.7
LV	0.4%	3,005	9,214	-6,209	11.3	10.4	0.9
MT	0.1%	1,297	2,480	-1,183	9.5	9.2	0.3
NL	5.4%	121,293	138,572	-17,279	7.7	9.0	-1.4
PT	2.2%	47,747	55,342	-7,595	7.0	7.2	-0.2
SI	0.4%	9,632	11,385	-1,753	9.9	10.2	-0.3
SK	1.1%	16,226	27,079	-10,853	8.2	8.3	-0.1
SNAT	10.0%	267,009	256,228	10,781	7.7	8.9	-1.2
Total / Avg.	**100.0%**	**2,562,279**	**2,562,279**	**0**	**7.3**	**8.2**	**-0.9**

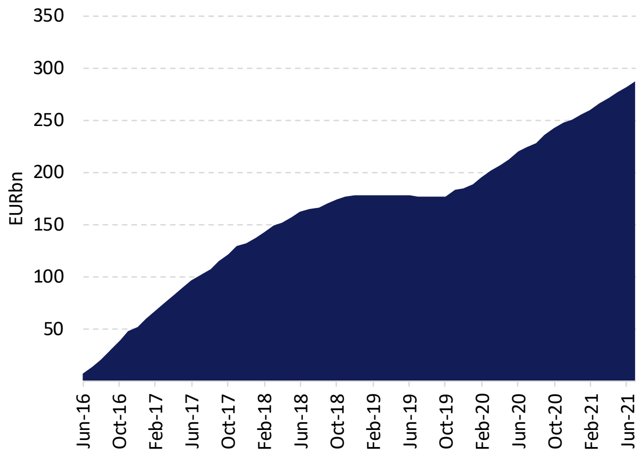
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor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

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

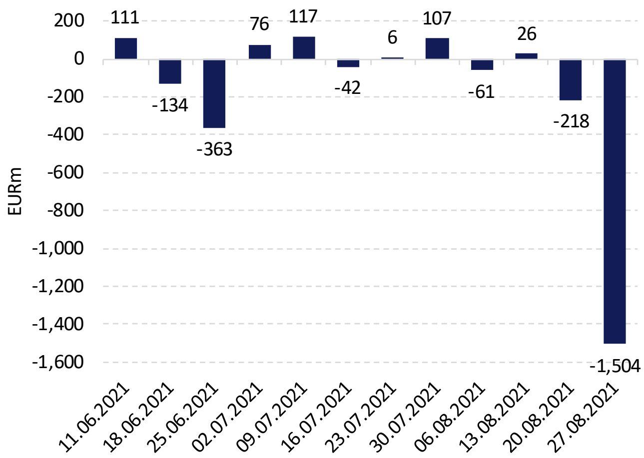


Development of CSPP volume

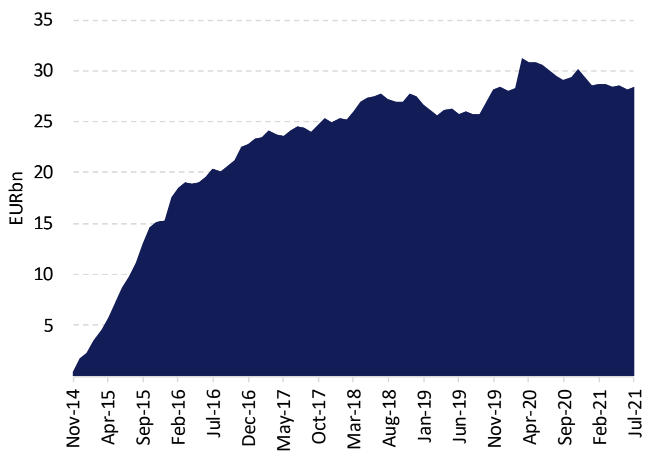


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



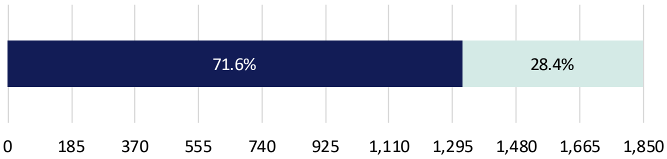
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Jun-21	1,184,633
Jul-21	1,272,190
Δ	+87,557

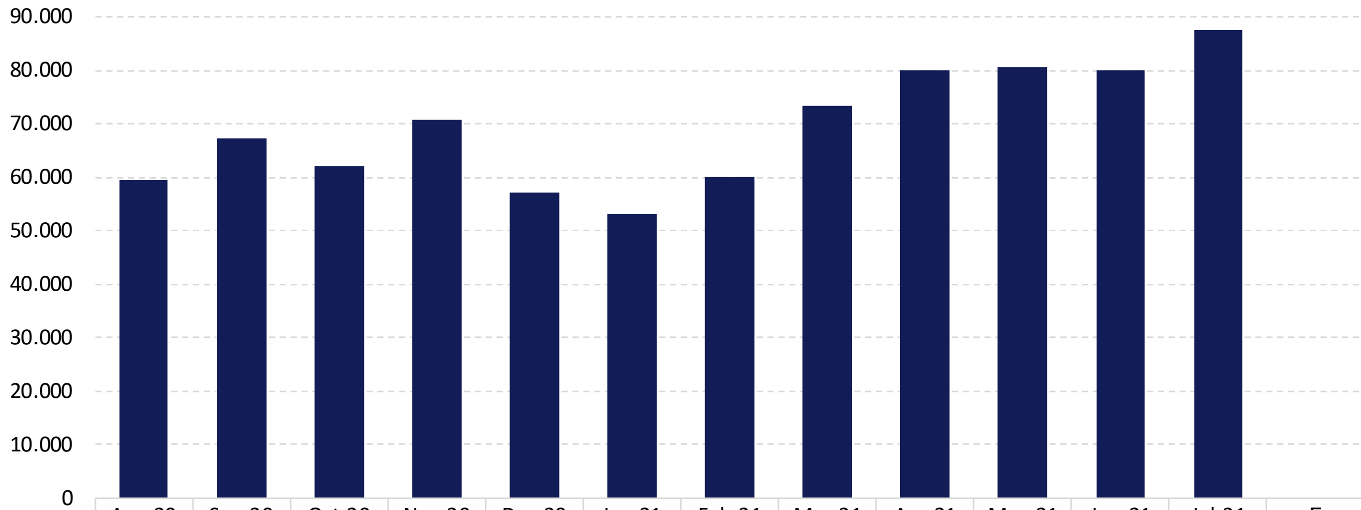
Volume already invested (in EURbn)



Estimated portfolio development

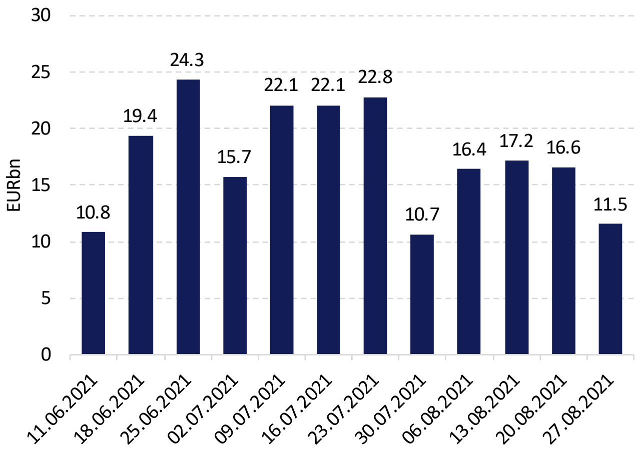
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in …
Average weekly net purchase volume so far	EUR 17.9bn	29 weeks (18.03.2022)

Monthly net purchases (in EURm)

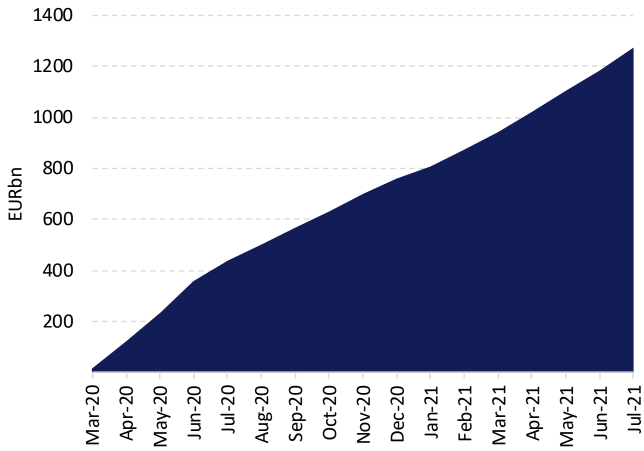


	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	∑
PEPP	59.466	67.308	61.985	70.835	57.163	53.046	59.914	73.521	80.118	80.700	80.168	87.557	831.781

Weekly purchases



Development of PEPP volume

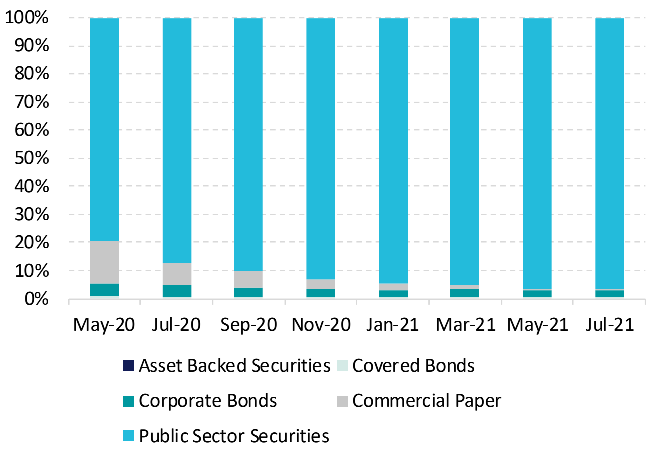


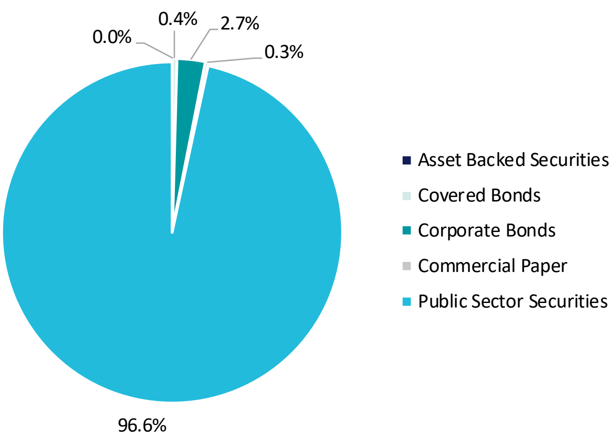
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

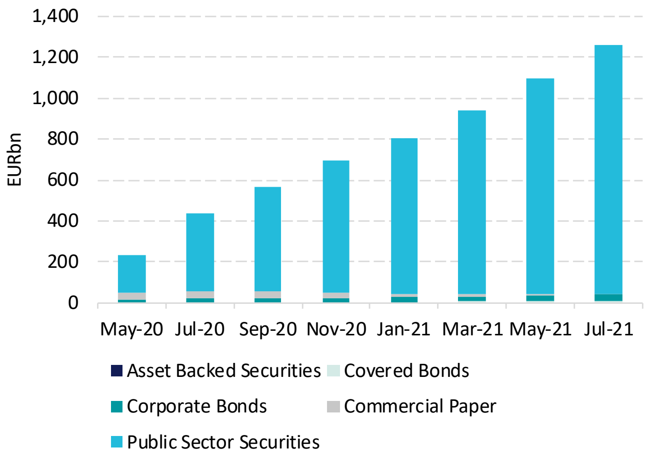
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
May-21	0	4,055	31,014	4,590	1,058,882	1,098,541
Jul-21	0	5,379	33,684	3,861	1,220,424	1,263,348
Δ	0	+1,328	+2,695	-730	+164,430	+167,724

Portfolio structure

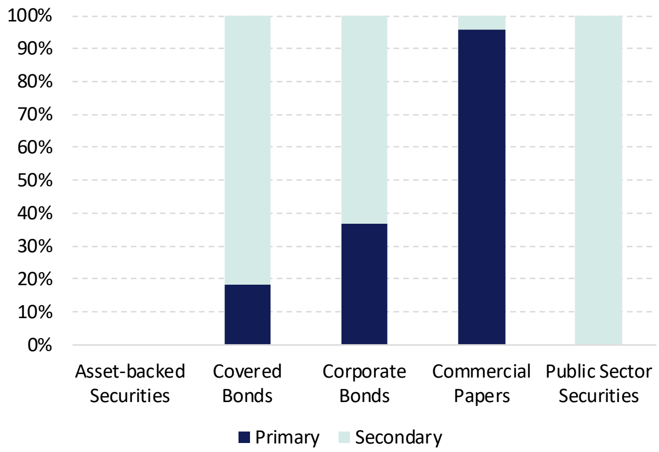




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

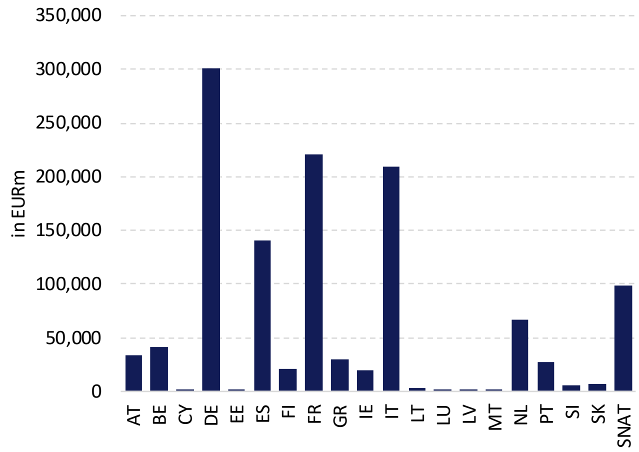
May-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	745	3,310	11,431	19,583	4,397	193
Share	0.0%	0.0%	18.4%	81.6%	36.9%	63.1%	95.8%	4.2%

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

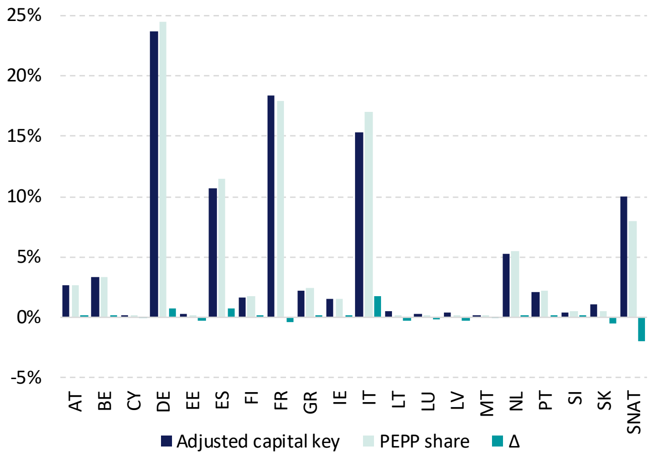
Breakdown of public sector securities under the PEPP

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	33,219	2.6%	2.7%	0.1%	9.0	7.1	1.9
BE	41,621	3.3%	3.4%	0.1%	6.8	9.3	-2.5
CY	2,201	0.2%	0.2%	0.0%	9.3	8.1	1.2
DE	301,191	23.7%	24.5%	0.8%	6.2	6.8	-0.6
EE	255	0.3%	0.0%	-0.2%	8.9	7.1	1.7
ES	140,702	10.7%	11.4%	0.7%	8.3	7.5	0.8
FI	20,955	1.7%	1.7%	0.1%	7.4	7.5	-0.1
FR	220,705	18.4%	18.0%	-0.4%	8.4	7.6	0.8
GR	29,397	2.2%	2.4%	0.2%	9.4	9.6	-0.2
IE	19,346	1.5%	1.6%	0.0%	9.1	9.4	-0.3
IT	208,774	15.3%	17.0%	1.7%	6.9	6.9	-0.1
LT	2,597	0.5%	0.2%	-0.3%	11.1	10.7	0.4
LU	1,847	0.3%	0.2%	-0.1%	7.0	6.4	0.5
LV	1,403	0.4%	0.1%	-0.2%	9.5	9.4	0.1
MT	323	0.1%	0.0%	-0.1%	8.5	8.7	-0.2
NL	66,946	5.3%	5.4%	0.2%	7.0	8.3	-1.3
PT	27,288	2.1%	2.2%	0.1%	7.3	7.2	0.1
SI	5,556	0.4%	0.5%	0.0%	9.5	9.2	0.3
SK	6,707	1.0%	0.5%	-0.5%	9.3	8.3	1.0
SNAT	98,170	10.0%	8.0%	-2.0%	10.8	8.8	2.1
Total / Avg.	**1,229,199**	**100.0%**	**100.0%**	**0.0%**	**7.7**	**7.5**	**0.2**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



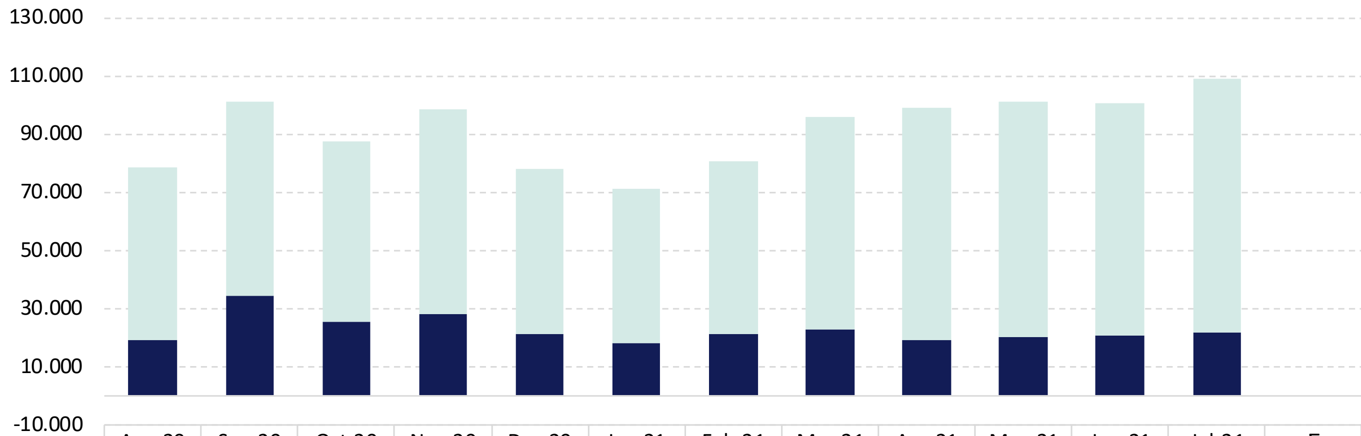
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

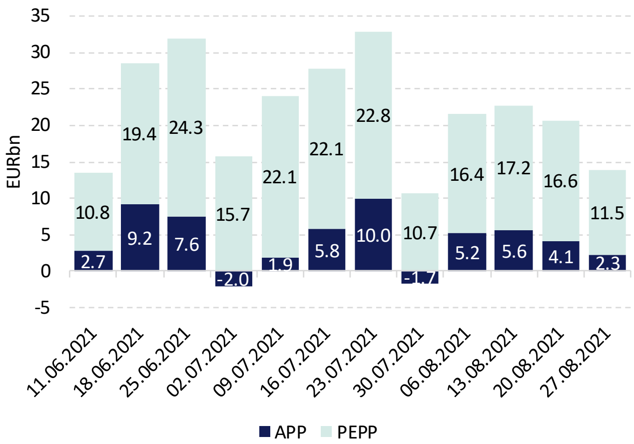
	APP	PEPP	APP & PEPP
Jun-21	3,017,016	1,184,633	4,201,649
Jul-21	3,038,684	1,272,190	4,310,874
Δ	+21,667	+87,557	+109,224

Monthly net purchases (in EURm)

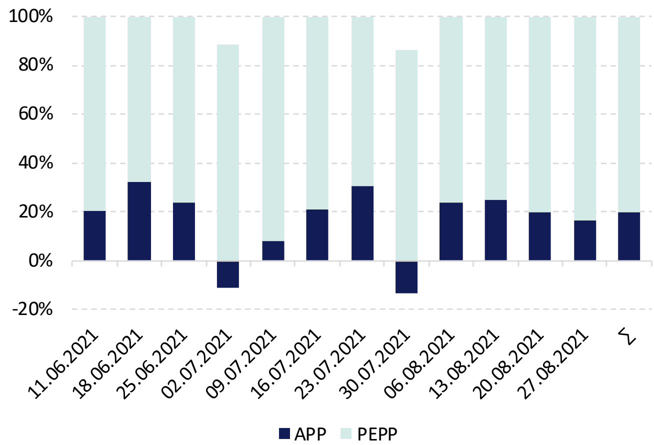


	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	∑
∑	78.593	101.322	87.334	98.555	78.092	70.892	80.829	96.082	99.036	100.841	100.808	109.224	1.101.60
PEPP	59.466	67.308	61.985	70.835	57.163	53.046	59.914	73.521	80.118	80.700	80.168	87.557	831.781
APP	19.127	34.014	25.349	27.720	20.929	17.846	20.915	22.561	18.918	20.141	20.640	21.667	269.827

Weekly purchases



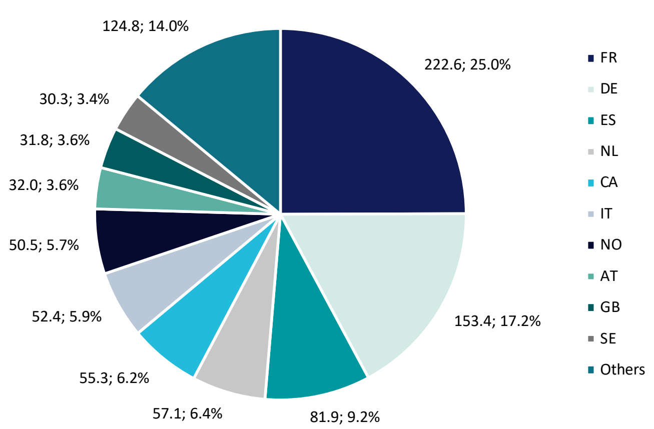
Distribution of weekly purchases



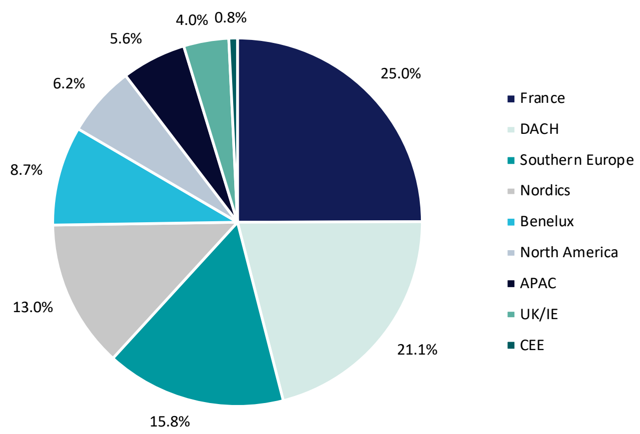
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



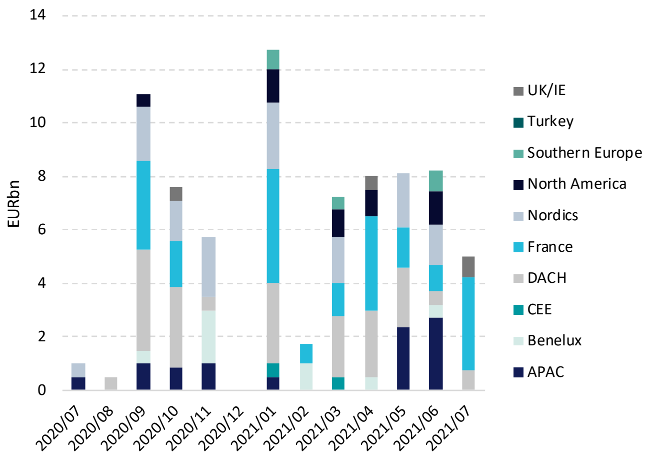
EUR benchmark volume by region (in EURbn)



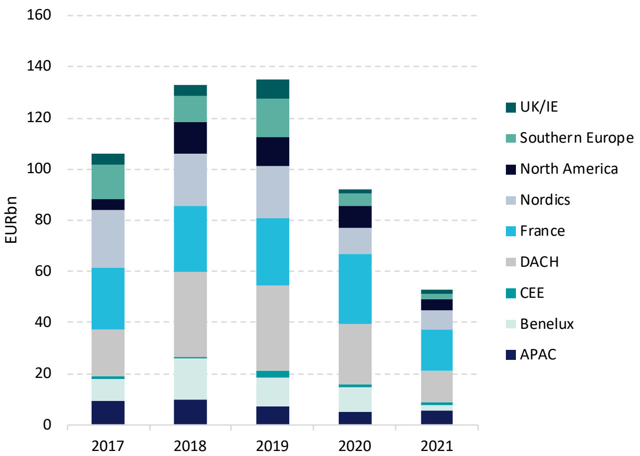
Top-10 jurisdictions

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	222.6	208	208	0.95	10.1	5.4	1.03
2	DE	153.4	229	229	0.61	8.4	4.6	0.42
3	ES	81.9	67	67	1.13	11.4	3.7	1.79
4	NL	57.1	59	59	0.91	11.3	7.3	0.85
5	CA	55.3	48	48	1.12	6.1	3.0	0.26
6	IT	52.4	61	61	0.83	9.1	4.0	1.38
7	NO	50.5	57	57	0.89	7.3	3.8	0.45
8	AT	32.0	59	59	0.54	9.9	6.4	0.62
9	GB	31.8	38	38	0.86	8.4	3.6	0.92
10	SE	30.3	36	36	0.84	7.5	3.4	0.44

EUR benchmark issue volume by month

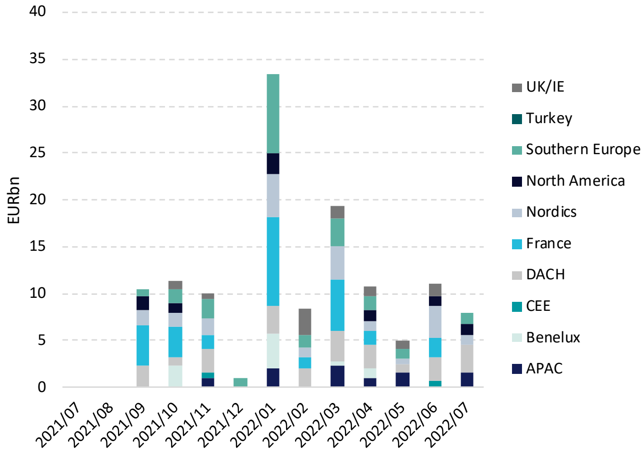


EUR benchmark issue volume by year

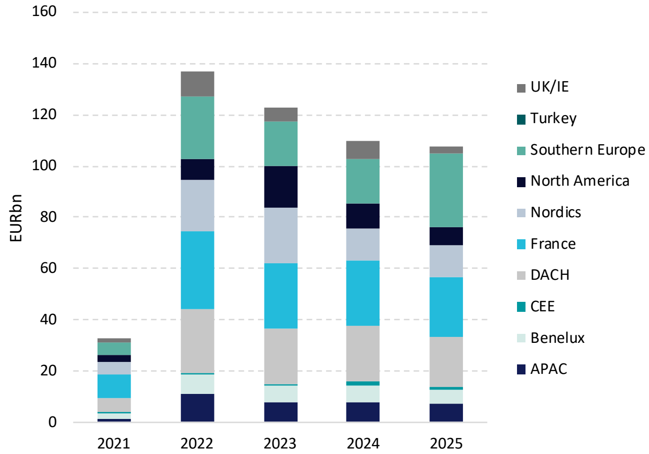


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

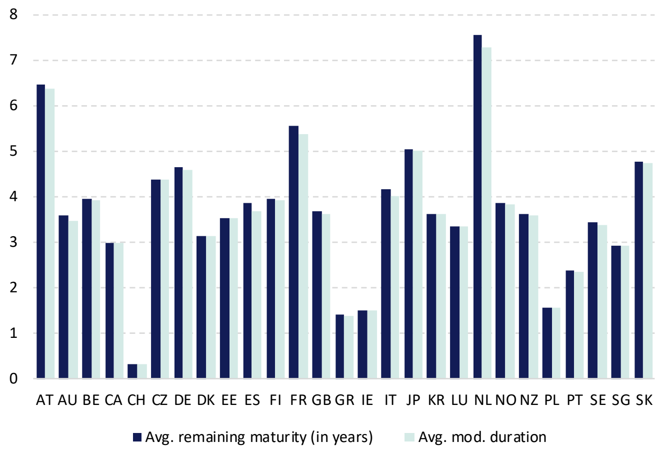
EUR benchmark maturities by month



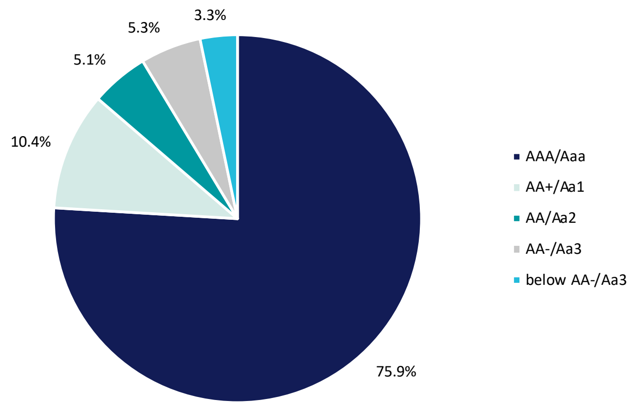
EUR benchmark maturities by year



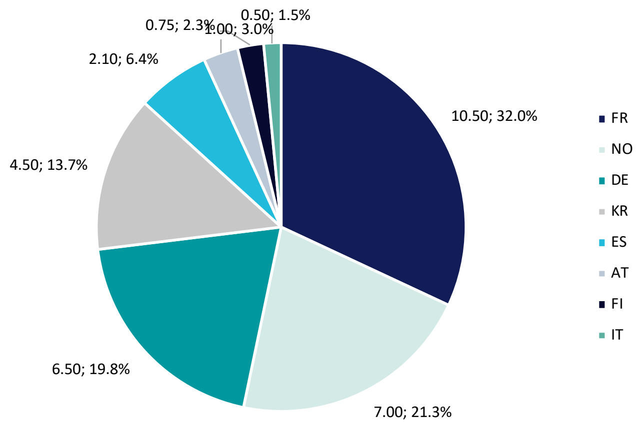
Modified duration and time to maturity by country



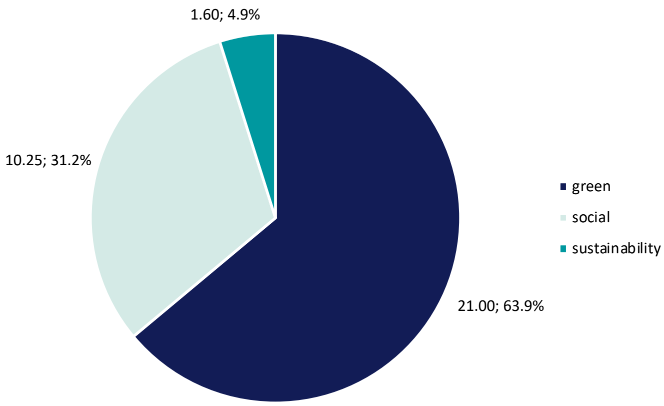
Rating distribution (volume weighted)



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

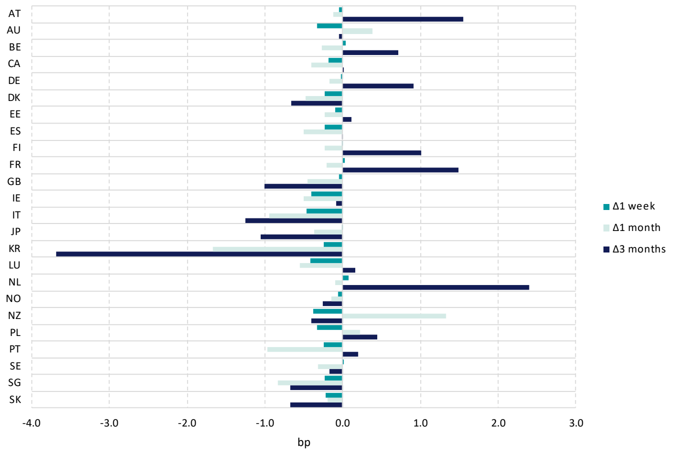


EUR benchmark volume (ESG) by type (in EURbn)

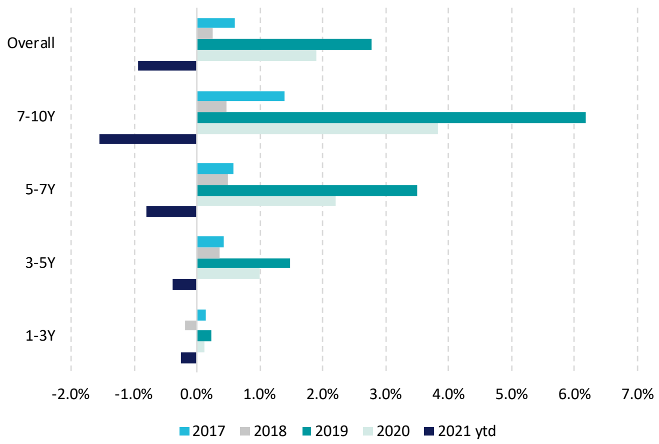


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

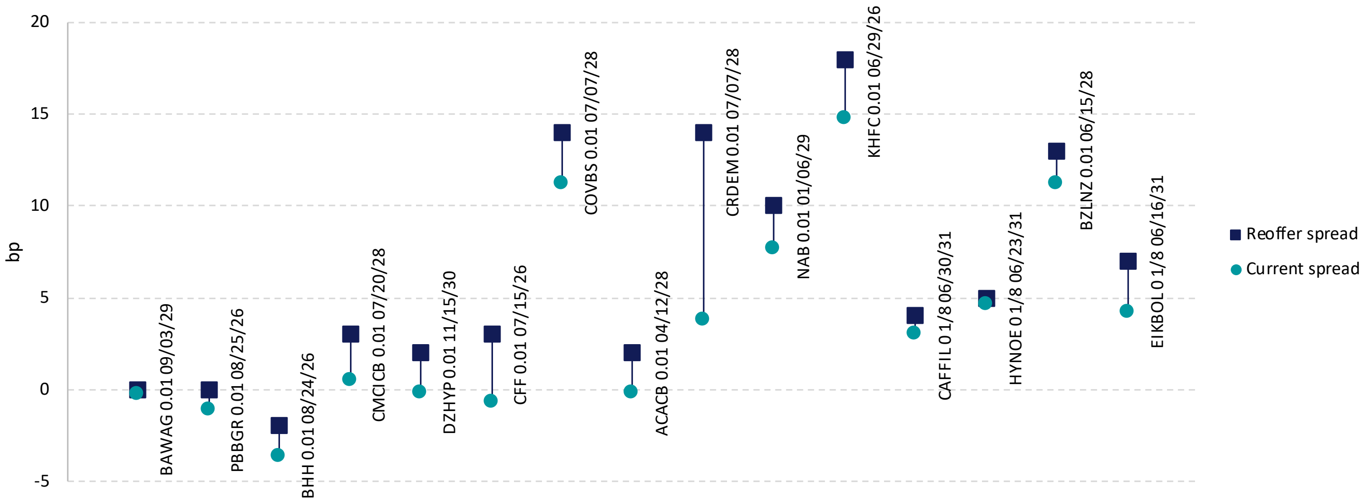
Spread development by country



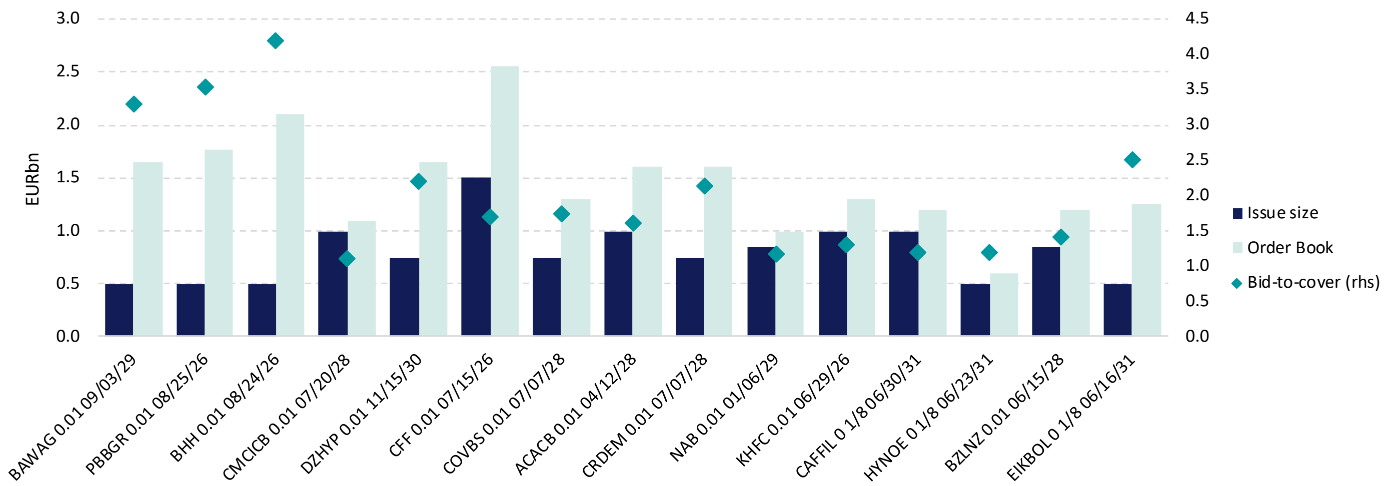
Covered bond performance (Total return)



Spread development (last 15 issues)



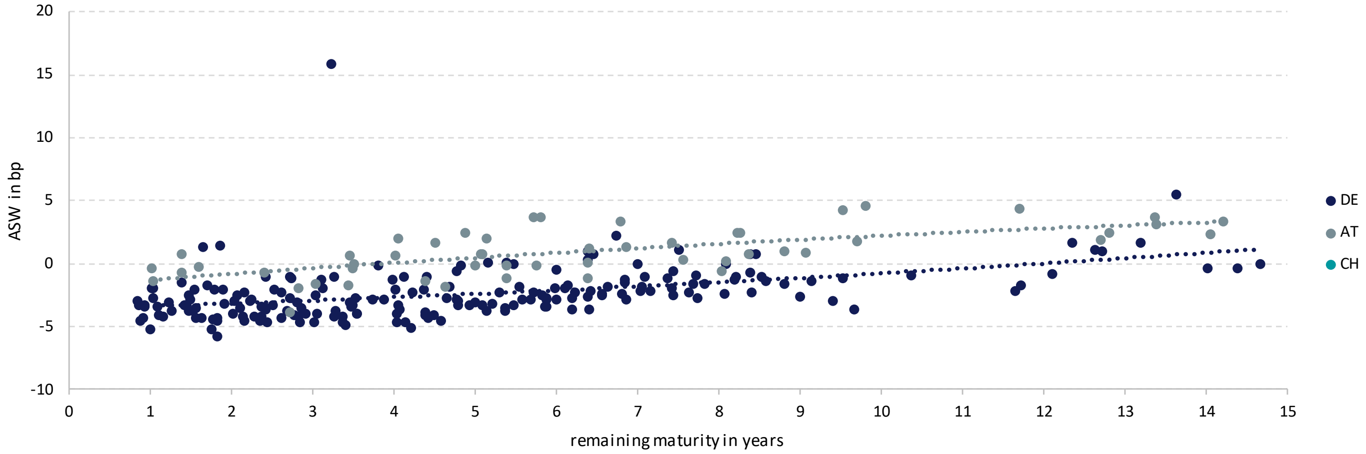
Order books (last 15 issues)



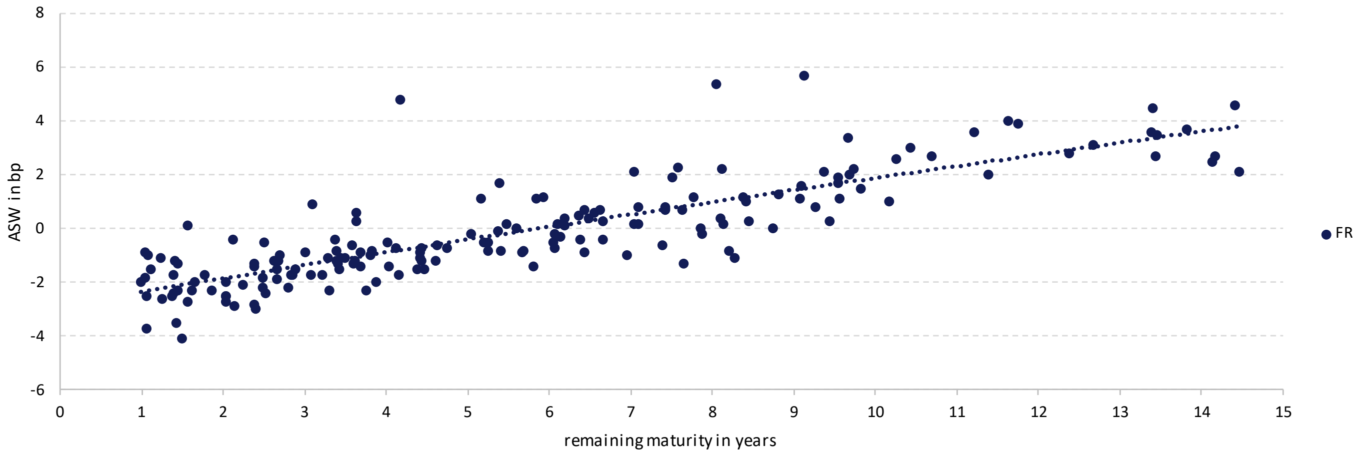
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

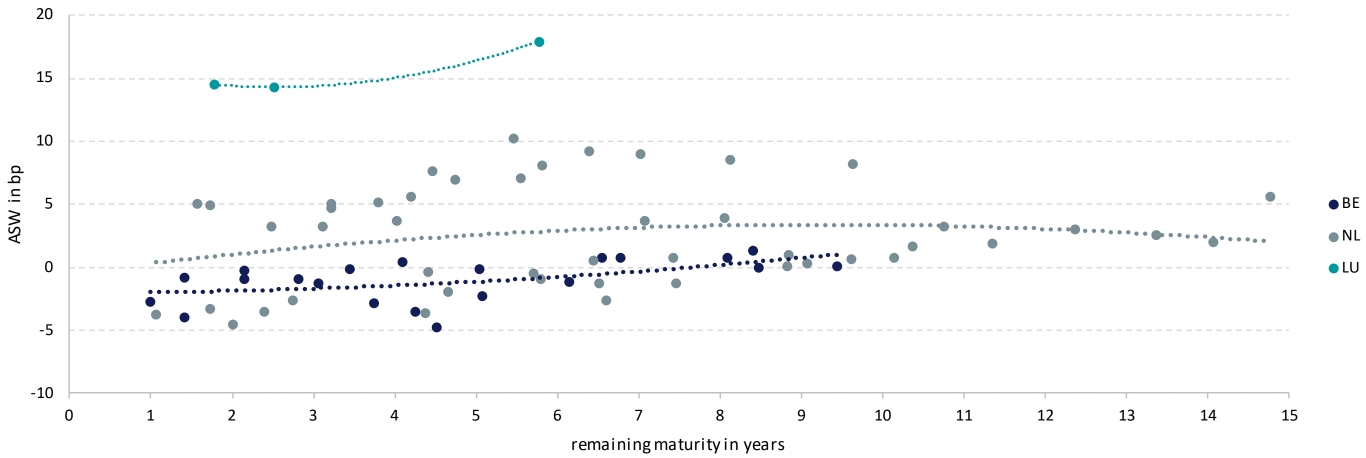
DACH



France

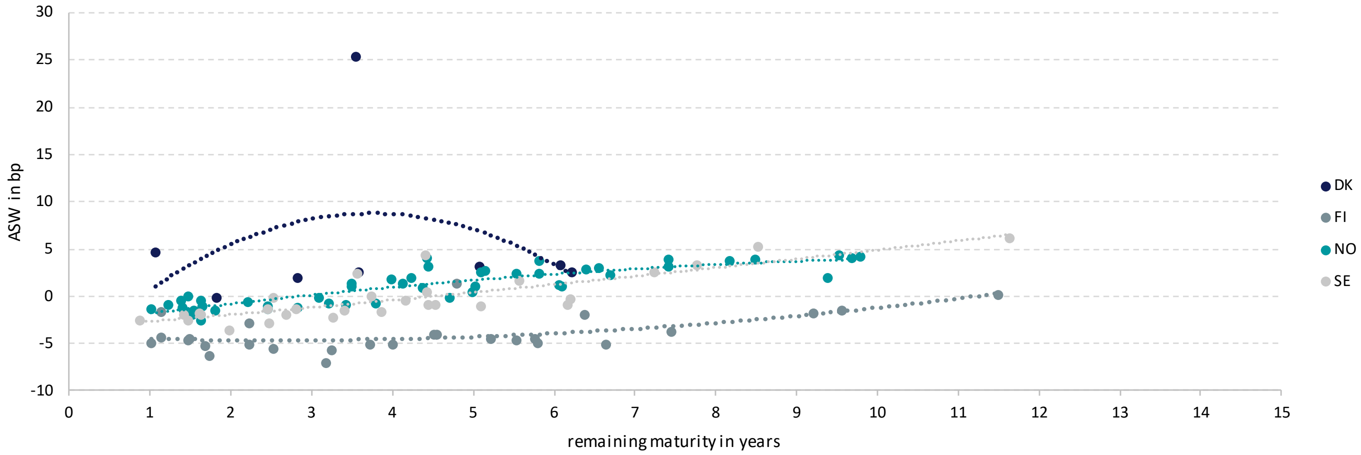


Benelux

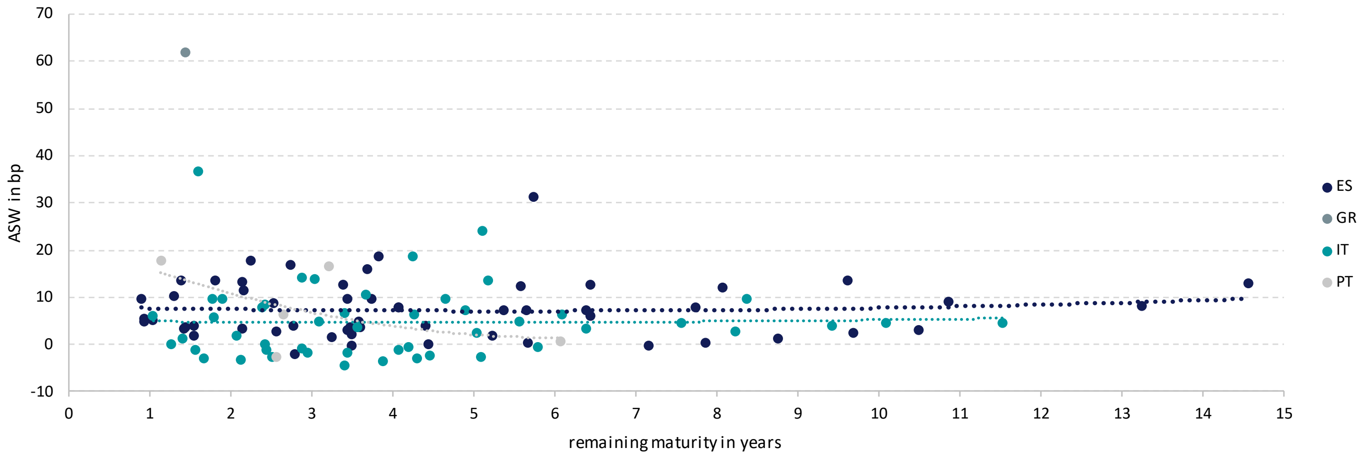


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

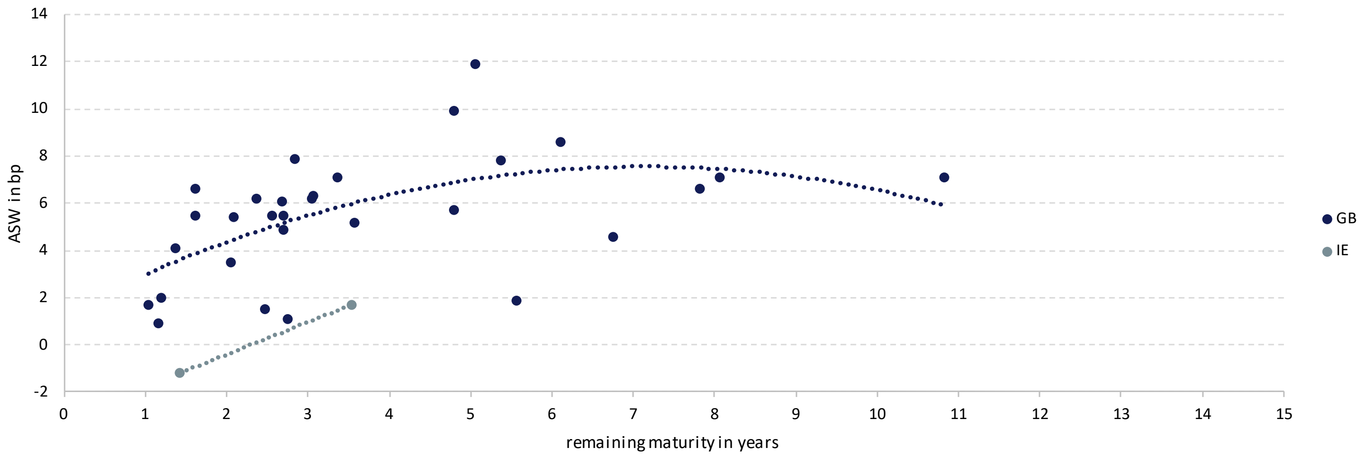
Nordics



Southern Europe

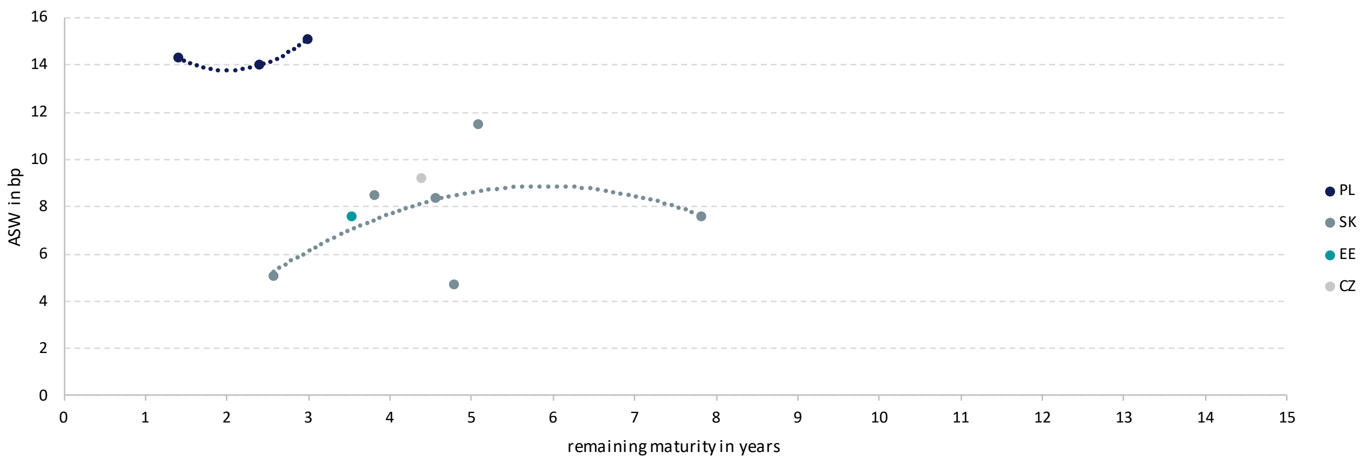


UK/IE

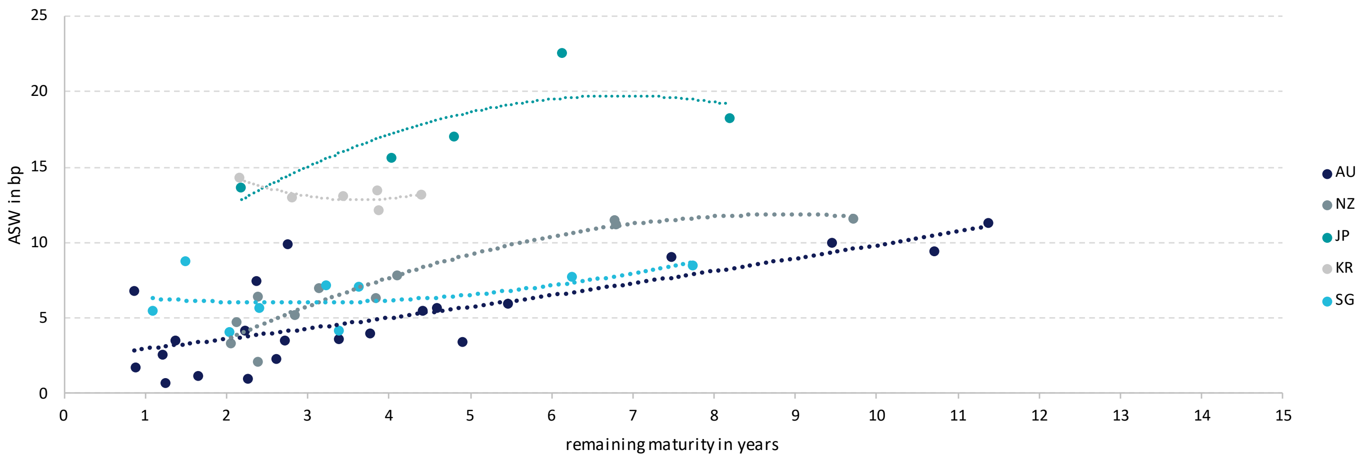


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

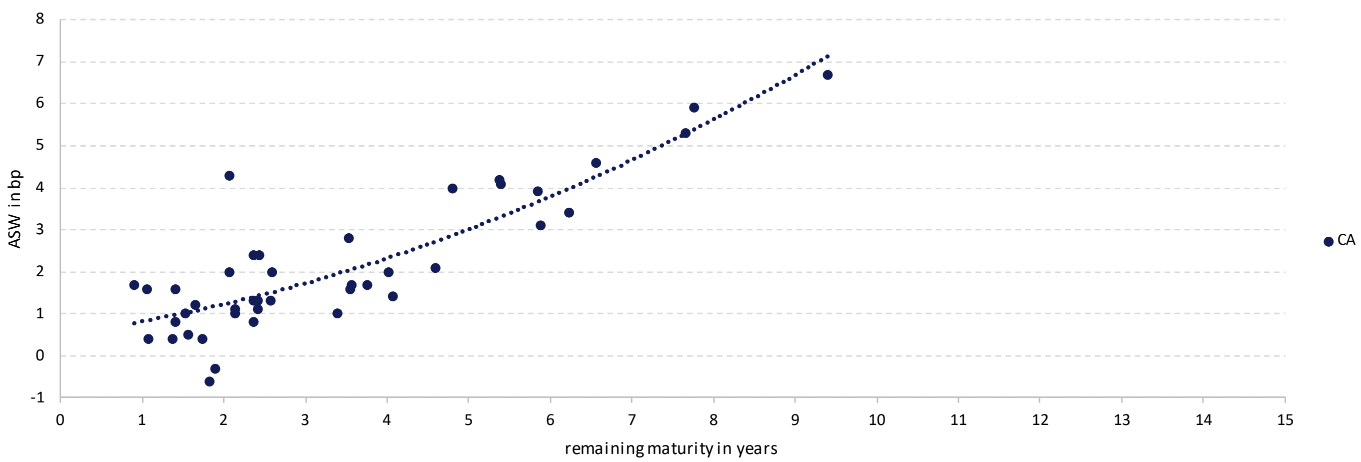
CEE



APAC



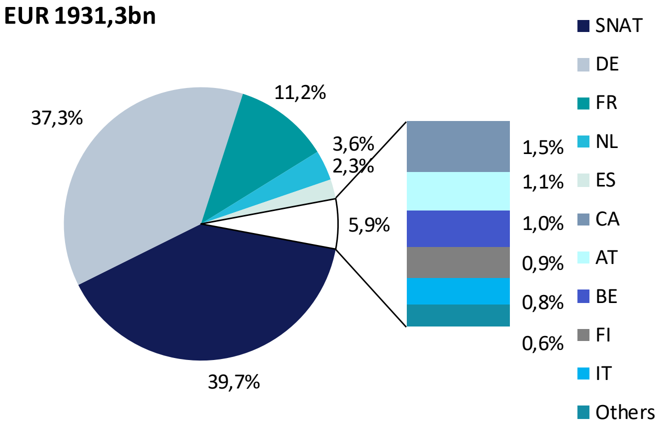
North America



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

Charts & Figures
SSA/Public Issuers

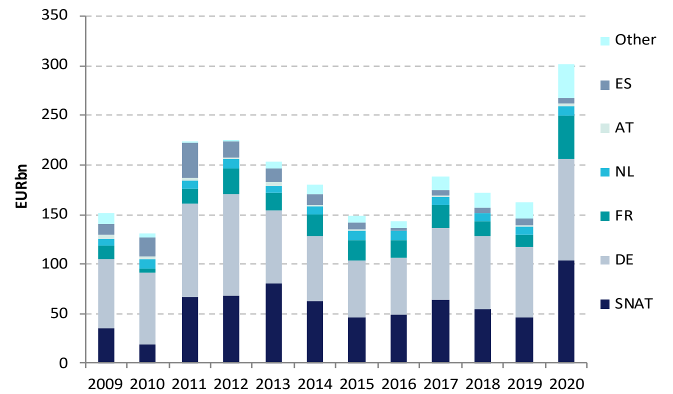
Outstanding volume (bmk)



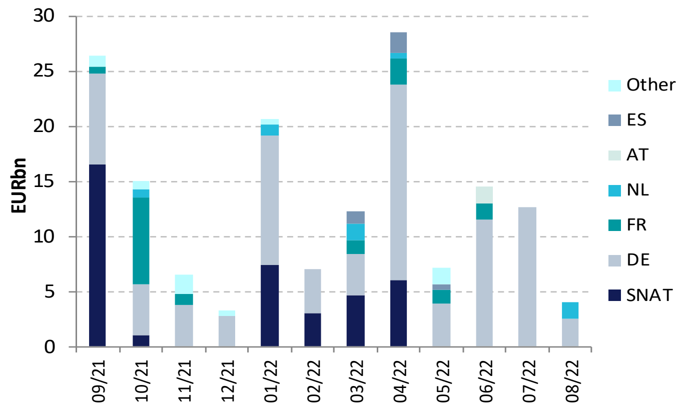
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	766,4	194	4,0	8,5
DE	720,7	562	1,3	6,8
FR	216,5	146	1,5	5,4
NL	68,9	67	1,0	6,4
ES	44,7	55	0,8	5,3
CA	28,5	20	1,4	5,6
AT	21,2	23	0,9	5,3
BE	20,2	24	0,8	14,5
FI	17,0	22	0,8	5,6
IT	15,0	19	0,8	5,9

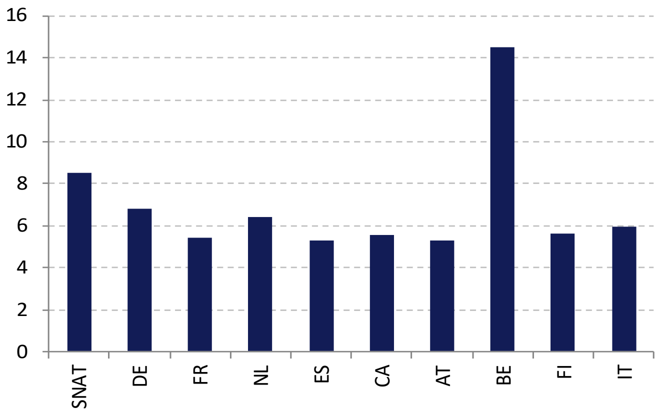
Issue volume by year (bmk)



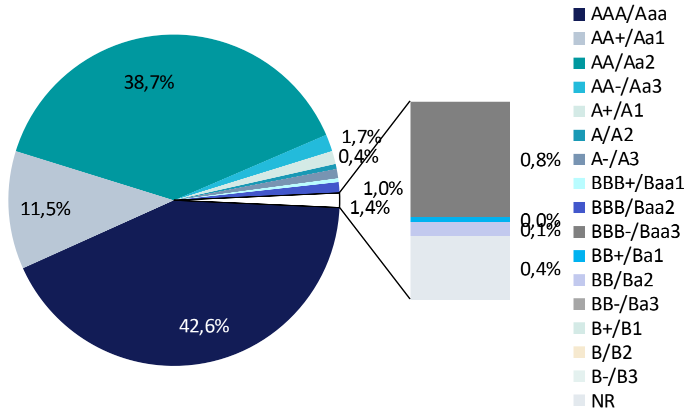
Maturities next 12 months (bmk)



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

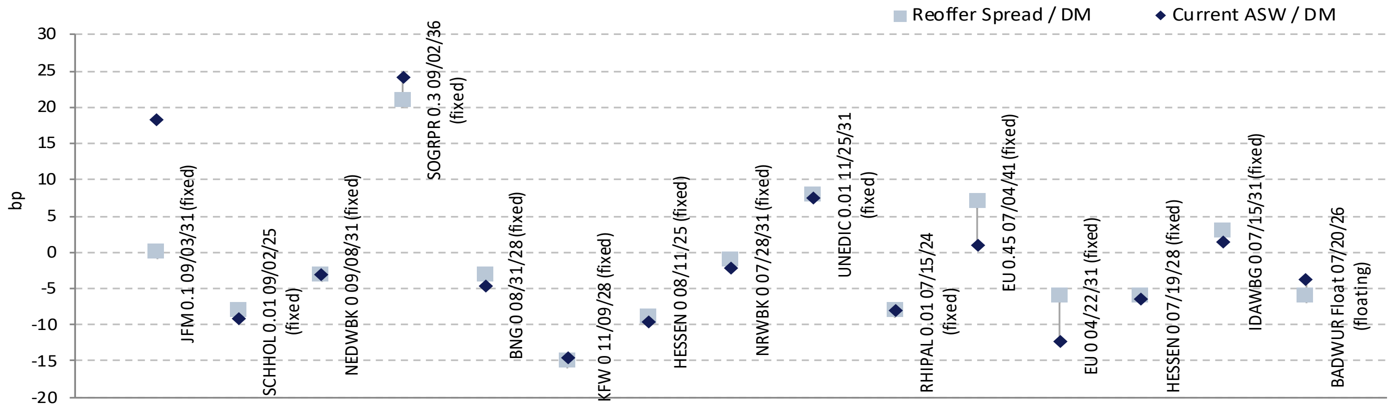


Rating distribution (vol. weighted)

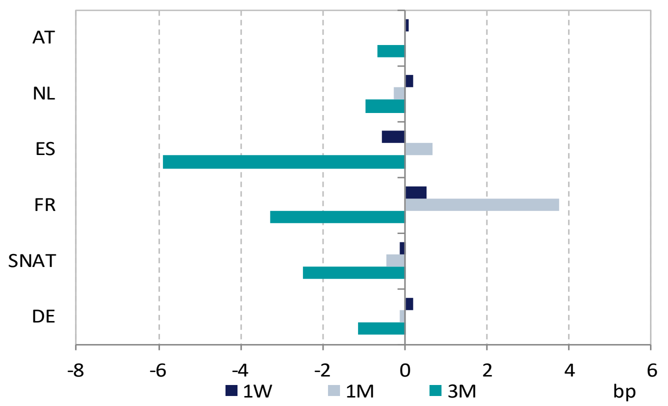


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

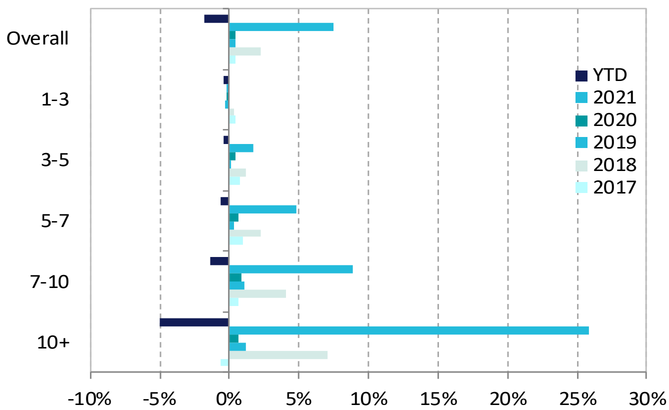
Spread development (last 15 issues)



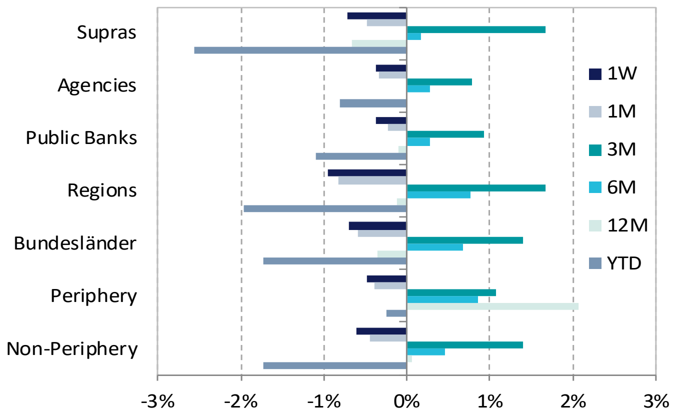
Spread development by country



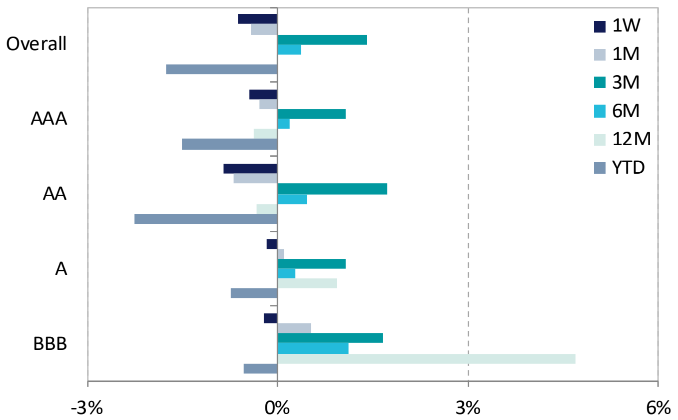
Performance (total return)



Performance (total return) by regions

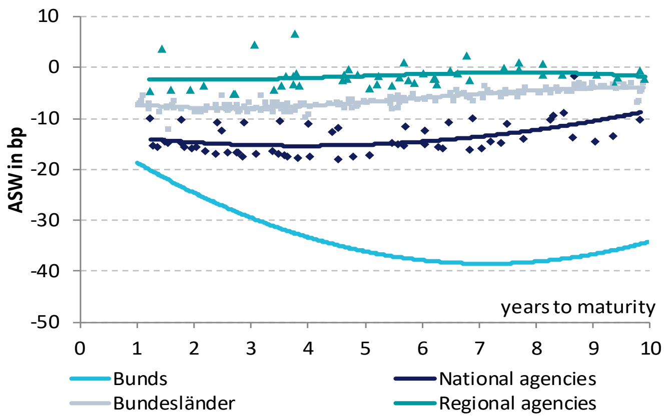


Performance (total return) by rating

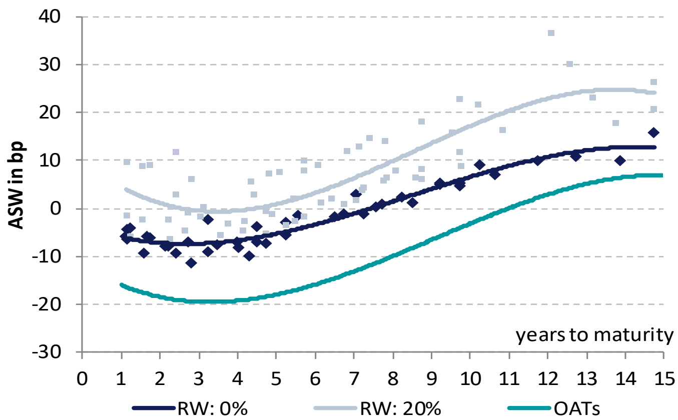


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

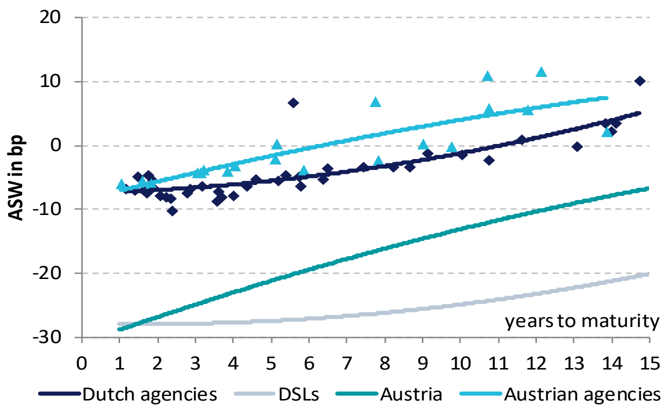
Germany (by segments)



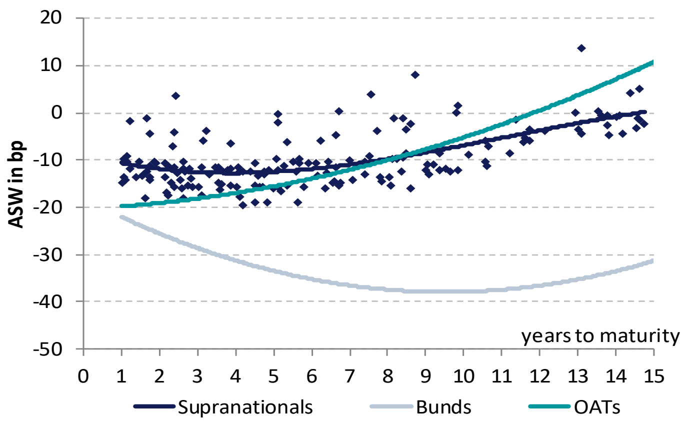
France (by risk weight)



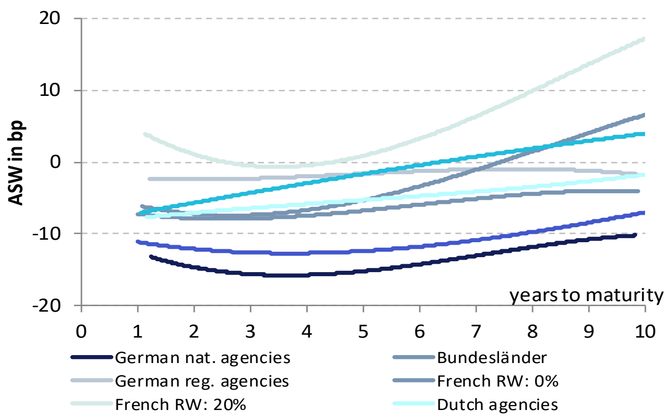
Netherlands & Austria



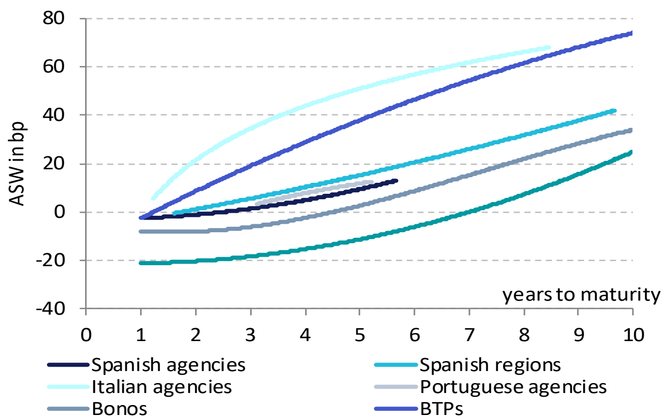
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
27/2021 ♦ 28 July	▪ NORD/LB Issuer Guide Covered Bonds 2021: A constant during turbulent times ▪ Beyond Bundeslaender: Madeira and the AzoresBreak just around the corner – a glance at covered bonds in USD and GBP
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

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
Contacts at NORD/LB

Markets Strategy & Floor Research

Melanie Kiene
Banks
+49 511 361-4108
+49 172 169 2633
melanie.kiene@nordlb.de

Dr Norman Rudschuck
SSA/Public Issuers
+49 511 361-6627
+49 152 090 24094
norman.rudschuck@nordlb.de

Dr Frederik Kunze
Covered Bonds
+49 511 361-5380
+49 172 354 8977
frederik.kunze@nordlb.de

Sales

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

Origination & Syndicate

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

Treasury

Collat. Management/Repos	+49 511 9818-9200
Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

Trading

Covereds/SSA	+49 511 9818-8040
Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

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

Disclaimer

The present report (hereinafter referred to as "information") was drawn up by NORDDEUTSCHE LANDESBANK GIROZENTRALE (NORD/LB). The supervisory authorities responsible for NORD/LB are the European Central Bank (ECB), Sonnemannstraße 20, D-60314 Frankfurt am Main, and the Federal Financial Supervisory Authority in Germany (Bundesanstalt für Finanzdienstleitungsaufsicht; BaFin), Graurheindorfer Str. 108, D-53117 Bonn and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main. The present report and the products and services described herein have not been reviewed or approved by the relevant supervisory authority.

The present information is addressed exclusively to Recipients in Austria, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Poland, Portugal, Singapore, Portugal, Spain, Sweden, Switzerland, the Republic of China (Taiwan), Thailand, the United Kingdom and Vietnam (hereinafter referred to as "Relevant Persons" or "Recipients"). The contents of the information are disclosed to the Recipients on a strictly confidential basis and, by accepting such information, the Recipients shall agree that they will not forward it to third parties, copy and/or reproduce this information without the prior written consent of NORD/LB. The present information is addressed solely to the Relevant Persons and any parties other than the Relevant Persons shall not rely on the information contained herein. In particular, neither this information nor any copy thereof shall be forwarded or transmitted to the United States of America or its territories or possessions, or distributed to any employees or affiliates of Recipients resident in these jurisdictions.

The present information does not constitute financial analysis within the meaning of Art. 36 (1) of the Delegate Regulation (EU) 2017/565, but rather represents a marketing communication for your general information **within the meaning of Art. 36 (2) of this Regulation. Against this background, NORD/LB expressly points out that this information has not been prepared in accordance with legal provisions promoting the independence of investment research and is not subject to any prohibition of trading following the dissemination of investment research.** This information also constitutes an investment recommendation or investment strategy recommendation within the meaning of Market Abuse Regulation (EU) No. 596/2014 and complies with the applicable provisions of this regulation and Delegated Regulation (EU) 2016/958 as well as the Securities Trading Act (see the supplementary details at the end of this information).

This information has been prepared by the Markets Strategy & Floor Research division, which is organisationally assigned to the Markets trading division within NORD/LB and which offers comprehensive securities services to the clients of the bank. Information may therefore be exchanged between the Floor Research and Trading divisions which may influence the content of this information. Against this background, the possibility cannot be ruled out that NORD/LB has its own holdings in the financial instruments described herein or in the issuers described herein and participates in the issue of such financial instruments as well as providing other services to such issuers or has other financial interests in these financial instruments or issuers. It also cannot be ruled out that the remuneration of the employees of the Markets Strategy & Floor Research division is indirectly linked to the overall performance of the Markets division, however, a direct linking of remuneration to transactions in investment services or trading fees is prohibited. Against this background, there are potential conflicts of interest that could fundamentally influence the objectivity of the recommendations contained herein.
NORD/LB has, however, taken extensive precautions to deal with potential conflicts of interest and to avoid them:

Arrangements for dealing with and avoiding conflicts of interest and for the confidential treatment of sensitive client and business data:
Business areas that may have regular access to sensitive and confidential information are classified as confidentiality areas by the Compliance Office and separated from other areas in terms of function, location and technical data processing measures. The trading division (Markets) is classified as such a confidentiality area. The exchange of information between individual confidentiality areas requires the approval of the Compliance Office.
The forwarding of confidential information which may have an impact on securities' prices is monitored by the NORD/LB Compliance Office, which is independent of the trading, business and settlement departments. The Compliance Office can issue any trading prohibitions and restrictions which may be necessary to ensure that information which may have an influence on securities' prices is not misused and to prevent confidential information from being passed on to areas which may only use publicly accessible information. Employees of the Markets Strategy & Floor Research unit are obliged to inform the Compliance Office of all transactions (including external) that they carry out for their own account or on behalf of a third party or in the interests of a third party. This will enable the Compliance Office to identify any unauthorised transactions by these employees.
Further information on this can be found in our Conflict of Interest Policy, which is available on request from the NORD/LB Compliance Office.

Supplementary important information:
This information and the details contained herein have been prepared and are provided for information purposes only. It is not intended to be an incentive for investment activities. It is provided for the personal information of the Recipient with the express understanding, acknowledged by the Recipient, that it does not constitute a direct or indirect offer, an individual recommendation, solicitation to buy, hold or sell, an invitation to subscribe or acquire any securities or other financial instruments, nor any measure by which financial instruments might be offered or sold.

All actual details, information and statements contained herein were derived from sources considered reliable by NORD/LB. However, since these sources are not verified independently, NORD/LB cannot give any assurance as to or assume responsibility for the accuracy and completeness of the information contained herein. The opinions and prognoses given herein on the basis of these sources constitute a non-binding evaluation of the employees of the Markets Strategy & Floor Research division of NORD/ LB. Any changes in the underlying premises may have a material impact on the developments described herein. Neither NORD/LB nor its governing bodies or employees can give any assurances as to or assume any responsibility or liability for the accuracy, appropriateness and completeness of this information or for any loss of return, any indirect, consequential or other damage which may be suffered by persons relying on the information or any statements or opinions expressed in the present Report (irrespective of whether such losses are incurred due to any negligence on the part of such persons or otherwise).

Past performance is not a reliable indicator of future performance. Exchange rates, price fluctuations of the financial instruments and similar factors may have a negative impact on the value and price of and return on the financial instruments referred to herein or any instruments linked thereto. Fees and commissions apply in relation to securities (purchase, sell, custody), which reduce the return on investment. An evaluation made on the basis of the historical performance of any security does not necessarily give an indication of its future performance.

The present information neither constitutes any investment, legal, accounting or tax advice nor any assurance that an investment or strategy is suitable or appropriate in the light of the Recipient's individual circumstances, and nothing in this information constitutes a personal recommendation to the Recipient thereof. The securities or other financial instruments referred to herein may not be suitable for the Recipient's personal investment strategies and objectives, financial situation or individual needs.

Moreover, the present report in whole or in part is not a sales or other prospectus. Accordingly, the information contained herein merely constitutes an overview and does not form the basis for any potential decision to buy or sell on the part of an investor. A full description of the details relating to the financial instruments or transactions which may relate to the subject matter of this report is given in the relevant (financing) documentation. To the extent that the financial instruments described herein are NORD/LB's own issues and subject to the requirement to publish a prospectus, the conditions of issue applicable to any individual financial instrument and the relevant prospectus published with respect thereto as well NORD/LB's relevant registration form, all of which are available for download at www.nordlb.de and may be obtained free of charge from NORD/LB, Georgsplatz 1, 30159 Hanover, shall be solely binding. Furthermore, any potential investment decision should be made exclusively on the basis of such (financing) documentation. The present information cannot replace personal advice. Before making an investment decision, each Recipient should consult an independent investment adviser for individual investment advice with respect to the appropriateness of an investment in financial instruments or investment strategies subject to this information as well as for other and more recent information on certain investment opportunities.

Each of the financial instruments referred to herein may involve substantial risks, including capital, interest, index, currency and credit risks in addition to political, fair value, commodity and market risks. The financial instruments could experience a sudden and substantial deterioration in value, including a total loss of the capital invested. Each transaction should only be entered into on the basis of the relevant investor's assessment of his or her individual financial situation as well as of the suitability and risks of the investment.

NORD/LB and its affiliated companies may participate in transactions involving the financial instruments described in the present information or their underlying basis values for their own account or for the account of third parties, may issue other financial instruments with the same or similar features as those of the financial instruments presented in this information and may conduct hedging transactions to hedge positions. These measures may affect the price of the financial instruments described in the present information.

If the financial instruments presented in this information are derivatives, they may, depending on their structure, have an initial negative market value from the customer's perspective at the time the transaction is concluded. NORD/LB further reserves the right to transfer its economic risk from a derivative concluded with it to a third party on the market by means of a mirror-image counter transaction.

More detailed information on any commission payments which may be included in the selling price can be found in the "Customer Information on Securities Business" brochure, which is available to download at www.nordlb.de.

The information contained in the present report replaces all previous versions of corresponding information and refers exclusively to the time of preparation of the information. Future versions of this information will replace this version. NORD/LB is under no obligation to update and/or regularly review the data contained in such information. No guarantee can therefore be given that the information is up-to-date and continues to be correct.

By making use of this information, the Recipient shall accept the terms and conditions outlined above.

NORD/LB is a member of the protection scheme of Deutsche Sparkassen-Finanzgruppe. Further information for the Recipient is indicated in clause 28 of the General Terms and Conditions of NORD/LB or at www.dsgv.de/sicherungssystem.

Additional information for Recipients in Australia
NORD/LB IS NOT A BANK OR DEPOSIT TAKING INSTITUTION AUTHORISED UNDER THE 1959 BANKING ACT OF AUSTRALIA. IT IS NOT SUPERVISED BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY.
NORD/LB does not provide personal advice with this information and does not take into account the objectives, financial situation or needs of the Recipient (other than for the purpose of combating money laundering).

Additional information for Recipients in Austria
None of the information contained herein constitutes a solicitation or offer by NORD/LB or its affiliates to buy or sell any securities, futures, options or other financial instruments or to participate in any other strategy. Only the published prospectus pursuant to the Austrian Capital Market Act should be the basis for any investment decision of the Recipient. For regulatory reasons, products mentioned herein may not be on offer in Austria and therefore not available to investors in Austria. Therefore, NORD/LB may not be able to sell or issue these products, nor shall it accept any request to sell or issue these products to investors located in Austria or to intermediaries acting on behalf of any such investors.

Additional information for Recipients in Belgium
Evaluations of individual financial instruments on the basis of past performance are not necessarily indicative of future results. It should be noted that the reported figures relate to past years.

Additional information for Recipients in Canada

This report has been prepared solely for information purposes in connection with the products it describes and should not, under any circumstances, be construed as a public offer or any other offer (direct or indirect) to buy or sell securities in any province or territory of Canada. No financial market authority or similar regulatory body in Canada has made any assessment of these securities or reviewed this information and any statement to the contrary constitutes an offence. Potential selling restrictions may be included in the prospectus or other documentation relating to the relevant product.

Additional information for Recipients in Cyprus

This information constitutes an analysis within the meaning of the section on definitions of the Cyprus Directive D1444-2007-01 (No. 426/07). Furthermore, this information is provided for information and promotional purposes only and does not constitute an individual invitation or offer to sell, buy or subscribe to any investment product**.**

Additional information for Recipients in the Czech Republic

There is no guarantee that the invested amount will be recouped. Past returns are no guarantee of future results. The value of the investments may rise or fall. The information contained herein is provided on a non-binding basis only and the author does not guarantee the accuracy of the content.

Additional information for Recipients in Denmark

This Information does not constitute a prospectus under Danish securities law and consequently is not required to be, nor has been filed with or approved by the Danish Financial Supervisory Authority, as this Information either (i) has not been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market within the meaning of the Danish Securities Trading Act or any executive orders issued pursuant thereto, or (ii) has been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market in reliance on one or more of the exemptions from the requirement to prepare and publish a prospectus in the Danish Securities Trading Act or any executive orders issued pursuant thereto.

Additional information for Recipients in Estonia

It is advisable to closely examine all the terms and conditions of the services provided by NORD/LB. If necessary, Recipients of this information should consult an expert.

Additional information for Recipients in Finland

The financial products described herein may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, in the case of shares, such shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act (746/2012, as amended). The value of investments may go up or down. There is no guarantee of recouping the amount invested. Past performance is no guarantee of future results.

Additional information for Recipients in France

NORD/LB is partially regulated by the "Autorité des Marchés Financiers" for the conduct of French business. Details concerning the extent of our regulation by the respective authorities are available from us on request.

The present information does not constitute an analysis within the meaning of Article 24 (1) Directive 2006/73/EC, Article L.544-1 and R.621-30-1 of the French Monetary and Financial Code, but does represent a marketing communication and does qualify as a recommendation pursuant to Directive 2003/6/EC and Directive 2003/125/EC.

Additional information for Recipients in Greece

The information contained herein gives the view of the author at the time of publication and may not be used by its Recipient without first having confirmed that it remains accurate and up to date at the time of its use.

Past performance, simulations or forecasts are therefore not a reliable indicator of future results. Investment funds have no guaranteed performance and past returns do not guarantee future performance.

Additional information for Recipients in Indonesia

This report contains generic information and has not been tailored to the circumstances of any individual or specific Recipient. This information is part of NORD/LB's marketing material.

Additional information for Recipients in the Republic of Ireland

This information has not been prepared in accordance with Directive (EU) 2017/1129 (as amended) on prospectuses (the "Prospectus Directive") or any measures made under the Prospectus Directive or the laws of any Member State or EEA treaty adherent state that implement the Prospectus Directive or such measures and therefore may not contain all the information required for a document prepared in accordance with the Prospectus Directive or the laws.

Additional information for Recipients in Japan

This information is provided to you for information purposes only and does not constitute an offer or solicitation of an offer to enter into securities transactions or commodity futures transactions. Although the actual data and information contained herein has been obtained from sources which we believe to be reliable and trustworthy, we are unable to vouch for the accuracy and completeness of this actual data and information.

Additional information for Recipients in South Korea

This information has been provided to you free of charge for information purposes only. The information contained herein is factual and does not reflect any opinion or judgement of NORD/LB. The information contained herein should not be construed as an offer, marketing, solicitation to submit an offer or investment advice with respect to the financial investment products described herein.

Additional information for Recipients in Luxembourg
Under no circumstances shall the present information constitute an offer to purchase or issue or the solicitation to submit an offer to buy or subscribe for financial instruments and financial services in Luxembourg.

Additional information for Recipients in New Zealand
NORD/LB is not a bank registered in New Zealand. This information is for general information only. It does not take into account the Recipient's financial situation or objectives and is not a personalised financial advisory service under the 2008 Financial Advisers Act.

Additional information for Recipients in the Netherlands
The value of your investment may fluctuate. Past performance is no guarantee for the future.

Additional information for Recipients in Poland
This information does not constitute a recommendation within the meaning of the Regulation of the Polish Minister of Finance Regarding Information Constituting Recommendations Concerning Financial Instruments or Issuers thereof dated 19 October 2005.

Additional information for Recipients in Portugal
This information is intended only for institutional clients and may not be (i) used by, (ii) copied by any means or (iii) distributed to any other kind of investor, in particular not to retail clients. The present information does not constitute or form part of an offer to buy or sell any of the securities covered by the report, nor should it be understood as a request to buy or sell securities where that practice may be deemed unlawful. The information contained herein is based on information obtained from sources which we believe to be reliable, but is not guaranteed as to accuracy or completeness. Unless otherwise stated, all views contained herein relate solely to our research and analysis and are subject to change without notice.

Additional information for Recipients in Sweden
This information does not constitute (or form part of) a prospectus, offering memorandum, any other offer or solicitation to acquire, sell, subscribe for or otherwise trade in shares, subscription rights or other securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The present information has not been approved by any regulatory authority. Any offer of securities will only be made pursuant to an applicable prospectus exemption under the EC Prospectus Directive (Directive (EU) 2017/1129), and no offer of securities is being directed to any person or investor in any jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, other offer documentation, registrations or other actions.

Additional information for Recipients in Switzerland
This information has not been approved by the Federal Banking Commission (merged into the Swiss Financial Market Supervisory Authority (FINMA) on 1 January 2009). NORD/LB will comply with the Directives of the Swiss Bankers Association on the Independence of Financial Research (as amended). The present information does not constitute an issuing prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations. The information is published solely for the purpose of information on the products mentioned herein. The products do not qualify as units of a collective investment scheme pursuant to the Federal Act on Collective Investment Schemes (CISA) and are therefore not subject to supervision by FINMA.

Additional information for Recipients in Singapore
This information is directed only at accredited investors or institutional investors under the Securities and Futures Act in Singapore. This information is intended for general distribution only. It does not constitute investment advice and does not take into account the specific investment objectives, financial situation or particular needs of the Recipient. It is recommended that advice be obtained from a financial adviser regarding the suitability of the investment product in light of the specific investment objectives, financial situation and special needs of the Recipient before agreeing to purchase the investment product.

Additional information for Recipients in the Republic of China (Taiwan)
This information is provided for general information only and does not take into account the individual interests or requirements, financial status and investment objectives of any specific investor. Nothing herein should be construed as a recommendation or advice for you to subscribe to a particular investment product. You should not rely solely on the information provided herein when making your investment decisions. When considering any investment, you should endeavour to make your own independent assessment and determination on whether the investment is suitable for your needs and seek your own professional financial and legal advice.
NORD/LB has taken all reasonable care in producing this report and trusts that the information is reliable and suitable for your situation at the date of publication or delivery. However, no guarantee of accuracy or completeness is given. To the extent that NORD/LB has exercised the due care of a good administrator, we accept no responsibility for any errors, omissions, or misstatements in the information given. NORD/LB does not guarantee any investment results and does not guarantee that the strategies employed will improve investment performance or achieve your investment objectives.

Information for Recipients in the United Kingdom
NORD/LB is subject to partial regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Details of the scope of regulation by the FCA and the PRA are available from NORD/LB on request. The present information is "financial promotion". Recipients in the United Kingdom should contact the London office of NORD/LB, Investment Banking Department, telephone: 0044 / 2079725400, in the event of any queries. An investment in financial instruments referred to herein may expose the investor to a significant risk of losing all the capital invested.

Additional information
Time of going to press: 01 September 2021 08:49h (CET)

Disclosure of possible conflicts of interest at NORD/LB in accordance with Section 85 (1) of the German Securities Trading Act (WpHG) in conjunction with Article 20 of the Market Abuse Regulation (EU) No. 596/2014 and Articles 5 and 6 of Regulation (EU) 2016/958.
None

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

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

Recommendation system
Positive: Positive expectations for the issuer, a bond type or a bond placed by the issuer.
Neutral: Neutral expectations for the issuer, a bond type or a bond of the issuer.
Negative: Negative expectations for the issuer, a type of bond or a bond placed by the issuer.
Relative Value (RV): Relative recommendation to a market segment, an individual issuer or a range of maturities.

Breakdown of recommendations (12 months)

Positive:	37%
Neutral:	55%
Negative:	8%

Recommendation record (12 months)
For an overview of our overall pension recommendations for the past 12 months, please visit www.nordlb-pib.de/empfehlungsuebersicht_renten. The password is "renten/Liste3".

Issuer / security	Date	Recommendation	Bond type	Cause