May Day, May Day
Labour Day ahead!
The next edition of the CSV
will be published on **10 May 2023**

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

26 April 2023 ♦ 15/2023

Agenda

Floor analysts:

Covered Bonds/Banks

Dr Frederik Kunze
frederik.kunze@nordlb.de

Melanie Kiene, CIIA
melanie.kiene@nordlb.de

Stefan Rahaus
stefan.rahaus@nordlb.de

SSA/Public Issuers

Dr Norman Rudschuck, CIIA
norman.rudschuck@nordlb.de

Valentin Jansen
valentin.jansen@nordlb.de

Market overview Covered Bonds

Authors: Dr Frederik Kunze // Melanie Kiene, CIIA

Primary market: a calm start to the week

After the primary market was unexpectedly dynamic in the wake of the Easter Holidays, things have been relatively quiet since the last edition of the Covered Bond & SAA View. This is largely due to the current reporting season and the associated blackout periods. In the end, just two EUR benchmarks were placed on the market: a public Pfandbrief from LBBW and a covered bond from the Swedish issuer SCBC. The former was ultimately priced at ms -4bp and featured a term to maturity of 3.5 years with an issuance volume of EUR 750m. With an order book of EUR 1.7bn, the bond enjoyed solid investor interest on Monday, which, in our opinion, is down to the maturity. Yesterday, SCBC approached investors with a 5y covered bond. In the end, the initial guidance of ms +22bp tightened to ms +18bp. The order book for the EUR 1.0bn Swedish bond amounted to EUR 1.5bn. Calculations show a new issue premium of a single basis point for the LBBW transaction, while we have deduced a premium of around two basis points above fair value for the SCBC deal. The most recent primary market deals have therefore featured far lower new issue premiums than was the case for bonds issued in previous weeks. In our opinion, it is still not clear as to whether we can speak of a genuine trend reversal in this context. SCBC in particular was able to benefit from a fundamental scarcity in this sub-market. The volume of EUR benchmark covered bonds issued so far this year now amounts to EUR 103.4bn split across 106 separate bonds. Of this, a volume of just EUR 5.0bn (7 bonds) has been issued in the form of public sector covered bonds, with Germany accounting for EUR 3.0bn (4 bonds) of this. Two other deals originated in France, with one coming from Austria.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SCBC / SBAB	SE	25.04.	XS2617508481	5.0y	1.00bn	ms +18bp	- / Aaa / -	-
LBBW	DE	24.04.	DE000LB386A8	3.5y	0.75bn	ms -4bp	- / Aaa / -	-

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

First EUR sub-benchmark for nearly six weeks

Last week, the first EUR sub-benchmark for nearly six weeks was issued by POP Mortgage Bank from Finland. The bond with a volume of EUR 250m was issued in line with the initial guidance (ms +43bp). An order book of EUR 270m was achieved, although no further details were disclosed. The volume of EUR sub-benchmarks issued this year now amounts to EUR 3.625bn. With the tap deal of EUR 250m on 12 April 2023, the EUR sub-benchmark bond of OMA Savings Bank attained benchmark status (new volume: EUR 650m). In our view, the bond now meets the criteria for inclusion in the iBoxx EUR Covered Bonds and moving forward it should be listed in this universe when the index is next adjusted. With a bid-to-cover ratio of 3.0x, the tap was subject to lively investor interest and was placed at ms +36bp (guidance: ms +42bp area).

Secondary market: short end still in demand

Looking at the current yield curve, the popularity of the short and medium maturity segment among investors is likely to be sustained over the short term as well. Spreads remain at an elevated level and the long end is proving to be stable. Overall, buyers are very thin on the ground and the volumes are not yet geared towards the long term. Asset managers and insurance firms in particular are interested in short-term deals exclusively. Should market players continue to bank on a dynamic upwards trajectory as far as interest rates are concerned, this trend is also likely to be sustained or even consolidated further (our expectation regarding the ECB meeting on 04 May can be found in this week's Cross Asset article). Meanwhile, secondary market spreads on the covered bond market narrowed by around one basis point over the past week. Following the deal placed by the National Bank of Canada, tightening was in evidence for both this current bond and other Canadian issuers in general. This development was in part reflected on the market as a whole.

Price declines for commercial real estate: risk experts from Fitch confirm resilience of German banks

In the current market environment, it comes as little surprise to learn that capital market players are increasingly focused on the sub-segment of commercial real estate financing and the risks associated with this (cf. CSV from 19 April 2023). The rating experts at Fitch also recently commented on the potential ramifications with regard to the rating landscape for German banks and potential loan defaults. Although rising interest rates and declining market values would certainly increase the refinancing risk on the part of the banks, in the short term, Fitch is ruling out a sharp increase in loss rates. It justifies this stance by citing aspects such as adequate collateral, long average loan terms and a high proportion of fixed interest rates in the domestic CRE financing segment. With a view to the covered bond programmes, Fitch contextualises the risks of declining prices in this sub-segment by highlighting the fact that lending values at the time that loans are awarded are relevant for inclusion in German cover pools. This produces higher LTV ratios and helps to greatly reduce the susceptibility to market fluctuations. As part of our quarterly Covered Bond Special "Transparency requirements §28 PfandBG", we compare German Pfandbrief issuers in terms of the composition of their respective cover pools and, in this context, also provide a breakdown by cover type.

Slight improvement in the Deutsche Hypo Real Estate Economic Index

Following two consecutive moderate downturns in February and March 2023, there was a slight recovery in the Deutsche Hypo Real Estate Economic Index as part of the most recent survey for April 2023. The index improved by +1.6% versus the prior month to now stand at 73.7 points. Nevertheless, according to Frank Schrader, Head of Deutsche Hypo – NORD/LB Real Estate Finance, the uncertainty is reflected in the transaction volume in particular. In this context, Schrader comments that transaction activities are currently being impaired by divergent price expectations on the part of buyers and sellers. However, he goes on to explain that a convergence is likely to take place in the second half of 2023 and that he expects the transaction volume to increase on the basis of stabilising interest rates and an unabated high level of demand for centrally located rental properties. In our opinion, the fundamentally stable credit quality of commercial cover assets in the German Pfandbrief segment is derived from the conservative specifications for determining the mortgage lending value and the requirements of the Pfandbrief Act.

Sweden: S&P discusses "payment shock" in Swedish cover pools

The risk experts at Standard & Poor's (S&P) recently commented on the impacts of the dramatic changes to the framework conditions governing the residential cover pools of Swedish covered bond issuers. According to S&P, rising consumer prices and mortgage interest rates that are at local maximums are weighing heavily on Swedish households. On the basis of average values, the authors of the "Cost of Living Crisis" report attest to the fact that Swedish households are facing significant additional burdens in terms of monthly mortgage payments. Based on the assumption that interest rates have risen by 300 basis points since the beginning of 2022, the growth rate is around +50%, while a rise of a further +200bp would result in an additional burden of 86% in percentage terms. S&P also highlights the high proportion of variable residential mortgage loans and fixed-rate financing up to the end of 2023. The sensitivity of the monthly figures is also heightened by the high share of interest only loans, i.e., those repayable on final maturity. As far as Swedish covered bonds are concerned, S&P does not see any need for rating adjustments despite the stress and risk factors outlined. In particular, the risk experts put this down to comparatively high overcollateralisation (OC) rates and the buffer effect resulting from unused rating uplifts (from the issuer rating).

vdp Annual Press Conference 2023: "Pfandbrief banks master difficult market setting"

In these current times of increased volatility and uncertainty, a critical examination of general business developments and a regulatory environment subject to future changes is also of greater importance. At the vdp Annual Press Conference held on 24 April 2023 (cf. press release), financial market stakeholders were afforded the opportunity to gain key insights into events related to the Pfandbrief market. The vdp's assessment that the Pfandbrief (and its issuers) have "mastered the numerous current stress factors including the recent turmoil in the financial markets well so far" must be taken as an encouraging sign. "The Pfandbrief market remains liquid, even in turbulent times", the vdp concludes in its report. Nonetheless, the vdp has also identified adverse impacts for the real estate market and therefore takes the view that the "long-awaited correction" has now taken effect. In contrast, there are scarcely any signs that the banking turbulence seen in March is having a direct impact. As we have previously reported in other publications, the Pfandbrief market remains in good shape. The press release also comments on the dynamic development of sustainable Pfandbrief deals. From our perspective, the vdp is living up to its reputation as a "critical friend" in connection with "current regulatory issues". To deal with a topical issue, for example, vdp Chief Executive Jens Tolckmitt has warned against knee-jerk, blanket regulations. Rather, he is of the view that the time is right to review the efficacy of the implemented regulations and – where necessary – to adjust these. With regard to the increasingly important topic of sustainable finance, the vdp makes particular reference to the EU taxonomy and EU Green Bond. Although the vdp supports the European Commission's Green Deal, it also believes that the sustainable finance regulation is "overambitious and oversized" in its current form. Ultimately, the vdp claims, this reduces its chances of success. For Jens Tolckmitt, in this regard the burden on both banks and the real economy is simply too high.

Market overview
SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Valentin Jansen

CADES Annual Report 2022 – almost two-thirds of transferred liabilities repaid

As of financial year-end 2022, the Caisse d'Amortissement de la Dette Sociale (ticker: CADES) had already repaid a volume of EUR 224.0bn in its capacity as the state finance agency for the repayment of the debts incurred by the French social security system. This represents nearly two-thirds of the EUR 360.5bn in liabilities transferred since its creation in 1996. In the past financial year, further liabilities of EUR 40bn were transferred to CADES. In total, EUR 35bn of this comes from the insurance system and EUR 5bn specifically from the healthcare sector as part of public hospital services. The gradual reduction is primarily ensured by income tax in the form of the Contribution pour le Remboursement de la Dette Sociale (CRDS). This is a special tax that was introduced explicitly to pay off the debts of the social security system. The resulting revenue in financial year 2022 was EUR 18.9bn, slightly higher than the previous year's figure of EUR 17.8bn and the actual repayment target adopted by the French Parliament as part of the Social Security Financing Act (SSFA). On the funding side, CADES raised a total of EUR 38.1bn in medium- and long-term maturities. Naturally, as a result of the public mandate, the share of social bonds was again very high last year at EUR 36.0bn (94%; all issues in EUR benchmark format). Six of the social bonds were denominated in EUR (total: EUR 26.0bn) and three in USD (total: USD 10.0bn). As of year-end 2022, a social bond volume equivalent to EUR 92.9bn was outstanding, making CADES one of the world's largest issuers of social bonds. The remaining funds raised related to taps (EUR 1.5bn), private placements (EUR 0.6bn) and diversification issuances (EUR 2.1bn).

AFL publishes Sustainability Bond Report 2023

Staying with the French agencies segment: Created in 2013 by eleven French regional and local authorities, Agence France Locale (ticker: AFLBNK) reports in its Sustainability Bond Report 2023, among other aspects, on the allocation and use of proceeds from sustainability bond issues in 2020 and 2022. The first bond issue, based on the framework set up in 2020 and aligned with the established ICMA Principles, took place in July of the same year in the form of a EUR benchmark (EUR 500m) with a term of seven years. The second transaction followed 18 months later in January 2022 with the same volume and identical maturity. In terms of geographic investor distribution, the United Kingdom and the Nordics were the main markets (44%), followed by Germany, Austria and Switzerland (DACH: 28%). France accounted for only 12% of the allocated volumes. By investor type, asset managers (59%) stood out, followed by Banks & Private Banks with 20%. Issuance proceeds are used for the sustainable transformation of French regional and local authorities. For AFL, the main action areas in this regard are I. Access to basic social services, II. Energy and ecological change, and III. Sustainable infrastructure, urban development and social cohesion.

NWB: loan portfolio grows to record level of more than EUR 52bn in 2022

As of March 31, Nederlandse Waterschapsbank (NWB, ticker: NEDWBK) reported a new business volume of EUR 9.6bn with public sector clients (including water boards) in the Netherlands and renewable energy financing in its 2022 annual report. Despite the decline in new lending (-21% Y/Y), net income increased by +18% Y/Y to EUR 143m, mainly due to improved net interest income and a lower bank levy in 2022. At the end of the financial year, the loan portfolio also reached a new record level (EUR 52.2 bn). Not least in the Dutch agency market (see NORD/LB Issuer Guide 2022 – Dutch Agencies), NWB is an established issuer of green bonds (also known as "water bonds"), which are intended to transform national water boards in ecological terms. Since 2017, social bonds have also been part of the funding mix. In addition, NWB has made a voluntary commitment to make its loan portfolio completely greenhouse gas-neutral by 2050. On the refinancing side, 42% (EUR 4.7bn) of long-term funds were raised through the issuance of ESG bonds last year. As a result, around EUR 23.0bn was outstanding in this segment at the end of financial year 2022. According to the issuer, this corresponded to a share of 37% in terms of outstanding long-term funding. Strategically, the bank aims to achieve a CO_2 reduction in the loan portfolio of at least 43% compared to 2019 as part of the climate plan adopted in April 2022. Given that a greenhouse gas reduction of 17% was achieved at portfolio level despite the simultaneous new record volume on the assets side, NWB still regards itself as being on track with its climate plan. In terms of 2023, it is assumed that the financing needs of the Dutch public sector and renewable energy projects can continue to be adequately met.

KBN: green lending and ESG funding up again in 2022

Last year, Kommunalbanken Norway (ticker: KBN) again supported regional and local authorities with sustainability-related low-interest funding, as the institution explains in its recently published Green Bond Impact Report 2022. On both the assets and liabilities side, ESG-related positions increased again. For example, as of year-end 2022, green loans equivalent to more than USD 4.0bn were granted to the Norwegian municipal sector, representing 13% of the total loan portfolio at that time. The real estate sector accounted for the lion's share (71%; 188 projects in total), followed by the water and wastewater sector with 13% (78 projects). It also said that 71% of green loans were already either fully or partially congruent with the EU taxonomy criteria for making a significant contribution to one of the six environmental goals and the minimum requirements (Do No Significant Harm, DNSH). Essentially, lending is focused on the fields of energy-efficient buildings, renewable energies, CO_2 reductions in the transport sector, and waste and recycling management. On the liabilities side, funds raised in 2022 in green bond format totalled the equivalent of EUR 3.0bn, divided among eleven transactions in five different currencies. This represented 8% of the total volume outstanding. By geographic breakdown, the majority of allocations went to European investors (42%), followed by Canadian investors (13%) and US investors (12%). Asia, Africa and the Middle East are also part of the investor base. By investor type, private banks and central banks/public institutions received the majority of new green bond issues, with shares of 35% and 27% respectively.

L-BANK: Total assets up for the fifth year in a row in 2022

In its published annual report for 2022, Landeskreditbank Baden-Wuerttemberg (ticker: LBANK) looks back on a funding year marked by overlapping trouble spots. The volume of new funding amounted to EUR 16.1bn, with almost 214,000 approved funding applications (previous year: EUR 15.2bn). As of the reporting date 31 December 2022, L-Bank's total assets amounted to EUR 93.2bn (previous year: EUR 89.6bn). The promotional bank also points to a continued annual increase in the size of its balance sheet since 2018. The operating result amounted to EUR 172.6m, of which EUR 80m was allocated to the fund for promotional contributions and EUR 50 million to the fund for general banking risks. "In 2022, L-Bank was able to operate in a stable manner overall in a crisis-ridden environment. In order to fulfil our promotional mandate, we can once again set aside EUR 80m from the income generated for future funding work of the promotional fund," comments board member Dr Iris Reinelt on the result. This leaves a net profit for the year of EUR 42.6m (previous year: EUR 37.3m). L-Bank's main source of income last year was net interest income, which at EUR 320m was significantly higher than the previous year's figure (EUR 255m) due to the rise in interest rates. In terms of promotional programmes, demand from small and medium-sized enterprises and business start-up support in particular grew by around 20% to EUR 3.9bn (2021: EUR 3.2bn). In the Family, Education and Social Affairs promotional segment, including hospital funding, the funding amount actually increased by more than 25% to EUR 3.4bn (2021: EUR 2.7bn). Housing promotion, on the other hand, saw a slight decline in new commitments (2022: EUR 2.1bn; 2021: EUR 2.2bn). By contrast, the volume of new commitments in the area of infrastructure projects amounted to EUR 6.1bn.

KommuneKredit Green Bond Impact Report 2023: ESG activities again on the rise

Back in March, KommuneKredit (ticker: KOMMUN) from Denmark published its Green Bond Impact Report 2023 as part of its ESG primary market activities last year. In its funding strategy, the municipal financier has been making a point of gradually increasing the ESG share for several years now. The strategic priority therefore includes integrating sustainability aspects in its business model and strengthening its ESG profile. The increase in issuance activity in the ESG segment is mainly due to its interest in supporting ownership (with the focus on all Danish municipalities and regions) in the sustainable transformation process with low-interest financing. Annual green bond issues are intended to further promote the company's presence as an issuer of sustainability bonds on the capital market. These have been issued since as far back as 2017, with a total volume equivalent to EUR 3.1bn outstanding across seven transactions as of financial year-end 2022, which corresponded to a 10% share of total capital market funding. We last documented Kommunekredit's activities in the ESG segment in June last year, when it issued a EUR benchmark amounting to EUR 0.5bn with a maturity of seven years. The gradual increase in ESG primary market activity is also reflected on the asset side. As of year-end 2022, the loan portfolio had a sustainability-related volume of EUR 4.0bn, which equates to a share of 21%. The main project categories here are energy-efficient buildings (accounting for 62% of the green loan portfolio) followed by sustainable water and wastewater management (25%) and pollution reduction (5%). According to the issuer, 71% of the green loan portfolio is already highly likely to comply with the EU taxonomy criteria for contributing to one of the six environmental objectives.

Primary market

The past trading week (Wednesday to Tuesday) was not overly hectic, with six deals in total being neither too much nor too little. However, the volume raised of more than EUR 10bn is quite impressive. Surprisingly, there was not a single ESG bond among them. Let's start chronologically: KommuneKredit from Denmark kicked things off with EUR 500m for 20 years. The ticker KOMMUN is always a sign of quality, so pricing at ms +49bp was possible. The guidance had initially been ms +52bp area and the order book ultimately grew to more than EUR 1.8bn. The deal issued by the Gemeinschaft deutscher Laender was less jam-packed with orders. For the 63rd issue under the LANDER ticker, the following Laender joined forces for a jumbo, each with an equal share: Bremen, Hamburg, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland and Schleswig-Holstein. The deal for EUR 1bn went through at ms -4bp. Staying in chronological order, KUNTA appeared on our screens with a seven-year bond: a total of EUR 1bn changed hands at ms -5bp. Compared with the guidance, there was no further spread tightening, although the order book of EUR 1.8bn might have suggested some room for manoeuvre. Hesse was also making moves in the market: it announced a deal for a EUR 500m floater (FRN) in WNG (will not grow) format for a term of three-and-a-half years. At EUR 1.3bn, the order book was quite impressive. The deal went through at 6mE -22bp. Then, last Friday, the French issuer SFIL (ticker: SFILFR) also hit the screens with a deal worth EUR 750m over seven years. At the end of the marketing phase, the order books amounted to more than EUR 1.1bn and pricing was 42 basis points above the benchmark bond (FRTR 0% 11/25/30). The French agency market is known to be heterogeneous and in need of explanation at the same time, which is why we recently put French agencies in the spotlight for a current special study (NORD/LB Issuer Guide – French Agencies 2023). These were all the deals from the previous calendar week. Things then momentarily quietened down on Monday to kick off this week. On Tuesday, however, the EU made an appearance again with a 15-year maturity for which it sought to raise EUR 7bn at ms +32bp. The guidance had been ms +34bp area. At more than EUR 63.5bn, the order book was oversubscribed by a factor of 9.0x, meaning that narrowing of two basis points was easily achieved. On Tuesdays, one or the other mandate is usually already issued for the near future, and yesterday was no exception. Berlin is planning to issue a bond with a five-year term, while Unédic from France intends to place a bond worth EUR 1bn for ten years in social format.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
EU	SNAT	25.04.	EU000A3K4D74	15.4y	7.00bn	ms +32bp	AAA / Aaa / AA+	-
SFILFR	FR	20.04.	FR001400HMX1	7.6y	0.75bn	ms +15bp	- / Aa2 / AA	-
HESSEN	DE	20.04.	DE000A1RQEJ9	3.5y	0.50bn	6mE -22bp	- / - / AA+	-
KUNTA	Nordics	18.04.	XS2615680399	7.3y	1.00bn	ms +5bp	- / Aa1 / AA+	-
LANDER	DE	18.04.	DE000A351P20	7.0y	1.00bn	ms -4bp	AAA / - / -	-
KOMMUN	Nordics	18.04.	XS2615916850	20.0y	0.50bn	ms +49bp	- / Aaa / AAA	-

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

Cross Asset
ECB preview: caught in two minds?

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

ECB meeting on 4 May: a balancing act between financial market stability and inflation

The highest decision-making body in the European Central Bank will meet on 4 May to hold its third monetary policy meeting of the current year. Having had to face the challenge of dealing with the massively increased degree of uncertainty triggered by "banking stress" at the last monetary policy meeting (ECB Interest rate decision: Backbone in times of turmoil?!), the decision-makers in the ECB's Governing Council now have to weigh the collateral damage of its own rate trajectory against the negative consequences of a persistently high inflation rate. At the same time, the central bankers' deliberations at the coming meeting are also likely to focus on the issue of financial stability once more, although the situation has eased perceptibly in the meantime. This is solely attributable to the fact that transmission of its own monetary policy can proceed far more rapidly in periods of stress on the capital markets. It should be borne in mind here that the overall situation can currently be described as different to 2022, for example. Here, we are not just thinking of economic indicators that describe the general macroeconomic expansion process or the inflation outlook. Credit growth is slowing in the Eurozone, for example, and is already negative in some sectors. This also ties in with a fall in property prices. As was "once" the case with inflation rates, this poses the question of to what extent this environment can be described as "transitory". If this description is no (longer) appropriate, the Governing Council is likely to think more about a possible credit crunch. With regard to the factors determining the non-existent price stability, the focus shifts from supply-side stimuli (energy prices and supply chains) to the demand side and a core inflation that is becoming entrenched as a "harbinger" of the future core rate. The mills of monetary policy transmission also grind slowly – but when is patience appropriate and when is the risk of tightening the screw too far simply too great? Our view is that the screw is still too loose for the majority of the Governing Council.

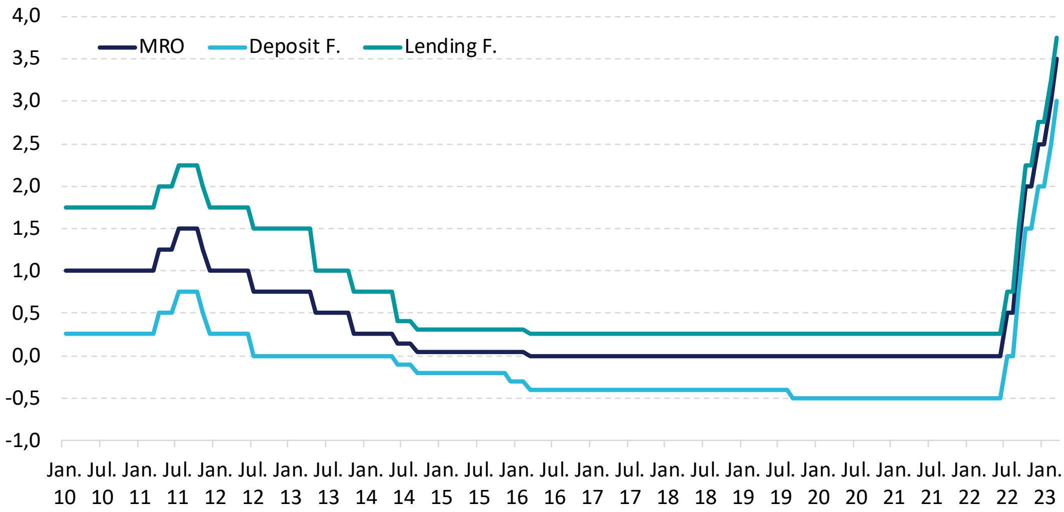
Opinions from around the ECB: hawks (still) predominate among Council members

According to Pierre Wunsch (Head of the Belgian Central Bank), growth in wages and core inflation must be further contained, which is why additional interest rate hikes (note, plural) are needed. In particular, he is concerned about wages and possible second-round effects, and also brought the "4% goal" for the ECB deposit rate into play. For Yannis Stournaras (Bank of Greece), rates are close to the maximum and he highlighted data dependency in this regard. Current lending figures in the Eurozone will be presented two days before the monetary policy meeting, for example. This will allow the members of the Governing Council – including the hawks – to act somewhat more cautiously if necessary. Nevertheless, those arguing that rates should increase further have the upper hand. Gabriel Maklouf (Ireland) also thought that pausing rate hikes at the May meeting would be premature, as the current data situation indicates that the macroeconomic balance between supply and demand has not yet been achieved. Boris Vujčić from Croatia recently expressed the balancing act that has to be achieved and, in doing so, referred, in particular, to the heightened uncertainty (for financial markets as well). Ignazio Visco (Italy) also urged a certain caution recently, as credit growth was falling and there were still risks to financial market stability.

Minutes of the March meeting: the hawks leave their mark

On 20 April, the ECB presented the minutes of the March meeting. The particular challenges of the sense of crisis prevailing at the moment are clearly recognisable from the ECB Minutes. The current challenges were discussed in depth and a proposal was also submitted in this connection to postpone the interest rate hike in view of the uncertainty. Ultimately, however, a "very large majority" gathered behind the 50 basis points, which quite clearly bore the stamp of the hawks. The broad unanimity of the Governing Council with regard to the "resilience of the banking system" was also just as unsurprising as the view taken "that while it should be indicated that the Governing Council would monitor financial stability risks, it had to be reiterated that price stability was the primary objective and that the Governing Council remained committed to bringing inflation back to its medium-term target in a timely manner." Since there was still considerable uncertainty as to how long the "banking stress" would persist at the time the decision on interest rates was taken, the adherence to "plus 50" is not surprising but certainly remarkable. What implications do the minutes have for the coming meeting on 4 May in our opinion? While the discussions as a whole are of course highly relevant for the (immediate) future, the focus is certainly increasingly concentrated on the question of the time lag with regard to the rate hikes that have already taken place. Above all, the issue of lending could – in the opinion of some of the participants in the discussion – be due more to the general uncertainty surrounding investment than "quantitative restrictions on the supply of credit". However, this was subsequently also contrasted in the minutes with the risk that the effects of the rate hikes since July 2022 had not yet "fully materialised", leading to a risk that the impact of monetary tightening was being underestimated. In conclusion, we already see indications for a "dampening effect" on the extent of rate increases. The "costs" of monetary tightening are coming to the fore. With regard to "banking stress", having consulted the ECB minutes, our consideration is that the rate increase (in conjunction with references to possible liquidity support) was the "best" decision has been confirmed and we are sticking to our conclusion that the Governing Council has shown backbone.

ECB key interest rates (in %)



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

Our expectations: +25bp with the potential to surprise by going further
Sometimes, it is definitely worth listening to us: at various client events, we advised keeping an eye on the first three monetary policy meetings of 2023 for rate increases as long ago as November. At the same time, we did not by any means envisage "plus 50" three times. Perhaps not even 100 basis points in total. However, we have been quite certain for the last six months that the "terminal rate" was being priced in too early and too low on the market. Christine Lagarde's press conference just before Christmas brought about a rather rude awakening when she indicated that there would still be several major increases – and in so doing, distanced herself from the minutes and the "meeting-by-meeting" approach. And this is precisely what has actually happened! Even if we have therefore been surprised by the Governing Council on one or more occasion in the past, we view the increase of 25 basis points as extremely likely now. Otherwise, all building blocks for the next few weeks have already been laid for the rest of the half-year: the reduction of APP reinvestm. by EUR 15bn on average per month until the end of Q2 2023 and then a reassessment of the situation.

Further roadmap: still too early for more QT details, picture remains hazy until 15 June…
As far as setting more specific parameters for the future, we do not expect significant "shifts" between the programmes, which would lead to an imbalance among the reinvestments still to be undertaken. The portfolio is also likely to "breathe" in the future, but nothing more than this either. In other words, shifts between jurisdictions in the case of maturities and purchases are desirable in the short-term but not between the PSPP and CBPP3, for example. We do not expect any information on the APP for the meeting in May. The upcoming meeting will be devoted to rate hikes. However, we expect a pause in the cycle of rate increases and complete concentration on the future pathway towards reducing the size of the balance sheet in June. In our opinion, an increase in the tempo to a minimum of on average EUR 20bn or even EUR 25bn is under discussion here. We hear whispers at most from those arguing in favour of no more reinvestment from July. However, the ECB's withdrawal from the order quota for covered bonds on the primary market was also faster than expected. We do not expect any surprises as far as the PEPP is concerned. In view of the first line of defence, we view a departure from the approach to date – of reinvesting fully in maturing bonds up to the end of 2024 – as extremely unlikely, as this would also take the last still active forward guidance to extreme lengths.

…and we are sticking to our expectations with respect to possible scenarios
Base scenario:
- All three key interest rates are increased by 25 basis points
- No news on the APP
- A further rate increase of 25bp in the second half (data-dependent, possibly in September with the latest projections due then)
- No more APP reinvestments from 2024
- Then sole focus on PEPP reinvestments as first line of defence
- No prospect of any rate cuts

Possible surprises:
- Three key rates will not be increased equally in May (corridor)
- All three key rates increased by more than 25 basis points
- First indications regarding APP/QT for the second half
- No pause in rate increases in June (latest projections)

In our opinion, the picture therefore remains very hazy and intriguing up to 15 June.

Imminent ECB decision: impact on public sector issuers (SSA)…

The upcoming rate increase of +25bp is already expected by most market participants and is therefore priced in. Discussions about reducing the balance sheet (QT) concern the SSA segment, in particular, in terms of volume. Around 80% of the APP consists of public sector securities. Since direct government financing via the primary market has been prohibited at all times since 2015, the Eurosystem has only been able to concentrate on the secondary market in the last eight years. We therefore see no additional distortions in the spread landscape here – not in the second half either. The reduction (EUR 15bn monthly) is still incommensurate with the totals moved from the APP and PEPP (more than EUR 5,000bn in amount). What we have observed in the past is some investors stocking up on bonds sufficiently to sell them promptly to the Eurosystem at a profit. This has led us to say on many occasions that the ECB operates quasi as a vacuum cleaner on every spread level. It is intriguing that, for example, a KfW must do just what it has to do on the market, i.e., raise EUR 80-85bn in 2023 – whatever the spread level. We currently estimate that it has already raised more than 40% – and this rises with each passing day! Each issuer was and is well advised to come to the market before any further rate rises to secure the still relatively favourable rates. On the other hand, the curve is currently unusually inverse, which indicated a recession in the past. However, it looks as though this will not materialise. On top of this, there is the general approach as to how a portfolio is to be managed: according to LCR perspectives, positive returns, pricing to the reoffer spread compared with mid-swap or even compared with the Bund swap spread. Here, KfW serves as placeholder for EU, EIB, ESM etc. They do not all operate in a vacuum and are, of course, paying higher coupons than in 2021/22.

… and on the covered bond market

We have already pointed to the technical shift on the covered bond market, which is being triggered by the pivot in monetary policy (cf. Covered Bonds: Under the spell of the banking crisis and ECB hawks?). For the covered bond segment, the distortions on the supply side (TLTRO III) and demand side (CBPP3) that are now set to come to an end were ostensibly of relevance initially. Repricing has already materialised to a very significant degree in the wake of QT and constantly expiring TLTRO III tenders and is confirmed through a new spread landscape. The prevailing interest rate and yield environment has, however, also brought real money investors, among others, back to the covered bond market, which benefited the primary market and continues to benefit it. However, the uncertainty regarding the future outlook for interest rates – as one of several factors – is raising questions among issuers about when the placement of longer maturities could become more attractive. More clarity about the interest rate trajectory would ultimately provide more clarity for the EUR swap curve. The inverse character of the reference curve is making longer dated issues more expensive with regard to the reoffer spread in the current market environment. Should the ECB decision provide more planning security, this would certainly also be significant for the primary market and the maturities issued there. As we have explained, however, it remains doubtful in our opinion whether it is likely to provide this in May. We do not expect detailed information about the process of reducing the extensive APP portfolios to be provided at the next meeting either. Accordingly, in conclusion, we do not see any significant boost to spreads on the EUR benchmark segment for covered bonds.

Conclusion and outlook

In today's article, we have relied on metaphors such as a "balancing act" and being "caught in two minds" to describe the task facing the ECB, namely combating inflation and/or securing financial market stability. A "versus" would put these two objectives of the ECB too much in competition with each other, while an "and/or" is not necessarily supposed to convey our inner conflict, but rather to reflect the current conflict situation in the Governing Council. The hawks clearly consider that the objective of combatting inflation will be jeopardised if the terminal rate for key interest rates is reached soon. For the doves (and some banks), the ECB may have moved too quickly in raising rates. It is hoped that nobody sees a risk to financial market stability; at least the issues with SVB in the USA and Credit Suisse in Switzerland remained localised despite their links to other commercial banks. As the old adage goes, "there's no smoke without fire" – well, at present, the primary market is doing its best to disperse the smoke. A further +25bp therefore seems to be priced in in May and, should there be a surprise, it is likely to be more rather than less. In our view, the ECB would therefore have tightened the interest screw sufficiently in the first half of the year. This implies a pause in rate hikes in June. The effects of the rate hikes since July 2022 could also then finally start to be felt and extend into the real economy due to the sluggish transmission mechanism. A delayed impact is more the rule than the exception here; 12-18 months would tend to be seen as normal. Not even ten months have passed since the first rate hike. It would be wonderfully convenient to pause for breath in – at least – June and concentrate solely on announcing the process of further reducing the size of the balance sheet. Our proposals for reduced monthly reinvestment activity of at least EUR 20bn on average, preferably EUR 25bn, will be on the table from today at the latest. We also consider a final rate increase in the second half of the year, potentially in September, to be possible. We are ruling out any reduction in rates until well into 2024.

Covered Bonds
EBA Risk Dashboard paints solid picture of Q4 2022

Authors: Dr Frederik Kunze // Melanie Kiene, CIIA

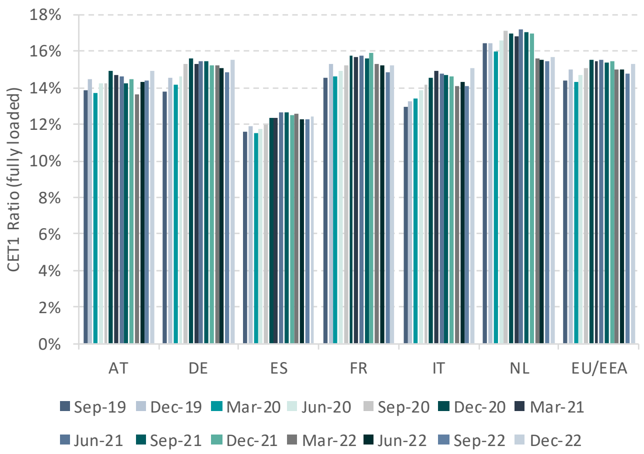
EBA Risk Dashboard: Regulatory analysis of the EU/EEA Banking Sector

On 4 April 2023, the European Banking Authority (EBA) presented up-to-date figures on its highly regarded "Risk Dashboard". The most recent reporting period here is Q4 2022. The database comprises a large number of indicators (including capital adequacy, liquidity, asset quality and profitability) and is based on data supplied by 162 banks (unconsolidated; see List of institutions) for regulatory reasons. According to the EBA, this covers around 80% of the assets of the European banking market. With regard to the covered bond market, which is our focus, we believe that the Risk Dashboard provides important insights into the state of the European banking sector and therefore also allows conclusions to be drawn about the risk situation in the sub-segment of covered funding. The "MREL Risk Dashboard" was also published for the first time. In addition to the annual EBA MREL Quantitative Monitoring Report and Impact Assessment, this provides more in-depth information. However, this comes with a one quarter time lag, so the most recent reporting date here is 30 September 2022. It should be noted that the reported data has a different reporting date to the MREL resolutions, which currently refer to the requirement from 1 May 2022. The EBA MREL Risk Dashboard covers 248 institutions (out of 299) with external MREL requirement and 130 (out of 159) with internal MREL requirement. For the sake of clarity, we only refer to selected countries (AT, DE, ES, FR, IT and NL) in the charts and graphs below.

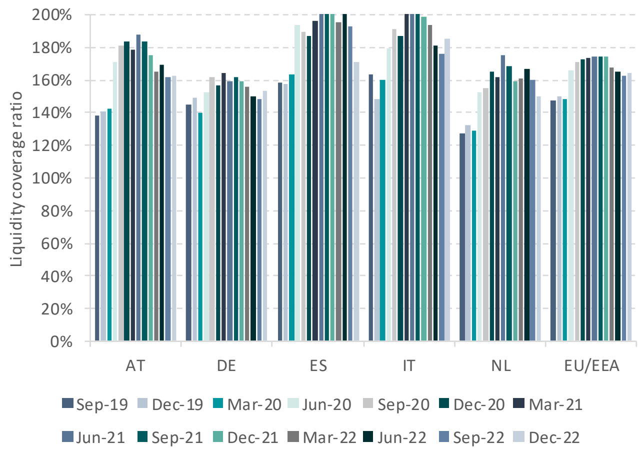
EBA sees increased volatility in equities and debt, which are massively influenced by the events surrounding Silicon Valley Bank and Credit Suisse

Even though the events surrounding the collapse of Silicon Valley Bank (SVB) and Credit Suisse (CS) did not come to a head until the Q1 2023, the first tensions were also noticeable in the previous quarter. With reference to the reporting date at the end of Q4 2022, the EBA was nevertheless able to ascertain increased capital ratios and continued high liquidity ratios. It rates the funding and liquidity profile of EU/EEA banks as diversified and states that banks have also been forced to prepare for significant TLTRO III repayments in 2023, some of which already took place in Q1 2023. Nevertheless, the downside risks caused in particular by the energy crisis and geopolitical uncertainty in the wake of Russia's invasion of Ukraine remain. Slower growth rates and increased risks of recession were addressed by the EBA, as was the increased market volatility resulting from these developments. In particular, the collapse of SVB and CS have caused high volatility and at times closed primary market windows. In the debt capital markets segment, yields have risen and spreads have widened, which is likely to have negative consequences for funding (higher costs) and the bond portfolios of banks. In our view, this will apply at least in the event that increased risk premiums persist at an elevated level.

Risk Dashboard: CET1-Ratio (fully loaded)



Risk Dashboard: LCR (in %)



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

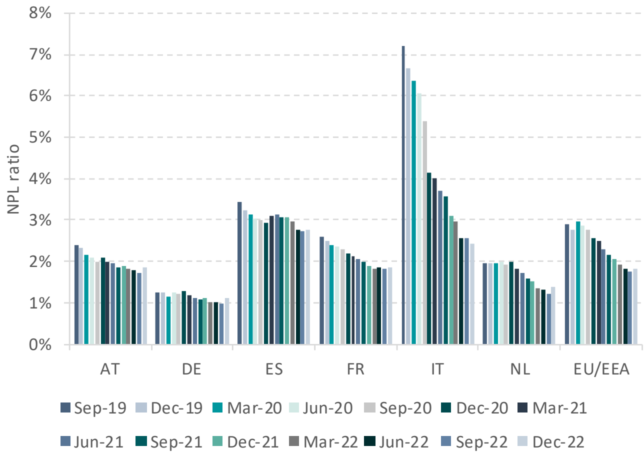
EBA assesses capital and liquidity ratios as still strong

In its statement, the EBA says the banks have strong liquidity ratios on average (LCR: 164.7%, NSFR: 125.8%). The capital ratios also show a clear increase, with the CET1 ratio (fully loaded) rising from 14.8% in the previous quarter to 15.3%. However, the EBA points to a fundamental spread of capital ratios across the sample of banks. According to the report, some institutions are definitely more susceptible to economic downturns. With regard to liquidity, the EBA refers to the TLTRO III tenders maturing in the coming quarters and the planned issuances of new (covered) debt instruments by banks that do not exceed these maturities. Some banks could encounter lower investor demand if they have to meet MREL quotas with their wholesale funding or undertake TLTRO III tender refinancing, or could also face new challenges from higher spreads. In March 2023, for example, equity prices in the banking sector came under strong pressure, yields rose and the credit spread for banks also widened. In our view, this also reflects the increased or still increasing importance of covered bonds. These cannot, by their very nature, provide direct assistance to issuers in the context of MREL quotas, but for some institutions we believe that covered bonds in particular can mitigate potential burdens on the refinancing side (e.g., declining deposits and maturing TLTRO III tenders). The loan-to-deposit ratio recently rose from 108.1% to 109.2%.

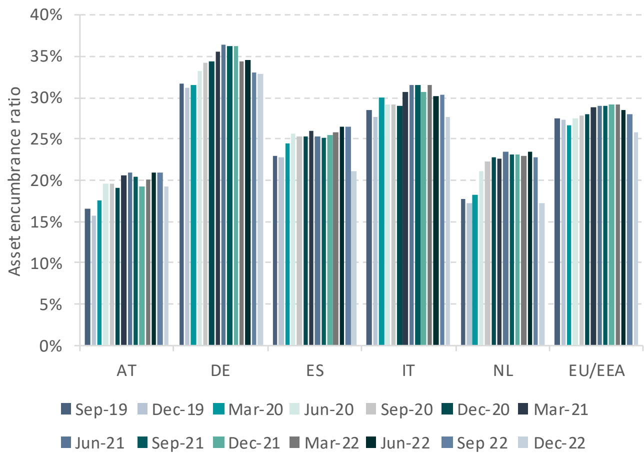
Credit quality: NPL ratios not (yet) picking up

After EBA data indicated a declining trend in NPL ratios in previous quarters, a varying trend has now emerged in the individual segments. Although the NPL ratio remained stable at 1.8% at the end of 2022 with declining loan portfolios, increases were recorded in some sectors. A significant decline in the NPL ratio was recorded in the commercial real estate sector (3.7% compared with 4.1% previously), while the corporate NPL ratios mostly increased. The Health Services and Social Work sector saw the largest increase, up 2.7 percentage points to 4.9%. According to Eurostat, insolvencies also increased in 2022.

Risk Dashboard: "Ratio of Non-performing Loans and Advances (NPL ratio)"



Risk Dashboard: Asset Encumbrance Ratio (in %)



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

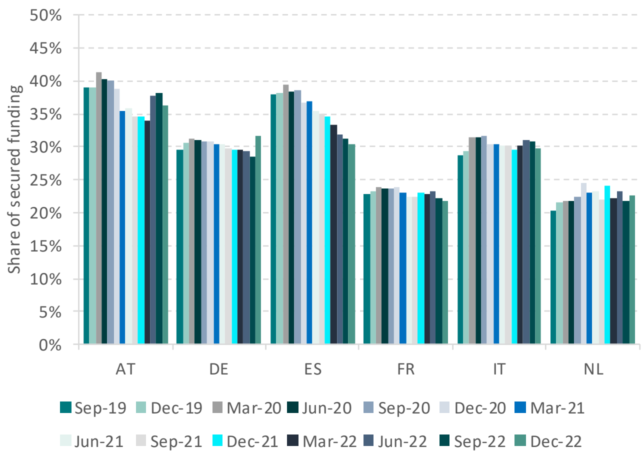
Relevance of the data basis for covered bonds

On the basis of the EBA data, conclusions can be drawn for covered bonds initially on the "first line of defence" (issuer); for example, on capital and liquidity adequacy. However, the Risk Dashboard also provides additional significant insights with regard to the banks' cover pools. In particular, we are thinking not only of the quality of the loan portfolio but also of the existing proportion of covered financing or the proportion of assets "encumbered" by covered bonds, or via other channels (key phrase: Asset Encumbrance Ratio).

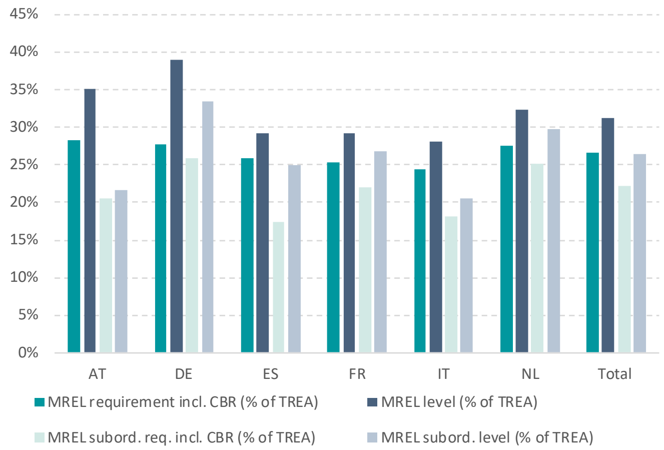
Asset Encumbrance Ratio: significant decrease due to TLTRO III repayments

The credit quality of the issuing bank is the first line of defence. And here the EBA data still paint a robust picture of the situation. In fact, however, it must be expected that the landscape of key indicators, including those relating to capital and liquidity, will become much more heterogeneous over the next one to three quarters. Rising NPL volumes could also weigh on the quality of cover pools in a very negative scenario, not least as a result of fewer cover assets being available. In the context of the EBA Risk Dashboard, we therefore believe that it would also be useful to look at the asset encumbrance ratio, or the share of secured financing in the funding mix. Based on the EBA data, there is still no indication of a trend reversal or even a structural break. Nevertheless, scarcity debates could gain more ground if the funding ratio were to shift even more strongly in the direction of the covered bond segment. For the EBA, the significant decline in the asset encumbrance ratio (28% as of Q3 2022 to 25.8% as of Q4 2022), boosted by TLTRO III maturities, should be at least partially offset by "intense" activity in the primary market. Based on the EBA data, we do not currently see any signs of significant changes to the framework conditions.

Risk Dashboard: Share of covered funding (in %)



MREL Risk Dashboard: "External MREL requirement and level (% of TREA)"



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

MREL Risk Dashboard published for the first time

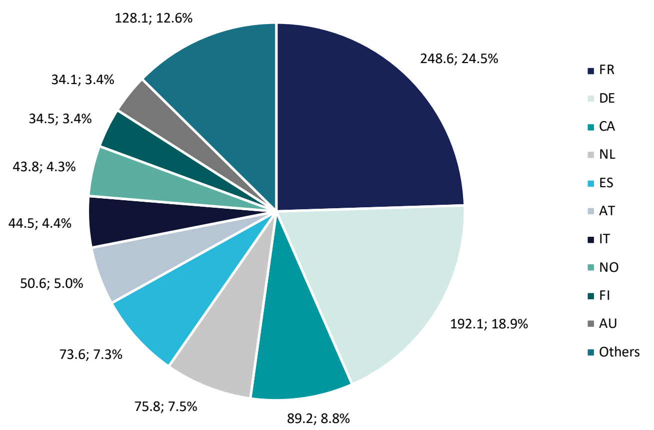
The MREL requirement (Minimum Requirement for Own Funds and Eligible Liability) is designed to ensure that a credit institution or group of institutions has sufficient bail-in eligible capital for loss absorption and recapitalisation purposes. Groups of institutions with relevant subsidiaries or subgroups must additionally fulfil an internal MREL requirement. The MREL Risk Dashboard has now been published for the first time and is also not irrelevant for the covered bond market, although the information provided does not include a maturity profile. Thus, in addition to own funds, MREL is composed of suitable liabilities, which are predominantly unsecured (subordinated) bank bonds (senior unsecured). In particular, the reported "shortfall" suggests an existing "compulsion" to issue senior unsecured bonds and, as such, could consequently push the funding of covered bonds by these issuers into the background. The external MREL shortfall is mainly concentrated in three countries. Of the EUR 30.9bn in missing MREL-eligible liabilities overall, around 60% is attributable to the three countries Greece (EUR 10.6bn), Italy (EUR 4.8bn) and Portugal (EUR 3.8bn). Overall, however, European banks are well equipped. Accordingly, most banks are also extremely solidly positioned in terms of internal requirements.

Conclusion

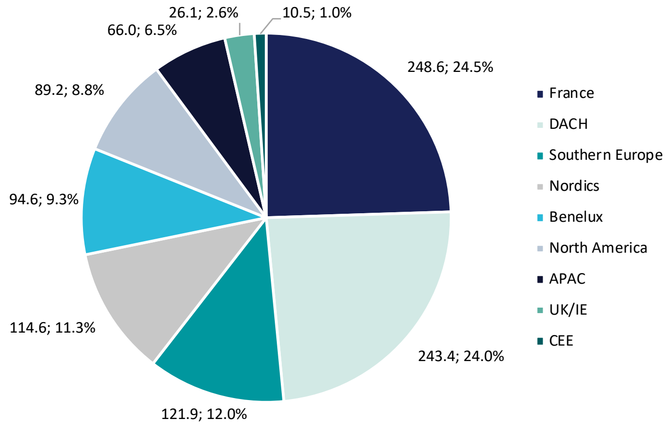
The EU/EEA banking sector continues to be in robust shape. This is also indicated by the figures on the EBA Risk Dashboard. The data basis (Q4 2022) excludes developments in recent months. In this respect, assuming that the period of banking stress is not "just a phase", a further deterioration in some key figures can be expected moving forwards. However, we would not want to overstate this potential development with a view to the covered bond segment. The capital and liquidity ratios still have fairly large buffers on average. Also, possible NPL increases or other deteriorations in credit quality are not yet likely to be reflected in the cover pools. Therefore, in our view, issuers are fully capable (if necessary) of active cover pool management.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



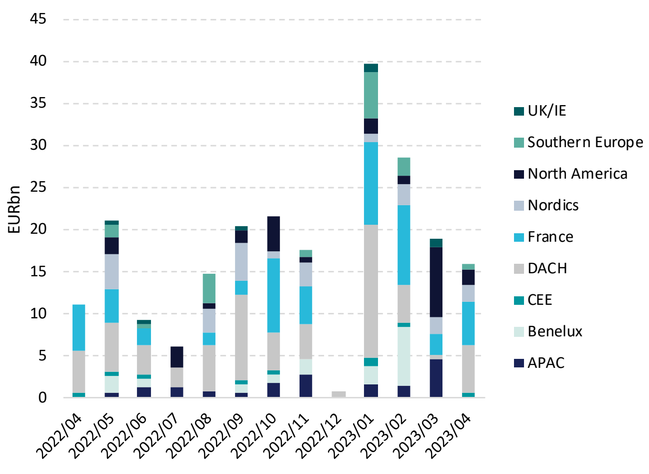
EUR benchmark volume by region (in EURbn)



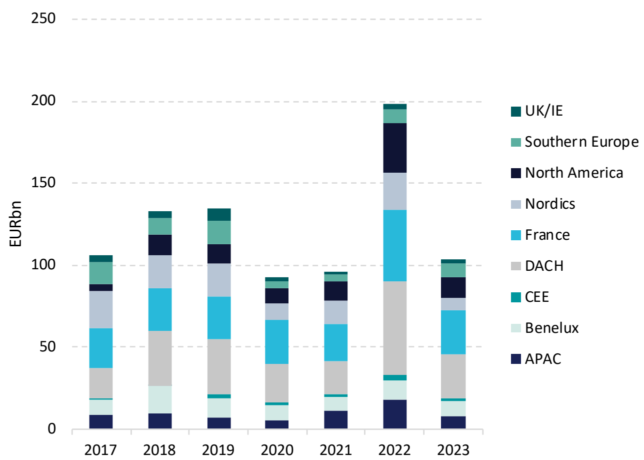
Top-10 jurisdictions

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	248.6	239	16	0.97	9.6	5.2	1.15
2	DE	192.1	273	31	0.65	8.1	4.3	0.92
3	CA	89.2	67	0	1.31	5.5	2.9	0.91
4	NL	75.8	75	2	0.94	11.0	6.7	0.99
5	ES	73.6	59	6	1.14	11.1	3.7	1.93
6	AT	50.6	86	4	0.58	8.6	5.3	1.17
7	IT	44.5	55	2	0.78	9.3	3.7	1.26
8	NO	43.8	52	11	0.84	7.3	3.9	0.52
9	FI	34.5	37	3	0.91	7.3	3.8	0.94
10	AU	34.1	33	0	1.03	7.3	3.7	1.35

EUR benchmark issue volume by month



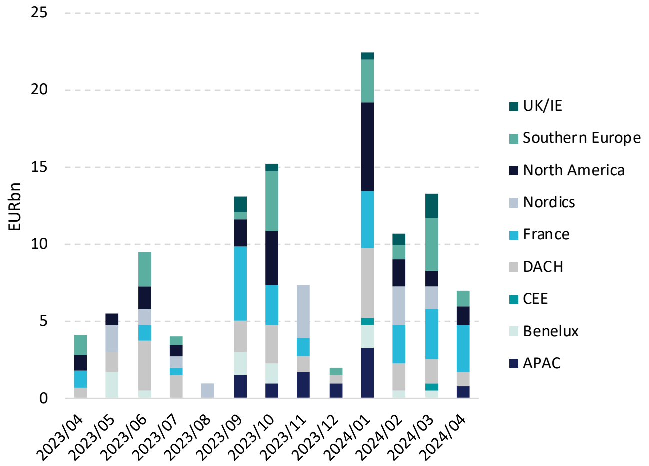
EUR benchmark issue volume by year



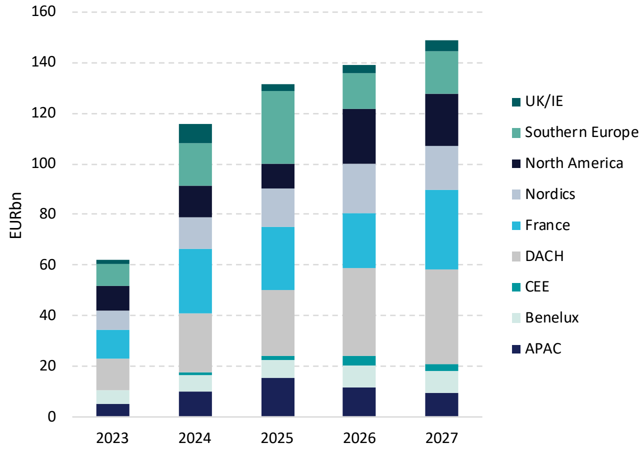
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

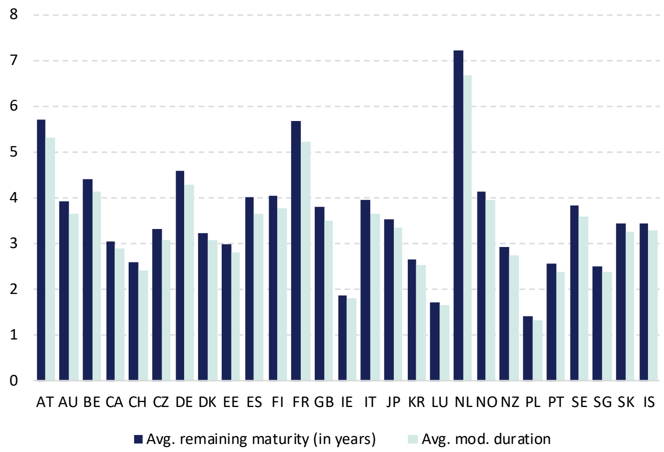
EUR benchmark maturities by month



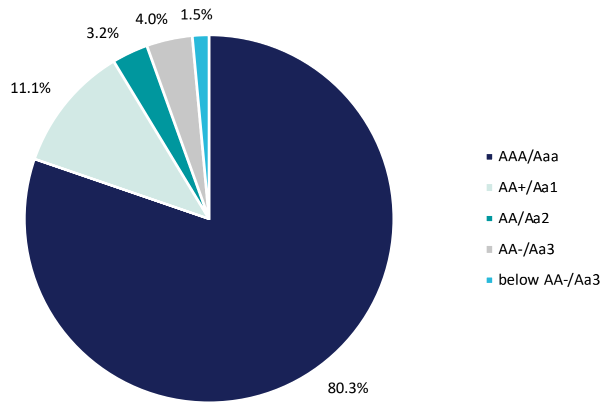
EUR benchmark maturities by year



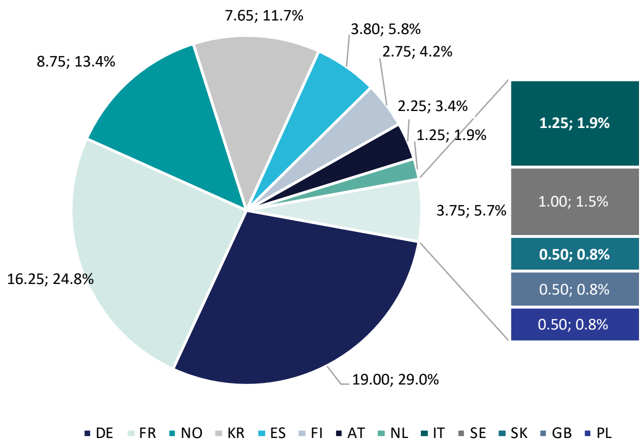
Modified duration and time to maturity by country



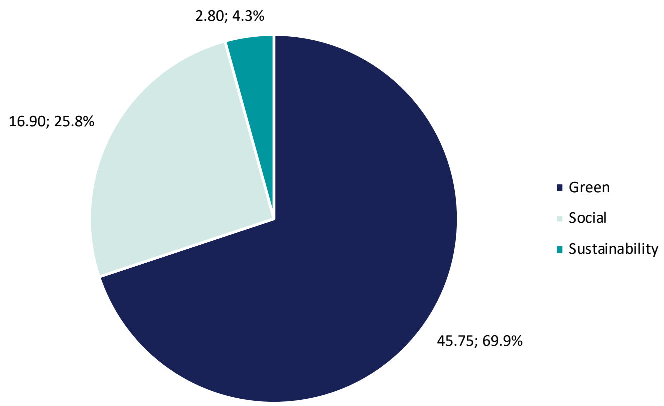
Rating distribution (volume weighted)



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



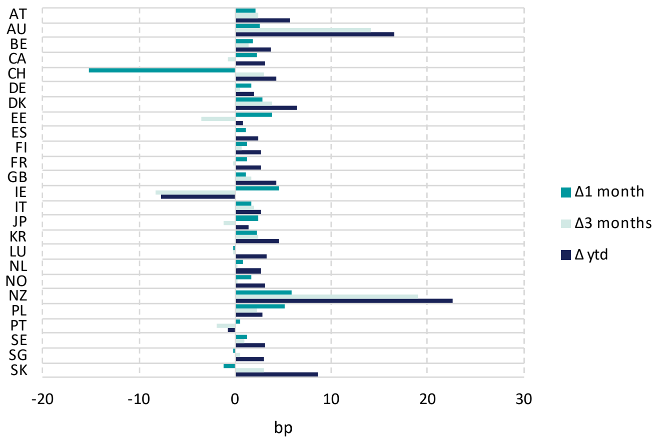
EUR benchmark volume (ESG) by type (in EURbn)



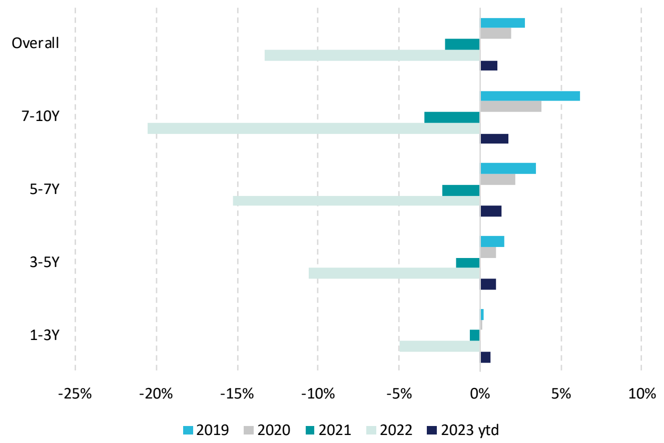
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

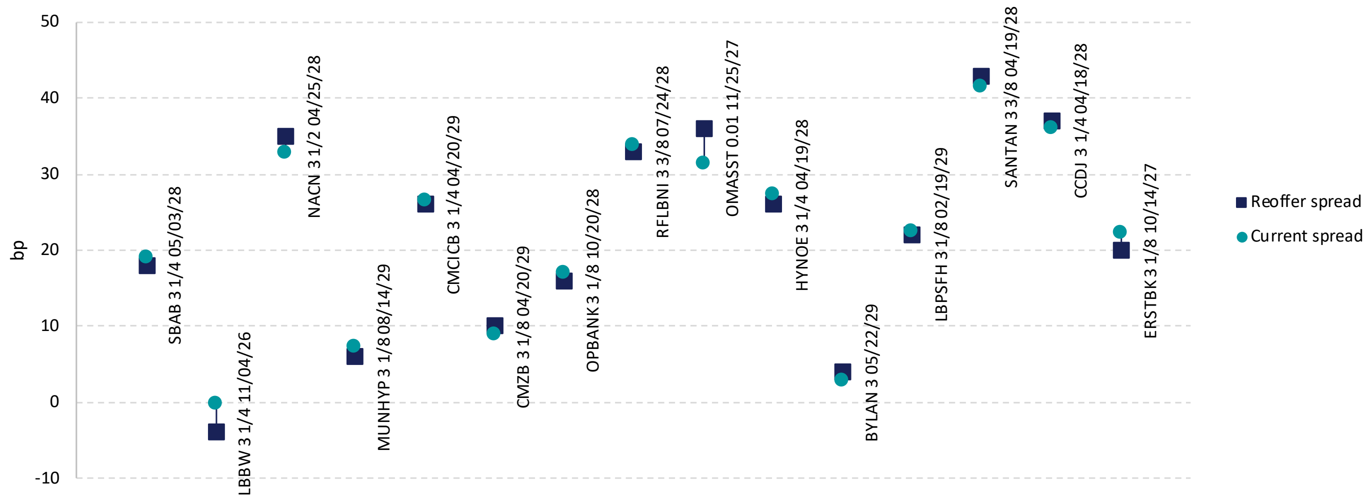
Spread development by country



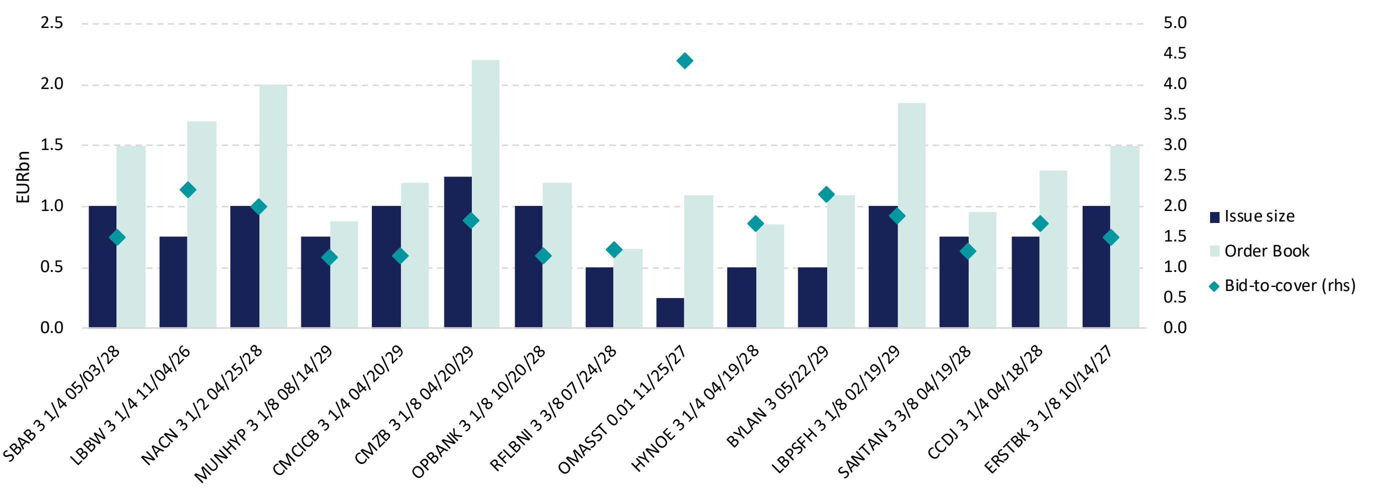
Covered bond performance (Total return)



Spread development (last 15 issues)



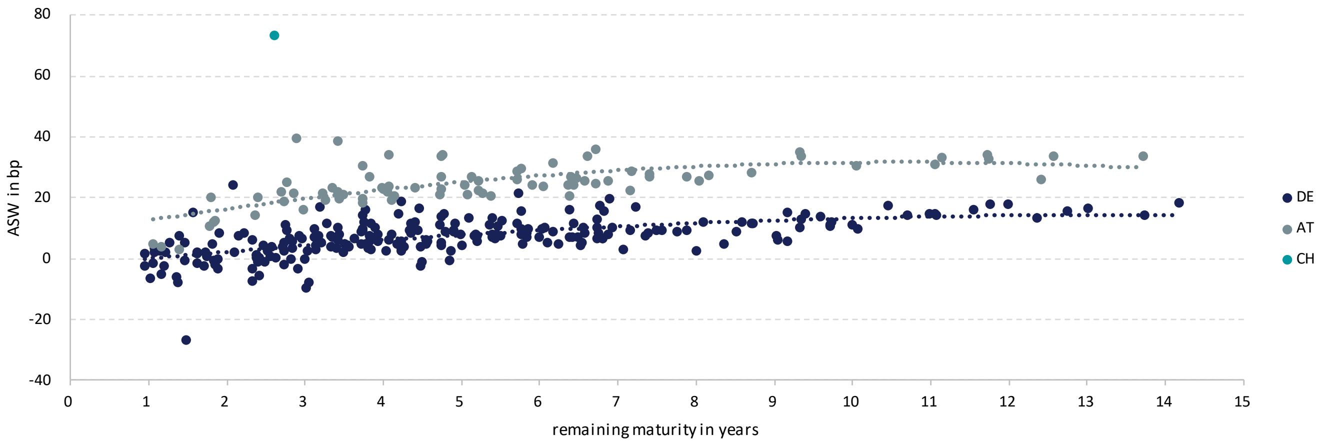
Order books (last 15 issues)



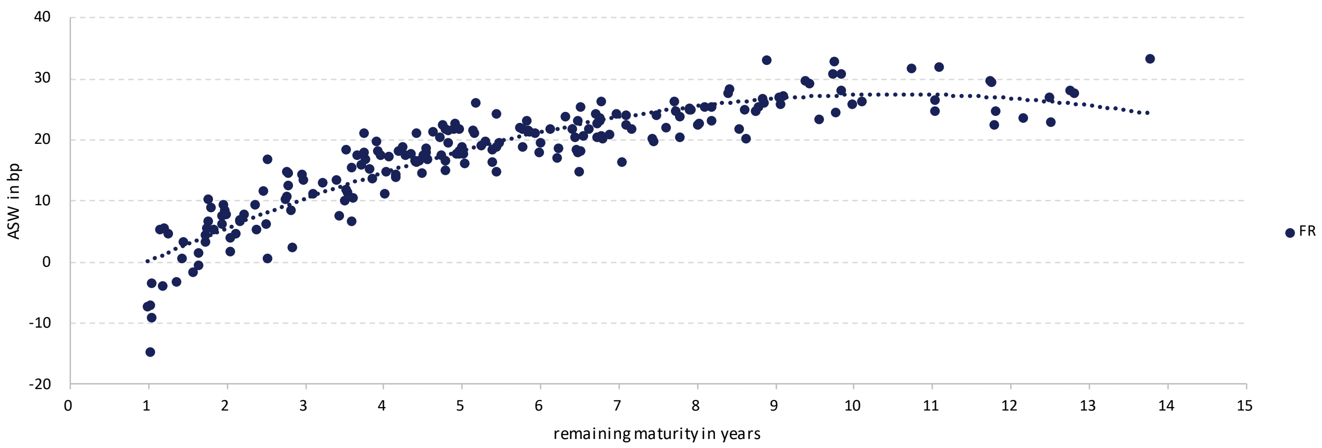
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

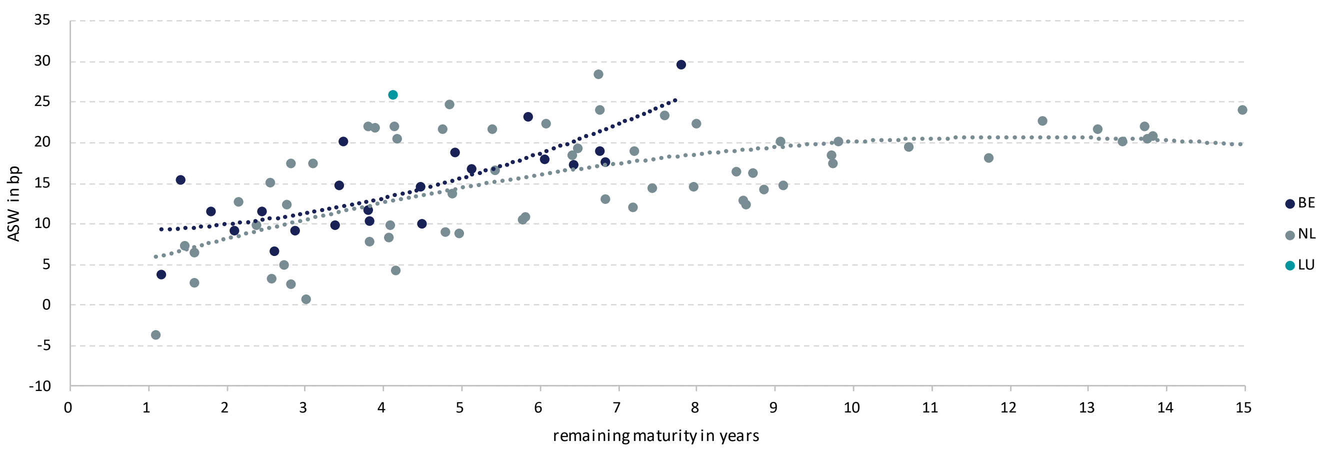
DACH



France

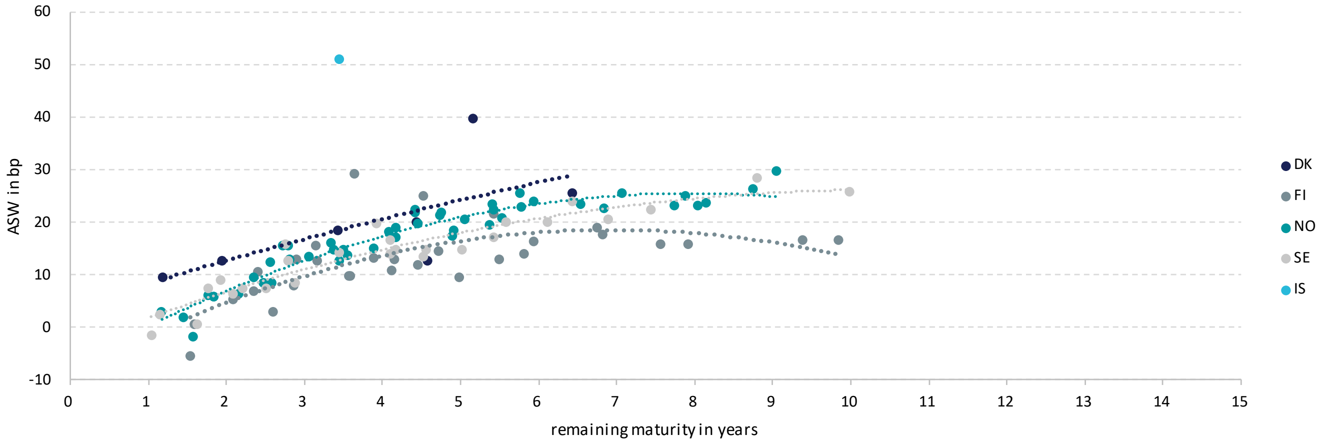


Benelux

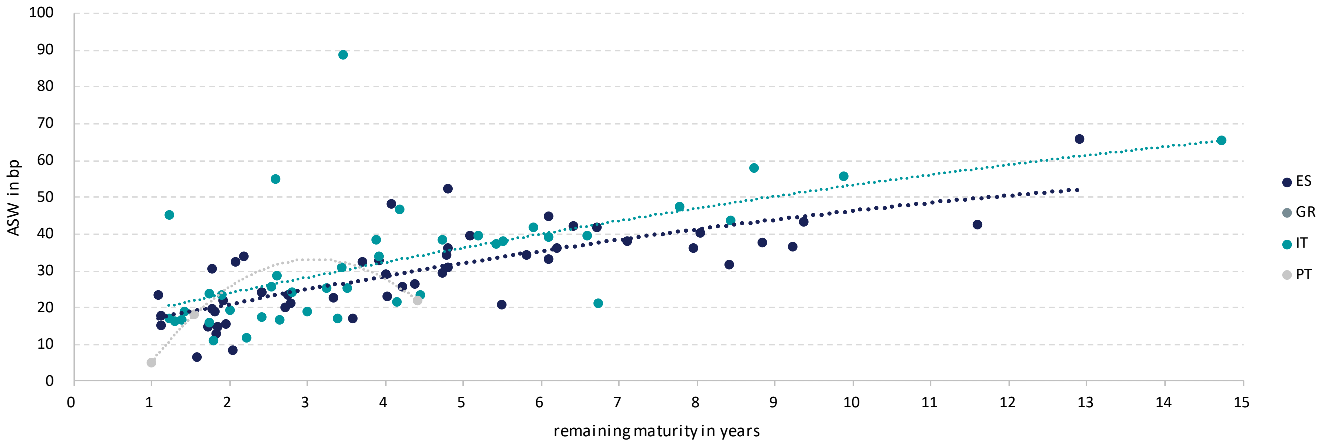


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

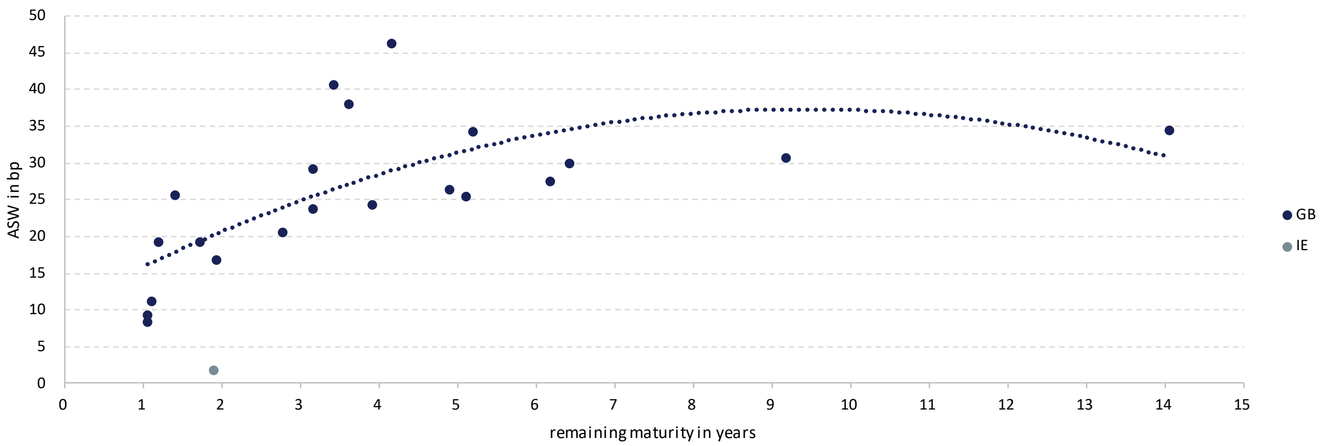
Nordics



Southern Europe

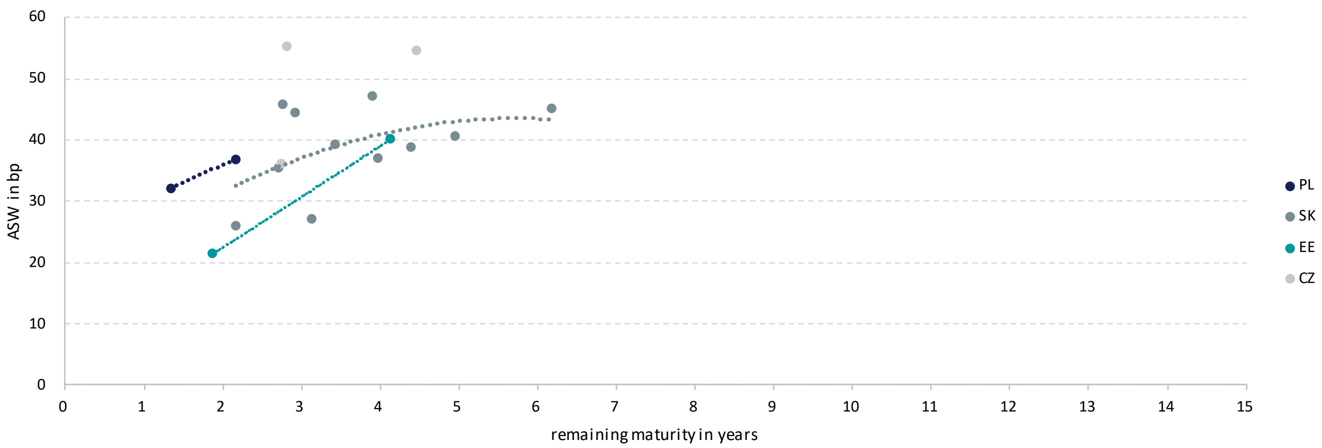


UK/IE

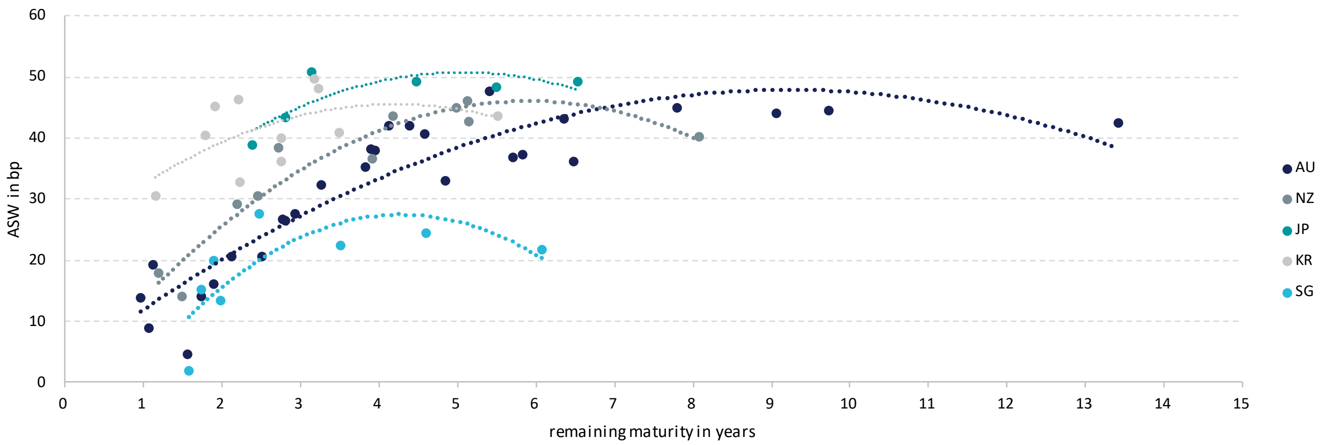


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

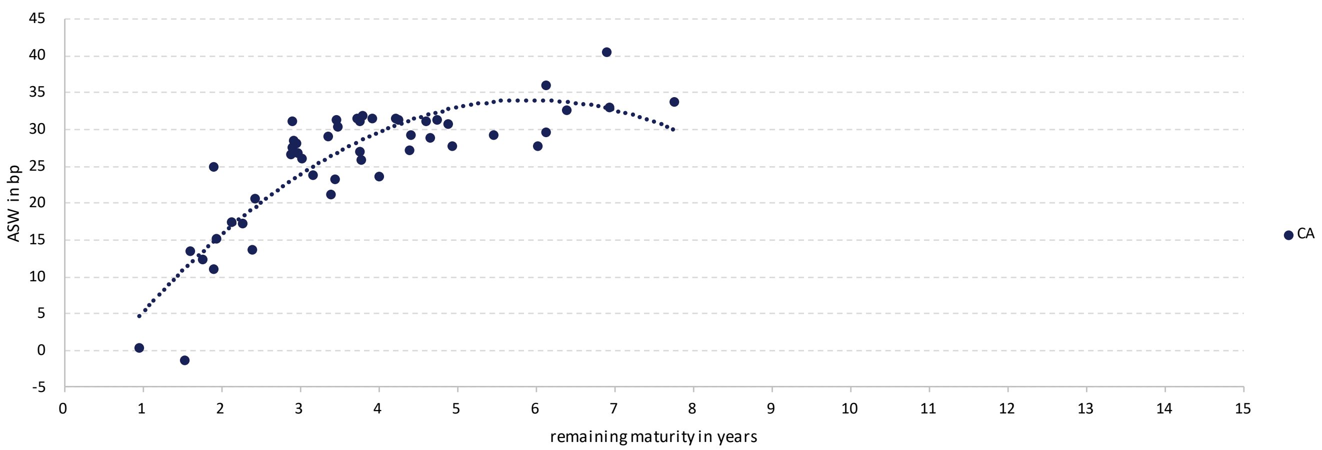
CEE



APAC



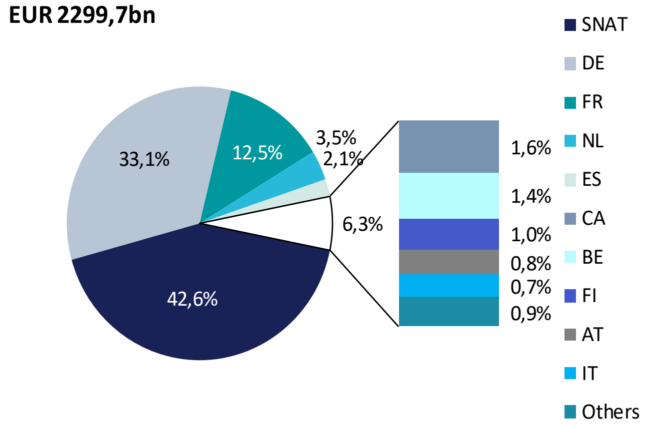
North America



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

Charts & Figures
SSA/Public Issuers

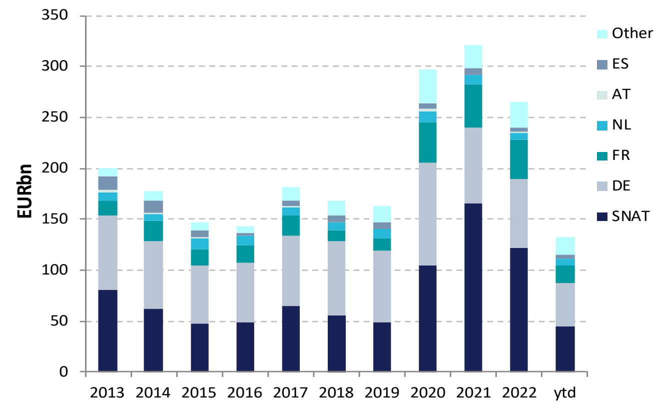
Outstanding volume (bmk)



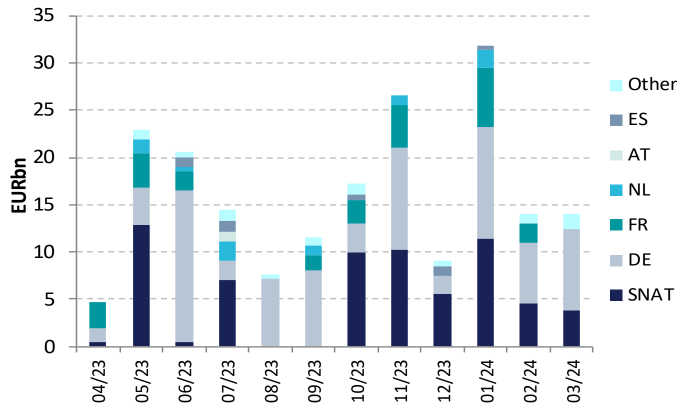
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	978,7	226	4,3	8,1
DE	760,9	566	1,3	6,3
FR	286,7	189	1,5	6,1
NL	80,8	71	1,1	6,6
ES	47,4	64	0,7	4,8
CA	37,5	25	1,5	4,4
BE	31,5	35	0,9	11,2
FI	22,4	25	0,9	5,1
AT	17,8	21	0,8	4,6
IT	15,0	19	0,8	4,8

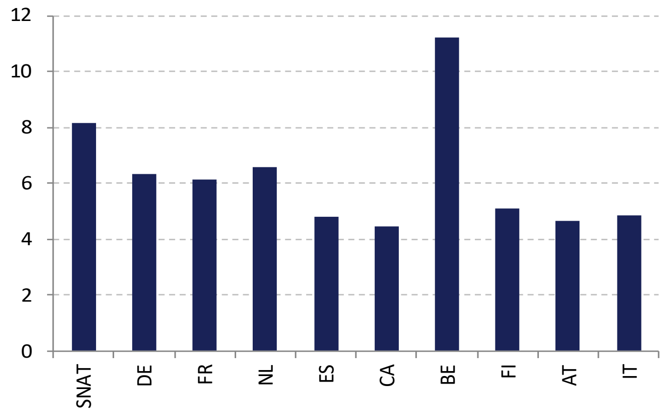
Issue volume by year (bmk)



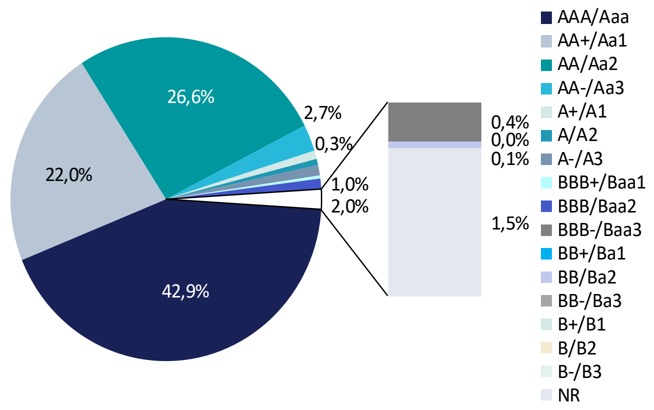
Maturities next 12 months (bmk)



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



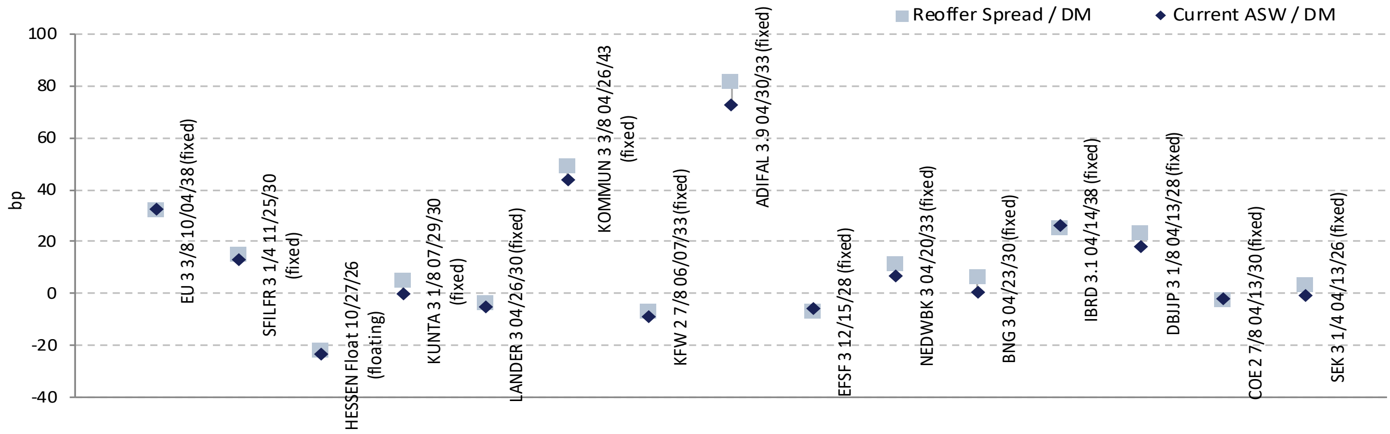
Rating distribution (vol. weighted)



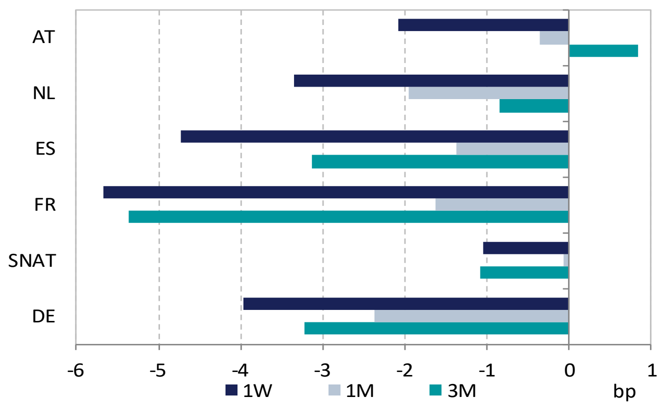
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

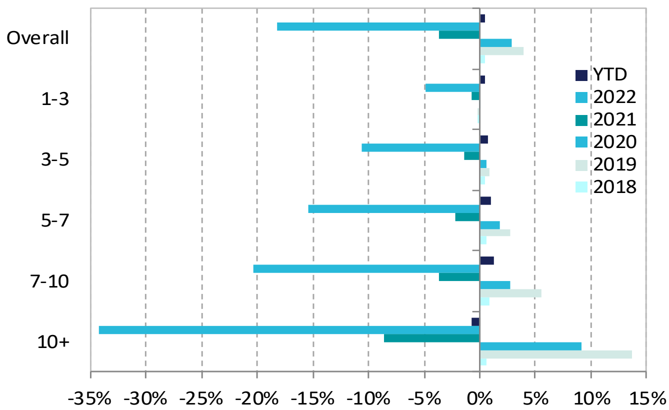
Spread development (last 15 issues)



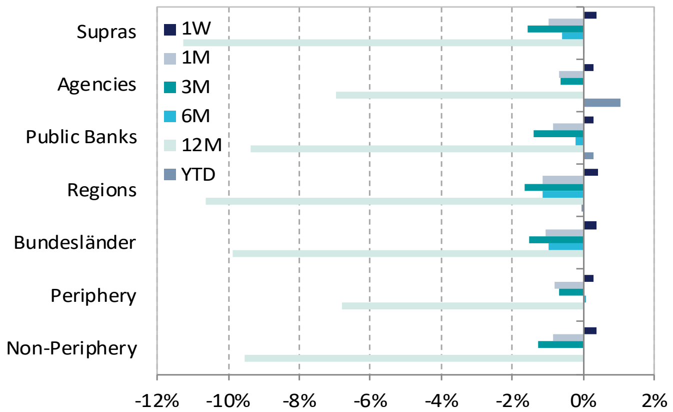
Spread development by country



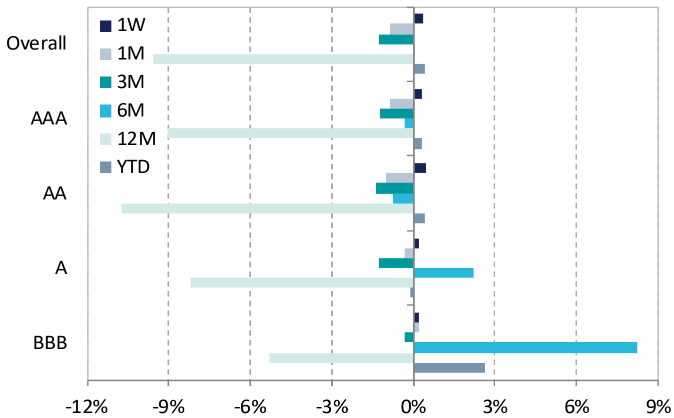
Performance (total return)



Performance (total return) by segments

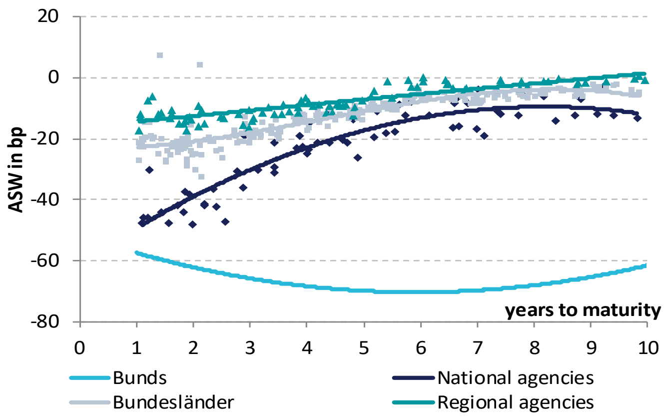


Performance (total return) by rating

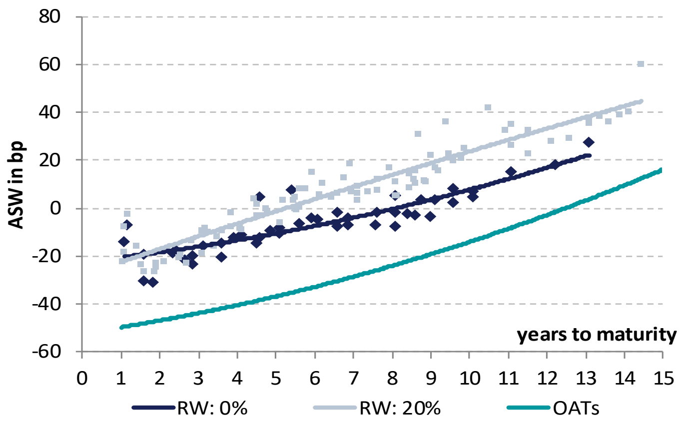


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

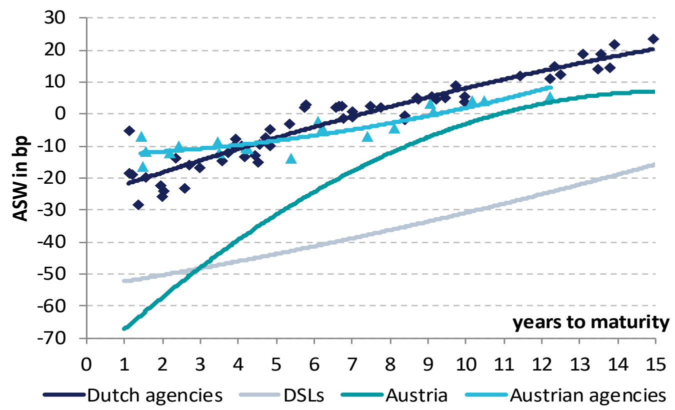
Germany (by segments)



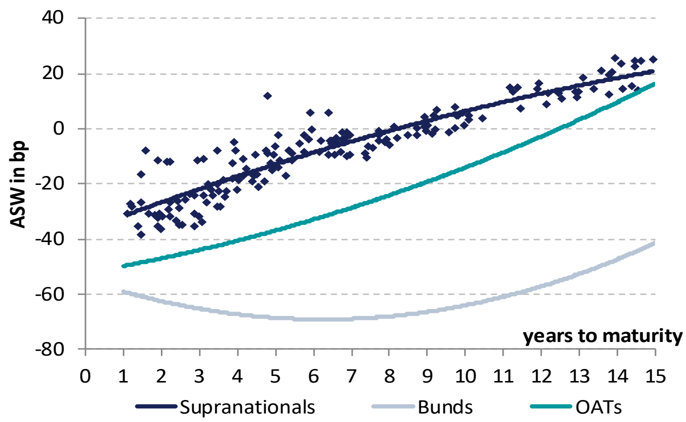
France (by risk weight)



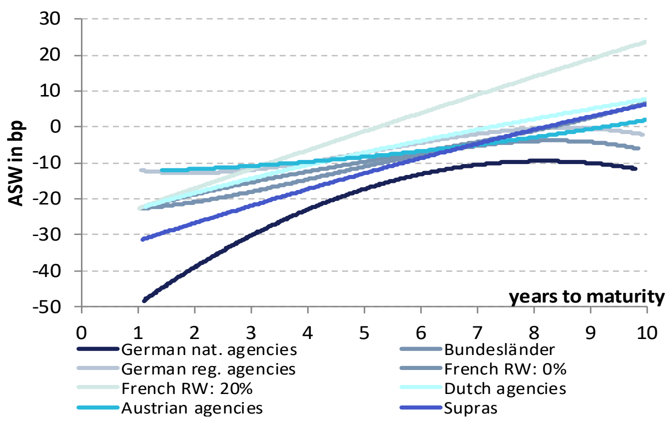
Netherlands & Austria



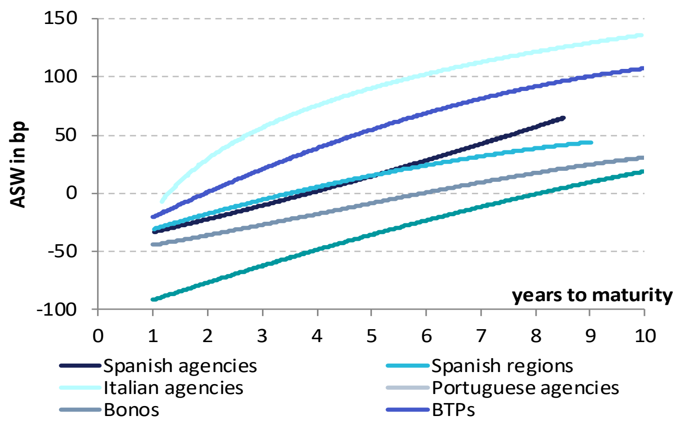
Supranationals



Core



Periphery



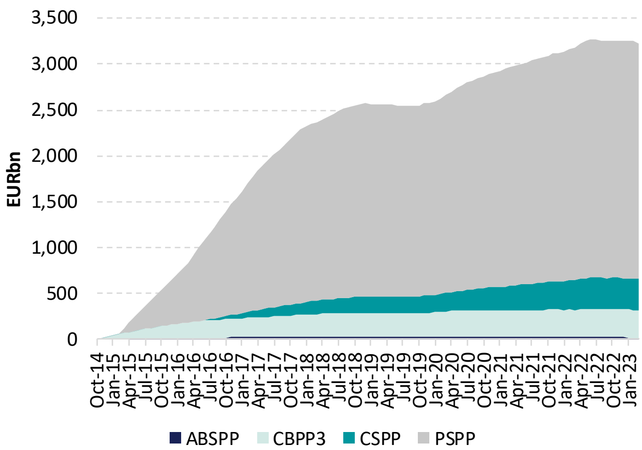
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

ECB tracker

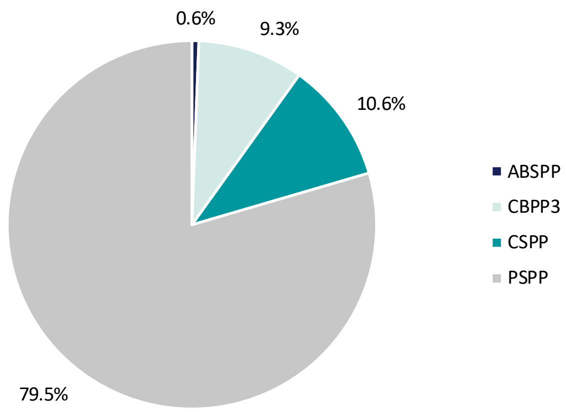
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Feb-23	20,189	302,677	344,102	2,584,935	3,251,903
Mar-23	19,465	299,707	341,974	2,569,835	3,230,981
Δ	-681	-2,759	-1,848	-10,104	-15,392

Portfolio development

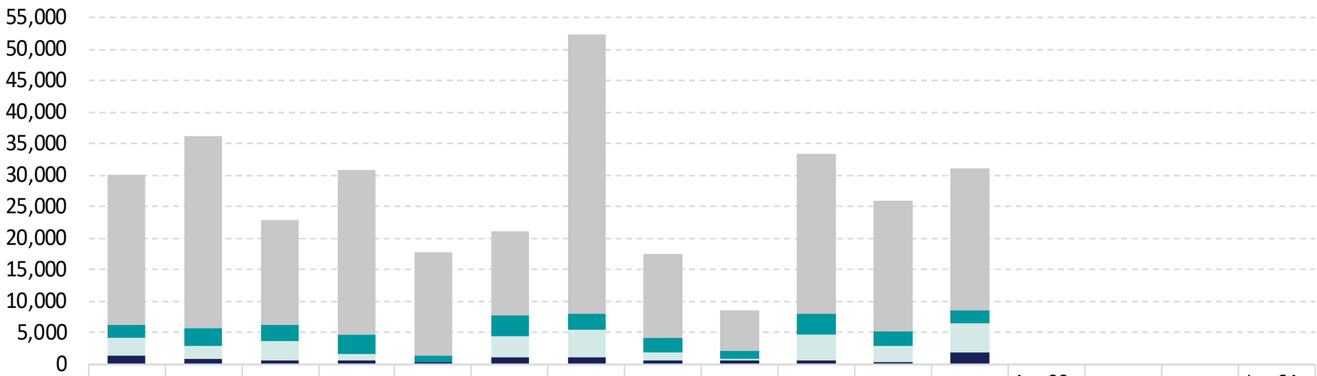


Portfolio structure



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

Expected monthly redemptions (in EURm)

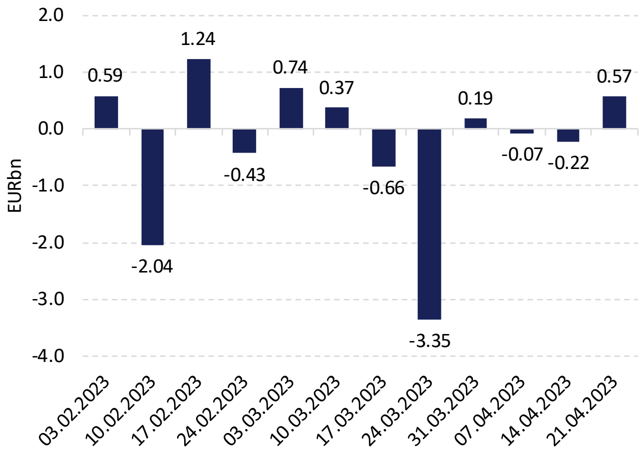


	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-23 - Mar-24	2022	2023	Jan-24 - Mar-24
APP	29,994	36,171	22,858	30,907	17,854	21,190	52,425	17,506	8,542	33,474	25,893	30,993	327,807	299,142	331,191	331,191
PSPP	23,848	30,449	16,619	26,150	16,445	13,346	44,412	13,253	6,336	25,524	20,789	22,413	259,584	228,585	255,013	255,013
CSPP	1,993	2,947	2,557	3,038	986	3,377	2,589	2,393	1,336	3,363	2,296	2,177	29,052	17,670	30,797	30,797
CBPP3	2,937	1,874	3,112	1,170	0	3,346	4,467	1,351	408	4,109	2,449	4,429	29,652	41,244	35,147	35,147
ABSPP	1,216	901	570	549	423	1,121	957	509	462	478	359	1,974	9,519	11,643	10,234	10,234

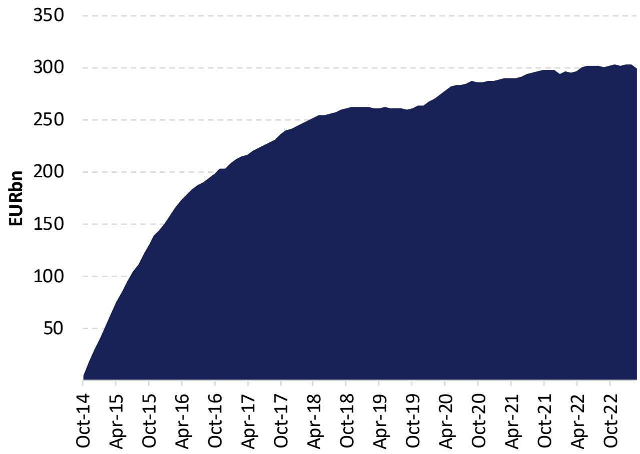
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

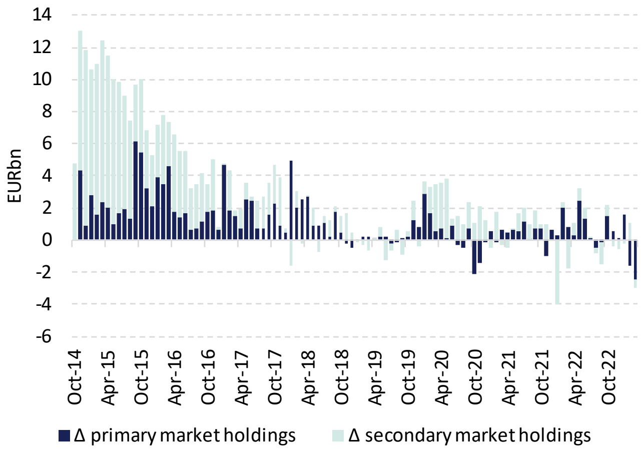
Weekly purchases



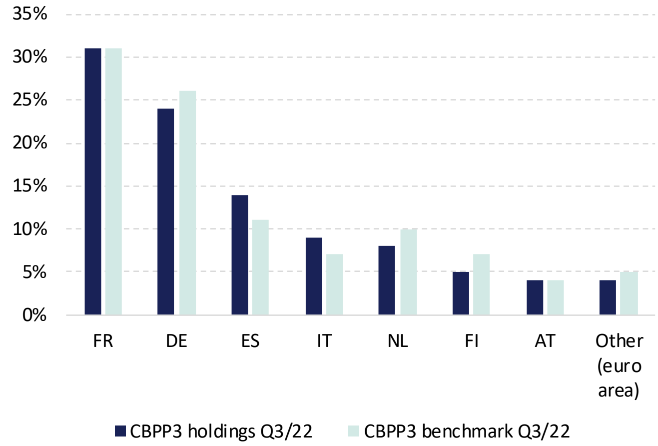
Development of CBPP3 volume



Change of primary and secondary market holdings

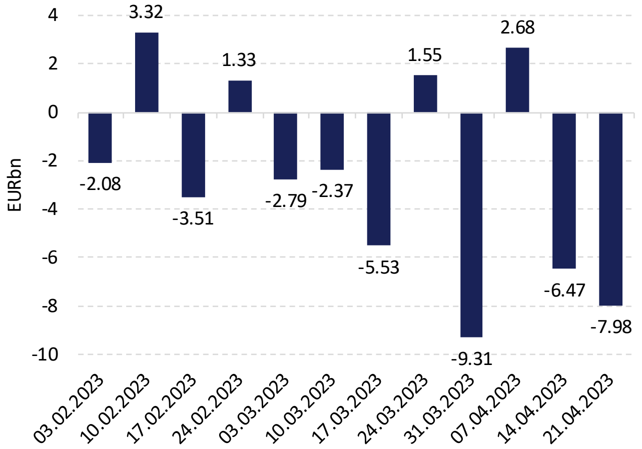


Distribution of CBPP3 by country of risk

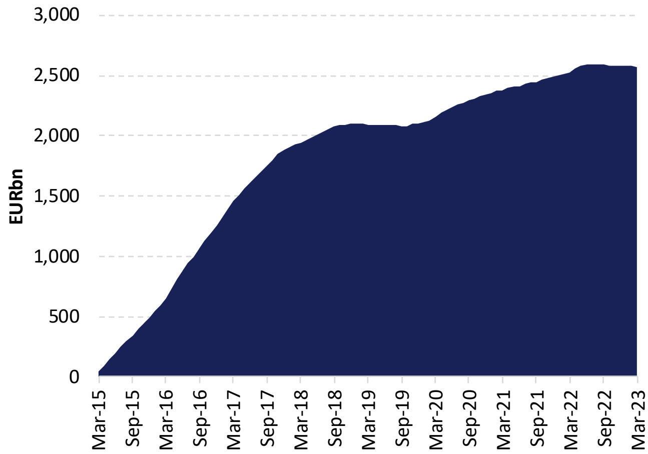


Public Sector Purchase Programme (PSPP)

Weekly purchases



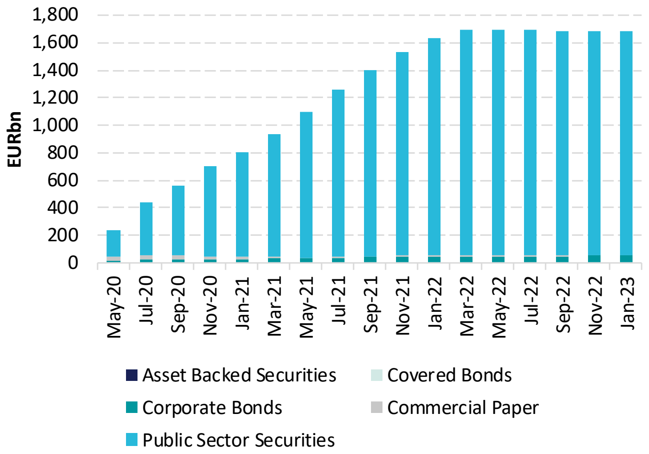
Development of PSPP volume



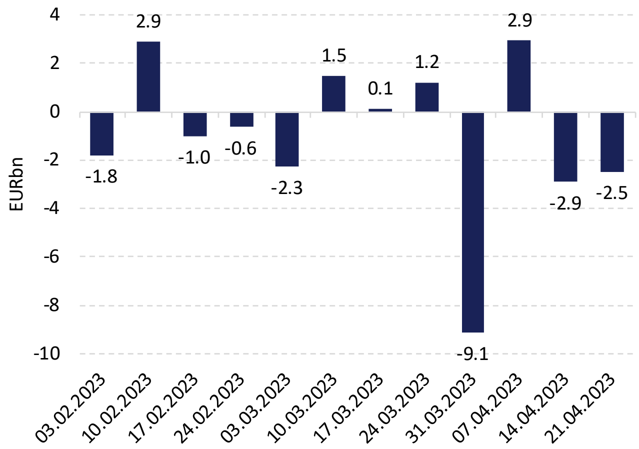
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Δ Holdings previous period	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)
AT	45,107	588	2.6%	2.7%	0.1%	7.3	7.5
BE	56,425	-380	3.3%	3.4%	0.1%	6.3	9.2
CY	2,493	6	0.2%	0.2%	0.0%	8.1	8.0
DE	398,924	593	23.7%	24.0%	0.3%	6.8	7.1
EE	256	0	0.3%	0.0%	-0.2%	7.2	7.2
ES	195,878	-1,382	10.7%	11.8%	1.1%	7.3	7.4
FI	26,890	745	1.7%	1.6%	0.0%	7.5	7.9
FR	296,890	2,093	18.4%	17.9%	-0.5%	7.7	7.8
GR	37,726	-1,847	2.2%	2.3%	0.0%	8.6	9.3
IE	25,104	173	1.5%	1.5%	0.0%	9.2	10.0
IT	289,726	631	15.3%	17.4%	2.2%	7.2	6.9
LT	3,305	34	0.5%	0.2%	-0.3%	9.2	8.8
LU	1,941	23	0.3%	0.1%	-0.2%	5.8	7.9
LV	1,954	20	0.4%	0.1%	-0.2%	7.7	7.9
MT	607	1	0.1%	0.0%	-0.1%	10.3	8.6
NL	81,616	-1,171	5.3%	4.9%	-0.4%	7.8	8.7
PT	33,964	-516	2.1%	2.0%	-0.1%	7.0	7.5
SI	6,344	41	0.4%	0.4%	-0.1%	8.9	9.3
SK	7,839	65	1.0%	0.5%	-0.6%	8.3	8.5
SNAT	148,088	1,173	10.0%	8.9%	-1.1%	10.2	8.9
Total / Avg.	**1,661,078**	**892**	**100.0%**	**100.0%**	**0.0%**	**7.6**	**7.6**

[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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
14/2023 ♦ 19 April	▪ Lending in the eurozone and Germany ▪ The French agency market - an overview
13/2023 ♦ 05 April	▪ Supply forecast requires no great adjustment ▪ Current risk weight of supranationals & agencies
12/2023 ♦ 29 March	▪ The Moody's covered bond universe – an overview ▪ NGEU: Green Bond Dashboard
11/2023 ♦ 22 March	▪ Covered Bonds: Under the spell of the banking crisis and ECB hawks? ▪ ESG: EUR-benchmarks 2023 in the SSA segment (ytd)
10/2023 ♦ 15 March	▪ Transparency requirements §28 PfandBG Q4/2022 ▪ Credit authorisations of the German Laender for 2023
09/2023 ♦ 08 March	▪ ECB preview: Soft landing lets ECB play hard ball with key rates ▪ Where does the Pfandbrief stand within the covered bond universe?
08/2023 ♦ 01 March	▪ The covered bond market and the ECB: a gradual farewell? ▪ Beyond Bundeslaender: Focus on Greater Paris (IDF and VDP)
07/2023 ♦ 22 February	▪ The Italian market for EUR benchmark covered bonds ▪ European supranationals – an overview
06/2023 ♦ 15 February	▪ Maturity premiums on covered bonds ▪ Development of the German property market ▪ Spotlight on the EU: a mega issuer spawned by the crisis
05/2023 ♦ 08 February	▪ January 2023: record start to the new covered bond year ▪ SSA monthly review: dynamic issuance activity to kick off the new year
04/2023 ♦ 01 February	▪ Focus on covered bond jurisdictions: Canada in the spotlight ▪ Focus on covered bond jurisdictions: Slovakia and Czech Republic in the spotlight ▪ 26th meeting of the Stability Council (December 2022)
03/2023 ♦ 25 January	▪ ECB preview: all eyes and ears on the press conference ▪ Successful start to the year for EUR sub-benchmarks as well ▪ ESG covered bonds from France: La Banque Postale SFH issues inaugural social covered bond
02/2023 ♦ 18 January	▪ Focus on covered bond jurisdictions: Belgium in the spotlight ▪ The Moody's covered bond universe: an overview ▪ Beyond Bundeslaender: focus on Belgian issuers
01/2023 ♦ 11 January	▪ ECB review: 2022 entailed all manner of monetary policy action ▪ Covered Bonds Annual Review 2022 ▪ SSA: Annual review of 2022
39/2022 ♦ 14 December	▪ Our view of the covered bond market heading into 2023 ▪ SSA outlook 2023: ECB, NGEU and the debt brake in Germany

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 2022
- Covered Bond Directive: Impact on risk weights and LCR levels
- Risk weights and LCR levels of covered bonds (updated semi-annually)
- Transparency requirements §28 PfandBG Q4/2022 (quarterly update)
- Covered bonds as eligible collateral for central banks

SSA/Public Issuers:

- Issuer Guide – German Laender 2022
- Issuer Guide – German Agencies 2022
- Issuer Guide – European Supranationals 2023
- Issuer Guide – Dutch Agencies 2022
- Beyond Bundeslaender: Belgium
- Beyond Bundeslaender: Greater Paris (IDF/VDP)
- Spotlight on Spanish regions (Update planned in 2023)

Fixed Income Specials:

- ESG-Update 2022
- ECB interest rate decision: Backbone in times of turmoil?!
- ECB interest rate decision: Roadmap to QT
- ECB: The Wishing-Table, the Gold-Ass, and the Cudgel in the Sack
- ECB interest rate decision: delivered as expected?

Appendix
Contacts at NORD/LB

Markets Strategy & Floor Research

Dr Frederik Kunze
Covered Bonds/Banks
+49 172 354 8977
frederik.kunze@nordlb.de

Melanie Kiene
Covered Bonds/Banks
+49 172 169 2633
melanie.kiene@nordlb.de

Stefan Rahaus
Covered Bonds/Banks
+49 172 6086 438
stefan.rahaus@nordlb.de

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

Valentin Jansen
SSA/Public Issuers
+49 157 8516 7232
valentin.jansen@nordlb.de

Sales

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

Trading

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Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

Origination & Syndicate

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Origination Corporates	+49 511 361-2911

Sales Wholesale Customers

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Asset Finance	+49 511 361-8150

Treasury

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

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oek@nordlb.de

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Time of going to press: Wednesday, 26 April 2023 (08:42)