Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

20 September 2023 ♦ 27/2023

Marketing communication (see disclaimer on the last pages)

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

Christian Ilchmann
christian.ilchmann@nordlb.de

NORD/LB:
Markets Strategy & Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuer Research

Bloomberg:
RESP NRDR <GO>

Market overview Covered Bonds

Author: Dr Frederik Kunze

Primary market: investors may not be on strike, but they are operating more selectively

As we shall explain in greater detail in a separate section below, we were encouraged by the general atmosphere of the annual Covered Bond Congress. From our perspective, the current mood on the primary and secondary markets should not counteract this. After all, in structural terms, the covered bond market as a whole can be described as more than merely robust and remains in the focus of both issuers and investors – perhaps even more than ever before! Nevertheless, there is a lack of dynamism in connection with primary market activities at present, as some of the more recent transactions have shown. One reason for this are saturation effects on the buyer side, which are coming about as a result of diminishing liquidity and increasing limit utilisation on the part of potential investors. As we approach the final phase of what has been a highly dynamic issuance year up to now, investors already have a lot on their plates and are becoming more selective in their activities. While this effect may in part be temporary in nature (e.g., due to impending maturities), it must also be borne in mind that a large proportion of the deals set to fall due are "held" by the ECB and are therefore not reinvested. Moreover, the coming maturities are of little help to banks that (have to) enter the market now. In this challenging environment, Deutsche Pfandbriefbank (pbb) approached investors on Monday. The deal for EUR 500m (WNG; 4.0y) started out in the marketing phase at ms +27bp. The order books were rather slow to fill up, so it came as little surprise that no tightening versus the initial guidance took place here. Following the pbb transaction, a total volume of EUR 31.5bn has been placed by German banks in the current year. Certain saturation effects can also be observed with this high volume. Even if no further Pfandbriefe were to be placed this year, a positive net supply of EUR +13.8bn would be recorded for Germany in 2023 when total maturities of EUR 17.8bn are taken into account. However, the deals placed yesterday by issuers in Finland and South Korea showed that there is significant purchase intent. For example, even a newcomer from Finland can look back on a successful market appearance so late in the year. S-Bank (ticker: SPANOY) mandated a consortium for a roadshow at the beginning of September and held out the prospect of a transaction in the amount of EUR 500m (WNG; 5.0y). For its deal, the issuer yesterday opted to communicate a specified corridor (guidance: ms +46 to 48bp; WPIR) as part of the marketing phase. The spread was ultimately fixed at the lower end of this range (ms +46bp). On the same day, Korea Housing Finance Corporation (KHFC) was responsible for the third market appearance from South Korea in 2023. The social covered bond issued by KHFC (final size: EUR 1.0bn; 4.0y; guidance: ms +65bp area) was issued at ms +63bp. Overall, we continue to see a certain adjustment requirement for spreads, but are sticking to our view that the market is currently in a late phase of a QT-related repricing movement. Covered bond investors must also reassess the latest ECB decision (cf. Market Overview SSA). We have learned from discussions with investors that some accounts were initially keen to wait for interest rates to peak. On balance, we do not really see covered bond investors as being "on strike". However, when liquidity is tight or limits have been utilised almost in full, factors such as risk or relative value simply come to the fore.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
KHFC	KR	19.09.	XS2678945317	4.0y	1.00bn	ms +63bp	- / Aaa / AAA	x
S-Bank (S-Pankki)	FI	19.09.	FI4000560990	5.0y	0.50bn	ms +46bp	- / - / AAA	-
pbb	DE	18.09.	DE000A31RJZ2	4.1y	0.50bn	ms +27bp	- / Aa1 / -	-

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

Moody's: both German and Italian banks benefit from interest rate hikes

The risk experts at Moody's have presented updated Sector Profiles for the banking markets in Germany and Italy over the past few days. Accordingly, major banks in both Germany and Italy have benefited from interest rate hikes – at least in terms of net interest income. For Italy, Moody's sees the high proportion of variable interest rates on loans as a particularly advantageous effect in this regard. In the second half of the year, this should also more than make up for the expected burdens arising from the implementation of the much-discussed excess profits tax on Italian banks. In terms of the German banking market, Moody's takes the view that credit quality remains high despite the challenges seen in the area of commercial real estate financing. According to Moody's, this is not least due to the stable situation on the German labour market. In Italy, the rating agency has certainly identified the potential for strains on asset quality, although risk provisions are only expected to rise moderately. This is due to the anticipated deterioration in the creditworthiness of SMEs and private households. According to Moody's, the capital and liquidity levels of Italian banks remain robust overall, even if TLTRO III holdings remain significant. In Germany, banks are complying with regulatory requirements. However, Moody's also mentions the EBA's banking stress test for 2023, which, in the opinion of the rating agency, shows that German banks are more vulnerable than their European counterparts.

S&P: German Pfandbrief market remains robust in challenging environment

The risk experts from S&P recently commented on the state of the Pfandbrief market. In so doing, they referred, among other aspects, to the interest rate and inflation environment, the trend towards the placement of shorter-term Pfandbriefe and the specific characteristics of the German real estate market. Accordingly, the rising interest rate level is presenting banks with the challenge of balancing the interest payments on the asset side (cover pool) with the corresponding refinancing costs on the liabilities side (outstanding Pfandbriefe). From the perspective of S&P, this effect is particularly evident on account of the lengthy loan terms that are usually agreed. However, it is also mitigated by the term-specific composition of the pools. In view of the trend towards shorter Pfandbrief maturities, S&P does not yet see any need to increase the coverage requirements that must be met in order to maintain ratings. Looking towards the future, the report also touches upon property tax reforms in Germany. Although it is still too early for concrete statements regarding the potential impact on the Pfandbrief segment, the risk experts certainly see the potential for an increased tax burden for some property owners. Finally, it can also be noted that, at present, S&P ratings for German Pfandbriefe continue to be characterised by a high degree of stability. In this context, the S&P report refers to the unused notches that protect Pfandbriefe ratings against potential issuer downgrades.

S-Bank expands the circle of Finnish ECBC members

At the start of September, S-Bank from Finland already offered the prospect of a EUR benchmark deal and issued invitations to investor meetings. At the start of the new trading week, we received notification that the bank has now also joined the European Covered Bond Council (ECBC). For Eero Saloranta – Head of Corporate Banking & Treasury at S-Bank – joining the ECBC, which is sometimes referred to as the "covered bond community", represents a major milestone for the bank's covered bond programme.

Covered Bond Congress in Munich: an encouraging view of the market overall

On 15 September, the even broader covered bond community came together in Munich. This year, the annual meeting of key stakeholders in the global covered bond market again focused on questions in relation to both the structural direction and direct market developments. The topic of ESG was again highlighted as a key long-term driver. While ESG is certainly not a topic exclusive to the covered bond universe, this in no way diminishes its relevance to the segment. However, the question as to when covered bonds as an asset class will receive equal treatment at a global level – in terms of central bank eligibility and/or risk weighting, among other aspects – is specific enough. From our point of view, this constant issue is less relevant to current spread developments. In this context, we would tend to look more at the current supply and demand side or the expectations for the next six to twelve months. Our main takeaway from the conference in Munich was that the mood on the covered bond market is quite upbeat, with the continued high level of investor interest in this asset class seen as encouraging. However, slightly more courage would certainly be welcomed when it comes to selecting maturities on the primary market.

Deutsche Hypo Real Estate Economic Index suffers slight dip

In the latest survey for September 2023, the Deutsche Hypo Real Estate Economic Index suffered a decline of -2.3% to 69.8 points versus the previous month. For Florian Meyer, who heads up the Hamburg branch office, the dark clouds over the real estate market have not yet dispersed. Project developers in particular continue to feel the pressure in the wake of the bankruptcies seen over the past few weeks. Meyer expects "that as inflation rates decline, interest rates will also fall in the coming year and transactions and market values will return to roughly what they were previously." With the exception of the trade and logistics climate, all other sub-categories registered declines in a month-on-month comparison. The declines in the office climate contributed in particular to the deteriorating real estate climate in September. In our view, the conservative requirements for determining LTV ratios and the requirements of the Pfandbrief Act continue to provide the basis for fundamentally stable credit quality of cover assets within the German Pfandbrief segment.

Market overview
SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann

ECB interest rate decision: just one more time…

Following the summer break, the meeting of the ECB's Governing Council was scheduled for last Thursday (we reported on this in our NORD/LB Fixed Income Special, ECB: This rate terminates here – 99.9% sure). It marked the end of an exciting journey, given that there really was a 50:50 chance as to the outcome in the run-up to the ECB's key rate decision. Accordingly, it was not expected to be a unanimous decision. However, Madame Lagarde assured everyone that it was taken by a "solid majority" of members of the Governing Council. Up-to-date adjusted staff projections with regard to the rate of inflation for 2023 and 2024 left the ECB's Governing Council with no other choice than to add a further 25 basis points on top of previous interest rate hikes. This was what we had anticipated. In ten meetings in a row, the ECB increased its three key rates in parallel. We expect the key rates to remain at this level for a very long time, with a first potential interest rate cut on 18 July 2024 at the earliest. Obviously, a lot of water will flow under the bridge until then and much can happen. Inflation data justify our opinion as well as the ECB's anticipated approach – at the current status, at any rate. In other words, it is highly likely that the monetary hawks and doves are at their respective cruising height and will be gliding at exactly this height and speed for many months. A descent in the form of interest rate cuts should not be demanded, or start, too soon, according to our assessment. Finally, "one more thing" was made known this week – also in Cupertino… but we mean in Frankfurt – at the ECB Tower: Professor Dr Claudia Buch, the incumbent Vice President of the German Bundesbank, was appointed by the ECB's Governing Council to chair the ECB's Supervisory Board – subject to approval from the European Parliament and Council of the EU.

SFIL: steady interim results and record-setting export financing

On 12 September 2023, French public development bank Société de Financement Local (ticker: SFILFR) published its figures for the first half of 2023. In the following, we summarise key points. SFIL's net earnings remained comparatively steady at EUR 99m (H1 2022: EUR 100m), in spite of all unfavourable (macro) economic conditions. Operating costs rose only slightly by EUR 3m to EUR 62m. New lending business was somewhat weaker than in the same period of the previous year, with new commitments amounting to EUR 1.1bn (H1 2022: EUR 1.4bn). Of this total figure, loans of EUR 950m were granted to municipalities and of EUR 150m to public hospitals. The decrease resulted from the postponement of investment decisions in the wake of inflation and interest rate trends. In contrast, a marked increase was evident in ESG-related loans, which accounted for 60% of total lending (H1 2022: 41%). This applied, in particular, to the segment of social loans to regional and local authorities (17%). With regard to export financing, an all-time high was achieved since the start of business activities in 2016. Four transactions involving nine exporters, with a combined value of EUR 2.8bn, represented phenomenal growth of EUR 2.7bn year on year. Despite the ongoing relatively volatile market environment, SFIL issued bonds worth EUR 4.2bn in total during the first half of 2023. This represents 52% of the entity's financing programme for 2023. Consequently, we can look forward to SFIL launching a few more bond issues in the remaining months of this year. In particular, we believe that one or two ESG bond issues are probable.

L-Bank: half-year figures on development business during economically difficult times
Landeskreditbank Baden-Württemberg, a promotional bank probably better known as L-Bank (ticker: LBANK), also presented its figures for the first six months of 2023. In the first two quarters of the year, new loans and financial assistance totalling EUR 2.3bn were approved, following EUR 3.4bn in the same period of the previous year. Edith Weymayr, L-Bank CEO, stated that "the reason [for the lower figure] is the ongoing difficult macroeconomic situation. It certainly was an expected adjustment, in view of the fact that advance effects occurred in the previous year […]. The marked difference in total development loans […] was primarily Covid-driven [and] resulted from the coronavirus rescue schemes, which are coming to an end." Weymayr continued to say that meanwhile, the introduction of new development products for climate action and renewable energy had proved very successful. In the first six months of 2023, development loans worth EUR 270m for around 390 companies were approved in this segment. The response to a programme for mitigating the impact of the energy crisis had also been very strong. Under the programme, liquidity support of EUR 343m was granted, following around EUR 23m in the same period of the previous year. After outstanding figures for start-ups in Baden-Württemberg in 2022, demand for start-up business loans in 2023 to date had been modest in view of the economic situation, the CEO said. Only 1,170 young entrepreneurs received funding, which represents a decrease of approximately 22% to EUR 333m (H1 2022: EUR 427m). The picture was even more extreme in terms of demand for development loans for investment and transformation projects, which were down from almost EUR 1.4bn to EUR 932m. Weymayr commented: "The mid-year figures for L-Bank's assistance to trade and industry reflect the economic trend in Baden-Württemberg. They highlight the plight of many businesses in view of the dramatic increase in energy prices and uncertainty in terms of future developments. However, they also are a testament to the ongoing willingness of Baden-Württemberg's economic sectors to invest in sustainable digital transformation and therefore in the future."

Dexia: interim figures reflect winding-up process
At the beginning of July this year, the Dexia Group submitted an application for returning its banking licence as well as the authorisation to provide securities services, including for Dexia Crédit Local (ticker: DEXGRP), at the end of 2023, about which we reported in Issue #23. The group has now published its report for the first half of 2023, which bears all the hallmarks of the imminent winding-up. We sum up the key points as follows: as a result of progressing portfolio rundown, Dexia's debt finance was reduced by EUR 1.9bn to EUR 42.9bn in the first six months of 2023. In view of the planned return of the banking licence, any new bond issues planned for the current year were already completed in May this year. In April 2023, a benchmark bond issue worth GBP 500m was launched, followed by another benchmark bond issue totalling EUR 1.5bn in May. Both bond issues were successfully placed in the market. The remaining funding requirement is to be covered by means of government-guaranteed financing. The group's liquidity reserve increased by EUR 0.7bn to EUR 11.5bn in the course of H1. Total assets as at 30 June 2023 amounted to around EUR 61bn, which represents a 6% reduction compared with the first half of the previous year. The Dexia Group generated a net loss of EUR -159m in H1 2023, which was mainly due to the EUR 22m increase in risk costs and deferred tax assets (EUR 19m). The solvency ratios required for 2023 under the Supervisory Review and Evaluation Process (SREP) exceed the minimum required. What next for Dexia? Italian Dexia Crediop is to be merged with Dexia Crédit Local. We will observe and report on any developments.

Finnvera: domestic and export-centred financing volume at high levels

In the meantime, Finnvera (ticker: FINNVE) has also published its report on the first half of 2023. The salient points in brief were as follows: compared with the same period in the previous year, the positive trend in the operating result continued. The figure of EUR 148m represents growth of a considerable EUR 177m and was mainly attributable to writing back provisions for losses in the cruise ship segment during the second quarter of the year. Aggregate income was essentially divided between the various business segments as follows: the SME and midcap business of parent company Finnvera plc – EUR 15m (H1 2022: EUR 11m), wholesale banking business – EUR 119m (H1 2022: EUR -65m) and Finnish Export Credit Ltd. – EUR 14m (H1 2022: EUR 25m). Total assets decreased slightly by 3% to EUR 12.2bn, while the capital ratio rose by 1.4 percentage points to 8.6%. Growth in new business was also remarkable with regard to domestic loans and guarantees, which were up 44% to EUR 763m alongside a 47% increase in export credit guarantees granted, including special guarantee operations, to EUR 3.5bn. Conversely, new export credit extended declined by 90% to EUR 15m, which was attributable to the timing of several large-scale export transactions. Finnvera CEO Pauli Heikkilä assessed the trend in Finnvera's exposure in Russia as extremely positive. "Finnvera's exposure in Russia has continued to decrease. When the war in Ukraine began, Finnvera's total exposure in Russia amounted to almost EUR 1bn. In June 2023, the remaining liabilities totalled only EUR 320m." On the funding side, Finnvera issued a 5y bond worth USD 1bn under the EMTN (Euro Medium Term Note) programme on 8 June 2023. The total funding requirement for 2023 is estimated at EUR 1-2bn. It is therefore not beyond the realms of possibility, although not guaranteed, that we will be see the name Finnvera back on our screens before the end of the year.

KBN: half-year figures indicate robust demand for new loans

Kommunalbanken AS (ticker: KBN) joined the ranks of those publishing interim reports for the first six months of the year. To facilitate comparison, we converted the following figures from their original values in NOK to EUR at the exchange rate on 30 June 2023. KBN's results for the first two quarters of 2023 amounted to around EUR 54m. This was an increase of EUR 4m on the same period in the previous year. It should be noted that the figure includes one-off items of around EUR 9m, which resulted from a subordinated debt repurchase. Net interest income amounted to EUR 86m (H1 2022: EUR 78m) and was primarily attributable to higher interest rates in combination with higher credit margins and robust growth in new lending. The loan portfolio rose by approximately EUR 1bn to around EUR 28.5bn, of which approximately 13% is green label. This share is to increase to as much as 15% by year-end. KBN was also busy on the funding side in the first half of this year. It issued a total of 26 bonds in nine currencies and raised around EUR 2.8bn in total in the capital market (H1 2022: EUR 4bn). As one of the biggest Norwegian issuers in the international capital markets, KBN issues around EUR 8.5bn each year. We are convinced that KBN will be active a few more times in the primary market this year. Incidentally, a green bond curve has been developing for just over ten years. It is to support the financing of Norway's transition to net zero. KBN has set itself very ambitious climate targets: by 2030, greenhouse gas emissions caused by the bank's own business activities are to be reduced to 55% of the level recorded in 2019.

Primary market

Just after going to press last week and before the ECB's key rate decision, the Free State of Saxony (ticker: SAXONY) issued a fresh bond last Wednesday worth EUR 500m (WNG) with a maturity of three years. The guidance was ms -16bp area, with the deal eventually confirmed at ms -16bp. No further information, in particular on the order book, was published. After the ECB's announcements seemed to have been digested over the weekend, Rentenbank (ticker: RENTEN) broke the silence in the primary market that followed the key rate decision by launching a 10y benchmark bond issue with green label in the amount of EUR 1bn. Guidance in the area of ms +2bp and a well filled order book of EUR 1.75bn meant that tightening of one basis point to ms +1bp was achieved. Next to step into the limelight was the Belgian region of Flanders – represented by the Ministeries van de Vlaamse Gemeenschap (ticker: FLEMSH) – and it was with a heavyweight performance seeking to raise a fresh EUR 2.75bn in total. The amount was divided into two tranches, each in the benchmark bond segment. The first bond was issued with a maturity of just under nine years and a volume of EUR 1.25bn. After being guided in the area of OLO +41bp, the order book was four times oversubscribed, which meant that the bonds were eventually issued at +37bp above the Belgian curve. The second tranche amounting to EUR 1.5bn was placed in the market in the form of a sustainability bond with a maturity of 19 years. At a guidance in the area of OLO +35bp, orders totalled EUR 12.7bn, which enabled tightening of five basis points. The final bond deal on our list came from the Netherlands. BNG Bank (ticker: BNG) raised a sum of EUR 500m by means of a social bond with a maturity of 15 years. The order book amounted to EUR 790m based on a guidance of ms +33bp area, which meant that the deal was completed as notified. In the near future, the following bond issues can be expected, for which mandates were awarded in the past few days: first, the Hanseatic City of Bremen (ticker: BREMEN) intends to raise EUR 500m. Finally, two candidates not often seen in the capital market are also preparing deals. The African Development Bank (ticker: AFDB) is planning its first global SEC-exempt offering in the form of a hybrid transaction in sustainable benchmark format denominated in US dollar. Although not part of our coverage and not an agency according to NORD/LB's definition, but worth mentioning nevertheless, is the latest announcement by the issuance vehicle of the public Canadian pension fund OMERS Finance Trust (ticker: OMERFT). The Ontario-based fund is planning to launch a future EUR benchmark bond issue.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BNG	NL	18.09.	XS2695039128	15.0y	0.50bn	ms +33bp	AAA / Aaa / AAA	x
FLEMSH	BE	18.09.	BE0002966472	19.0y	1.50bn	ms +81bp	AA / Aa2 / -	x
FLEMSH	BE	18.09.	BE0002965466	8.8y	1.25bn	ms +41bp	AA / Aa2 / -	-
RENTEN	DE	18.09.	XS2694863841	10.0y	1.00bn	ms +1bp	AAA / Aaa / AAA	x
SAXONY	DE	12.09.	DE0001789360	3.0y	0.50bn	ms -16bp	- / Aaa / -	-

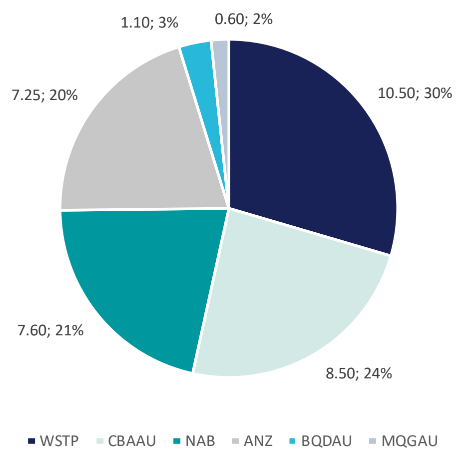
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research (Rating: Fitch / Moody's / S&P)

Covered Bonds
Newcomer to the EUR benchmark segment: Bendigo and Adelaide Bank set to expand issuer base in Australia

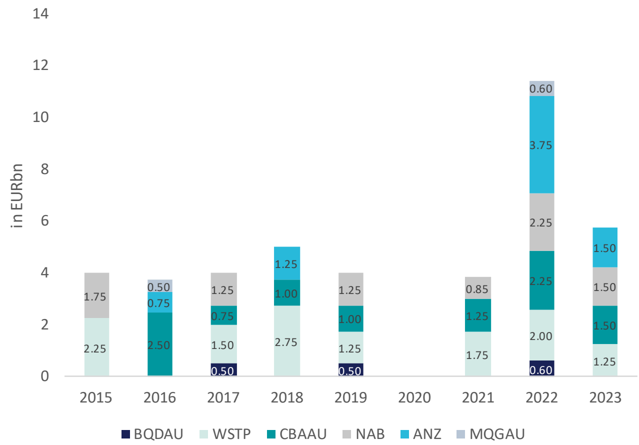
Author: Dr Frederik Kunze

Bendigo and Adelaide Bank keen to place inaugural EUR benchmark in the near future
The Australian covered bond market has been one of the highest-growth markets globally for several years. With a primary market record (new issuance volume: EUR 11.45bn), the Australian market for EUR benchmarks grew faster than ever before last year. Strong, but not quite record-breaking, performance in the Australian EUR benchmark segment is also on the cards for 2023. Six issuers are currently active in this sub-market, whose total outstanding issuance volume amounts to EUR 35.55bn. In the current year, the primary market has been less buoyant, but still comparatively lively overall, with an issuance volume totalling EUR 5.75bn (issued by four banks), consolidating the euro's position as the preferred unit of currency for issuing covered bonds from Australia. In general, the Australian covered bond market covers a broad currency spectrum, with issues in CHF, USD, GBP, EUR and the home currency AUD. According to ECBC data, only a small proportion (14.2%) of outstanding covered bonds were denominated in the domestic currency in 2022. Looking ahead to the rest of 2023, we expect continued dynamic market activity, which is also due to expected new issuers. A potential newcomer to the EUR benchmark segment, namely Bendigo and Adelaide Bank (BEN), recently promised a corresponding placement. The bank says it has drawn up plans for an inaugural issuance: since 18 September, it has been inviting investors to meetings in relation to a EUR benchmark (EUR 500m; WNG; 3.0y). We would like to take this market news as an opportunity to present the issuance programme of the Bendigo and Adelaide Bank.

AU: BMKs outstanding by issuer (EURbn)



AU: BMK issues by year (EURbn)

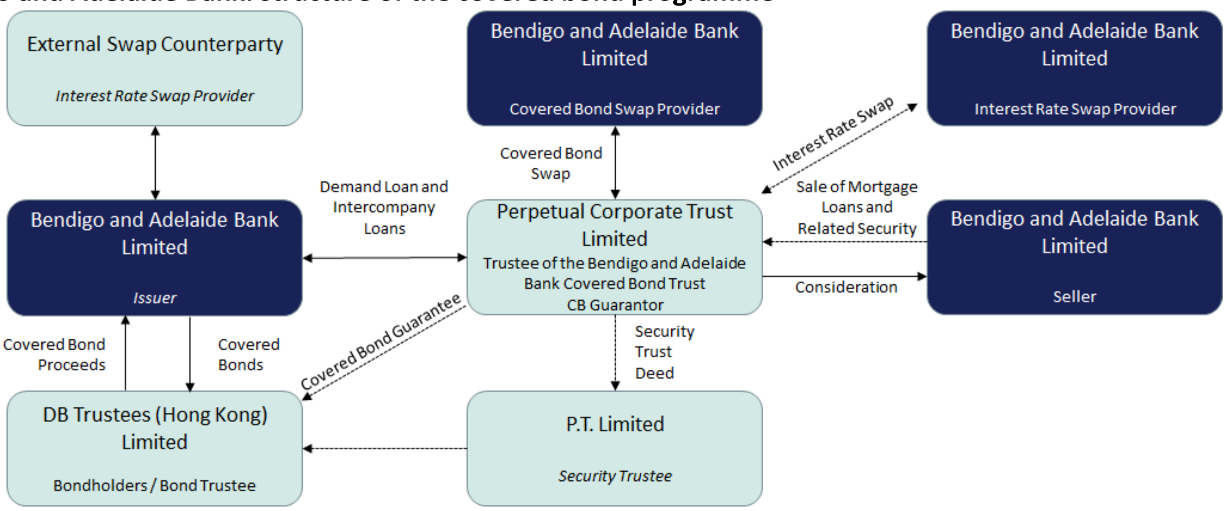


Source: Market data, NORD/LB Markets Strategy & Floor Research

Bendigo and Adelaide Bank registered as covered bond issuer since October 2022
Bendigo and Adelaide Bank is an Australian regional bank based in the state of Victoria. Together with its subsidiaries, BEN offers its 2.4 million customers retail and commercial banking services, among others. The bank's main client groups are private individuals, SMEs and companies from the agricultural industry. The bank has a market share of just under 2.5% in Australia for loans and deposits. In terms of the bank's loan portfolio, residential mortgages represent the largest share - followed by lending to businesses. The past financial year (ending 30 June 2023) was dominated by the continued transformation process at the bank. In this context, Bendigo and Adelaide Bank is striving to reduce the complexity of its business model and ramp up investments in the skills of employees. While funding continues to be dominated by customer deposits, capital market-based refinancing has increased in recent years to just under a quarter of the total funding volume. Since October 2022, wholesale funding has been expanded to include the possibility of covered bond issuances (cf. BEN Covered Bond Programme).

Bendigo and Adelaide Bank: only AUD covered bonds outstanding so far
Under the newly created covered bond programme, Bendigo and Adelaide Bank approached investors for the first time with a covered bond in November 2022 and placed a dual tranche with a total volume of AUD 450m. The total outstanding covered bond volume amounts to AUD 1,200m (reporting date: 30 June 2023). The bank has so far restricted itself to issues in the domestic currency, but as mentioned, it has drawn up plans for an inaugural EUR benchmark. In total, BEN's covered bond programme is limited to AUD 6bn. The bank has been a member of the ECBC since June 2023 and also reports on a quarterly basis in accordance with Harmonised Transparency Templates (HTT) developed by the Covered Bond Label. As at 30 June 2023, the covered bond programme has a cover pool volume of AUD 3,148m. The rating experts at Fitch and Moody's have both awarded BEN covered bonds the top ratings AAA and Aaa, respectively. According to the agencies, the ratings particularly reflect the good asset quality of the cover assets as well as the soft bullet structure of the covered bonds. In terms of risks, Moody's refers to the geographical concentration of more than 50% of all cover pool assets being located in the state of Victoria.

Bendigo and Adelaide Bank: structure of the covered bond programme



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

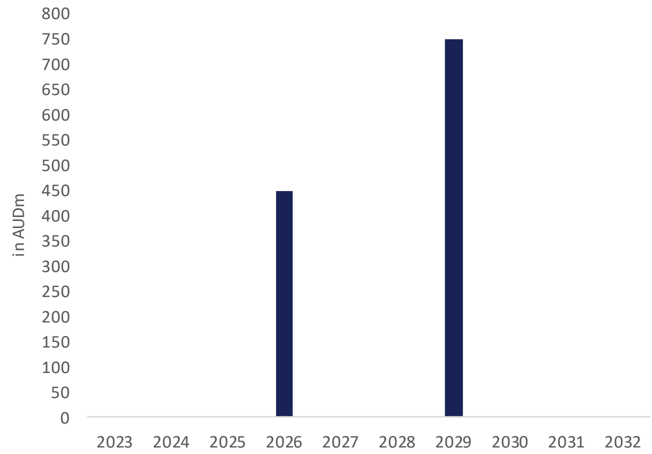
Cover pool of the Bendigo and Adelaide Bank: definite issuance potential

All cover assets in the cover pool are of Australian origin and belong to the residential mortgage category. In geographical terms, the most significant share is attributable to the state of Victoria (30 June 2023: 52.6%), followed by Queensland (14.5%) The cover pool boasts a high level of granularity with 10,234 loans and a share of the ten largest exposures in the cover pool of 0.5%. As at the reporting date, the cover pool did not contain any non-performing loans. Based on the current pool volume and the outstanding issues, the covered bond programme offers high issuance potential. The nominal OC was 162.3% as at 30 June 2023, significantly above the statutory requirement.

Bendigo and Adelaide Bank: Programme data

30 June 2023	Mortgage
Covered bonds outstanding	AUD 1,200m
Cover pool volume	AUD 3,148m
Current OC (nominal / regulatory)	162.3% / 3.0%
Type	100% Residential
Country	100% Australia
Main region	52.6% Victoria
Number of mortgage loans	10,234
Share of ten largest exposures	0.48%
Average loan balance	AUD 307,604
ØLTV (indexed)	53.7%
Fixed interest (Cover Pool / CBs)	42.1% / 45.8%
WAL (Cover Pool / CBs)	23.6y / 3.7y
CB Rating (Fitch / Moody's / S&P)	AAA / Aaa / -

BEN: maturities of covered bonds



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

Australian covered bond market: cover assets solely residential and based in Australia

The Australian covered bond market has an outstanding volume equivalent to EUR 70.2bn (ECBC data as at 31 December 2022). The cover pools of the nine Australian covered bond issuers consist exclusively of residential properties geographically located in the home country. In 2022, new deals with a volume equivalent to EUR 24.5bn were placed. The euro is the most important issuing currency. With a share of over 75%, covered bonds in benchmark format account for the majority of outstanding issues. The covered bond volume in the EUR benchmark format mentioned above is spread over six active issuers: ANZ Banking Group (ANZ), Bank of Queensland (BQDAU), Commonwealth Bank of Australia (CBAAU), Macquarie Bank (MQGAU), National Australia Bank (NAB) and Westpac Banking Corporation (WSTP). In the following table we present selected information on these institutions as well as on the "newcomer" Bendigo and Adelaide Bank. Comparatively speaking, the BEN pool is one of the country's smaller covered bond programmes, which in our opinion does not necessarily preclude a constant market presence. In terms of its rating, BEN ranks on a par with the institutions that have been active so far. As regards the regulatory treatment, this results in a risk weight according to CRR of 20%. In the context of LCR management, we believe that a classification as a Level 2A asset is applicable – also because BEN meets the transparency requirements with the help of the HTT.

Overview: Australian EUR Benchmark Issuers (as at 30 June 2023)

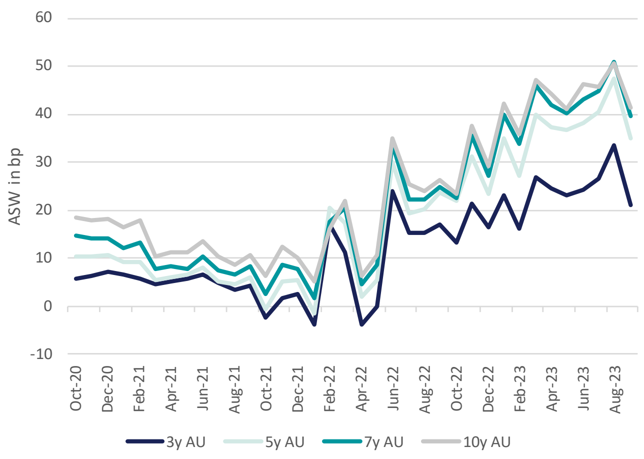
Emittent (*Link*)	Cover pool volume (in AUDm)	Total amount outstanding (in AUDm)	OC	Number of mortgage loans	EUR BMK covered bonds No. / sum (EURbn)	CB-Rating (Fitch / Moody's/ S&P)	ØLTV (indexed)
ANZ	20,864	15,401	35.5%	68,731	5 / 7.25	AAA / Aaa / -	59.3%
BQDAU	4,933	3,557	38.7%	17,396	2 / 1.10	AAA / Aaa / -	48.0%
CBAAU	33,246	29,149	14.1%	137,956	8 / 8.50	AAA / Aaa / -	47.9%
MQGAU	2,128	885	140.5%	10,0836	1 / 0.60	AAA / Aaa / -	44.1%
NAB	33,348	26,021	28.2%	105,757	7 / 7.60	AAA / Aaa / -	56.8%
WSTP	43,000	37,156	15.7%	130,177	11 / 10.50	AAA / Aaa / -	56.4%
BEN	***3,148***	***1,200***	***162.3%***	***10,234***	***- / -***	***AAA / Aaa / -***	***53.7%***

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

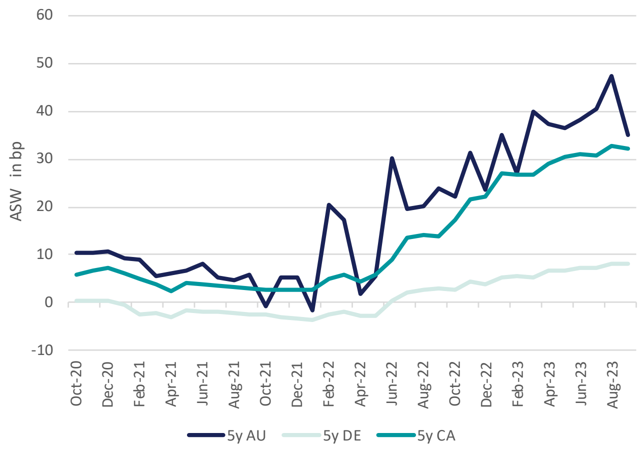
Spread development in Australia

Based on the ASW spreads we derived generically for the 3y, 5y, 7y and 10y maturity buckets, it is clear that the Australian EUR benchmark segment was not immune to the general widening trend. Similarly, the nature of the EUR swap curve imposes a marked maturity premium on Australian benchmarks (for example, in the "3y vs. 7y" comparison). The more pronounced widening compared to Pfandbriefe is more the result of general demand conditions in the covered bond market (key point: home bias of German investors) than a relative deterioration in the credit quality of Australian covered bonds. As is the case for all other benchmark jurisdictions, we expect spreads in Australia to widen modestly but significantly up to the end of 2023.

Spread development: covered bonds from AU



Spread development: AU vs. DE vs. CA



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

Conclusion

With Bendigo and Adelaide Bank, the dynamically growing Australian EUR benchmark segment would gain another issuer. This is good news for investors. After all, another newcomer to the market, which has prospered in recent years, would allow it to differentiate its investment universe even more. In our view, the newcomer also reinforces the view that covered bonds will continue to be an important funding vehicle for Australian issuers. In particular, EUR deals remain attractive for issuers and investors alike.

SSA/Public Issuers
Teaser: Issuer Guide – Austrian Agencies 2023

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann

Three institutions dominate the Austrian agency market

After looking at the Dutch agency segment in the previous edition of our weekly publication, we now turn our attention to another neighbouring country: the Austrian agency market is relatively small in a European comparison. Three issuers included in our coverage have already issued benchmark bonds: Österreichische Kontrollbank (OeKB), ÖBB-Infrastruktur and Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFiNAG). In total, these three Austrian issuers have a total of 79 outstanding bonds with maturities amounting to the equivalent of EUR 36.1bn. The dominance of agencies involved in the management of transport infrastructure is unusual for the European agency market: while ÖBB-Infrastruktur manages the Austrian rail network, ASFiNAG is responsible for managing Austria's motorway and highway network. There is a constant funding requirement because of the need for continuous maintenance and investment, which both agencies to a large extent cover through the capital market. However, ÖBB-Infrastruktur has been pursuing a new financing concept primarily based on loans from the Austrian Treasury (OeBFA) since 2017. All previous bonds and their guarantees from the Republic of Austria remain unaffected by this. No new issuances are therefore to be expected in future – with the exception of SSD deals. OeKB, whose activities are dominated by the administration of export guarantees provided by the state and the provision of export financing, is the largest Austrian agency in terms of outstanding volume. OeKB's ownership structure is also unorthodox for a European agency: the company is owned solely by Austrian banks, which is among the reasons why it operates on a non-competitive basis in its main area of business. OeKB also has a constant funding requirement, with foreign currencies used to cover the vast majority of this on account of its role as an export financier.

Austrian agencies – an overview

Institution	Type	Owner(s)	Guarantee	Risk weight
Österreichische Kontrollbank (OeKB)	Export financier	100% Austrian banks	Explicit guarantee for bonds covered by the rules of the Export Financing Guarantees Act (AFFG)	0%
ÖBB-Infrastruktur	Rail network operator	100% ÖBB-Holding	Explicit guarantee for the EMTN programme and maintenance obligation	0%
Autobahnen- und Schnellstraßen-Finanzierungs-AG (ASFiNAG)	Motorway operator	100% Austria	Explicit guarantee for the EMTN programme and maintenance obligation	0%

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

Explicit guarantees for bonds issued by OeKB, ÖBB-Infrastruktur and ASFiNAG

As a general rule, the bond programmes operated by Austrian agencies are guaranteed by the state. The EMTN programmes of ÖBB-Infrastruktur and ASFiNAG are covered by explicit guarantees on the part of the Austrian government. Bonds issued by OeKB, which is the largest Austrian agency as measured by total assets as well, are explicitly guaranteed by the Austrian state, provided that they were or are issued as part of the Export Financing Guarantees Act (AFFG).

Maintenance obligations for ÖBB-Infrastruktur and ASFiNAG

Aside from explicit guarantees, ÖBB-Infrastruktur and ASFiNAG each enjoy a maintenance obligation. The Austrian Federal Railway Act and the ASFiNAG Act stipulate that the state must make the necessary funds available to cover the expenditure of both agencies. The resulting maintenance obligation then obliges the state to ensure that its agencies can meet their payment obligations.

0% risk weighting under CRR/Basel III

The explicit guarantees on the part of the Austrian state for the bond issuance programmes of Austrian agencies mean that the bonds placed by these respective issuers qualify for a risk weighting of 0% according to Basel III, provided that they are not issued under the AFFG.

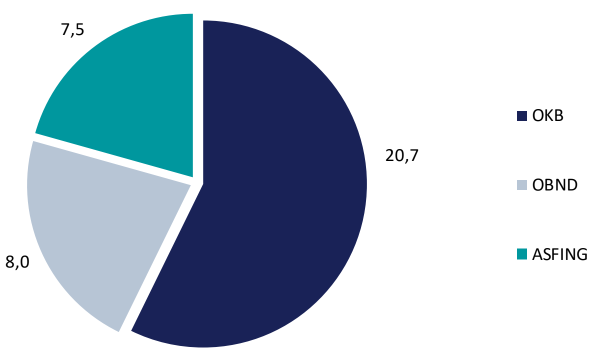
Austrian agencies – an overview

Name	Ticker	Rating (Fitch/Moody's/S&P)	Outstanding Volume	EUR volume	Funding target 2023	Maturities 2023	Net Supply 2023	Number of ESG bonds	ESG volume
OeKB	OKB	-/Aa1/AA+	20.7	2.5	5.0	6.1	-1.1	3	1.1
ÖBB-Infra	OBND	-/Aa1/AA+	8.0	8.0	0.0	1.0	-1.0	0	0.0
ASFiNAG	ASFING	-/Aa1/AA+	7.5	7.5	0.0	0.0	0.0	0	0.0
Total			**36.1**	**17.9**	**5.0**	**7.1**	**-2.1**	**3**	**1.1**

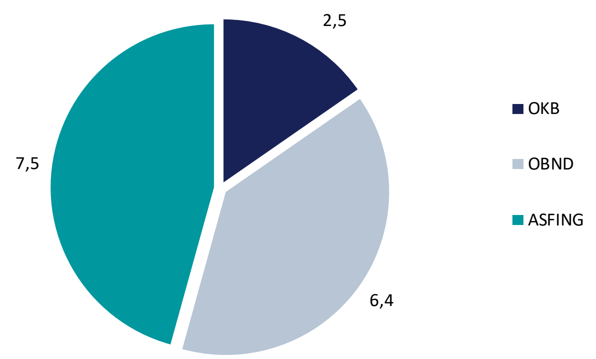
Further slight decline in outstanding bond volumes of Austrian agencies

After temporarily rising due to the pandemic, outstanding volumes have fallen further to continue the trend that was already discernible in the years before the onset of Covid-19. While the outstanding volume of OeKB has risen, further bonds from ÖBB-Infrastruktur have fallen due in the same period, thereby reducing its outstanding volume. Fresh supply – above all in EUR – has in the meantime become limited, with new bonds having generally been more likely to be brought to market by OeKB and, to a slightly lesser extent, by ASFiNAG. However, OeKB is regularly active in the US Dollar. As a rule, sufficient liquidity should be available for investors here. Since 2017, ÖBB-Infrastruktur issuance activities have been conducted exclusively in conjunction with the Austrian Treasury (OeBFA). As such, it is not independently active on the primary market. The picture for ÖBB-Personenverkehr AG, which is part of the ÖBB Group, looks slightly different: since 2017 it has been placing SSD deals under the same ticker (OBND). These deals do not feature an ISIN.

Outstanding bond volumes (EURbn)

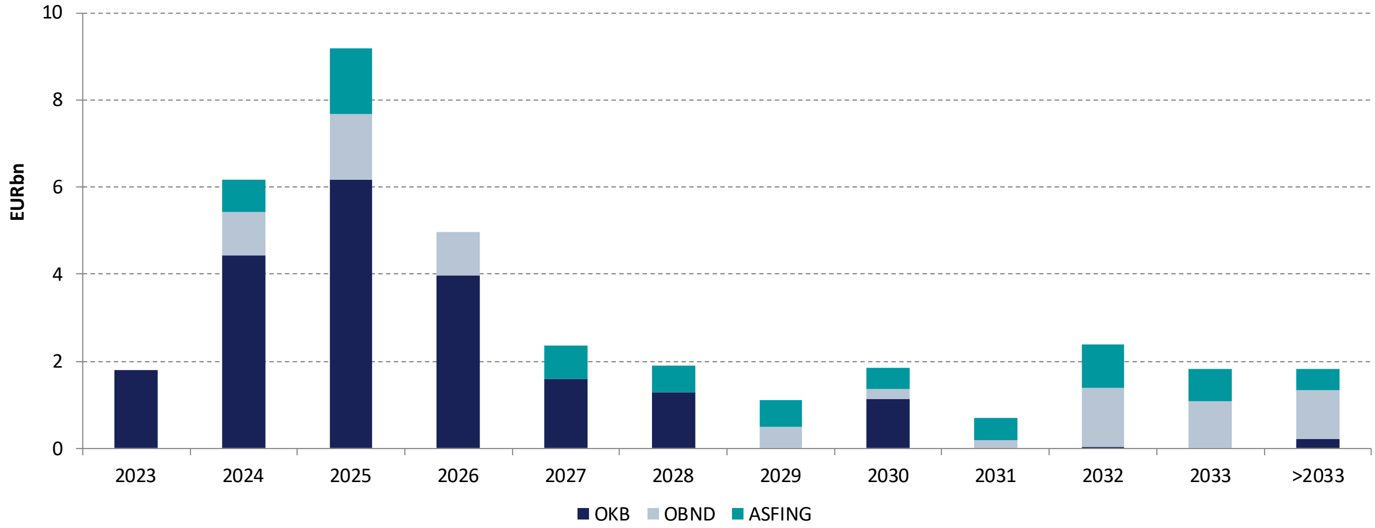


Outstanding EUR benchmarks (EURbn)

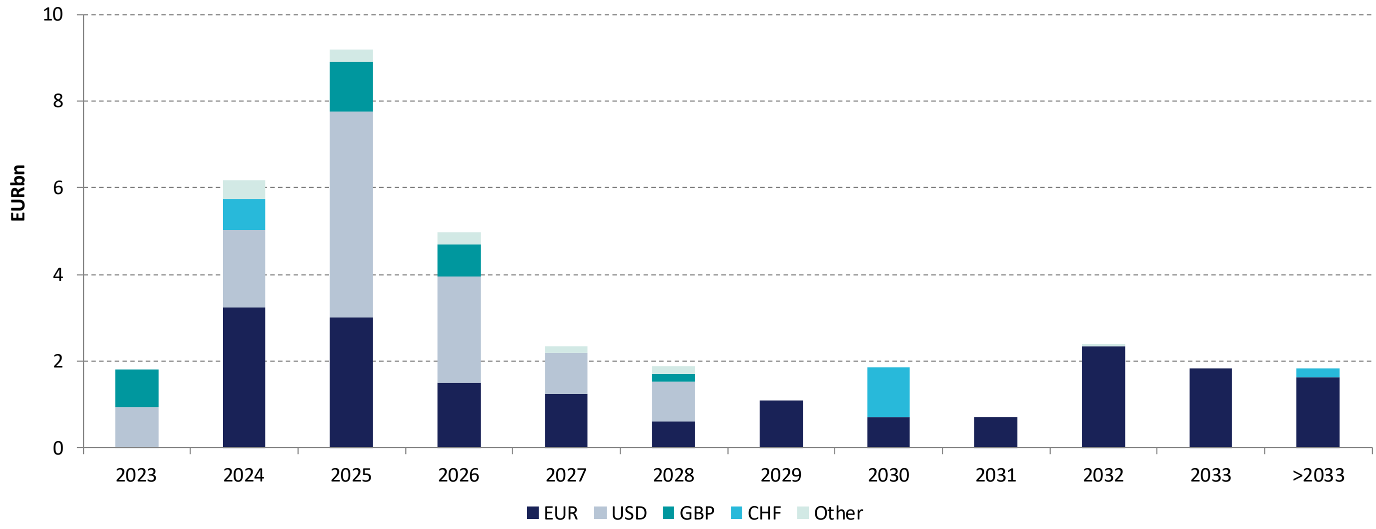


NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Austrian agencies: outstanding bonds by issuer



Austrian agencies: outstanding bonds by currency



NB: Foreign currencies are converted into EUR at rates as at 13 September 2023.

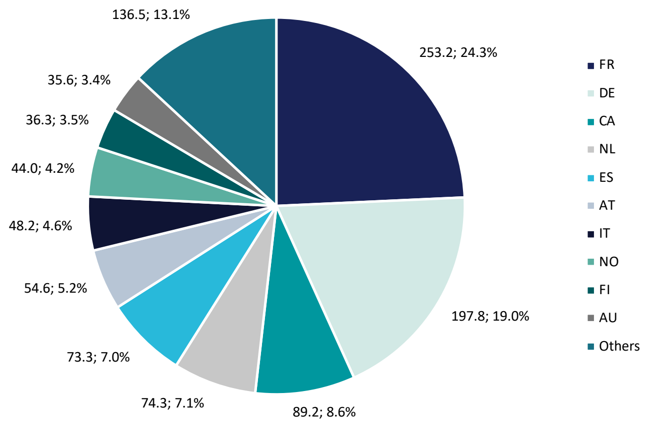
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Conclusion and comment

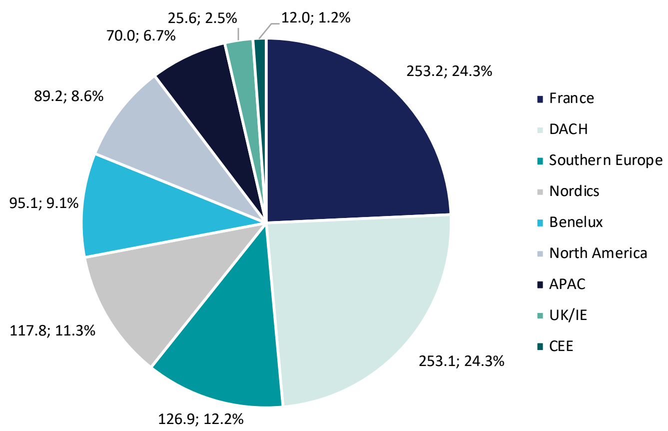
Measured in terms of outstanding bond volumes, the Austrian agency market is comparatively small in relation to other European markets. Nevertheless, there is a modest supply of EUR benchmarks. However, primary market activities have declined over recent years, which can be primarily attributed to the fall in OeKB's funding requirements caused by the economic situation. Moreover, ÖBB will no longer make independent capital market appearances, with an agreement now in place for refinancing activities to be conducted directly via the Republic of Austria instead. Therefore, ÖBB-Infrastruktur AG will have at its disposal funding via the Austrian Treasury as well as project funding via the European Investment Bank (EIB). Following a period of absence in 2017 and 2018, ASFiNAG has been active on the primary market again since 2019, although it has indicated a funding requirement of zero for 2023.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



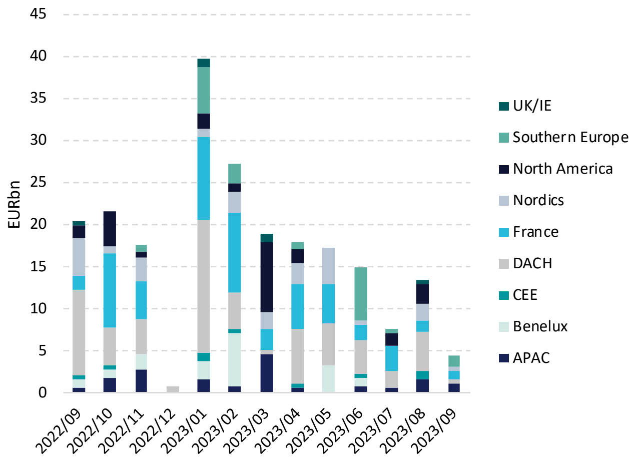
EUR benchmark volume by region (in EURbn)



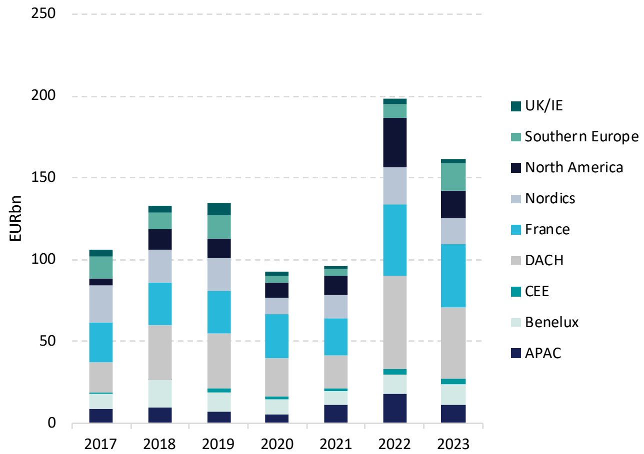
Top-10 jurisdictions

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	253.2	243	19	0.97	9.5	5.0	1.25
2	DE	197.8	282	35	0.65	8.0	4.1	1.13
3	CA	89.2	66	0	1.33	5.5	2.8	1.07
4	NL	74.3	75	2	0.92	10.8	6.5	1.06
5	ES	73.3	58	6	1.15	11.2	3.4	1.95
6	AT	54.6	93	4	0.58	8.2	4.8	1.35
7	IT	48.2	58	2	0.80	8.9	3.6	1.50
8	NO	44.0	53	12	0.83	7.4	3.8	0.62
9	FI	36.3	40	4	0.89	7.0	3.6	1.28
10	AU	35.6	34	0	1.05	7.2	3.3	1.42

EUR benchmark issue volume by month

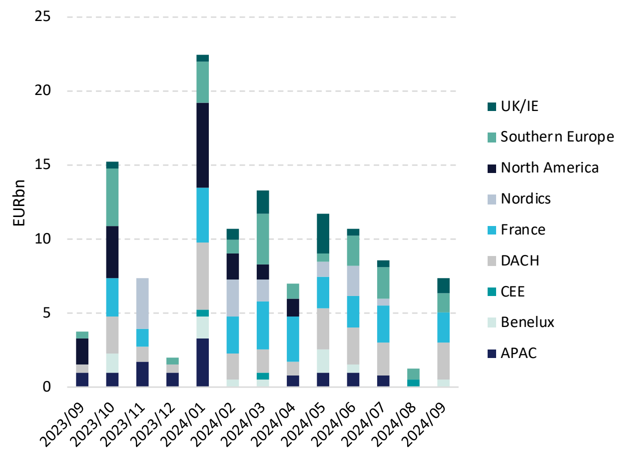


EUR benchmark issue volume by year

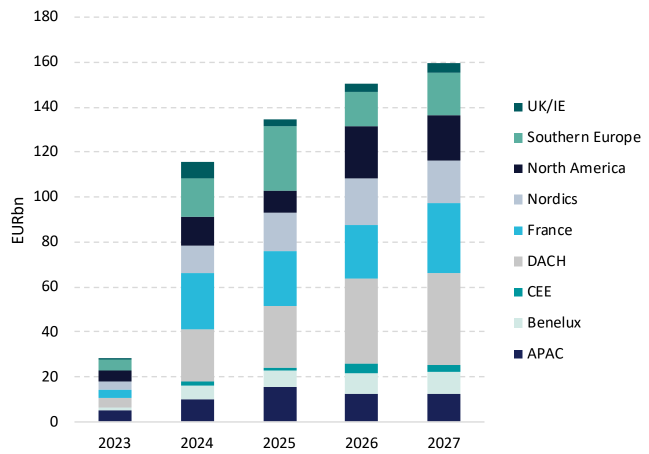


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

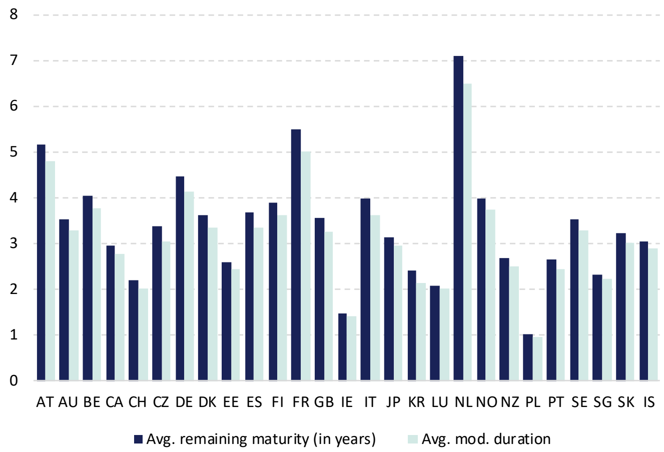
EUR benchmark maturities by month



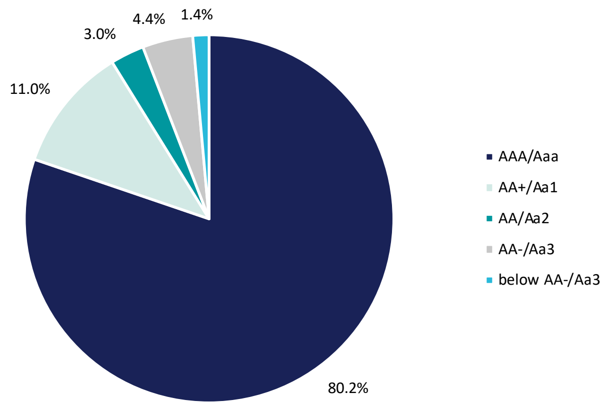
EUR benchmark maturities by year



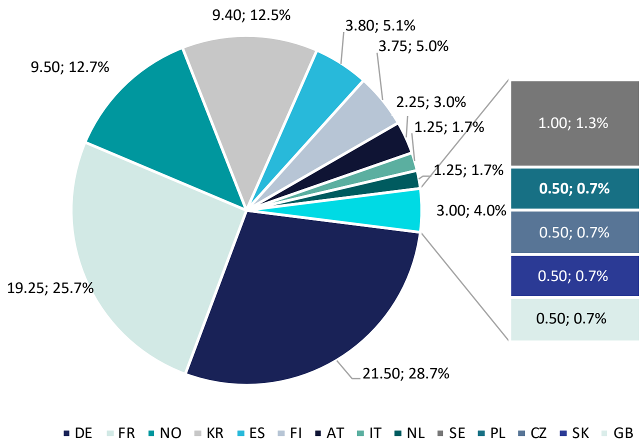
Modified duration and time to maturity by country



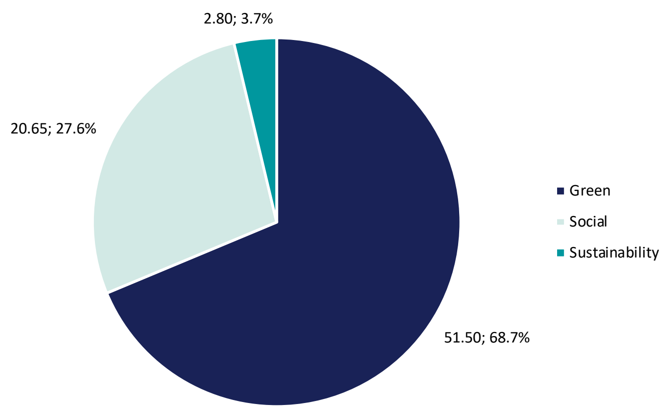
Rating distribution (volume weighted)



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

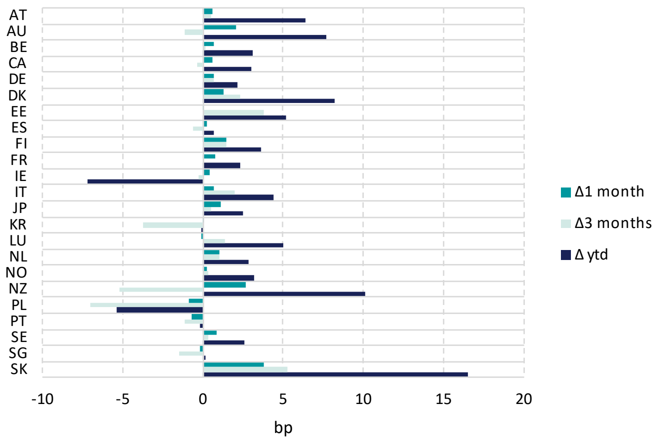


EUR benchmark volume (ESG) by type (in EURbn)

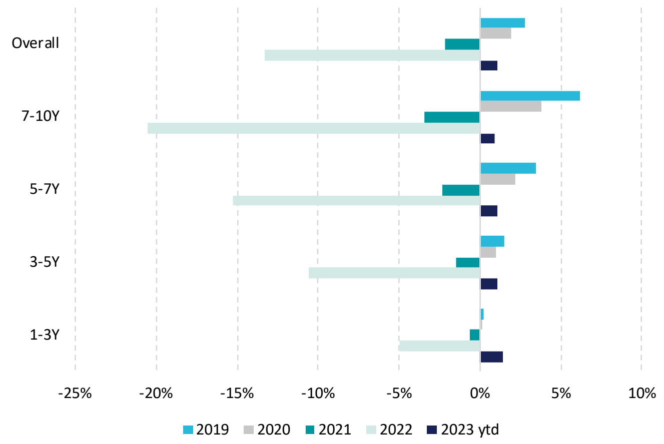


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

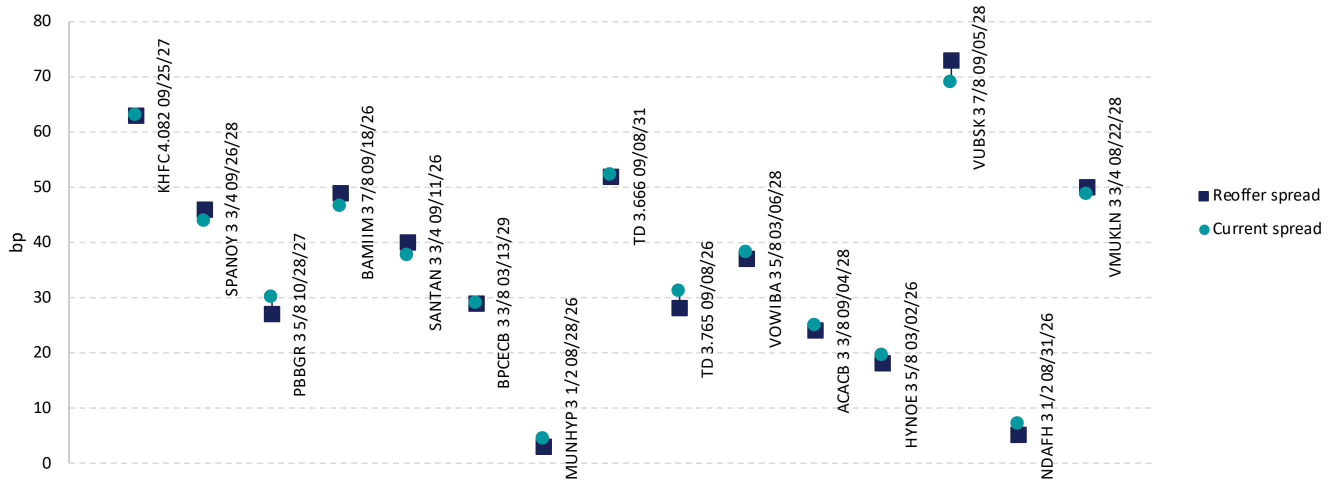
Spread development by country



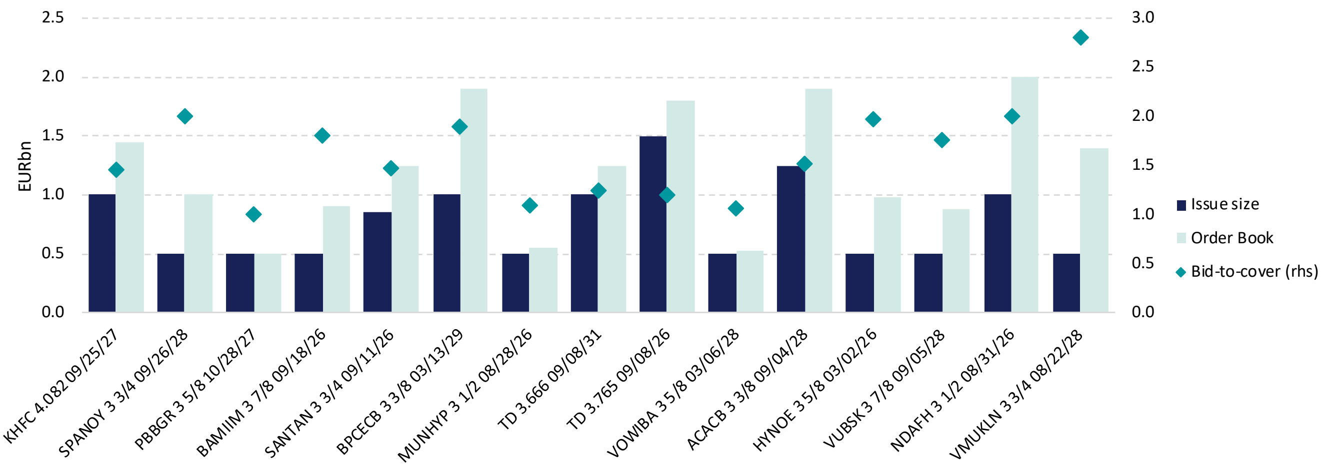
Covered bond performance (Total return)



Spread development (last 15 issues)



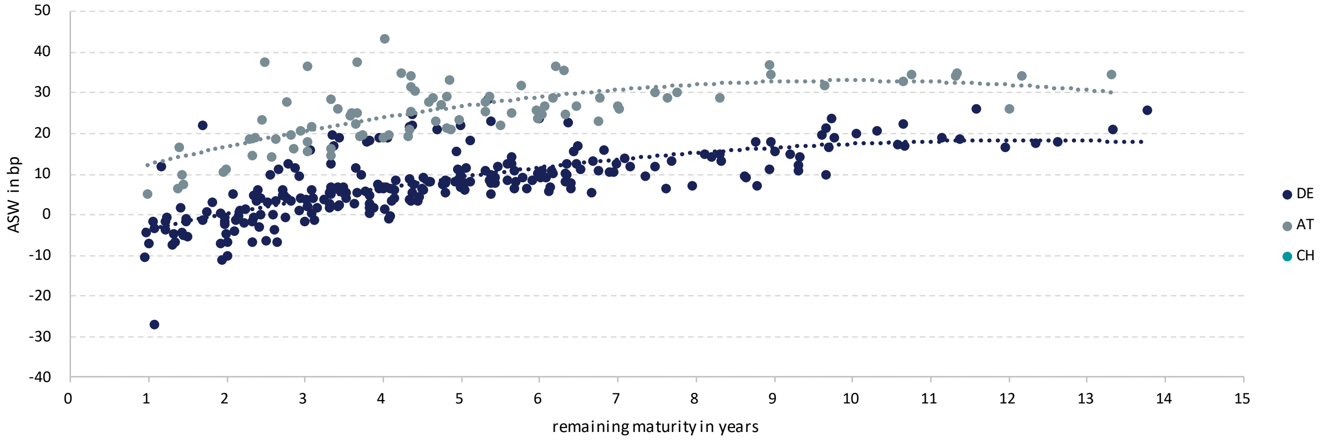
Order books (last 15 issues)



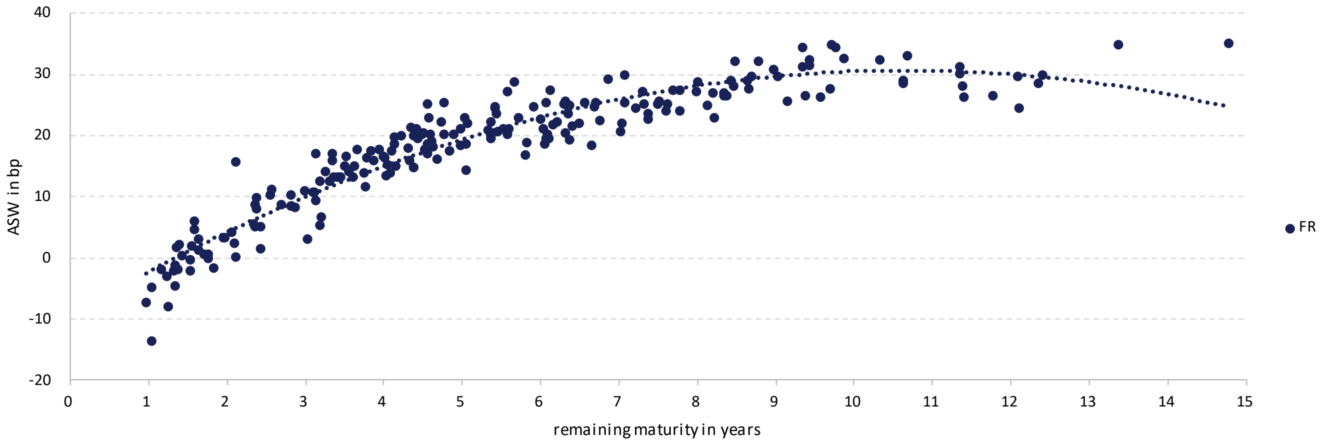
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

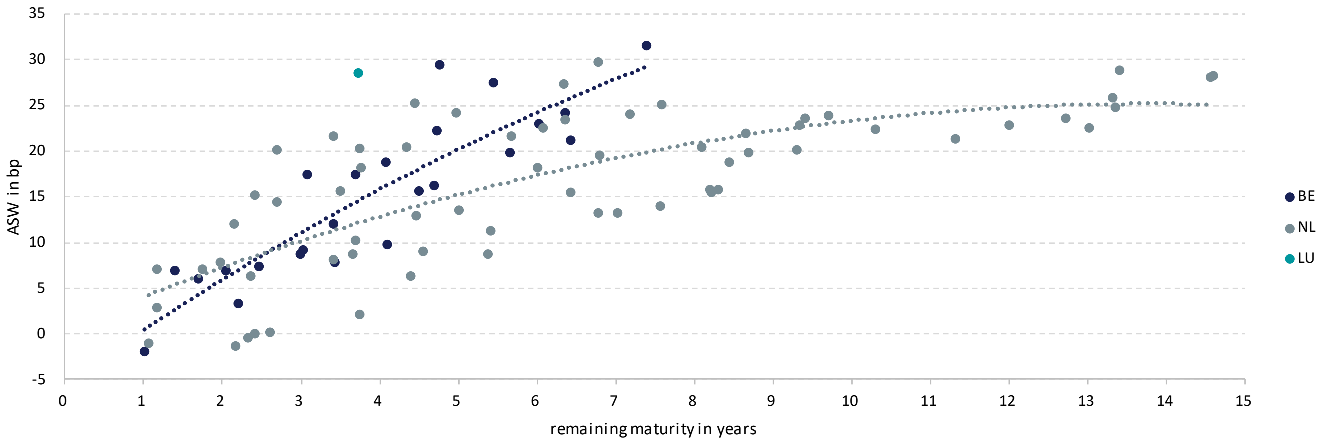
DACH



France

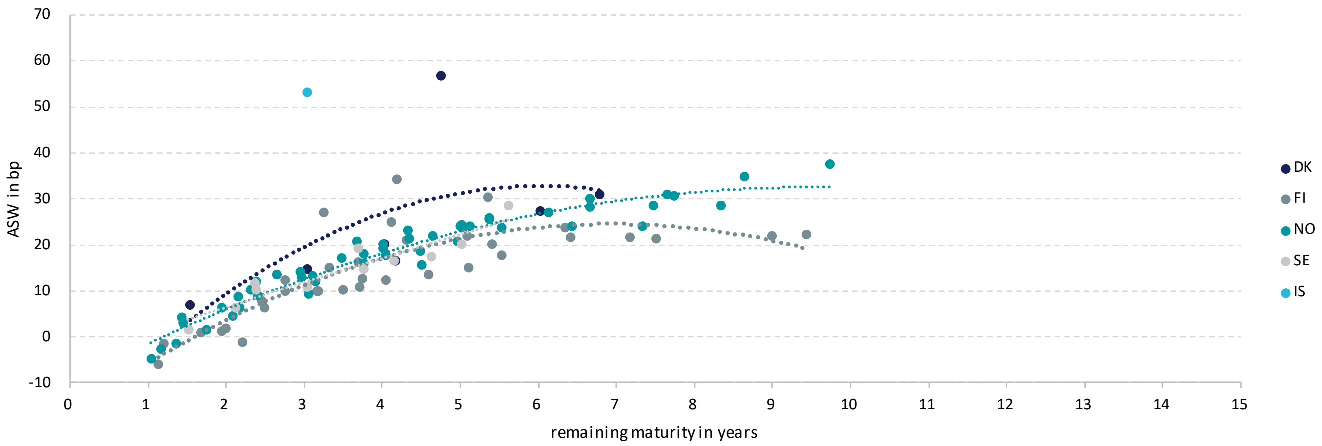


Benelux

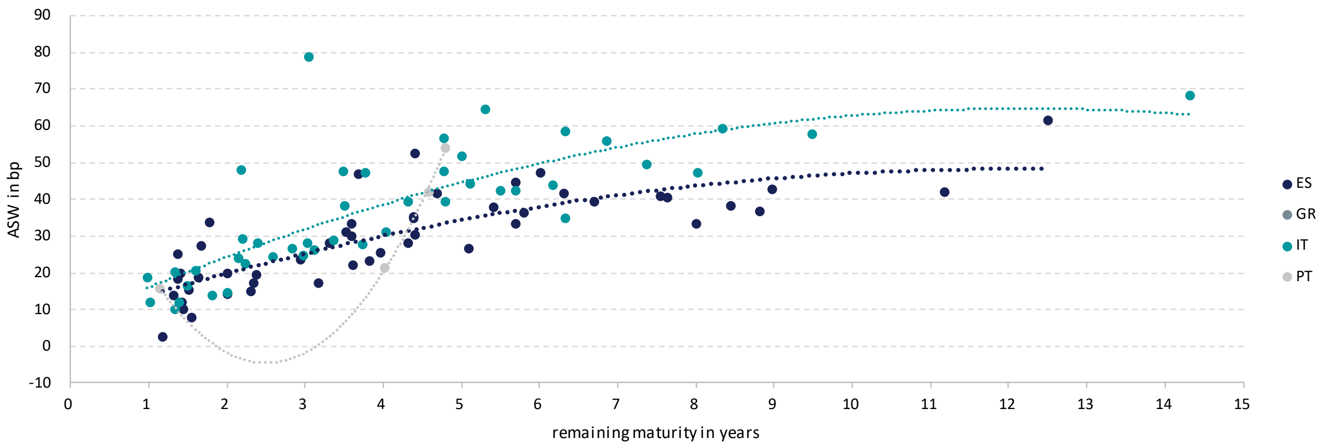


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

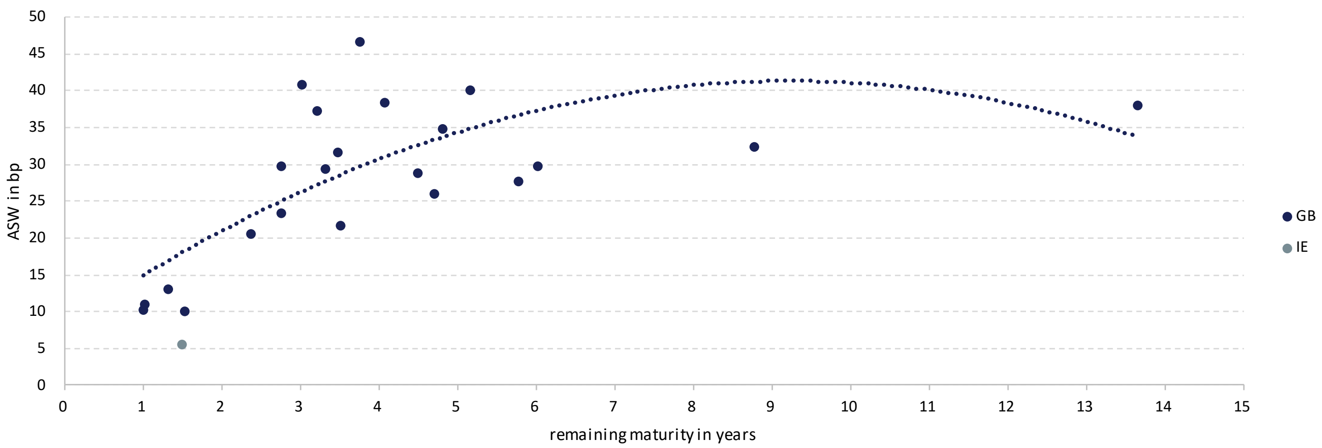
Nordics



Southern Europe

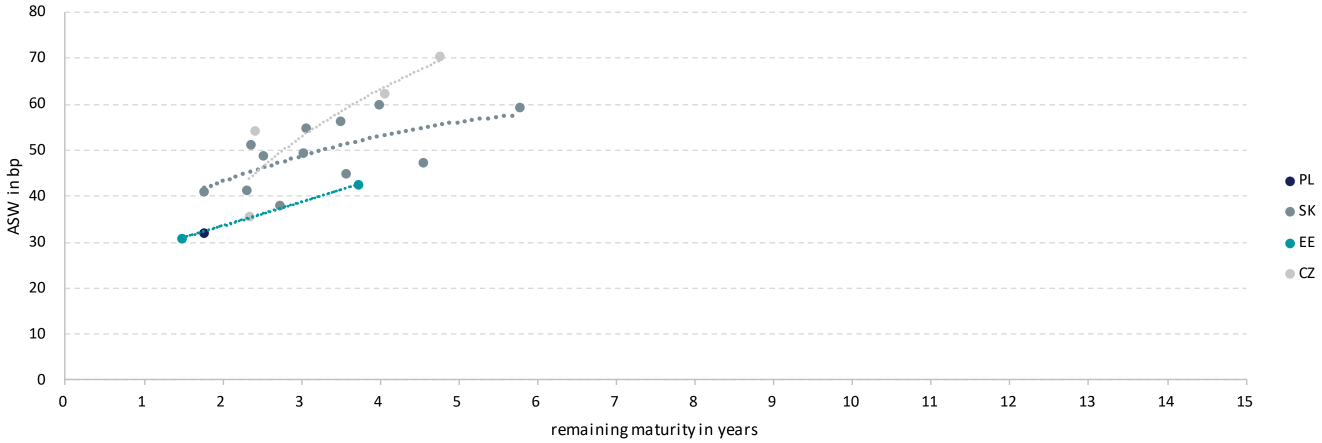


UK/IE

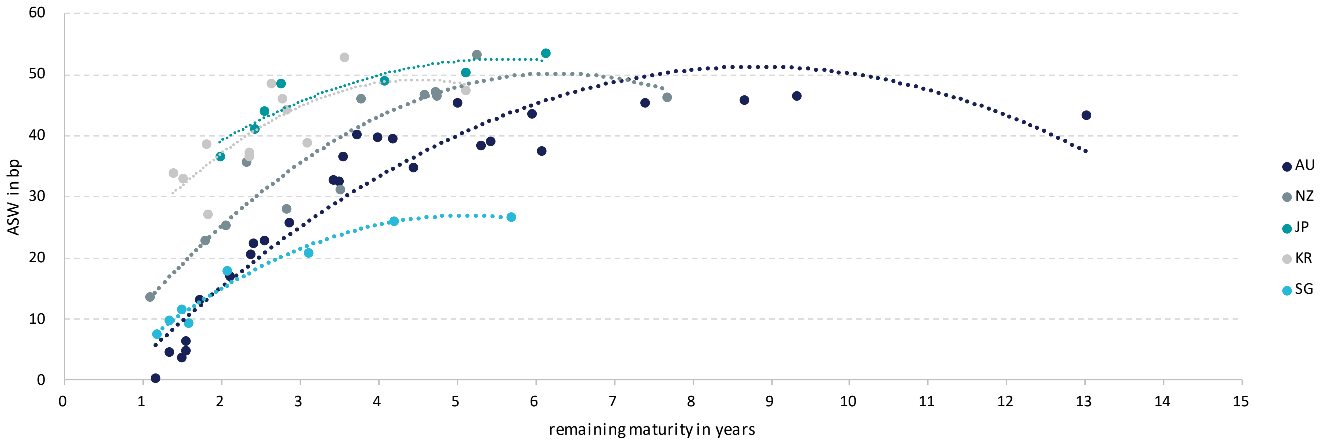


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

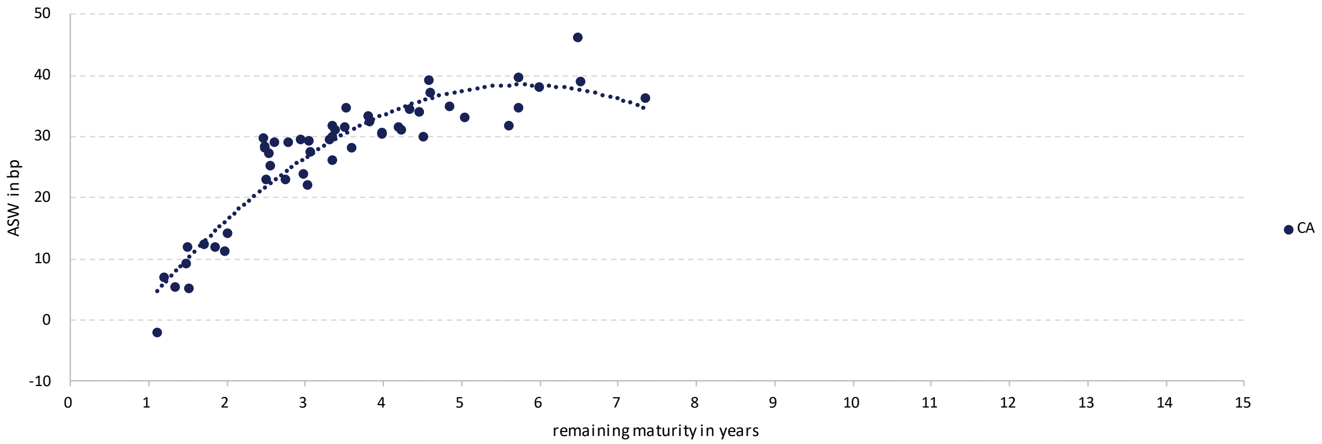
CEE



APAC



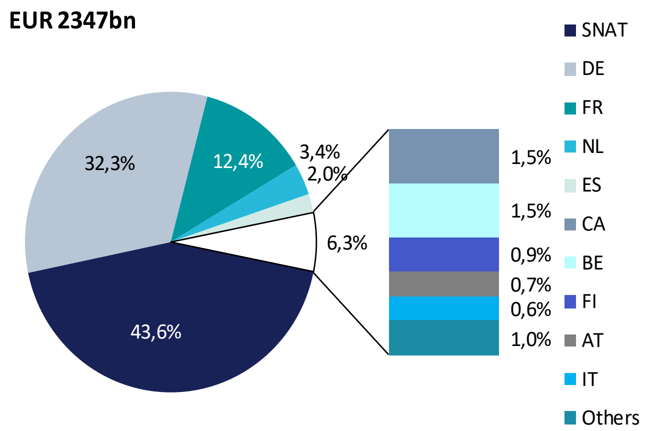
North America



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

Charts & Figures
SSA/Public Issuers

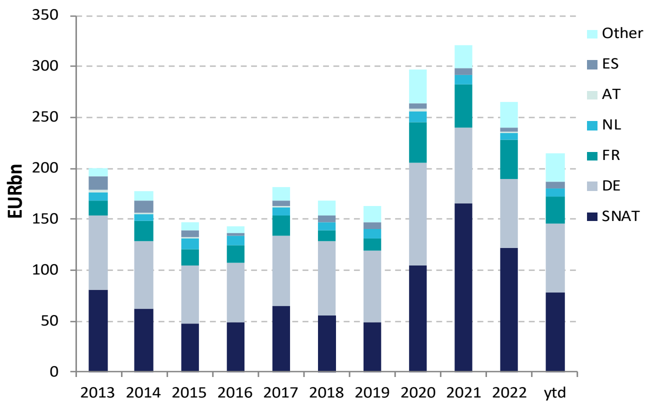
Outstanding volume (bmk)



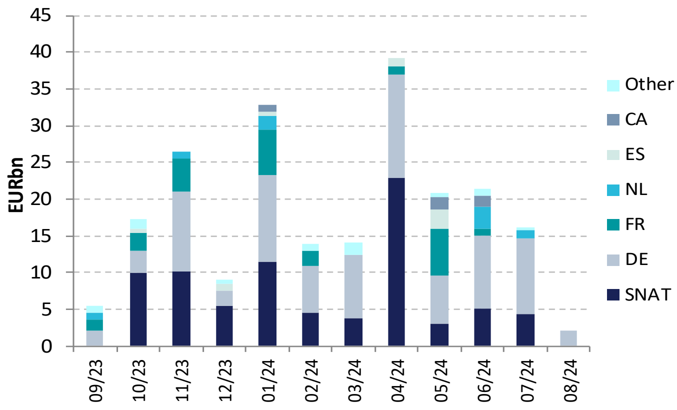
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	1.022,4	229	4,5	8,0
DE	759,0	567	1,3	6,2
FR	291,0	196	1,5	6,0
NL	79,0	69	1,1	6,6
ES	47,5	65	0,7	4,7
CA	35,7	25	1,4	4,3
BE	35,2	38	0,9	10,8
FI	22,1	24	0,9	4,9
AT	16,8	20	0,8	4,6
IT	15,0	19	0,8	4,5

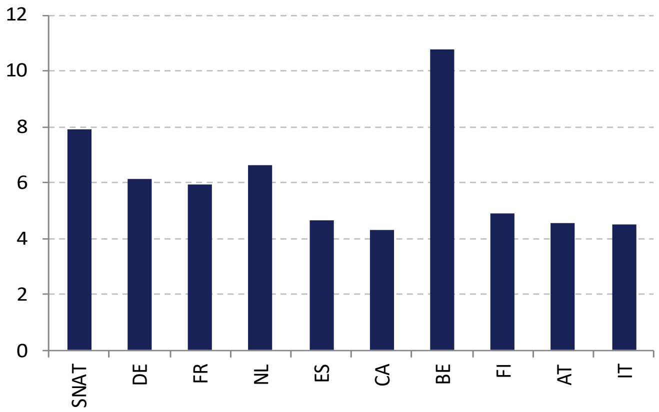
Issue volume by year (bmk)



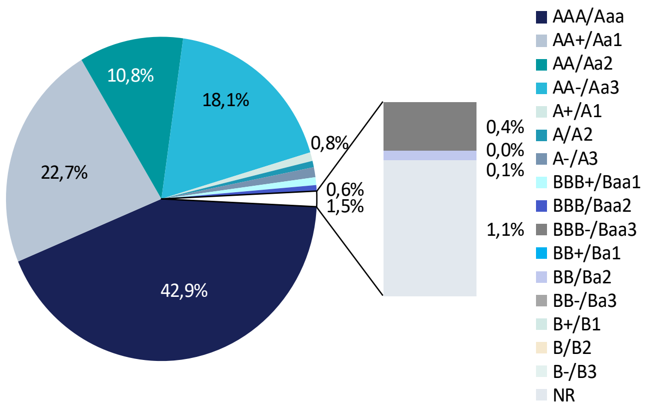
Maturities next 12 months (bmk)



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

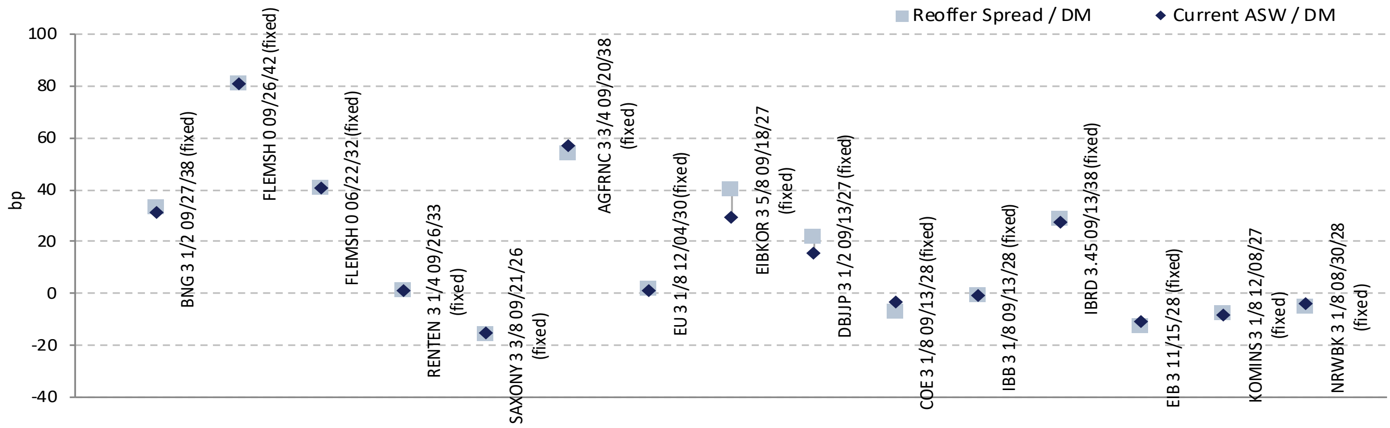


Rating distribution (vol. weighted)

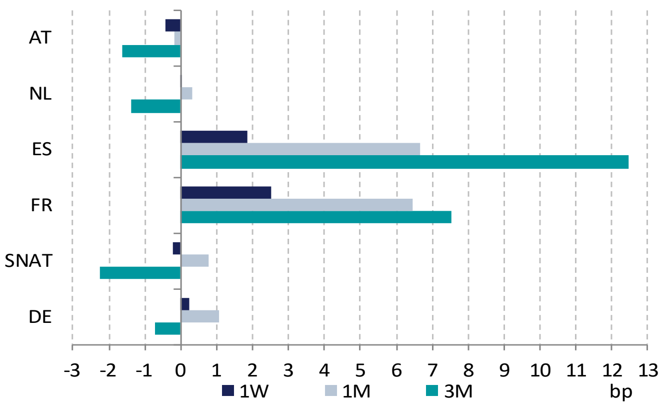


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

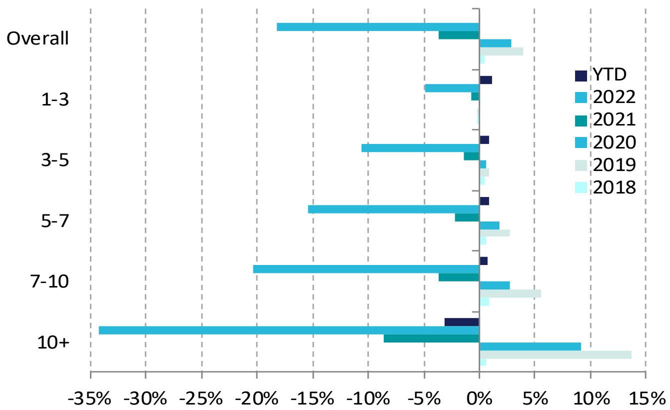
Spread development (last 15 issues)



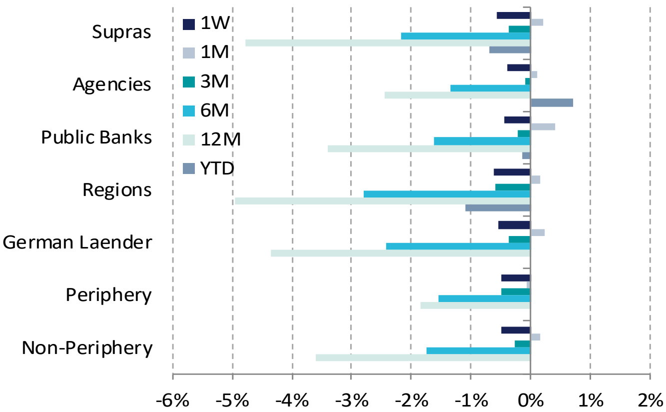
Spread development by country



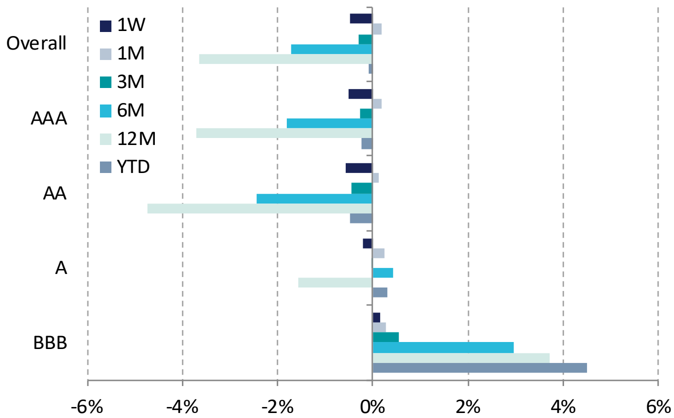
Performance (total return)



Performance (total return) by segments

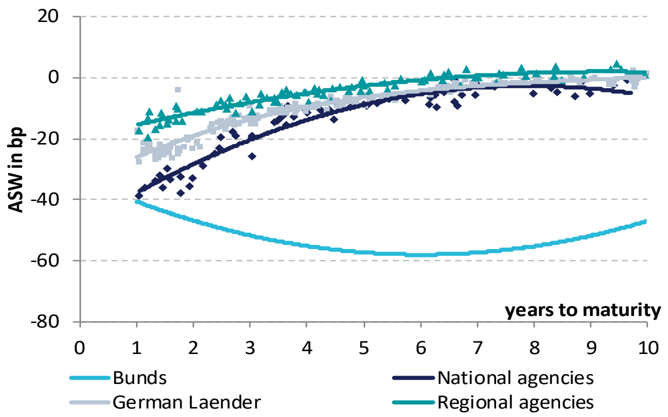


Performance (total return) by rating

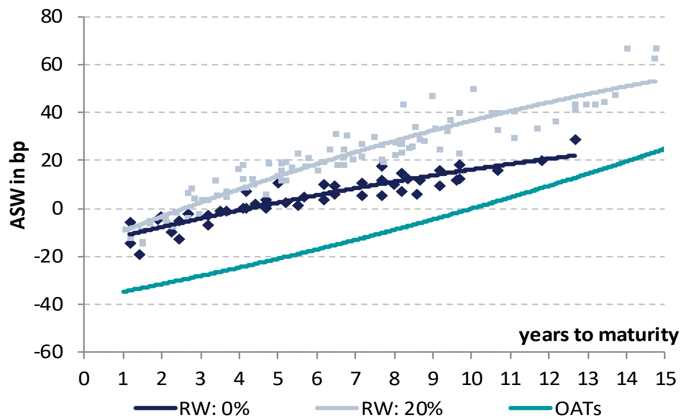


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

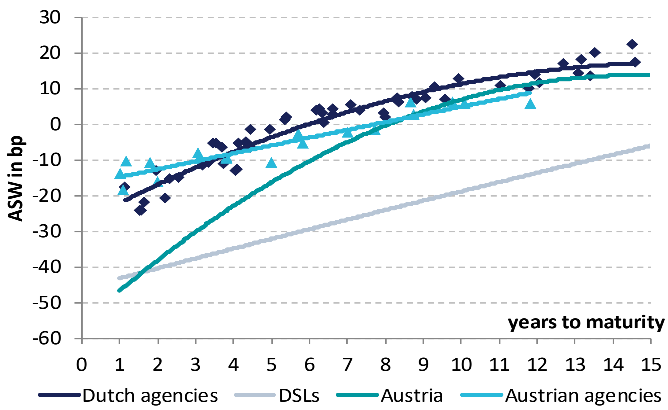
Germany (by segments)



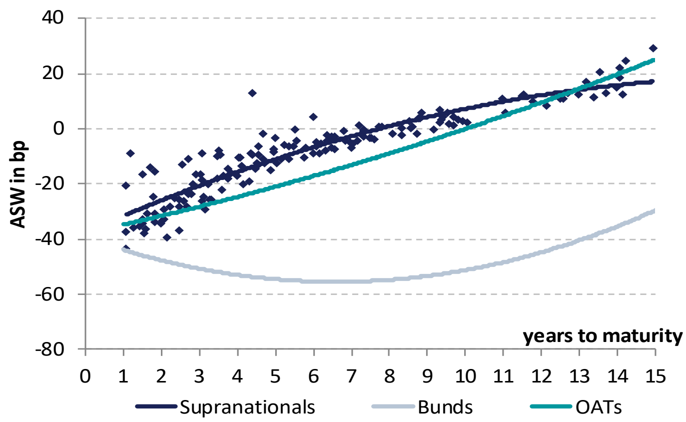
France (by risk weight)



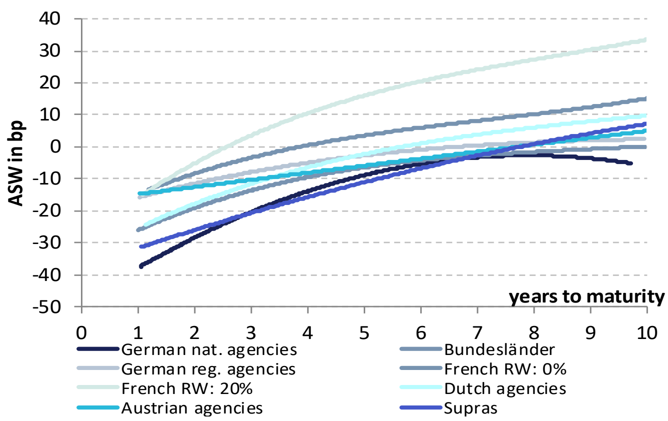
Netherlands & Austria



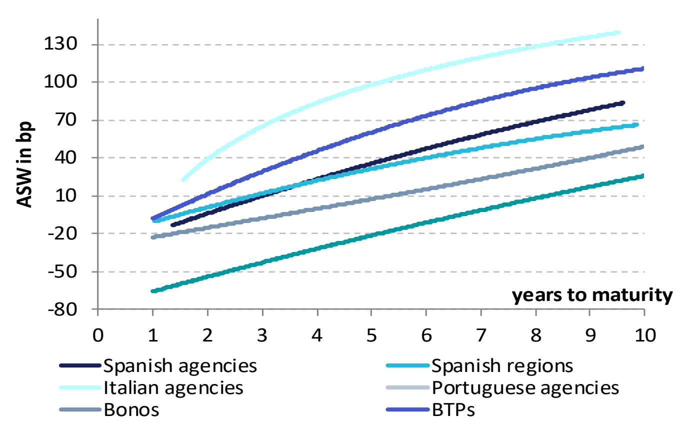
Supranationals



Core



Periphery



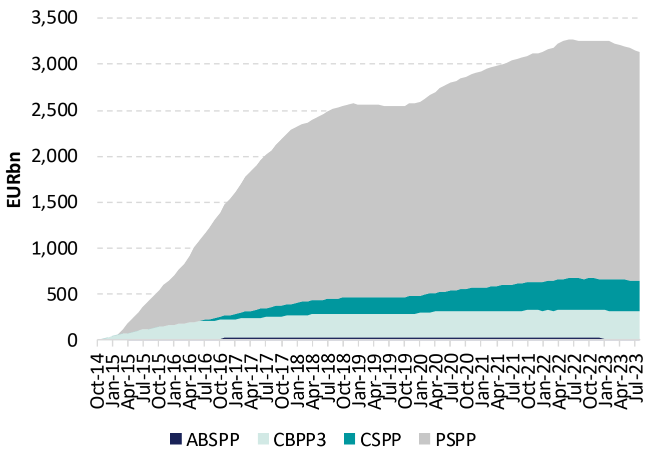
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

ECB tracker

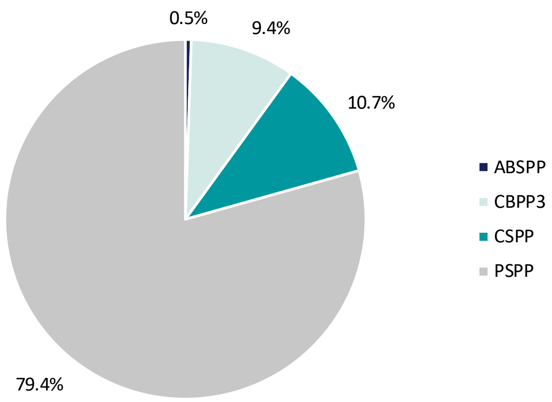
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Jul-23	16,851	295,503	335,724	2,504,498	3,152,576
Aug-23	16,441	295,503	334,738	2,487,900	3,134,582
Δ	-411	0	-986	-16,598	-17,995

Portfolio development

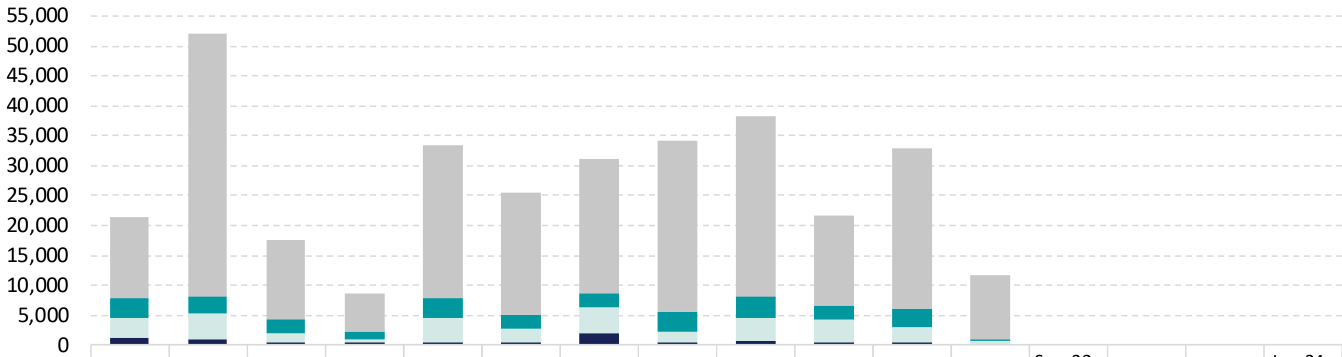


Portfolio structure



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

Expected monthly redemptions (in EURm)



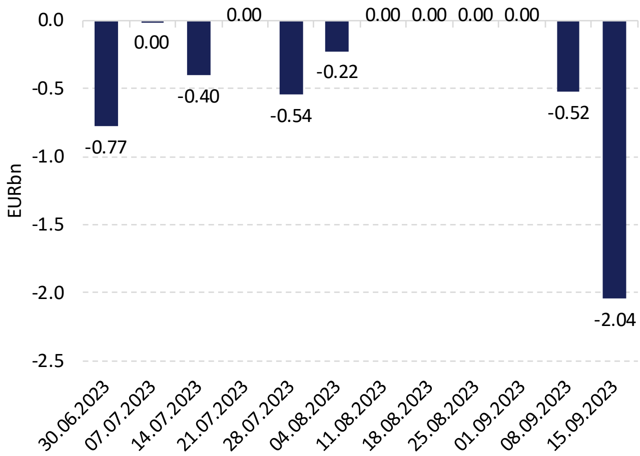
	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-23 - Aug-24	2022	2023	Jan-24 - Aug-24
APP	21,368	52,182	17,547	8,553	33,370	25,596	31,045	34,260	38,285	21,636	32,982	11,587	328,411	299,142	331,189	228,761
PSPP	13,436	44,186	13,277	6,336	25,524	20,470	22,413	28,712	30,194	14,974	26,881	10,533	256,936	228,585	255,019	179,701
CSPP	3,377	2,589	2,393	1,336	3,243	2,325	2,188	3,316	3,463	2,462	3,204	244	30,140	17,670	30,797	20,445
CBPP3	3,346	4,467	1,351	408	4,109	2,449	4,434	1,814	3,836	3,777	2,558	541	33,090	41,244	35,147	23,518
ABSPP	1,209	940	526	473	494	352	2,010	418	792	423	339	269	8,245	11,643	10,226	5,097

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

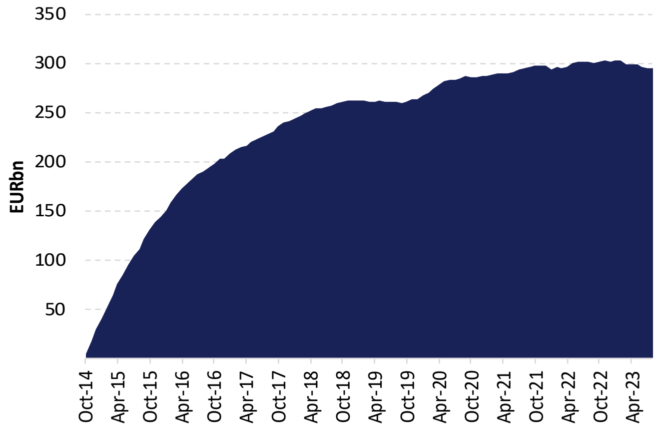
NORD/LB

Covered Bond Purchase Programme 3 (CBPP3)

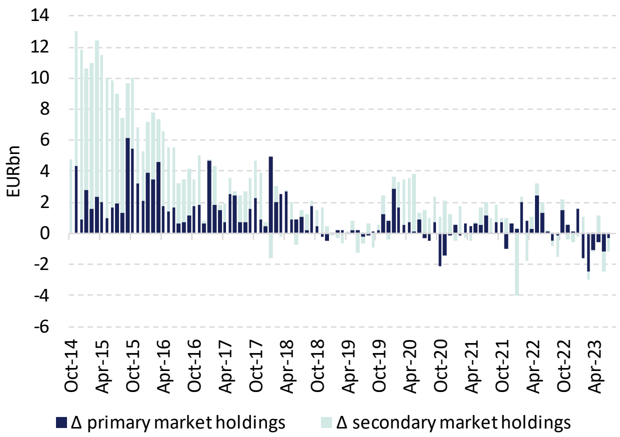
Weekly purchases



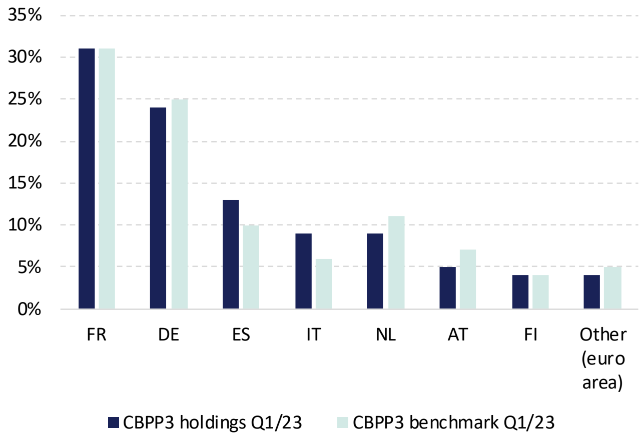
Development of CBPP3 volume



Change of primary and secondary market holdings

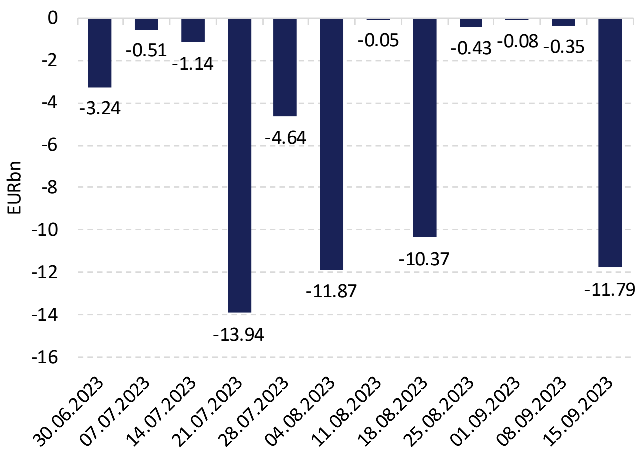


Distribution of CBPP3 by country of risk

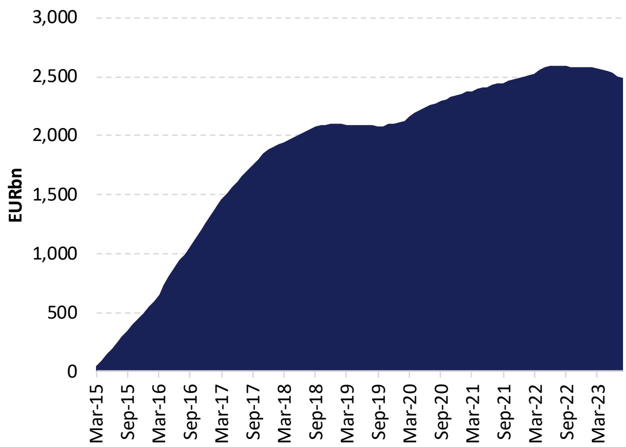


Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume

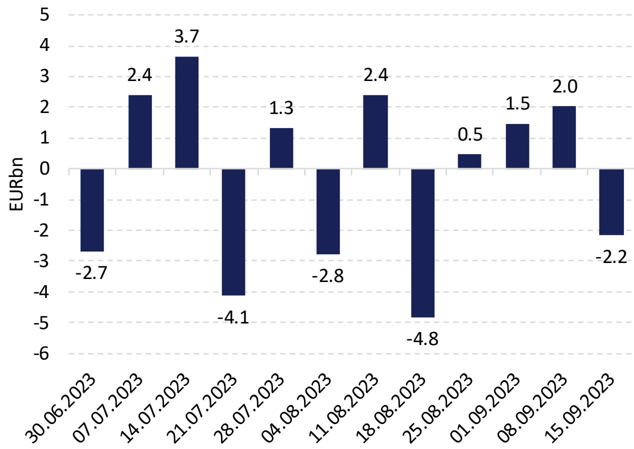


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

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	43,659	-419	2.6%	2.6%	0.0%	7.4	7.6
BE	56,468	653	3.3%	3.4%	0.1%	6.1	9.8
CY	2,387	50	0.2%	0.1%	0.0%	8.5	8.4
DE	397,585	-2,475	23.7%	23.9%	0.2%	6.7	7.0
EE	256	0	0.3%	0.0%	-0.2%	6.9	7.2
ES	191,589	-1,567	10.7%	11.5%	0.8%	7.3	7.4
FI	26,759	-695	1.7%	1.6%	0.0%	7.3	7.9
FR	296,673	-1,934	18.4%	17.9%	-0.5%	7.5	7.7
GR	37,979	424	2.2%	2.3%	0.1%	8.5	9.3
IE	25,413	176	1.5%	1.5%	0.0%	8.9	9.5
IT	293,834	3,169	15.3%	17.7%	2.4%	7.0	6.9
LT	3,235	-68	0.5%	0.2%	-0.3%	9.2	8.8
LU	1,845	14	0.3%	0.1%	-0.2%	6.1	8.4
LV	1,824	-154	0.4%	0.1%	-0.2%	8.0	7.6
MT	604	0	0.1%	0.0%	-0.1%	10.0	8.4
NL	79,687	340	5.3%	4.8%	-0.5%	7.8	9.1
PT	33,988	-102	2.1%	2.0%	-0.1%	7.0	7.5
SI	6,450	63	0.4%	0.4%	0.0%	8.6	9.0
SK	7,983	79	1.0%	0.5%	-0.5%	8.0	8.3
SNAT	152,090	2,002	10.0%	9.2%	-0.8%	10.0	9.0
Total / Avg.	**1,660,308**	**-443**	**100.0%**	**100.0%**	**0.0%**	**7.4**	**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
26/2023 ♦ 13 September	▪ ECBC publishes annual statistics for 2022 ▪ Teaser: Issuer Guide - Dutch Agencies 2023
25/2023 ♦ 06 September	▪ Covered bond market on the growth path: OLB looks set to join the ranks of EUR benchmark issuers ▪ NORD/LB Issuer Guide German Laender 2023 published
24/2023 ♦ 19 July	▪ Banks in Europe: EBA Risk Dashboard in Q1 2023 ▪ ECB repo collateral rules and German Laender
23/2023 ♦ 12 July	▪ Covereds: Half-year review and outlook for the second half of 2023
22/2023 ♦ 28 June	▪ Special publication on LCR classification and risk weights: a (regulatory) overview of the EUR benchmark segment ▪ ESG bonds of German Laender – significant further development
21/2023 ♦ 21 June	▪ ESG covered bonds: a look at the supply side ▪ Increasing exposure of E-supras to Ukraine
20/2023 ♦ 14 June	▪ Moody's covered bond universe – an overview ▪ Beyond Bundeslaender: Spanish regions
19/2023 ♦ 07 June	▪ ECB Preview: ECB's 25th anniversary and is still going strong ▪ Focus on legal requirements for covered bonds
18/2023 ♦ 24 May	▪ Repayment structures on the covered bond market: an update ▪ Stability Council convenes for 27th meeting
17/2023 ♦ 17 May	▪ ESG update 2023 in the spotlight ▪ Development of the German property market ▪ Transparency requirements §28 PfandBG Q1/2023
16/2023 ♦ 10 May	▪ The ECB and the covered bond market: influences old and new ▪ Update: Joint Laender (Ticker: LANDER)
15/2023 ♦ 26 April	▪ ECB preview: caught in two minds? ▪ EBA Risk Dashboard paints solid picture of Q4 2022
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?

NORD/LB

Appendix
Publication overview

Covered Bonds:

- Issuer Guide Covered Bonds 2023
- Covered Bond Laws
- 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 Q2/2023 (quarterly update)
- Covered bonds as eligible collateral for central banks

SSA/Public Issuers:

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

Fixed Income Specials:

- ESG-Update 2023
- ECB: This rate terminates here - 99.9% sure
- ECB preview: Knives out… It's edging-time
- ECB: From the bottom to the top time to stop? Nobody knows it
- ECB preview: About scrambling and hiking to the terminal rate

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, CIIA
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, CIIA
SSA/Public Issuers

+49 152 090 24094
norman.rudschuck@nordlb.de

Christian Ilchmann
SSA/Public Issuers

+49 157 851 64976
christian.ilchmann@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

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

Origination & Syndicate

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

Sales Wholesale Customers

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

Treasury

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

Relationship Management

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

Disclaimer

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

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

The present information does not constitute financial analysis within the meaning of Art. 36 (1) of the Delegate Regulation (EU) 2017/565, but rather represents a marketing communication for your general information **within the meaning of Art. 36 (2) of this Regulation. Against this background, NORD/LB expressly points out that this information has not been prepared in accordance with legal provisions promoting the independence of investment research and is not subject to any prohibition of trading following the dissemination of investment research.** Likewise, this information does not constitute an investment recommendation or investment strategy recommendation within the meaning of the Market Abuse Regulation (EU) No. 596/2014**.**

This report and the information contained herein have been compiled and are provided exclusively for information purposes. The present information is not intended as an investment incentive. It is provided for the Recipient's personal information, subject to the express understanding, which shall be acknowledged by the Recipient, that it does not constitute any direct or indirect offer, recommendation, solicitation to purchase, hold or sell or to subscribe for or acquire any securities or other financial instruments nor any measure by which financial instruments might be offered or sold.

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

Past performance is not a reliable indicator of future performance. Exchange rates, price fluctuations of the financial instruments and similar factors may have a negative impact on the value and price of and return on the financial instruments referred to herein or any instruments linked thereto. Fees and commissions apply in relation to securities (purchase, sell, custody), which reduce the return on investment. An evaluation made on the basis of the historical performance of any security does not necessarily provide an indication of its future performance.
The present information neither constitutes any investment, legal, accounting or tax advice nor any assurance that an investment or strategy is suitable or appropriate in the light of the Recipient's individual circumstances, and nothing in this information constitutes a personal recommendation to the Recipient thereof. The securities or other financial instruments referred to herein may not be suitable for the Recipient's personal investment strategies and objectives, financial situation or individual needs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additional information for Recipients in France:
NORD/LB is partially regulated by the “Autorité des Marchés Financiers” for the conduct of French business. Details concerning the extent of our regulation by the respective authorities are available from us on request. The present information does not constitute an analysis within the meaning of Article 24 (1) Directive 2006/73/EC, Article L.544-1 and R.621-30-1 of the French Monetary and Financial Code, but does represent a marketing communication and does qualify as a recommendation pursuant to Directive 2003/6/EC and Directive 2003/125/EC.

Additional information for Recipients in Greece:
The information contained herein gives the view of the author at the time of publication and may not be used by its Recipient without first having confirmed that it remains accurate and up to date at the time of its use. Past performance, simulations or forecasts are therefore not a reliable indicator of future results. Investment funds have no guaranteed performance and past returns do not guarantee future performance.

Additional information for Recipients in Indonesia:
This report contains generic information and has not been tailored to the circumstances of any individual or specific Recipient. This information is part of NORD/LB’s marketing material.

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

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

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

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

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

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

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

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

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

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

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

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

Time of going to press: Wednesday, 20 September 2023 (08:55)