Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview Covered Bonds

Author: Stefan Rahaus

Primary market: the pipeline is filling up

Already on the day of the last issue of our weekly publication, BAYERNLB (ticker: BYLAN) came to market with its announced EUR 500m (WNG) public sector Pfandbrief. The bond offered investors a term to maturity of 9 years after having been guided at ms +7bp area. With an order book of EUR 2.4bn (bid-to-cover ratio: 4.8x), the final issue spread narrowed by 4bp to ms +3bp, which produces a new issue premium of just 1.5bp according to our calculations. As we had expected in the previous week, with the two 10y deals placed last Thursday, issuers were increasingly targeting the longer maturity segment. Commerzbank (ticker: CMZB) raised a total of EUR 1.0bn at ms +9bp (guidance: ms +13bp area; order book: EUR 1.9bn; new issue premium: 4bp). For its part, Raiffeisenlandesbank für Niederösterreich (ticker: RFLBNI) also opted for a term of 10 years for its EUR 750m bond marketed under the label "European Covered Bond (Premium)". However, with an order book of EUR 920m (bid-to-cover ratio: 1.2x) and a final spread unchanged versus the guidance of ms +24bp area, the issuer was unable to replicate the success of the 10y Austrian deal from BAWAG on 17 August (EUR 1.25bn at ms +20bp, having narrowed from ms +24bp area; order book: EUR 2.2bn). From Friday onwards, a break in issuance activity then set in on the covered bond market, although mandates have already arrived from the Australian Macquarie Bank (ticker: MQGAU) for a benchmark deal and from Iceland in the form of Islandsbanki (ticker: ISLBAN) for a deal in the amount of EUR 300m (WNG), with a term of five years selected in each case. Macquarie Bank was previously active in the EUR benchmark segment back in 2016 and currently has no covered bonds outstanding. For this reason, we are profiling this issuer in greater detail as part of a separate article in this present edition of our weekly publication. In terms of Icelandic issuers, only Arion Banki (ticker: ARION) has an outstanding EUR benchmark bond at present (residual term to maturity: 4.1 years at ms +35-40bp). Moreover, DekaBank (ticker: DEKA) returns to the EUR sub-benchmark segment on the primary market for the fourth time this year, having mandated for a 6y public sector Pfandbrief with a volume of EUR 250m (WNG). HSBC France announced a deal at the long end with a term of 10 years, for which the volume is already fixed at EUR 500m. From our point of view, the mandate from Banco Santander (ticker: SANTAN) is quite exciting, with this issuer having last publicly placed a mortgage covered bond back in February 2020. This dual tranche featuring terms of 5y and 10y is just the seventh EUR benchmark deal from Spain since the start of 2020 and the first from this jurisdiction after the new Covered Bond Directive took effect. As expected, the pipeline is full to bursting and we believe that investor demand will be buoyant on account of the renewed rises in interest rates and swap spreads, among other factors. The ECB should continue to provide support, at least for the two Pfandbrief issues with a September value date (BAYERNLB and Commerzbank) with an unchanged primary market order of 20%. Up to this point, the ECB had only ever changed its primary market order level at the turn of the month. However, the next ECB Governing Council meeting is set to take place on September 8, which we are previewing in our Cross Asset article this week.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
RFLB Niederösterreich	AT	25.08.	XS2526846469	10.0y	0.75bn	ms +24bp	- / Aaa / -	-
Commerzbank	DE	25.08.	DE000CZ45W99	10.0y	1.00bn	ms +9bp	- / Aaa / -	-
Bayerische Landesbank	DE	24.08.	DE000BLB6JQ5	9.0y	0.50bn	ms +3bp	- / Aaa / -	-

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

Secondary market: Summer lull still influencing trading activities

The primary market volume has been well absorbed by the secondary market so far, although the trading activities remain below average under the influence of the summer lull. Maturities of up to four years remain the most popular, with the new issues from previous weeks also performing best in this segment, although longer maturities are currently all trading just below their re-offer prices. The new 10y Commerzbank bond is trading at ms +8bp/7bp (re-offer: ms +9bp), with the 9y BAYERNLB deal at ms +2bp/1bp (re-offer: ms +3bp) and the deal from RFLBNI at +23bp/22bp (re-offer: ms +24bp). For the time being, price levels are therefore not (yet) being impacted by fresh supply, with the result that we believe moderate new issue premiums as well as covered bonds with terms of longer than ten years are possible at present. However, a different picture emerges in the unsecured segment, where new senior non-preferred issuances seen over recent weeks are practically all trading wider than their respective re-offer prices. The numerous issues in the senior non-preferred segment from yesterday are also showing new issue premiums of 40-45bp in some cases, which is leading to a re-pricing of 10 to 20 basis points in the secondary market. It can therefore be stated here that the new issuance volume is definitely weighing on the market and we assume that further unsecured bonds will find their way onto the market in September. Bonds with a volume of EUR 20.2bn are due for repayment on the covered bond market in September, meaning that a full issuance pipeline can also expected in this segment. In the first half of the year, huge spread widening movements in the senior preferred and senior non-preferred segments ultimately led to slightly wider spreads and higher new issue premiums on the covered bond market. With all this in mind, we would take the view that developments in the unsecured segment should not be overlooked.

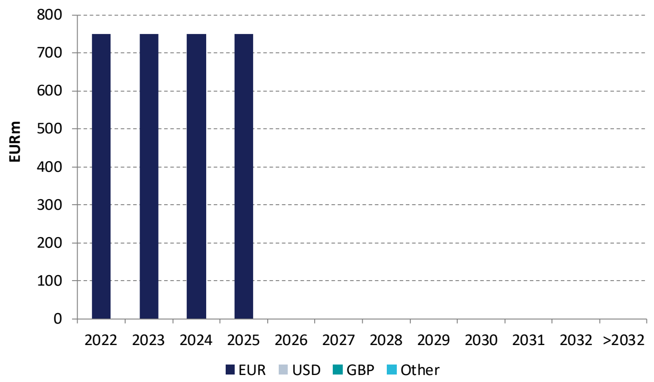
Market overview
SSA/Public Issuers

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

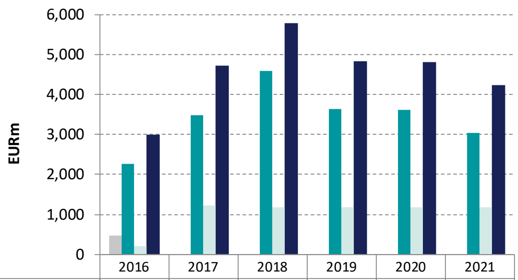
Farewell hsh finanzfonds AöR! We have fond memories of you

In a joint press release published on 29 September 2021, the guarantors – the Laender of Hamburg and Schleswig-Holstein – announced the scheduled discontinuation of the special purpose entity as of today (31 August 2022). We are taking this week's publication as an opportunity to bid a fond farewell to this issuer, starting with the issuer's story. hsh finanzfonds AöR was established by means of a State Treaty between the two above-mentioned guarantors dated 3 April 2009 and 5 April 2009 respectively, with effect from 22 April 2009. The main aim was the fulfilment of the relevant capital requirements and capital support of HSH Nordbank AG. In order to fulfil this duty, Section 4 of the State Treaty authorised hsh finanzfonds AöR to take the "necessary measures". These were described, in particular, as the acquisition and disposal of HSH Nordbank AG shares, assuming guarantees up to EUR 10.0bn, raising loans to buy HSH Nordbank AG shares up to a total amount of EUR 3.0bn, as well as taking out further loans totalling 5% of the maximum amount of the guarantee in the event that the guarantee was utilised. As per a European Commission request, HSH Nordbank AG was sold to private investors on 28 February 2018. The conditions for the final closing of the deal were parliamentary approval of the shareholders, a profitability analysis carried out by the European Commission and regulatory approval. All of these conditions were met on 28 November 2018 and the privatisation of HSH Nordbank AG was completed. The guarantee vis-à-vis HSH Nordbank AG ended with a final payment in settlement, which terminated the debt obligation between the two companies. With the winding up of hsh finanzfonds AöR, the bonds (divided according to maturities) are transferred to the guarantor states. With regard to the guarantee, the amended State Treaty as per Section 3 (4 new) stipulates the following: "In the event of a split in accordance with Section 18a, the guarantors are jointly and severally liable to the creditors of the entity for all of the entity's liabilities that transferred to the guarantors as a result of the split. This applies notwithstanding any different internal arrangement." Farewell hsh finanzfonds AöR! We have fond memories of you.

Bonds by currency



Balance sheet development



	2016	2017	2018	2019	2020	2021
Total assets	3,000	4,732	5,777	4,833	4,823	4,239
Receivables from affiliated companies	204	1,215	1,177	1,177	1,177	1,177
Receivables from participations	2,268	3,484	4,584	3,629	3,612	3,031
Deficit not covered by equity	473	0	0	0	0	0

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

Half-year figures for Rentenbank – sharp increase in programme loans in H1

In last week's edition of this publication, we pointed out the remarkable half-year figures for KfW. To recap, new business was up by 91% to an astonishing EUR 95.1bn (H1 2021: EUR 49.8bn). However, KfW was not alone in recording such incredible figures. Rentenbank also reported a sharp increase in demand, although admittedly of a more modest extent. Overall, new loans rose by almost a third to EUR 3.8bn. The sharpest increase was recorded in the promotional segment of Renewable Energy. At EUR 1bn, the volume of new business in this segment was more than double the previous year's level (H1 2021: EUR 443m). Within this segment, the financing of wind power increased the most. In H1 2021, the volume amounted to EUR 291m, whereas the amount stated in the current interim report was EUR 750m. Biogas finance also continued to be in demand, with the volume of new business rising from EUR 52m (H1 2021) to EUR 105m. According to the report, the introduction of a loan variant with an interest rate fixed for ten years continued to make itself felt in the Renewable Energy segment. Since the beginning of April 2022, Rentenbank has offered loan variants with long-term fixed interest in all development segments. In the Agribusiness and Food segment, Rentenbank also recorded a sharp increase from EUR 432m (H1 2021) to EUR 613m in view of higher demand for machinery and equipment finance. The trend in the Rural Development segment was similarly dynamic. According to the issuer, the volume was up from EUR 587m to EUR 914m. It was stated that this was due to higher demand from the federal state development banks for Rentenbank's global loans. In contrast, the development segment of Agriculture recorded a decrease. New business amounted to EUR 1.1bn in the first half of 2022 (H1 2021: EUR 1.3bn). In particular, demand from agricultural enterprises was lower for programme loans intended for farm buildings. In total, the programme loan business of Rentenbank amounted to EUR 3.8bn as at the end of the first half of 2022, which represents an increase of 31.6% compared with the previous year (EUR 2.9bn). With regard to the profit and loss account, Rentenbank reported a decline in its operating result. It amounted to EUR 74.3m before loan loss provisions and valuation, which means that it was lower than the previous year's level (EUR 94.1m). According to the issuer, this was caused by higher interest subsidies, which Rentenbank grants for programme loans as part of its promotional activities. This resulted in lower net interest income. In addition, higher administrative expenses of EUR 45.6m in total were recorded (H1 2021: EUR 42.6m), mainly driven by higher IT investment. Capital ratios remained at a high level. The core capital ratio amounted to 30.6% (H1 2021: 31.8%) and the aggregated capital ratio to 30.7% (H1 2021: 32.0%). Of course, we are also taking a look at funding. In H1, Rentenbank raised a total of EUR 8.2bn in the capital market (H1 2021: EUR 6.5bn) to refinance its promotional activities. This means that around three quarters of the planned total amount to be issued of EUR 11bn has already been achieved. The euro was the most important issuing currency for this issuer. Its share rose to 70% (H1 2021: 51%). It included the biggest EUR denominated benchmark bond issue from this issuer to date, with a volume in excess of EUR 2bn and a maturity of five years. Conversely, the USD share declined to 12% – following 40% in the same period of the previous year. Commercial banks remained the most important investors for Rentenbank, with their share increasing from 50% to 69%.

Investitions- und Strukturbank Rheinland-Pfalz rated AAA

Investitions- und Strukturbank Rheinland-Pfalz (ISB) has been rated for the first time. Rating agency Fitch affirmed a top rating of AAA for ISB with stable outlook. At the end of June this year, we published a NORD/LB Public Issuer Profile (German only) on ISB. Just to recap, Investitions- und Strukturbank Rheinland-Pfalz (ISB) was established in 1993 as the centralised development bank for Rhineland-Palatinate. In this capacity, it provides support to individuals as well as regional companies and municipalities through development programmes. Fitch explained that its rating was based on the strong support mechanism of the federal state of Rhineland-Palatinate. In addition to the institutional liability (Anstaltslast) and the guarantor's liability (Gewährträgerhaftung), an explicit guarantee exists. Fitch therefore affirmed a rating in line with that of the guarantor (the sub-sovereign of Rhineland-Palatinate).

Primary market

The primary market in the SSA segment is gaining momentum again. In this issue of our publication, we comment on the deals since last Tuesday. Let's start as usual, in chronological order: the first transaction was a KfW tap issue amounting to EUR 1bn, KFW 1.125% 03/31/37, at ms -3bp. Once again, the order book was many times oversubscribed and totalled EUR 6bn. Next, Dutch BNG stepped onto the trading floor and increased its sustainability bond, BNG 1.875% 07/13/32, by EUR 750m at ms -1bp (order book: EUR 1bn). The first issue of "fresh" bonds was launched by French CADES. A social bond with a 5y maturity was printed in a volume amounting to EUR 3bn. The relevant order book totalled EUR 5.5bn, which meant that the spread of OAT +37bp (corresponded to approximately ms -22bp) was one basis point tighter than the guidance. Remaining in France, Bpifrance (ticker: OSEOFI) was also present in the primary market and issued an 8y bond worth EUR 500m at OAT +40bp (corresponded to approximately ms -12bp). In view of the order book totalling EUR 550m, no tightening was achieved compared with the guidance of the same figure. In addition, a rarely seen issuer was present in the primary market: Development Bank of Japan (ticker: DBJJP) issued a 4y sustainability bond. The issuer had previously attracted attention in the form of investor calls, before placing the bond issue last Wednesday. An amount of EUR 600m was raised at ms +20bp (guidance: ms +23bp area, order book: EUR 3.5bn). From German quarters, Investitionsbank Schleswig-Holstein (ticker: IBBSH) placed a bond worth EUR 500m at ms -10bp (guidance: ms -9bp area). The maturity is eight years and the order book totalled EUR 980m. IDA (ticker: IDAWBG), a member of the World Bank Group, also provided fresh supply in sustainability format. The 15y bond worth EUR 2.0bn was placed at ms +10bp. Furthermore, Kommunekredit (ticker: KOMMUN) was present in the market. A total of EUR 1bn with a 10y maturity changed hands at ms +4bp (guidance: ms +6bp area, order book: EUR 2.2bn). In addition, another EU auction took place. A further EUR 3.749bn was added to EU 0.8% 07/04/25. Last but not least, two new mandates were announced: Korea Development Bank (ticker: KDB) intends to place a multi-tranche deal in two currencies, USD and EUR, and NRW.BANK (ticker: NRWBK) is set to issue a social bond with a maturity of 15 years.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
KOMMUN	Nordics	30.08.	XS2529234200	10.0y	1.00bn	ms +4bp	- / Aaa / AAA	-
IDAWBG	SNAT	29.08.	XS2528875714	15.3y	2.00bn	ms +10bp	- / Aaa / AAA	X
IBBSH	DE	29.08.	DE000A2TR190	8.0y	0.50bn	ms -10bp	AAA / - / -	-
OSEOFI	FR	24.08.	FR001400CHQ6	8.0y	0.50bn	ms -12bp	AA / Aa2 / -	-
DBJJP	Other	23.08.	XS2526379313	4.0y	0.60bn	ms +20bp	- / A1 / A	X
CADES	FR	23.08.	FR001400CHC6	5.3y	3.00bn	ms -22bp	- / Aa2 / AA	X

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

Cross Asset
ECB rate hikes: minimum of +100bp still to come by year-end

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

ECB meeting on 8 September: +50bp at the very least

As things currently stand, we can assume that the meeting of the European Central Bank's most important decision-making body will be held against the backdrop of a market environment that continues to be characterised by an elevated degree of uncertainty. The level of volatility seen in some sub-segments of the international financial markets is deemed to be high even in light of the turmoil already seen in 2022. The ground has already been prepared for the second major interest rate hike of more than 25 basis points in the second half of 2022. As always, the so-called doves and hawks, along with the academics, are arguing about the "right" size of increase. The increase required from the perspective of the Governing Council was also recently discussed against the backdrop of reports from the US central bank. Jackson Hole was also initially cited here as a platform and discussion forum to be examined in greater detail later.

Minutes of the July meeting: "uncertainty" dominated the debate and may also be seen as the trigger for moving away from the forward guidance

On 25 August, the ECB presented the Minutes of the July Meeting. Unsurprisingly, the records show that the policymakers extensively discussed the Transmission Protection Instrument (TPI). These discussions related both to justification for the tool as well as its categorisation in the ECB toolkit. It was also revealed that the majority of the participants in the discussion were in favour of the "big" interest rate hike of 50 basis points, which to a certain extent has also paved the way for a less than overly cautious approach at the coming meeting. The minutes also showed that even after the rate hike that ultimately took place, the ECB's monetary policy will remain accommodative. Special attention should also be paid to the question of "uncertainty". It comes as no surprise that this also featured strongly in the Governing Council's internal debate and should also be viewed as a key influencing factor in moving away from forward guidance. The high degree of uncertainty was already prominent in the June meeting, less so any references to potential recession scenarios. In the July minutes, however, the number of mentions was considerably higher. In this regard, the ECB faced and continues to face the question of how much a recession would curb the upside risks to inflation. According to the minutes, this would not necessarily be the case, even if gas delivery stoppages or other supply shocks were accompanied by a sharp slowdown in growth. The Governing Council believes the trade unions play a critical role here. In our opinion, the ECB minutes for the July meeting reveal "concerns" that an impending wage/price spiral or additional inflationary stimuli could be fuelled by overly high wage agreements. When assessing its own course, the Governing Council once again stressed the need for normalisation. In its statement, it clarified that in the context of the current crisis situation the focus of the ECB would be on the inflation trend, while support for households and businesses lies within the remit of governments.

Opinions from inside the ECB: don't move away from the current path too quickly…
Conversely, according to some central bankers, the lack of a trade-off between growth and inflation provides little in the way of an argument for delaying tightening measures. This perspective aligns with statements made by executive board member Isabel Schnabel. At the Jackson Hole symposium, the central banker also stated that even in the case of a recession, the Governing Council would have no choice but to continue down the path of normalisation. The President of the Bundesbank, Joachim Nagel, used an interview with Bloomberg to clarify his view that it is still far too early to consider stopping the normalisation policy. The eagerly anticipated speech by Jerome Powell laid the foundation for the perspectives cited above. The head of the US central bank prepared market players for further major rate hikes, which essentially corresponded with the general expectations of the financial markets as well. For the forthcoming ECB meeting, the question in particular is the size of the next rate increase. We increasingly believe that a preponderance of interpretations that the hike will be 50 basis points should be seen as signalling subsequent key interest rate decisions. The surprisingly large increase in July has also left the central bankers with little leeway. This assessment is also supported by a series of comments from within the central bank. However, with regard to the respective interest rate paths, we always warn against comparing apples and pears. Three central bankers, Robert Holzmann from Austria, Klaas Knot from the Netherlands and Mārtiņš Kazāks from Latvia, viewed a rise of 50 basis points as the minimum required, which does not rule out 75 basis points. Meanwhile, the ECB's Chief Economist, Philip R. Lane, said in Barcelona on Monday: "Having completed this initial stage of monetary policy normalisation, our upcoming September monetary policy meeting will be the start of a new phase". In this context, Lane stressed once again that a meeting-by-meeting approach will be adopted for setting interest rates. In his comments, the economist also confirmed the advantages of this approach, particularly with regard to the ability to react flexibly in uncertain times. In our opinion, flexibility in this context should not be confused with vacillation. This is clearly also the opinion of Latvia's Mārtiņš Kazāks. He is against any overly hasty reactions, even if the core inflation rate reduces for a quarter. For Lane, the appeal of the meeting-by-meeting approach is also that in the current market environment, wage and price-setting can contribute to persistent inflation rates. However, a weakening economic cycle can also negatively impact the actual scope to pass on higher prices. However, these comments also reveal internal conflict in the ECB Governing Council with regard to the pace of appropriate interest rate rises.

…and start thinking about QT?
In the public debate so far, there has been much less focus on the question of reducing the central bank's balance sheet in the common currency area. Its counterparts in the United Kingdom and the USA are already a few steps ahead here, which also suits the respective economic areas. Ahead of the ECB interest rate decision in September, it was mainly hawks such as Kazāks (again) who wanted to put Quantitative Tightening (QT) on the agenda for the ECB as well. If we give credence to the comments from Olli Rehn, among others, the ECB Council will first (have to) turn its attention to adequately setting the tiered interest rates.

ECB calendar: it's all about timing – future ECB Council meetings 2022

The ECB regularly publishes a non-binding calendar for its regular tender operations and the Eurosystem's minimum reserve maintenance periods as well as the dates for its meetings for the current year. Updated ECB projections are due to be published on 8 September. Current and expected inflation through to 2024 are set to further increase pressure on the ECB Council to act. We expect rate increases at all meetings, although the nature and extent may differ.

- 08 September (new ECB projections)
- 27 October
- 15 December (new ECB projections, first time for 2025)

ECB projections: next updates imminent

The minutes of recent ECB meetings show that ECB projections lag somewhat behind current developments in reality. This is a harsh judgement on forecasters, but one that is completely understandable in light of the dramatic price distortions on the electricity and gas exchanges. The minutes of the ECB's June meeting reveal that doubt was already recorded regarding the adequacy of the central bank's assumptions in its own projections. One question in particular related to whether the assumptions pertaining to the impact of the war and/or sanctions in the baseline scenario were on the soft side. The central bank's expectations for further savings in the common currency area were also queried, posing the question of the extent to which the loss of consumer purchasing power would lead to savings being tapped. We would not be surprised if the updated projections in just over a week's time again show slower growth and higher inflation. These adjustments could then deliver additional impetus for significant monetary policy decisions as we explain below.

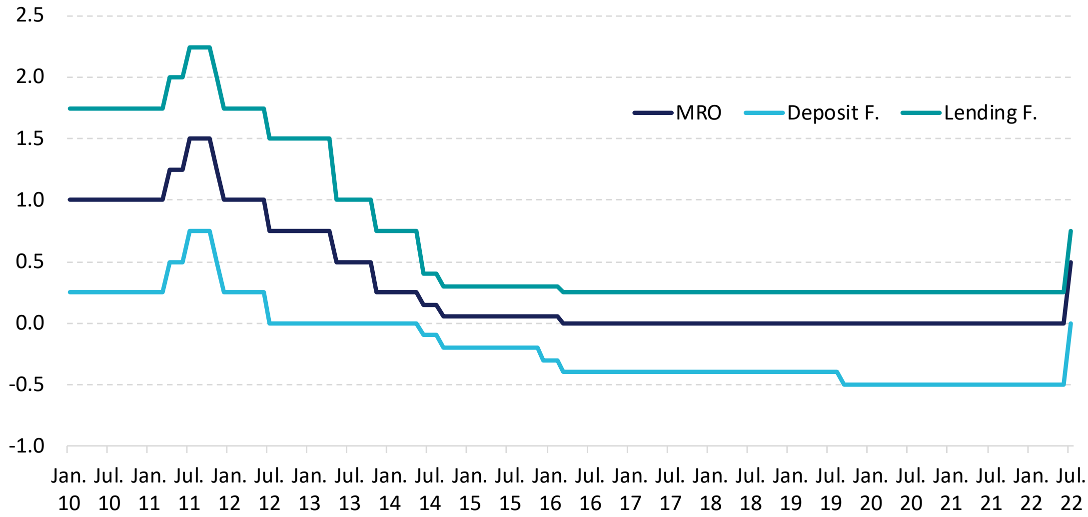
How big will future interest rate rises be?

Every journey begins with the first step: as we know, this happened in July and was a large step at 50 basis points. The inflation data has long been justifying rate hikes. As a result of high inflation rates, our baseline scenario provides for a rise of at least +50bp in September and we would not be particularly surprised by +75bp, although we consider the larger increase less likely. "Normal" steps (+25bp each) would then follow in October and December. Accordingly, we would reach a total interest rate increase of +100bp minimum by the year-end, with a slight tendency towards a higher increase. We see the likelihood of lower rate hikes at only 0.01% overall.

Do all three key interest rates move in lockstep again?

For a long time, the clear favourite for the first increase was the deposit facility rate. The main refinancing rate and consequently the key interest rate in the narrow sense (MRO; main refinancing operations rate) and the marginal lending facility rate, i.e. borrowing money overnight from the central bank, would then follow later. Ahead of its July meeting, the ECB decided otherwise, and not only were all three interest rates increased by +50bp at the same time, but the increase also put an end to the era of negative interest rates in the Eurosystem earlier than expected. We currently see no signals for further parallel steps or for diverging increases respectively in order to regain the symmetry often cited by us (see chart and paragraph below).

The once symmetrical ECB interest rate corridor has been out of balance since 2015 (%)



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

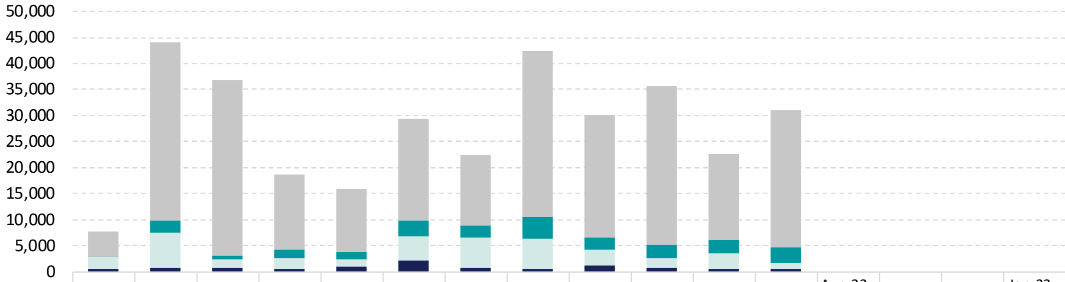
No symmetrical corridor in July: has the ECB determined too early?

The key interest rate gap is 50bp to the downside and 25bp to the upside 25bp. Before 2015 in particular, this was a corridor with an identical gap in both directions. Following the early abolition of negative interest rates, we consider it feasible for the lending facility to make a bigger jump than the other two interest rates as early as September or later in 2022. It is also conceivable that the symmetrical corridor could widen again in 2023. Previously its range was at least 50-75 basis points in both directions.

How long will reinvestments under the APP continue?

As unclear as the data and reporting from the Eurosystem regarding PEPP (Pandemic Emergency Purchase Programme) reinvestments may appear to be, the cards are on the table as far as the duration of reinvestments is concerned. Although the programme ceased net purchasing at the end of March before exhausting its own framework target of EUR 1,850bn, maturities totalling an (as yet) unknown amount in some cases are being reinvested until the end of 2024. This means we will still be dealing with the PEPP for nearly another 2.5 years and there will be no balance sheet reduction. With regard to the APP the situation is currently much more cryptic: “The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates and, in any case, for as long as necessary to maintain ample liquidity conditions and an appropriate monetary policy stance.” We currently consider everything feasible here from 6 months to over 24 months and hope for some indication at the press conference following the Governing Council’s meeting next week. The potential of reinvestments under the APP should not be underestimated and not just in the current market phase. When handled flexibly, this can create a notable degree of leeway. In the second half of 2022 alone, maturities under the APP total EUR 149bn. Unsurprisingly, the majority relates to the PSPP (EUR 122bn), but maturing bonds under the CSPP (EUR 7bn) and the CBPP3 (EUR 16bn) will also have an impact, particularly as reinvestment activity is set to be concentrated in the period following the summer break which is now coming to an end.

APP: Expected monthly maturities (EURm)



	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22 - Jul-23	2021	2022	Jan-23 - Jul-23
APP	7,779	44,089	36,959	18,801	15,787	29,318	22,499	42,515	30,140	35,777	22,762	31,009	337,435	247,069	298,690	214,020
PSPP	4,841	34,354	33,927	14,669	12,016	19,469	13,657	32,033	23,611	30,551	16,619	26,347	262,094	188,494	228,585	162,287
CSPP	196	2,221	674	1,491	1,416	2,947	2,182	4,219	2,388	2,579	2,521	3,018	25,852	17,134	17,337	19,854
CBPP3	2,227	6,873	1,651	2,167	1,487	4,786	5,995	5,631	2,937	1,874	3,108	1,162	39,898	30,143	41,244	25,493
ABSPP	515	641	707	474	868	2,116	665	632	1,204	773	514	482	9,591	11,298	11,524	6,386

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

TPI: Transmission Protection Instrument

After much speculation and an extraordinary meeting, the Governing Council swiftly launched an anti-fragmentation tool at its July meeting, giving it a new name at the same time: Transmission Protection Instrument (TPI). According to a press release, the Governing Council assessed that the establishment of the TPI was necessary to support the effective transmission of monetary policy. As the Governing Council continues normalising monetary policy, the TPI will ensure in particular that the monetary policy stance is transmitted smoothly across the Eurozone. The singleness of the Governing Council's monetary policy is a precondition for the ECB to be able to deliver on its price stability mandate. We believe that this could also have been achieved via reinvestments of the PEPP and APP as well as the as yet unused OMTs. The TPI is an addition to the ECB's toolkit and can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the Eurozone. However, all participants would prefer it never become necessary to activate the TPI. There is **no** restriction on the volume of purchases ex ante. In any event, according to President Lagarde, the flexibility when reinvesting the principal payments of maturing securities in the PEPP portfolio remains the first line of defence to counter pandemic-related risks to the monetary policy transmission mechanism.

Potential impact on the SSA segment

Around 80% of the APP is attributable to bonds from public issuers, i.e. the PSPP. In addition, public securities make up around 96% of the PEPP. This should not be forgotten when it comes to reinvesting. Any potential activation of the TPI would also relate first and foremost to public securities, especially sovereign bonds. Consequently, the demand for SSA bonds on the part of the Eurosystem remains high. The supply of supranationals (especially EU) and sovereigns is currently strong, while the German federal states seem to have no need to use their borrowing authorisations in 2022 and supply here is lower. Consequently, the SSA segment merits a more detailed assessment and we will not make any sweeping judgment regarding spreads or the general situation. The agency markets in Europe in particular are too varied with regard to guarantees and regulatory frameworks.

Potential implications of ECB decision for the covered bond market

The implications for the covered bond segment that relate directly to the imminent ECB key interest rate decision should once again remain manageable. The CBPP3 purchase programme relevant for the covered bond market is in the reinvestment phase and should not be subject to any adjustments. Nor do we expect any further decisions on 8 September regarding the potential competitor to commercial bank's covered funding – the targeted longer term refinancing operations (TLTRO). However, we would not want to underestimate the indirect impact of further adjustments to the monetary policy stance. It is already evident that as a result of increased uncertainty the covered bond market is becoming increasingly popular in an environment of rising refinancing costs. While the withdrawal of the ECB is associated with increased execution risk, the question of a shortage of suitable cover assets will arise for some institutions and this will limit issuance potential going forward. This is particularly true in light of the fact that adequate overcollateralisation is required for the stability of a covered bond rating. However, against the backdrop of these developments we do not believe a fundamental revaluation is necessary yet. Nevertheless, there is the question of how the funding of commercial banks can adapt in an environment characterised by a tighter ECB monetary policy. Unsecured refinancing could become more challenging for some institutions, which in the medium term, coupled with the shortage considerations mentioned above, could pave the way for a renewed use of supporting measures for refinancing in the banking sector. The Governing Council will certainly be at pains not to intervene in the funding structure with extremely attractive conditions again. Rather, when setting up a new TLTRO consideration will be given to the fact that utilisation is taking place against the backdrop of an extremely challenging market environment. In any event, as mentioned at the start, the ECB will probably be more reticent here in the coming week.

Conclusion and comments

Expectations in the financial markets of an interest rate hike have strengthened once more in recent weeks. In some places, a rise of +50bp is now seen as the bare minimum and +75bp as more likely. We are curious to see what the ECB will give the markets and when. Not least the ECB's premature predetermination of the path to be pursued reveals an unclear picture. From now on, the meeting-by-meeting approach will be adopted in order to be able to act with greater flexibility. Do the markets like so much uncertainty? After the clear communication in June and the extraordinary meeting shortly afterwards, which was low on content, action is now required not just with regard to the three key interest rates. We also remain critical of the enthronement of the new anti-fragmentation tool, or TPI for short. As the first line of defence is PEPP reinvestments, in our opinion there was no need for the TPI given that the OMT remains unused to date. There are also ongoing discussions about the exchange rate (key word: parity) and naturally potential carry earnings for banks from unintended favourable and contradictory conditions. The press conference could once again be probing for President Lagarde. The journey to a "new normal" in 2023 or 2024 (aim: 2.5% for MRO) is still a long one, and we will therefore focus first of all on the forthcoming discussions and decisions.

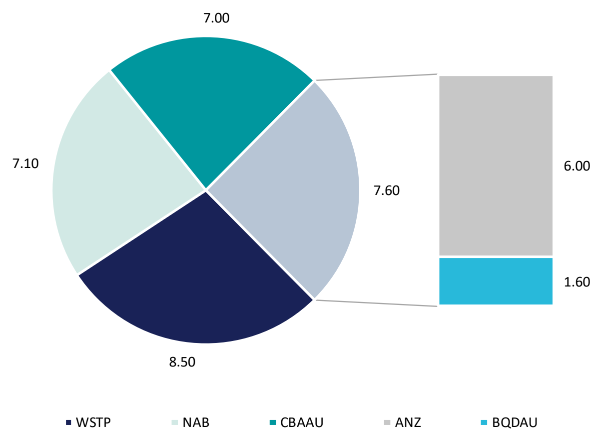
Covered Bonds
Australia: Macquarie returns to the EUR benchmark segment

Author: Dr Frederik Kunze

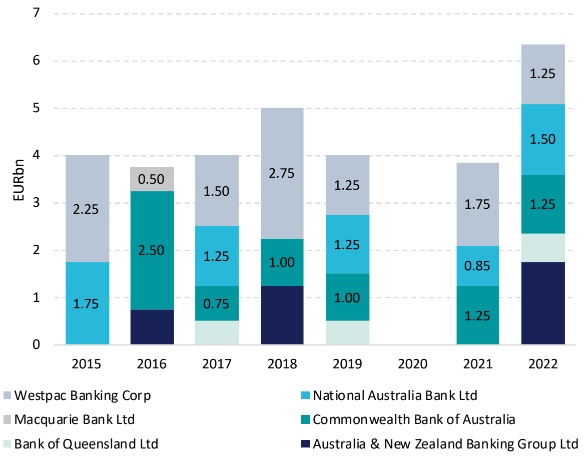
Fresh momentum for EUR denominated benchmark bond issues from Australia

In mid-June this year, we reported on the Australian EUR benchmark segment for covered bonds as part of our weekly publication, providing an overview of the five issuers active in this sub-market. Since then, National Australia Bank has already been present in the primary market for the second time on 23 August 2022, with a transaction worth EUR 750m. The issuance volume of Australian issuers totals EUR 7.1bn in the year to date. An announcement from Macquarie Bank has now provided new momentum. The financial institution, whose last EUR benchmark bond issue (EUR 500m) matured in March 2021, has been sending out invitations to investor meetings and a deal roadshow, starting yesterday, Tuesday. This announcement provides us with a good opportunity to give a brief outline of the financial institution as well as the covered bond market in Australia.

EUR benchmarks from AU (outstanding, EURbn)



EUR benchmarks from AU (bond issues, EURbn)

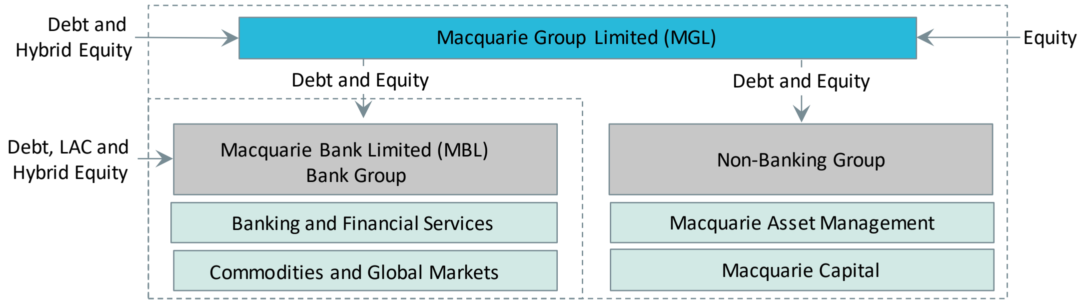


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Issuer – Macquarie Bank Limited

Macquarie acts as a global financial services group and has 18,133 employees in 33 markets, with 48% of its income generated in the USA. Australia (incl. New Zealand) accounts for 25%, followed by the EMEA region (20%) and Asia (7%). The group's CET1 ratio was indicated as 15.6% (reporting date: 30 June 2022). The regulatory ratios, including the leverage ratio (5.7%), LCR (203%) and NSFR (114%), exceed the Basel III requirements. Macquarie Bank Limited is responsible for secured funding. It is rated by Moody's (long-term credit rating: A2, outlook: positive), Fitch (A, outlook: stable) and S&P (A+, outlook: stable). In terms of the group's funding, a share of 30% is attributable to the category "equity and hybrids", while the category of secured funding accounts for 11%. With regard to housing finance, which forms the basis of the cover pool, the group reported a portfolio worth AUD 96.6bn as at 30 June 2022. A 72% share of this total volume was attributable to the financing of owner-occupied property.

Overview of Macquarie Group's funding structure



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

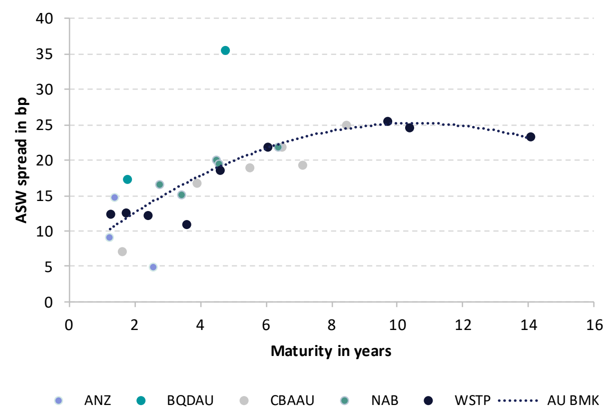
Macquarie's covered bond programme

The bonds issued under the covered bond programme worth a maximum of AUD 10bn have preliminary top ratings from Moody's (Aaa) and Fitch (AAA). All property finance is residential. In geographical terms, all of the mortgages are for homes in Australia, diversified within the country. With regard to requirements in terms of cover assets, a maximum time to maturity (30 years plus one month) and loan limit (maximum of AUD 2.5m) are among the decisive parameters. The average size of loans was indicated as AUD 320,930 (reference date: 31 July 2022). This, combined with the 12,443 loans and 8,718 properties financed, means that the cover pool can be described as granular. Moreover, no loans that are more than 90 days in arrears are included in the cover pool.

Programme data

31 July 2022	Mortgage
Covered bonds outstanding	-
Cover pool volume	AUD 2,798m
Current OC (nominal / regulatory)	- / 3.0%
Type	100% Residential
Country	100% Australia
Number of accounts	12,443
Number of facilities	8,718
Average loan size	AUD 320,930
LTV (unindexed / indexed)	58.1% / 43.2%
Fixed interest (Cover Pool / CBs)	86% / -
CB Rating (Fitch / Moody's / S&P)	P(AAA) / (P)Aaa / -

Spread overview (BMK) – Australia



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

Ratings – Moody's acknowledges credit quality of the cover pool…

In its Pre-Sale Credit Opinion, the rating agency Moody's affirmed a (preliminary) top rating of Aaa. With regard to strengths, the risk experts highlighted the Australian Covered Bond Act, the regulations and supervisory authority relevant to the market as well as the high quality of the underlying assets. In terms of funding risk, Moody's additionally acknowledged the option of issuing covered bonds with a soft bullet structure. As far as typical challenges related to the asset class are concerned, the rating agency mentioned, for example, the high dependency on the issuer, general market risks and the risk of time subordination of bonds maturing at a later date.

… and identifies a rating buffer of two notches just like Fitch
With regard to the impact of a downgrade of the issuer, Moody's deduces a TPI leeway of two notches. The risk experts at Fitch also explained the stable outlook they gave for the (preliminary) AAA rating as being based on a rating buffer of two notches. In terms of the structural features of the cover pool, Fitch also made reference to the geographical diversification as well as maturity features such as seasoning.

Regulatory assessment
For the covered bonds placed by Australian benchmark issuers, a risk weighting of 20% applies. In our view, in a best-case scenario, a classification as Level 2A assets is also possible as part of LCR management. Since 08 July 2022, the issuers have also had to meet the reporting requirements of Article 14 of the Covered Bond Directive (cf. "NORD/LB Covered Bond Special – Covered Bond Directive: Impact on Risk Weights and LCR Level" dated 05 August 2022).

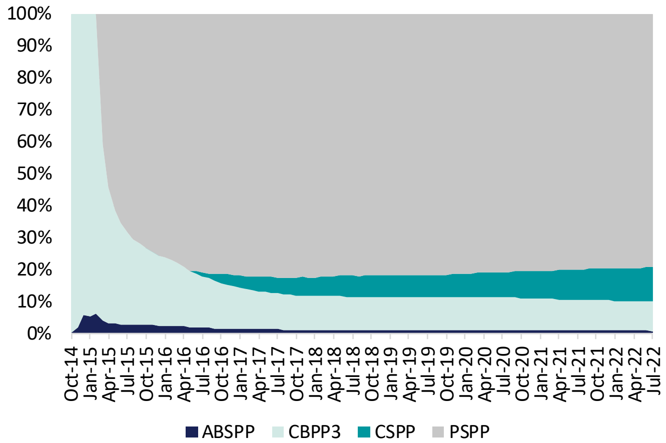
Conclusion
For 2022, a record figure has already been observed for Australia at this point in terms of new EUR denominated benchmark bond issues placed. Macquarie's return to the market has provided investors with an additional diversification option. After the bank's inaugural issue matured back in March 2021, according to information provided by the bank itself, Macquarie now plans to make regular use of its covered bond programme for funding purposes. Against the backdrop of steady growth of the property finance portfolio in recent years combined with the 8% limit that applies to covered bonds issued in Australia in relation to total Australian assets, we certainly see potential for a regular market presence.

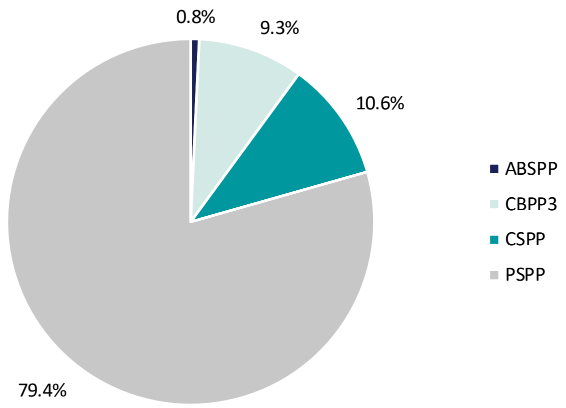
ECB tracker

Asset Purchase Programme (APP)

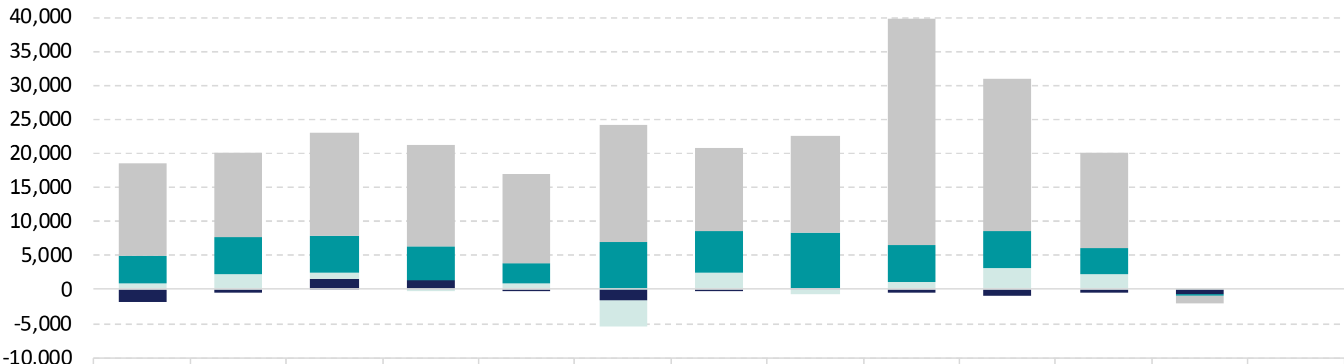
	ABSPP	CBPP3	CSPP	PSPP	APP
Jun-22	25,337	302,210	344,952	2,592,645	3,265,144
Jul-22	24,638	302,427	344,811	2,591,531	3,263,407
Δ	-699	+217	-141	-1,114	-1,737

Portfolio structure





Monthly net purchases (in EURm)

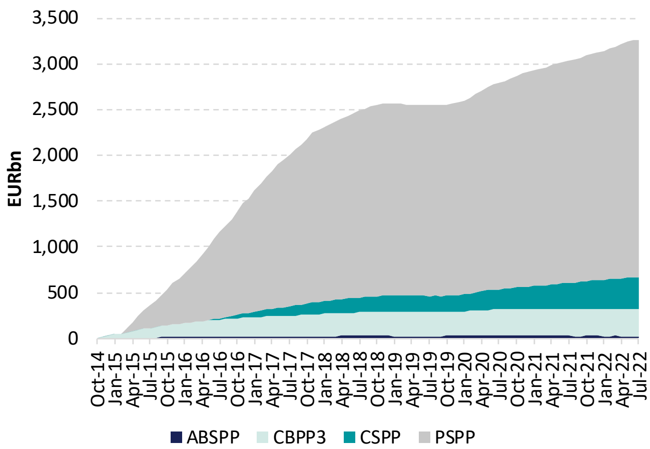


	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	∑
APP	16,749	19,659	23,017	21,200	16,596	18,838	20,698	21,929	39,397	30,232	19,722	-1,737	246,300
PSPP	13,563	12,423	15,038	14,815	12,989	17,292	12,095	14,172	33,238	22,443	13,924	-1,114	180,878
CSPP	3,936	5,590	5,481	5,142	3,007	6,970	6,272	8,042	5,461	5,366	3,858	-141	58,984
CBPP3	999	2,184	1,008	-12	942	-3,761	2,376	-606	1,074	3,247	2,339	217	10,007
ABSPP	-1,749	-538	1,490	1,255	-342	-1,663	-45	321	-376	-824	-399	-699	-3,569

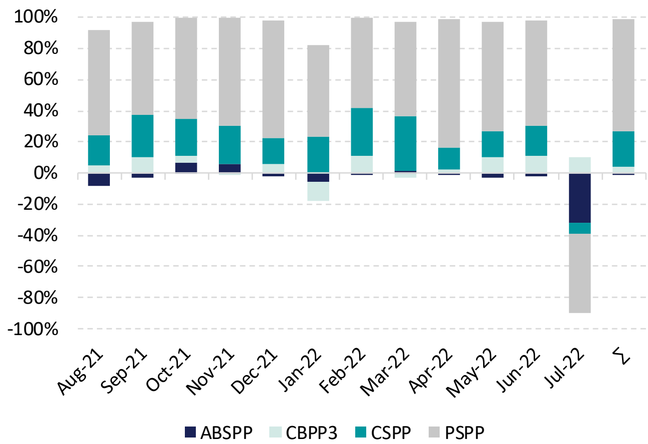
Source: ECB, NORD/LB Markets Strategy & Floor Research

NORD/LB

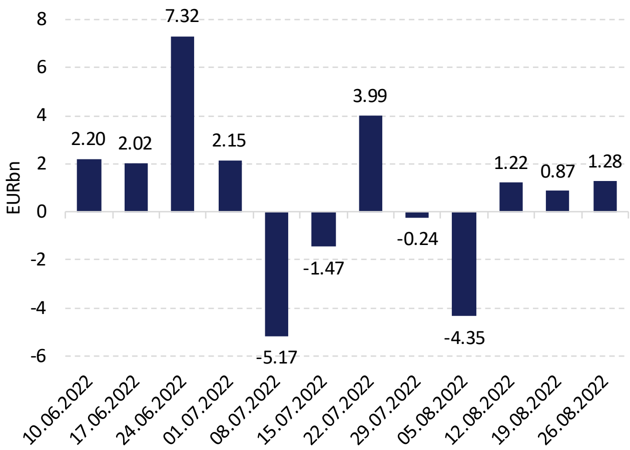
Portfolio development



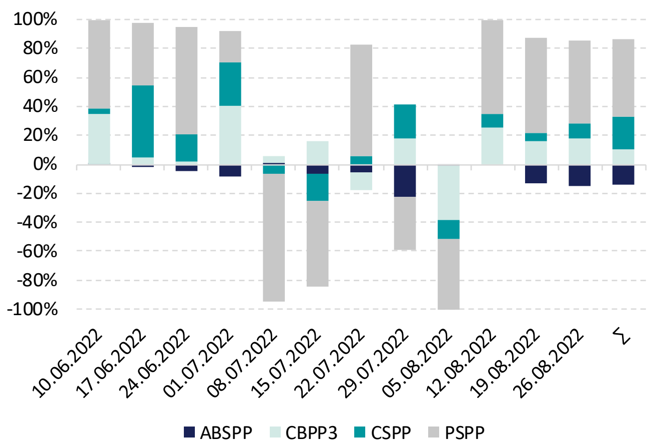
Distribution of monthly purchases



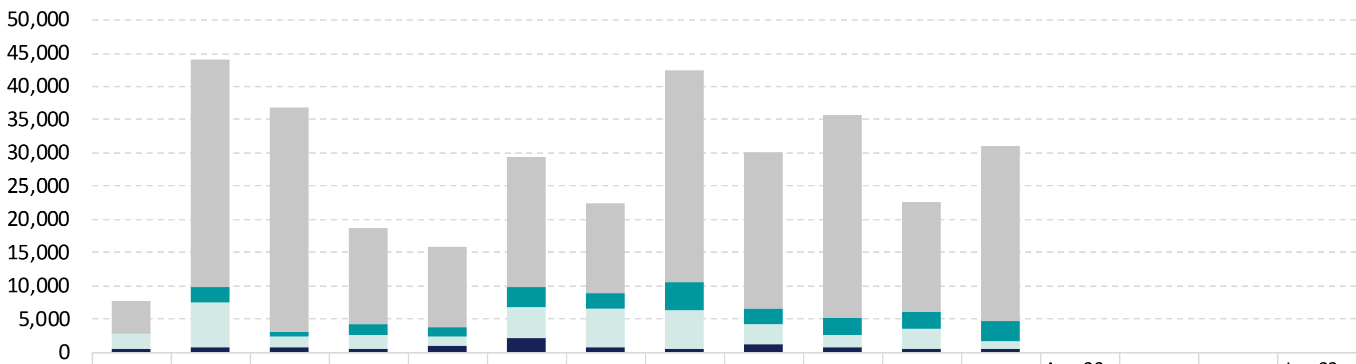
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

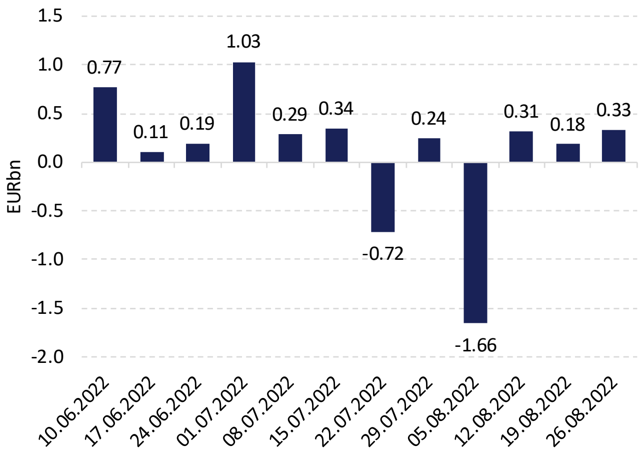


	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-22 - Jul-23	2021	2022	Jan-23 - Jul-23
APP	7,779	44,089	36,959	18,801	15,787	29,318	22,499	42,515	30,140	35,777	22,762	31,009	337,435	247,069	298,690	214,020
PSPP	4,841	34,354	33,927	14,669	12,016	19,469	13,657	32,033	23,611	30,551	16,619	26,347	262,094	188,494	228,585	162,287
CSPP	196	2,221	674	1,491	1,416	2,947	2,182	4,219	2,388	2,579	2,521	3,018	25,852	17,134	17,337	19,854
CBPP3	2,227	6,873	1,651	2,167	1,487	4,786	5,995	5,631	2,937	1,874	3,108	1,162	39,898	30,143	41,244	25,493
ABSPP	515	641	707	474	868	2,116	665	632	1,204	773	514	482	9,591	11,298	11,524	6,386

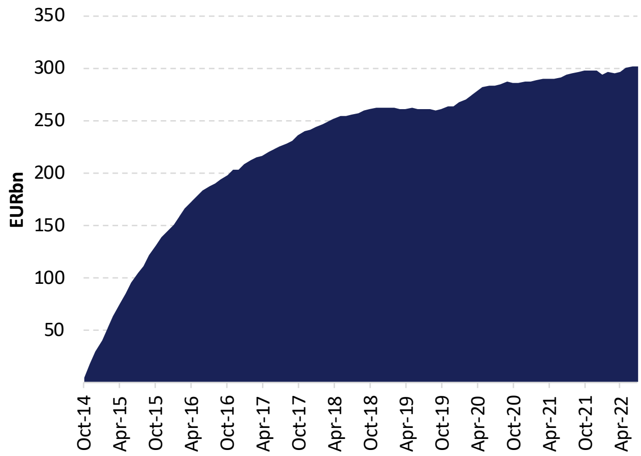
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

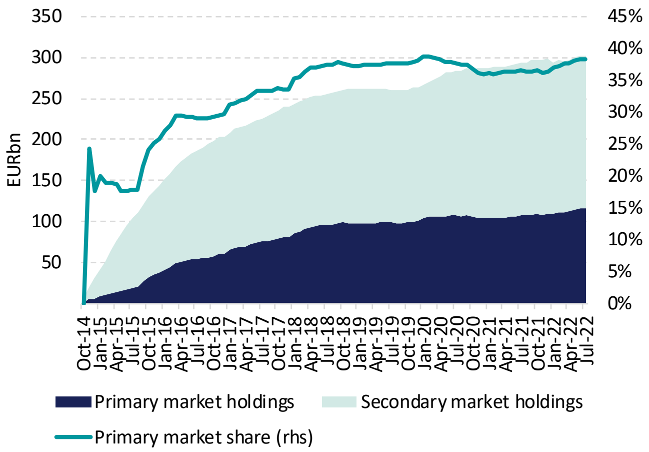
Weekly purchases



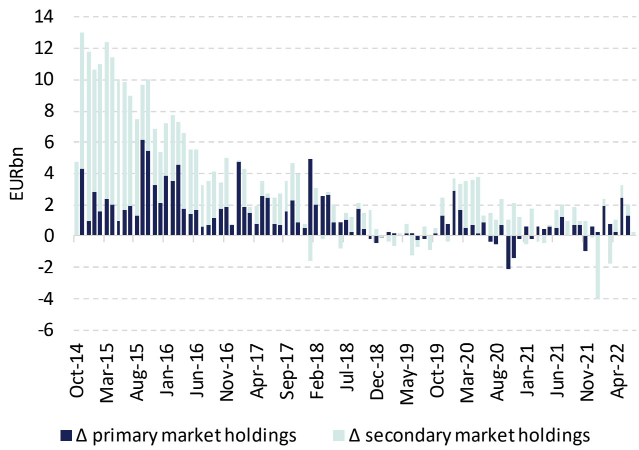
Development of CBPP3 volume



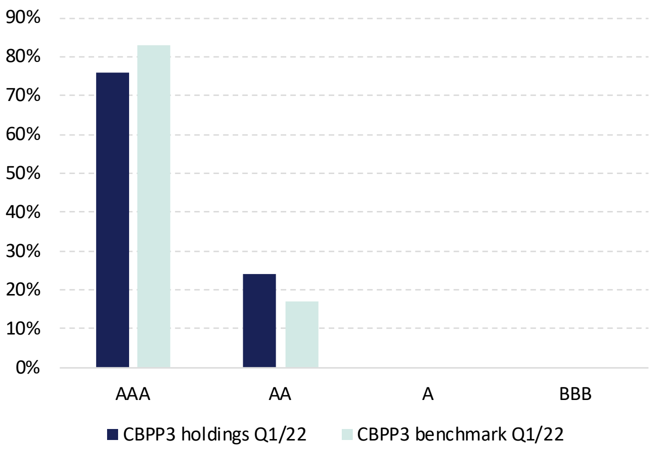
Primary and secondary market holdings



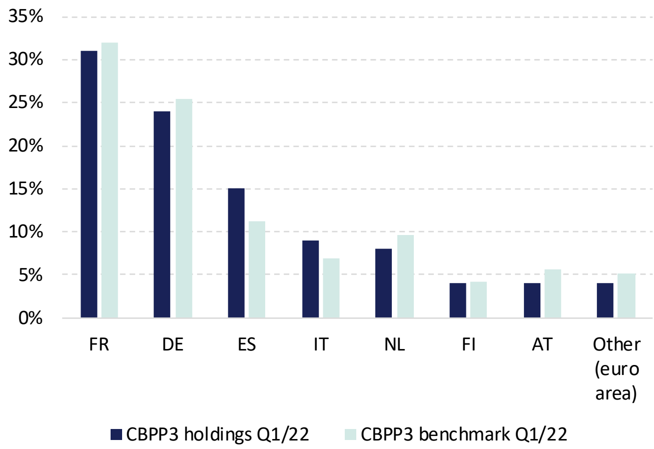
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



Distribution of CBPP3 by country of risk

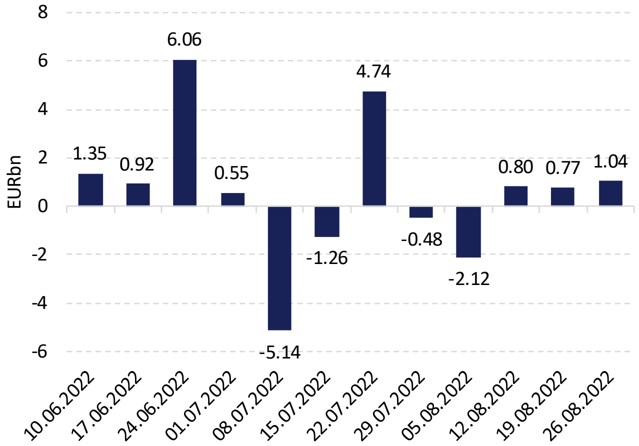


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

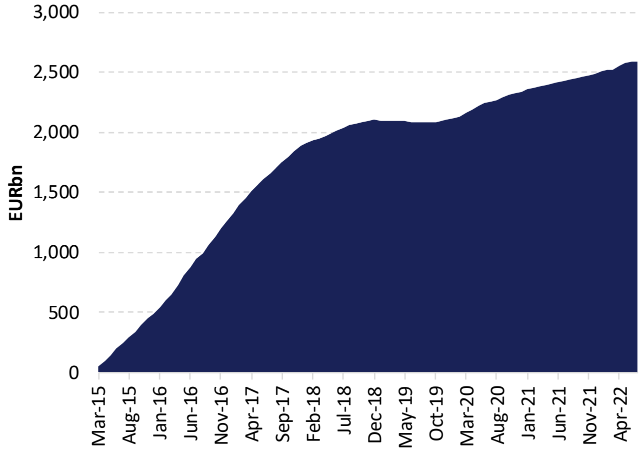
NORD/LB

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



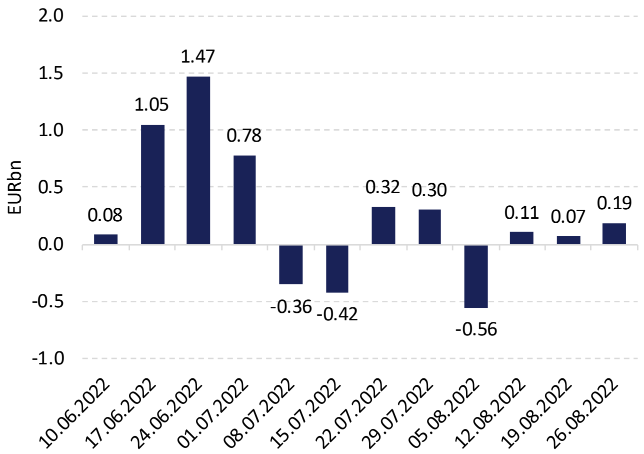
Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key[1]	Holdings (EURm)	Expected holdings (EURm)[2]	Difference (EURm)	Current WAM of portfolio[3] (in years)	WAM of eligible universe[4] (in years)	Difference (in years)
AT	2.7%	78,089	74,093	3,996	7.2	8.4	-1.2
BE	3.4%	95,525	92,227	3,298	7.3	10.4	-3.1
CY	0.2%	4,295	5,447	-1,152	8.9	9.3	-0.4
DE	24.3%	662,990	667,329	-4,339	6.7	8.0	-1.3
EE	0.3%	444	7,131	-6,687	7.9	7.9	0.0
ES	11.0%	316,794	301,866	14,928	7.8	8.3	-0.5
FI	1.7%	44,118	46,500	-2,382	8.0	8.9	-0.8
FR	18.8%	530,148	517,033	13,115	6.8	8.7	-1.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	42,835	42,867	-32	8.3	10.6	-2.3
IT	15.7%	450,235	430,056	20,179	7.1	7.8	-0.7
LT	0.5%	5,933	14,651	-8,718	10.4	10.1	0.3
LU	0.3%	3,835	8,339	-4,504	5.7	7.9	-2.2
LV	0.4%	3,772	9,864	-6,092	9.2	9.2	0.0
MT	0.1%	1,419	2,655	-1,236	11.3	9.8	1.5
NL	5.4%	129,651	148,354	-18,703	7.8	9.7	-1.9
PT	2.2%	55,364	59,249	-3,885	7.3	7.7	-0.4
SI	0.4%	10,872	12,189	-1,317	9.5	9.7	-0.1
SK	1.1%	18,243	28,991	-10,748	8.0	8.6	-0.6
SNAT	10.0%	288,595	274,316	14,279	8.0	9.5	-1.5
Total / Avg.	**100.0%**	**2,743,157**	**2,743,157**	**0**	**7.3**	**8.5**	**-1.3**

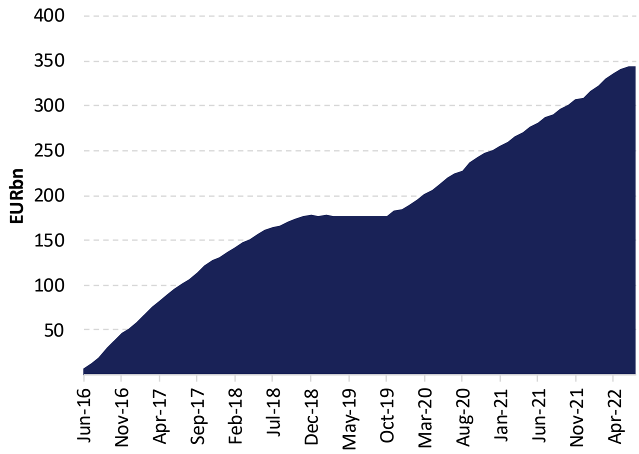
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of PSPP portfolio holdings
[4] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP
Source: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

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

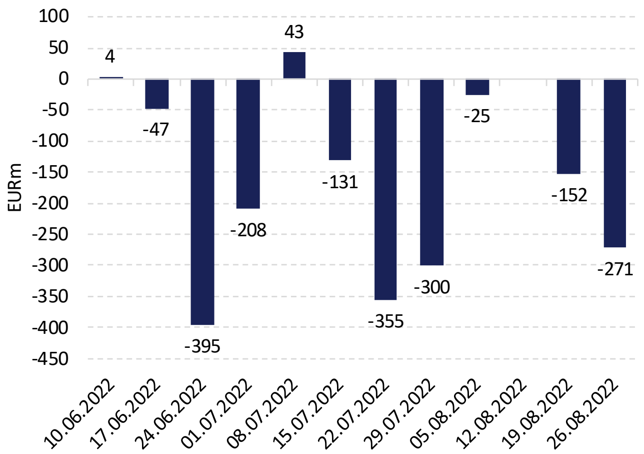


Development of CSPP volume

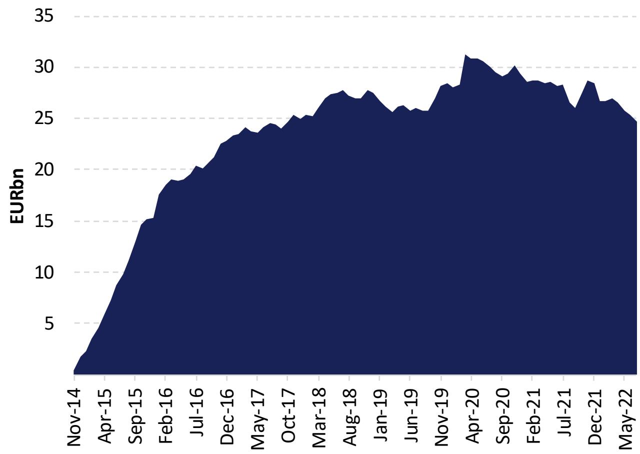


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



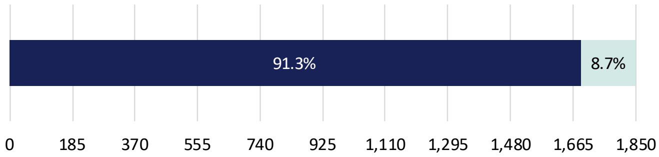
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

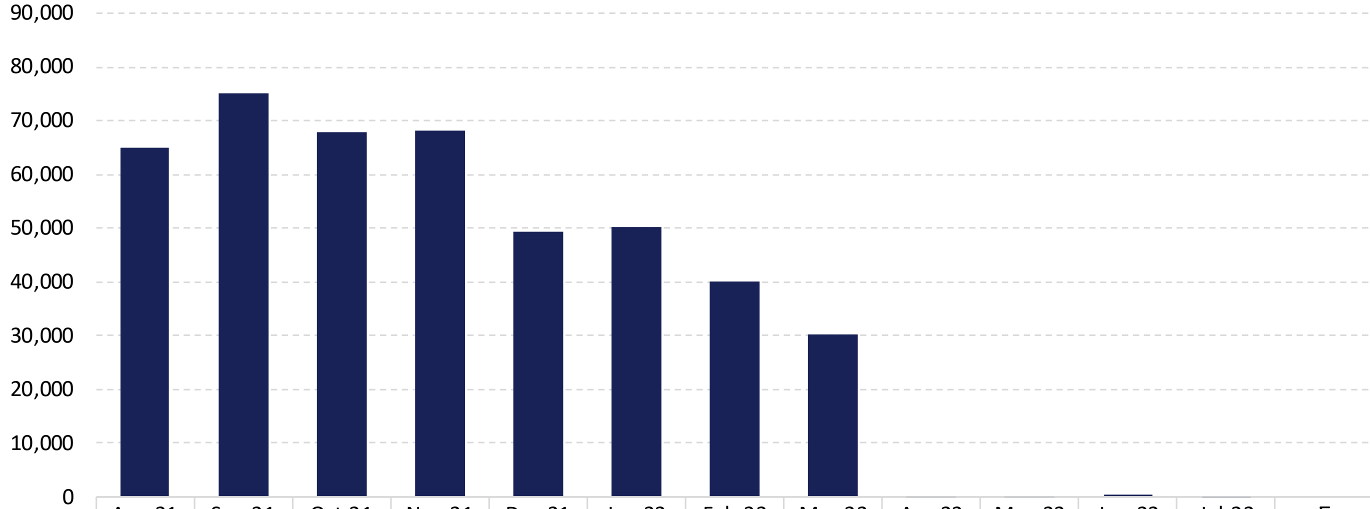
Holdings (in EURm)

	PEPP
Jun-22	1,718,074
Jul-22	1,717,352
Δ (net purchases)	-722

Invested share of PEPP envelope (in EURbn)

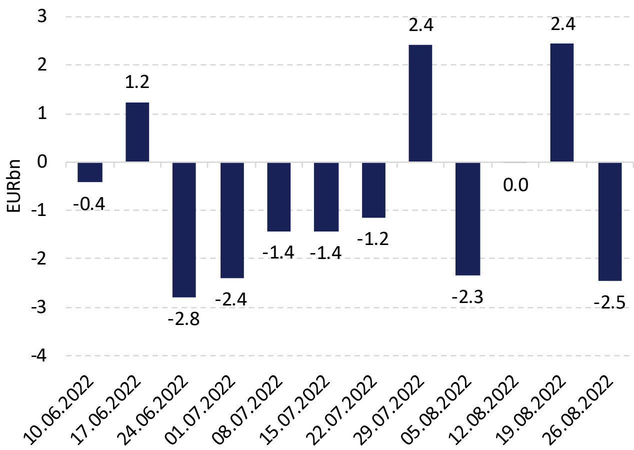


Monthly net purchases (in EURm)

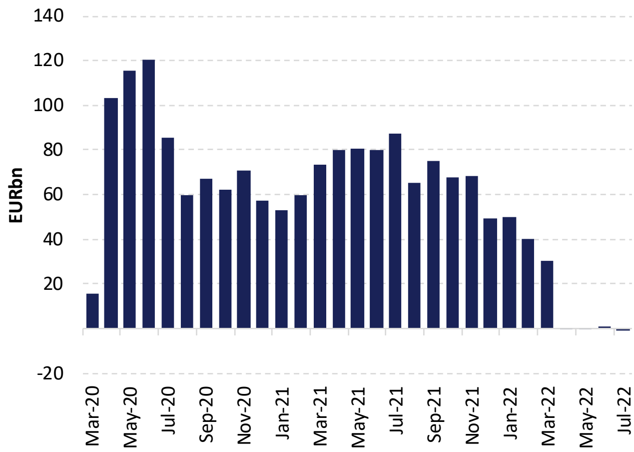


	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	∑
■ PEPP	65,050	75,051	67,855	68,045	49,375	50,113	40,184	30,214	-4	-10	12	-722	445,163

Weekly purchases



Development of PEPP volume

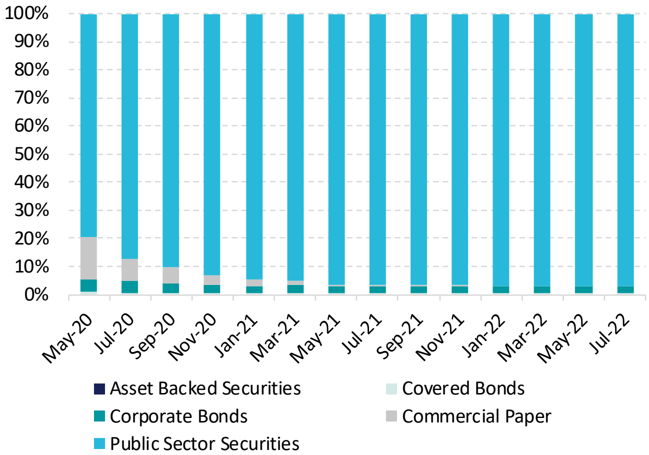


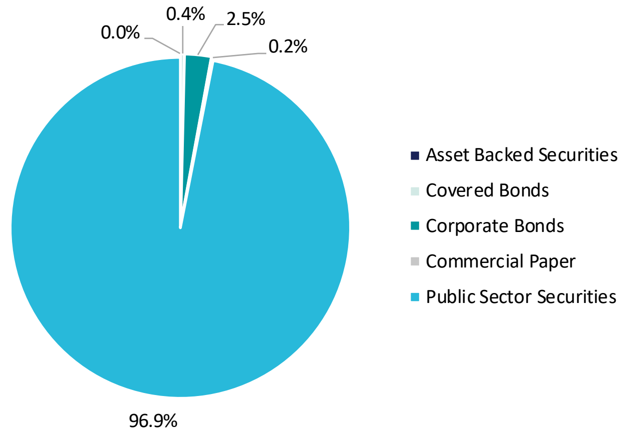
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

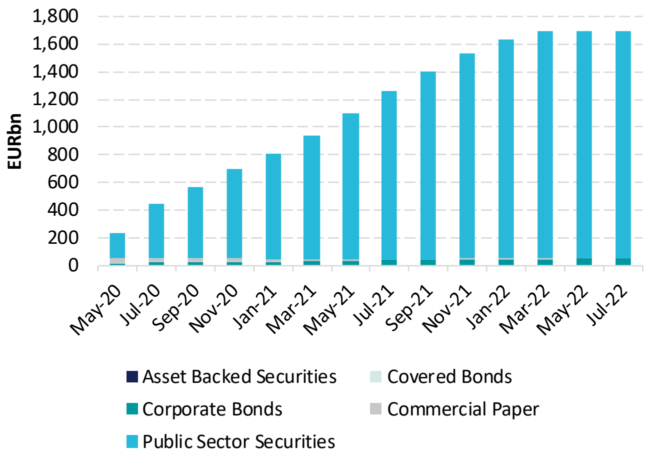
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
May-22	0	6,067	41,825	4,352	1,644,230	1,696,474
Jul-22	0	6,062	42,814	3,322	1,639,774	1,691,971
Δ (net purchases)	0	0	+1,025	-1,029	-705	-709

Portfolio structure

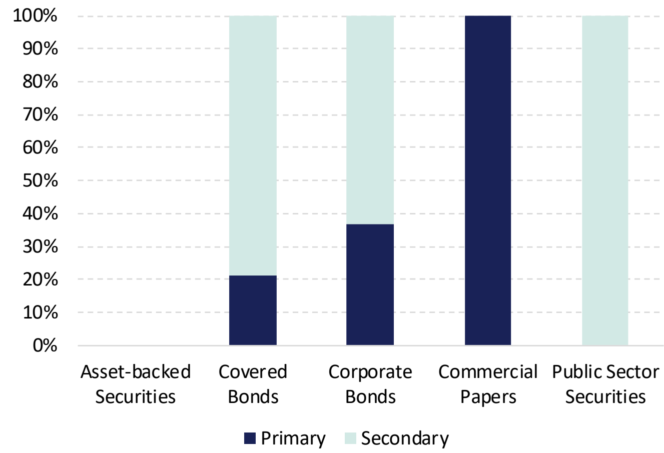




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

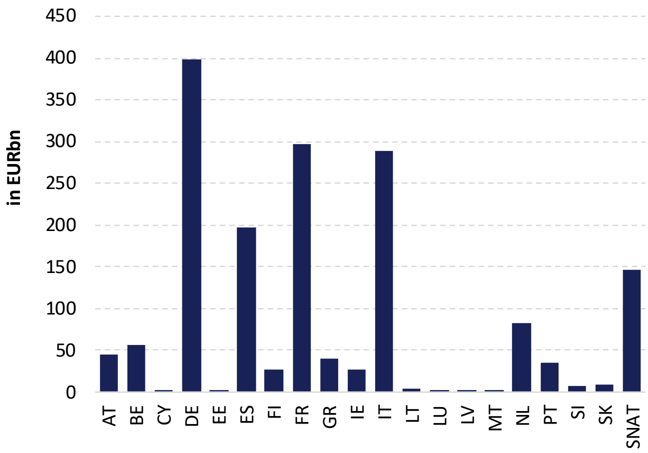
May-22	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	1,298	4,769	15,332	26,493	4,353	0
Share	0.0%	0.0%	21.4%	78.6%	36.7%	63.3%	100.0%	0.0%

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

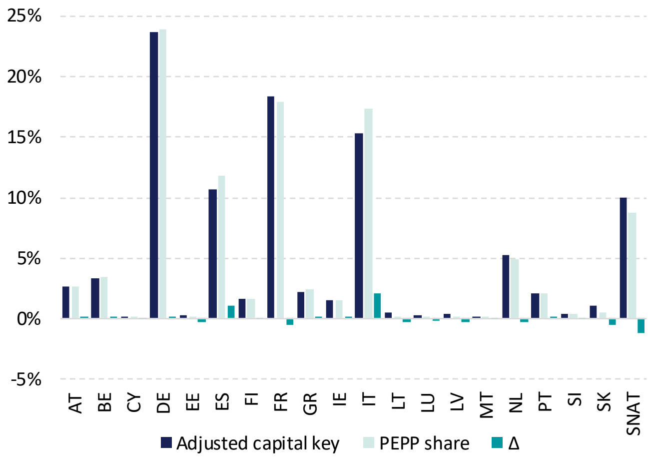
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	Current WAM[3] (in years)	WAM of eligible universe[4] (in years)	Difference (in years)
AT	44,424	2.6%	2.7%	0.0%	7.7	7.3	0.3
BE	57,057	3.3%	3.4%	0.1%	6.4	9.6	-3.2
CY	2,464	0.2%	0.1%	0.0%	8.9	8.2	0.7
DE	398,212	23.7%	23.9%	0.2%	6.6	7.0	-0.3
EE	256	0.3%	0.0%	-0.2%	7.9	6.5	1.4
ES	196,377	10.7%	11.8%	1.1%	7.5	7.4	0.1
FI	27,454	1.7%	1.6%	0.0%	7.1	8.2	-1.2
FR	297,766	18.4%	17.9%	-0.5%	8.0	7.8	0.2
GR	39,765	2.2%	2.4%	0.2%	8.4	9.4	-1.0
IE	26,004	1.5%	1.6%	0.0%	8.8	9.7	-0.8
IT	289,065	15.3%	17.4%	2.1%	7.1	7.0	0.1
LT	3,235	0.5%	0.2%	-0.3%	9.9	9.6	0.4
LU	1,865	0.3%	0.1%	-0.2%	6.2	7.0	-0.8
LV	1,890	0.4%	0.1%	-0.2%	8.4	8.3	0.1
MT	603	0.1%	0.0%	-0.1%	10.9	9.0	2.0
NL	82,741	5.3%	5.0%	-0.3%	7.9	8.7	-0.7
PT	35,315	2.1%	2.1%	0.0%	6.6	7.0	-0.4
SI	6,542	0.4%	0.4%	0.0%	9.0	9.2	-0.2
SK	7,966	1.0%	0.5%	-0.6%	8.6	8.1	0.5
SNAT	145,953	10.0%	8.8%	-1.2%	10.5	8.7	1.8
Total / Avg.	**1,664,955**	**100.0%**	**100.0%**	**0.0%**	**7.6**	**7.6**	**0.0**

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] Current WAM of public sector securities holdings under the PEPP [4] WAM of eligible universe of public sector securities holdings under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

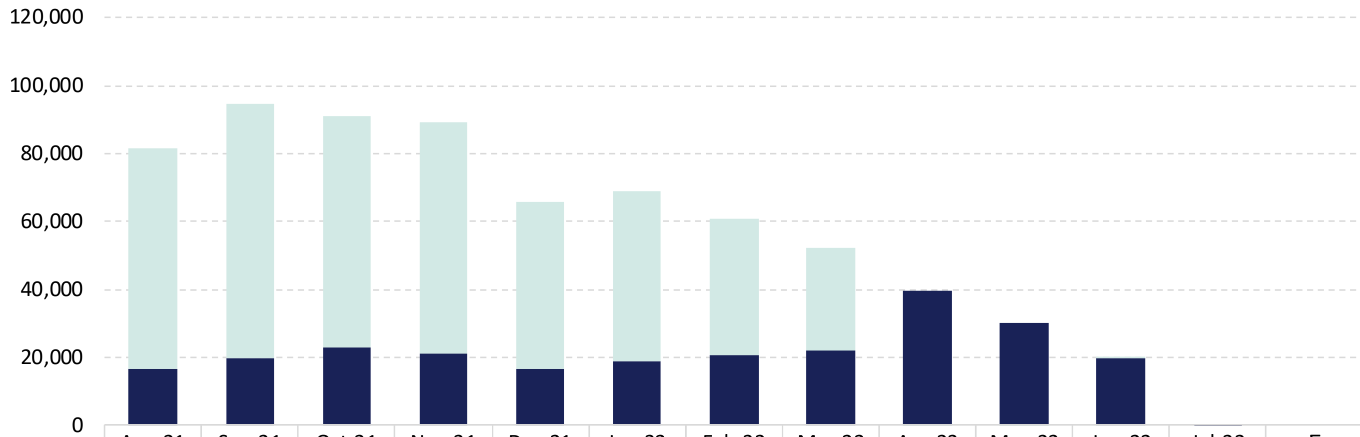
NORD/LB

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

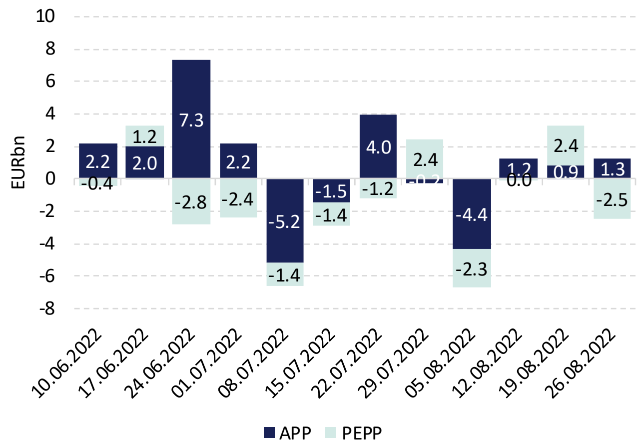
	APP	PEPP	APP & PEPP
Jun-22	3,265,144	1,718,074	4,983,218
Jul-22	3,263,407	1,717,352	4,980,759
Δ	-1,737	-722	-2,459

Monthly net purchases (in EURm)

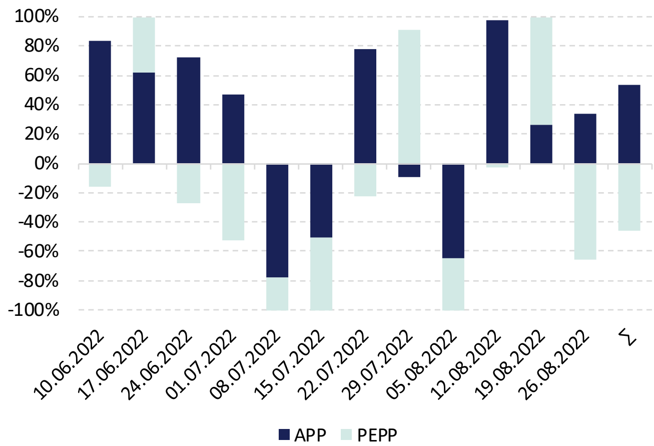


	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	∑
∑	81,799	94,710	90,872	89,245	65,971	68,951	60,882	52,143	39,393	30,222	19,734	-2,459	691,463
PEPP	65,050	75,051	67,855	68,045	49,375	50,113	40,184	30,214	-4	-10	12	-722	445,163
APP	16,749	19,659	23,017	21,200	16,596	18,838	20,698	21,929	39,397	30,232	19,722	-1,737	246,300

Weekly purchases



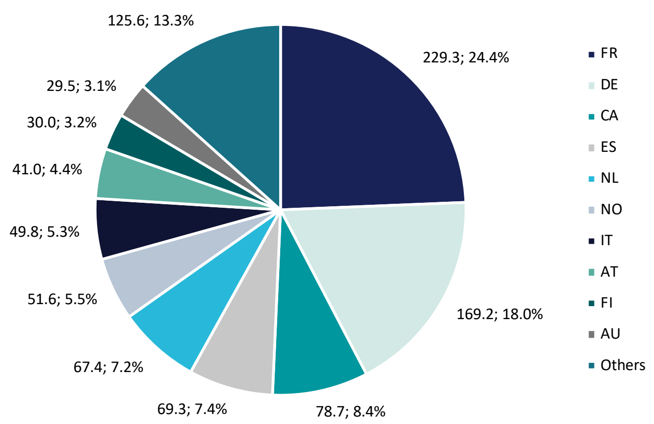
Distribution of weekly purchases



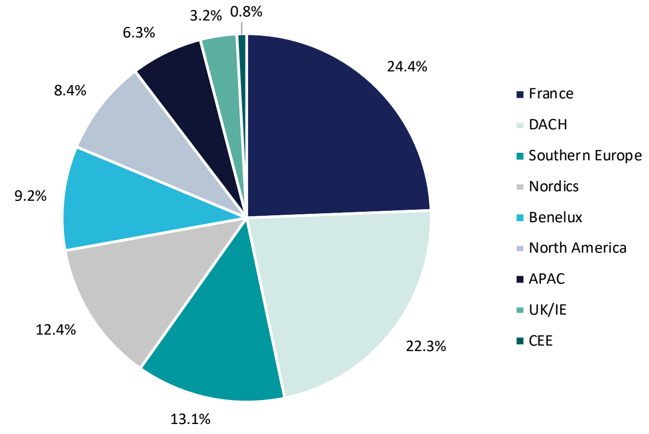
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



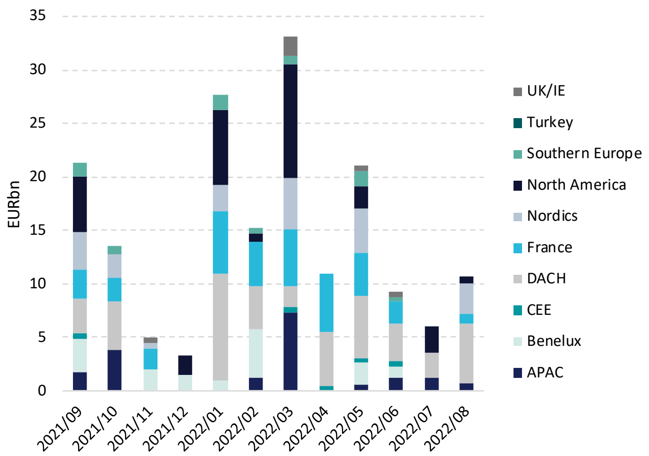
EUR benchmark volume by region (in EURbn)



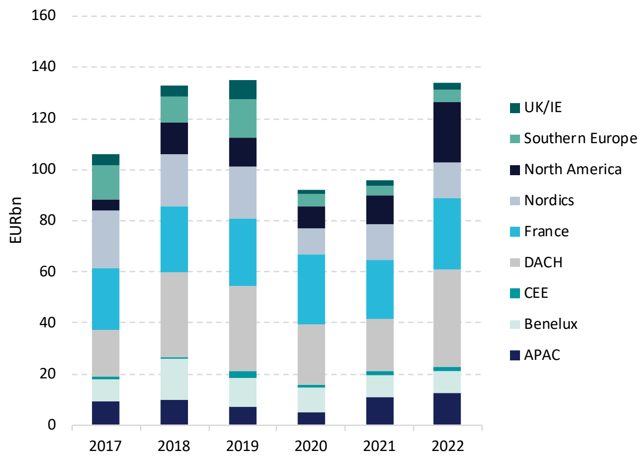
Top-10 jurisdictions

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	229.3	220	14	0.94	10.0	5.4	0.84
2	DE	169.2	244	22	0.63	8.4	4.5	0.51
3	CA	78.7	61	0	1.25	5.8	3.1	0.34
4	ES	69.3	56	5	1.12	11.8	3.7	1.70
5	NL	67.4	69	1	0.91	11.5	7.3	0.79
6	NO	51.6	60	9	0.86	7.4	3.9	0.45
7	IT	49.8	60	2	0.80	9.2	4.0	1.27
8	AT	41.0	73	3	0.56	9.4	5.9	0.69
9	FI	30.0	32	2	0.94	7.7	3.6	0.40
10	AU	29.5	30	0	0.98	8.2	4.0	0.85

EUR benchmark issue volume by month

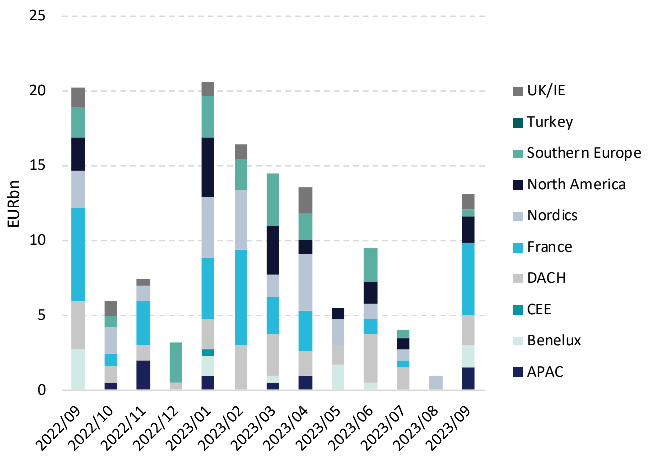


EUR benchmark issue volume by year

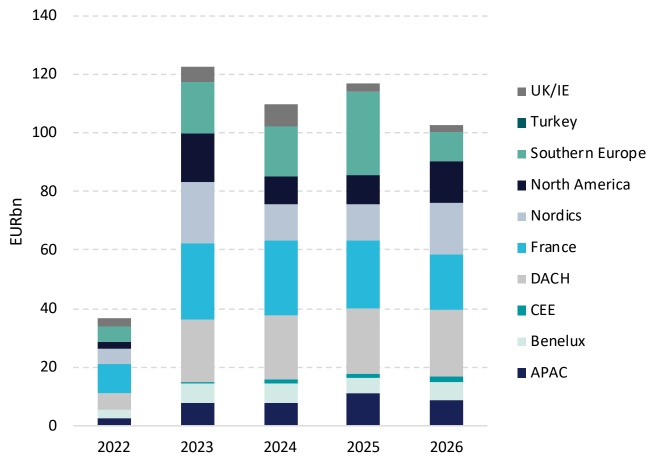


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

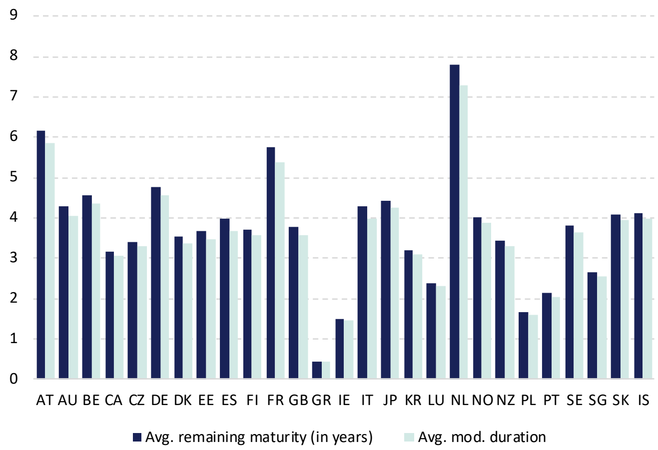
EUR benchmark maturities by month



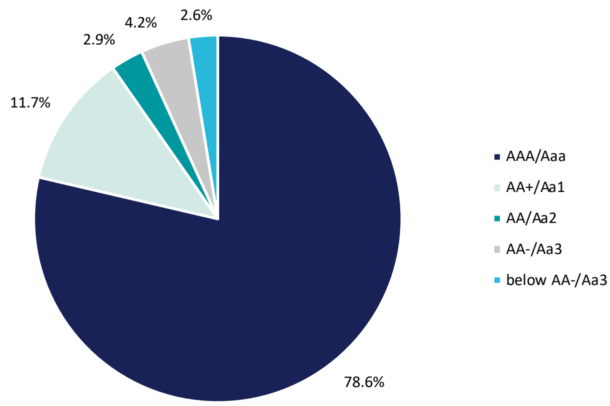
EUR benchmark maturities by year



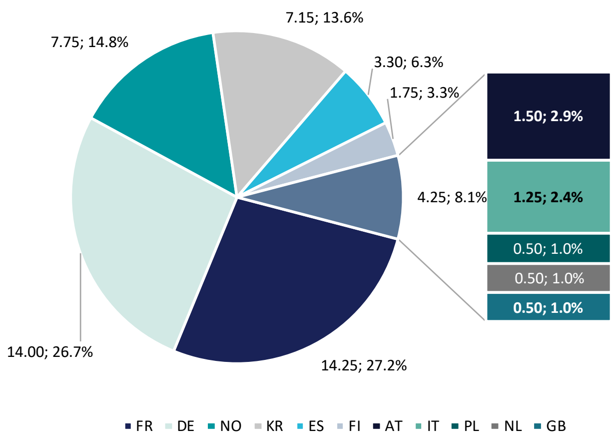
Modified duration and time to maturity by country



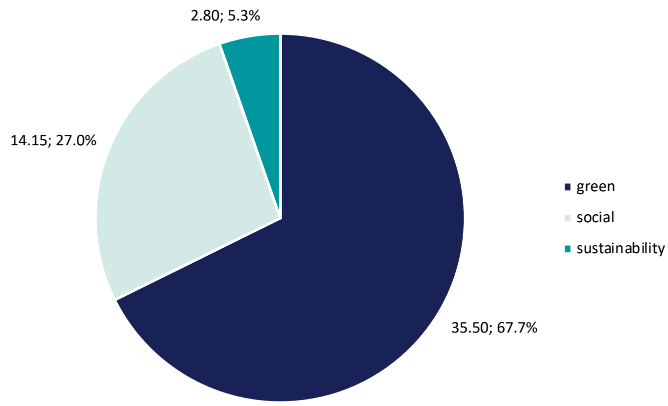
Rating distribution (volume weighted)



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



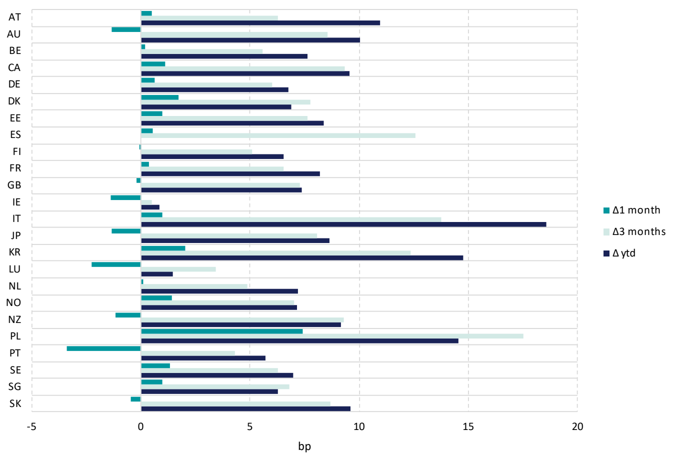
EUR benchmark volume (ESG) by type (in EURbn)



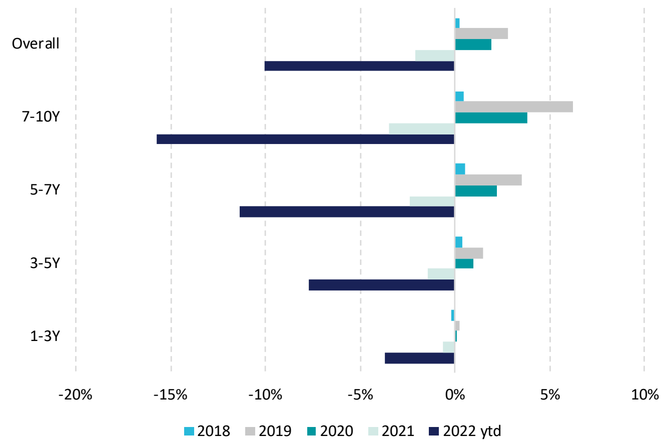
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

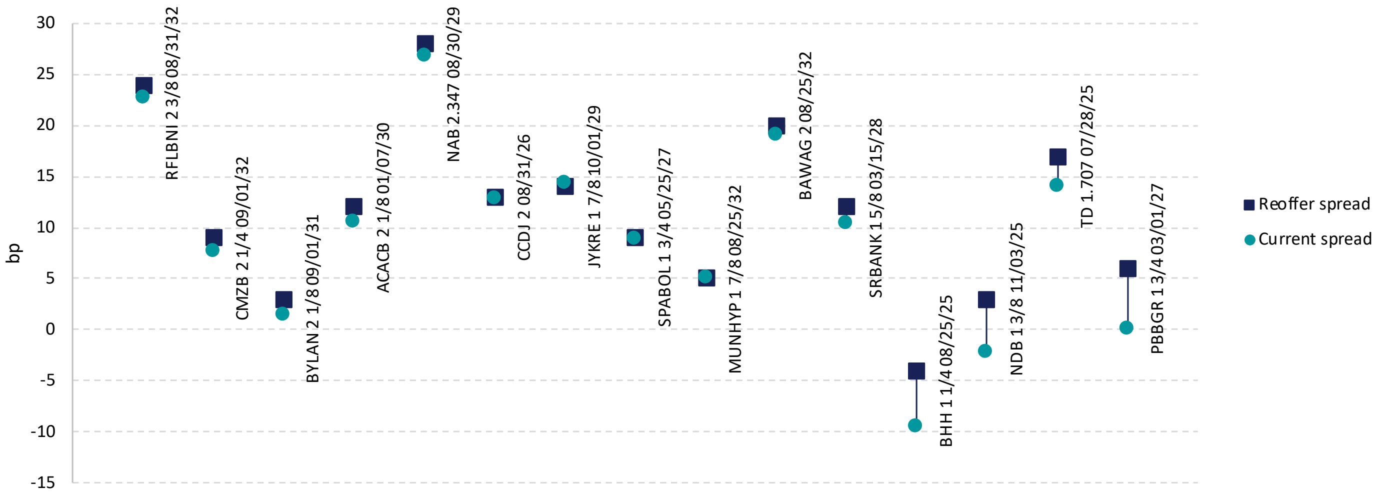
Spread development by country



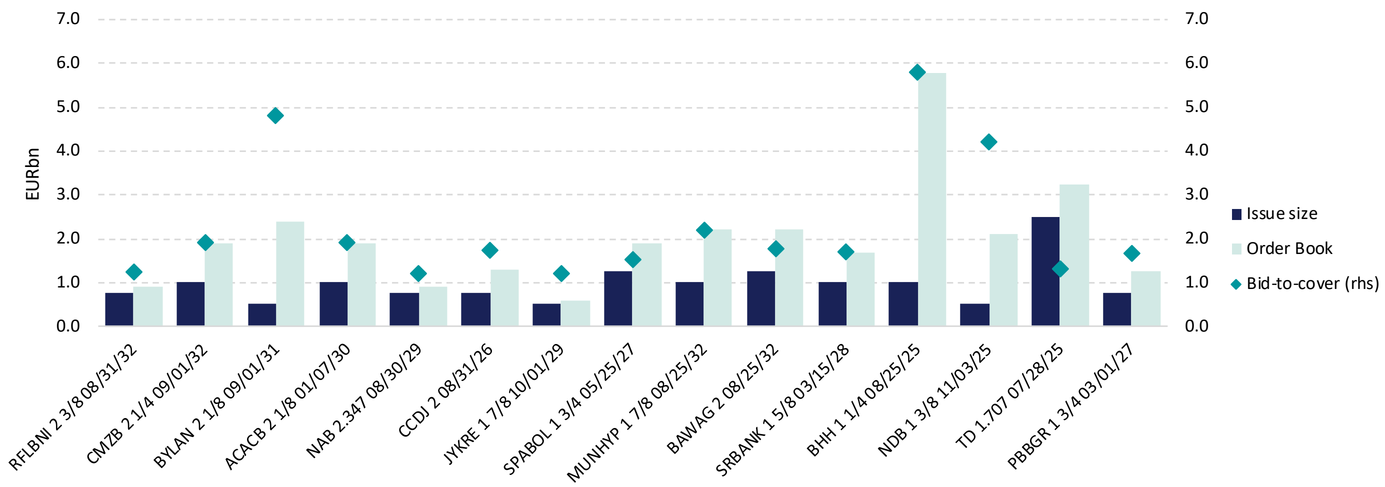
Covered bond performance (Total return)



Spread development (last 15 issues)



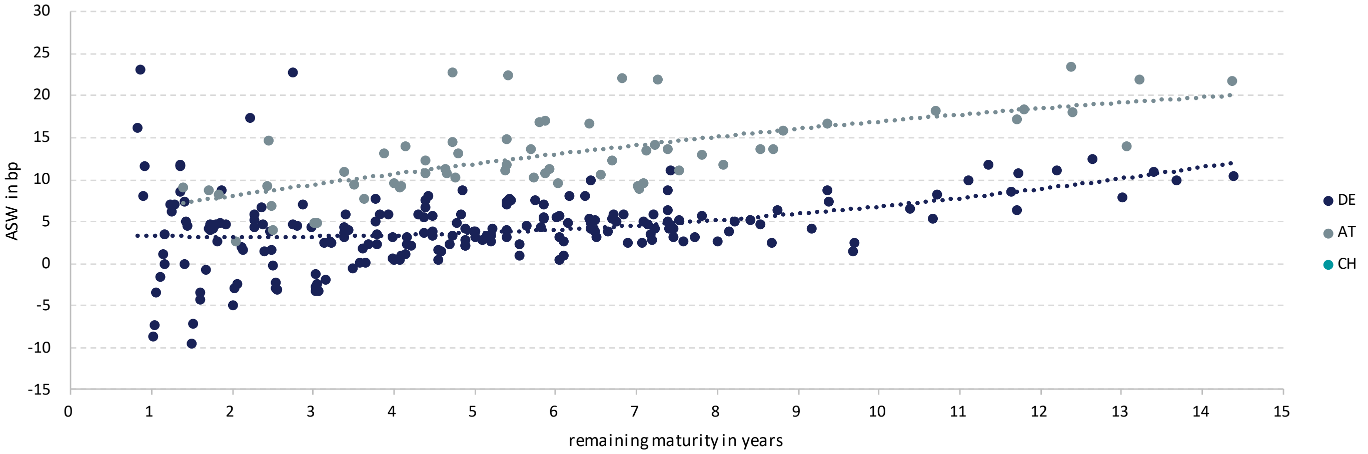
Order books (last 15 issues)



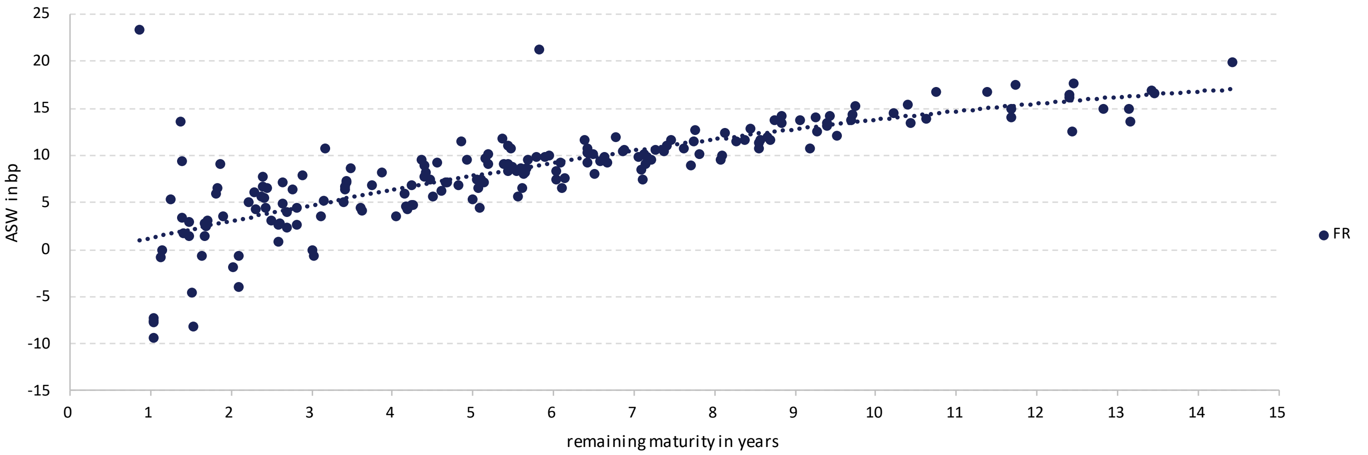
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

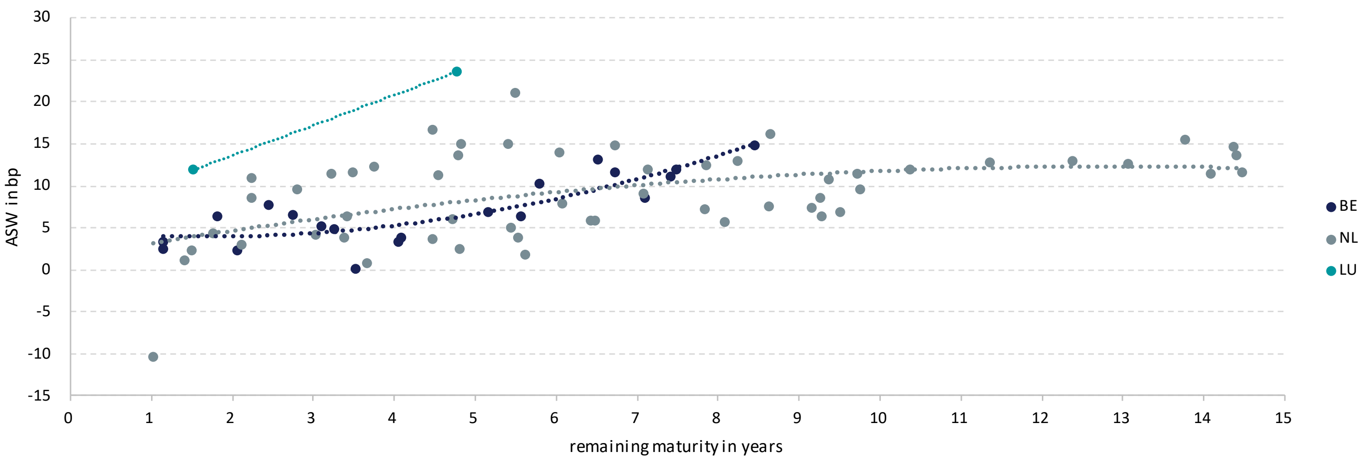
DACH



France



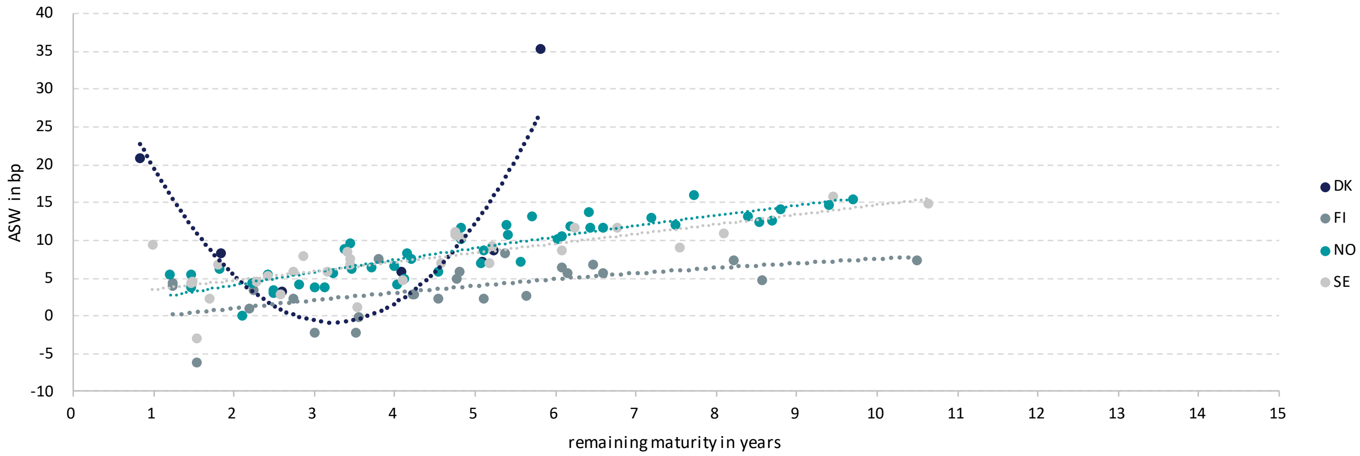
Benelux



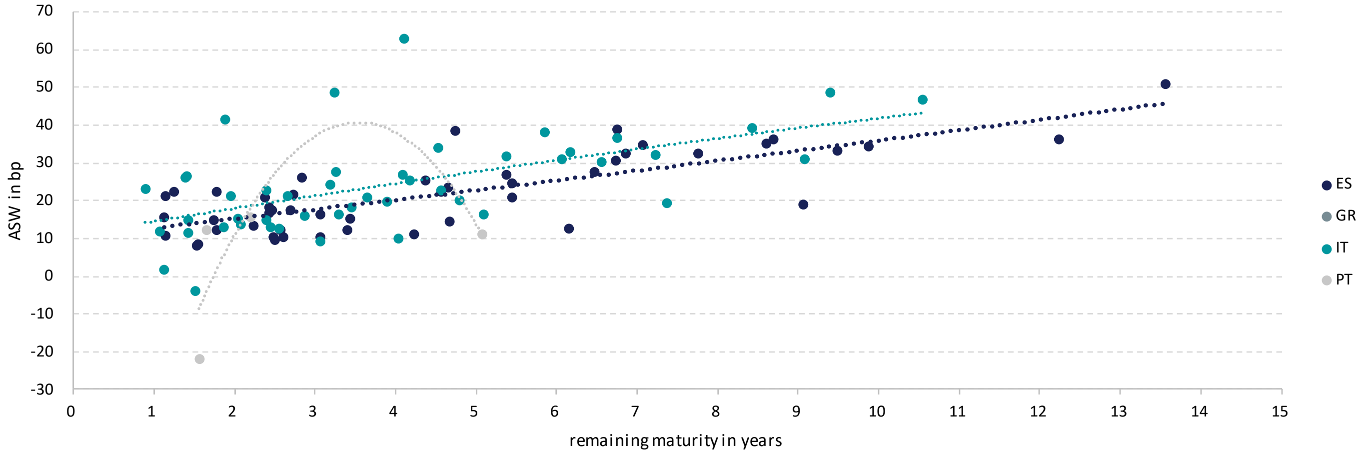
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

NORD/LB

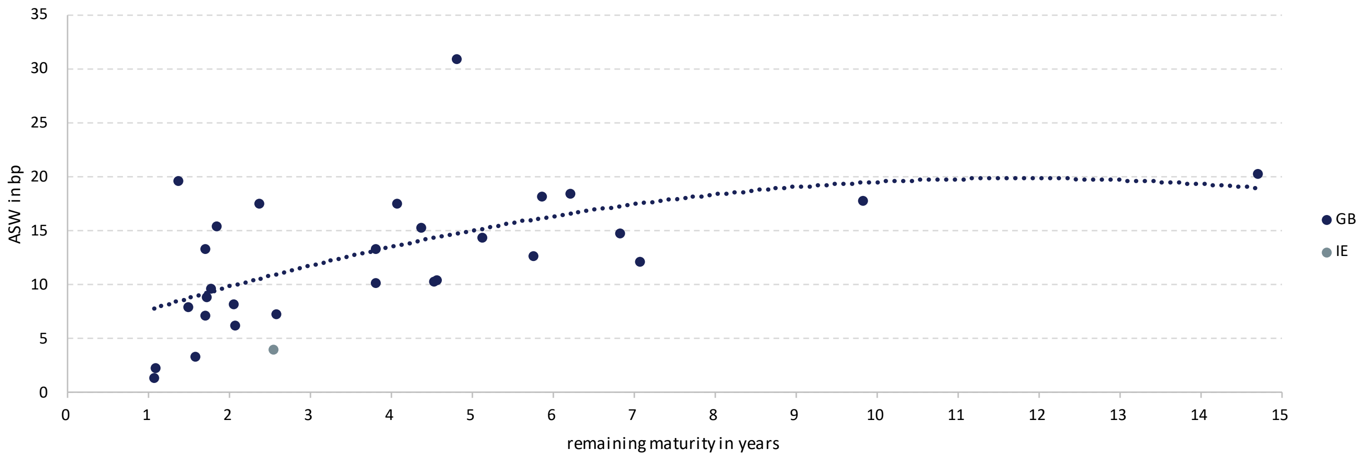
Nordics



Southern Europe

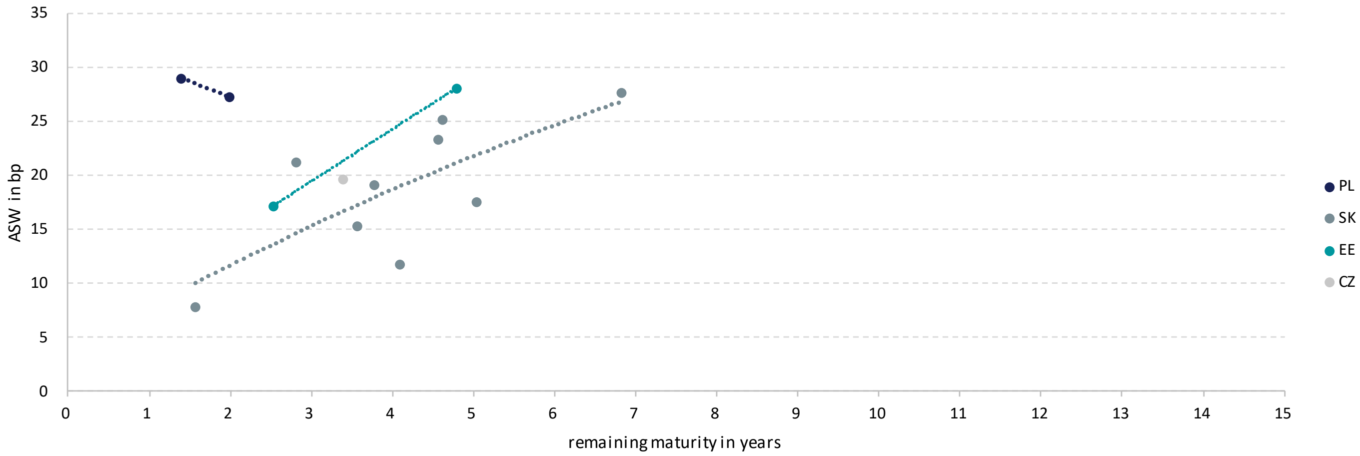


UK/IE

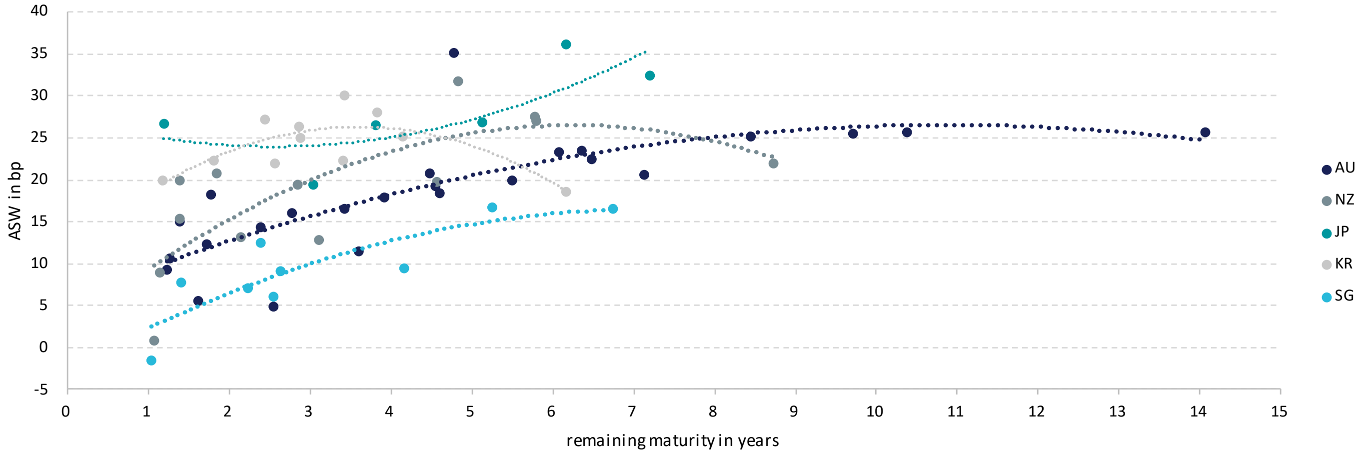


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

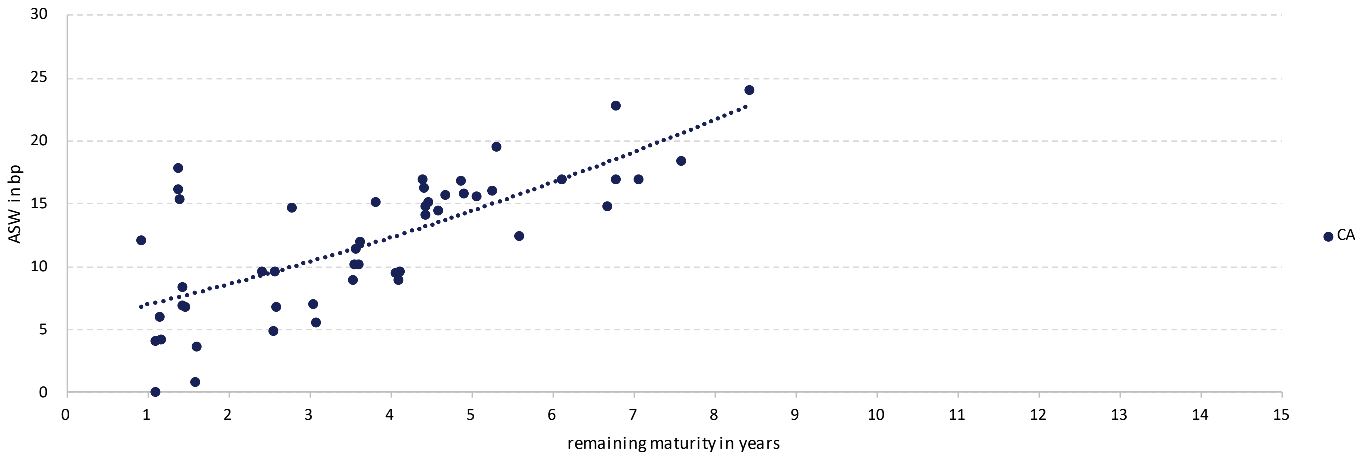
CEE



APAC



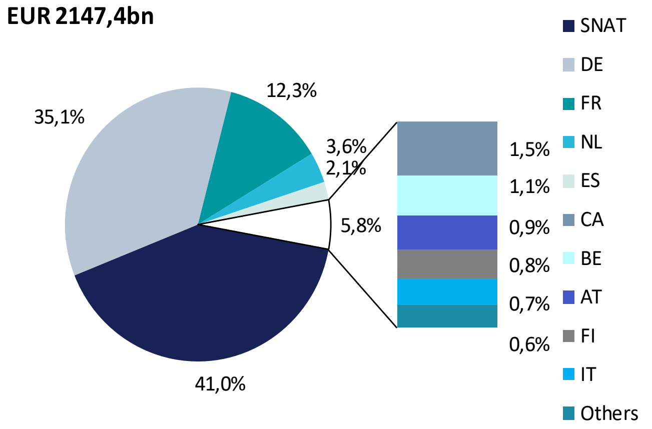
North America



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

Charts & Figures
SSA/Public Issuers

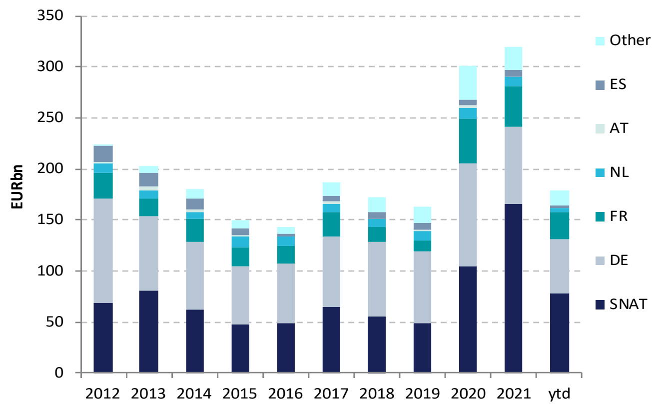
Outstanding volume (bmk)



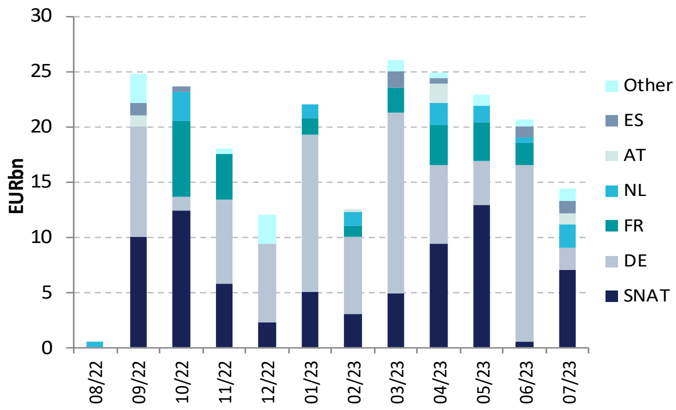
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	881,3	216	4,1	8,2
DE	753,6	565	1,3	6,5
FR	264,6	179	1,5	6,3
NL	77,4	68	1,1	6,6
ES	45,8	59	0,8	4,8
CA	32,6	23	1,4	4,9
BE	24,5	28	0,9	12,4
AT	20,2	23	0,9	4,6
FI	18,2	22	0,8	5,5
IT	16,0	19	0,8	5,1

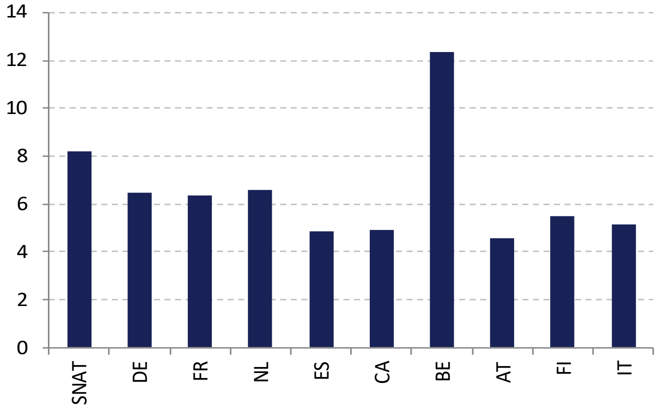
Issue volume by year (bmk)



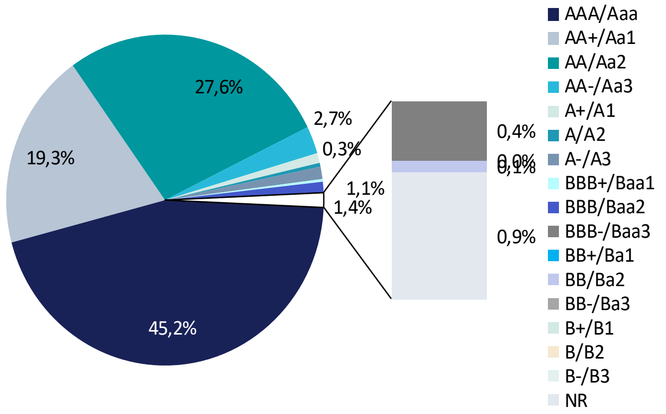
Maturities next 12 months (bmk)



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

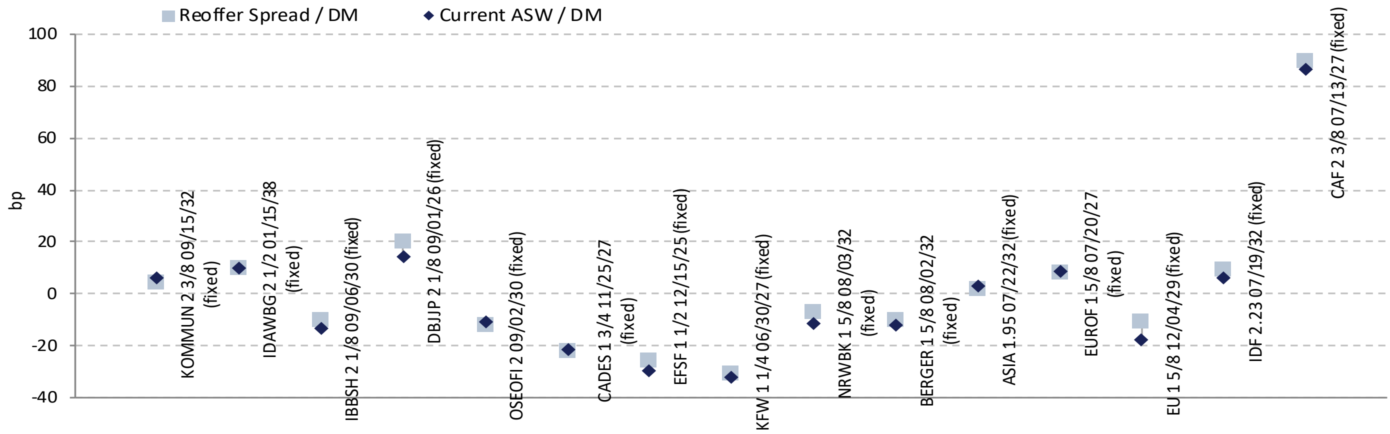


Rating distribution (vol. weighted)

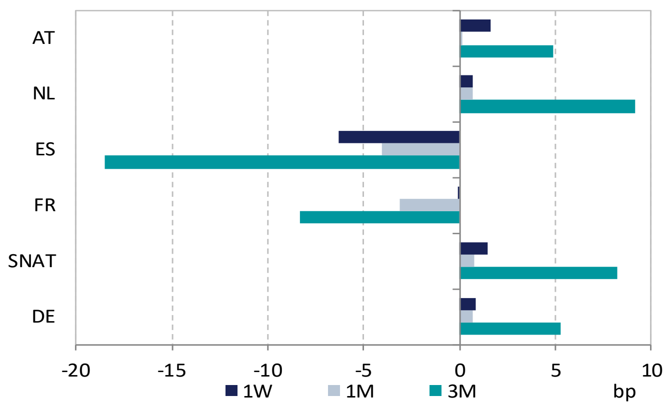


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

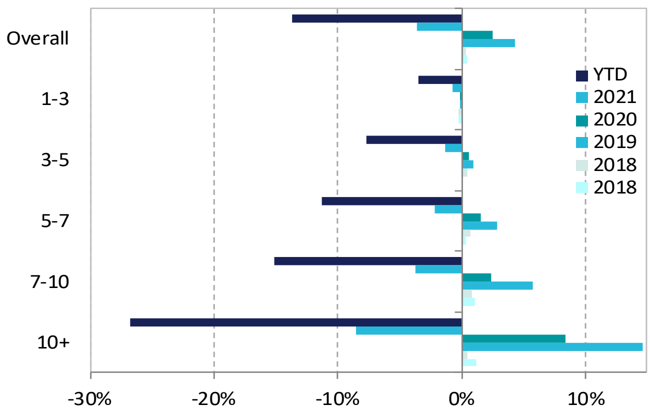
Spread development (last 15 issues)



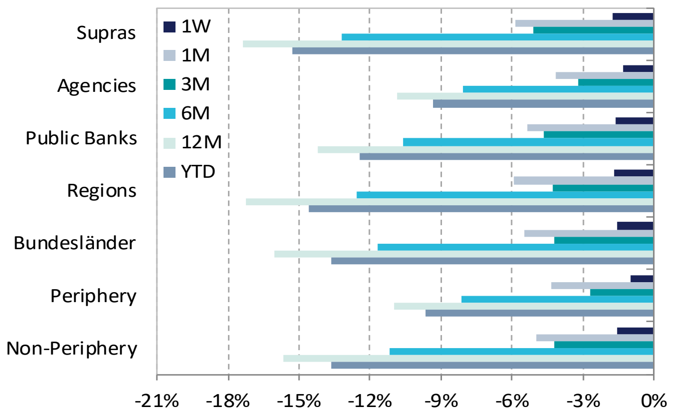
Spread development by country



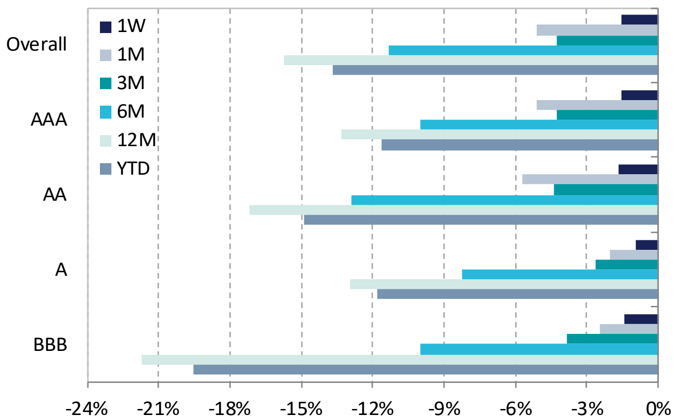
Performance (total return)



Performance (total return) by segments

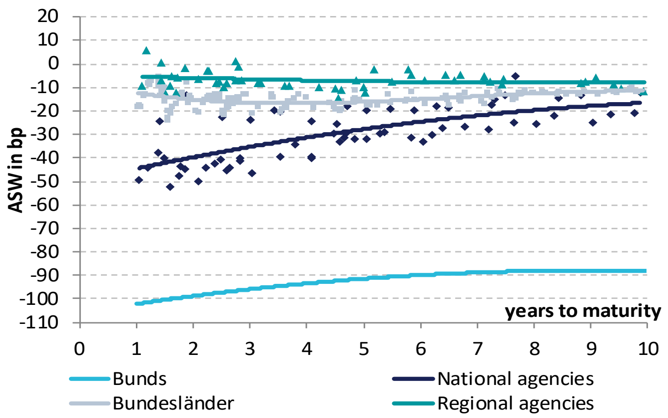


Performance (total return) by rating

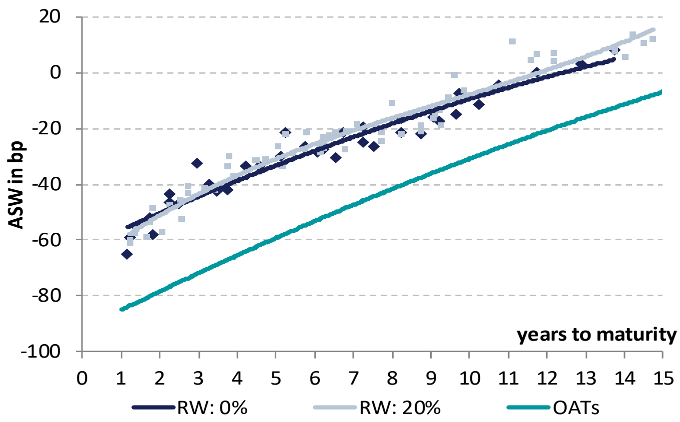


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

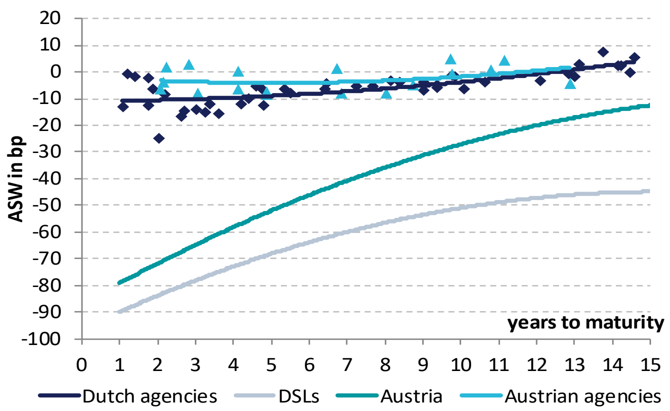
Germany (by segments)



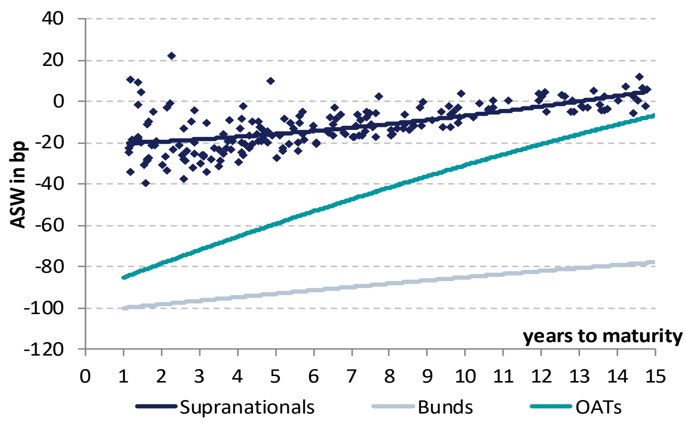
France (by risk weight)



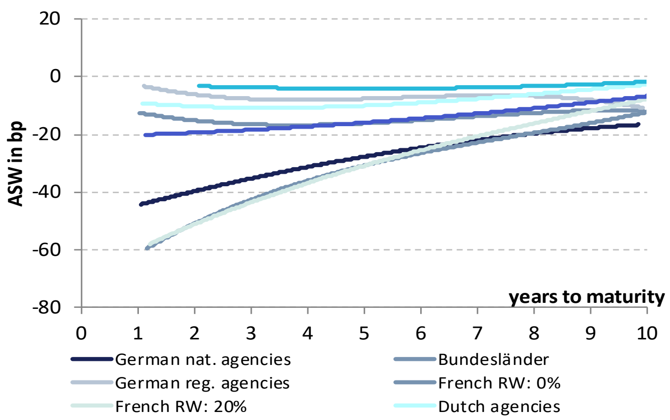
Netherlands & Austria



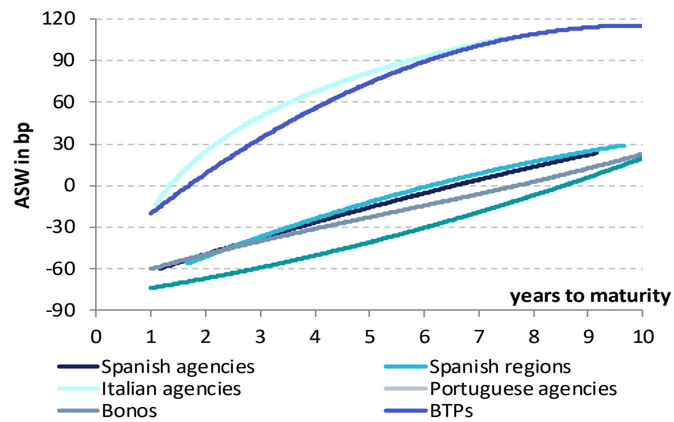
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
26/2022 ♦ 24 August	▪ Development of the German property market ▪ Transparency requirements §28 PfandBG Q2/2022
25/2022 ♦ 27 July	▪ ECB likes abbreviations: After OMT and SMP, we now have TPI ▪ Covereds vs. Senior Unsecured Bonds
24/2022 ♦ 20 July	▪ A brief spotlight on the EUR sub-benchmark segment ▪ Deutsche Hypo real estate climate: index falls again
23/2022 ♦ 13 July	▪ ECB preview: might the ECB go slightly further? ▪ EBA Report on Asset Encumbrance: levels increasing
22/2022 ♦ 06 July	▪ H1 review and outlook for H2 2022 ▪ Half time in the 2022 SSA year – taking stock
21/2022 ♦ 22 June	▪ Focus on ESG covered bonds: BayernLB's "green rail" public sector Pfandbrief ▪ Stability Council convenes for 25th meeting
20/2022 ♦ 15 June	▪ Covered bond jurisdictions in focus: a look at Australia and New Zealand ▪ NGEU: Green Bond Dashboard
19/2022 ♦ 01 June	▪ ECB: 3, 2, 1 – lift-off! Decisive June, active summer ahead ▪ The covered bond universe of Moody's: an overview ▪ ECB Financial Stability Review identifies increasing risks in the eurozone: a brief overview of covered bonds
18/2022 ♦ 25 May	▪ Transparency requirements §28 PfandBG Q1 2022 ▪ ESG: EUR-benchmarks 2022 in the SSA segment (ytd)
17/2022 ♦ 18 May	▪ Development of the German property market ▪ The SSA market in 2022 a review of the first four months
16/2022 ♦ 11 May	▪ Focus on covered bond jurisdictions: a look at Austria ▪ Update on DEUSTD – Joint German cities (bond No. 1)
15/2022 ♦ 04 May	▪ Focus on covered bond jurisdictions: Spotlight on Sweden ▪ ESG covered bonds from Germany: DKB issues social Pfandbrief in the form of a "Berlin Social Housing Bond" ▪ Issuer Guide SSA 2022: The Spanish agency market
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

NORD/LB

Appendix
Publication overview

Covered Bonds:

Covered Bond Directive: Impact on risk weights and LCR levels

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 (updated annually)

Issuer Guide – German Agencies 2022

Issuer Guide – Dutch Agencies 2022

Beyond Bundeslaender: Greater Paris (IDF/VDP)

Spotlight on Belgian regions

Spotlight on Spanish regions

Fixed Income Specials:

ESG-Update 2022

ECB frontloads rate hike by +50bp and breaches pre-commitment

ECB ready for lift-off: Every journey starts with a first step

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

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

Appendix
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