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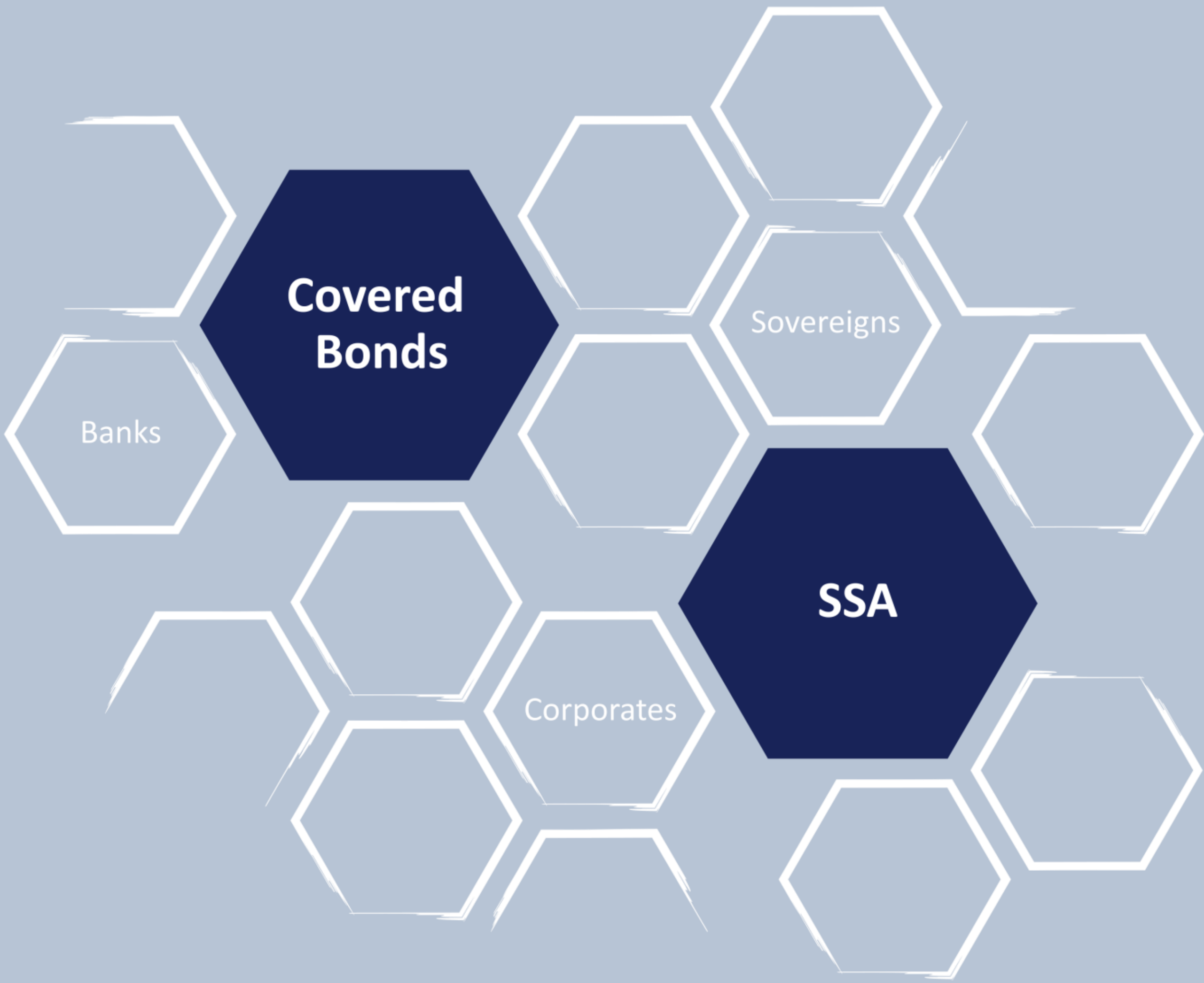

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

20 October 2021 ♦ 32/2021

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

Finanzgruppe

NORD/LB

Agenda

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Market overview Covered Bonds

Author: Dr Frederik Kunze

Covered bond primary market: the last few weeks in review

The last issue of our weekly publication appeared on 22 September and included bond issues up to 21 September. Since then, activity on the covered bond market has continued to be brisk, with the issuance volume for this period totalling EUR 15.75bn spread across 21 bond deals. In total, 19 issuers from 13 different jurisdictions made an appearance on the market. In our view, one striking feature in this context was just how receptive the market was to this wave of issuance activity. As such, the bonds placed during this time frame were characterised by adequate order book levels accompanied by accordingly high over-subscription ratios and low new issue premiums. Three of the deals were also allocated to the ESG universe, with ING DiBa making its green debut in the form of a green mortgage Pfandbrief and Sparebanken Vest placing its second green covered bond on the market after its first foray into this market segment back in July 2020. We also welcomed the first EUR benchmark in green format from South Korea, which was placed by Kookmin Bank. The ESG issuance volume for the current year now stands at EUR 13.7bn. Away from the ESG segment, Achmea Bank placed its first covered bond in soft bullet format on 22 September, having last entered the market with a bond issued under its CPT programme. Danmarks Skibskredit placed the second EUR benchmark from Denmark. Prior to this EUR 500m covered bond collateralised by ship financing being issued on October 14, the last deal from Denmark came from Jyske Realkredit (likewise EUR 500m) on 13 January. Although Denmark is the largest covered bond market in the world, this jurisdiction is actually one of the smaller players on the EUR benchmark segment, which is a direct consequence of its strong focus on the domestic currency (DKK) in particular (cf. article on ECBC annual statistics). Sumitomo Mitsui Trust Bank belatedly kicked off Japanese covered bond activities for 2021. Slightly more than 12 months after its inaugural issuance (07 October 2020; EUR 850m), the issuer finally placed a follow-up deal worth EUR 750m. France offered a duo of dual tranche transactions: on 22 September CAFFIL (cf. NORD/LB Issuer View – CAFFIL) offered two bonds (EUR 750m, 8y; EUR 500m, 25y) on the market. Then, on 13 October 2021, CFF (cf. NORD/LB Issuer View – CFF) approached investors with a dual tranche deal of its own, successfully placing its two bonds each worth EUR 750m with terms to maturity of 6y and 20y respectively. From the German-speaking DACH (Germany, Austria and Switzerland) region, ING DiBA was joined in making an appearance on the market by Wüstenrot Bausparkasse (EUR 500m; on the back of its benchmark debut in 2020 in the amount of EUR 500m), Berlin Hyp (EUR 1.0bn), Hypo Vorarlberg (EUR 500m) and DZ HYP (EUR 1.0bn). Stadshypotek (EUR 1.0bn) became the third Swedish bank this year to approach investors on the EUR benchmark covered bond market, while over in Belgium, Argenta Spaarbank (EUR 500m) issued its second EUR benchmark in 2021. It was not only the term to maturity of 20 years that was noteworthy with this deal, but also the fact that with these two benchmarks Argenta is the only Belgian issuer active so far this year. The group of overseas deals was rounded off by activity from Australia (CBA: EUR 1.25bn), a trio of Canadian deals (CIBC: EUR 1.0bn; RBC: EUR 1.25bn and NBC: EUR 750m) in addition to the second EUR benchmark in 2021 from Singapore (DBS: EUR 750m).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
DZ HYP	DE	19.10.	DE000A3E5UY4	5.0y	1.00bn	ms -3bp	- / Aaa / AAA	-
DBS Bank	SG	19.10.	XS2401439174	5.0y	0.75bn	ms +6bp	AAA / Aaa / -	-
Danmarks Skibskredit	DK	14.10.	DK0004133139	6.7y	0.50bn	ms +34bp	- / - / A	-
Sumitomo Mitsui Trust	JP	14.10.	XS2395267052	7.0y	0.75bn	ms +25bp	- / Aaa / -	-
CFF	FR	13.10.	FR0014006268	20.0y	0.75bn	ms +5bp	- / Aaa / AAA	-
CFF	FR	13.10.	FR0014006276	6.0y	0.75bn	ms -1bp	- / Aaa / AAA	-
Kookmin Bank	KR	13.10.	XS2393768788	5.0y	0.50bn	ms +14bp	AAA / - / AAA	X
Wuestenrot BSK	DE	13.10.	DE000WBP0BB8	8.0y	0.50bn	ms -1bp	- / - / AAA	-
Berlin Hyp	DE	11.10.	DE000BHY0H34	8.3y	1.00bn	ms -2bp	- / Aaa / -	-
CBA	AU	06.10.	XS2397077426	8.0y	1.25bn	ms +10bp	AAA / Aaa / -	-
Sparebanken Vest	NO	05.10.	XS2397352233	5.1y	0.75bn	ms +2bp	- / Aaa / -	X
Hypo Vorarlberg	AT	05.10.	XS2396616455	8.0y	0.50bn	ms +3bp	- / Aaa / -	-
ING-DiBa AG	DE	30.09.	DE000A1KRJV6	7.0y	1.25bn	ms -3bp	- / Aaa / -	X
Argenta Spaarbank	BE	29.09.	BE6331175826	20.0y	0.50bn	ms +9bp	- / - / AAA	-
CIBC	CA	29.09.	XS2393661397	5.0y	1.00bn	ms +4bp	AAA / Aaa / -	-
RBC	CA	28.09.	XS2393518910	7.0y	1.25bn	ms +6bp	AAA / Aaa / -	-
NBC	CA	23.09.	XS2390837495	5.0y	0.75bn	ms +3bp	AAA / Aaa / -	-
Stadshypotek	SE	23.09.	XS2391570418	9.0y	1.00bn	ms +4bp	- / Aaa / -	-
CAFFIL	FR	22.09.	FR0014005MV4	25.0y	0.50bn	ms +12bp	- / Aaa / AA+	-
CAFFIL	FR	22.09.	FR0014005N34	8.0y	0.75bn	ms -1bp	- / Aaa / AA+	-
Achmea Bank	NL	22.09.	XS2392593161	15.0y	0.50bn	ms +8bp	- / - / AAA	-

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

Sub-benchmark segment: Icelandic newcomer makes successful market appearance

The universe of sub-benchmark issuers has been expanded by the arrival of Arion Banki from Iceland. The deal was priced on 28 September at EUR 300m (5y) and generated an order book totalling EUR 700m. The re-offer spread came in at ms +27bp (IPT: ms +32bp area), with the bond also performing well on the secondary market. In addition, Kommunalkredit Austria also approached investors on 22 September. With a re-offer spread of ms +15bp, its bond worth EUR 250m (7y) was nearly 5x oversubscribed (bid-to-cover ratio: 4.8x), which we would certainly regard as an indication of the attractiveness of sub-benchmark deals.

Covered bond primary market: strong September, much more promising October

At EUR 20.8bn, primary market issuance activity in September 2021 was brisk – unusually so in a historical comparison – while October (to date EUR 9bn) has also delivered a more than robust performance in terms of issuance activity. In the current year, issuance activity in the EUR benchmark segment now totals EUR 82.35bn, which is in excess of our forecast of EUR 79.5bn. The deviation analysis in reference to our forecast broken down by individual jurisdiction (see table below) reveals that we were too cautious in March 2021 for the full year 2021, especially with regard to major players such as France, Germany, Norway and Canada. On the basis of the current issuance volume at least, Spain and Finland continue to lag somewhat behind our forecast. Looking ahead to next year, we would initially take the view that the issuance volume in 2021 (likely to come in at around EUR 85-90bn) will mark the lower threshold in terms of a value for the full year 2022, although we would already be confident enough to rule out the possibility of a return to the values seen in either 2018 or 2019.

NORD/LB forecast: Deviations from the March forecast vs. actual issuance volume (ytd)

Jurisdiction	Outstanding volume (2020)	Maturities 2021e	Issues 2021e (Mar 2021)	Issues 2021 ytd	Δ expected vs. actual
AT	28.5	4.5	5.0	4.0	-1.0
AU	25.0	5.5	2.0	3.9	1.9
BE	16.3	3.3	2.0	1.0	-1.0
CA	49.3	7.5	6.5	9.8	3.3
CH	1.3	3.5	0.0	0.0	0.0
CZ	0.0	0.0	0.5	0.5	0.0
DE	142.9	13.4	12.5	15.0	2.5
DK	6.0	2.5	1.0	1.0	0.0
EE	0.5	0.0	0.5	0.0	-0.5
ES	80.7	15.9	3.0	0.7	-2.3
FI	27.8	3.5	3.5	1.3	-2.3
FR	200.4	29.9	17.0	20.0	3.0
GB	30.5	13.1	2.0	1.3	-0.8
GR	0.5	0.0	0.0	0.0	0.0
HU	0.0	0.0	0.5	0.0	-0.5
IE	3.5	1.3	0.0	0.0	0.0
IT	50.4	7.1	2.0	2.5	0.5
JP	4.1	0.0	1.0	0.8	-0.3
KR	3.0	0.0	1.5	2.0	0.5
LU	1.5	0.5	0.0	0.0	0.0
NL	55.6	3.8	5.0	4.1	-0.9
NO	43.4	7.8	4.5	7.3	2.8
NZ	7.0	2.0	3.4	2.5	-0.9
PL	2.7	0.6	0.5	0.0	-0.5
PT	5.8	0.0	0.5	0.0	-0.5
SE	28.3	10.0	2.2	2.5	0.4
SG	5.8	0.5	1.5	1.5	0.0
SK	2.5	0.0	1.5	1.0	-0.5
TR	0.0	0.5	0.0	0.0	0.0
Total	**823.0**	**136.4**	**79.5**	**82.4**	**2.9**

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

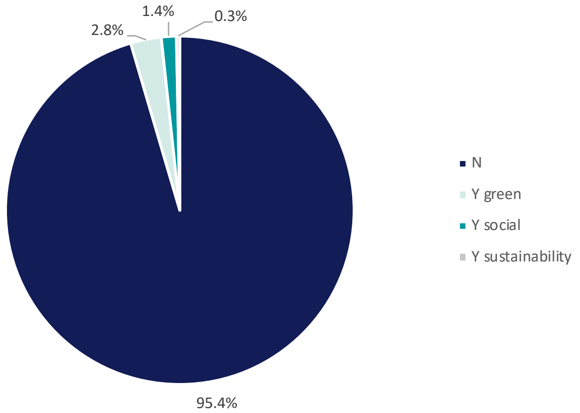
ECBC: Factbook 2021 published and annual statistics presented

After publishing the annual statistics up to year-end 2020, the European Covered Bond Council (ECBC) has this year again presented a comprehensive set of data for the global covered bond market. A short article dedicated to analysing this data is also included in this edition of our weekly publication. We continue to regard this composition as a highly important source for the identification of long-term trends on the covered bond market, among other factors. We are of the view that the ECBC Factbook, likewise published on an annual basis, is also highly valuable. It contains not only covered bond statistics, but also covers key themes for the current year in addition to regulatory framework conditions in the covered bond segment.

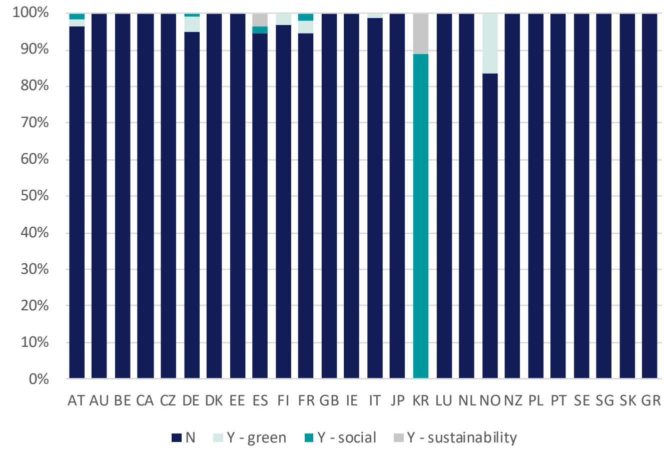
NORD/LB Covered Bonds Special: Risk weights and LCR level of covered bonds

On 08 October 2021, we released the second edition of our biannual publication Risk Weights and LCR Levels of Covered Bonds. In addition to the usual representations of the LCR classification and the risk weights, we added ESG characteristics to the overview of the bonds listed in the iBoxx EUR Covered. On the basis of this data, it can be seen that the proportion of “conventional” issues is clearly overweighted in the corresponding EUR benchmark covered bonds. In terms of ESG covered bonds, it is green deals that are predominant. On a country-by-country basis – measured in relation to their respective market shares – there is certainly a high level of (catch-up) potential for ESG emissions (although one exception in this regard is South Korea). Based on the dynamics currently seen with regard to green, social and sustainable covered bonds, we already expect ESG issuances to be much higher weighted in quantitative terms when we publish our Covered Bond Specials in 2022. This applies both to jurisdictions with corresponding bonds as well as the respective shares of green, social and sustainable covered bonds.

ESG type by volume (EUR benchmarks)[1]



ESG type by jurisdiction (EUR benchmarks)



Source: Market data, NORD/LB Markets Strategy & Floor Research; [1] N = Non-ESG; Y = ESG

NORD/LB Covered Bonds Special: update on central bank eligibility

As part of our wider series of publications covering topics of relevance for the covered bond market, in the past we have regularly commented on the possibility of using covered bonds as securities eligible for central bank operations. On 15 October, we broached the subject of the currently applicable framework conditions for the use of covered bonds in the ECB Collateral Framework in addition to ten further central banks (Bank of England, Swiss National Bank, US Federal Reserve, Sveriges Riksbank, Norges Bank, Danmarks Nationalbank, Bank of Canada, Reserve Bank of Australia, Reserve Bank of New Zealand and Narodowy Bank Polski) as part of a Covered Bond Special. Readers can find a summary of the relevant ECB section in the form of a dedicated article included in this edition of the NORD/LB Covered Bond & SSA View.

European Commission on the implementation status of the Covered Bond directive
On 08 July 2021, the deadline for the implementation of the Covered Bond legislation (Directive 2019/2162/EU) elapsed. The European Commission noted that the implementation status stands at 18% on 05 October 2021. As such, just five member states – Denmark, France, Germany, Hungary and Latvia – have achieved what is known as "Full Transposition", i.e. total implementation of the directive in their respective national legislative frameworks. In terms of the remaining 22 member states, "Partial Transposition" status was communicated to the European Commission by three relevant countries including Ireland, Slovenia and the Czech Republic. However, no announcement whatsoever was forthcoming from a full 19 countries. Owing to a failure to report, or in certain cases incomplete or delayed reporting, the European Commission has stated that infringement procedures will be initiated against these 22 countries. Nevertheless, it is our understanding that no assumptions can be made at this stage concerning a direct connection with regard to the regulatory treatment or pricing of covered bonds from the jurisdictions affected. The main reason for this centres on the fact that the amended national legal requirements do not have to be implemented until 8 July 2022 at the latest. However, the closer that we get to this deadline, the larger the looming challenges as result of belated transposition of the directive in national law will be (e.g. for issuers, among other aspects).

Market overview SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

ESM/EFSF funding and investor newsletter

The 41st edition of the quarterly investor newsletter of the ESM and EFSF bailout funds was published during our short break. It also provided us with plenty of information at the end of Q3. The two most important points concerned the completion of EFSF funding for 2021 and the ESM's USD benchmark. In terms of the EFSF in particular, it has been clear since the beginning of the year that there would be no more capital market activities in Q4. The EFSF will return to the capital market in 2022 and then plans to issue EUR 18.0bn. On the other hand, five bonds are maturing in the coming year with a total volume of just under EUR 22bn, again resulting in a negative net supply of EUR 4bn in the coming year, meaning that the EFSF would shrink slightly practically on an annual basis. For the ESM, the highlight on the capital market side was the issue of the fifth USD bond since 2017. At the same time, the funding for Q3 was completed with the volume of USD 2bn. With the two-year bond, there is now a full USD curve until 2025. Investors can expect another USD benchmark every autumn. This transparency and reliability is not only something we appreciate about the EFSF and ESM, but it is also already evident in the EU. Demand on the other side of the pond was 39% compared to 29% otherwise. The share of central banks even rose to 64% from an average of 55% otherwise. The reason for issuing USD bonds remains the diversification of the investor base. Such diversification is essential for the ESM because it enables it to raise funds quickly and independently of market conditions. As with the third programme for Greece in 2015, the bailout funds must be able to raise large amounts very quickly. USD deals therefore offer an additional financing instrument.

ESM/EFSF confirm funding plans for the rest of the year

At the time of the newsletter, the funding windows were also communicated as usual – the first window was already used in calendar week 40. Therefore, the ESM has already been done with its funding for 2021 for a fortnight. There will still be ESM bill auctions for 3M, 12M and 6M until 7 December. However, the two longer money market maturities are skipped in December. The ESM also plans to issue a fresh EUR 8.0bn in 2022. Here we see maturities in three bonds amounting to EUR 12.5bn, resulting in a negative net supply as well.

Long-term funding plan 2021 (EUR bn)

	Q1	Q2	Q3	Q4	∑ 2021
EFSF	7.0	7.5	2.0	-	**16.5**
ESM	2.0	2.0	2.0	2.0	**8.0**

Time window for...

…ESM/EFSF bond issuances		**…ESM Bill auctions (3M / 12M / 6M)**			
CW 40	October 04-08	**October**	Tu 05	Tu 12	Tu 19
CW 46	November 15-19	**November**	Tu 02	Tu 09	Tu 16
		December	Tu 07	-	-

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

NGEU: NextGenerationEU goes Green

During our publication break, the European Commission issued the first green bond of the high-profile "NextGenerationEU", raising EUR 12bn to be used exclusively for green and sustainable investments in the EU. In so doing, the EU issued the world's largest green bond ever, setting another record in the process. With the NGEU programme's green bonds, the EU will become by far the world's largest green bond issuer, providing what it says is a significant boost to sustainable finance markets and financing a greener EU recovery from the pandemic. Given the strong oversubscription and pricing, the EU made a promising start to the NGEU green bond programme, which will have a volume of up to EUR 250bn by the end of 2026. The bond had a maturity of 15 years and was more than 11 times oversubscribed with EUR 135bn in the order books. As said before, funds from the issuance of NGEU Green Bonds will be used to finance green and sustainable spending under the Economic Recovery and Resilience Facility. Eligible investments from the already approved plans include a research platform for the energy transition in Belgium or the construction of onshore wind turbines in Lithuania. To recap: at least 37% of any stimulus package must be spent on the green transition, with many member states aiming for more. This was the fifth syndicated transaction since the launch of the NGEU financing operations in June 2021. These operations have so far enabled the Commission to raise EUR 68.5bn in long-term funds through bonds. A total of EUR 80bn is planned by the end of the year. In addition, the Commission held the first NGEU bond auction at the end of September.

The EU and its other funding programmes

At the end of 2020, the EU planned to raise EUR 50.8bn in 2021 under its SURE programme, EUR 9.75bn under its European Financial Stabilisation Mechanism (EFSM) and EUR 2.35bn under its Macro-Financial Assistance programme (MFA). These programmes are inevitably overshadowed by the new NGEU programme. SURE has already been completed and only emerged in 2020 due to the pandemic.

KfW call next Monday

KfW has issued an invitation to a non-deal related Global Investor Broadcast in English via its usual channels for next Monday. The agenda is as follows: the new CEO, Stefan Wintels, takes the reigns, KfW's promotional activities – Covid traces and ESG highlights as well as Refinancing & Finance – stodgy or simply successful? This type of communication will from now on take place every six months.

Primary market: Supranationals

We have commented in detail above on the ESM and EFSF funding plans for Q4; both issuers are done for 2021 and will return to the primary market in 2022. The ESM tap (EUR 2bn, 2024 maturity at ms -13bp) marked the end of this year's funding activities. The EU's green deal came in at ms -8bp. The World Bank deal was issued under the ticker IBRD: the sustainability bond (EUR 2bn) came to market at ms +12bp for 25 years (see table below). The order book stood at just over EUR 2.65bn. An investor call for its sustainability bonds followed on Monday 18 October. The EU also issued a tap for EUR 600m in the form of a private placement.

Primary market

In this issue we take on chronicler's duties in the table, but cannot go into every deal. It is striking that in addition to the supranational deals above, many other ESG bonds were issued. For example, NWB opted for a social housing bond, while a sustainability bond was placed by the French institute AFD. ADIFAL, Adif Alta Velocidad, rarely seen on the market, with ratings of A- and Baa2 respectively, also chose a green format and was almost five times oversubscribed. KEXIM, also identified by its unusual ticker EIBKOR, opted for EUR 850m in a three-year green bond. Among the sub-sovereigns, German Bundeslaender particularly stood out: HAMBRG (EUR 700m, 10y), LANDER (Gemeinschaft deutscher Laender; EUR 1bn, 6y), BRABUR (EUR 700m, 30y), BADWUR with a floater (EUR 750m, 5y), BERGER (EUR 500m WNG, 10y) and Bremen (also EUR 500m WNG, 10y). This was flanked regionally by FLEMSH (EUR 1.5bn, 10y) and the French ARA region, whose acronym stands for Région Auvergne Rhône Alpes, which is rated AA by S&P (stable). First, the region introduced its Sustainability Bond Framework and shortly afterwards issued EUR 100m for 20 years at OAT +21bp as a sustainability bond under the ticker REGRHO. This is the second-largest bond outstanding on the ticker and also the longest maturity. A similar approach was pursued by the Région Pays de la Loire (around the city of Nantes), which chose the triad of Green, Social and Sustainable for its framework. Under the ticker RLOIRE there was also EUR 100m for 20 years, but at OAT +22bp with an identical rating from S&P like REGRHO. Where applicable, we shall devote more time to these third-tier issuers in the coming weeks and months. New RLOIRE is the largest and longest bond currently outstanding; normally, we look at issuers with at least EUR 250m per bond. Speaking of France, recently appearing for the first time in the Eurosystem's purchase programmes, the French Action Logement Services entered the trading floor under the ticker ALSFR. The primary market activity was accompanied by an investor call on the topic of sustainability. ALS now has three bonds outstanding, all three comprising a volume of EUR 1bn each. Before we turn to the numerous taps, we should briefly mention Poland's BGOSK (EUR 500m, 7y at ms +45bp) and KFW (EUR 3bn, 3y at ms -17bp). Taps came from KommuneKredit (EUR 500m, 2034, ms +5bp), MuniFin (EUR 500m, 2035 Social, ms -2bp), Unédic (EUR 1bn, 2027) and Bpifrance (EUR 500m, 2026). Very interesting mandates for timely pricing have been received from IB Schleswig-Holstein (EUR 500m WNG) and from Saxony-Anhalt (2051 tap) right before we were going to press with this publication in German.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
FLEMSH	BE	12.10.	BE0002826072	10.0y	1.50bn	ms +7bp	AA / - / -	-
IBRD	SNAT	12.10.	XS2400299363	25.0y	2.00bn	ms +12bp	- / - / AAA	X
BERGER	DE	12.10.	DE000A3H2Y57	10.0y	0.50bn	ms -7bp	AAA / - / -	-
EU	SNAT	11.10.	EU000A3K4C42	15.3y	12.00bn	ms -8bp	AAA / Aaa / AA	X
EIBKOR	Other	11.10.	XS2397372850	3.0y	0.85bn	ms +15bp	AA- / Aa2 / AA	X
BADWUR	DE	11.10.	DE000A14JZU2	5.0y	0.75bn	6mE -6bp	- / - / AA+	-
BGOSK	Other	05.10.	XS2397082939	7.0y	0.50bn	ms +45bp	A-(EXP) / - / -	-
BRABUR	DE	05.10.	DE000A3E5SG5	30.0y	0.70bn	ms +9bp	- / Aaa / -	-
LANDER	DE	29.09.	DE000A3MP5P6	6.0y	1.00bn	ms -7bp	AAA / - / -	-
ADIFAL	ES	28.09.	ES0200002063	10.1y	0.60bn	ms +43bp	A- / Baa2 / -	X
ALSFR	FR	28.09.	FR0014005SE7	10.0y	1.00bn	ms +29bp	AA / Aa2 / -	X
AGFRNC	FR	22.09.	FR0014005NA6	10.0y	2.00bn	ms +12bp	AA / - / AA	X
HAMBRG	DE	22.09.	DE000A2LQPK4	10.0y	0.70bn	ms -5bp	AAA / - / -	-
NEDWBK	NL	22.09.	XS2391832719	25.0y	1.00bn	ms +9bp	- / Aaa / AAA	X

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

Cross Asset
ECB preview: interim step before a landmark December?

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

ECB meeting: interim step before December meeting to point the way ahead?

The next meeting of the ECB Governing Council is scheduled to take place on 28 October 2021. After the July meeting took on such importance due to the prior announcement regarding the central bank's new strategy alone, we could almost have written off the September meeting as a virtual non-event or staging post to take stock. Ahead of the meeting, however, there were various hawkish comments which built up a certain degree of suspense. The Council then clearly no longer saw any reason to continue with frontloading of the PEPP in order to secure cheaper financing terms. The decision was then taken to reduce the pace of net purchases moderately in Q4, which is why we are including the PEPP data in our preview of the ECB meeting this month. Even though this means a partial victory for the hawks in the Council, it does not yet equate to tapering. The Council is still purposely opting not to name any explicit, regular purchase volume and reserves the right to respond flexibly to market developments within the guidelines it has set itself. We particularly like statements according to which ECB President Christine Lagarde avoided the phrase "tapering" like the plague. Rather, she spoke of a "recalibration" of the PEPP. In so doing, the main aim was to avoid giving the impression that the bank has already set a steady reduction course. As regards our view of the situation, we therefore only expect a moderate reduction in the monthly purchase volume in the next few months. Although ultimately the volume does not have to be exhausted in full, nevertheless the most recent comments by Lagarde have repeatedly suggested that the bank was aiming to use "the envelope" in full, if possible. In spite of solid economic data at present, the timing on 09 September was not yet right for fundamental comments on the future of the PEPP beyond March 2022 – not least in view of uncertainty regarding the future course of the pandemic. This issue will only be included on the agenda in December. The ECB has once again been forced to raise its short-term inflation projection (2.2% for 2021). However, the view that transitory effects are largely responsible for the current uptick in inflation remains unchanged. Nonetheless, Lagarde – and likewise her colleagues from the ECB Council most recently – has discussed the risk of longer upward pressure on inflation resulting from supply-side bottlenecks. The ECB has indicated that it also plans to keep a close eye on potential risks of a second-round effects in the form of a wage-price spiral. Inflation projections for 2022 (1.7%) and 2023 (1.5%) indicate that this is not the ECB's baseline scenario. According to the forward guidance adjusted in July to the new strategy, these longer-term forecasts are of particular importance. As regards the meeting on 28 October, the storyline we are pursuing in today's article is that the focus has already been on the December meeting (16th) since September in view of the framing and expectation stance in relation to the PEPP. On balance, the ECB is easing off the gas slightly, but, because of the high level of stimulus, the Council is having to factor in a long braking distance. The fact that the pandemic is by no means done and dusted for the ECB either is clear not least from the ongoing pandemic emergency purchase programme (PEPP). In this respect, we anticipate various questions after Ms. Lagarde's statement and, as usual, a great deal of evasiveness until December.

Voices from the ECB Governing Council continue to refer to the transitory nature of the observed price increases: Signs of readjustments discernible?

As we have already mentioned, the changing situation on the price front is also being mentioned in comments coming from around the ECB Council. Boštjan Vasle for example, recently gave an indication of the circumstances under which the bank might no longer merely speak of “temporary” inflation. Although the governor of Slovenia's central bank initially stressed that price rises should still be regarded as temporary in view of the fact that second-round effects had so far not materialised (on the labour market, among other aspects), alongside changing inflation expectations, there were definitely signs of a new dynamic taking hold on the labour market, illustrated by the supply squeeze and rising wage pressure. Should it come to an escalation in the situation and should it carry on, this would lead to a longer period of inflation on a hitherto unexpected scale. Klaas Knot from the Netherlands has once again cited frictions on the supply side in the context of unexpectedly prevalent price rises. In the end, the central banker, who is if anything more of a monetary policy hawk, spoke about mainly short and medium-term upside risks for inflation, but nevertheless said that inflation expectations in the euro area remain anchored. As regards the future direction of monetary policy, we definitely see this as a basis for discussion in the context of the PEPP purchase programme along with its future transformation. Monetary policy hawks such as Knot in particular would be rather critical of about a continuation of the PEPP beyond March 2022, even if they would tolerate a temporary overshooting of the 2% inflation target in line with the new strategy. Council member Ignazio Visco also recently spoke about the toolkit and ability of the ECB to take action in future. The governor of the Italian central bank then mentioned the need to adjust the purchase programmes, though also referring to a necessary switch in focus from overcoming coronavirus stress conditions to the 2% inflation target. In this context, Visco also made it clear that, when necessary, flexibility had worked very well and that it would also help reach the inflation target in future. The head of France's central bank, François Villeroy de Galhau, recently also spoke out in favour of flexible monetary policy instruments in his role as ECB Council member. He spoke in concrete terms about a "reserve option", which is so far not part of already active purchase programmes but which could then be activated in the event of any fresh periods of stress. In this context, he also stressed that the "mere existence" of the possibility of the Eurosystem taking flexible actions would already be having a stabilising effect. On the other hand, not all of the ECB Council members are so keen on granting fundamental flexibility to the PEPP. Pierre Wunsch, Nationale Bank van België, and his colleague from Estonia, Madis Müller, have at least expressed reservations recently. Wunsch also talked about a turning point when there would be some second-round effects in relation to inflation, but only limited leeway. A few days ago, the ECB Chief Economist Philip R. Lane remarked that one-off pay rises should not be seen as an indication of permanently higher inflation. In our view, this degree of equanimity is also reflected in the ECB's inflation projections. We have increasing doubts about whether positions that have so far been clearly defined, such as that of Isabel Schnabel, which were more focused on the risks of an overly premature reaction to inflation with regards to the economic recovery, will hold. Consequently, inflation projections are again likely to be subject to another marked upward revision in December, which should further put paid to the mantra of "temporary inflation".

How long is "transitory"?

Hardly anybody uses the word "transitory" in day-to-day life; the ECB, however, uses it constantly in terms of current sharp rise in inflation. If we take the meaning of the word "transitory", the ECB therefore regards the current overshooting of the 2% symmetrical inflation target as temporary, i.e. it will only last a short time, and therefore will come back down again later on. However, in contrast to the world of medicine, for example, the ECB has not said in this respect whether it we are talking about weeks or months, or even a year or longer. At any rate, the ECB's inflation forecasts for 2022 (1.7%) and 2023 (1.5%) do not yet indicate any sustained period of high inflation for the next few years, although market rates currently factor in an earlier interest rate hike. In any case, all market participants are at present recalibrating their projections to factor in the possibility of disrupted supply chains or energy price rises and more expensive petrol. The future course of the purchase programmes will also depend to a large extent on this.

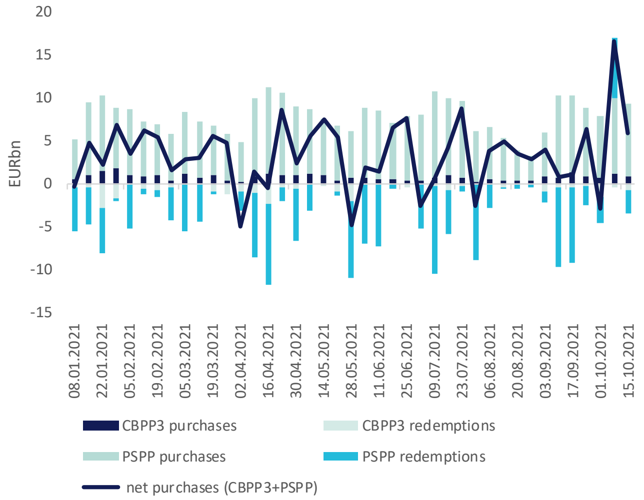
Slight adjustment: PEPP purchases will now take place at a slower pace

At the September Council meeting, the central bank confirmed a reduction in the accelerated pace of purchases under the PEPP for the current Q4 2021. The duration of the PEPP until the end of March 2022 and the envelope of EUR 1,850bn were confirmed. According to our calculations, we were already looking at a first reduction in the summer months, which could probably be ascribed to the seasonal pattern of issuance activity and general ECB purchase programmes. As regards both net and gross purchases, the PEPP therefore seemed rather muted during the summer months – not least as a result of limited market activity.

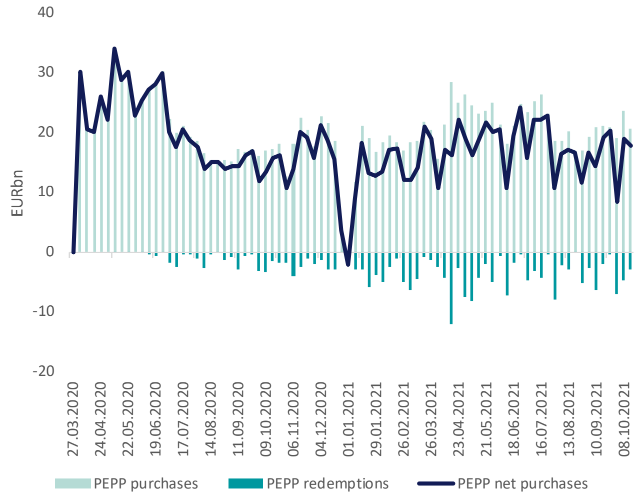
What is the ECB planning with regards to reviewing the PEPP?

The PEPP is still the main subject of conversation. This is likely to continue until at least the December meeting since monthly purchases still exceed the APP in terms of volume. However, we have always stressed that these fresh funds – EUR 20bn per month – should not be underestimated since the PSPP and CBPP3 along with the ABSPP and CSPP will all outlive the PEPP if there are signs of an end to the pandemic. The Financial Times recently reported that four ECB Council members were in favour of raising the current ceiling of 10% for supranational bond purchases under the APP. This kind of flexibility allows the ECB to circumvent potential problems on the way to reaching the 33% ceiling at national level. As a reminder: the ceiling for purchasing supranational issues is set at 50%, while the ceiling that applies to all other QE bonds is only 33%. In this respect, the fact that the EU will issue fresh supply averaging EUR 150bn p.a. during the period 2022-2026 in order to finance its "NextGenerationEU" programme would suggest an adjustment. Nor would this be a legal trick since the purchase of supranationals began at 12% in 2015 and were only reduced to 10% over time. We could envisage a figure of 15%; at most though we would expect 20%, although we would see that as unlikely. The inclusion of Greek bonds in future purchases is also considered in the same FT article, even though Greek bonds do not currently meet the necessary creditworthiness requirements for an investment grade rating. This is already possible under the PEPP and could bring further complaints against the APP in future. Finally, there are proposals to transition from the purchase of a fixed monthly amount of bonds to a total purchase amount. This would transpose a key element of the PEPP on the APP. We do not expect to get answers to these questions until December. Nevertheless, as the statements mentioned earlier indicate, the future flexibility of the monetary policy toolkit is already a firm component of those discussions within the ECB which are being carried out in public.

Purchases under the PSPP and CBPP3 (2021 ytd)



Purchases under the PEPP (since inception)

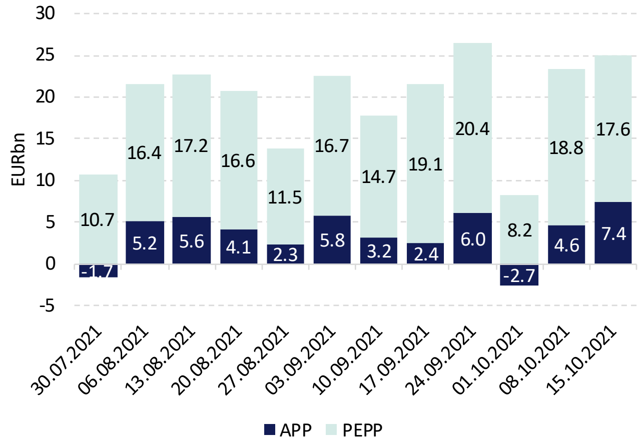


Source: ECB, NORD/LB Markets Strategy & Floor Research

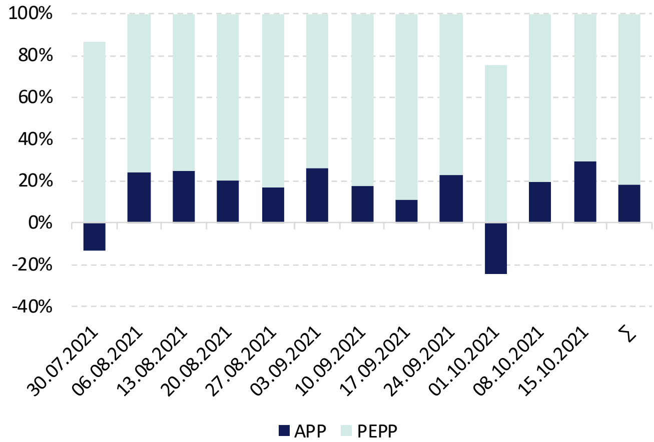
ECB playing on the time axis

Now, however, we turn the spotlight on the ECB Council's forthcoming October meeting: the central bank's instrument toolkit is once again unlikely to undergo any formal changes at this meeting – after all, hints have been all too clear that the ECB was not planning to tackle the PEPP verbally until December. Accordingly, there should not be any adjustments in the structure of purchase programmes or in key interest rates. We also expect unchanged parameters for the TLTRO III programme and tiered interest rate. After all, the current format of the ECB's monetary policy instruments delivers a significant degree of flexibility. Bearing in mind the view that progress with covid vaccinations should dampen the negative impact of any new infection waves, we are turning our attention back towards the question of when this scenario will have an impact on the pace of purchases under the PEPP and the pandemic emergency programme as a whole. Ahead of the last meeting Council meeting, ECB Chief Economist Lane once again stressed the flexibility of the PEPP, pointing out that the pace of purchases could be reined in or stepped up, depending on financing conditions. Such smokescreens obviously make it difficult to guess what the ECB might decide internally. The recent decision to slightly reduce the pace of purchases in Q4 is already being implemented. Even beyond the PEPP time frame, as the APP comes back more into focus, the ECB will have an instrument at its disposal to carry on asset purchases, which in turn will take the pressure off the central bankers in relation to communicating any further steps. In our view, this once again points towards an unspectacular October meeting, even though calls for a change of course are becoming louder against the background of ongoing inflation in the single currency area and current yield levels – and the majority of press questions are likely to focus on this as well. As regards the time axis: Since the decision to raise the supranationals limit (currently 10%; previously 12%; expectation: 12-15%) would require a majority of 25 Council members, there could be two extraordinary ECB Council meetings in November and ahead of the year-end meeting in order to make sufficient preparations for this option.

Weekly purchase volume



Breakdown of weekly purchases

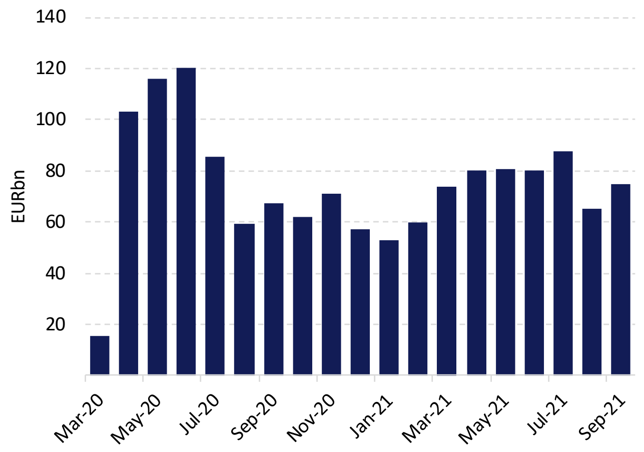


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

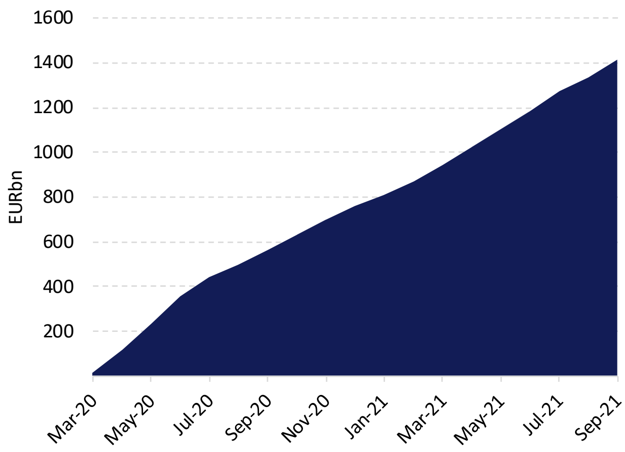
PEPP: reinvestment of maturities up to the end of 2023 at least

To date, maturities under the PEPP amount to EUR 205.7bn (as at 15 October 2021). In addition, at EUR 12.1bn, the highest level of weekly maturities was recorded on 16 April. As such, the programme's maturities component should not be underestimated. We stress this especially bearing in mind the fact that, as things stand at present, maturities under the PEPP will be reinvested up to at least the end of 2023. Consequently, the PEPP will either be transferred on a grand scale in December and integrated into the existing toolkit, or the instruments to fight the effects of the pandemic will remain largely in place in any case for another two years. Meanwhile, an overview of maturities is still not available; we have been complaining about this lack of transparency on the part of the central bankers for months.

Monthly PEPP purchase volume



PEPP volume over time



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

Gross purchases have long exceeded EUR 1,600bn; more than EUR 1,400bn net
As at the latest reporting date (15 October), the PEPP volume amounted to EUR 1,440.6bn, or 77.9% of the fixed volume of EUR 1,850bn. Since this figure only reflects the programme's current (account) position, it is also worth looking at gross purchases and maturities since the inception of the programme. This shows that a gross amount of EUR 1,658.9bn was purchased under the PEPP. The proportion of maturities therefore amounts to 12.4% of gross purchases and is therefore significant and relevant as regards full reinvestment activity. Assets amounting to an average of EUR 2.7bn have matured each week since the start of the programme. As regards its reinvestment strategy, as already mentioned, were are therefore unclear as to why the ECB continues offer such scant transparency.

Estimated portfolio development

Assumed future purchase pace	Weekly net purchase volume	PEPP Limit hit in...
Average net weekly purchase volume so far	EUR 17.8bn	24 weeks (25 March 2022)

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

Theoretical pace of purchases almost reached
Since the start of the PEPP at the end of March 2020, the ECB has purchased an average of EUR 17.8bn per week (net). Although volumes observed each week were definitely subject to significant fluctuations – e.g. during phases of limited market activity (around Christmas or summer break), based on the current average, we calculate an average theoretical exhaustion of the EUR 1,850bn "envelope" by mid/end March 2022. Although this would mean that the ECB had not quite reached the earliest possible end of net purchases, we attribute this circumstance to an accelerated pace that will not be maintained until the end of the programme – we therefore do not believe there is any danger of the ECB missing its potential "precision landing" operation. Moreover, as things stand at present, we do not expect the pace to ease up, especially at the end of the programme. That being said, the ECB reserves the right to exert the greatest possible flexibility in relation to the PEPP, and has underlined once more in the context of Council meetings, especially in March 2021, that it is just as likely not to increase the EUR 1,850bn volume as it is to do so.

Further increase in share of public sector assets...
The latest PEPP figures also show a clear trend: The PEPP clearly serves the purchase of public sector assets. As such, this share has risen further from 96.6% in July 2021 to 96.7% in September 2021, setting a new record high in the process. Since the start of the programme, the share of public sector assets has therefore risen steadily. Public sector assets totalling EUR 136.5bn were purchased under the PEPP during the months of August and September.

…Little in the way of covered bond activity
Once again, there was little activity with regard to the covered bond segment over the past two months of the PEPP, although holdings of covered bonds under the PEPP have increased from EUR 5,379m to EUR 6,079m (net purchases at book value: EUR 707m). This equates to 0.4% of the PEPP and can therefore still be described as more or less irrelevant.

Interim conclusion

The current inflation debate is once again likely to be the focus of attention at the forthcoming ECB meeting and there is also a lot of interest in the transitioning of the PEPP, even though this has been postponed until December. Lagarde will certainly have to contend with one issue or the other. We therefore regard content adjustments to the PEPP as unlikely. The pandemic programme is already sufficiently flexible in terms of weekly purchases. A systematic reduction to or below the level of Q1 2021 (EUR 14.6bn weekly) would make sense in Q4 2021, while we assume a further reduction in weekly purchases to under EUR 12.5bn in Q1 2022.

Covered bonds: not much fresh impetus, but no decoupling from market sentiment

The notion of an "interim step" before the meeting in December (or in relation to the subsegment under consideration here) or first meeting in 2022 which will point the way ahead is also fitting in relation to the covered bond market. In any case, announcements in the context of the PEPP would only have an indirect effect on covered bonds which have hardly been purchased under the pandemic programme. Adjustments in the size of the APP, however, and therefore also the CBPP3 could become more significant in pointing the way ahead in the more distant future. But such adjustments are just as unlikely at the moment as announcements regarding new TLTRO tenders. Indeed, we anticipate far less attractive conditions in relation to new targeted longer-term refinancing operations. Consequently, even in the event of TLTRO IV, the dampening effect on the covered bond primary market is likely to be less than was assumed in the case of TLTRO II and TLTRO III. However, past experience has also shown that covered bond spreads are by no means fully decoupled from the asset classes directly affected. As such, a general change in market sentiment – even if less pronounced – would also have an effect on covered bond spreads.

SSA segment: supply and demand remain high

There is still high demand from investors (primary market) and the Eurosystem (secondary market) for the high and further rising supply from SSA issuers (above all the EU, but also German issuers such as KfW and the Bundeslaender). All the major players are out in force on the market. This applies not only to sub-sovereigns but also and especially to the usual representatives of e-supras (especially the EU and EIB) along with KfW. However, the QE/APP with EUR 20bn of fresh money monthly is also regularly and unjustly overshadowed by the more recent but much faster growing PEPP. However, this aspect of QE is likely to return to the spotlight by 2022 at the latest if the decisions touched upon above are taken.

Conclusion and comments

The next scheduled meeting of the ECB Governing Council takes place in eight days on 28 October. As we have explained, we regard the forthcoming meeting as a form of interim step on the road to the December meeting which should point the way ahead for monetary policy in 2022. Nevertheless, we would not in any way describe the next meeting as a non-event. Any misguided decisions taken by the central bankers based on economic and pandemic conditions could definitely have negative consequences. No sooner was the reduction in the pace of purchases for Q4 2021 agreed than the ECB has to turn its attention towards preparations for the December meeting and for the transition of the PEPP. The APP would then emerge from the shadows and could become the object of significant changes – above all in terms of a new purchase limit for supras, the purchase of non-investment grade Greek bonds or a target figure instead of monthly purchases of EUR 20bn.

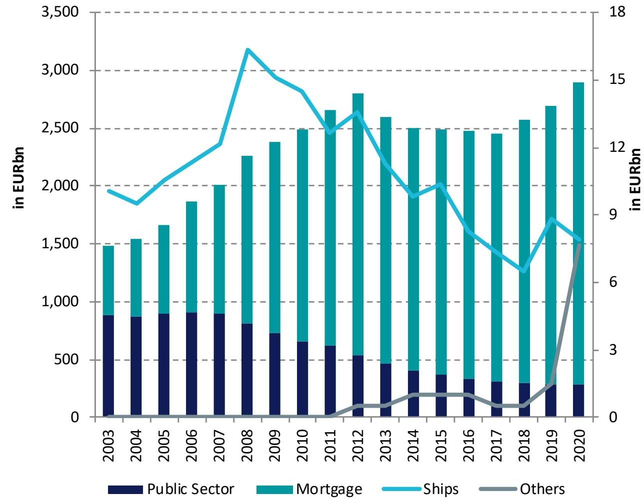
Covered Bonds
ECBC publishes annual statistics for 2020

Author: Dr Frederik Kunze

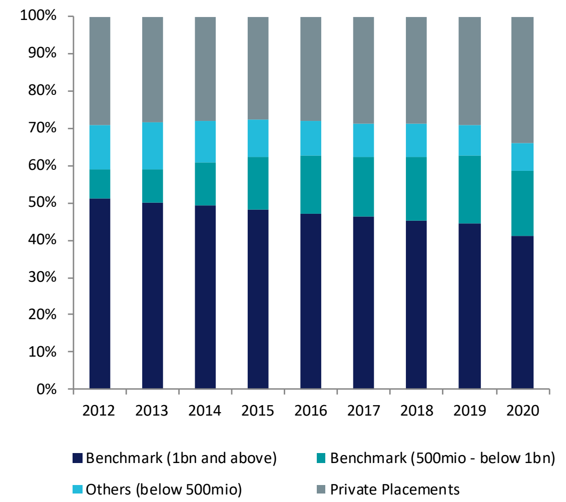
Outstanding covered bond volume amounts to EUR 2,908.7bn

A few days ago, the European Covered Bond Council (ECBC) presented its annual statistics for the global covered bond market. The reporting date for the database, which covers a total of 447 programmes from 322 issuers in 35 countries, is 31 December 2020. The ECBC annual statistics, which are a unique database in terms of coverage of the global covered bond market, indicate significant growth in outstanding volume. This amounts to an increase of EUR 201bn (+7.4% Y/Y). With a volume of EUR 2,908.7 billion, the covered bond market has therefore reached the highest level since the inception of the database (in 2003). After an issuance volume of EUR 547.8bn in 2019, new issues in 2020 were also noticeably more dynamic at EUR 612.5bn. In the following, we highlight what we consider to be some of the important implications of the database and would also like to address some new aspects.

Covered bond volume by asset class



Covered bond volume by issue size



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

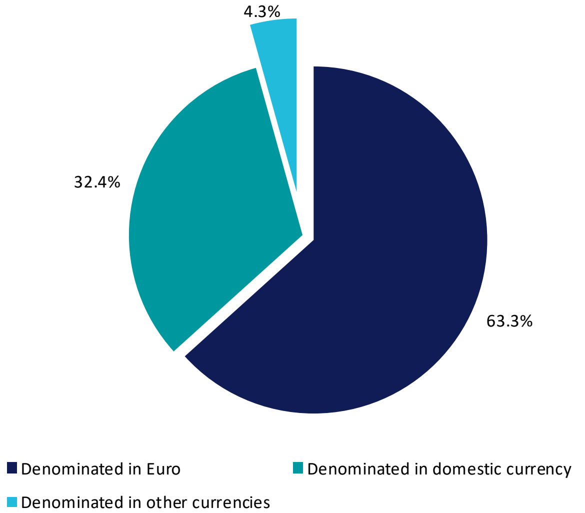
Significant rise (again) recorded for mortgage-backed covered bonds

Differentiating outstanding volume by asset class shows that the increase in outstanding volume was largely driven by the development of mortgage-backed covered bonds. The increase was EUR 193.2bn (+8.0% Y/Y). The increase of EUR 6.2bn (+413% Y/Y) in the "Others" category is also striking. This is due in particular to the issue of Export Finance Covered Bonds in Spain. Public sector covered bonds posted a modest increase (+0.9% or EUR 2.6bn), which at the same time marked the end of a sustained downwards trend. The ECBC statistics show a decline of EUR 922m (-10.5% Y/Y) in covered bonds in the "ships" category.

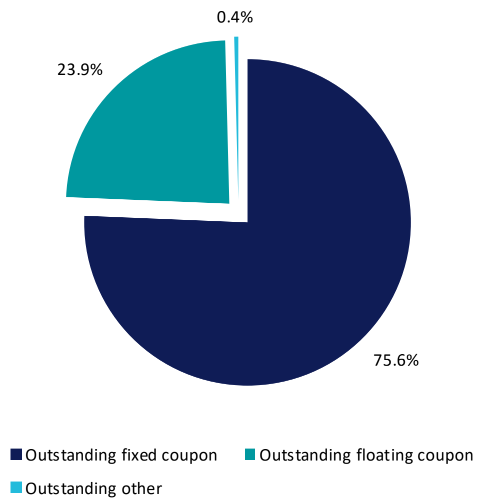
A total of 58.7% of covered bonds are still publicly placed benchmarks

With regard to the placement type, which has also been published since 2012, there have been some notable changes compared to the previous year. Therefore, the share of publicly placed bonds in benchmark format as a percentage of outstanding volume declined to 58.7% (previous year: 62.8%). Overall, the share of publicly placed covered bonds was still 66.2%. The private placements category now accounts for 33.8% (previous year: 29.1%), which we would attribute not least to the recourse of some issuers to retained issues.

Covered bond volume by currency



Covered bond volume by coupon type

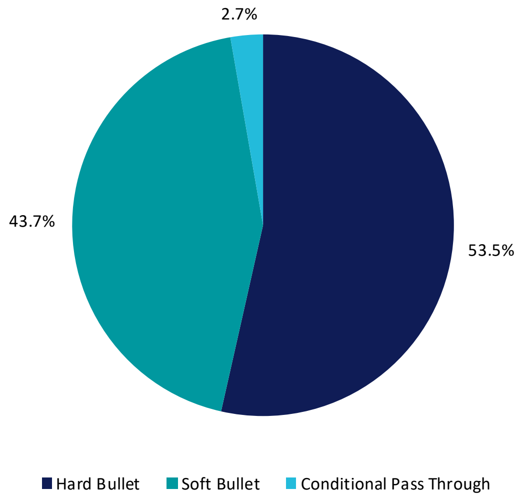


Source: ECBC, NORD/LB Markets Strategy & Floor Research

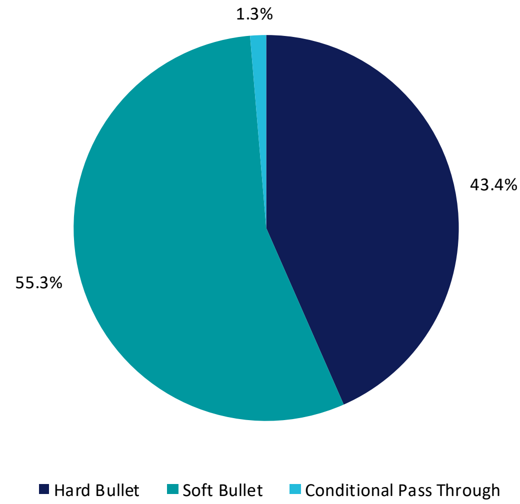
Fixed coupon deals with largest share and EUR issues dominant

The distribution of outstanding volume by coupon type is basically stable, with no drastic changes as a result. At 75.6% (2019: 78.2%), covered bonds with fixed coupons accordingly still have the largest weight. However, among newly issued bonds, the share of fixed coupons fell to 62% (2019: 77.8%), which we think is also a direct consequence of the high share of retained issues. In terms of currency distribution, the share of covered bonds denominated in EUR also predominated in 2020, accounting for 63.3% of the total market volume (previous year: 64.3%). In addition – for countries outside the eurozone – EUR 941.4bn is quoted in the issuer's respective home currency, which corresponds to 32.4% (previous year: 30.8%) of the total market. The remaining 4.3% are denominated in a currency other than the euro or the respective home currency. Of the covered bonds issued in 2020, 49.6% are EUR deals while 46% are denominated in non-EUR domestic currencies. Of the total of EUR 281.7bn in covered bonds placed in domestic currency (outside the euro), EUR 116.6bn was attributable to Danish issuers.

Covered bond volume - repayment structure



New covered bond issues - repayment structure

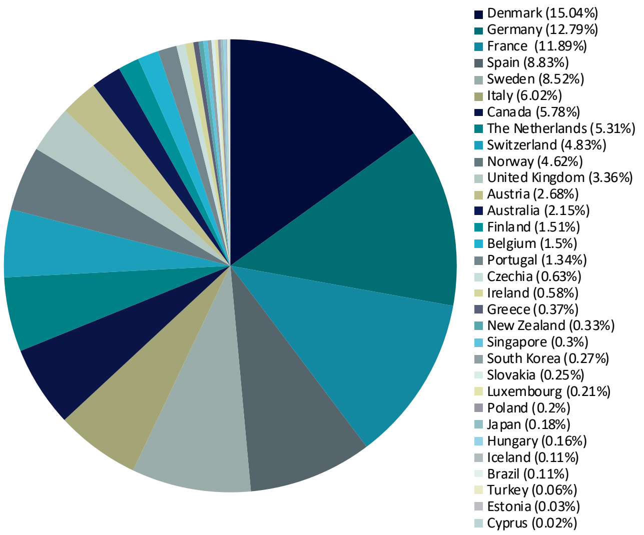


Source: ECBC, NORD/LB Markets Strategy & Floor Research

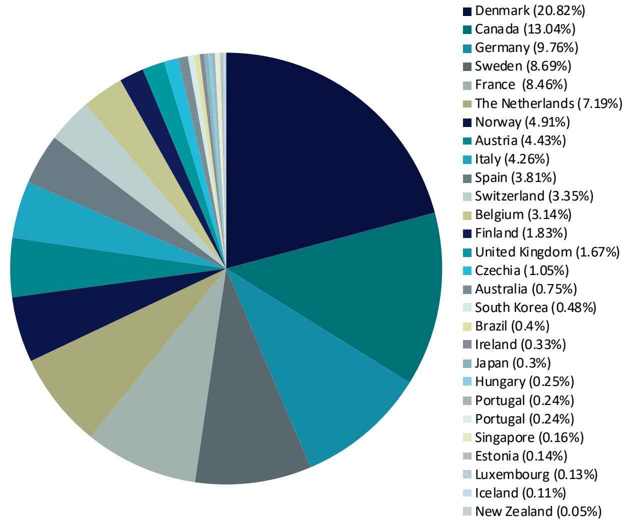
Repayment structures: soft bullets with largest share of emissions in 2020

The ECBC data also includes information on repayment structures. Current statistics show that hard bullet structures continue to account for the largest share in terms of volume of bonds outstanding, with a share of 53.5% (2019: 54.6%). In terms of new bonds issued in 2020, 55.3% were soft bullet covered bonds and 43.4% (2018: 40.6%) hard bullets. In the maturity structure in particular, it is important to take into account the adjustments in the context of the EU covered bond harmonisation. For example, for the past year 2020, all covered bonds from Germany (outstanding volume 2020: EUR 372bn; new issues 2020: EUR 59.8bn) are listed as hard bullets. With the conversion of all Pfandbriefe to soft bullet covered bonds, which took place by law this year, there are likely to be significant changes in the repayment structures in future data collections.

Covered bond volume - country breakdown



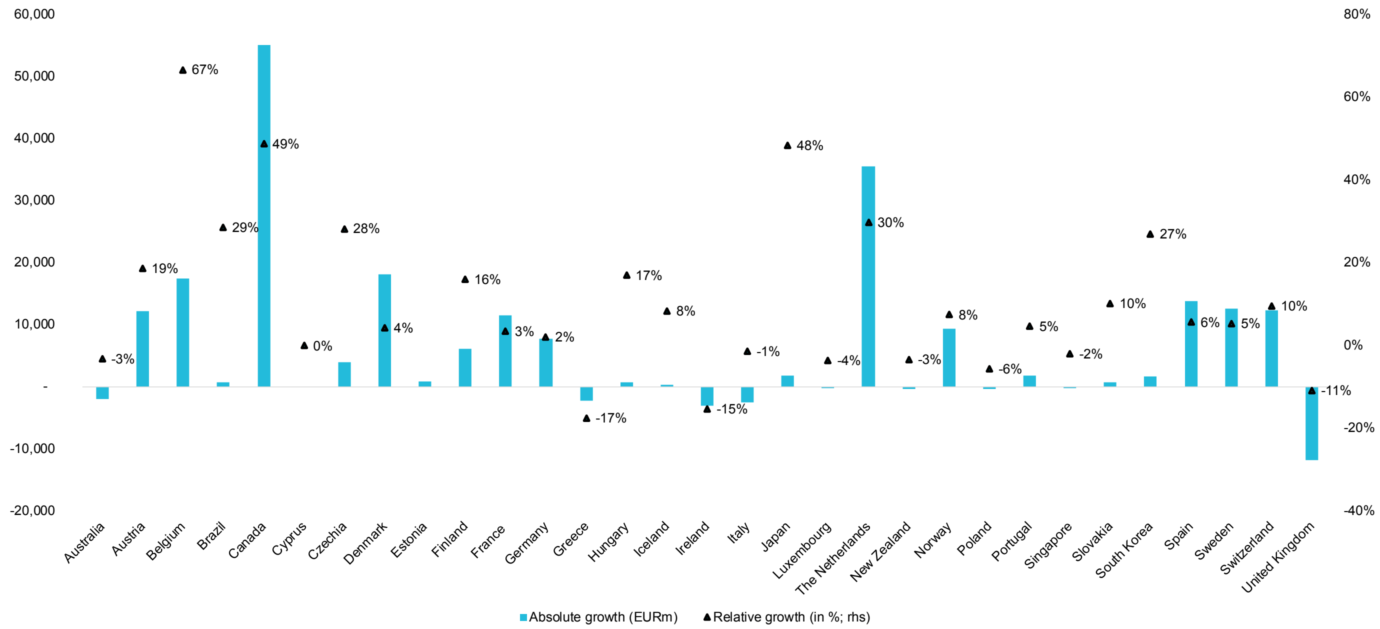
New covered bond issues - country breakdown



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

Danish issuers rank first in outstanding volume and new issues
Denmark once again accounts for the highest outstanding volume at the end of 2020 (EUR 437.6bn; share: 15.0%). Germany's share is 12.8% (EUR 372bn). As in previous years, France follows in third place (EUR 345.8bn or 11.9%). In terms of new issues in 2020, Denmark is also in first place. The issuance volume was EUR 127.5bn with a share of 20.8%. The second place for Canada (EUR 79.8bn or 13%) is striking. Ultimately this jurisdiction only accounts for 5.8% of the outstanding volume. However, the strong issuance volume in 2020 is only partly surprising, as the Bank of Canada was not least responsible for the dynamic growth in retained issues in domestic currency. A total of EUR 63.6bn and EUR 59.0bn of the issuance volume are allocated to the categories “Private Placements” and “Denominated in Domestic Currency”. With the end of coronavirus-related temporary adjustments to the Bank of Canada collateral framework, we expect a return to the previous year's level in the coming years. Strong growth in “Private Placements” was also observed in EMU jurisdictions, which can also be attributed to monetary policy. Especially in the context of the TLTRO III tenders, many issuers resorted to retained covered bonds. One example here is the Netherlands. With issuance volume of EUR 44bn, a total of EUR 37.3bn (share: 84.7%) of this figure was attributable to private placements (previous year: EUR 17.4bn or 61.3%). A similar trend can be observed for Germany. For example, the share of private placements rose from 29.1% in 2019 to as much as 51% in 2020.

Outstanding covered bond volume - changes compared with previous year



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

ECBC focuses on data for sustainable issuers

The ECBC annual statistics 2020 also include information on “Sustainable Covered Bonds”. The outstanding volume for 2020 is EUR 32.6bn, which represents 1.1% of the total volume. Among issuers, the ECBC statistics count 34 issuers with sustainable covered bonds outstanding. The market for sustainable covered bonds is basically on a growth course, so we can definitely assume that the ECBC statistics will gain in depth and breadth here in the future.

Conclusion

The ECBC annual statistics indicate continued growth for the global covered bond market in 2020. The dynamic trend in mortgage-backed covered bonds in particular is continuing. However, there was also an increase – albeit a modest one – in public sector covered bonds in the past year, which at least marks the end of a downwards trend that has persisted since 2006. While we pointed out the implications of the coronavirus pandemic for the global covered bond market when commenting on the ECBC statistics last year, the cause-and-effect correlations of the crisis and the subsequent monetary policy responses are now increasingly evident in the updated annual data. This especially applies to the trend for retained issues, which is to the detriment of the publicly placed benchmarks. This is a phenomenon that mainly affects the eurozone. With regard to another, rather welcome, trend on the covered bond market, the ECBC statistics provide a summary of the increasing activity in the ESG environment. The 2020 statistics include 34 “sustainable issuers” and allocate six new issuers to this category for the past year.

NORD/LB

Covered Bonds
Covered bonds in the context of the ECB collateral framework

Analyst: Dr Frederik Kunze

Introduction

In the collateral framework of the European Central Bank (ECB), covered bonds are eligible assets and can be deposited as collateral with the ECB in the course of borrowing if the relevant criteria are met. Guideline (EU) 2015/510 sets out the key requirements for the ECB collateral framework. In addition, the requirements can be taken from the Eligibility Criteria for Marketable Assets or the General Framework, which are supplemented by Temporary Frameworks. Covered bonds are of pivotal importance in the Eurosystem's collateral framework, for example due to the low risk of covered bonds. In this article we intend to outline the current status of the use of covered bonds as collateral for Eurosystem borrowing. A much more comprehensive overview - also on the use of covered bonds by numerous other central banks - is provided in our NORD/LB Covered Bond Special on the Central Bank Eligibility of Covered Bonds published last Friday.

Categorisation of covered bonds: change in the context of reducing the complexity of the collateral framework

Due to the reduction in the complexity of the Eurosystem's collateral framework, since 1 January 2021 the remaining covered bond types have consisted of “Legislative Covered Bonds” (ECB Guideline (EU) 2015/510 Art. 2 (49a)) and “Multi Cédulas”, (ECB Guideline (EU) 2015/510 Art. 2 (62)). Legislative covered bonds are further subdivided into “EEA Legislative Covered Bonds” and “Non-EEA G10 Legislative Covered Bonds”. According to ECB Guideline (EU) 2015/510 Art. 2 (68a), the EEA Legislative Covered Bond is a covered bond issued in accordance with the requirements of Article 52(4) of Directive 2009/65/EC of the European Parliament and of the Council. Furthermore, the Non-EEA G10 Legislative Covered Bond is a covered bond issued in accordance with the requirements of the national legislative framework for covered bonds of a non-EEA G10 country. “Jumbo Covered Bonds” are an additional category. Under ECB Guideline (EU) 2015/510 Art. 2(48), jumbo covered bonds are defined as covered bonds governed by the law of an EEA Member State with an issuance volume of at least EUR 1bn, for which at least three market makers provide bid and offer prices on a regular basis. In principle, based on these rules, central bank eligibility applies to euro-denominated investment grade covered bonds from the EEA. This specification will be expanded to include the currencies USD, GBP and JPY on the basis of the ECB’s aforementioned Temporary Guidelines. Covered bonds are subject to specific haircuts, whereby Directive (EU) 2020/1692 differentiates here between five different categories (see table below). The specific haircuts are derived from the combination of the credit quality step (CQS) as defined by the Eurosystem's Harmonised Rating Scale, the residual maturity and the coupon type.

Overview of Haircut Categories

Category I	Category II	Category III	Category IV	Category V
Debt instruments issued by central governments	Debt instruments issued by local and regional governments	**Legislative covered bonds other than jumbo covered bonds**	Unsecured debt instruments issued by credit institutions and agencies which are credit institutions that do not meet the quantitative criteria set out in Annex XIIa to Guideline (EU) 2015/510 (ECB/2014/60)	Asset-backed securities
ECB debt certificates	Debt instruments issued by entities (credit institutions or non-credit institutions) classified by the Eurosystem as agencies and which meet the quantitative criteria set out in Annex XIIa to Guideline (EU) 2015/510 (ECB/2014/60)	**Multi cédulas**	Unsecured debt instruments issued by financial corporations other than credit institutions	
Debt certificates issued by NCBs prior to the date of adoption of the euro in their respective Member State	Debt instruments issued by multilateral development banks and international organisations	Debt instruments issued by non- financial corporations, corporations in the government sector and agencies which are non-credit institutions that do not meet the quantitative criteria set out in Annex XIIa to Guideline (EU) 2015/510 (ECB/2014/60)		
	Jumbo covered bonds			

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

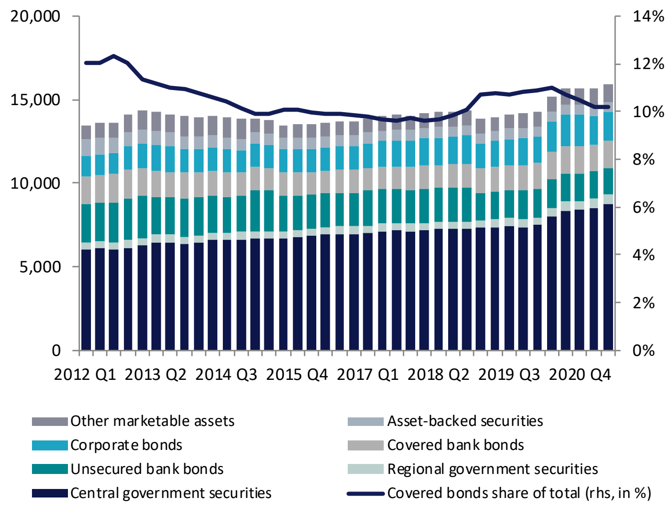
Coronavirus crisis: temporary adjustments

In response to the COVID-19 pandemic, the ECB's Governing Council approved temporary adjustments to the collateral framework and the rating requirements for collateral on 7 April 2020 and on 22 April 2020. These comprise, on the one hand, a temporary reduction of the applicable haircuts by 20%. For example, an own-use covered bond in the CQS 1 and CQS 2 categories is subject to an additional haircut of 6.4% using the temporary adjustments and a discount of 9.6% if it belongs to the CQS 3 category. The ECB has increased the maximum share of unsecured debt instruments to 10.0% (previously: 2.5%). Furthermore, collateral that has fulfilled all requirements including an investment grade rating as of 7 April 2020 may continue to be eligible for repo transactions if its rating assessment is at least CQS 5 (BB/Ba2/BB) of the Eurosystem's harmonised rating scale. The corresponding relaxations were extended by the Governing Council until 30 June 2022.

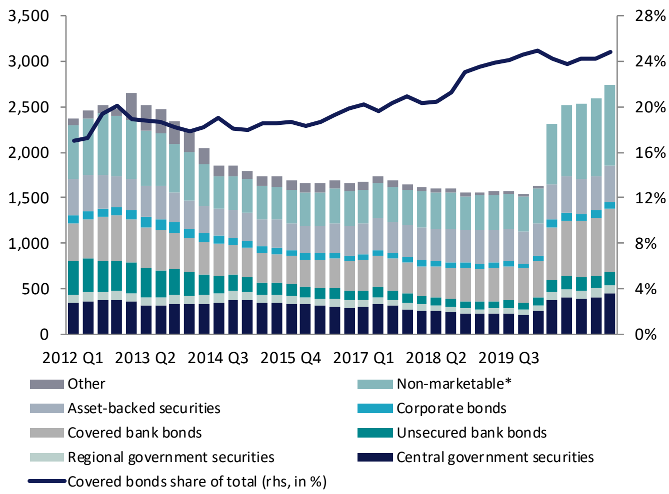
ECB database for eligible collateral: as at the reference date of 14 October 2021 a total of 3,737 covered bonds recorded

The ECB provides information on its website with regard to a list of eligible collateral. In the download area, you can access the entire database as well as the changes compared to the previous working day. As at the reference date of 14 October 2021, a total of 25,427 securities were included in the database. Of these, 3,737 were classified as covered bonds (3,300 legislative covered bonds, 312 jumbo covered bonds, 129 non-EEA G10 legislative covered bonds and 9 multi cédulas). The Non-EEA G10 legislative covered bonds are from issuers located in the UK (70 bonds) and Canada (59 bonds). It should be noted, however, that this list initially refers to the central bank eligibility recorded by the ECB. Therefore, just because they are on the list does not mean that they can be used as collateral. The ECB publishes aggregated data that provides information on Eligible Assets and Use of Collateral. According to these official statistics, the share of covered bonds as a percentage of the total eligible assets (EUR 15,955bn) in the second quarter of 2021 was 10.2% (EUR 1,624bn). Covered bonds account for 25% (EUR 408bn) of the collateral in use (EUR 1,636bn in total).

ECB: Composition of Eligible Assets (EUR bn)



ECB: Composition of Use of Collateral (EUR bn)



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

Conclusion

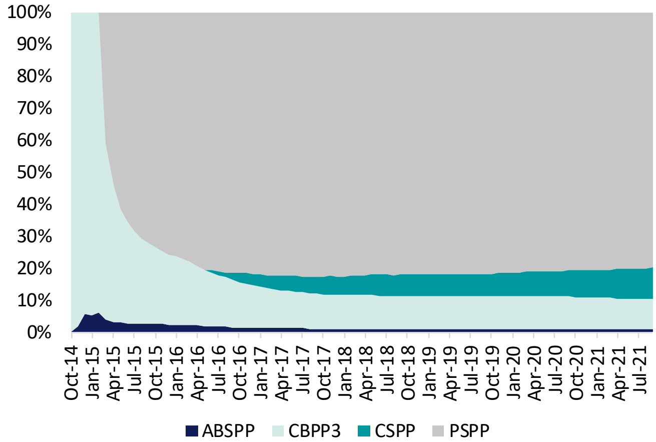
In our view, covered bonds are still of crucial importance as eligible collateral in the context of the ECB Collateral Framework. This is not least due to the classification into much more favourable haircut categories compared with some other securities and, in particular, the eligibility of self-issued bonds. Along with the general increasing importance of the ECB's long-term refinancing operations (keyword TLTRO), the share of covered bonds as a percentage of the securities in use has obviously increased significantly. Even beyond the crisis measures in the context of COVID-19, we believe that covered bonds will retain their importance as ECB-eligible collateral.

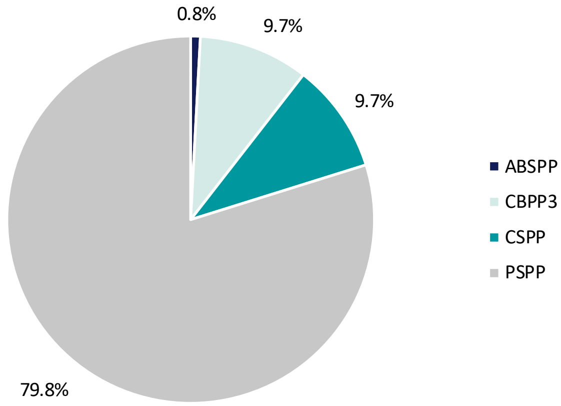
ECB tracker

Asset Purchase Programme (APP)

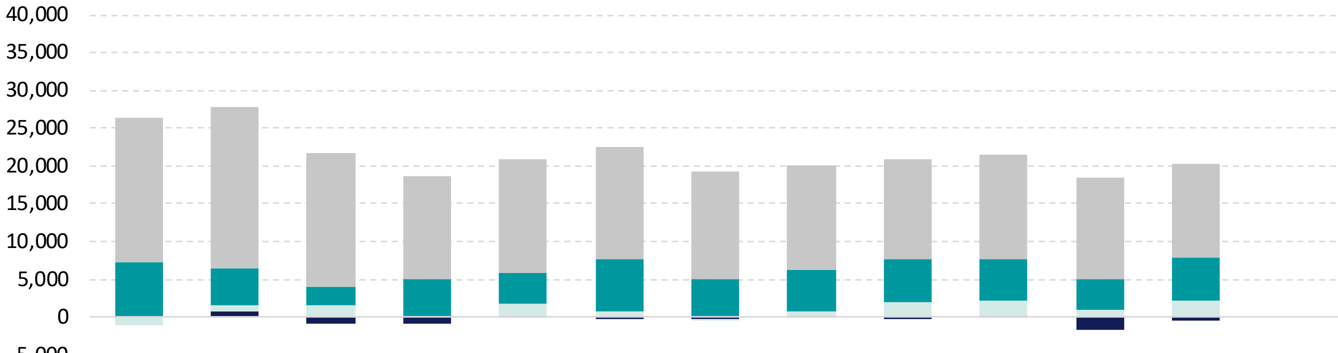
	ABSPP	CBPP3	CSPP	PSPP	APP
Aug-21	26,582	294,775	291,169	2,442,837	3,055,363
Sep-21	26,036	296,590	296,403	2,449,278	3,068,307
Δ	-516	+2,184	+5,590	+12,423	+19,681

Portfolio structure





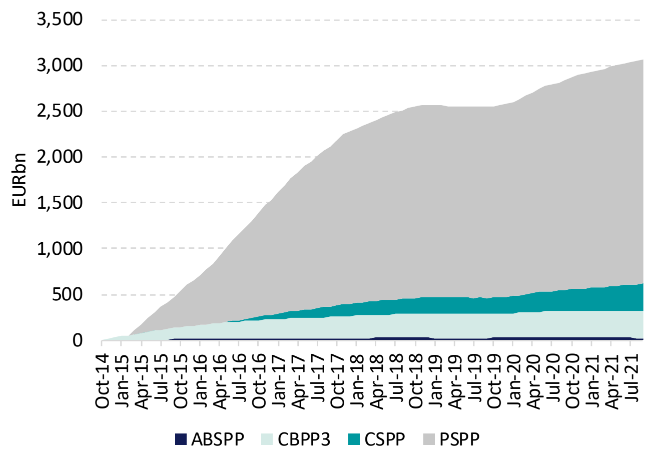
Monthly net purchases (in EURm)



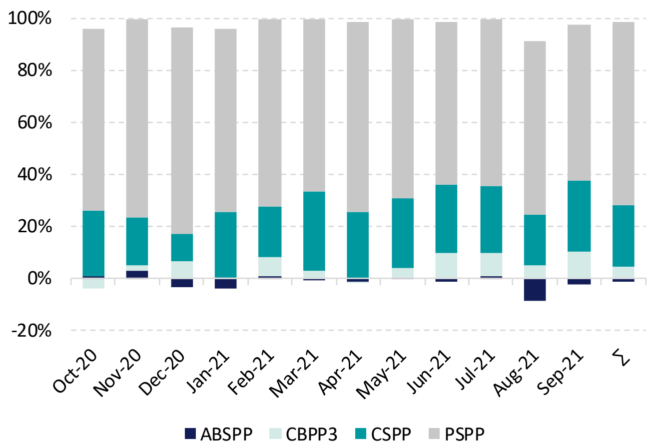
	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	∑
APP	25,349	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,681	253,046
PSPP	19,182	21,241	17,822	13,655	15,129	14,955	14,186	13,973	13,320	13,943	13,563	12,423	183,392
CSPP	6,983	5,009	2,378	4,924	4,064	6,929	5,015	5,394	5,602	5,502	3,936	5,590	61,326
CBPP3	-1,041	646	1,529	74	1,539	684	-5	686	2,037	2,011	999	2,184	11,343
ABSPP	225	824	-800	-807	183	-7	-278	88	-319	141	-1,749	-516	-3,015

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

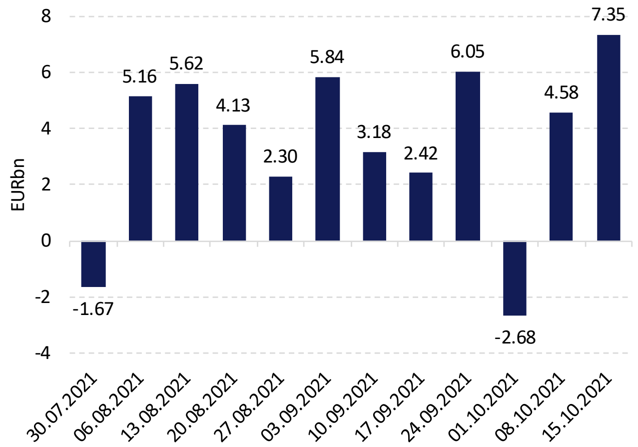
Portfolio development



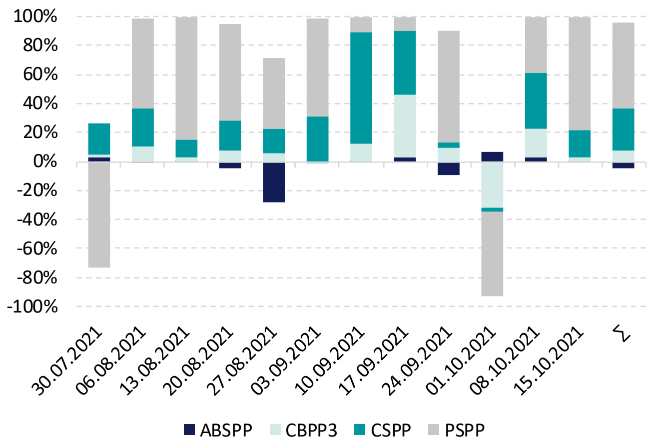
Distribution of monthly purchases



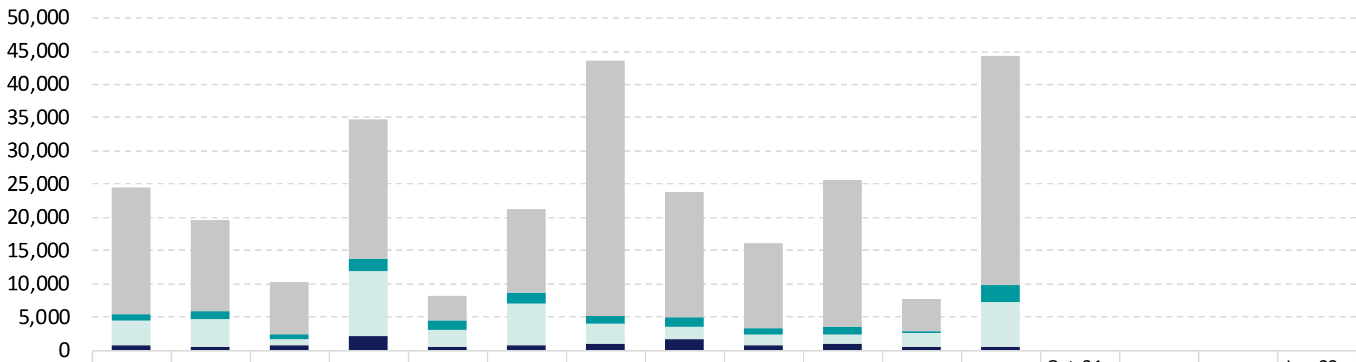
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

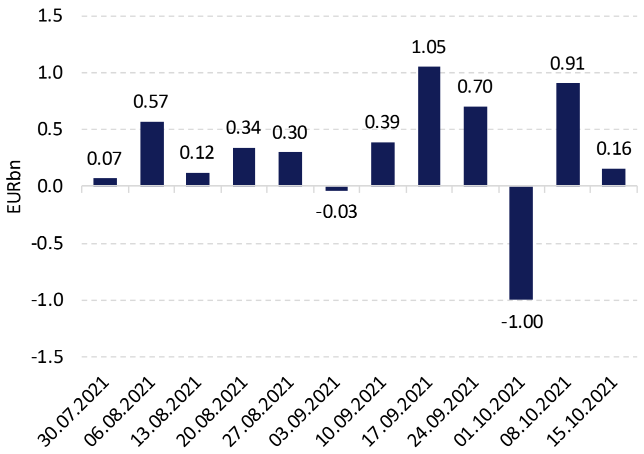


	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-21 - Sep-22	2020	2021	Jan-22 - Sep-22
APP	24,616	19,672	10,233	34,653	8,182	21,164	43,548	23,889	16,127	25,769	7,762	44,329	279,944	262,253	245,993	225,423
PSPP	19,224	13,801	7,811	20,906	3,625	12,603	38,428	18,998	12,714	22,120	4,841	34,554	209,625	201,482	188,482	168,789
CSPP	915	1,269	826	1,880	1,590	1,416	1,125	1,341	1,017	1,191	280	2,426	15,276	18,267	16,403	12,266
CBPP3	3,775	4,048	937	9,797	2,524	6,380	3,002	1,866	1,553	1,578	2,226	6,827	44,513	33,236	30,143	35,753
ABSPP	702	554	659	2,070	443	765	993	1,684	843	880	415	522	10,530	9,268	10,965	8,615

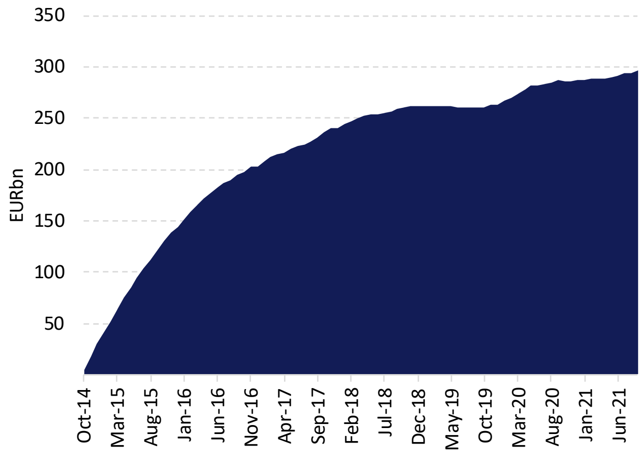
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

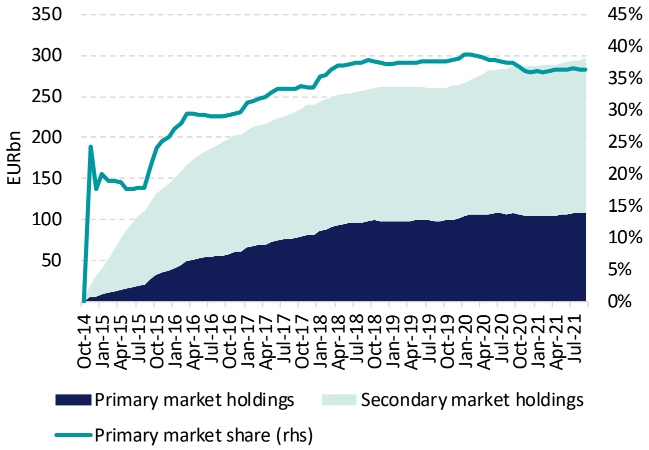
Weekly purchases



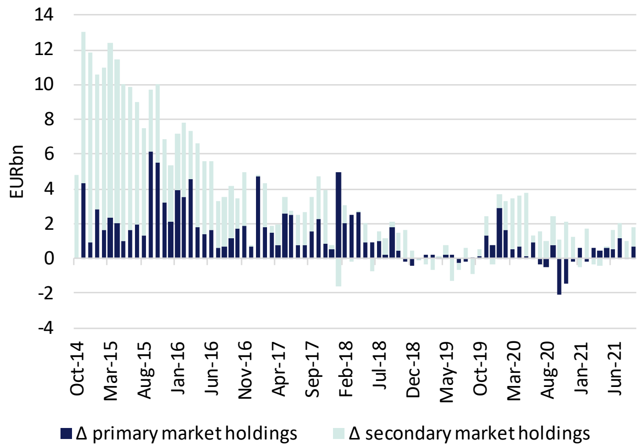
Development of CBPP3 volume



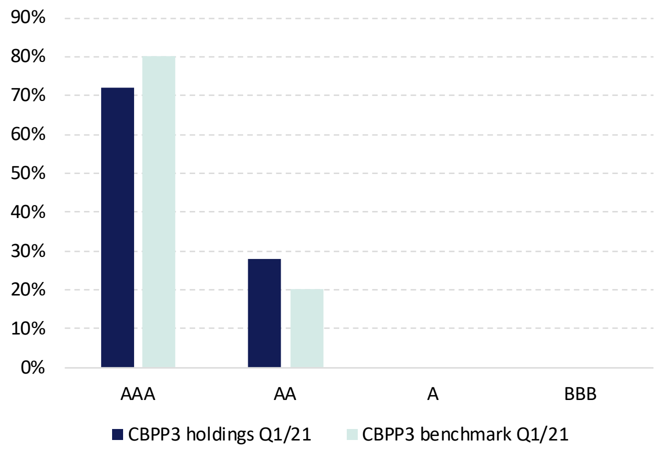
Primary and secondary market holdings



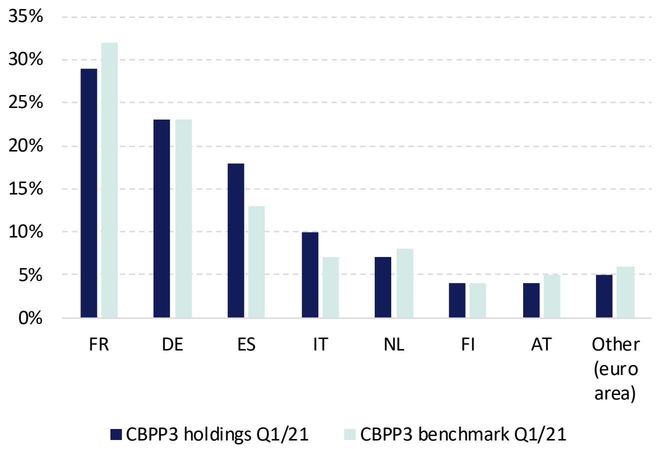
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



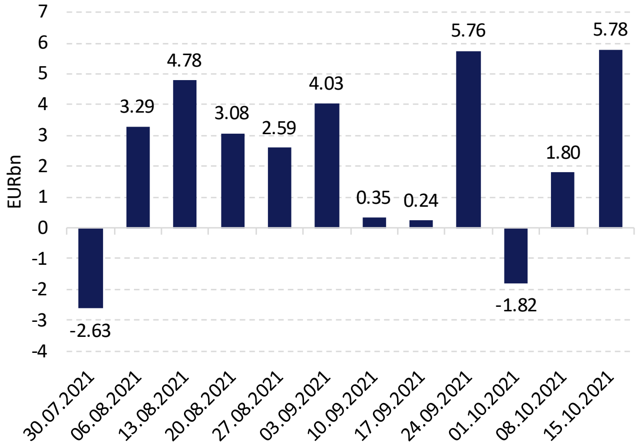
Distribution of CBPP3 by country of risk



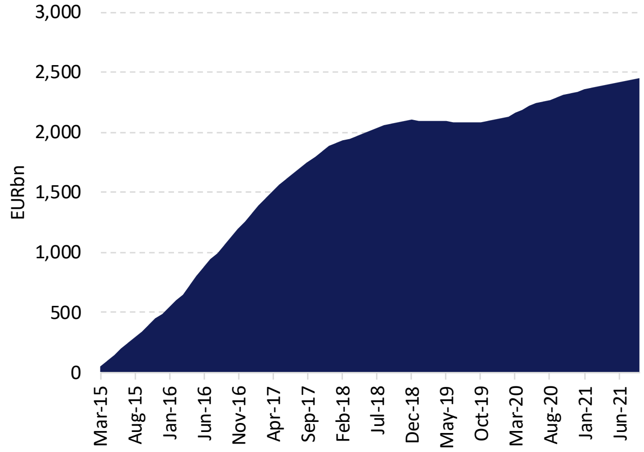
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



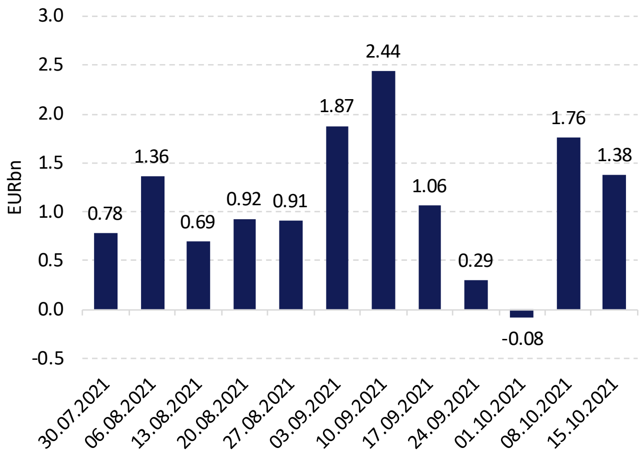
Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key[1]	Purchases (EURm)	Expected purchases (EURm)[2]	Difference (EURm)	Avg. time to maturity[3] (in years)	Market average[3] (in years)[3]	Difference (in years)
AT	2.7%	70,787	69,909	878	7.5	7.6	-0.1
BE	3.4%	89,262	87,020	2,242	8.0	10.2	-2.2
CY	0.2%	3,990	5,140	-1,150	9.9	8.8	1.1
DE	24.3%	619,752	629,648	-9,896	6.6	7.6	-1.0
EE	0.3%	403	6,728	-6,325	9.2	7.5	1.7
ES	11.0%	302,219	284,821	17,398	8.0	8.4	-0.4
FI	1.7%	39,947	43,874	-3,927	6.9	7.7	-0.8
FR	18.8%	510,664	487,838	22,826	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	40,254	40,447	-193	8.5	10.1	-1.6
IT	15.7%	430,515	405,773	24,742	7.1	7.9	-0.8
LT	0.5%	5,258	13,824	-8,566	10.2	10.6	-0.4
LU	0.3%	3,719	7,868	-4,149	5.6	7.2	-1.7
LV	0.4%	3,102	9,307	-6,205	11.3	10.4	0.9
MT	0.1%	1,234	2,505	-1,271	9.5	9.2	0.3
NL	5.4%	123,400	139,977	-16,577	7.7	9.0	-1.4
PT	2.2%	49,073	55,903	-6,830	7.0	7.2	-0.2
SI	0.4%	9,933	11,501	-1,568	9.9	10.2	-0.3
SK	1.1%	16,647	27,354	-10,707	8.2	8.3	-0.1
SNAT	10.0%	268,104	258,827	9,278	7.7	8.9	-1.2
Total / Avg.	**100.0%**	**2,588,265**	**2,588,265**	**0**	**7.3**	**8.2**	**-0.9**

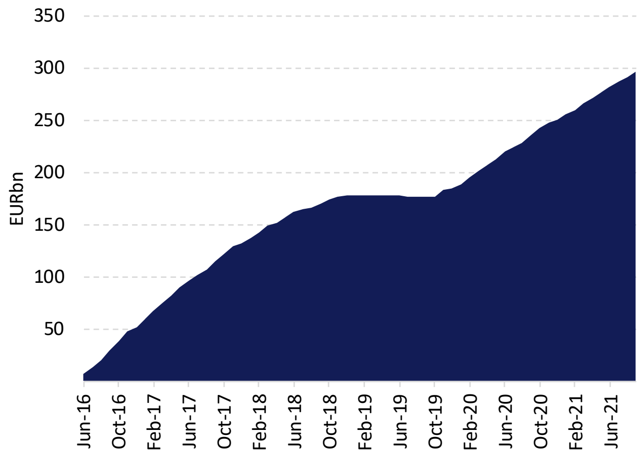
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor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

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

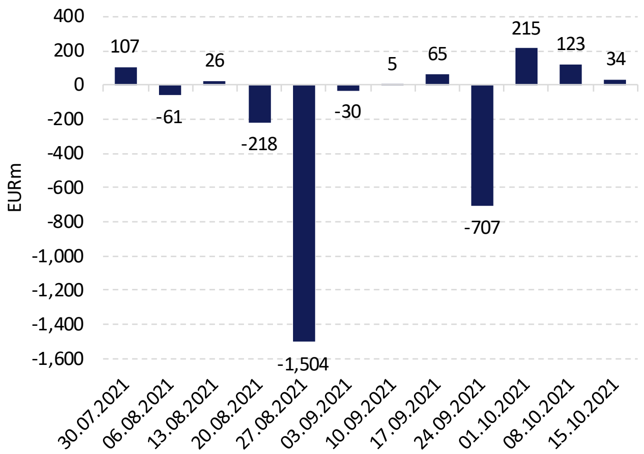


Development of CSPP volume

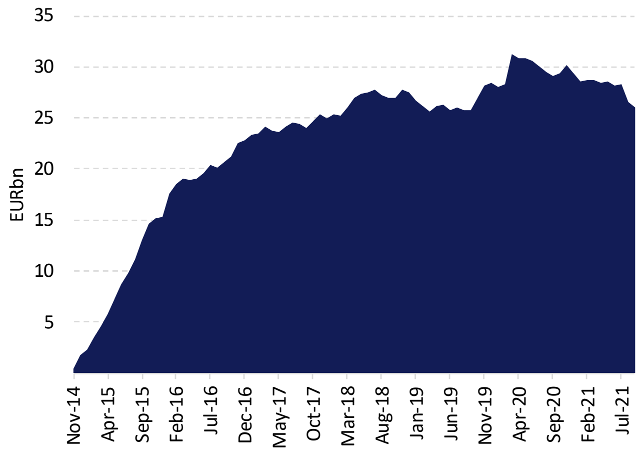


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



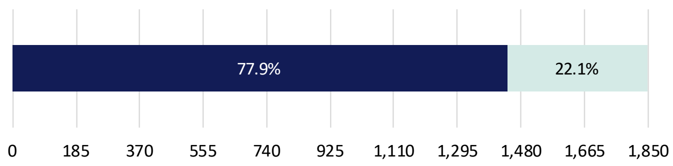
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Aug-21	1,337,240
Sep-21	1,412,291
Δ	+75,051

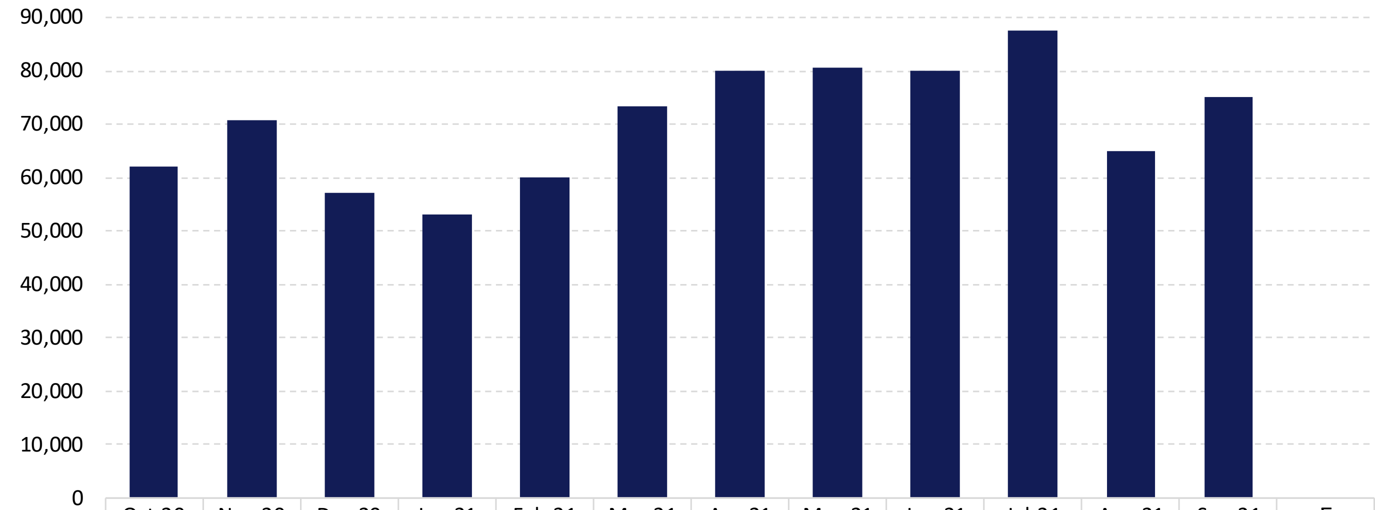
Volume already invested (in EURbn)



Estimated portfolio development

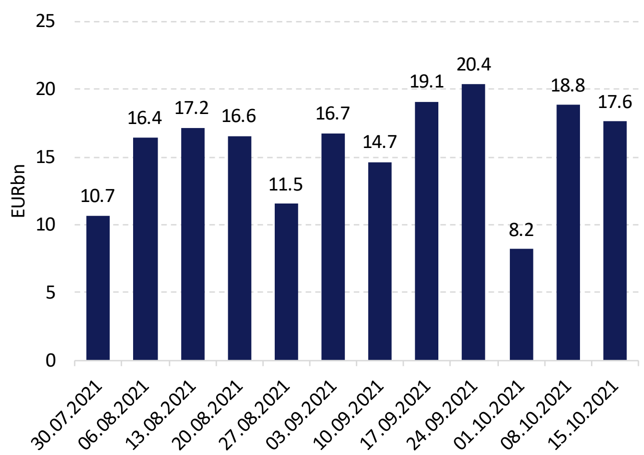
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 17.8bn	23 weeks (25.03.2022)

Monthly net purchases (in EURm)

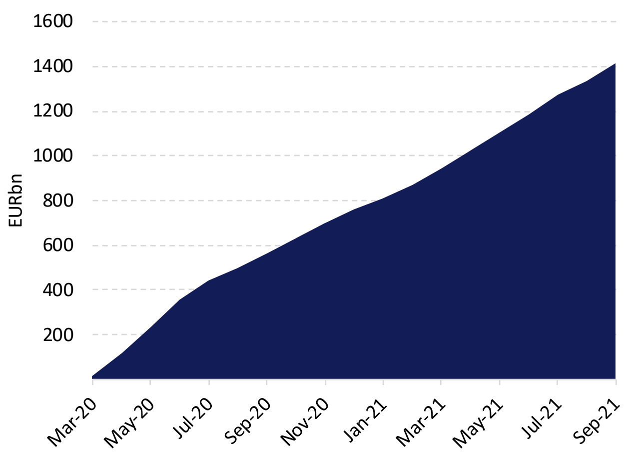


	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	∑
■ PEPP	61,985	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,577	65,050	75,051	845,128

Weekly purchases



Development of PEPP volume

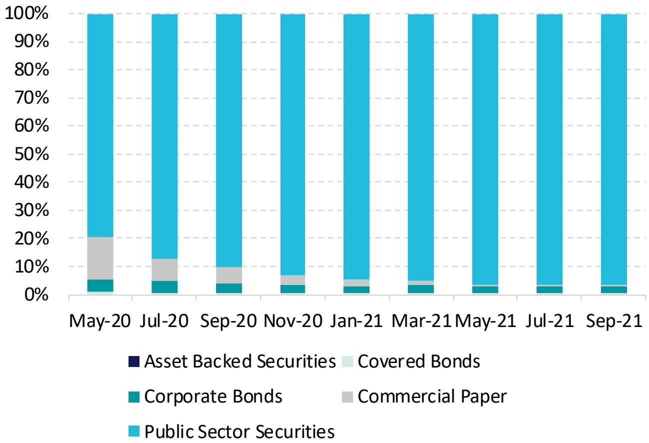


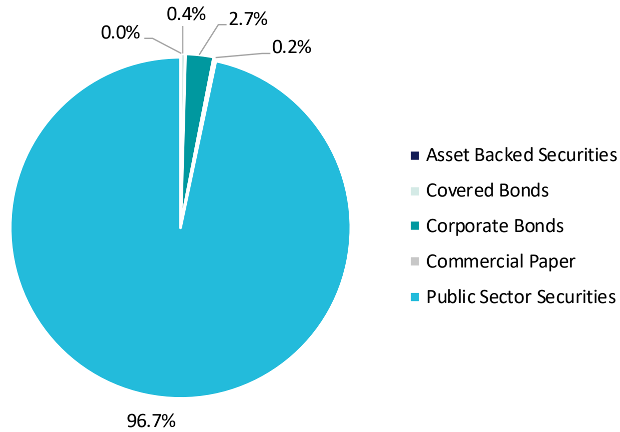
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

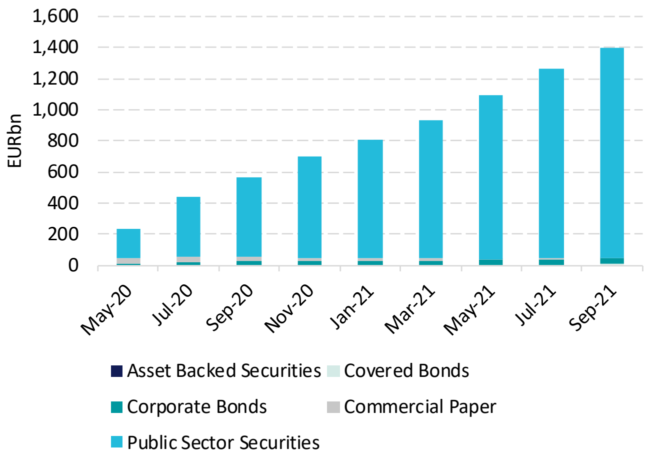
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Jul-21	0	5,379	33,684	3,861	1,220,424	1,263,348
Sep-21	0	6,079	37,139	3,314	1,353,076	1,399,609
Δ	0	+707	+3,489	-545	+136,451	+140,101

Portfolio structure

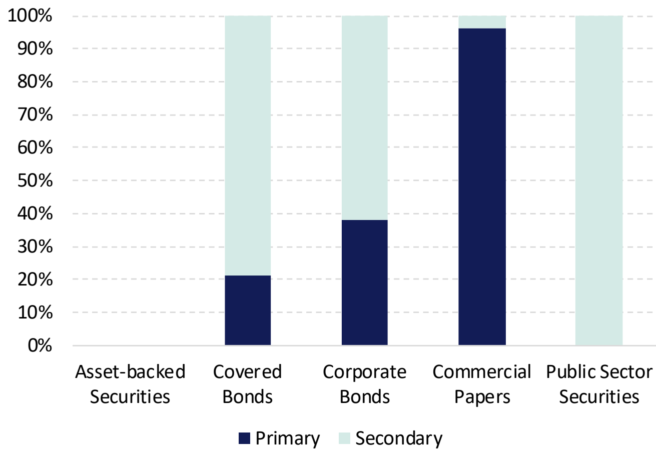




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

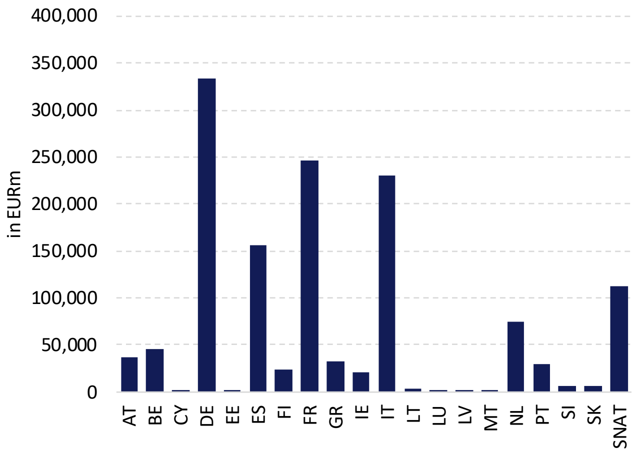
Sep-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	1,298	4,781	14,113	23,026	3,191	123
Share	0.0%	0.0%	21.4%	78.7%	38.0%	62.0%	96.3%	3.7%

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

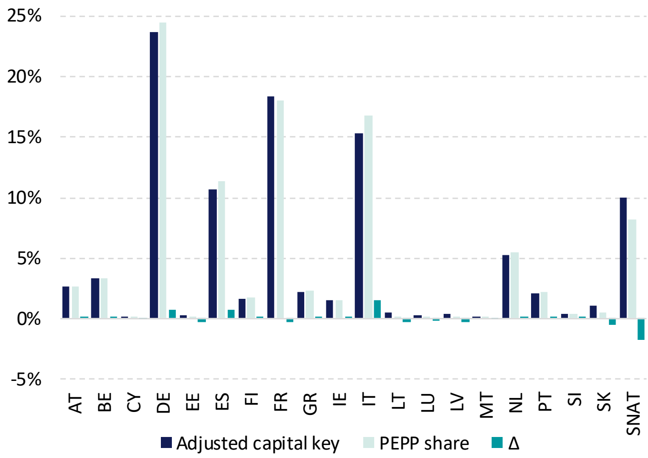
Breakdown of public sector securities under the PEPP

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	36,922	2.6%	2.7%	0.1%	8.5	7.2	1.4
BE	46,226	3.3%	3.4%	0.1%	6.7	9.1	-2.4
CY	2,308	0.2%	0.2%	0.0%	9.0	8.0	1.0
DE	334,500	23.7%	24.5%	0.8%	6.2	6.8	-0.6
EE	256	0.3%	0.0%	-0.2%	8.7	7.0	1.7
ES	155,773	10.7%	11.4%	0.7%	8.1	7.5	0.6
FI	23,292	1.7%	1.7%	0.1%	7.4	7.6	-0.2
FR	246,513	18.4%	18.1%	-0.3%	8.4	7.6	0.8
GR	32,185	2.2%	2.4%	0.1%	9.2	9.7	-0.5
IE	21,486	1.5%	1.6%	0.0%	8.8	9.2	-0.4
IT	230,234	15.3%	16.9%	1.6%	7.0	6.9	0.0
LT	2,767	0.5%	0.2%	-0.3%	11.5	10.4	1.1
LU	1,854	0.3%	0.1%	-0.2%	6.8	6.2	0.5
LV	1,532	0.4%	0.1%	-0.2%	9.3	9.3	0.0
MT	383	0.1%	0.0%	-0.1%	9.7	9.0	0.7
NL	74,352	5.3%	5.4%	0.2%	7.2	8.2	-1.1
PT	30,245	2.1%	2.2%	0.1%	7.0	7.2	-0.3
SI	6,003	0.4%	0.4%	0.0%	9.5	9.3	0.2
SK	6,892	1.0%	0.5%	-0.5%	9.1	8.2	0.9
SNAT	111,925	10.0%	8.2%	-1.8%	10.9	8.5	2.4
Total / Avg.	**1,365,650**	**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



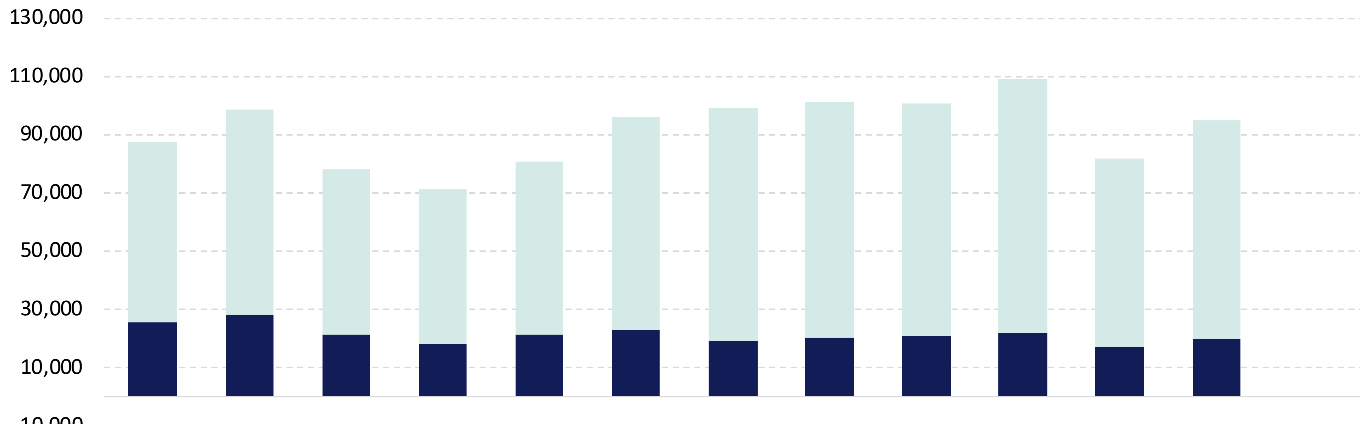
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

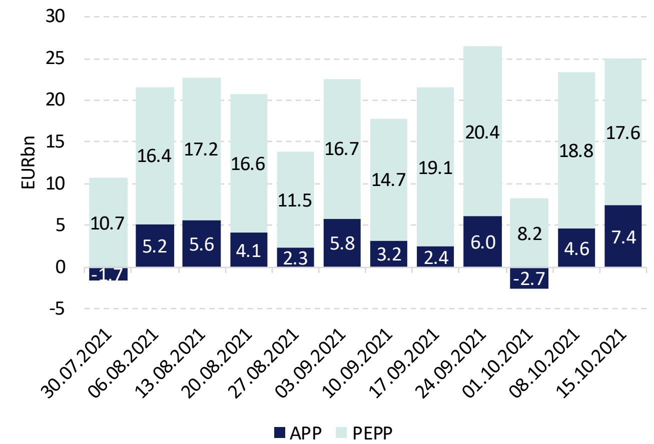
	APP	PEPP	APP & PEPP
Aug-21	3,055,363	1,337,240	4,392,603
Sep-21	3,068,307	1,412,291	4,480,598
Δ	+19,681	+75,051	+94,732

Monthly net purchases (in EURm)

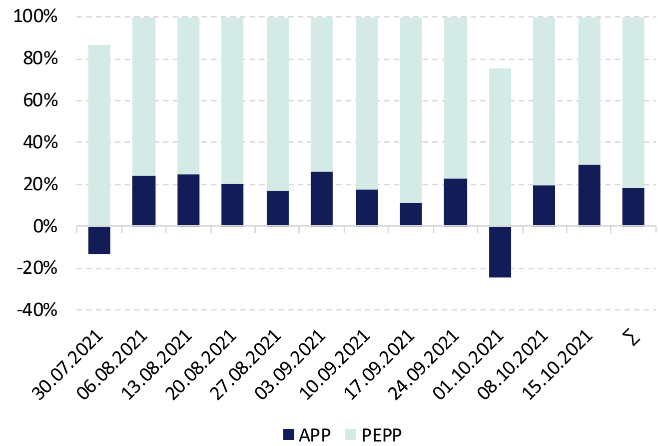


	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	∑
∑	87,334	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,808	109,174	81,799	94,732	1,098,17
PEPP	61,985	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,577	65,050	75,051	845,128
APP	25,349	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,681	253,046

Weekly purchases



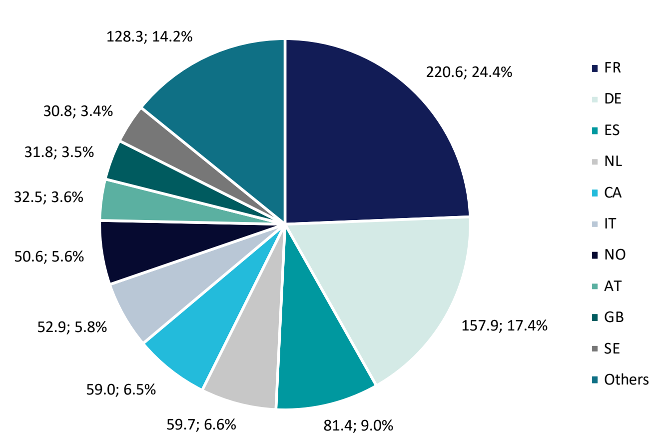
Distribution of weekly purchases



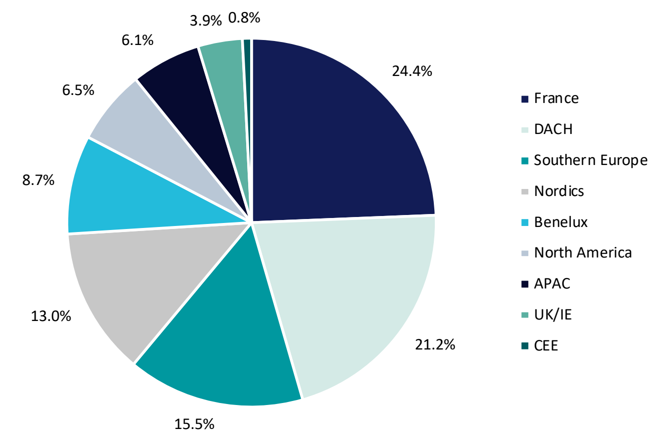
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



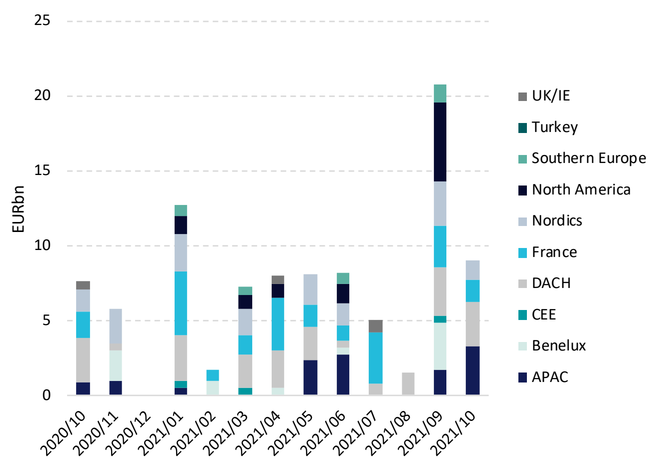
EUR benchmark volume by region (in EURbn)



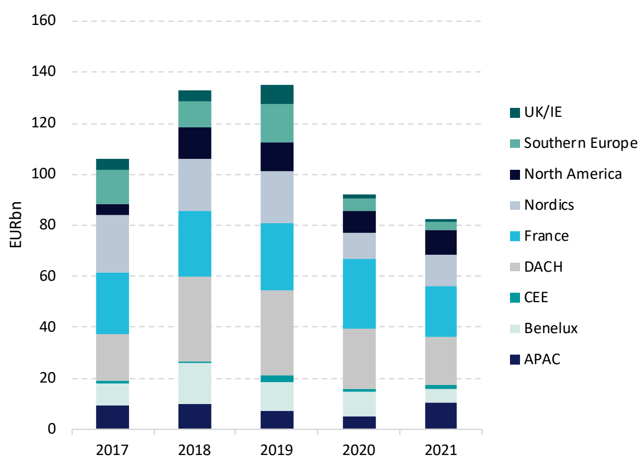
Top-10 jurisdictions

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	220.6	209	10	0.94	10.1	5.6	0.94
2	DE	157.9	234	16	0.61	8.3	4.6	0.42
3	ES	81.4	66	4	1.14	11.5	3.8	1.79
4	NL	59.7	62	0	0.91	11.7	7.6	0.82
5	CA	59.0	52	0	1.11	6.1	3.2	0.23
6	IT	52.9	62	1	0.82	9.0	3.9	1.36
7	NO	50.6	58	9	0.87	7.3	4.0	0.38
8	AT	32.5	60	2	0.54	9.9	6.4	0.60
9	GB	31.8	38	0	0.86	8.4	3.5	0.92
10	SE	30.8	37	0	0.83	7.6	3.6	0.42

EUR benchmark issue volume by month

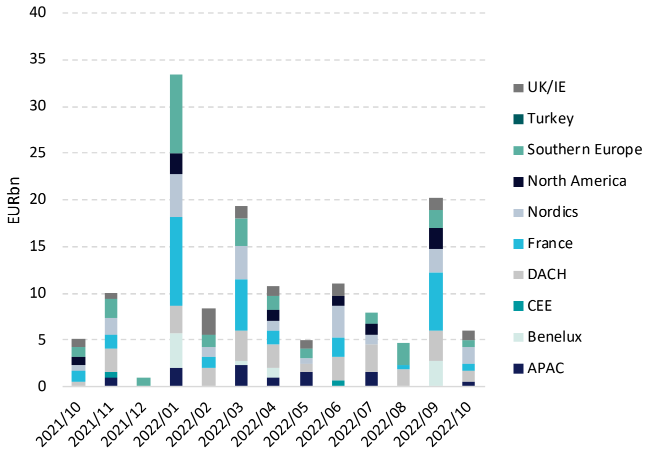


EUR benchmark issue volume by year

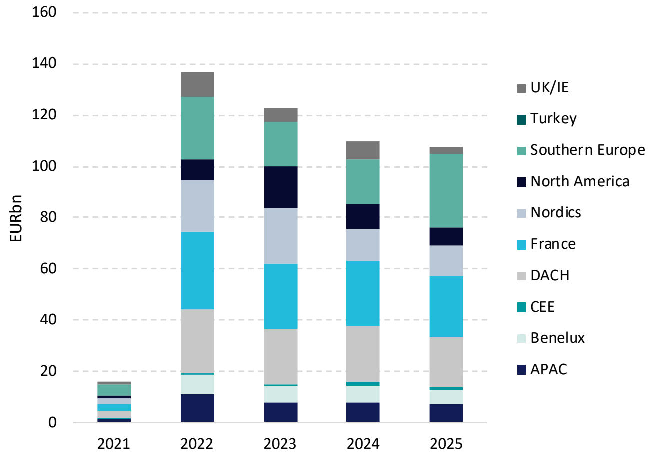


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

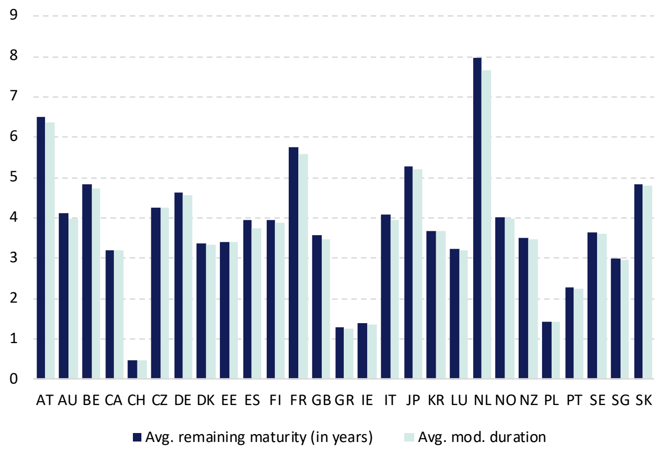
EUR benchmark maturities by month



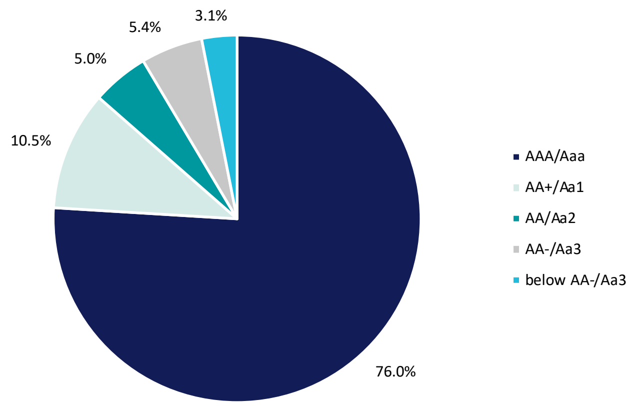
EUR benchmark maturities by year



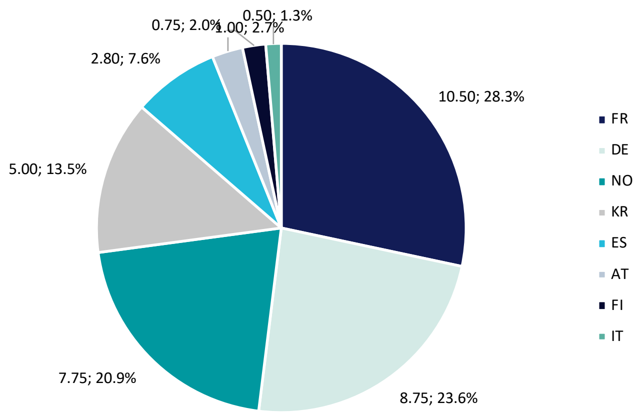
Modified duration and time to maturity by country



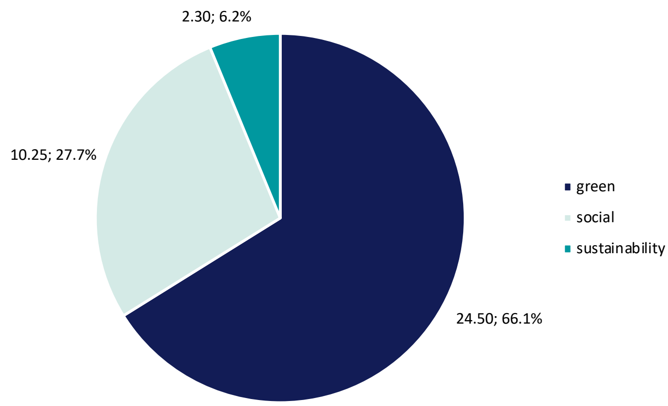
Rating distribution (volume weighted)



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

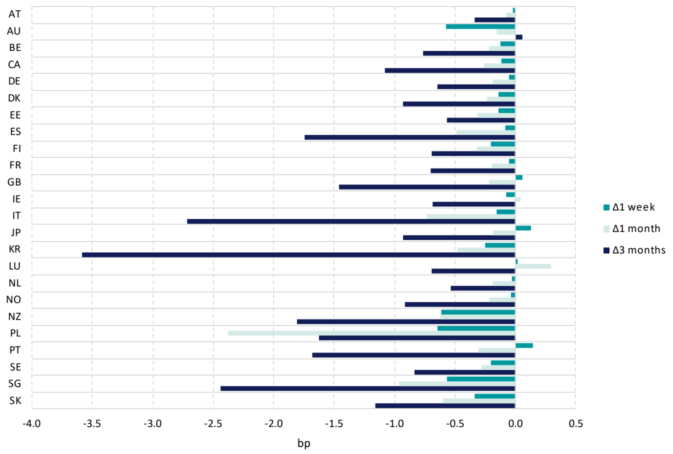


EUR benchmark volume (ESG) by type (in EURbn)

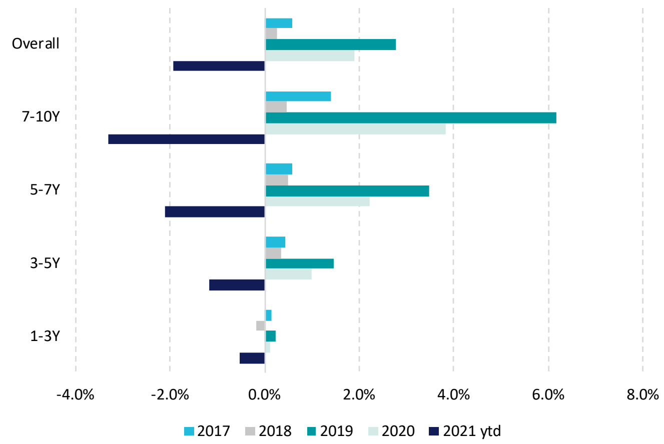


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

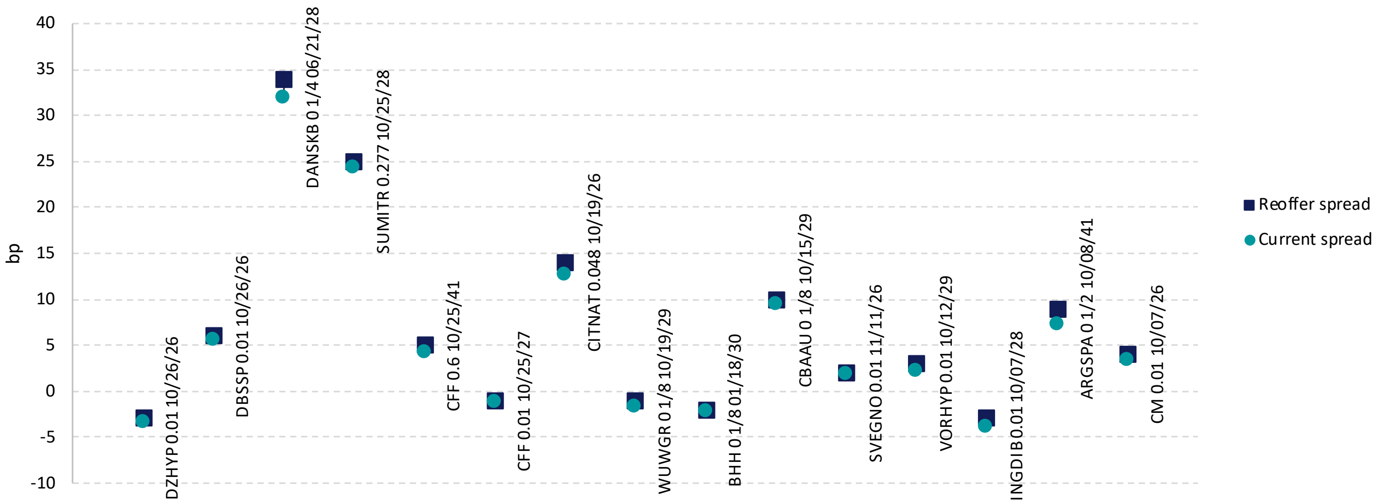
Spread development by country



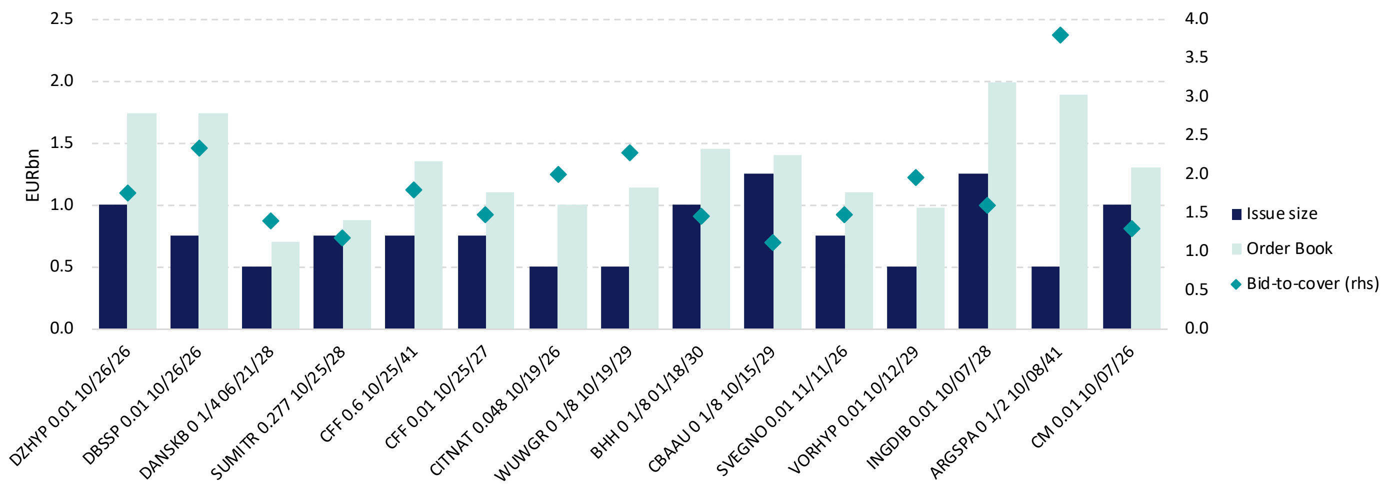
Covered bond performance (Total return)



Spread development (last 15 issues)



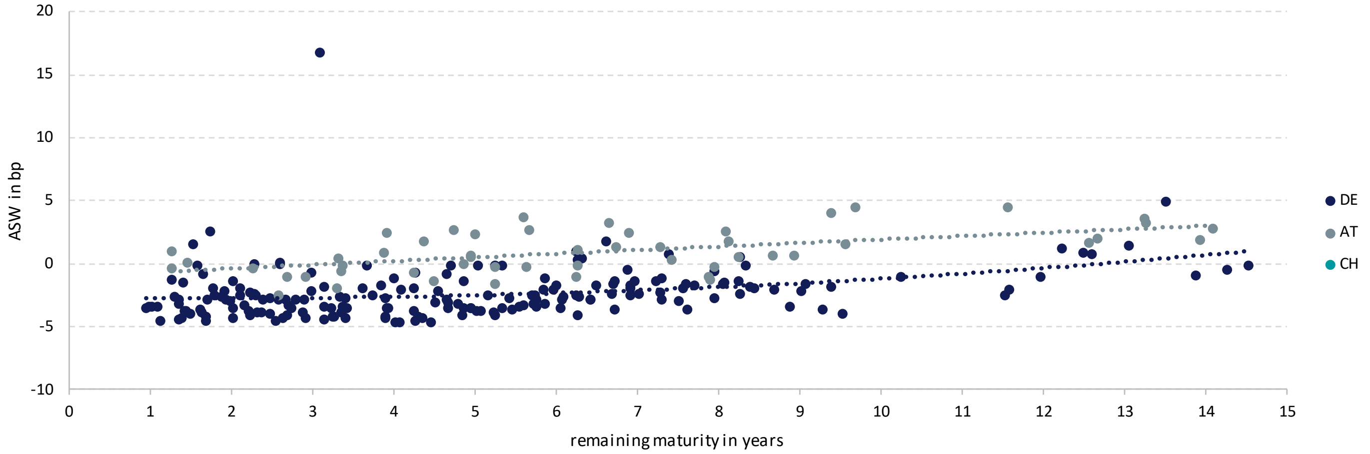
Order books (last 15 issues)



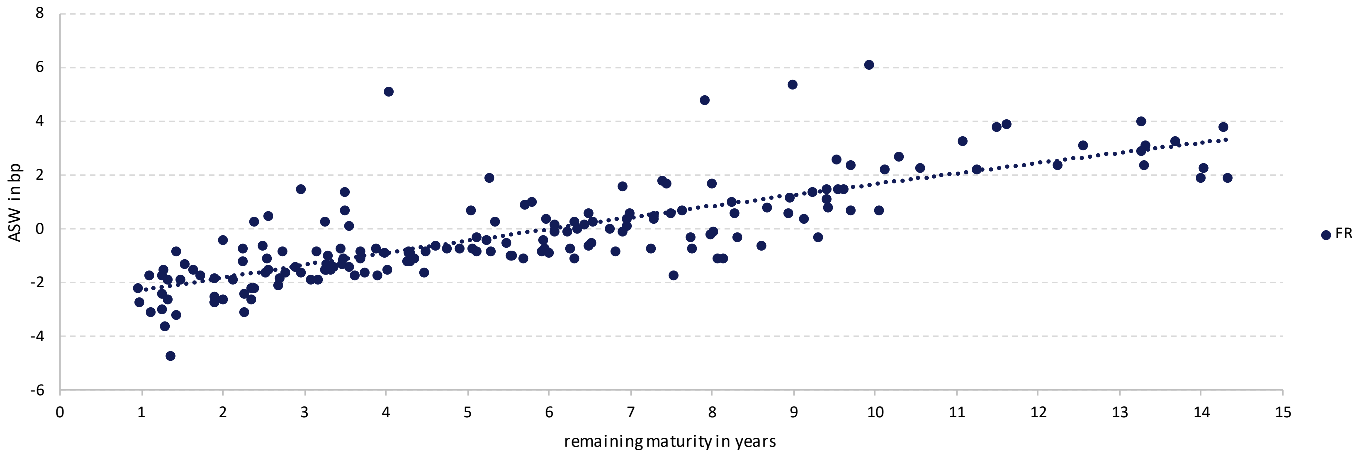
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

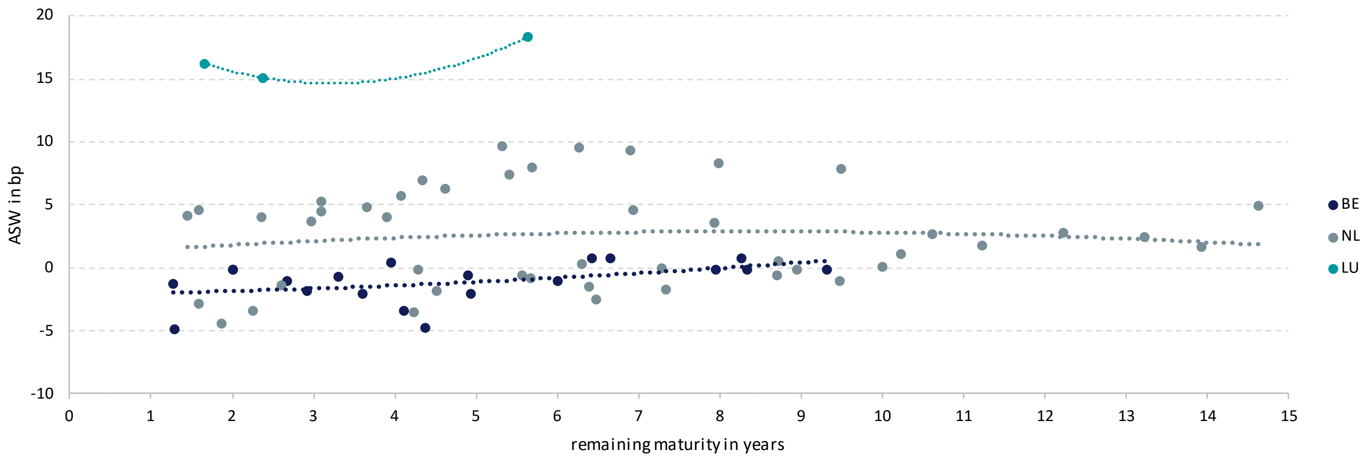
DACH



France

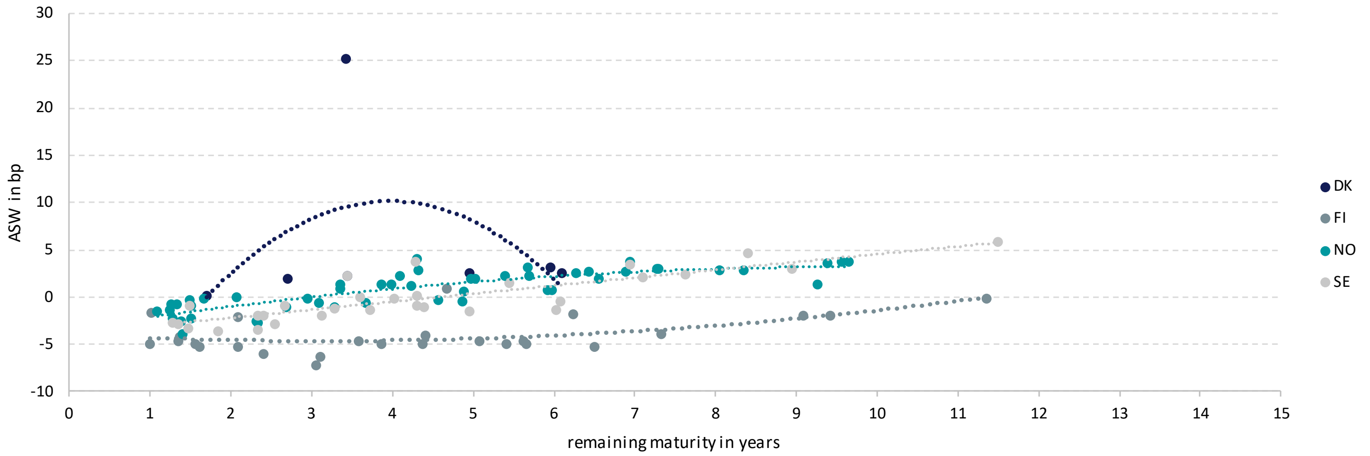


Benelux

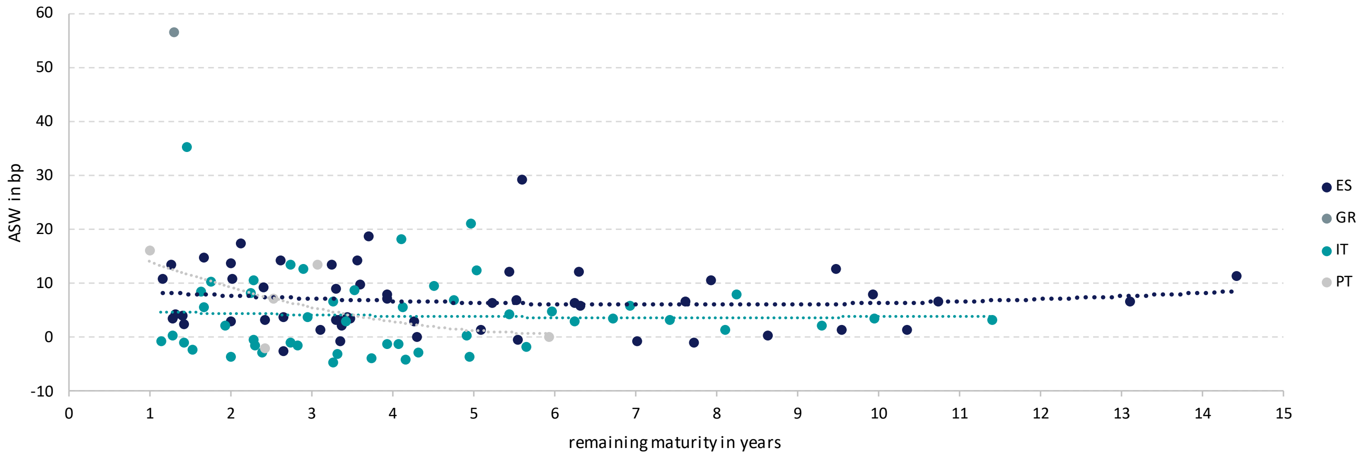


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

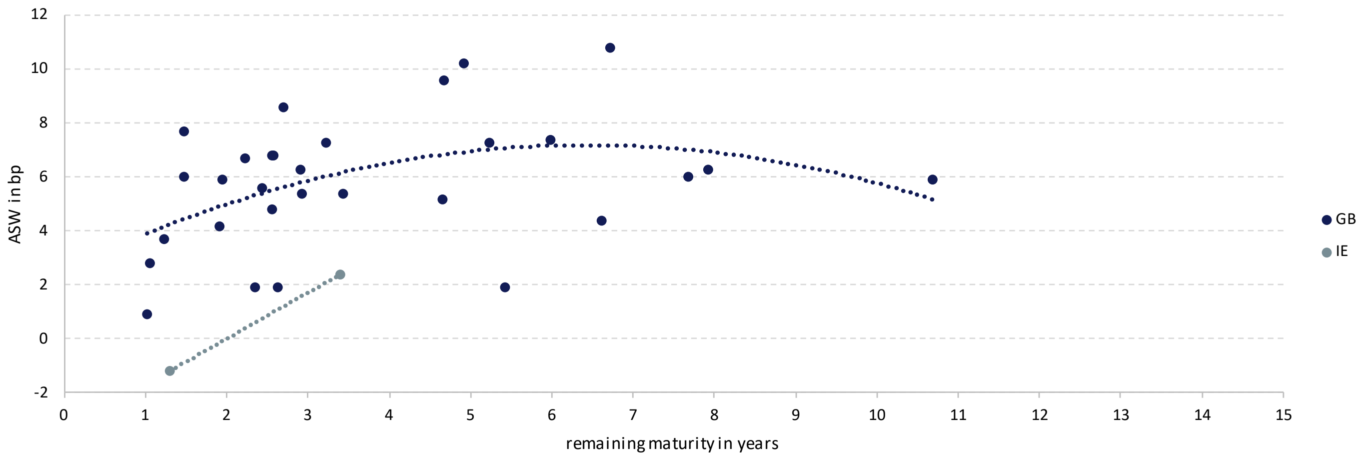
Nordics



Southern Europe

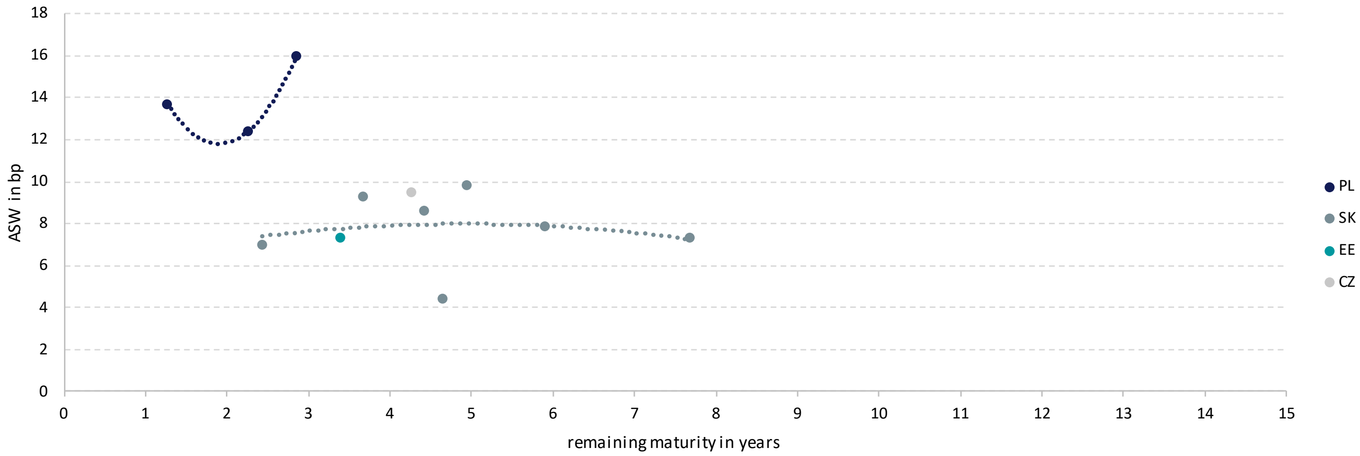


UK/IE

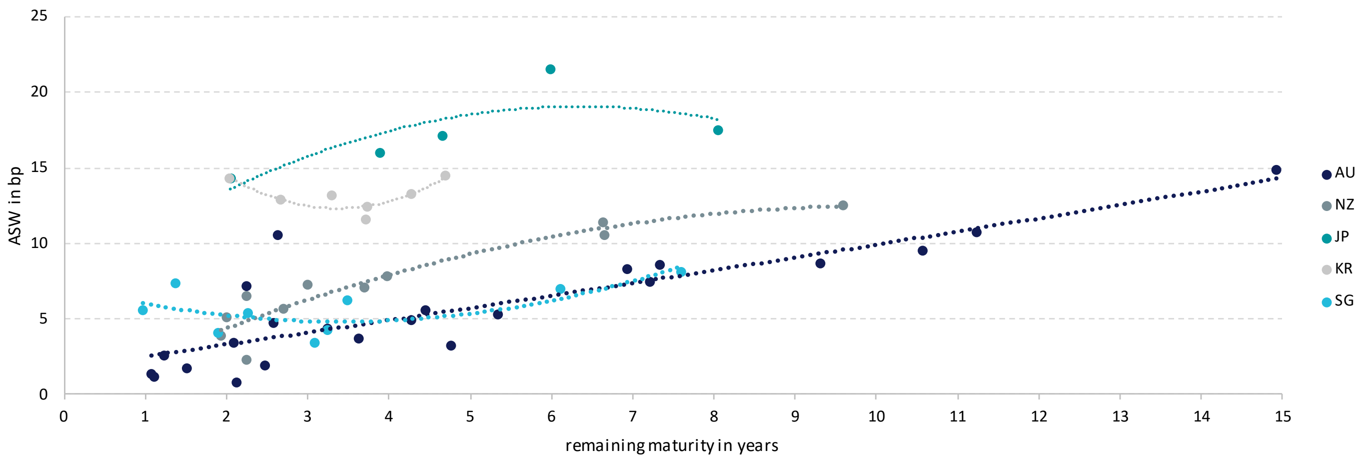


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

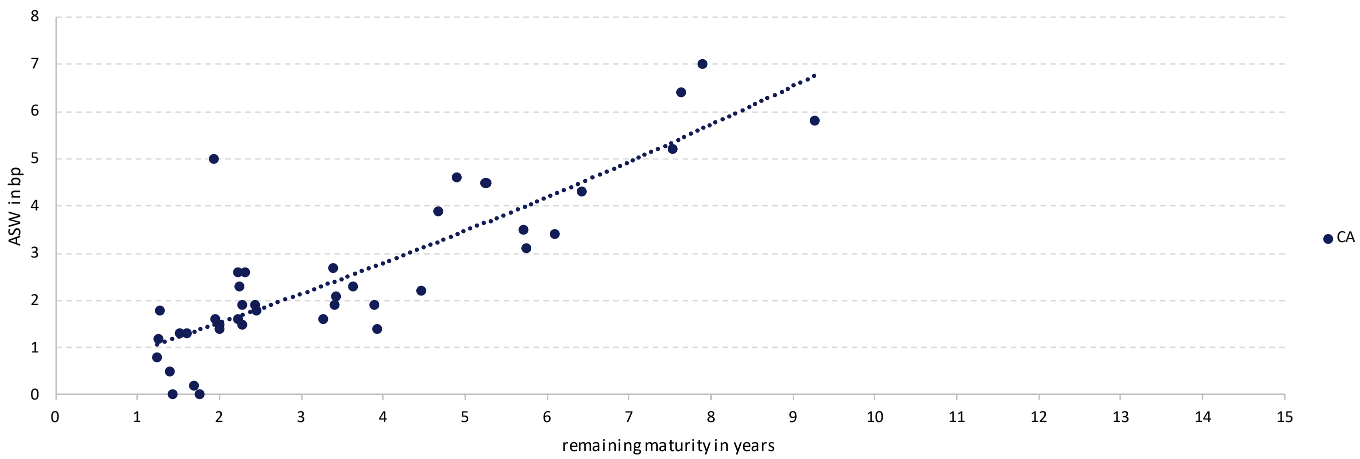
CEE



APAC



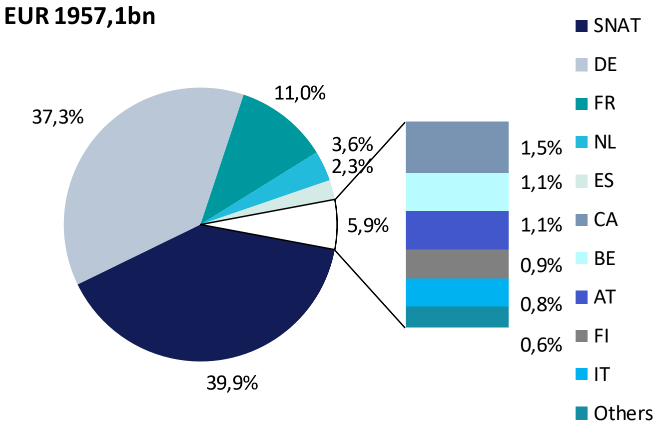
North America



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

Charts & Figures
SSA/Public Issuers

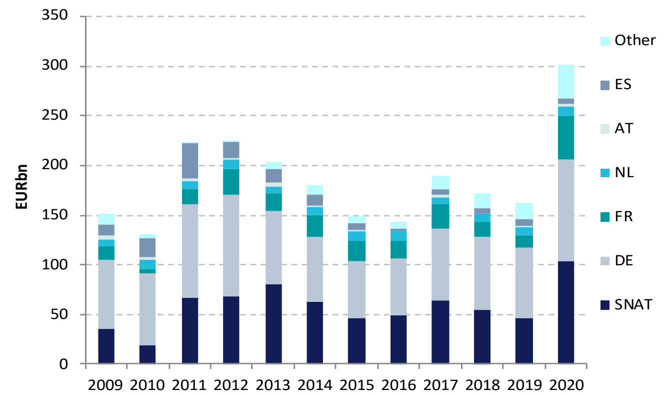
Outstanding volume (bmk)



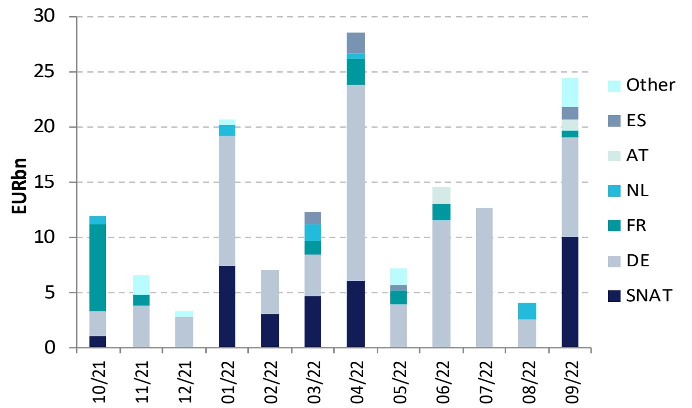
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	780,0	194	4,0	8,7
DE	730,6	568	1,3	6,8
FR	216,0	149	1,4	5,6
NL	70,1	68	1,0	6,5
ES	45,3	56	0,8	5,2
CA	28,5	20	1,4	5,4
BE	21,7	25	0,9	14,0
AT	21,2	23	0,9	5,1
FI	16,8	21	0,8	6,0
IT	15,0	19	0,8	5,8

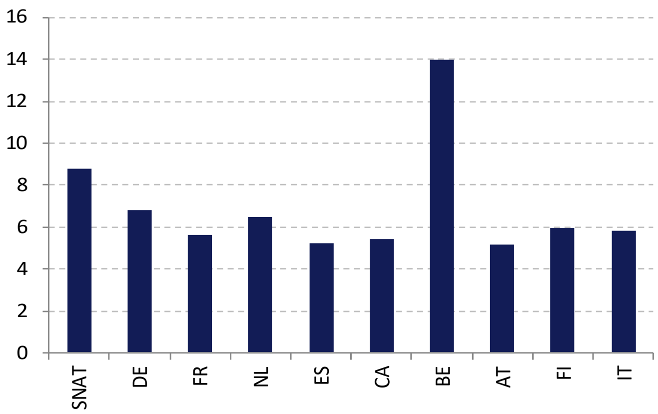
Issue volume by year (bmk)



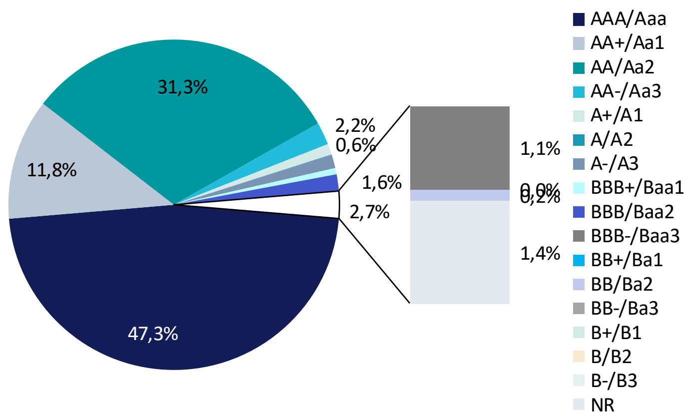
Maturities next 12 months (bmk)



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

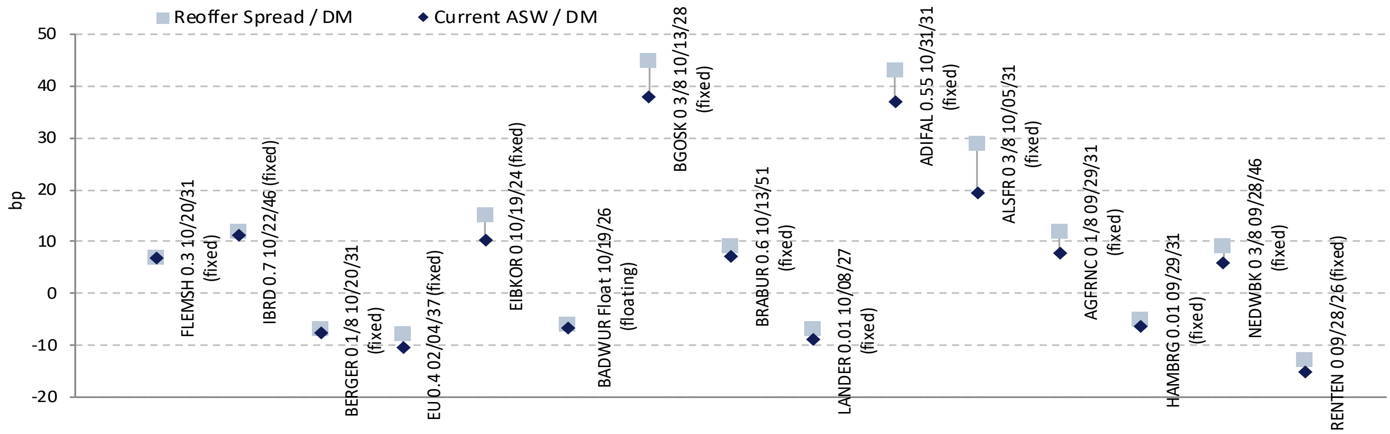


Rating distribution (vol. weighted)

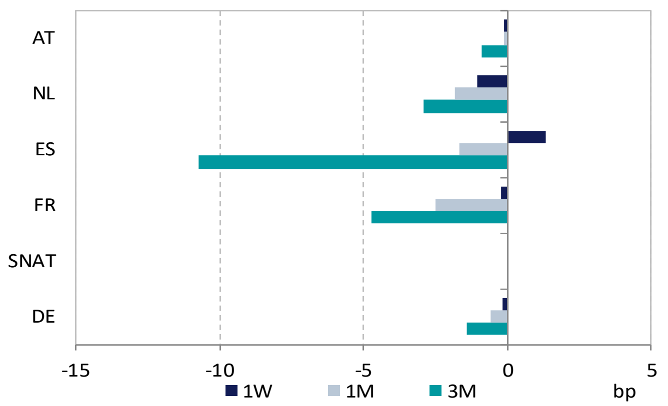


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

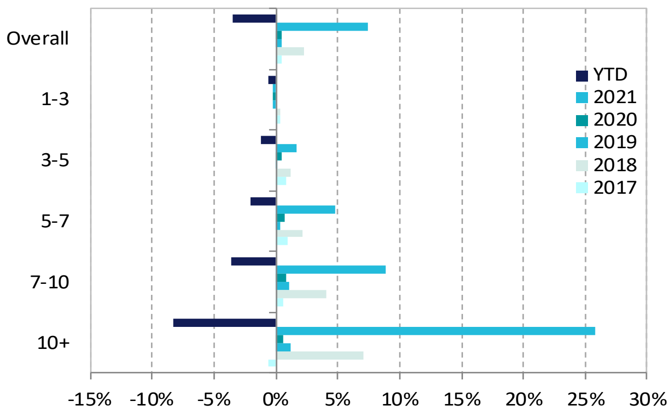
Spread development (last 15 issues)



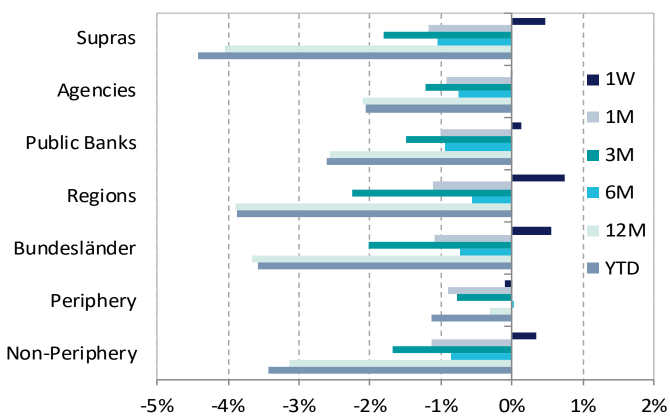
Spread development by country



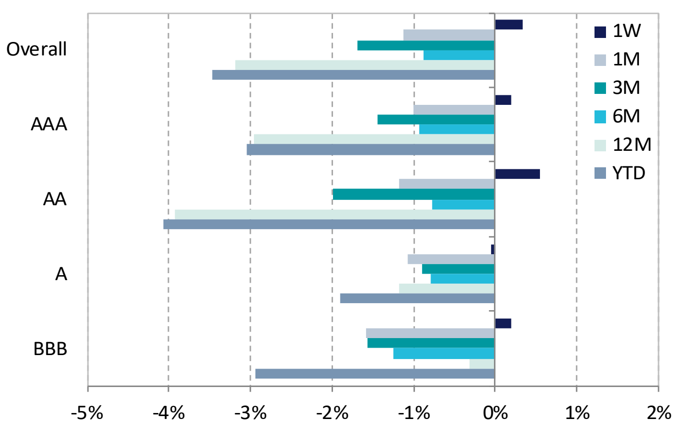
Performance (total return)



Performance (total return) by regions

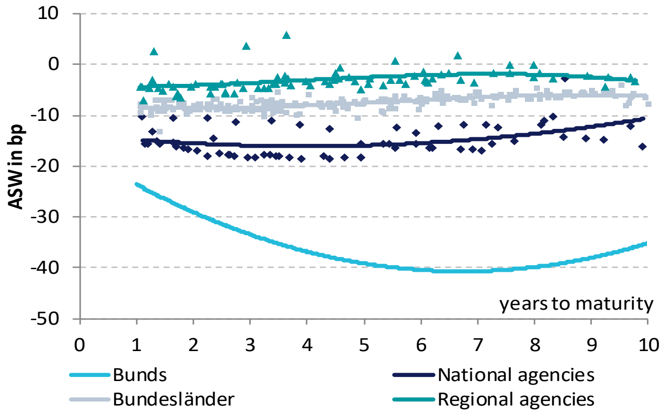


Performance (total return) by rating

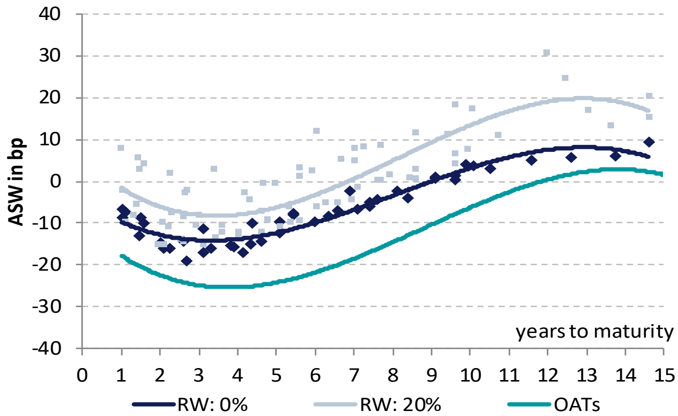


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

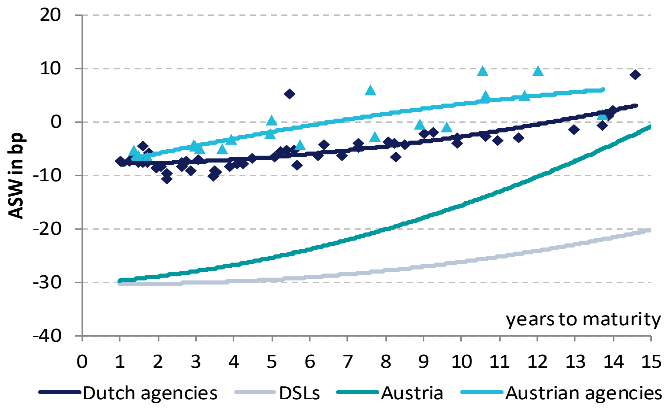
Germany (by segments)



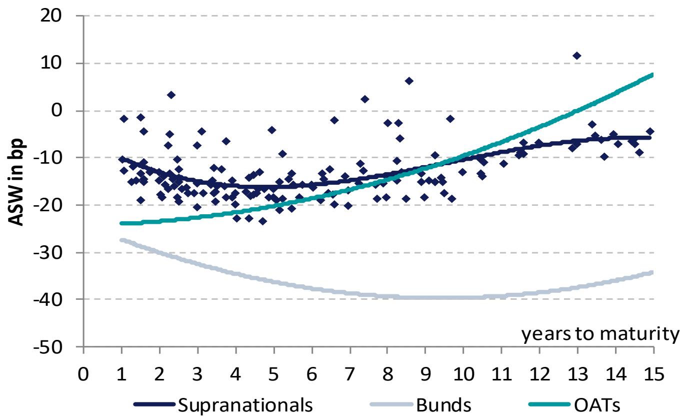
France (by risk weight)



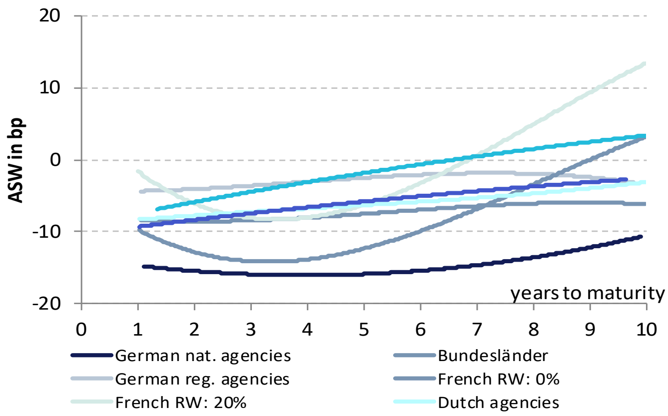
Netherlands & Austria



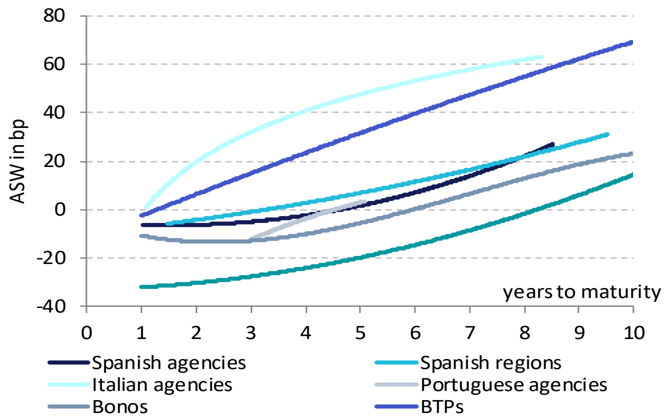
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
31/2021 ♦ 22 September	▪ Covered bond primary market: a September to remember ▪ Announcement: Issuer Guide German Bundeslaender 2021
30/2021 ♦ 15 September	▪ Transparency requirements § 28 PfandBG Q2 2021 ▪ Fitch: rating approach covered bonds ▪ Update: Joint Laender (Ticker: LANDER)
29/2021 ♦ 08 September	▪ New dynamic on the Canadian covered bond market: Two debut EUR issuers ▪ Development of the German property market ▪ NGEU in the starting blocks: 3, 2, 1 … EU auctions!
28/2021 ♦ 01 September	▪ ECB preview: focus on the pace of PEPP purchases? ▪ France – largest jurisdiction in EUR benchmark bond segment: a covered bond overview of the “Grande Nation”
27/2021 ♦ 28 July	▪ NORD/LB Issuer Guide Covered Bonds 2021: A constant during turbulent times ▪ Beyond Bundeslaender: Madeira and the Azores
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 201)
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

NORD/LB: Markets Strategy & Floor Research

NORD/LB: Covered Bond Research

NORD/LB: SSA/Public Issuer Research

Bloomberg: RESP NRDR <GO>

Appendix
Publication overview

Covered Bonds:

- **Issuer Guide Covered Bonds 2021**
- **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 2021**
- **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

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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

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

Origination & Syndicate

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

Sales Wholesale Customers

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

Treasury

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

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Additional information
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Issuer / security	Date	Recommendation	Bond type	Cause