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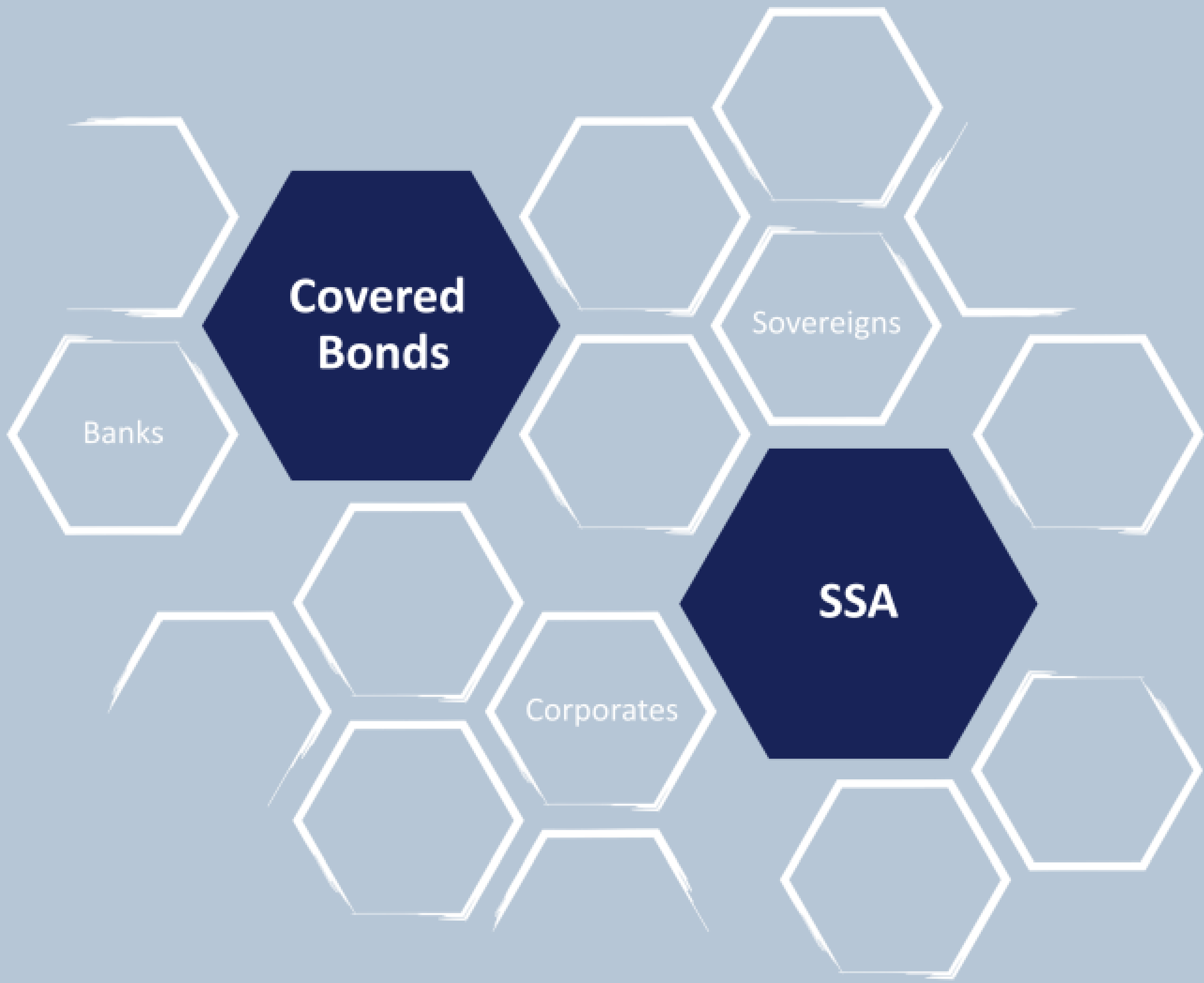

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

4 May 2022 ♦ 15/2022

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

Agenda

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Market overview
Covered Bonds

Author: Dr Frederik Kunze

Primary market: EUR 89.1bn in EUR benchmarks placed so far in 2022

Having previously commented on events in the primary market in the last edition of our weekly publication on 13 April, we shall be taking a look at the past few trading weeks in this section. On 20 April, RLB Oberösterreich sought investors for its EUR 500m benchmark (WNG; 5y). This soft-bullet bond kicked off the marketing phase at ms +12bp before eventually narrowing to ms +7bp. The books for a dual tranche from SG SFH (6y and 12y) opened on 25 April. These two benchmarks were split into volumes of EUR 1.25bn (12y) and EUR 1.75bn (6y). The bonds were eventually placed on the marker featuring re-offer spreads of ms +13bp (12y; guidance of ms +17bp area) and ms +4bp (6y; guidance of ms +9bp area). Over in Germany, Aareal Bank placed a mortgage Pfandbrief on 27 April with a term to maturity of just under seven years. The deal started out in the marketing phase at ms +7bp before ultimately being priced four basis points tighter at ms +3bp. The volume of this benchmark deal totalled EUR 750m, while the order books finally amounted to EUR 1.25bn. The next two mortgage Pfandbriefe from Deutsche Kreditbank (DKB) and Berlin Hyp are noteworthy both in terms of their maturities and the use of the proceeds from the deals. For example, both bonds have initial terms to maturity of ten years and were placed in ESG format as social Pfandbriefe. The Berlin Social Housing Bond from 28 April in the amount of EUR 500m had already been announced the previous day, with the books then opening in the area of ms +8bp. The final re-offer spread of ms +3bp reflects tightening of five basis points versus the initial guidance. The oversubscription ratio amounted to 4.7x (order book: EUR 2.36bn). As part of a Covered Bond article in the present edition of our weekly publication, we shall be looking into some of the key features of the Social Bond Programme of DKB. Yesterday (03.05.), Berlin Hyp approached investors with its first social mortgage Pfandbrief. The covered bond worth EUR 750m was priced at ms +2bp (guidance: ms +6bp area) and attracted an order volume of EUR 2.8bn (bid-to-cover ratio: 3.7x). The second EUR benchmark (10y) placed on Tuesday came from Sweden and was successfully placed by SCBC (cf. also NORD/LB Issuer View SBAB/SCBC dated 03 May). Following initial guidance in the area of ms +15bp, the re-offer spread eventually came in at ms +11bp. The volume of EUR 1.25bn makes this the largest currently outstanding EUR benchmark from this issuer. The order book for the soft bullet covered bond amounted to EUR 2.1bn at the end of the marketing phase. As such, a total of EUR 89.1bn in EUR benchmarks has now been placed so far in 2022.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SBAB / SCBC	SE	03.05.	XS2478272938	9.8y	1.25bn	ms +11bp	- / Aaa / -	-
Berlin Hyp	DE	03.05.	DE000BHY0SB0	10.0y	0.75bn	ms +2bp	- / Aaa / -	X
DKB	DE	28.04.	DE000SCB0039	10.0y	0.50bn	ms +3bp	- / Aaa / -	X
Aareal Bank	DE	27.04.	DE000AAR0330	6.8y	0.75bn	ms +3bp	- / Aaa / -	-
SG SFH	FR	26.04.	FR001400A2U7	6.0y	1.75bn	ms +4bp	AAA / Aaa / -	-
SG SFH	FR	26.04.	FR001400A2T9	12.0y	1.25bn	ms +13bp	AAA / Aaa / -	-
RLB Oberösterreich	AT	20.04.	AT0000A2XLA5	5.0y	0.50bn	ms +7bp	- / Aaa / -	-

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

Long maturities back on the menu, while secondary market performance remains solid

Overall, the market seems receptive towards the sustained fresh supply. At an average level of two to three basis points, new issue premiums are slightly below the values recorded over previous weeks. It is moreover striking that the market even seems, in our view, to be slightly more receptive to longer maturities than was the case just a few weeks ago. Up to now, there has been no sign of a further reduction in the ECB order share. In fact, we continue to believe that a renewed reduction should remain manageable overall in view of the spread development, with the result that we would not expect drastic widening in the course of a corresponding adjustment. On the secondary market, short to medium maturities remain heavily in demand, although longer-dated deals are also performing well. Overall, however, the influence of the ECB remains decisive for the covered bond market. This applies not least against the background of the anticipated interest rate turnaround before the end of 2022 (cf. Public Issuer/SSA Market Overview). In anticipation of an altered market environment due to an adjusted monetary policy, issuers should still manage to find their way to the primary market over the coming days, a situation reflected in the recent mandates seen in the EUR benchmark segment.

Social Pfandbrief debut from Berlin Hyp

Yesterday's social bond in EUR benchmark format placed by Berlin Hyp (BHH) increased the number of issuers in this sub-segment. The BHH social bond aims to help achieve the UN Sustainable Development Goals (SDG) 1 (No Poverty), 10 (Reduced Inequalities) and 11 (Sustainable Cities and Communities). The Social Bond Framework is based on the ICMA SBP. BHH calculates that the assets suitable for the social bond total EUR 2.1bn as at 31 December 2021 (entire mortgage portfolio: EUR 25.6bn). In the cover pool, the nominal value of the eligible assets amounts to EUR 1.8bn. Within the framework of its investor presentation, BHH states that the social assets are already recognized on the bank's balance sheet or in the cover pool, so that no interim or temporary investment of the issuance proceeds would be necessary. A Second Party Opinion (SPO) attests to the conformity of the BHH social bond programme with the ICMA Social Bond Principles and confirms that the eligible asset category "Affordable and Social Housing" makes a significant contribution to achieving SDGs 1, 10 and 11.

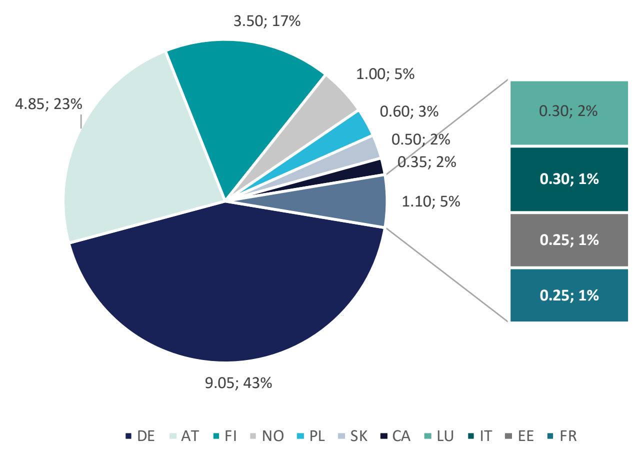
NORD/LB Capital Market Spotlight event: "Spotlight on Sweden" - 12 May 2022

We were delighted to welcome two primary market appearances from the Swedish EUR benchmark segment in the current year: SEB placed a covered bond with a volume of EUR 1.5bn on 21 March, with SBAB/SCBC following this up by approaching investors with its own EUR benchmark yesterday (03.05.). But how is the Swedish covered bond market structured in detail and what is the situation on the banking and real estate markets currently? We intend to discuss questions such as these and others during a Capital Market Spotlight event together with you and the issuers LF Bank, SBAB and Swedbank. We look forward to seeing you there on 12 May at 2 pm. If you are interested in taking part in this digital event, please do not hesitate to contact us (event-markets@nordlb.de). At this point, we would also like to draw your attention towards the Covered Bond article on Sweden in today's edition of our weekly publication.

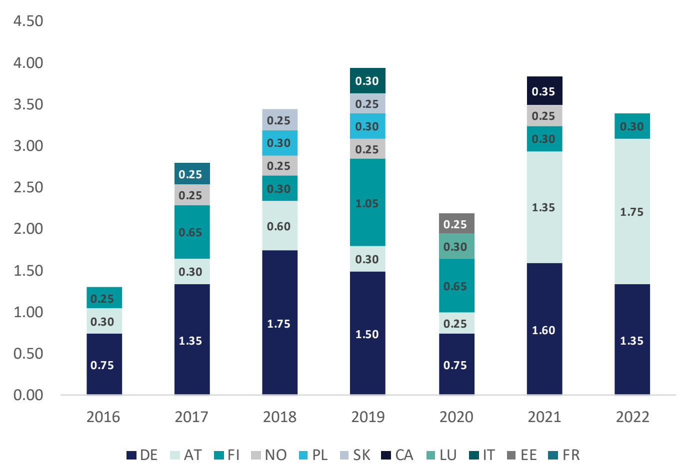
EUR sub-benchmark segment: inaugural RLB Tirol deal worth EUR 300m and RLB Vorarlberg with 6.5x oversubscription ratio

In the EUR sub-benchmark segment, too, we observed a notable spate of new issuance activity over recent trading weeks. On 20 April SP Mortgage Bank approached investors with a covered bond (3y) in the amount of EUR 300m (WNG) that was placed at ms +4bp (guidance: ms +7bp area). The next day, Hypo Tirol Bank appeared on the market to open the books for its own sub-benchmark worth EUR 300m (WNG; 5y). The spread tightened from the initial guidance in the area of ms +14bp to ms +10bp over the course of the marketing phase. Staying in Austria, Oberbank was active in EUR sub-benchmark segment on April 26. The bank issued its covered bond deal (EUR 250m; WNG; 7y) at ms +10bp (guidance: ms +15bp area). In terms of newcomers to the EUR sub-benchmark segment, we were pleased to welcome RLB Tirol, which invited fixed income investors to calls on 25 April. Its bond worth EUR 300m (WNG; 5y) was eventually placed on 27 April at ms +9bp (guidance: ms +15bp). The Austrian quartet was rounded off by RLB Vorarlberg. The bank approached investors with a deal in the amount of EUR 300m (WNG; 7y) that started off at ms +14bp in the marketing phase. The final spread narrowed by five basis points to ms +9bp, while the order book came to a final total of EUR 1.9bn. As a result, the deal was 6.5x oversubscribed. So far in 2022, the volume placed in the EUR sub-benchmark segment comes to EUR 3.35bn, of which Austria accounts for a total of EUR 1.75bn.

SBMK: Breakdown by jurisdiction (EUR bn)



SBMK: Issuance history by year (EUR bn)



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

Market overview
SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Jan-Phillipp Hensing

ESM/EFSF update

Following our Easter break, we would like to give a brief update on the ESM and EFSF after the statement they made about their own change in their last Investor Newsletter. Investor Relations underlined the institution's ability to renew itself and to develop further. From the creation of the EFSF in the midst of the euro crisis, the institution has evolved into a mature ESM which concluded the country programme with Greece in 2018 and created the support instrument for pandemics in order to support healthcare costs in connection with the Covid-19 pandemic. For this purpose, the ESM developed a framework for social bonds which is based on the four key components of the ICMA Social Bond Principles. The Second Party Opinion has been developed by Sustainalytics. Moreover, the parties involved are now gearing up for a change of remit which will make the ESM the backstop for the SRF (Single Resolution Fund). The need for innovation and further development is ubiquitous, according to the Newsletter - and not just during difficult market phases. At the same time, the European Monetary Fund (EMF), so often brought into play as a counterpart to the IMF in the past, has not been mentioned for some time. Let us take a look at the capital market: The ESM is planning to raise EUR 8bn through bonds in 2022, of which EUR 2bn has already been raised so far this year. For its part, the EFSF has already raised EUR 8.5bn of its target of EUR 19.5bn. We greatly value the quarterly Newsletter along with the regular talks and roadshows which have been held since 2012. The EFSF and ESM have scrapped one much appreciated detail, namely the funding window. The decision no longer to publish funding windows was ascribed to the need to adjust their responsibility to lower funding requirements, market trends and the forthcoming change in the ESM's remit. Funding windows were introduced when the EFSF and ESM had to raise substantial sums in order to support Eurozone Member States. Since then, circumstances have changed significantly. Funds are now used to finance the prolongation of existing debts, whereby the EFSF and ESM are likely to continue to issue around EUR 20-25bn per annum for the foreseeable future. Naturally, there will still be an annual funding target and the figures for 2023 are already in the public domain: EUR 20bn (EFSF) and EUR 8bn (ESM) respectively. Scrapping the funding windows has not diminished the success of these transactions, with the ESM/EFSF having issued four bonds since the change. In January, for example, the EFSF raised EUR 5.5bn from a sale in two tranches which attracted a solid combined order book of over EUR 30bn. In February, the ESM attracted record orders of EUR 37bn – almost twice the previous highest order book dating back to 2013. After the change in the ESM Treaty, the ESM plans to provide a backstop instrument for the Single Resolution Fund should additional emergency funds be needed for the resolution of banks – something which can happen all of a sudden and therefore calls for a flexible way of raising funds. The ESM has indicated that it was indeed prepared for this and pursuing a strategy of disbursements which will allow it to issue bonds which could be lent directly to beneficiaries without having to sell them to investors.

Future ECB course is the talk of the town

One point should be stressed right from the start: there is no manual that dictates the right time to exit from quantitative measures, no manual which sets out the course of action during a pandemic or which indicates how right (or wrong) interest rate hikes feel when a war is taking place in Europe. The fact is that for some time now, inflation data has justified a rate hike. However, there are different views on whether there should be two increases or just one in 2022, and whether these could then be two small hikes (e.g. ten basis points) or whether a single hike should be in the form of a "normal" increase (25 basis points). We expect that ECB projections from March will have to be reviewed and revised again in June. These are likely to show that inflation will likely rise further up to the end of 2022 at least, while growth will be scaled back. This is part of the ECB's balancing act – i.e. wanting to curb inflation without stifling the economy, assuming it is still possible to predict some growth. First though, the APP has to come to an end. As we already know and as already communicated, the APP is set to end in Q3, but the precise course and tapering on the road to that point is still unclear. We anticipate a total of EUR 15bn in July in our baseline scenario, EUR 10bn in August and still EUR 5bn in September. However, the road ahead will depend on the data and therefore on the evolving assessment of prospects by the ECB Council. Fresh projections in June could move the GDP growth rate and inflation rate away from any thoughts of *STAG*flation and bring talk closer to the idea of *SLOW*flation. The last two meetings in 2022, i.e. on 27 October and 15 December are already the focus of a lot of attention – at present, it is already assumed that there will be one rate hike, and if anything, the market is pricing in two hikes in 2022 and up to six in 2023. In this respect, we still have doubts about whether the process can and will take place that fast. From press reports, moreover, we understand that the ECB could be working on a crisis instrument which would be used in the event of an unfortunate upward breakout of the bond yields of weaker economies in the Eurozone. It is well-known that the ECB Council is split between hawks and doves. In March, inflation in the Eurozone reached its highest level since the introduction of the euro as a settlement currency in 1999 at 7.5% and was therefore once again well above the ECB's target mark of 2% − grist to the mill for the doves. The hawks on the other hand are using the war, supply chain problems and zero-Covid in China for example as arguments. The ECB's only prescribed task is monetary stability – a fact which would point towards a rate hike. The ECB could then be responsible for choking off economic growth. This is not part of its remit – in which respect it clearly differs from the Fed. As a reminder: In the spring of 2008, the ECB raised key interest rates and regretted that move just a few weeks later before switching to its unprecedented rate cutting raised interest rates twice in a row frenzy. In 2011, the ECB under its President Jean-Claude Trichet; Mario Draghi then took over and lowered the rate from 1.5% to 0.0%. The ECB will undoubtedly have learned its lesson from the last rate hikes it carried out. Just as an anecdote in the context of the last press conference held by President Lagarde: One question was whether she would accept a post in the French government if Macron won the election. She gave a telling laugh in response... now that's what we would call "maximum flexibility"!

ECB projections for growth and inflation in the Eurozone*

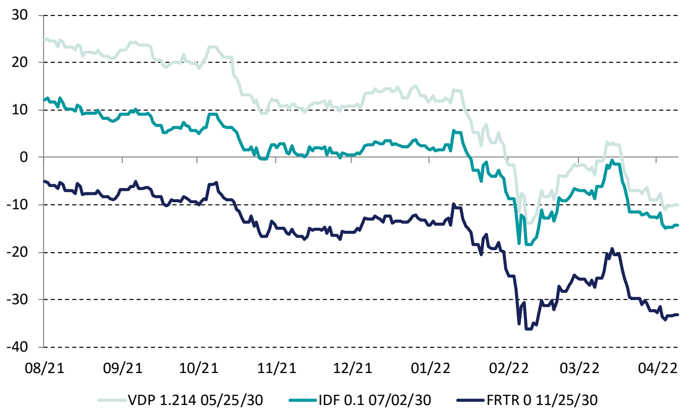
	March 2022 projections				Adverse scenario				Severe scenario			
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Real GDP	5,4	3,7	2,8	1,6	5,4	2,5	2,7	2,1	5,4	2,3	2,3	1,9
HICP inflation	2,6	5,1	2,1	1,9	2,6	5,9	2,0	1,6	2,6	7,1	2,7	1,9

* Change versus previous year in %
Source: ECB, NORD/LB Markets Strategy & Floor Research

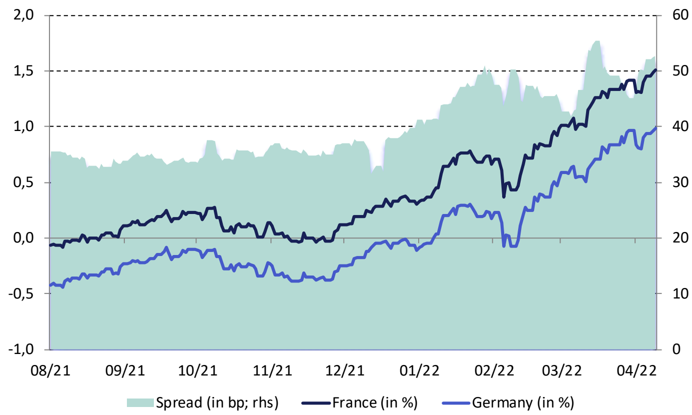
Macron wins the election – the market reacts again

The French President – or the "President of the French Republic" to use his official title – is elected as part of a general and direct election for a term of office of five years. Re-election is often possible, but only a maximum of two consecutive terms are allowed. Macron is now planning to make quite a few changes in his policies and style of government – not least in view of parliamentary elections which take place in June. And this brings us right to the crux of the matter: post vote is pre vote. The 577 deputies in the Fifth Republic's National Assembly will be chosen a few weeks after the presidential election based on the two-round system. The second round is held should no candidate win 50% of the vote in the first round, in which case that candidate is elected. Apart from the 566 French constituencies, there are eleven constituencies for French residents overseas. In 2017, Emmanuel Macron won 350 out of 577 seats in the second round with 43% of the vote with his party "La République en Marche!" (LREM) and ally MoDem (Mouvement démocratie). An absolute majority would require 289 seats. The dominant parties of previous decades suffered substantial losses: The conservative camp won 131 seats. The socialists of ex-President François Hollande and allied left-wing parties slumped to as few as 29 seats in the National Assembly, while Marine Le Pen's far-right populist Front National (FN) only won eight seats. In 2017, turnout fell to a new record low of 43%.

Spread movement – VDP and IDF (vs. ms in bp)



Spread movement – Bunds vs. OATs (10Y)



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

Joint Laender (Gemeinschaft deutscher Laender) issues bond no. 62

The Joint Laender (cf.: [Issuer Guide – German Laender 2021]) has issued its 62nd bond. As a reminder: several sub-sovereigns regularly place joint bonds – known as "Joint Laender jumbos". These Laender generally have a relatively low funding requirement and use economies of scale through the joint issue, which in turn are reflected in lower interest expenses. A total of six Bundeslaender were involved in the LANDER #62: Bremen (20%), Hamburg (20%), Mecklenburg-Western Pomerania (10%), Rhineland-Palatinate (10%), Saarland (20%) and Schleswig-Holstein (20%). One particular feature of this bond is that each Bundesland is liable for its own share of the overall issue. As a result, joint and several liability structures do not exist for such deals. In view of the different shareholding structures, there is no issuer rating. Instead, the rating agency Fitch rates each individual issue in order to take account of the differing participation structures. There was huge interest in the 62nd issue; it was well oversubscribed with orders totalling EUR 2.6bn for a seven-year bond with a volume of EUR 1bn. The spread tightened by one basis point to ms -14bp against the guidance in the area of ms -13bp.

Primary market

After what was - we hope - a well-deserved Easter break, we are now well rested and reporting back with a review of the issues which took place in our absence in the usual manner: First in our review is the 30-year EUR 500m bond issue from Bundesland Rhineland-Palatinate (ticker: RHIPAL) from 13 April, of which EUR 150m has been retained by the issuer for the time being. The bond was priced at ms +19bp. Next on the trading floor was the Basque Autonomous Community (ticker: BASQUE) with an 11-year sustainability bond (size: EUR 500m) at SPGB +14bp (guidance: SPGB +18bp). A contributory factor to this spread was the order book which closed at EUR 1.4bn. We have calculated a spread of ms +34bp against the mid-swap curve at the time of issuance. There were as many as three issues on 26 April: one from the International Development Association (ticker: IDAWBG), which is part of the World Bank Group, one from the French social debt repayment agency CADES – which is also the ticker used by this issuer – and the French Community of Belgium (ticker: LCFB). The IDA issued a total of EUR 2bn in the form of a 15-year sustainability bond, which featured a combination of green and social funding purposes. The guidance for this deal was in the area of ms +8bp, although it tightened to ms +7bp during the marketing phase (order book: EUR 2.7bn). Obviously, CADES issued a social bond with a volume of EUR 5bn for ten years. The bond was guided at OAT +27bp area, but fixed at OAT +25bp during the marketing phase, which, according to our calculations equates to around ms -6bp at the time of issue. It is worth drawing attention to the order book, which was plentifully filled at EUR 25bn. LCFB issued EUR 600m at OLO +32bp (ms +6bp) in the form of a social bond. The next day, the 62nd issue from the Gemeinschaft deutscher Laender (ticker: LANDER) appeared on screens; we looked at this issue separately on the previous page. The next issuer was another French name: Société de Financement Local (ticker: SFILFR) issued a 10-year bond at OAT +26bp (ms -1bp) with a volume of EUR 1bn; the bond attracted orders of EUR 2.35bn. KFW – also this issuer's ticker – was also busy with a ten-year green bond at ms -21bp. The bond tightened by two basis points in relation to the guidance in the area of ms -19bp. Here again, there was huge interest on the part of investors: the final order book amounted to EUR 34bn. The European Union was also active with a tap in the context of a EUR 2.499bn auction (bond: EU 0.4% 02/04/37). In addition, it sent out an RfP on further funding requirement in the context of its NextGenerationEU programme.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
KFW	DE	27.04.	XS2475954900	10.1y	3.00bn	ms -21bp	- / Aaa / AAA	X
SFILFR	FR	27.04.	FR001400A4J6	9.8y	1.00bn	ms -1bp	- / Aa3 / AA	-
LANDER	DE	26.04.	DE000A3MQUU9	7.0y	1.00bn	ms -14bp	AAA / - / -	-
IDAWBG	SNAT	26.04.	XS2475492349	15.0y	2.00bn	ms +7bp	- / Aaa / AAA	X
LCFB	BE	25.04.	BE0002853340	10.0y	0.60bn	ms +6bp	- / A2 / -	X
CADES	FR	25.04.	FR001400A3H2	10.1y	5.00bn	ms -6bp	- / Aa2 / AA	X
BASQUE	ES	19.04.	ES0000106734	11.3y	0.50bn	ms +34bp	A / A3 / -	X
RHIPAL	DE	12.04.	DE000RLP1379	30.0y	0.50bn	ms +19bp	AAA / - / -	-

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

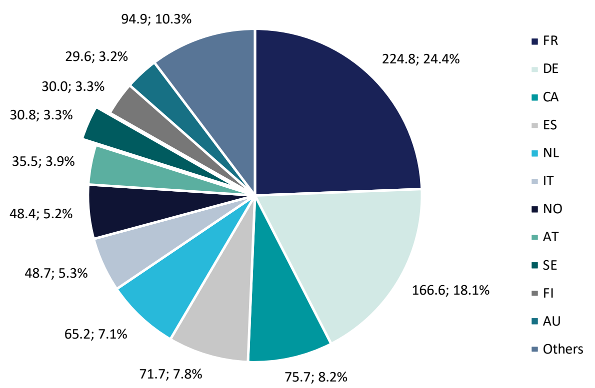
Covered Bonds
Focus on covered bond jurisdictions: Spotlight on Sweden

Auhtor: Dr Frederik Kunze

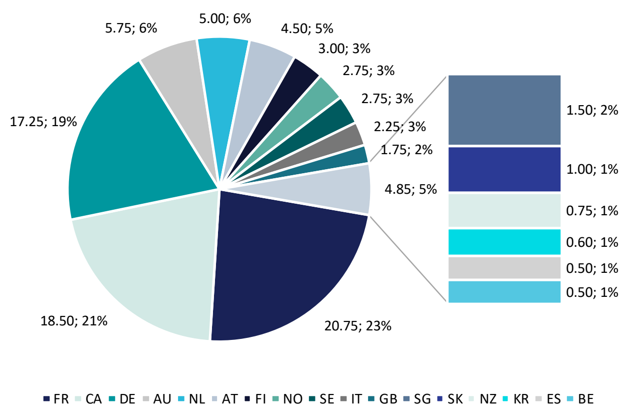
Sweden: a special covered bond jurisdiction

Together with Denmark and Norway, Sweden ranks among those economies that have the largest mortgage-backed covered bond markets in relation to GDP. While in Denmark, the outstanding volume of mortgage covered bonds accounted for 134% of annual economic output in 2020, the figures for Norway and Sweden were 41% and 52%, respectively. In comparison, the figures for Germany (7%), France (10%) as well as Finland (19%) and Spain (21%) are far lower. In this respect, it is not surprising either that Sweden ranks among the major covered bond jurisdictions in terms of the volume of outstanding covered bonds in total. According to the ECBC annual statistics currently available (31 December 2020), Sweden ranked fifth in this regard, at EUR 248bn, ahead of Italy (EUR 175bn) and just behind Spain (EUR 257bn). The systemic relevance of covered bonds in Sweden is therefore unquestionable. However, looking at the EUR benchmark segment, which is where our focus lies, the Scandinavian country must be rated more as one of the outsiders. In terms of outstanding volume (EUR 30.8bn), Sweden only ranks in ninth place, clearly illustrating the dominance of issues issued in domestic currency. So far in 2022, only two issuers (SEB in March 2022: issue of EUR 1.5bn; and SCBC yesterday: issue of EUR 1.25bn) have ventured onto the market. The credit quality of covered issues resulting from the Swedish covered bond legislation in conjunction with the healthy state of the Swedish banking market means that, in our opinion, "*säkerstellda obligationer*" as covered bonds in accordance with Swedish law are definitely a welcome form of additional diversification for some investors. Not least because of this, we shall take a look at the Swedish covered bond market in more detail in this article and examine the country's EUR benchmark segment as well as Swedish covered bond legislation. We will also touch on the key framework conditions for issues in EUR benchmark format.

Distribution by jurisdiction (EUR BMK; EUR bn)



Primary market (2022 ytd; EUR BMK; EUR bn)

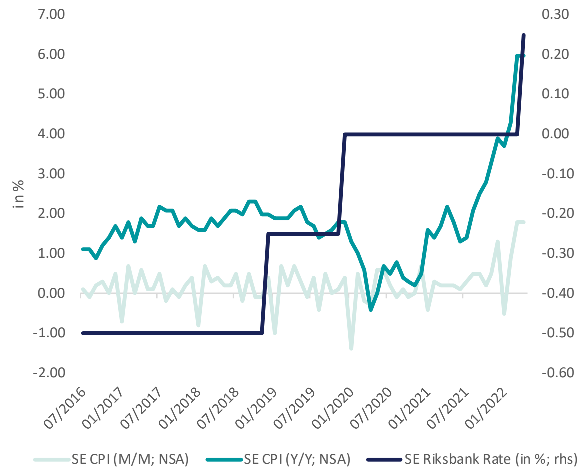


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

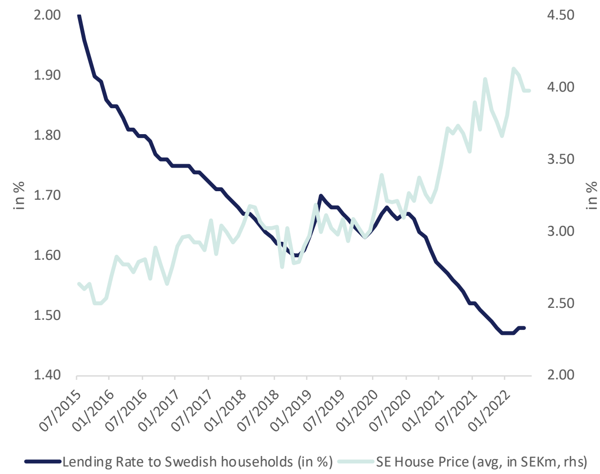
Swedish economy characterised by post-crisis recovery, surging inflation, supply chain problems and an incipient interest rate hike

Following the outbreak of the coronavirus crisis in 2020 and the collapse in Swedish economic activity associated therewith, the Swedish economy staged a strong recovery. This is evidently due not least to the growth in economic output in 2021, which reached almost 5% and therefore increased GDP by approximately 3% above the pre-crisis level in the fourth quarter of 2021. Even though there were signs of supply bottlenecks and shortages in the labour market at the end of 2021/beginning of 2022, Riksbank (the central bank of Sweden) assumed that these would be accompanied by only a temporary weakening of the economic expansion process, especially as the labour market was in very strong shape. Given the small number of direct economic interdependencies with Russia and Ukraine, the war in Ukraine is primarily having an impact due to the second-round effects of higher energy and commodity prices as well as even worse supply bottlenecks. The increased degree of uncertainty, which recently depressed consumer confidence, among other aspects, must also be taken into account. The negative effects on private households' real purchasing power must not be underestimated either. However, Riksbank also sets some factors against an overly negative scenario with regard to growth. Therefore, the central bankers do not believe the post-crisis recovery period is over yet. Tax reliefs and transfer payments are expected to ease the burden on private households, while at the same time government spending is expected to increase. Overall, however, the scenario of a deep recession or stagflation is still an extreme scenario in our view too. Accordingly, the current assessment of the situation by the Riksbank is that the Russian crisis will result in a phase of lower growth levels combined with higher levels of inflation for the Swedish economy. Given this assessment of the situation, it is not surprising that Riksbank has started to hike interest rates in response. Even though the announcement on 28 April 2022 was somewhat of a surprise for some market observers, the increase in the repo rate of 25 basis points to 0.25% is just as comprehensible in the light of an increasingly broad-based inflation rate as the promised speed at which interest rates will increase. The central bankers are promising two to three additional rate hikes for 2022, while a repo rate of just under 2% is expected for the end of the three-year timeframe. Riksbank links this trend in the repo rate with an inflation trend that sees the CPI rising by 6.0% initially in the current year before falling back in subsequent years to 5.0% in 2023 and 2.8% in 2024 and reaching 2.3% at the end of the timeframe (Q2 2025). Accordingly, growth prospects are looking ever gloomier. Riksbank still expects growth of 2.8% for 2022, while GDP growth of 1.4% is expected in both 2023 and 2024. According to the current assessment by the central bank, growth would stand at 1.5% at the end of the period covered by its projections. Riksbank also used asset purchases as an unconventional monetary policy tool in the wake of the outbreak of the coronavirus crisis. These also included covered bonds but were limited to SEK issues by Swedish banks. Purchases started in March 2020. In January 2022, Riksbank reported holdings of SEK 408bn, while the purchases totalled SEK 447bn in gross terms. As a result, covered bond purchases exceeded the level of government bonds as the second largest category (total purchases: SEK 389bn) at the same time. Quantitative easing is no longer appropriate for these times either in the opinion of the central bankers in Stockholm. Riksbank ended net purchases at the beginning of the year and has now announced that it will start to scale back reinvestments as well.

Sweden: price trend and interest rates



Sweden: mortgage interest rates and house prices



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

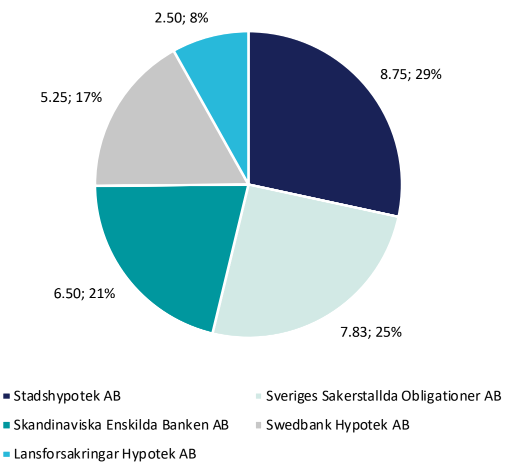
Property prices to continue rising?

The recent change in interest rates is also likely to have consequences with regard to the Swedish property market. The Swedish financial market supervisory authority (Finansinspektionen) recently pointed to a possible increase in the strains on private households. Higher mortgage interest rates combined with the current increases in consumer prices would put pressure the ability of households to service their debts. In particular, the authority discussed borrowers' increased vulnerability to rate rises. This is a consequence of larger loans, which had to be raised as a consequence of the increase in house prices. Overall, a certain trend reversal on the Swedish property market cannot be ruled out in our opinion. At the very least, the momentum of recent years is unlikely to continue unabated. We would view a price-dampening effect on the factors driving demand for residential property as a healthy development. We consider this as the likelier scenario, although we cannot rule out rebound effects caused by the momentum triggered by Riksbank in the wake of the interest rate turnaround in conjunction with inflation forecasts. Ten-year yields on Swedish sovereigns alone had risen by over 100 basis points since March to 1.65% at the end of April. A continuation of the sharp increase in mortgage rates therefore seems pre-programmed. However, the requirements of the legal framework in Sweden and the usual composition of cover pools prevailing in the market mean that we see much fewer risks of sustained negative effects for the covered bond segment.

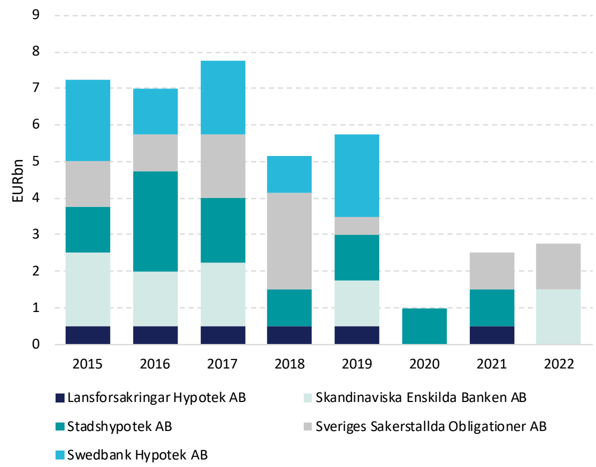
Sweden's covered bond market

As discussed initially, the Swedish covered bond market is dominated by SEK issues, which is a consequence of the specific structure of this sub-market, which in turn is characterised by recurrent taps of outstanding SEK issues. Consequently, the proportion of covered bonds in SEK is virtually 80%. However, we by no means believe that the dominance of the domestic currency indicates that the EUR benchmark segment is irrelevant for Swedish issuers. While currency-specific aspects such as the cross-currency basis may to a certain extent be an argument for issuers, we would primarily see the targeting of a significant group of investors as a selling point for EUR benchmarks.

EUR benchmarks SE (outstanding, EUR bn)



EUR benchmarks SE (issues, EUR bn)



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

EUR benchmark segment Sweden: five active issuers with an outstanding volume of EUR 30.83bn

We currently estimate the volume of outstanding EUR benchmarks from Sweden at EUR 30.83bn, spread across five issuers. Overall, the sub-segment is heterogeneous, although so far, only two banks, namely SEB and SCBC, have approached investors in the current year. In our opinion, the banks' focus on the soft bullet (SB) sub-segment is also striking. The following table shows key data on the five issuers and the seven programmes. Swedbank has the largest cover pool with assets worth the equivalent of EUR 103bn. The highest value of covered bonds, at approximately EUR 57bn, is attributable to the SE pool of Stadshypotek, which is also the largest EUR benchmark issuer with EUR 8.75bn (10 bonds). Stadshypotek's Finnish pool is currently set to be transferred to the Norwegian pool following an investor vote. The proportion of residential assets in the cover pools is comparatively high. The covered bonds benefit consistently from a top rating from Moody's (Aaa) or in the case of LF Hypotek and Swedbank, from an additional AAA rating from S&P. The overcollateralisation ratios are well above the minimum requirement (2%) and above the overcollateralisation required for the respective rating. The simple average of Moody's key figure "OC consistent with rating for Mortgage Programmes" is 1.6%.

Overview: Swedish EUR benchmark issuers (31 March 2022)

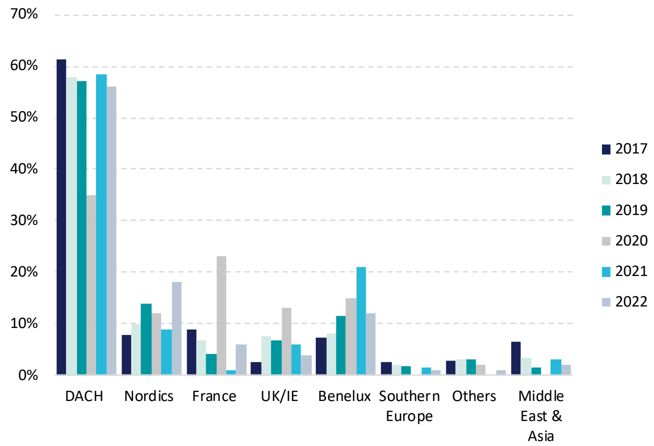
Emittent *(Link)*	Pool	Cover pool volume (EURm)	Total amount outstanding (EURm)	OC	Share residential assets[1]	EUR BMK covered bonds No. / sum (EURbn)	CB-Rating (Fitch / Moody's/ S&P)	Maturity type (BMK)
LF Hypotek	-	26,604	20,674	28.7%	100%	5 / 2.50	- / Aaa / AAA	HB
SCBC	-	40,844	31,345	30.3%	100%	10 / 7.83	- / Aaa / -	SB
SEB	-	66,974	30,896	113.3%	100%	6 / 6.50	- / Aaa / -	HB
	FI Pool	172	154	12.1%	100%	3 / 1.50	- / Aaa / -	SB
Stadshypotek	NO Pool	5,439	4,653	16.9%	100%	2 / 2.00	- / Aaa / -	SB
	SE Pool	62,430	56,755	10.0%	100%	5 / 5.25	- / Aaa / -	SB
Swedbank	-	103,103	44,031	129.9%	98.9%	5 / 5.25	- / Aaa / AAA	HB

Source: Issuers, rating agencies, NORD/LB Markets Strategy & Floor Research; [1] Primary Cover

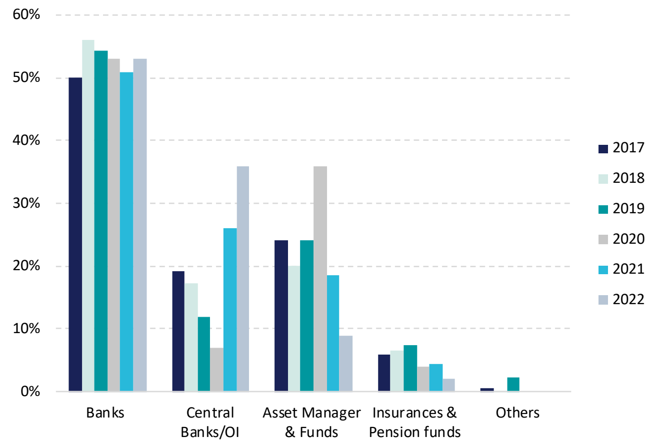
Investors from DACH region – the most important group

In relation to the investor breakdown, the Swedish EUR benchmark segment is comparable with the market as a whole. The largest shares of primary market issues are allocated to accounts in the German-speaking DACH (Germany, Austria, and Switzerland) region. With the following diagrams, it should be noted that 2022 consists only of information on one deal. However, by type of investor, the banks are still the most important purchasing group on the primary market for Swedish covered bonds in the long run.

SE EUR BMK: investor breakdown by region



SE EUR BMK: investor breakdown by group



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

Sweden: a look at the banking market

The Swedish banking market is essentially characterised by excellent credit quality. For example, the EBA reports an NPL ratio of 0.3% for Swedish banks in its risk dashboard for the fourth quarter of 2021. This figure was not only well below the EU/EEA average (2.0%) but was also the lowest figure among the countries on which the EBA reports. The banking market was also very profitable. The return on equity (RoE) for Sweden in the same report was recently 11.8% (EU/EEA average: 7.3%). The five banks considered here in more detail recently presented current business figures for the period from January to March 2022, which we summarise below. With regard to senior unsecured funding in the current year, SBAB ventured onto the market with a preferred bond (EUR 500m), while Handelsbanken (EUR 1.0bn), Swedbank (EUR 750m) and SEB (EUR 1.0bn) each approached investors with an NPS issue.

Overview: Swedish banks (quarterly figures: Q1 2022)

Entity	Profit Q1/22 SEK	Change vs. Q1/2021	Total assets SEK	Return on Equity (Q1/21)	CET1 ratio (Q4/21)	Rating[1]	Cost income ratio
LF Bank	512.5m	-23%	229,665m	8.3% / (11.7%)	15.1% / (15.3%)	-/A1/A	49%
SBAB	573m	-21.3%	572,000m	9.5% / (12.7%)	13.1% / (13.5%)	/A1/A	34%
SEB	6,403m	6.0%	3,766,000m	13.4% / (13.8%)	18.7% / (19.7%)	AA-/Aa3/A+	39%
Handelsbanken	5,650m	29%	3,545,912m	13.4% / (10.6%)	18.7% / (19,4%)	AA/Aa2/AA-	42%
Swedbank	4,617m	-7.0%	2,885,431m	11.4% (12,85%)	18.3% / (18.3%)	- / Aa3 / A+	44%

Source: Issuers, rating agencies, NORD/LB Markets Strategy & Floor Research; [1] (Fitch / Moody's/ S&P)

Sweden's covered bond legislation

The Swedish Covered Bonds Issuance Act (CBIA), which came into effect in July 2004, provides the legal basis for the issue of covered bonds in Sweden. It also provides the legal basis for covered bond investors' preferential claim to the cover assets. All financial institutions in Sweden can be licensed to issue covered bonds by the Swedish Financial Supervisory Authority (SFSA), meaning that there is no specialist bank principle. Nevertheless, some banks in Sweden use separate mortgage banks for mortgage financing and to issue covered bonds. This is also true in the EUR benchmark segment for LF Bank (LF Hypotek), SBAB (SCBC) and Svenska Handelsbanken (Stadshypotek). In contrast, Swedbank and SEB issue bonds directly and have not set up separate issuance vehicles. In Sweden, suitable cover assets include mortgage and public-sector assets, whereby cover pools can theoretically be managed as a hybrid form. Commercial property financing may account for a maximum share of 10% of the cover pool. NPLs with payment arrears of more than 60 days are not admissible as cover assets. The LTV limits for mortgage assets depend on the type of cover and are between 60% and 75%, whereby cover assets with higher LTV ratios may be taken in cover up to the limits. The issuer is obliged to examine and to analyse how changes in property values will affect loan to value ratios and the value of the cover pool at least once a year. With regard to the maturity structure, the placement of both soft and hard bullets is possible in Sweden. Swedish covered bonds meet the requirements of article 52(4) UCITS and the requirements of article 129 of the CRR. In the credit risk standard approach, covered bonds may, accordingly, benefit in the best case from a risk weighting of 10%.

Draft for implementation of the Covered Bond Directive has been available since the end of 2020

On the basis of the requirements and criteria of the Covered Bond Directive, Swedish covered bonds issued from 8 July 2022 should bear the "European Covered Bond (Premium)" label. Nevertheless, both the final agreement and the formal implementation of the requirements of the Covered Bond Directive in national law in Sweden are still outstanding. From the drafts presented at the end of 2020, it is clear that among the adjustments, the issues of the minimal requirements for minimum overcollateralisation (from 2% to 5%; both present value and nominal), the liquidity buffer to be maintained (180 days) and the formal requirements for deferring maturity (SFSA consent required) are paramount for Sweden. The adjustments to Swedish covered bond legislation in the wake of the harmonisation of the European covered bond market should also lead overall to an improvement in credit quality for Swedish covered bonds, as is clear for other active jurisdictions on the market. For example, the above-mentioned adjustments will improve shielding from liquidity risks. While the new requirements for overcollateralisation ratios certainly promote a higher legal minimum, the current OC ratios of the issuers actively engaged on the market in Sweden are already far above these requirements. It must additionally be stressed that Sweden is also likely to be one of those jurisdictions that does not introduce new types of possible cover assets, which ultimately also leads to the assessment that all Swedish covered bonds should be able to carry the "European Covered Bond (Premium)" label.

Overview of legislations: Sweden and Germany

Jurisdiction	Sweden	Germany
Name	Säkerstellda Obligationer	Public-sector Pfandbriefe, mortgage, ship & aircraft Pfandbriefe
Abbreviation	SO	Öpfe, Hypfe, Schipfe, Flugpfe
Special act / CBR implemented	Yes / No	Yes / Yes
Cover assets (incl. substitute cover assets)	Mortgage loans[1], public-sector receivables, loans to banks	Mortgage loans, ship loans and aircraft loans, public-sector receivables
Owner of the assets	Issuer	Issuer
Specialist bank principle	No	No
Geographical restriction – mortgage cover	EEA	EEA, CH, US, CA, JP, AU, NZ, SG, UK
Loan to value ratio	Private: 75% Agricultural: 70% Commercial: 60%	60% of the loan/value ratio
Derivatives in the cover pool	Yes	Yes
Substitute cover	Yes	Yes
Minimum overcollateralisation	2% present value / nominal	2% present value
Asset encumbrance	-	-
Art. 52(4) UCITS compliant	Yes	Yes
CRD compliant	Yes	Yes (does not apply to Flugpfe)
ECB eligibility	Yes	Yes

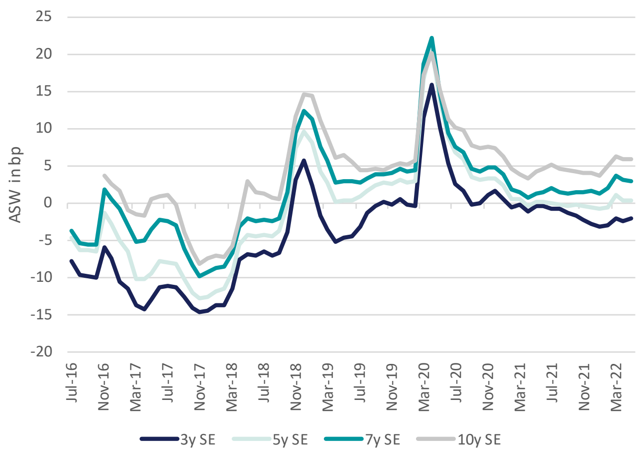
Source: National laws, ECBC, NORD/LB Markets Strategy & Floor Research; Research

[1]Commercial mortgage loans are limited to 10% of the total value of the cover pool

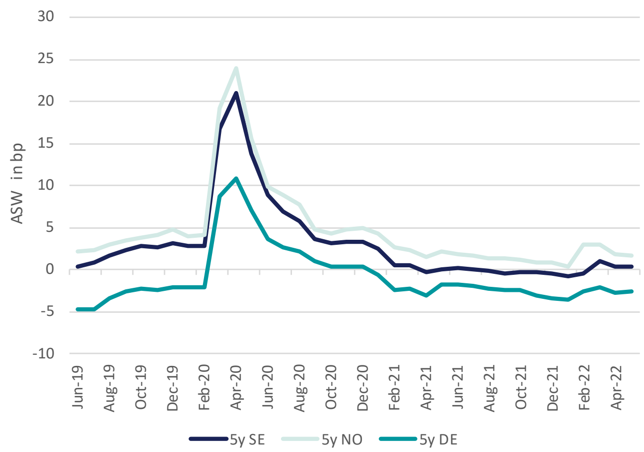
Movement in spreads and issue forecast for 2022

With regard to the movement in spreads in the Swedish EUR benchmark segment, a modest widening was apparent in the wake of the Russian invasion of Ukraine and the incipient interest rate hike, as was largely the case in other covered bond jurisdictions. While Swedish EUR benchmarks' lack of eligibility under the CBPP3 or PEPP means that their spreads theoretically lack a support factor, the lack of supply could have resulted in narrower spreads; at least as the result of a purely technical consideration of the market. By and large, there was no market-specific development for covered bonds from Sweden which would have supported a marked widening. With regard to the future supply, we certainly expect to see Swedish banks on the primary market. For the year as a whole, we expect an issuance volume of EUR 3bn or so. Should the trend towards larger sized deals persist or become established in Sweden, however, this would be the lower limit, if anything. We infer maturities of EUR 5bn in 2022 as a whole, which, on the basis of the forecast, would also result in a spread-supporting shrinking of the market.

Covered bonds: spreads SE (generic)



Covered bonds: ASW SE vs. NO vs. DE (5y, generic)



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

Conclusion

Looking at the size of the Swedish covered bond market as a whole, the country's EUR benchmark segment initially seems comparatively small. Nevertheless, the country is one of the established EUR benchmark jurisdictions. We definitely expect to see Swedish issuers on the primary market in the current year. The situation for covered bonds is fundamentally sound, which is attributable to the legal framework conditions, in particular, as well as the credit quality and profitability of issuers in the EUR benchmark segment. The situation on the property market must be seen as challenging at least as a consequence of the interest rate hike combined with surging inflation, although covered bond ratings are expected to remain stable.

Covered Bonds
ESG covered bonds from Germany: DKB issues social Pfandbrief in the form of a "Berlin Social Housing Bond"

Author: Dr Frederik Kunze

Deutsche Kreditbank: actively engaged in the social Pfandbrief segment for four years

With its Berlin Social Housing Bond, which was successfully placed on the market in the previous trading week, Deutsche Kreditbank (DKB) has once again added another facet to the sustainable Pfandbrief sub-segment. Back in 2019, its Blue Social Pfandbrief gave investors with an interest in sustainability the opportunity to invest specifically in a Pfandbrief focused on water or wastewater in which the proceeds are used to fund loans to municipal water supply and wastewater disposal companies. With its new social Pfandbrief, DKB is focusing on the provision of affordable housing in Berlin, in that the proceeds are to be used to refinance suitable loans for local authority housing companies. In the following article, we propose to introduce the Berlin Social Housing Bond and examine both the framework and the market for ESG Pfandbriefe.

DKB funding strategy: sustainability with publicly placed bonds

DKB has been actively engaged in the sub-market for sustainable bonds since 2016 and has, in our opinion, played a significant role in determining the growth and form of this still fledgling segment. It is DKB, for instance, that launched Germany's first senior unsecured green bond in 2016. It was followed by two green bonds in 2017 and 2021, which were also unsecured bank bonds. According to DKB, the 2021 senior bond also complied with the requirements of the EU Taxonomy and the EU Green Bond Standard. Then again, DKB chose covered issues for its social bonds, thus combining the benefits of a low-risk investment with the concept of sustainability from an investor's perspective. DKB placed a social Pfandbrief in EUR benchmark format (EUR 500m; public sector Pfandbrief) based on the bank's social framework for the first time in 2018. This was followed by DKB's blue social Pfandbrief described above in 2019, which was another EUR benchmark worth EUR 500m collateralised by public sector assets. Likewise in 2019, this was followed by a social public sector Pfandbrief outside the benchmark segment, when DKB issued a retail social bond. Accordingly, the Pfandbrief comprises a far smaller outstanding volume (EUR 6.8m). Including the recently placed Berlin Social Housing Bond, DKB's outstanding social benchmark volume now totals EUR 1.5bn. With its own bond issues, DKB estimates its share of social bonds before the latest placement at 12.4% (green: 12.3%; traditional: 75.2%). Accordingly, all things being equal, this bond would have increased this share to 17.5% in mathematical terms. The proportion of bond issues attributable to the ESG market would therefore stand at 29.1% (vs. 24.7%). In actual fact, DKB is pursuing an ambitious strategy and will seek to rely solely on sustainable formats for all its issues in future, which may also include new sustainable approaches in addition to green and social bonds.

Berlin Social Housing Bond: process of project assessment and selection, management of proceeds and reporting

As is clear from the most recent investor presentation from April 2022, among other sources, the tense situation on the Berlin housing market, which is caused by rising rents and shortages of apartments to rent, provides the starting point for the Berlin Social Housing Bond. From the *Wohnraumversorgungsgesetz* (WoVG – Housing Act, 2015), DKB infers an increasing social focus among local authority housing companies in Berlin. The stronger social profile adopted by Berlin's housing companies (through socially focused portfolio management, tenant protection and participation, among other things) in conjunction with the regulations in Berlin is leading to a significant contribution to the UN Sustainable Development Goals (SDGs) 1 "No Poverty", 10 "Reduced Inequalities" and 11 "Sustainable Cities and Communities". For the Berlin Social Housing Bond, DKB will select loans to local authority Berlin housing construction companies as the social assets to be refinanced. Pass-through loans or syndicated loans are excluded from these assets. Furthermore, only loans granted since the enactment of the WoVG (i.e. from 2015 onwards) are eligible. According to DKB, 33 loans with a nominal volume of EUR 899m were selected, whereby the eligible volume in the mortgage cover pool amounts to EUR 626m. The social bond pool therefore increased from EUR 2.5bn to EUR 3.4bn

Second Party Opinion from ISS ESG and Impact Reporting

Within the scope of its second party opinion (SPO), ISS ESG comes to the conclusion that DKB's product portfolio "Financing of social housing, provision of basic services to private clients, basic banking account, affordable housing and public transportation" makes a contribution to the three SDGs specified. In the context of the bank as a whole, ISS ESG also states that the view must be expressed that "the use of the proceeds, which are financed through this bond is consistent with the issuer's sustainability strategy and the key ESG issues for the issuer's sector". The motives for the issue of social bonds by DKB are also "clearly described". From an investor's perspective, the actual impact of the refinanced assets is increasingly important for sustainable bonds in general and also for the corresponding Pfandbriefe. DKB has taken account of this circumstance for some years through annual impact reporting. For example, the bank has calculated that the reduction in CO_2 emissions attributable to its own green bonds stands at 961,392 tonnes in 2021, which equates to a reduction in CO_2 emissions of 417 tonnes per EUR 1m invested. With regard to social bond reporting, where an analogy with the impact measurement to green bonds cannot be established, the social impacts of the loans refinanced with the social bond are described according to DKB's impact reporting. Here, the loans are categorised in accordance with the taxonomy of the ICMA Social Bond Principles as well as addressing the SDGs. Within the scope of the impact assessment, of the categories included in the social bond pool (public supply, education and research, social housing, health and care as well as inclusion), DKB uses those sub-categories or loan categories to which a significant contribution with respect to the SDGs addressed was attributed within the scope of the SPO for the DKB social bond programme, which was also carried out by ISS ESG. For example, a significant contribution to SDG 11 (affordable housing) is also assigned to the loan category local authority housing company within the framework of the impact reporting for 2021, something which may have guided the recent issuance of the Berlin Social Housing Bond.

ESG Pfandbrief deals: EUR benchmark issuers

Issuer	Volume (in EUR)	ESG Type	No. of ESG BMKs	Second Party Opinion	Framework based on ICMA principles
Berlin Hyp	3.50bn	Green Pfandbrief	7	ISS ESG (Link)	YES (Link)
	0.75bn	Social Pfandbrief	1	ISS ESG (Link)	YES (Link)
Deutsche Kreditbank	1.50bn	Social Pfandbrief	3	ISS ESG (Link)	YES (Link)
DZ HYP	1.00bn	Green Pfandbrief	1	ISS ESG (Link)	YES (Link)
ING-DiBa	1.25bn	Green Pfandbrief	1	ISS ESG (Link)	YES (Link)
LBBW	0.50bn	Green Pfandbrief	1	ISS ESG (Link)	YES (Link)
Münchener Hypothekenbank	1.50bn	ESG Pfandbrief	2	ISS ESG (Link)	YES (Link)
NORD/LB	1.50bn	Green Pfandbrief	3	ISS ESG (Link)	YES (Link)
UniCredit Bank	0.50bn	Green Pfandbrief	1	ISS ESG (Link)	YES (Link)

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

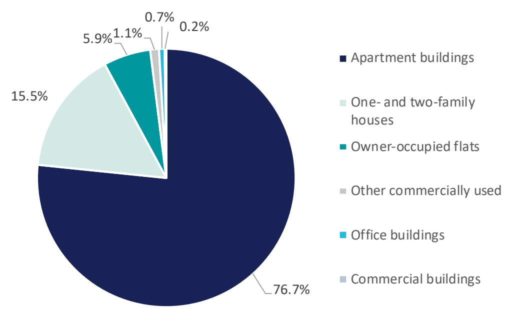
DKB social covered bonds: part of the social Pfandbrief category

Similarly to green Pfandbrief deals, there are also vdp minimum requirements for their "social" counterparts. DKB also meets these as a bank also managed by the Association of the German Pfandbrief Banks (vdp) as a sustainable Pfandbrief issuer. Green and/or social Pfandbriefe in EUR benchmark format have been placed by a total of eight banks in Germany, with green Pfandbriefe having been placed so far by Berlin Hyp, DZ HYP, ING-DiBa, LBBW, NORD/LB and UniCredit. Since yesterday (Tuesday), Berlin Hyp has also ranked alongside DKB among the issuers with outstanding social Pfandbriefe. With the Berlin Social Housing Bond, DKB ventured into new territory for social Pfandbrief deals as it is the first issue backed by mortgages in this context. Berlin Hyp also placed its first social bond benchmark in the form of a mortgage Pfandbrief yesterday.

Programme data

31 March 2022	Mortgage
Covered bonds outstanding	EUR 4,925m
Cover pool volume	EUR 7,162m
Current OC (nominal / consistent with Moody's rating /legal)	45.4% / 13.0% / 2.0%
Type	98% residential
Largest subtype	76.7% multi family
Main country	100% Germany
Main region	19.4% Berlin
ØLTV / NPL	50.5% / 0.00%
Fixed interest (Cover Pool / CBs)	95.1%% / 100%
WAL (Cover Pool)	8.8y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -

Breakdown mortgage cover pool



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

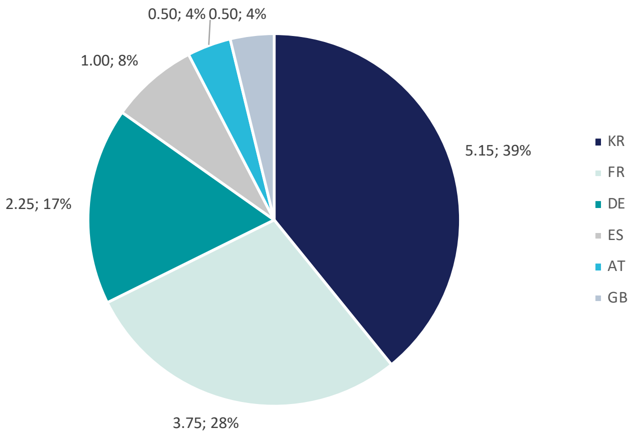
DKB mortgage cover pool worth EUR 7.162bn

As at 31 March 2022, DKB's mortgage cover pool comprises cover assets worth EUR 7.2bn. They compare with EUR 4.9bn of Pfandbriefe, resulting in an overcollateralisation ratio of slightly over 45%. This figure is considerably more than the level required by law or by Moody's for the current Aaa rating. Together with the Berlin Social Housing Bond, three EUR benchmarks in the form of mortgage covered bonds are attributable to the cover pool.

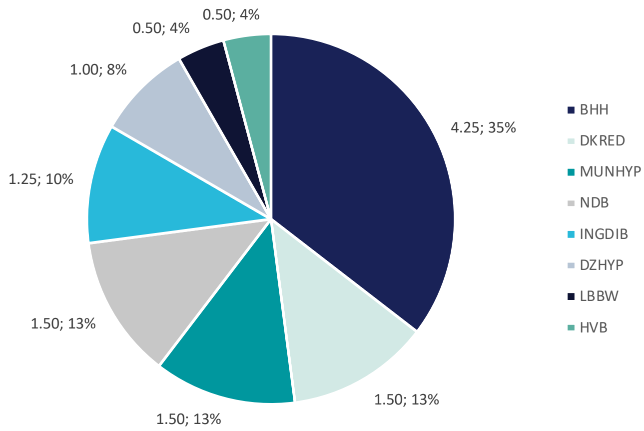
DKB now has three outstanding mortgage Pfandbriefe in EUR benchmark format

In fact, the latest issue ended a comparatively long pause in DKB's activity in the EUR benchmark segment as far as mortgage Pfandbriefe are concerned. For example, the bank last ventured on the market in March 2015. In terms of their maturity profile, the three benchmarks have residual terms of 2.1 years (DKRED 1 5/8 06/18/24), 4.9 years (DKRED 0 1/2 03/19/27) and 10.0 years (DKRED 1 5/8 05/05/32) years. With regard to the maturity profile, in our opinion, it is worth mentioning the option introduced by law of deferring maturity for all outstanding Pfandbriefe retroactively subject to strict legal requirements. This also results in Pfandbriefe being allocated to the category of soft bullet covered bonds. At 98%, the vast majority of the DKB cover pool is attributable to residential assets. The 76.7% share attributable to apartment buildings is consistent with the substantial share accounted for by Berlin in the geographical distribution but also with the concept of the Berlin Social Housing Bond.

ESG: outstanding volume of social covered bonds (BMK; in EUR bn)



Germany: outstanding volume ESG (BMK; in EUR bn)



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

The global market for social covered bonds: Germany now ranks third

In the international context, Germany ranks third with four outstanding social covered bonds in benchmark format (total: EUR 2.25bn). South Korea accounts for the largest figure, namely EUR 5.15bn spread across eight issues. However, it should be noted that the market in the Asian country is dominated in particular by Korea Housing Finance Corporation (KHFC) as a state-owned company with a social function (EUR 4.65bn; 7 bonds). The latest new addition from South Korea is also actively engaged here. KEB Hana Bank has a social benchmark (EUR 500m). Two issuers in France, the second largest market for social covered bonds, are also active here. While CAFFIL has outstanding social covered bonds worth EUR 2.75bn (3 ISINs), CA Home Loan SFH has one EUR benchmark (EUR 1bn) in social format. Kutxabank is the only issuer in Spain, while Hypo Tirol in Austria and Yorkshire Building Society in the UK have been active on the market for social covered bonds in EUR benchmark format since November last year.

Conclusion

DKB has added some facets to the market for sustainable covered bonds with the successful placement of the Berlin Social Housing Bond. It is also the first mortgage backed social Pfandbrief. The issuer is therefore expanding its ESG profile and in the allocation of sustainable funding sticking to the view that the green format is restricted to senior unsecured bonds and social bonds may be issued as Pfandbriefe. With regard to impact reporting, which represents a major challenge for social bonds, in our opinion, DKB focuses on the significant contribution to the SDGs. Here, the social housing category or the subcategory of the local authority housing companies loan category also makes a significant contribution to SDG 11 (affordable housing). The market for social Pfandbriefe or social covered bonds is gradually expanding but lags behind the green issues segment somewhat in purely quantitative significance. Nevertheless, it cannot be ruled out that development will accelerate somewhat here too. The introduction of a "social taxonomy" could be a possible catalyst here, for example.

SSA/Public Issuer
Issuer Guide SSA 2022: The Spanish agency market

Authors: Dr Norman Rudschuck, CIIA // Jan-Phillipp Hensing

Spanish agency market dominated by two large issuers

An outstanding volume of EUR 21.4bn is split across a total of 57 bonds issued by the four issuers profiled below. The Spanish banking sector was hit especially hard by the financial and economic crisis in 2008/09, and its real estate exposure led to substantial losses. The Spanish government therefore established the Fondo de Reestructuración Ordenada Bancaria (FROB) in 2009 with the task of restructuring the domestic banking sector. Since its formation, FROB has coordinated bank support in Spain and put in place various programmes to that end. Moreover, since the end of 2012, FROB has distributed European Stability Mechanism (ESM) funds, which has significantly increased bank recapitalisation and is the reason why FROB has no longer been active on the primary market. For this reason, FROB will no longer be featured in our publications as a result. The creation of the Fondo de Amortización del Déficit Eléctrico (FADE) followed in 2010. FADE's mandate is to securitise the tariff deficit receivables of Spanish utility companies against the government. Regulatory factors led to utility companies realising losses, which were to be offset by the government. In order to facilitate a more rapid deficit equalisation, FADE was created as a vehicle to securitise the tariff deficit receivables. The sale of tariff deficit receivables from the utility companies to FADE has since led to the issuance of bonds, some of which have been in benchmark format. Within just a few years, the number of issuers of EUR benchmarks on the Spanish agency market consequently increased significantly. The second biggest agency measured in terms of total assets and volume of bonds outstanding remains the Instituto de Crédito Oficial (ICO), which is Spain's promotional bank. The importance of ICO grew further, especially during the Spanish banking crisis, as recapitalisation and restructuring led to many financial institutions considerably reducing their lending. The importance of the promotional bank also increased because market access became more difficult for the Spanish regions. The third agency included in our Issuer Guide is Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES), which is responsible for administering Spain's strategic oil reserves in its role as a stockholding entity. In addition, a "new" agency has existed in Spain since the end of 2013, ADIF Alta Velocidad (ADIF-AV), which is tasked with operating Spain's high-speed railway network and has been using the capital market since 2015 as one option of meeting its funding requirements. Particularly close attention ought to be paid to the rating of Spain compared with other countries as it is lower than that of other issuers from countries such as Germany, the Netherlands and Austria.

Spanish agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weighting
Instituto de Crédito Oficial (ICO)	Promotional bank	100% Spain	Explicit guarantee and EPE status	0%
Fondo de Amortización del Déficit Eléctrico (FADE)	Securitisation vehicle	-	Explicit guarantee for all bonds	0%
ADIF Alta Velocidad (ADIF-AV)	Rail network operator	100% Spain	EPE status	0%*
Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES)	Administrator of strategic oil reserves	-	-	50%

*see below

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

Explicit guarantees consequently secure risk weighting of 0%

Two of the agencies covered here have explicit guarantees from the Spanish state. As such, a risk weighting of 0% is possible according to the standard approach of CRR/Basel III.

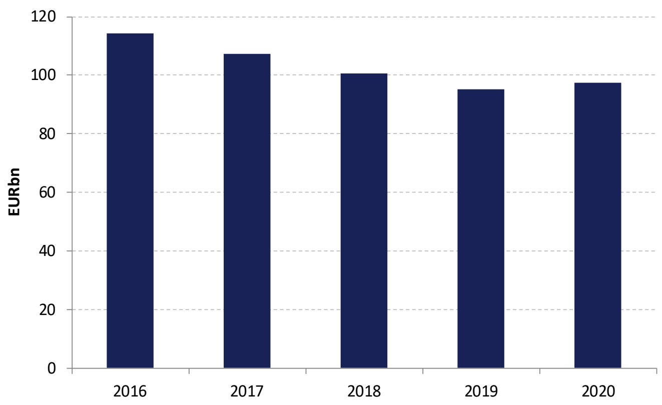
Implicit liability due to EPE status with exception of CORES (RW 50%)

In Spain, a special liability mechanism exists resulting from the legal status as Entidad Pública Empresarial (EPE; public corporate entity). Both ICO and ADIF-AV operate under this status, which implies a strong dependence on the central government. EPEs are exempt from insolvency law and can only be liquidated through legislation. If liquidation occurs, the remaining assets and liabilities are transferred to the state or another institution with a comparable legal status. According to our understanding, there consequently exists an implicit guarantee, but this is weaker than the comparable liability mechanisms of the French établissement public (EP) status or the German Gewährträgerhaftung (guarantor liability), for example. However, in view of the absence of a liability mechanism, a 0% risk weighting is not possible in the case of CORES. In the CRR/Basel III standard approach, the applicable risk weighting is derived from the rating, which leads to a risk weighting of 50% at present.

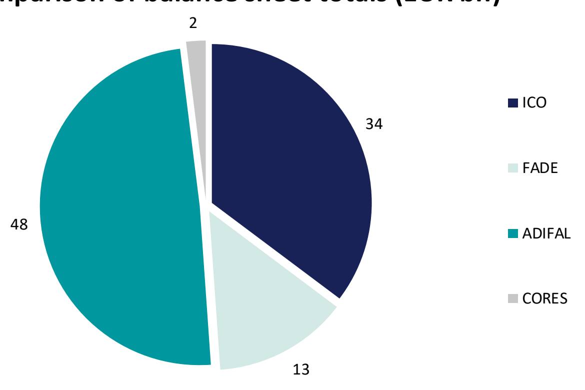
Special case: ADIF-AV

Another special case is that of ADIF-AV. A risk weighting of 0% applies for ADIF-AV, even without a corresponding liability mechanism being put in place. Based on a risk weighting of 0%, ADIF-AV bonds also qualify as Level 1 assets under the LCR. In addition, ADIF-AV benefits from an implicit guarantee from the Spanish government due to its status as a government-related issuer.

Balance sheet growth of Spanish agencies



Comparison of balance sheet totals (EUR bn)

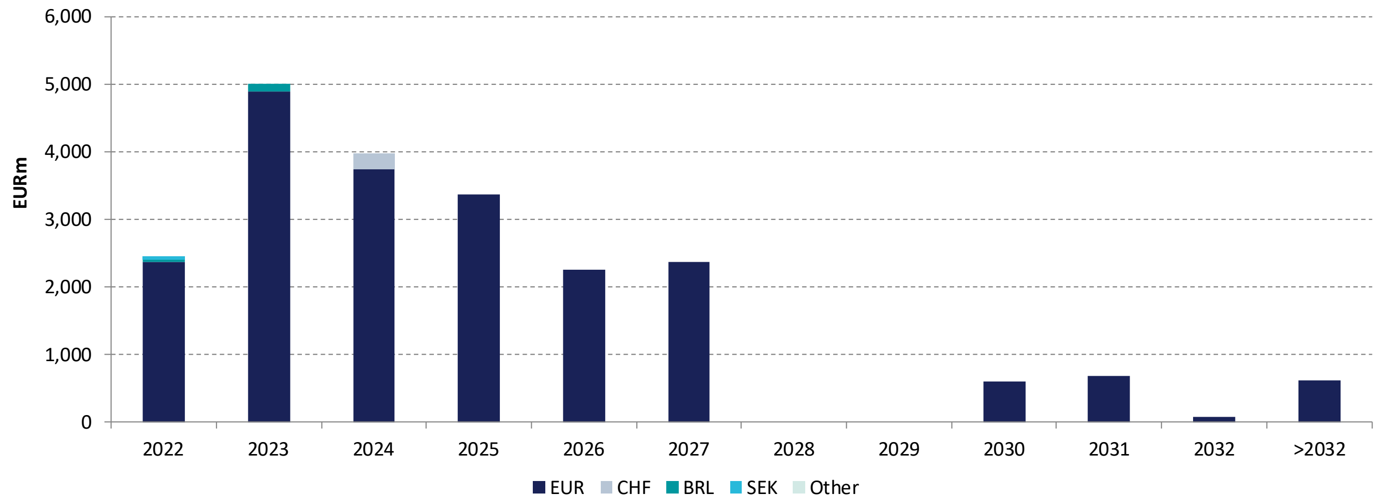


Source: Issuers, NORD/LB Markets Strategy & Floor Research

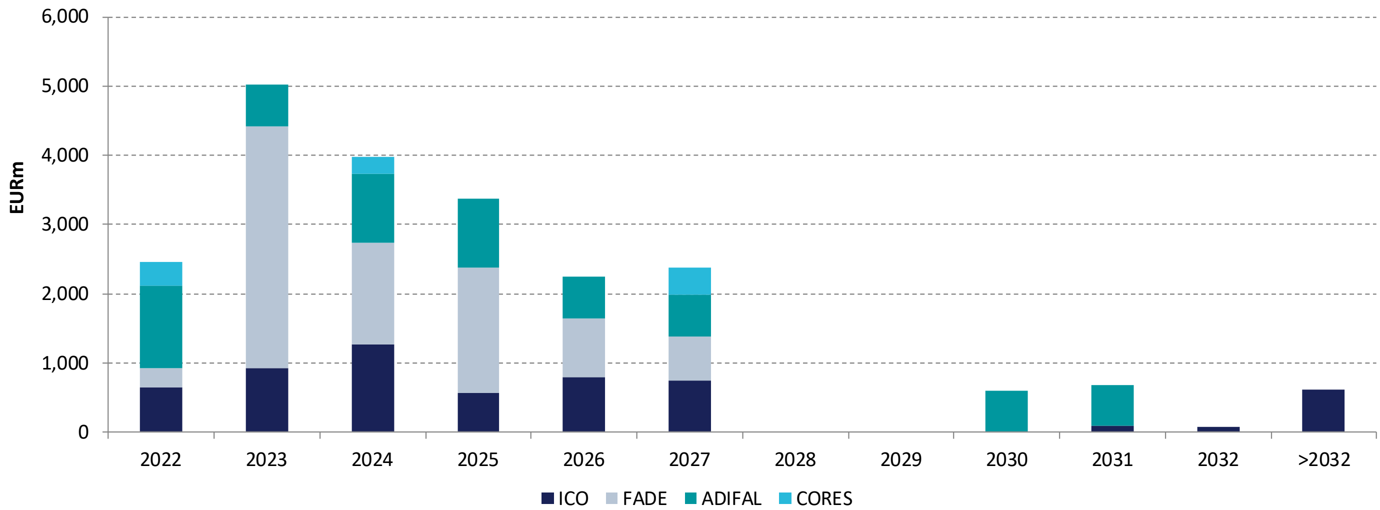
Slight increase in cumulative balance sheet total following steady decline

The aggregated total assets of the Spanish agencies included in this Issuer Guide have declined steadily since 2013. Spain's promotional bank ICO is primarily responsible for this reduction. While the balance sheet total of ICO stood at EUR 84.0bn in 2014, this figure had steadily declined by 2019 to stand at EUR 31.8bn. In 2020, ICO reversed this long-standing trend for the first time, registering balance sheet growth of EUR +2.6bn, whereby the cumulative balance sheet total also saw an increase of EUR +2.3bn in total. ADIF-AV is another agency covered in the Spanish section of the Issuer Guide SSA 2022 that experienced growth in total assets (EUR +0.7bn). Conversely, the total assets of FADE declined by EUR -1.0bn year on year.

Spanish agencies: outstanding bonds by currency



Spanish agencies: outstanding bonds by issuer

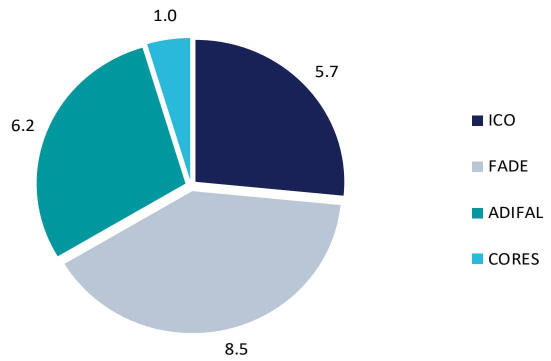


NB: Foreign currencies are converted into EUR at rates as at 02 May 2022.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

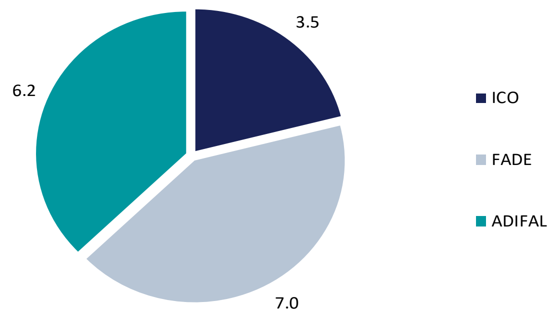
Supply at the short end primarily EUR-denominated

The Spanish agency market has a wide range of EUR bonds, particularly in the maturity segment up to 2025, many of which have been issued in benchmark format. Only around 2.1% of the outstanding volume is denominated in foreign currency (three different currencies across five different bonds; all ICO). In total, there are 22 EUR-denominated benchmark bonds outstanding currently.

Outstanding bond volume (EUR bn)



Outstanding EUR benchmarks (EUR bn)



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Spanish agencies – an overview

Name	Ticker	Ratings (Fitch/Moody's/S&P)	Outstanding volume (EUR bn equivalent)	EUR volume (EUR bn)	Funding target 2022 (EUR bn equivalent)
ICO	ICO	A-/Baa1/A	5.7	5.2	5.0
FADE	FADE	-/-/-*	8.5	8.5	0.5
ADIF-AV	ADIFAL	A-/Baa2/-	6.2	6.2	0.6
CORES	CORES	A-/-/A	1.0	1.0	0.0
Summe			**21.4**	**20.9**	**6.1**

*Fitch, Moody's and S&P rate FADE's bonds on a par with Spain's credit rating; FADE is not assigned an issuer rating.
NB: Foreign currencies are converted into EUR at rates as at 02 May 2022.
On account of the issuer's individual funding mix, values for "funding target" may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Markets Strategy & Floor Research

Comment and conclusion

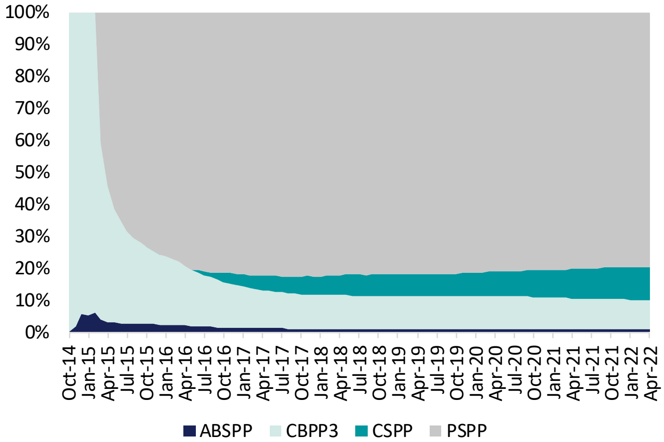
Despite the fact that fresh supply has been in decline for a number of years and its comparatively small size overall, the Spanish agency market is still an active SSA segment in Europe. We assume that new supply will stabilise at lower levels in the coming years, whereby ICO is likely to continue to account for the bulk of the funding requirements.

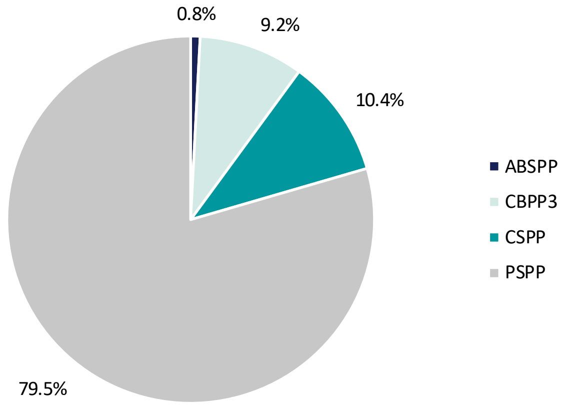
ECB tracker

Asset Purchase Programme (APP)

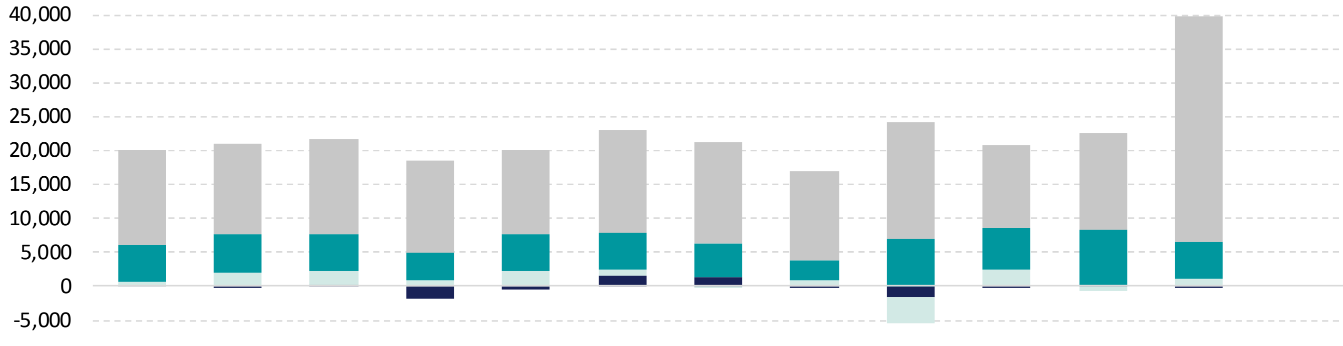
	ABSPP	CBPP3	CSPP	PSPP	APP
Mar-22	26,979	295,849	330,605	2,525,610	3,179,043
Apr-22	26,691	296,924	336,066	2,558,848	3,218,529
Δ	-289	+1,074	+5,461	+33,238	+39,484

Portfolio structure





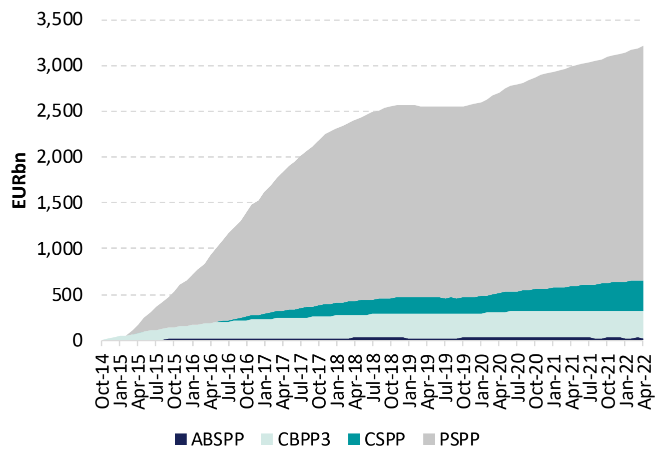
Monthly net purchases (in EURm)



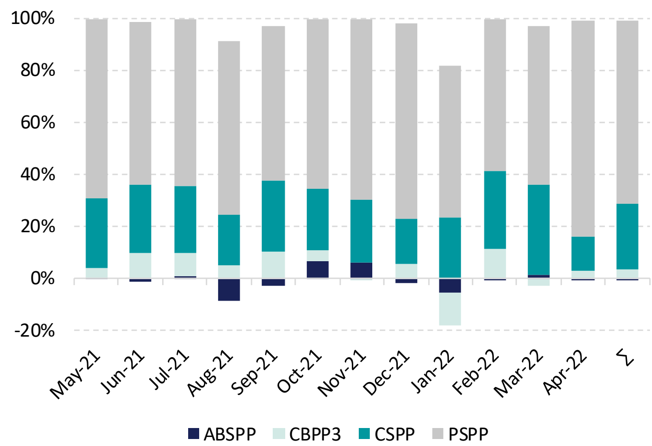
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	∑
APP	20,141	20,640	21,597	16,749	19,659	23,017	21,200	16,596	18,838	20,698	21,929	39,484	260,548
PSPP	13,973	13,320	13,943	13,563	12,423	15,038	14,815	12,989	17,292	12,095	14,172	33,238	186,861
CSPP	5,394	5,602	5,502	3,936	5,590	5,481	5,142	3,007	6,970	6,272	8,042	5,461	66,399
CBPP3	686	2,037	2,011	999	2,184	1,008	-12	942	-3,761	2,376	-606	1,074	8,938
ABSPP	88	-319	141	-1,749	-538	1,490	1,255	-342	-1,663	-45	321	-289	-1,650

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

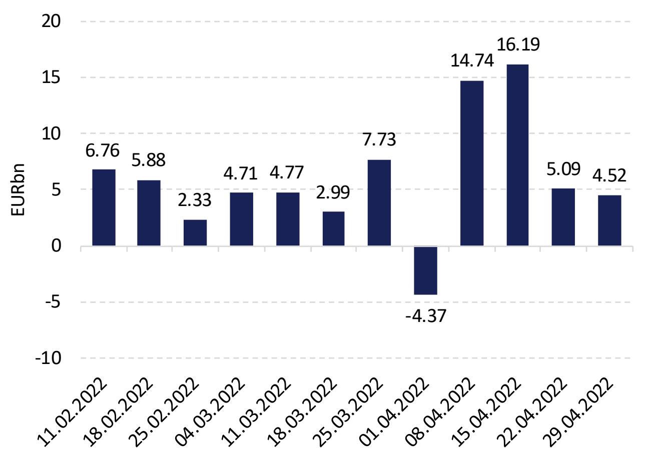
Portfolio development



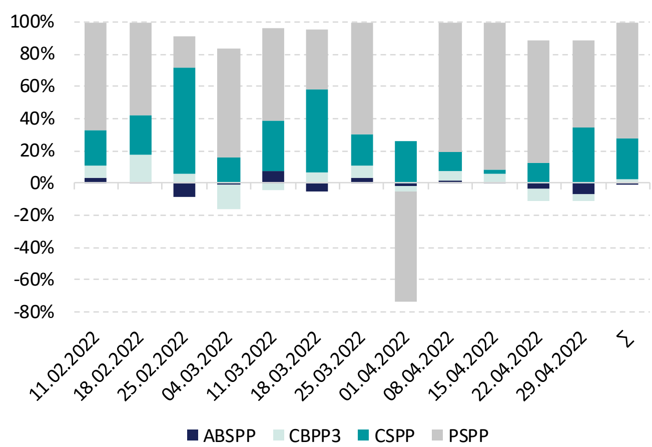
Distribution of monthly purchases



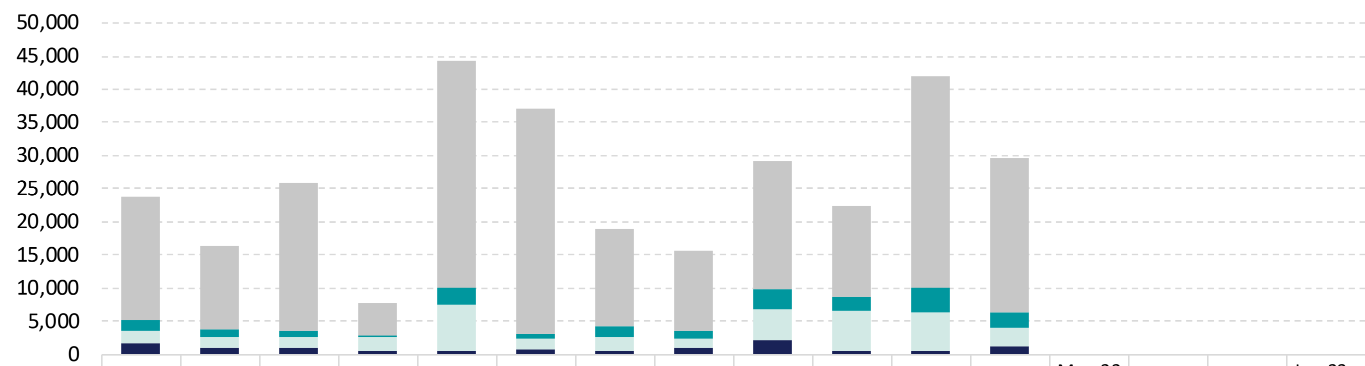
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)



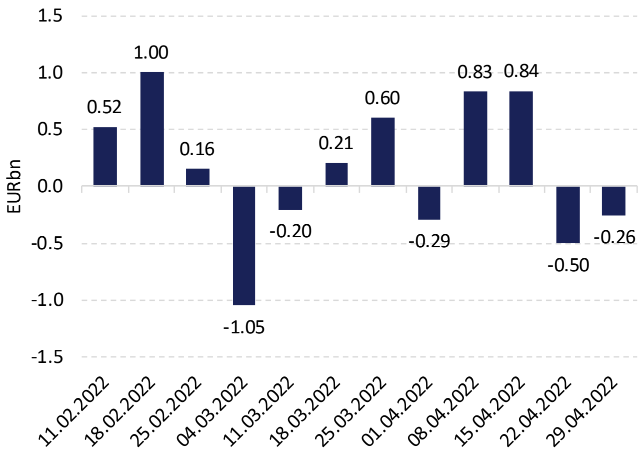
	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-22 - Apr-23	2021	2022	Jan-23 - Apr-23
APP	23,867	16,424	25,834	7,640	44,401	36,993	18,833	15,640	29,260	22,434	42,048	29,692	313,066	247,069	297,726	123,434
PSPP	18,778	12,638	22,304	4,841	34,354	34,003	14,669	12,016	19,469	13,705	32,033	23,376	242,186	188,494	228,491	88,583
CSPP	1,502	1,237	961	96	2,564	674	1,557	1,266	2,899	2,158	3,752	2,217	20,883	17,134	16,785	11,026
CBPP3	1,866	1,582	1,629	2,227	6,873	1,648	2,165	1,485	4,786	5,938	5,631	2,903	38,733	30,143	41,237	19,258
ABSPP	1,721	967	940	476	610	668	442	873	2,106	633	632	1,196	11,264	11,298	11,213	4,567

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

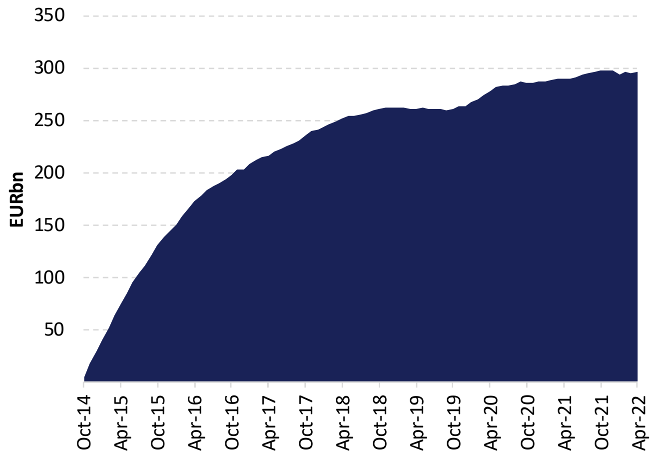
NORD/LB

Covered Bond Purchase Programme 3 (CBPP3)

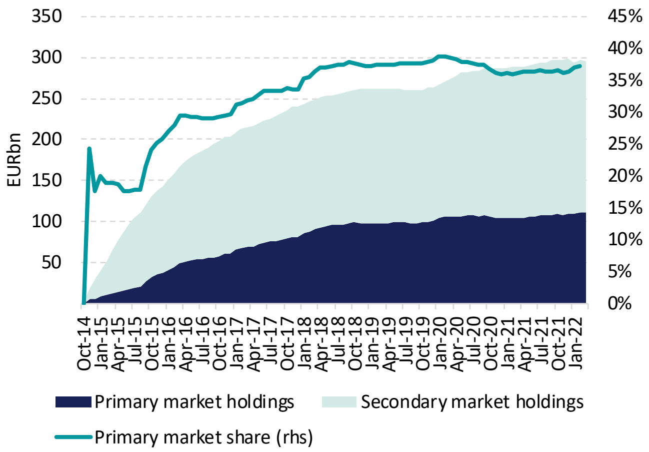
Weekly purchases



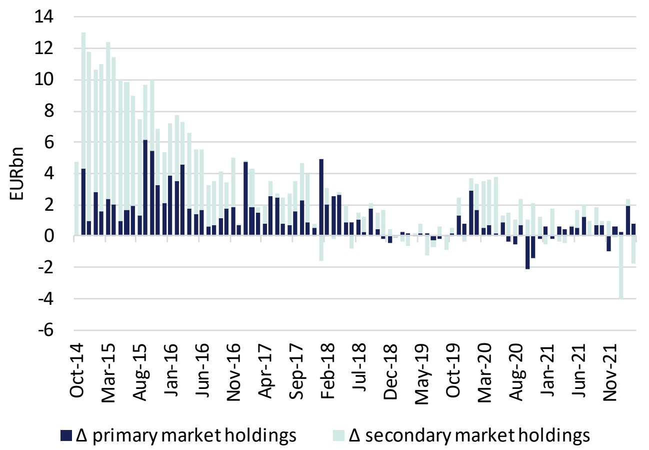
Development of CBPP3 volume



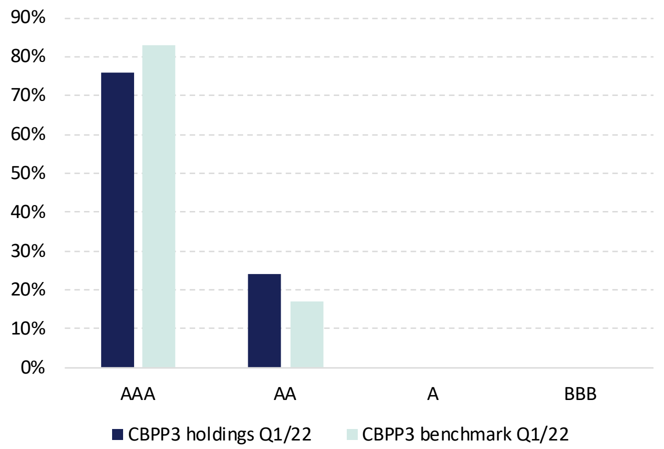
Primary and secondary market holdings



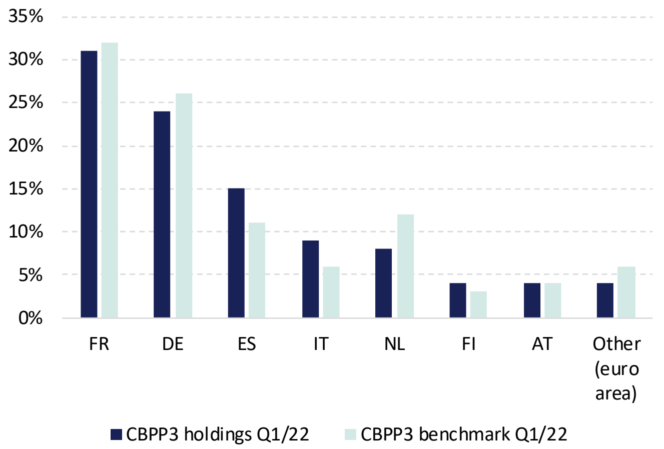
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



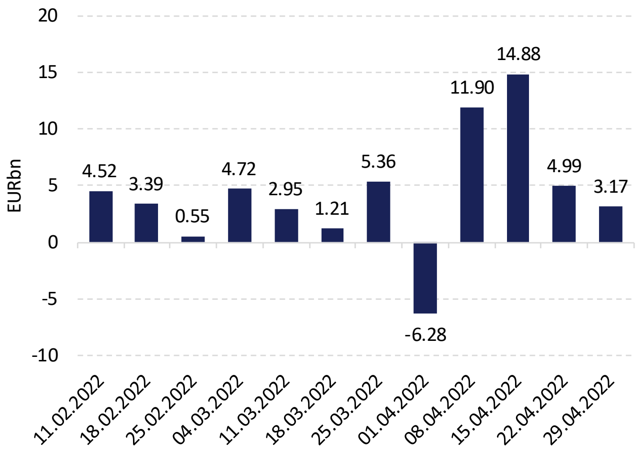
Distribution of CBPP3 by country of risk



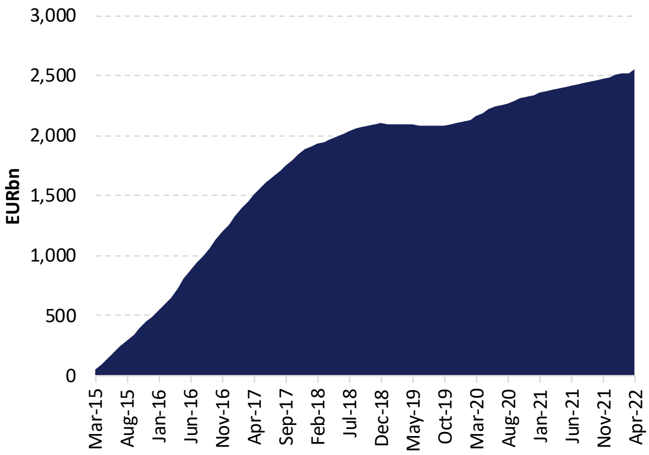
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



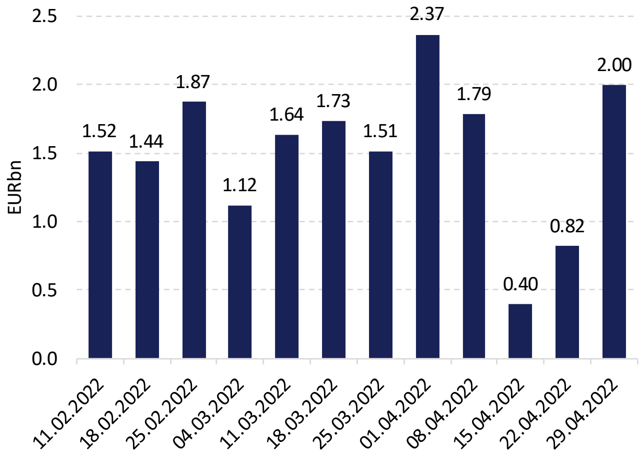
Overall distribution of PSPP buying at month-end

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%	75,622	73,141	2,481	7.5	7.6	-0.1
BE	3.4%	92,910	91,042	1,868	8.0	10.2	-2.2
CY	0.2%	4,446	5,377	-931	9.9	8.8	1.1
DE	24.3%	655,956	658,753	-2,797	6.6	7.6	-1.0
EE	0.3%	429	7,039	-6,610	9.2	7.5	1.7
ES	11.0%	314,676	297,986	16,690	8.0	8.4	-0.4
FI	1.7%	42,502	45,902	-3,400	6.9	7.7	-0.8
FR	18.8%	528,080	510,388	17,692	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	41,333	42,316	-983	8.5	10.1	-1.6
IT	15.7%	442,389	424,530	17,859	7.1	7.9	-0.8
LT	0.5%	5,786	14,463	-8,677	10.2	10.6	-0.4
LU	0.3%	3,680	8,232	-4,552	5.6	7.2	-1.7
LV	0.4%	3,661	9,737	-6,076	11.3	10.4	0.9
MT	0.1%	1,411	2,621	-1,210	9.5	9.2	0.3
NL	5.4%	129,120	146,448	-17,328	7.7	9.0	-1.4
PT	2.2%	53,800	58,487	-4,687	7.0	7.2	-0.2
SI	0.4%	10,571	12,032	-1,461	9.9	10.2	-0.3
SK	1.1%	17,800	28,618	-10,818	8.2	8.3	-0.1
SNAT	10.0%	283,732	270,790	12,942	7.7	8.9	-1.2
Total / Avg.	**100.0%**	**2,707,903**	**2,707,903**	**0**	**7.3**	**8.2**	**-0.9**

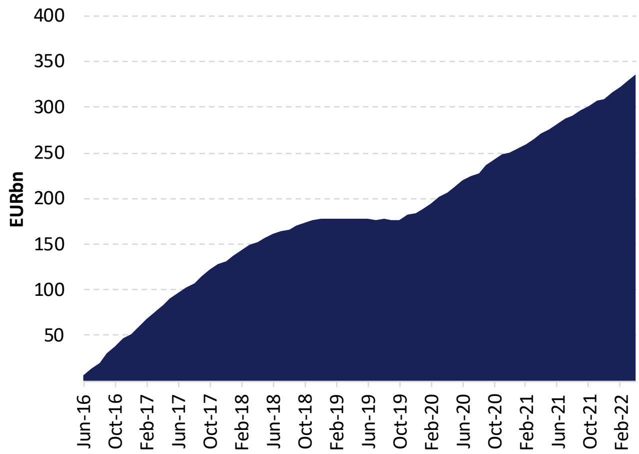
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor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

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

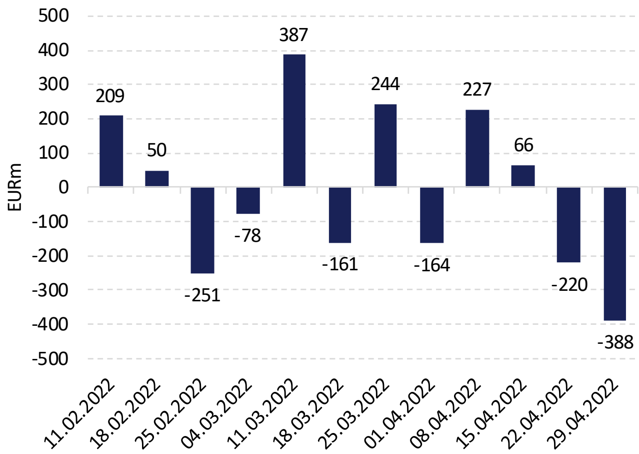


Development of CSPP volume

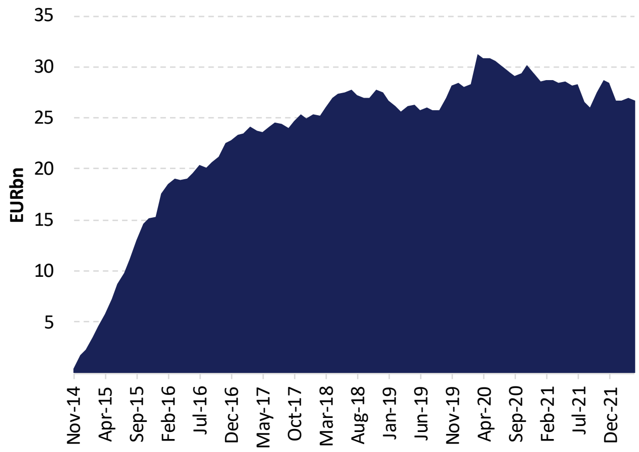


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



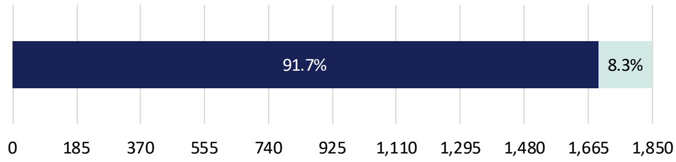
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

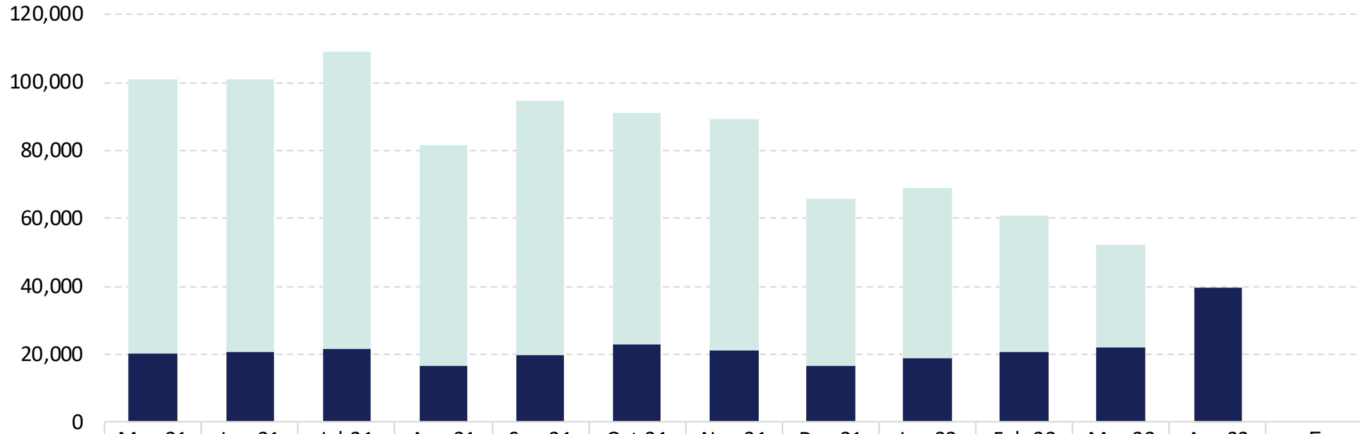
Holdings (in EURm)

	PEPP
Mar-22	1,718,076
Apr-22	1,718,071
Δ (net purchases)	-4

Invested share of PEPP envelope (in EURbn)

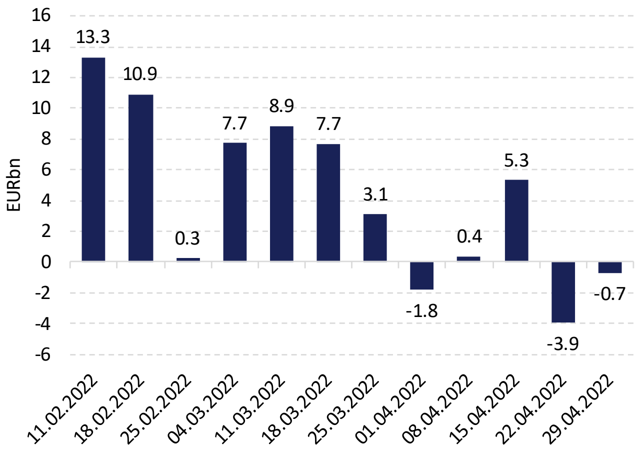


Monthly net purchases (in EURm)

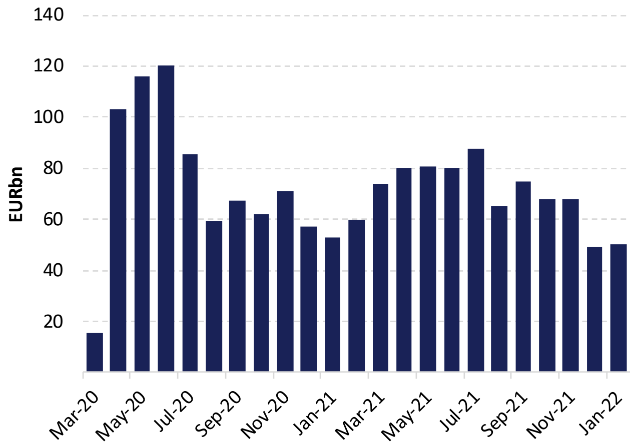


	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	∑
∑	100,841	100,808	109,154	81,799	94,710	90,872	89,245	65,971	68,951	60,882	52,143	39,480	954,856
PEPP	80,700	80,168	87,557	65,050	75,051	67,855	68,045	49,375	50,113	40,184	30,214	-4	694,308
APP	20,141	20,640	21,597	16,749	19,659	23,017	21,200	16,596	18,838	20,698	21,929	39,484	260,548

Weekly purchases



Development of PEPP volume

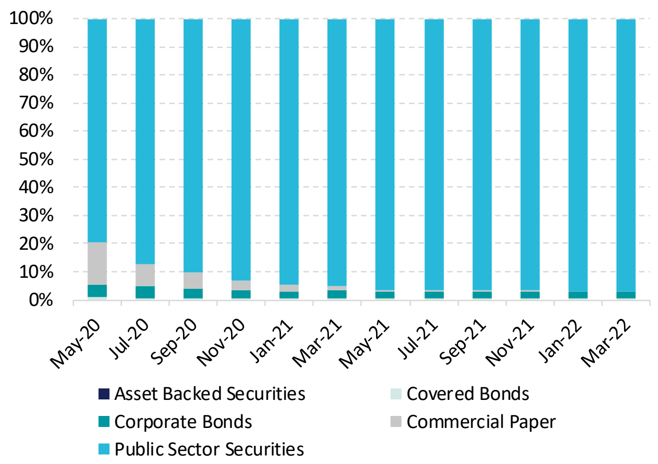


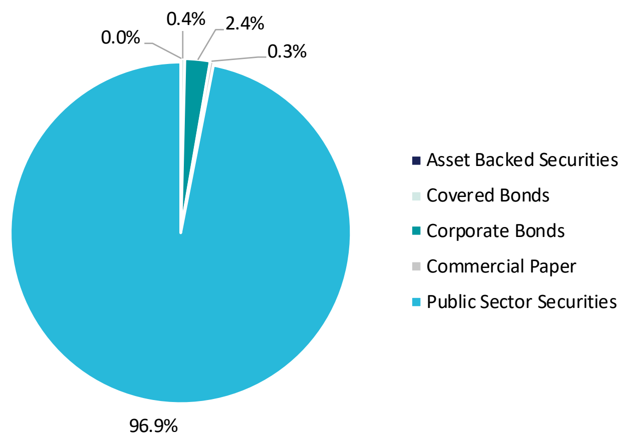
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

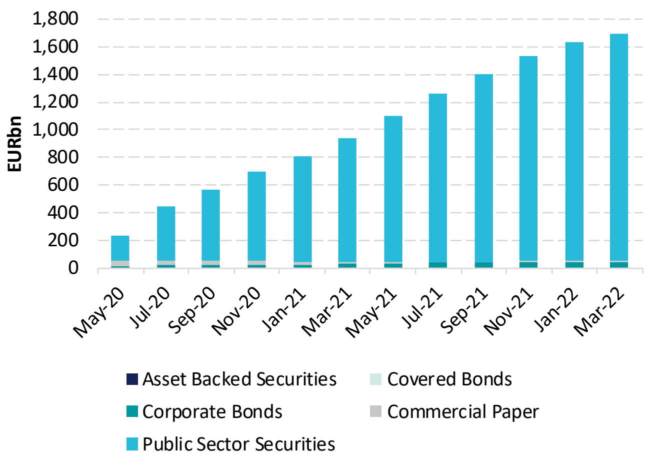
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Jan-22	0	6,073	40,301	3,857	1,580,547	1,630,779
Mar-22	0	6,067	40,313	5,862	1,644,247	1,696,489
Δ (net purchases)	0	0	+48	+2,007	+68,342	+70,398

Portfolio structure

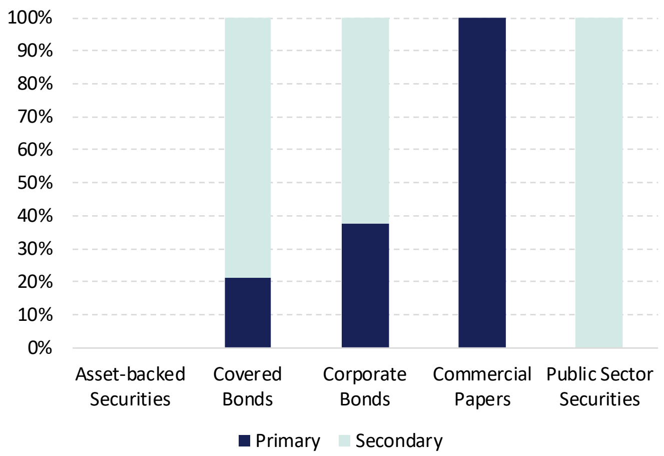




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

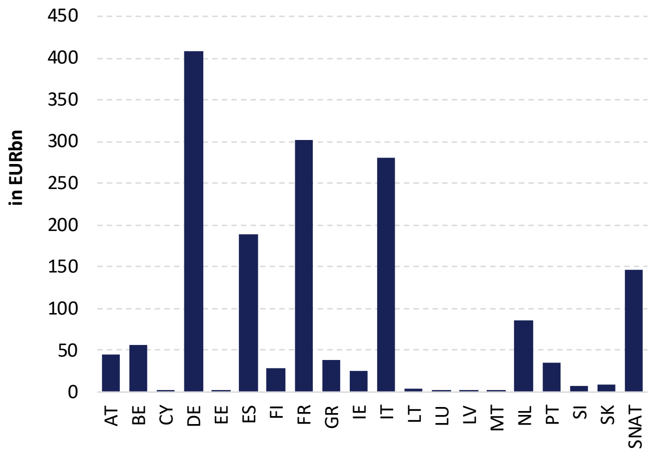
Mar-22	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	1,298	4,769	15,162	25,151	5,862	0
Share	0.0%	0.0%	21.4%	78.6%	37.6%	62.4%	100.0%	0.0%

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

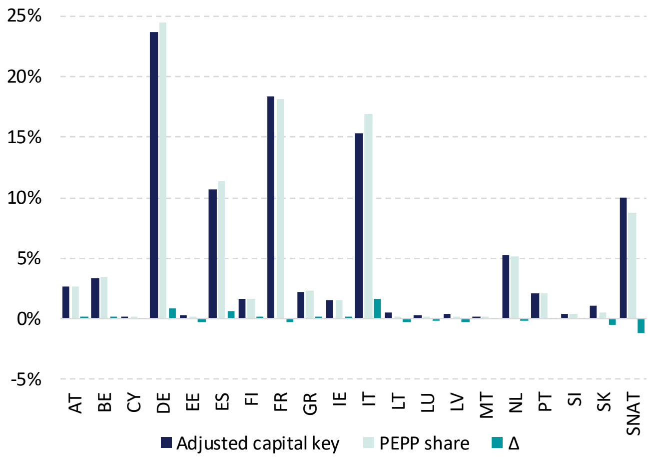
Breakdown of public sector securities under the PEPP

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	43,980	2.6%	2.6%	0.0%	7.9	7.1	0.8
BE	56,797	3.3%	3.4%	0.1%	6.6	9.1	-2.5
CY	2,633	0.2%	0.2%	0.0%	8.6	8.5	0.1
DE	408,941	23.7%	24.6%	0.8%	6.3	6.8	-0.4
EE	256	0.3%	0.0%	-0.2%	8.2	6.6	1.6
ES	189,664	10.7%	11.4%	0.7%	7.7	7.6	0.1
FI	28,183	1.7%	1.7%	0.0%	6.8	8.0	-1.2
FR	302,287	18.4%	18.1%	-0.2%	8.0	7.6	0.4
GR	38,504	2.2%	2.3%	0.1%	8.7	9.5	-0.7
IE	25,532	1.5%	1.5%	0.0%	9.2	9.3	-0.1
IT	281,026	15.3%	16.9%	1.6%	7.1	6.9	0.1
LT	3,215	0.5%	0.2%	-0.3%	10.3	9.9	0.4
LU	1,833	0.3%	0.1%	-0.2%	6.5	6.2	0.3
LV	1,887	0.4%	0.1%	-0.2%	8.7	8.9	-0.2
MT	610	0.1%	0.0%	-0.1%	11.1	9.2	1.9
NL	85,172	5.3%	5.1%	-0.2%	7.8	8.4	-0.6
PT	34,742	2.1%	2.1%	0.0%	6.8	7.2	-0.3
SI	6,499	0.4%	0.4%	0.0%	9.3	9.3	-0.1
SK	7,966	1.0%	0.5%	-0.6%	8.9	8.3	0.6
SNAT	145,950	10.0%	8.8%	-1.2%	10.3	8.5	1.8
Total / Avg.	**1,665,676**	**100.0%**	**100.0%**	**0.0%**	**7.6**	**7.5**	**0.1**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



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

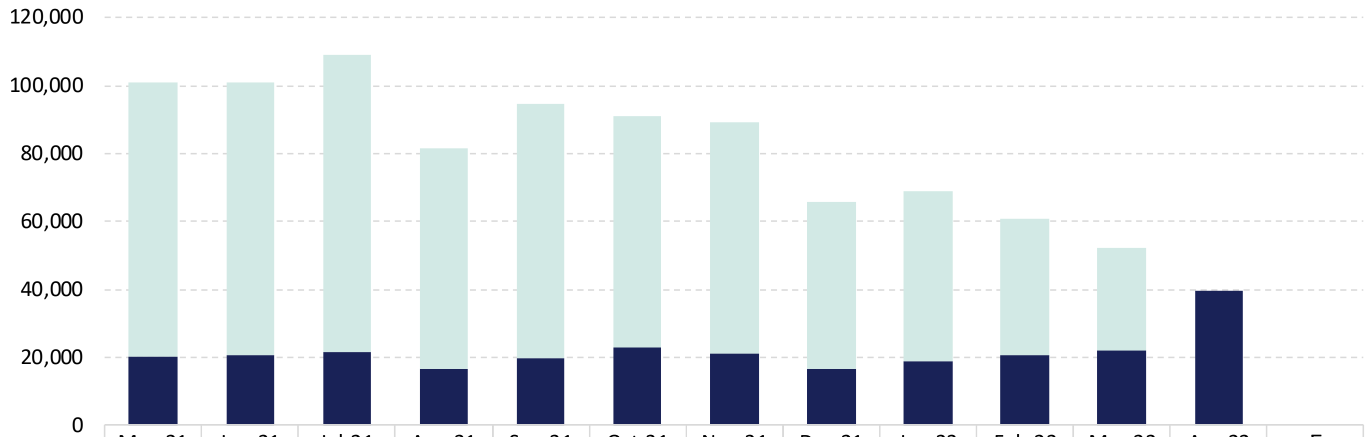
NORD/LB

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

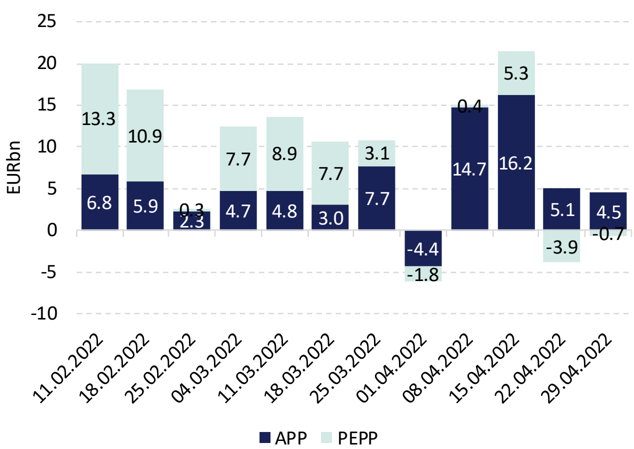
	APP	PEPP	APP & PEPP
Mar-22	3,179,043	1,718,076	4,897,119
Apr-22	3,218,529	1,718,071	4,936,600
Δ	+39,484	-4	+39,480

Monthly net purchases (in EURm)

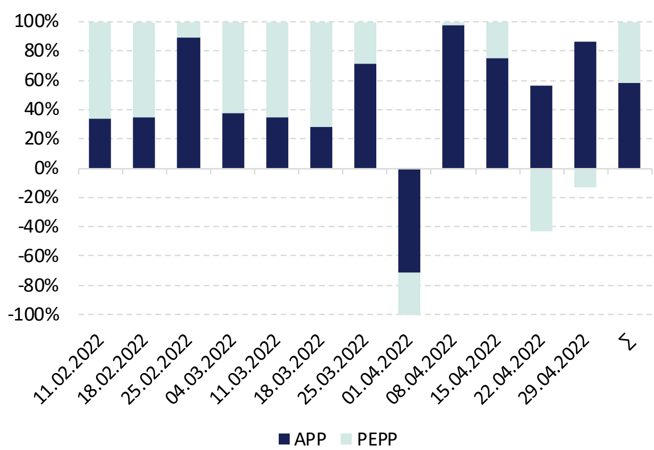


	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	∑
∑	100,841	100,808	109,154	81,799	94,710	90,872	89,245	65,971	68,951	60,882	52,143	39,480	954,856
PEPP	80,700	80,168	87,557	65,050	75,051	67,855	68,045	49,375	50,113	40,184	30,214	-4	694,308
APP	20,141	20,640	21,597	16,749	19,659	23,017	21,200	16,596	18,838	20,698	21,929	39,484	260,548

Weekly purchases



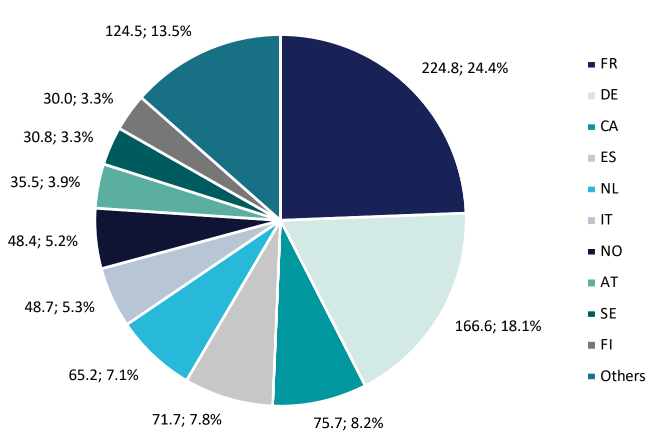
Distribution of weekly purchases



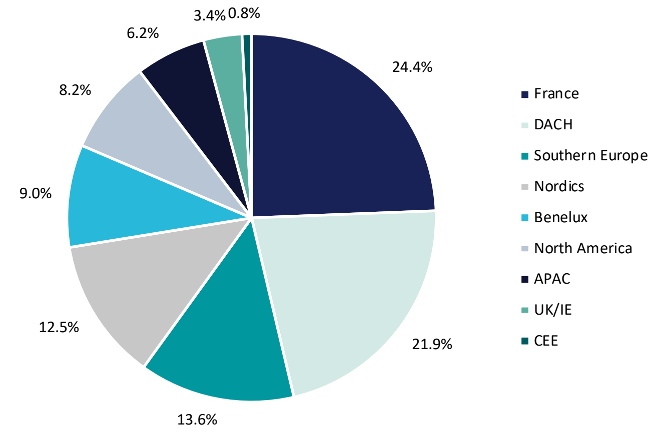
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



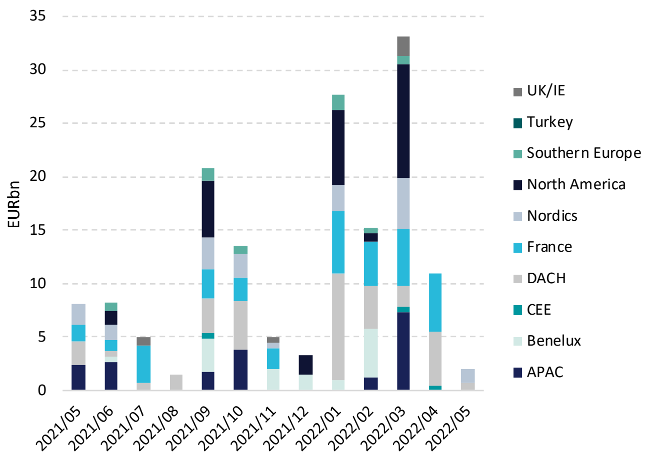
EUR benchmark volume by region (in EURbn)



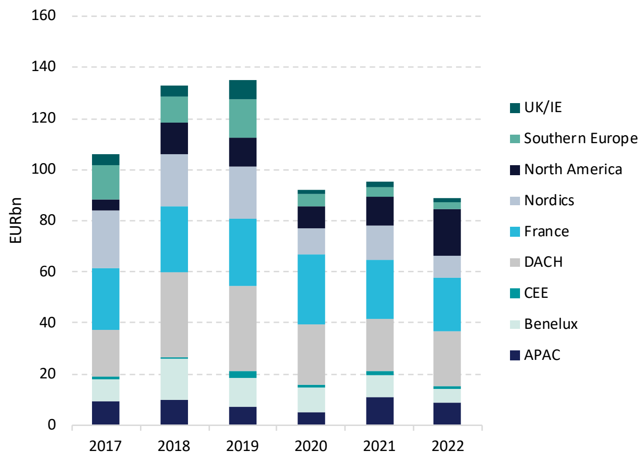
Top-10 jurisdictions

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	224.8	214	11	0.95	10.0	5.6	0.81
2	DE	166.6	241	20	0.63	8.4	4.5	0.43
3	CA	75.7	59	0	1.24	5.9	3.2	0.25
4	ES	71.7	58	5	1.13	11.8	3.8	1.73
5	NL	65.2	65	0	0.94	11.7	7.7	0.72
6	IT	48.7	58	2	0.81	9.3	4.3	1.25
7	NO	48.4	57	9	0.85	7.4	4.0	0.35
8	AT	35.5	65	2	0.54	9.7	6.1	0.56
9	SE	30.8	36	0	0.85	7.6	3.5	0.46
10	FI	30.0	32	2	0.94	7.7	3.9	0.40

EUR benchmark issue volume by month

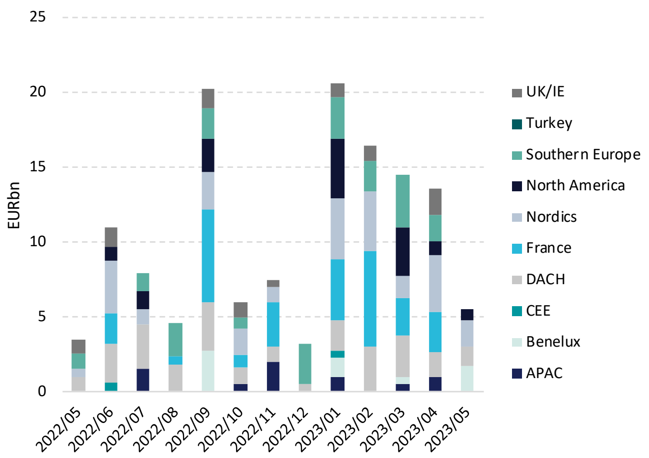


EUR benchmark issue volume by year

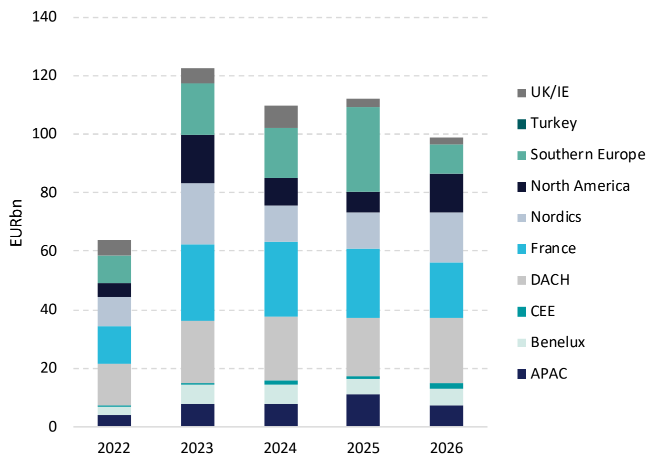


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

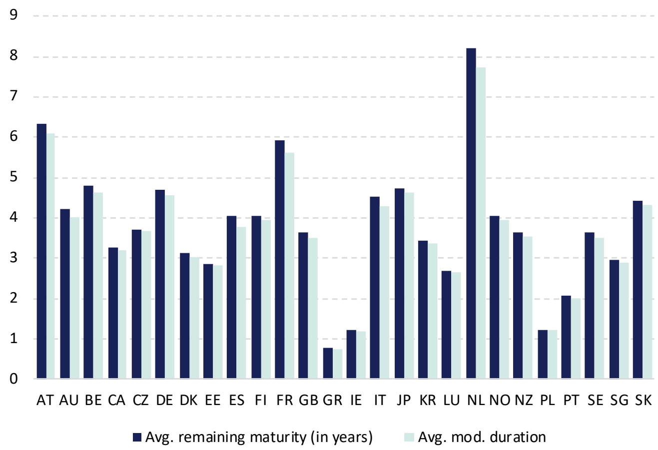
EUR benchmark maturities by month



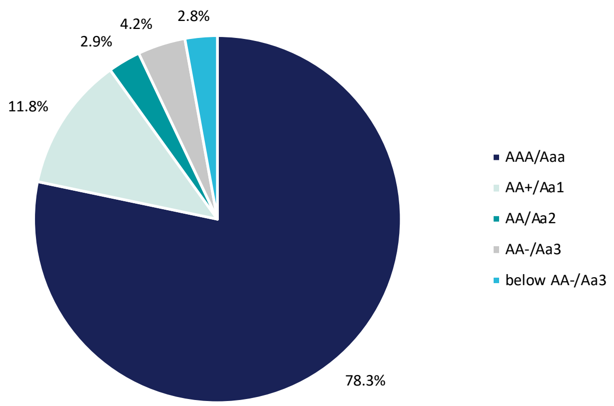
EUR benchmark maturities by year



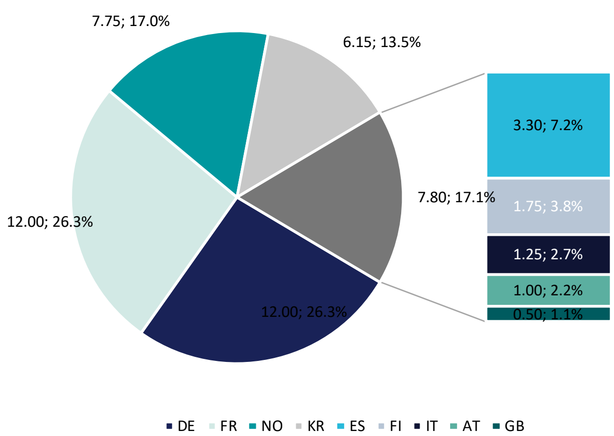
Modified duration and time to maturity by country



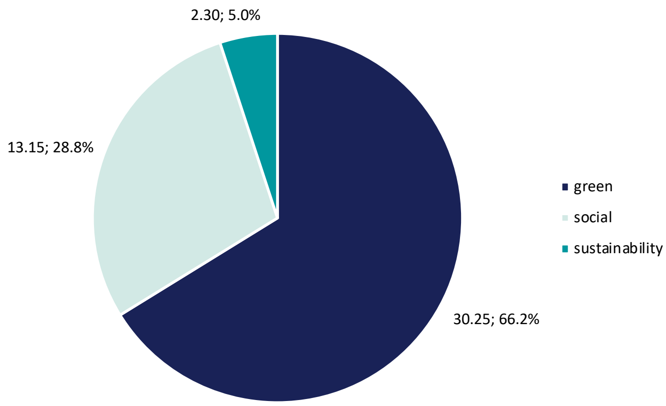
Rating distribution (volume weighted)



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

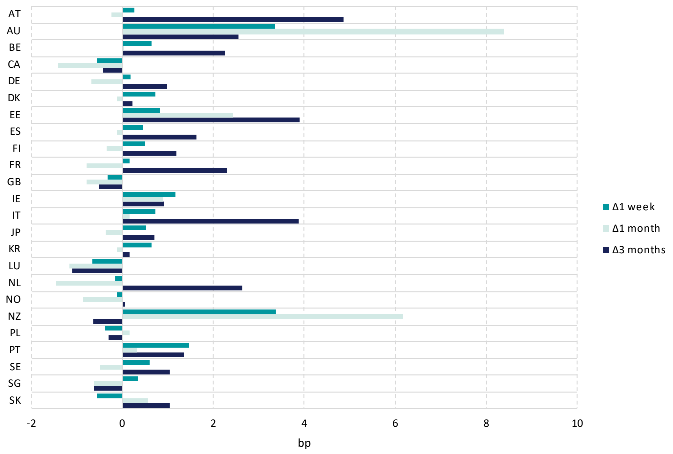


EUR benchmark volume (ESG) by type (in EURbn)

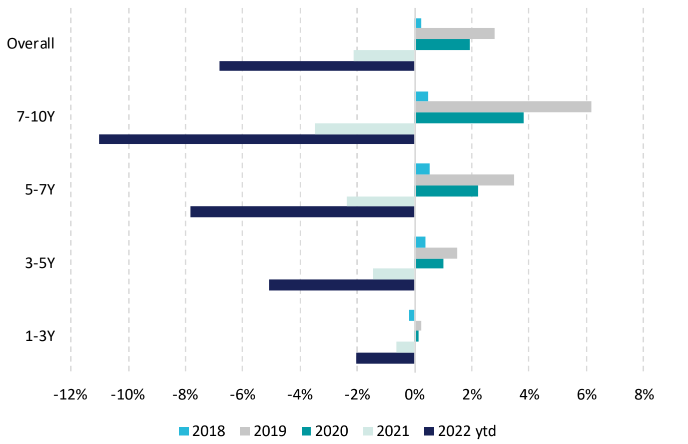


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

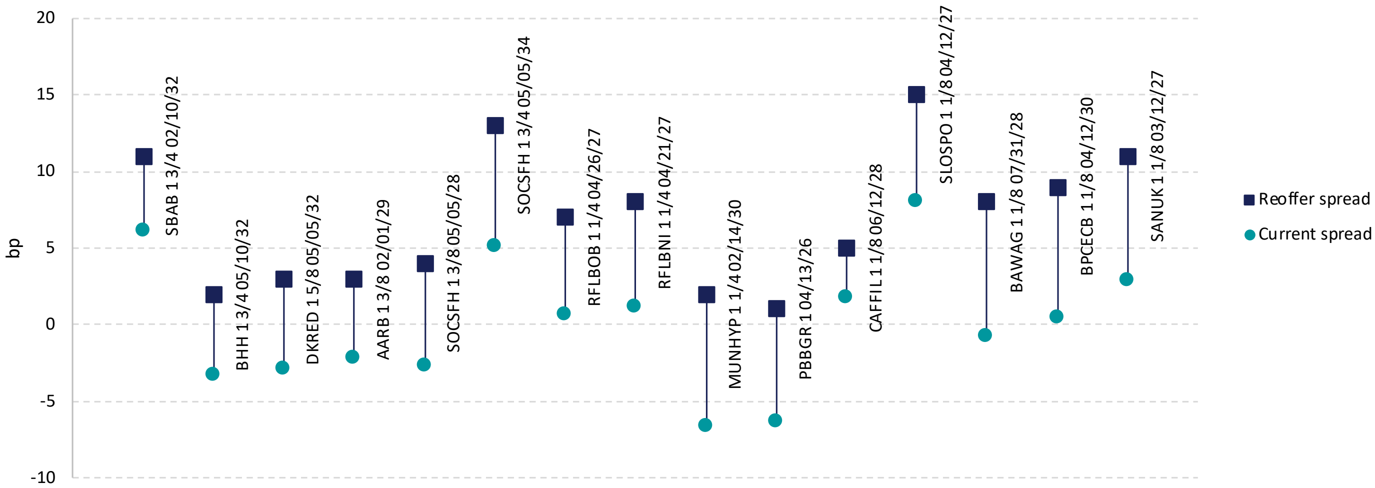
Spread development by country



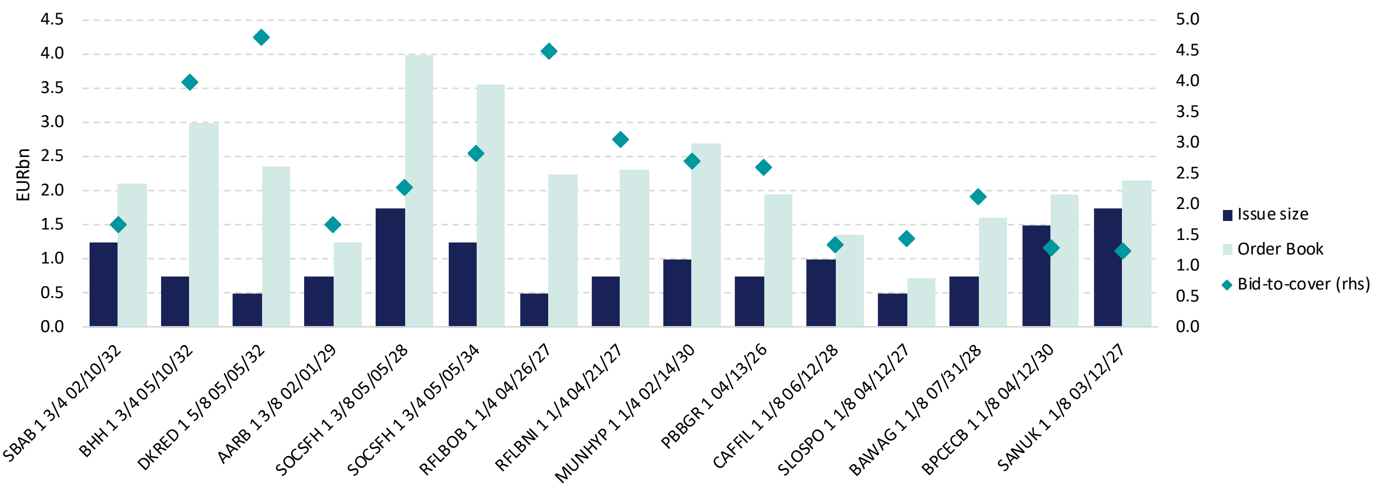
Covered bond performance (Total return)



Spread development (last 15 issues)



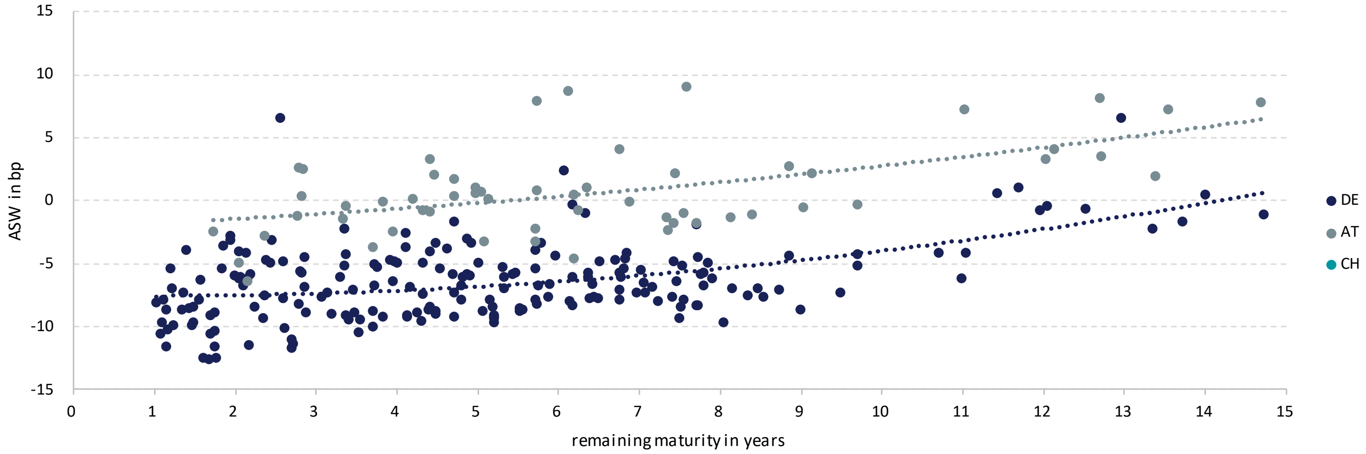
Order books (last 15 issues)



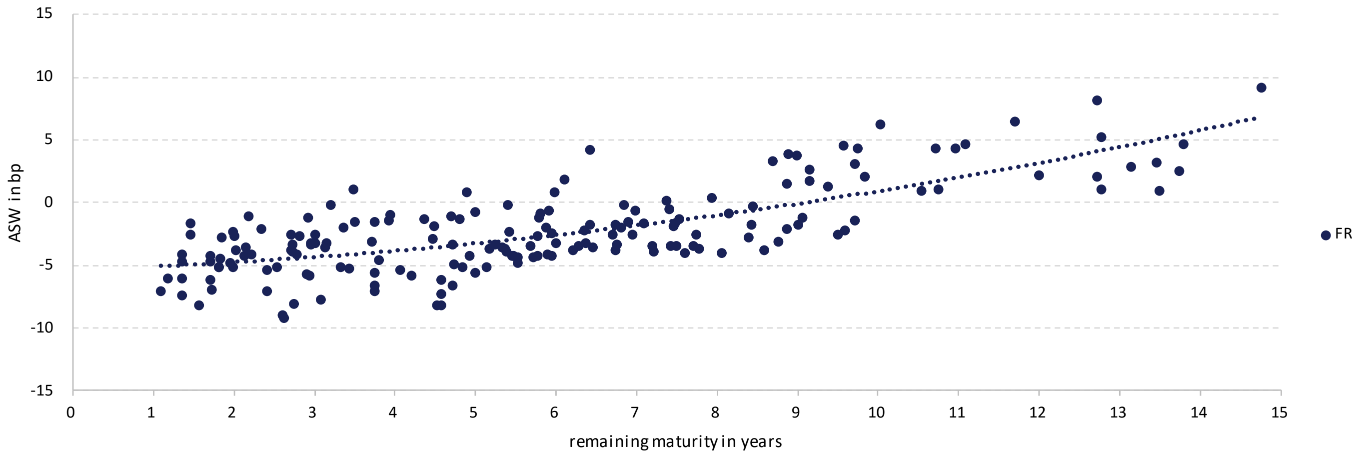
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

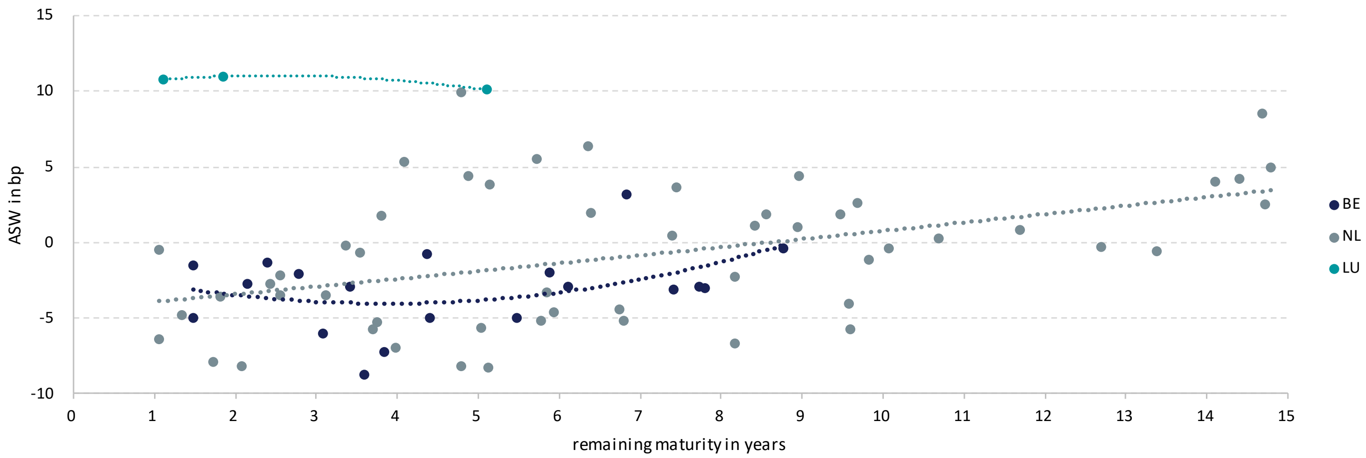
DACH



France

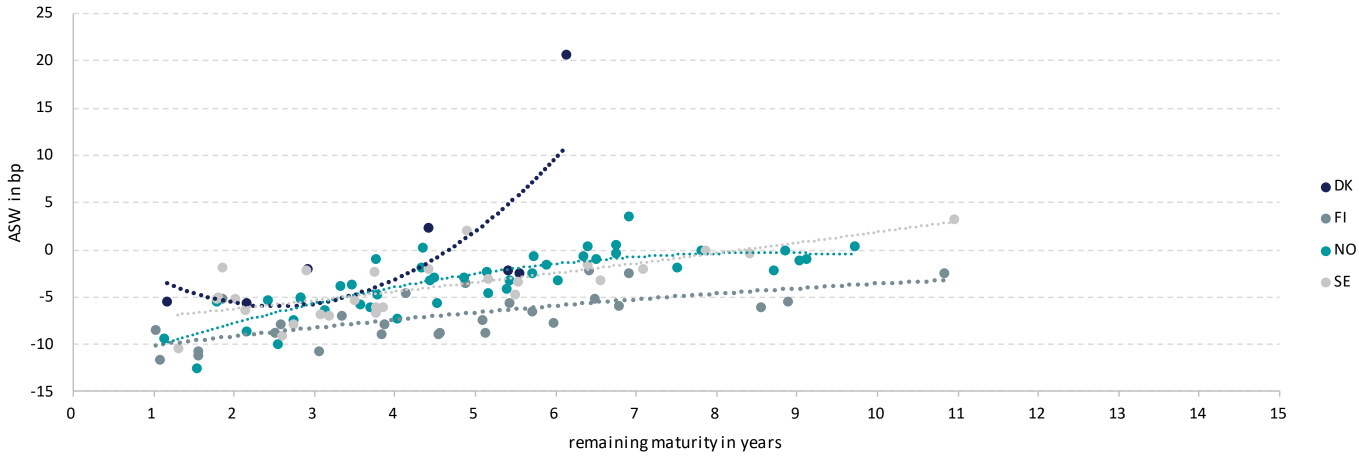


Benelux

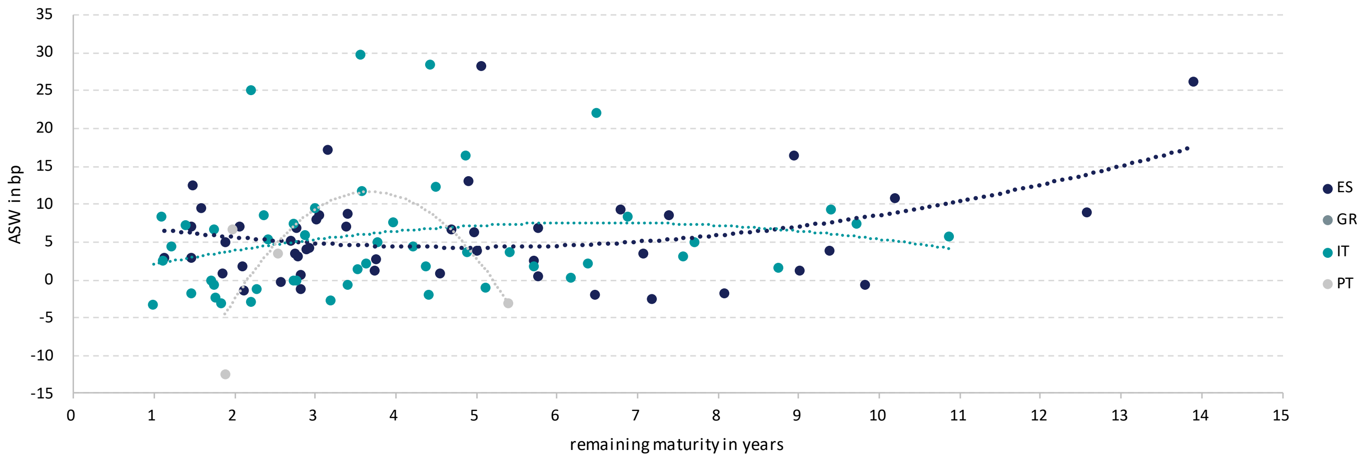


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

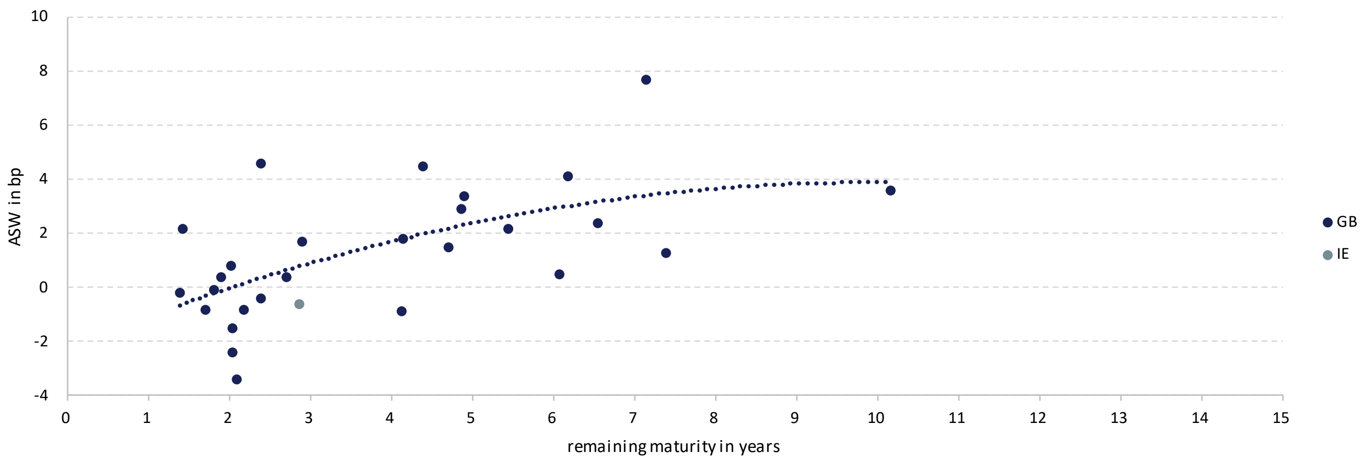
Nordics



Southern Europe

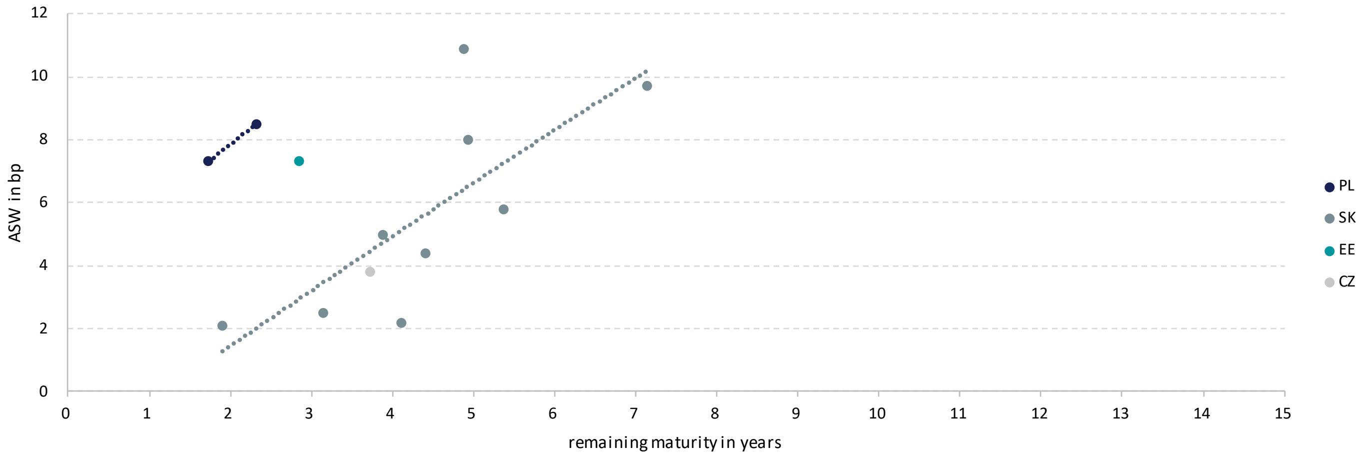


UK/IE

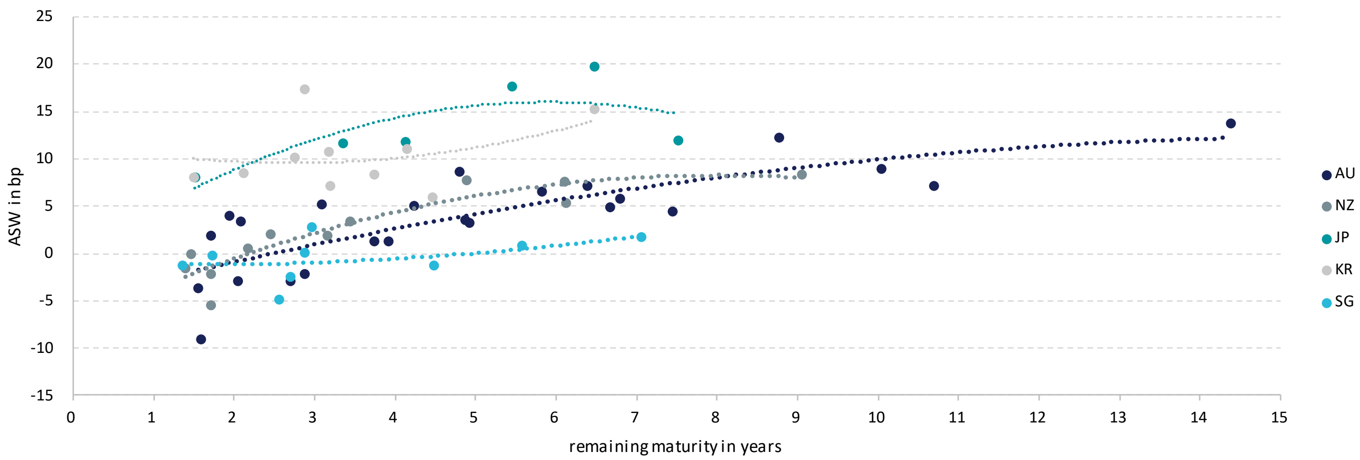


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

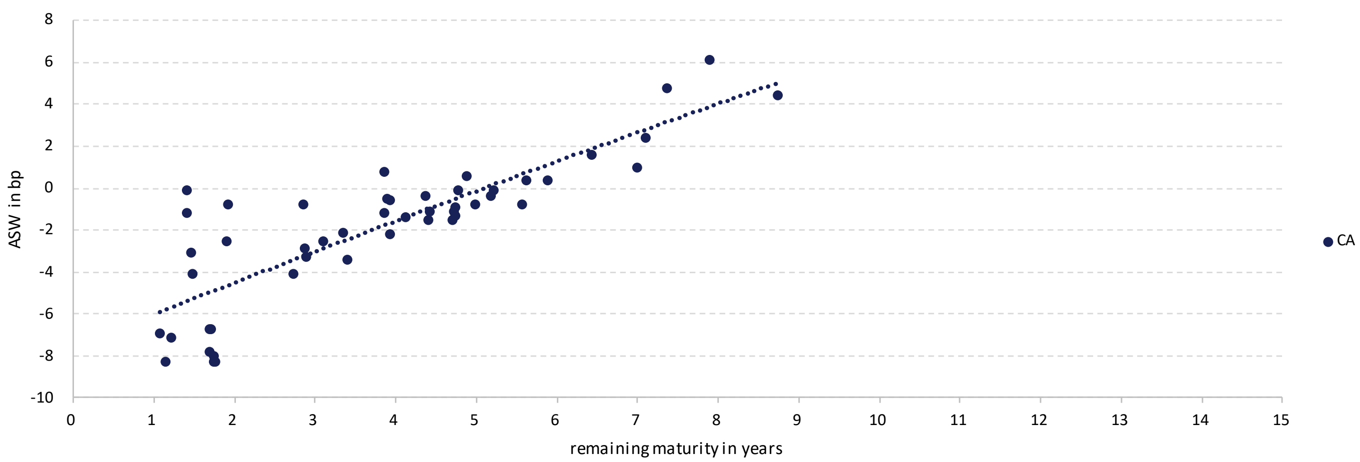
CEE



APAC



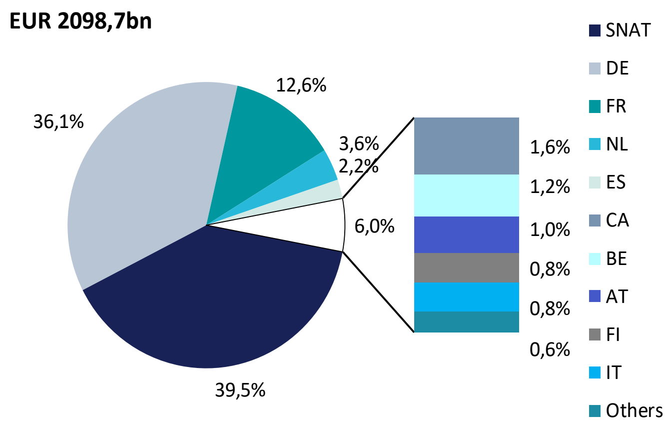
North America



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

Charts & Figures
SSA/Public Issuers

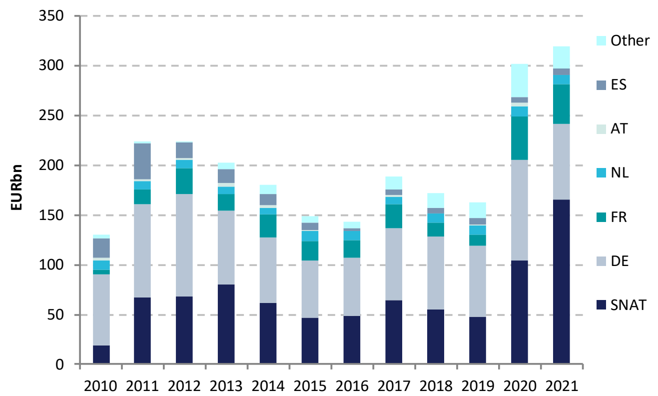
Outstanding volume (bmk)



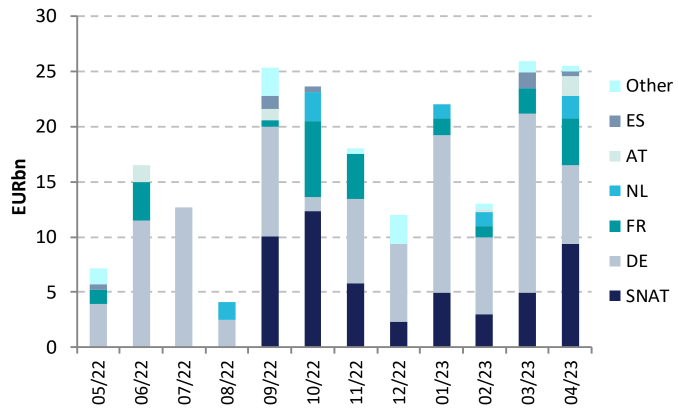
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	829,3	204	4,1	8,5
DE	757,9	572	1,3	6,6
FR	264,9	182	1,5	6,6
NL	75,7	68	1,1	6,7
ES	45,3	58	0,8	5,1
CA	33,2	22	1,5	5,1
BE	24,5	28	0,9	12,8
AT	21,2	23	0,9	4,5
FI	17,5	21	0,8	5,8
IT	16,8	20	0,8	5,2

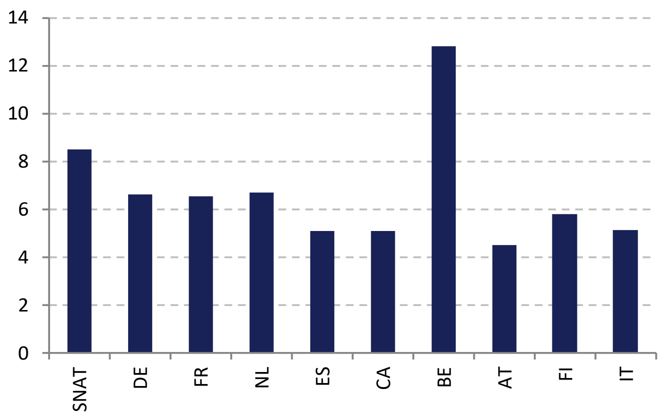
Issue volume by year (bmk)



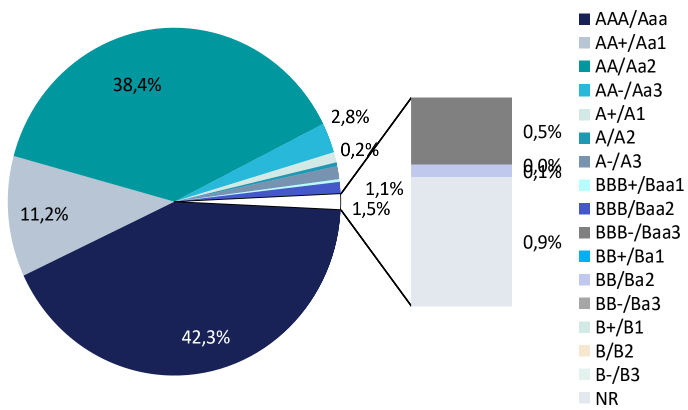
Maturities next 12 months (bmk)



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

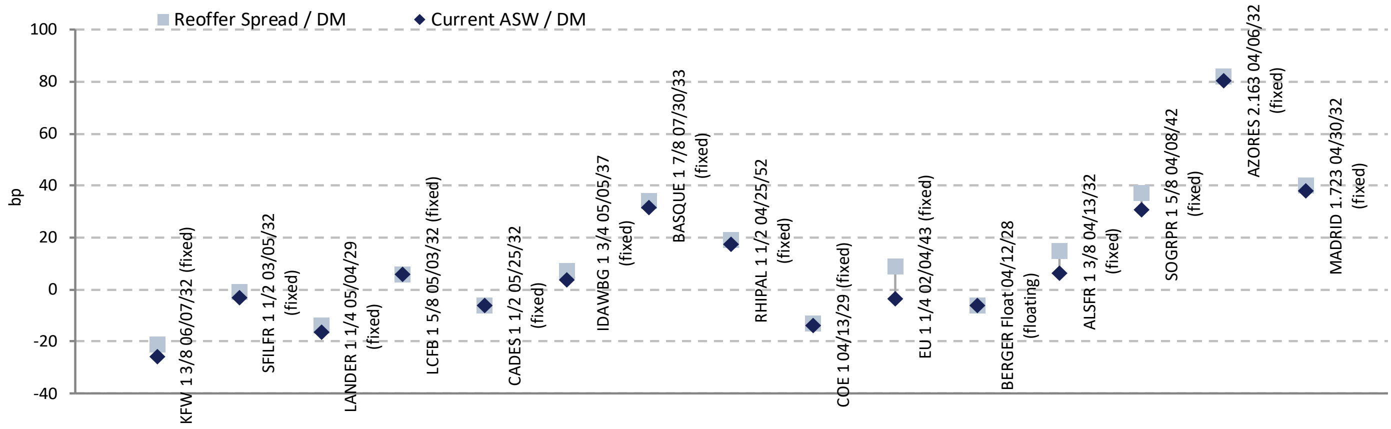


Rating distribution (vol. weighted)

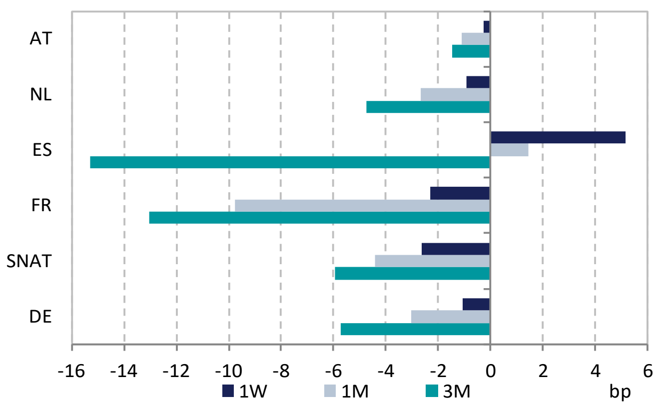


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

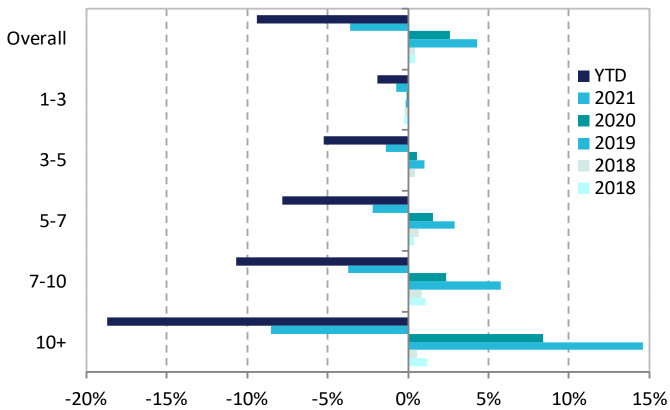
Spread development (last 15 issues)



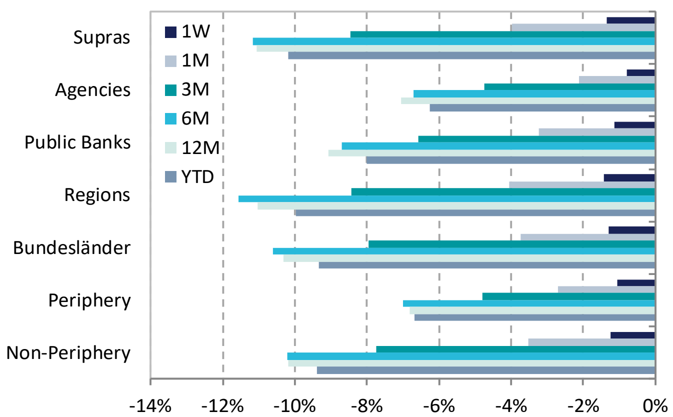
Spread development by country



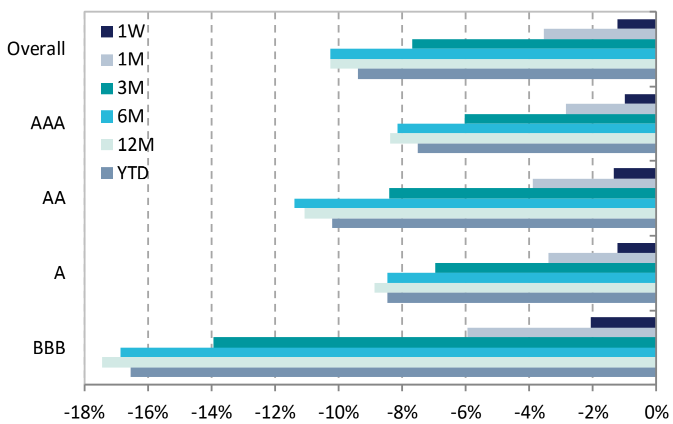
Performance (total return)



Performance (total return) by regions



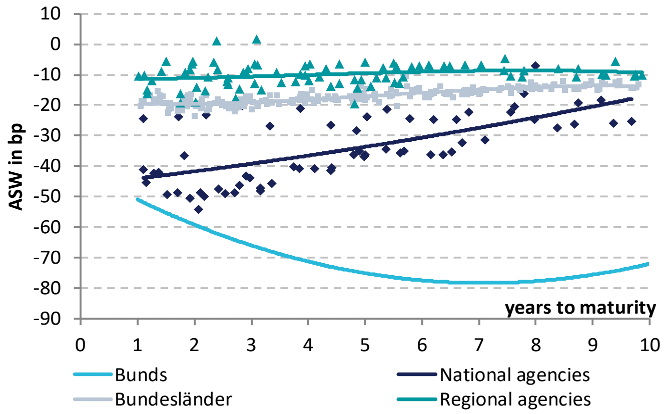
Performance (total return) by rating



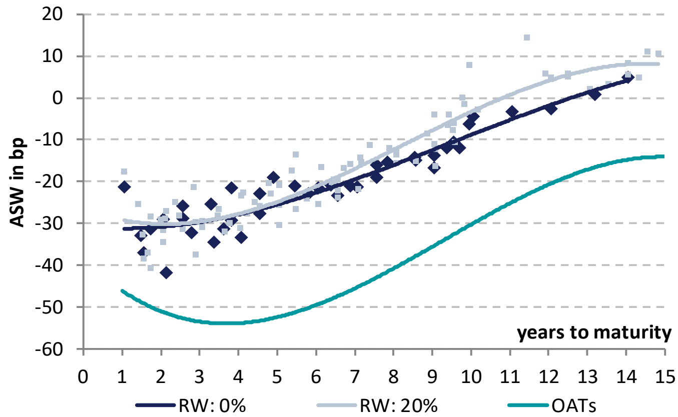
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

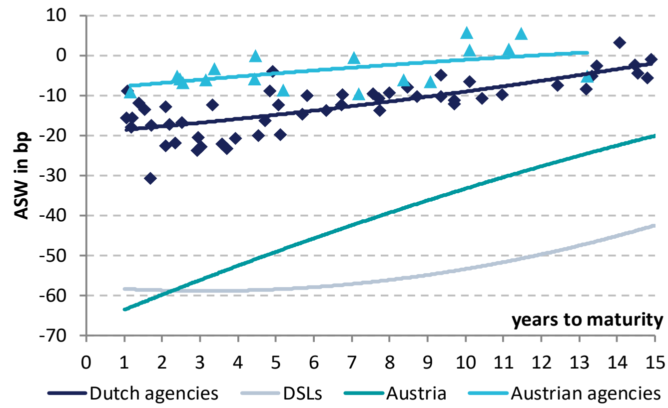
Germany (by segments)



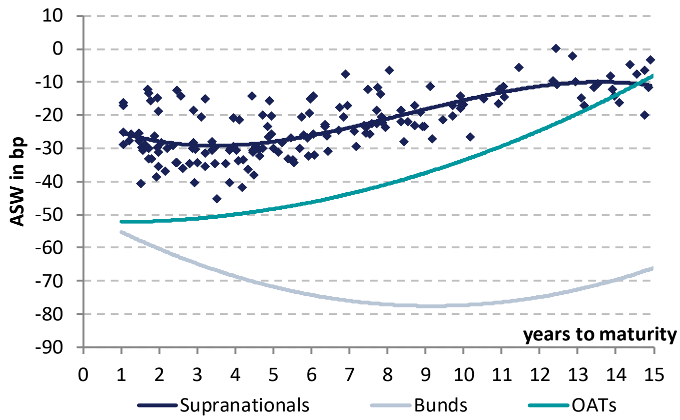
France (by risk weight)



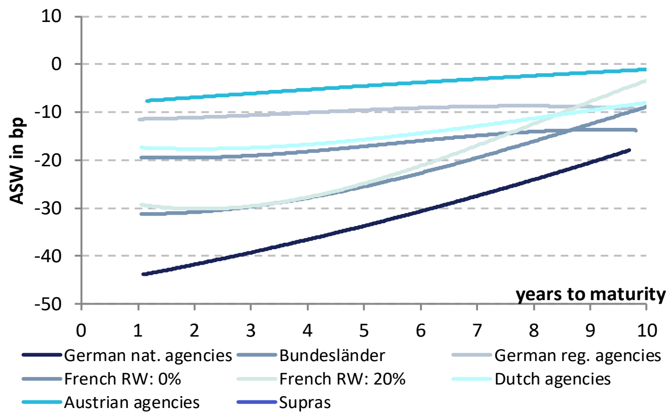
Netherlands & Austria



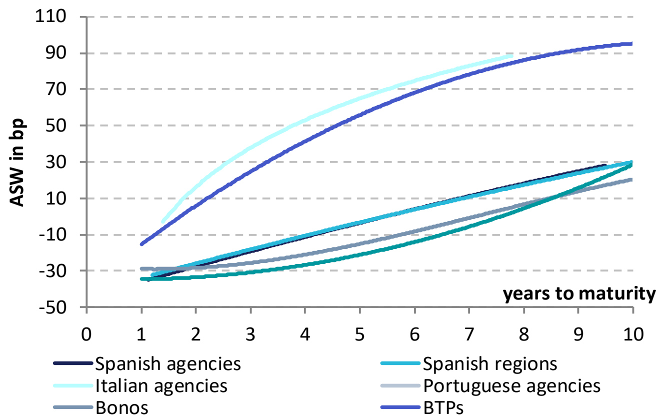
Supranationals



Core



Periphery



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

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
14/2022 ♦ 13 April	▪ First ECB meeting after the end of the PEPP: (Not) a non-event!? ▪ PEPP reporting: (Not) an obituary
13/2022 ♦ 06 April	▪ ECB adjusts order behaviour in time for the new quarter ▪ United Kingdom: spotlight on the EUR benchmark segment ▪ Issuer Guide SSA 2022: the Nordic agency market
12/2022 ♦ 30 March	▪ An overview of the market for ESG covered bonds ▪ Issuer Guide SSA 2022: the Austrian agency market
11/2022 ♦ 23 March	▪ ESG update 2022 in the spotlight ▪ The ratings approach of DBRS
10/2022 ♦ 16 March	▪ What does the recent ECB meeting mean for covered bonds? ▪ Credit authorisations of the German Laender for 2022
09/2022 ♦ 09 March	▪ Transparency requirements § 28 PfandBG Q4/2021 ▪ Issuer Guide SSA 2022: The Dutch agency market
08/2022 ♦ 02 March	▪ ECB: Not everyone can get their act together at a turning point ▪ Welcome expansion of the covered bond ESG universe: Banco BPM green covered bond ▪ War in Ukraine and sanctions on Russia: spotlight on the European banking landscape
07/2022 ♦ 23 February	▪ ECB banking regulator also views the residential real estate market as a potential risk driver for banks ▪ Development of the German property market ▪ Beyond Bundeslaender: Paris metropolitan area (IDF and VDP)
06/2022 ♦ 16 February	▪ PEPP reporting: Finish line in sight, but no photo finish expected ▪ DZ HYP issues inaugural green Pfandbrief: ESG market in Germany continues its growth trajectory
05/2022 ♦ 09 February	▪ ECB: full speed, throttling, U-turn – or wrong turn? ▪ Insurance companies as covered bond investors: the bank-insurer nexus
04/2022 ♦ 02 February	▪ Covered Bonds – Review of January 2022: a reversion to old patterns does not always have to be bad ▪ SSA – New year, new hope? Less oomph to kick off the new year
03/2022 ♦ 26 January	▪ ECB preview: 10y Bund spotted in positive terrain. What's next? ▪ EUR benchmark segment in Canada: our supply forecast already null and void
02/2022 ♦ 19 January	▪ Spotlight on the EUR benchmark segment: a look at the covered bond markets in Belgium and the Netherlands ▪ 24th meeting of the Stability Council (Dec. 2021)
01/2022 ♦ 12 January	▪ Covered Bonds Annual Review 2021 ▪ The Moody's covered bond universe – an overview ▪ SSA Annual Review 2021: Record after record
40/2021 ♦ 15 December	▪ ECB preview: End of PEPP, booster for APP?! ▪ Our view of the covered bond market in 2022 ▪ SSA Outlook 2022: Public sector caught between ECB & COVID

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 (updated semi-annually)

Transparency requirements §28 PfandBG (quarterly update)

Covered bonds as eligible collateral for central banks

SSA/Public Issuers:

Issuer Guide – German Laender 2021

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – Supranationals & Agencies 2019 (update planned for 2022)

Issuer Guide – Down Under 2019

Fixed Income Specials:

ESG-Update 2022

Face-saving ECB decision: Hawks have won – for now

ECB decision: PEPP benched for now, APP comes in as Point Guard

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

ECB launches PEPP (Pandemic Emergency Purchase Programme)

Appendix
Contacts at NORD/LB

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Sales MM/FX	+49 511 9818-9460
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Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

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Additional information
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