NORD/LB

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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(see disclaimer on the last pages)

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Market overview Covered Bonds

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Primary market starts to pick up again

With four new placements in the EUR benchmark segment over the past five trading days, the market has started to pick up again as we move towards the end of the year (traditionally very few deals are placed in December). While De Volksbank from the Netherlands placed its first EUR benchmark of 2020, for OP Mortgage Bank of Finland it was the second such deal after placing its first benchmark for 2020 back in January. BAWAG approached its investors for the third time and after a placement on 16 September is responsible for both of the most recent deals from Austria. Sweden's Stadshypotek, which went to the market yesterday, accounted for the country's first EUR benchmark in 2020. De Volksbank placed its bond with a volume of EUR 500m and a term to maturity of 20 years last Wednesday at ms +7bp (issuing yield: +0.174%). This was the fifth benchmark bond in 2020 with a maturity of at least 20 years. Despite the long maturity, the deal was more than two times oversubscribed. At 57% of the allocation, buyers came primarily from the DACH region, followed by Benelux with a share of 18%. As is usual with long-dated bonds, the share attributable to insurance companies and pension funds was above average at 18%. A further 32% was also attributable to asset managers. At EUR 1.25bn, the deal issued by OP Mortgage Bank was the largest seen over the past five trading days. The 10-year bond was placed at ms +2bp. As is now customary for 10-year bonds, the issuing yield was negative (-0.179%). BAWAG went to its investors on the same day with a 15-year EUR 500m deal. After guidance in the area of ms +8bp, solid demand (final order book: EUR 1.4bn) meant the bond was priced four basis points tighter at ms +4bp and was nearly three times oversubscribed. Unsurprisingly, investors from the DACH region again dominated proceedings, accounting for a share of 76% of the allocation. In addition, 18% went to Italian investors. Banks accounted for 43% of the issuance volume, with 39% allocated to asset managers. At 0.041%, the issuing yield just crept into positive territory, due in part to the recent rise in swap yields in the wake of positive news regarding the possible availability of a vaccine. Stadshypotek then followed yesterday, Tuesday, launching the first Swedish EUR benchmark of 2020, as we mentioned above. Compare this with 2019 when Swedish banks placed EUR 5.75bn in the EUR benchmark market. The 8-year deal entered the marketing phase with guidance in the area of ms +8bp area before ultimately being priced at ms +5bp. This again produced a negative issuing yield of -0.277%. The volume stood at EUR 1.0bn while order books totalled EUR 1.35bn. Overall, the EUR benchmark volume issued to date in 2020 stands at EUR 90.2bn, exactly one third down on the previous year (EUR 135.28bn).

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
Stadshypotek	SE	17.11.	XS2262802601	8.0y	1.00bn	ms +5bp	- / Aaa / -
BAWAG PSK	AT	12.11.	XS2259776230	15.0y	0.50bn	ms +4bp	- / Aaa / -
OP Mortgage Bank	FI	12.11.	XS2260183285	10.0y	1.25bn	ms +2bp	- / Aaa / AAA
De Volksbank	NL	11.11.	XS2259193998	20.0y	0.50bn	ms +7bp	AAA / Aaa / -

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

ECB Council meeting in December: potential for adjustment to TLTRO III terms

The ECB has raised heightened expectations regarding further monetary policy stimulus at its next regular central bank meeting on 10 December 2020, not least with its announcement at the time of its previous key interest rate decision. Meanwhile, during her speech at the "virtual Sintra conference", Christine Lagarde demonstrated a focus on the PEPP and TLTRO monetary policy instruments, which in our opinion makes further interest rate cuts even more unlikely. We do not view the encouraging reports regarding vaccine development as impetus for a change in direction by the ECB either, since the timely availability of a vaccine had already been taken into account by the ECB. Looking at the covered bond market, we presently consider the potential changes to the TLTRO III terms, which are the framework conditions for the targeted longer-term refinancing operations, to above all be driving forces. The preferential interest rate could be extended beyond mid-2021 and the duration of the TLTRO III programme could also potentially be extended by means of longer maturities or new tenders. It is true that these adjustments could be to the detriment of the covered bond issuance volume since they would additionally enhance the relative attractiveness of central bank liquidity versus covered bonds. However, in this context we would also mention that investors would continue to turn to covered bonds with regard to longer term refinancing in particular. We therefore also consider it unlikely that, as with TLTRO II, the maximum term of four years would be exceeded if the maturity for TLTRO III were extended.

Moody's assesses new asset encumbrance limit in Singapore

The Monetary Authority of Singapore (MAS) raised the asset encumbrance limit from 4% to 10% (in each case in relation to total assets) back in mid-October 2020. In our opinion, this not only enhances the issuance potential for active issuers but also creates incentives for new institutions to set up a covered bond programme. In a recent announcement, Moody's has now assessed the raised limit on the risk side and views this as credit positive. Ultimately, the adjusted requirement has the potential to contribute to better market liquidity and lower refinancing risks. Moreover, a larger covered bond market could increase the systemic relevance of covered bonds.

Moody's Structured Finance Outlook 2021 Australia

In its annual outlook for the structured finance segment in 2021, the risk experts at Moody's stressed that although they expect an economic recovery next year, this recovery will be uneven. In particular, the economic expansion process is likely to falter in parts due to further measures taken to halt the pandemic. With regard to covered bonds, the analysts therefore also see negative influences on credit quality stemming both from the repercussions for issuers as well as burdens on the mortgage assets allocated to the cover pools. Sustained high unemployment is a particular concern here. Nevertheless, the experts also highlight that given the sound shape of the issuers and structure of the covered bond programmes rated by Moody's, these effects should remain manageable and that high credit quality is set to be maintained overall in 2021 as well.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

Lockdown curbs economy in German Laender

Baden-Wuerttemberg was downgraded by S&P back on 14 August, while Saxony-Anhalt also saw its rating cut by one notch on 18 September. The rating agency assumes that the budgetary situation in Saxony-Anhalt will deteriorate considerably in 2020 and 2021 due to diminished tax revenues and higher spending as a result of Covid-19. The rating outlook, which was previously set to negative, now stands at stable. The 'negative' outlook even before coronavirus hit was already an indication that a rating action could follow. The Bundesland will finance its considerable budget deficit in 2020 by deviating from its policy of net debt reduction. Its stable outlook also reflects the view that Saxony-Anhalt will get its temporary deficit under control and return to its policy of net debt reduction. We also believe this is possible once the pandemic is over. In addition, the rating agency is of the opinion that the recovery of tax revenue will help significantly improve the Bundesland's budget in the direction of a (more) balanced account in 2021 without taking funds out of reserves. BADWUR and SACHAN, as they are known by their Bloomberg tickers, are by no means alone. Analysis by Investitionsbank Berlin has shown that after a massive slump in H1 2020 of 5.1%, once the lockdown ended, Berlin's economy initially recovered faster than forecast in Q3. Rapidly rising infection rates in October, however, highlight the risks for Q4. The restrictions in our public and private lives, as well as in parts of the hospitality industry, tightened significantly again. Another lockdown in the last or last two months of the year is likely to adversely affect the economic recovery in Q4, which would become more sluggish with a somewhat flatter growth trend. The uncertainty regarding the pandemic would also lead to a downturn in investment and consequently in the demand for finance, especially as the reintroduction of the obligation to file for insolvency is likely to lead to more insolvencies. Extrapolated over the whole of 2020, the IBB puts the contraction in Berlin's GDP at around 6%, while growth of 4% is forecast for 2021. Berlin is not likely to match the economic level of 2019 until 2022. Furthermore, Hesse (AA+) and Saxony (AAA) have also each been assigned a negative outlook. S&P cites the rationale for this as follows: according to estimates, the German Laender will lose almost EUR 100bn in tax revenue in the next five years. S&P assumes that it will take until 2022 for their tax revenue to reach the nominal level of 2019, as the recovery in tax revenue will take longer and the tax revenue losses will be more persistent than we, too, had previously assumed. The estimated tax revenue lost in 2020 will be twice as high as the surplus achieved in 2019, which will place a considerable strain on the finances of all the Bundeslaender. Moreover, several sub-sovereigns have announced extensive spending programmes which will put further pressure on finances. Depending on the respective financial leeway, in some cases S&P has identified a deterioration in the individual credit profile.

KfW update – Instant Loan extended

In view of the rapid growth in infections and ongoing economic difficulties due to the coronavirus pandemic, the German government has extended the KfW Special Programme, including the KfW Instant Loan, until 30 June 2021 to continue to provide a reliable source of liquidity for businesses, according to the press release. As soon as the European Commission has approved the extension to the existing state aid fundamental principles, the corresponding support can also be granted in 2021. Since 9 November, the KfW Instant Loan has also been available to freelancers and companies with up to ten employees. Businesses can apply for these KfW loans of up to EUR 300,000, depending on the sales they achieved in 2019, via their main bank. The government assumes all of the risk for the loan and indemnifies the main banks from all liability. The rules on repaying the KfW Instant Loan were also improved. Since 16 November, it has also been possible to make a pro rata repayment on the loans early without any early repayment penalty. This makes it easier to combine the loans with other coronavirus aid programmes. The German Economics Minister Peter Altmaier stated: "The effects of the coronavirus pandemic are greater and longer-lasting than we still expected and hoped in the middle of the year. In this serious situation we are not leaving our companies and their employees alone and instead are expanding and extending the KfW Special Programme. Opening up KfW Instant Loan to the smallest companies and freelancers means that all businesses can receive liquidity quickly and without red tape. At the same time, we have extended all variants of the KfW Special Programme until 30 June 2021 to create planning certainty". German Finance Minister Olaf Scholz commented: "The protective shield remains firmly in place and we are working hard to mitigate the crisis. In this acute stage of the pandemic, we are creating planning certainty and extending the KfW Special Programme up to and including June 2021. We are also now opening up the Instant Loan and its generous terms and conditions to freelancers and small companies, another important source of assistance, particularly now in November. KfW plays a central role in countering the repercussions of the crisis for companies and employees. We have set international standards with this and consequently have weathered the crisis comparatively well." As part of the KfW Special Programme, the KfW Instant Loan has proven to be an important support for German SMEs during the coronavirus crisis. Funds in excess of EUR 5bn have been granted under the Programme to date. The background here: the KfW Instant Loan is available to SMEs and freelancers who have been active in the market since 1 January 2019 at least. In addition, companies must have generated a profit overall in the years 2017-2019 or in 2019. If the business has only been in the market for a short period of time, this period is used. The loan volume per corporate group amounts to 25% of annual sales in 2019, with a maximum of EUR 800,000 for companies with over 50 employees and a maximum of EUR 500,000 for companies with up to 50 employees and a maximum of EUR 300,000 for companies with up to ten employees. The companies must not have been in difficulty as of 31 December 2019 and are required to demonstrate that their financial condition was in order at that point in time. The interest rate currently stands at 3% and the term is 10 years. Overall, more than 95,000 applications for KfW coronavirus aid have been received by KfW. Of these applications, 99% have already been fully processed. Commitments have reached a total volume of almost EUR 46bn. Around 97% of the applications came from SMEs and 99% of these were for loans with a volume of up to EUR 3m.

EIB Group adopts Climate Bank Roadmap

Last week, the Board of Directors of the European Investment Bank (EIB) approved the Climate Bank Roadmap 2021-2025. According to the press release, the roadmap serves as a compass for future financings with which the bank intends to mobilise investment of EUR 1,000bn in climate protection and environmental sustainability by 2030. In addition, the roadmap will help the EIB align all of its financing activities with the principles and goals of the Paris Climate Agreement by the end of 2020. The bank also approved new financings amounting to EUR 7.8bn for companies during the coronavirus crisis as well as for investment in clean transport, sustainable urban development, renewable energies, health and education in Europe and across the globe. The EIB approved EUR 1.8bn for medical research, new hospitals and public health, as well as for local aid programmes aimed at making the private sector more resilient to the economic shocks caused by Covid-19. Since the outbreak of the pandemic, the EIB has approved new financings in excess of EUR 27bn so that public and private partners in Europe and across the globe can better manage the health, social and economic challenges. The EIB is also granting new direct finance to companies that invest in electric vehicles, renewable energies and chemical innovation. In addition, the bank is building up its venture debt financing throughout Europe. New initiatives are also being started via the European Guarantee Fund. Support for the expansion of airport capacity and conventionally-fuelled aircraft will cease. In accordance with the Climate Plan, the bank will instead focus on improving existing airport capacity by investing in security and decarbonisation. However, there has also been criticism and NGOs (non-governmental organisations) accuse the EIB of development policy failure. “Counter Balance” produced a report released exclusively to German broadcaster NDR. In the report it warns against the imprudent expansion of the bank’s powers. It concludes that the bank is not transparent enough and does not take human rights into adequate account when granting loans. The EIB urgently needs to increase its staffing levels in the Complaints department and generally reset its thinking. Today there are 20 people in the Compliance department of the bank instead of 18. Dozens of complaints reach the EIB every year, most of which come from outside the EU.

Another EU social bond in 2020?

We share the rumoured view in the market that there might be another SURE transaction from the EU: the volume-weighted maturity of the four bonds (5y, 10y, 20y and 30y) is 14.83 years. There would therefore still be time in the remaining weeks before the ECB meeting on 10 December, or even closer to Christmas, for another multi-billion deal – precisely in the 15-year segment. We see the environment for this as strongly supportive at the very least. Meanwhile, Poland and Hungary are blocking the new EU budget. Following their veto of the EU budget package, the German government has called on both countries to end the stalemate. The exclusion of Hungary’s Fidesz party is also being discussed in the European People’s Party. How the blockage can now be resolved is unclear. It is expected that the issue will be discussed in a video conference of heads of state and government on Thursday. In the end, the people of Europe will have to pay a high price for the blockage if the financial package, which includes coronavirus aid, is not delivered as quickly as possible. There is no excuse for delays, said the German Minister of State for Europe Michael Roth.

Primary market

German issuers dominated the primary market from Wednesday to Friday, but this is not reflected in our table as these issues were either taps or sub-benchmarks. NIESA kicked things off with a tap issue for its 2024 bond amounting to EUR 250m at ms -6bp. The books exceeded EUR 350m and guidance started at ms -5bp. By comparison, just a day earlier Lower Saxony had garnered EUR 100m at ms -6bp with a 2028 maturity. At EUR 250m, demand was also strong for the bond issued by the city of Bochum (ticker: BOCHUM) which we described last week. The books reached some EUR 345m and the spread stood at ms +23bp. Guidance had started at ms +28bp area. This time 96.7% of the issue remained in Germany, as opposed to the figure of "only" 90% for its last successful appearance in the capital market. In chronological terms, this deal was followed by HESSEN and KFW with taps. Hesse selected a 2030 maturity for its EUR 500m bond, which was priced at ms -1bp. Over EUR 1bn would have been possible but there was no movement in the spread versus the guidance. This was followed by the deal from KfW, which increased its green 2028 ISIN by EUR 2bn at ms -11bp. The order books here exceeded EUR 9.4bn and the price tightened against the guidance by one basis point. BADWUR was also active in the market with a 20-year bond. Having initially announced a volume of EUR 500m, it raised a volume of EUR 600m at ms +3bp. The deal was slightly oversubscribed, which is hardly surprising given the positive spread, a rarity in the current interest rate landscape. There were also deals last week from two French issuers and one Finnish issuer. MuniFin (Bloomberg ticker – KUNTA) increased a 2025 bond by EUR 500m at ms -3bp and recorded demand of over EUR 1.4bn. French issuers were also busy, especially UNEDIC and SFILFR. Unédic did not give up the field for social bonds completely without a fight, but first place in 2020 and 2021, however, will go to the EU. Last trading week UNEDIC also issued a 10-year EUR 2.5bn bond at 15 basis points above the French reference curve (OAT). The order book reached EUR 6.6bn. Only 25% of the investors came from France. SFIL raised EUR 500m for 8 years with its green bond. The spread was priced at 23 basis points above the benchmark (FRTR 0.75% 11/25/28). The bond was also nearly five times oversubscribed. SCHHOL priced EUR 500m at ms -2bp (9y) and ONT issued a 10-year benchmark (EUR 2.5bn) at ms +24bp. For Germany's northernmost sub-sovereign, no spread movement was observed in comparison with the guidance, while the Canadian deal tightened by two basis points on account of an noticeable oversubscription ratio (order books: EUR 4.2bn). Before concluding this section, we would also like to point out the MuniFin tap deal (EUR 100m for the 2026 maturity). However, no further details are available at present. Looking ahead, there are interesting bond issues with rarity value coming up soon. Among others, LCFB has, for instance, mandated a consortium for investor calls. Communauté française de Belgique, to use its full name, only has one EUR benchmark outstanding and was already part of the Eurosystem purchasing programme. Yesterday afternoon, NIESA then also mandated for a 7y benchmark (WNG).

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
ONT	CA	17.11.	XS2262263622	10.0y	2.50bn	ms +24bp	AA- / Aa3 / A+
SCHHOL	DE	17.11.	DE000SHFM782	9.0y	0.50bn	ms -2bp	AAA / - / -
SFILFR	FR	13.11.	FR0014000MX1	8.0y	0.50bn	ms +7bp	- / Aa3 / AA
UNEDIC	FR	12.11.	FR0014000L31	10.0y	2.50bn	ms +5bp	AA / Aa2 / -
BADWUR	DE	12.11.	DE000A14JZR8	20.0y	0.60bn	ms +3bp	- / - / AA+

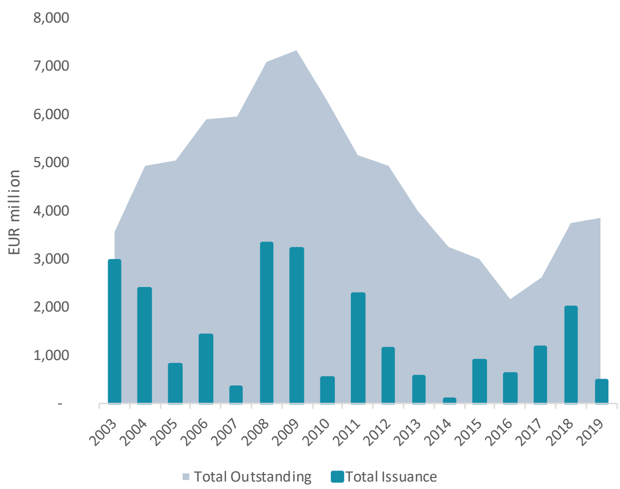
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research (Rating: Fitch / Moody's / S&P)

Covered Bonds
Primary market 2021: real prospect of Hungarian EUR benchmarks?

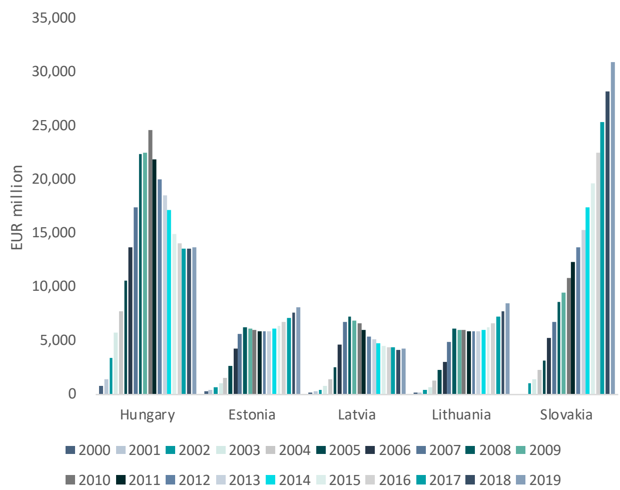
Author: Dr Frederik Kunze

Hungarian covered bond market: revival ahead?
The COVID-19 pandemic has also had an impact on the covered bond market. For example, a large number of issuers have resorted to placing "own-use" covered bonds. ECB monetary policy has also had an impact on the primary market for EUR benchmarks in the sense that the improved conditions of TLTRO III transactions in particular have reduced the supply of covered bonds. As a result, the primary market has fallen well short of initial expectations. Nevertheless, we believe that the relevance of covered bonds as a funding tool remains unabated. In this respect, we would not be surprised if in the coming calendar year issuers and/or jurisdictions that are currently not represented in this sub-market were to venture into the EUR benchmark segment. In this context, it is worth taking a look at Hungary. The country has already had covered bond legislation in place for several years. However, in terms of outstanding volume, the market declined sharply in the wake of the global financial crisis in 2008/09 and the subsequent turbulence. For some years now, stabilisation of the outstanding volume of residential mortgage loans and an increase in the volume of covered bonds have been observed. The country's covered bond market is also receiving a certain amount of support from the country's central bank (Magyar Nemzeti Bank, MNB), which also resorted to covered bond purchases after the onset of the COVID-19 pandemic and which is now placing an ever greater focus on the contribution that mortgage-backed bonds can make to greener growth (see Green Programme). In the following article, we propose to briefly discuss the main structural features of the Hungarian covered bond market in addition to current developments and potential EUR benchmark issuers in 2021.

Hungary: Outstanding volume of covered bonds



Residential mortgage loans outstanding



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

Hungarian covered bond market: relevance is favoured by regulation

Based on Bloomberg data, the outstanding volume in Hungary is currently equivalent to EUR 4.54bn; there has been increased momentum this year. In this context, however, it must be noted that the country's domestic currency dominates (HUF share: >99%). The market shares in terms of outstanding volume show the highest weight in the case of OTP Mortgage Bank (44%), followed by Takarék Mortgage Bank (22%), UniCredit Mortgage Bank (13%), K&H Mortgage Bank (12%) and Erste Mortgage Bank (8%). In our opinion, the covered bond issuers with the largest market shares are particularly worth considering as upcoming benchmark issuers on the basis of their market shares, but also on the basis of the size of the associated banking groups. The OTP Group is the largest banking group in the country, while the Takarék Group is expected to establish itself as the second largest in the long term following the mergers with Budapest Bank and MKB Bank. The relevance of the country's covered bond market is favoured by the regulatory framework. For example, the Mortgage Funding Adequacy Ratio (MFAR) requires that at least 25% of the property loans issued must be covered by long-term financing (covered bonds) in order to reduce the banks' dependence on customer deposits. In addition, as the coronavirus crisis intensified, the country's central bank also started purchasing mortgage-backed bonds again as part of its second bond purchase programme for covered bonds. Since the first purchases under the "Jelzaloglevel Vasarlasi Programme II" in May 2020, the volume of securities purchased on the primary and secondary markets has amounted to HUF 290bn (33 different ISINs; equivalent to approx. EUR 0.65bn), which corresponds to a significant share of the country's covered bond market.

Hungarian legal framework for covered bonds: "Premium" label achievable

The legal framework for covered bonds under Hungarian law (Jelzáloglevél) is defined in particular by Act No. XXX of 1997 on Mortgage Banks and Mortgage Bonds (Mortgage Bank Act); the legal requirements are also specified in Act. No. CCXXXVII of 2013 on Credit Institutions and Financial Enterprises. Jelzáloglevél are issued by specialised mortgage banks, with the underlying cover assets remaining on the issuers' balance sheet. In the course of implementing the requirements of the covered bond harmonisation, the country's legislation is likely to undergo some adjustments that should further strengthen the legal framework. These include a few optional provisions – for example, the possibility of allowing covered bonds with extendable maturity. The risk experts at Scope and Moody's also share the expectation of a stronger legal framework in Hungary as a result of the harmonisation of covered bonds. Both agencies see the mandatory introduction of the 180-day liquidity buffer as an improvement to the framework. This also applies to the potential national requirement of a minimum OC of 5%, which is made possible by the directive. Both Scope and Moody's also point out that Hungarian covered bonds should qualify as premium covered bonds. In terms of regulatory treatment, this means that the covered bond rating is of great importance. For example, assuming an investment grade rating a risk weight of 10% or 20% would apply depending on the actual credit quality step (CQS). In the context of LCR management, we believe that, on the same assumption (i.e. investment grade ratings), Hungarian EUR benchmarks could be classified as Level 1, Level 2A or Level 2B assets.

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Hungary: Legislation Overview

Designation	Jelzáloglevél
Special covered bond law	Yes
Cover assets (incl. substitute cover)	Mortgage loans
Owner of assets / Specialist bank principle	Issuer / Yes
Geographical scope	EEA
Loan to value - Mortgage loans	Residential: 70%; Commercial: 60%
Preferential claim by law	Yes
Cover register	Yes
Substitute assets / Limit of substitute assets	Yes / 20%
Coverage requirement	Present and nominal value
UCITS compliant / CRD compliant / ECB eligible	Yes / Yes / Yes

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

Covered Bonds and the Green Programme of Magyar Nemzeti Bank

Covered bonds are also gaining in importance in Hungary in the context of measures and initiatives for more sustainable or greener growth. While a regulatory preference for green property financing in the context of capital adequacy has already been established for loan products, the MNB is now also following suit with regard to the purchase of securities. For example, it was recently announced that from 16 November 2020 bond purchases under the securities purchase programme would only be made on the secondary market, while primary market purchases would be avoided. This step by the central bankers is directly connected with a programme to be set up for the purchase of green bonds, which is currently being developed and agreed with industry representatives. As we understand it, the aim of this decision by those responsible at MNB is to ensure greater availability of stable long-term funding for banks with long-term sustainability considerations. In our view, the central bank is certainly playing a pioneering role in terms of regulatory preference and the targeted purchase of green bonds. For potential covered bond issuers, this will tend to increase the incentive for setting up corresponding green bond programmes, although it is important to bear in mind in this context that purchases by the central bank were previously limited to HUF-denominated issues.

Conclusion

In 2021, Hungarian issuers could be among the additional institutions joining the EUR benchmark segment, which we would certainly welcome in view of the resulting broadening of the benchmark universe. Among other things, we attribute this to a recent return to more dynamic growth in the country's covered bond segment and the latest steps by the central bank. The harmonisation of the European covered bond market will also lead to additional improvements with regard to the national legislation, with Hungarian Covered Bonds likely to be classified as premium covered bonds. The regulatory classification in terms of risk weighting and the concrete eligibility of EUR benchmarks as assets in the context of LCR management is largely determined by the covered bond rating – or the CQS to be more precise – of the issues concerned.

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Covered Bonds
German Pfandbrief savings banks in Q3 2020

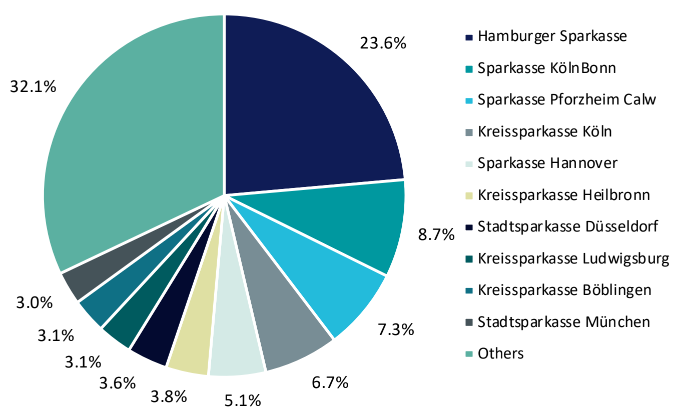
Author: Henning Walten, CIIA

Total of 43 savings banks with outstanding Pfandbriefe
At the end of Q3 2020, the 43 German Pfandbrief savings banks published their cover pool reports. The aggregate volume of outstanding mortgage and public-sector Pfandbriefe at the end of Q3 amounted to EUR 25.74bn (previous quarter: EUR 25.62bn) and therefore increased marginally (+0.5%). While only one institution continued to issue exclusively public-sector Pfandbriefe (Stadtsparkasse Mönchengladbach), the number of purely mortgage Pfandbrief issuers remained at 29. This leaves 13 institutions that have both outstanding mortgage bonds and public-sector Pfandbriefe. More detailed information on the cover pools of the individual savings banks can be found in our Covered Bond Special "Transparency Regulations, Section 28 PfandBG Q3/2020 Savings Banks" (German only).

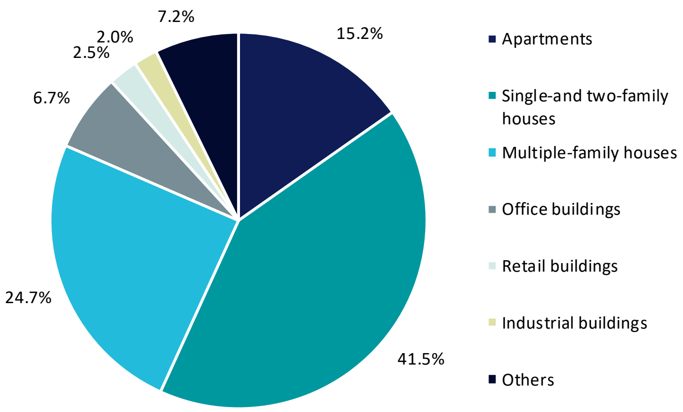
Outstanding mortgage Pfandbriefe total EUR 24.032bn
The 42 savings banks issuing mortgage Pfandbriefe had an outstanding total volume of EUR 24.0bn at the end of the last quarter. Compared to the previous quarter (EUR 23.8bn), the volume therefore rose slightly. With EUR 45.7bn (previous quarter: EUR 44.9bn) in cover assets, the issued mortgage Pfandbriefe were underpinned by sufficient assets, leading to an average overcollateralisation of 90.0% (previous quarter: 88.7%).

Mainly residential cover assets
A closer look at the composition of the mortgage cover pools shows that original cover assets account for an average of 94.9% (previous quarter: 95.2%) of the cover pool. Of this, 81.6% are residential assets, whereas commercial assets account for 18.4% of the primary cover. Compared with the previous quarter, there are therefore once again only marginal deviations.

Top 10 mortgage Pfandbrief issuers



Type of use of cover assets



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

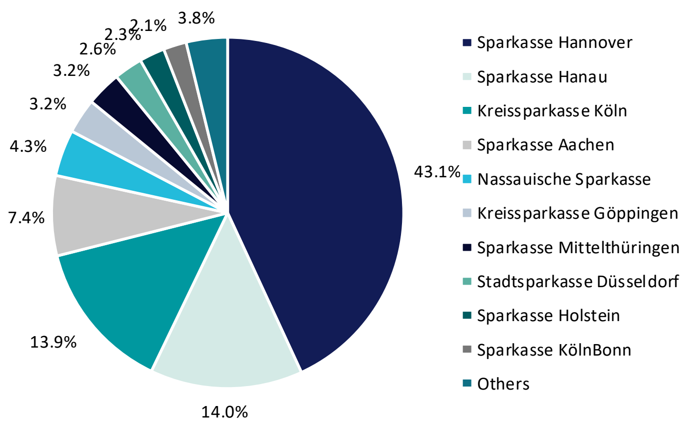
Single and multi-family houses with a large proportion of primary coverage
With regard to the type of use of primary coverage, it can be stated that house financing dominates. In addition to 41.5% attributable to single- and two family houses, mortgage loans used to finance multi-family houses follow in second place (24.7%). Apartments also account for 15.2%. Four to six in the rankings are commercial cover assets, with office buildings (6.7%) dominating. Retail and industrial premises also make up 2.5% and 2.0% respectively. Here, too, changes in the shares compared with the previous quarter are only shown in the decimal places.

Hamburger Sparkasse by far the largest issuer of mortgage Pfandbriefe
With a market share of 23.6% or an outstanding volume of around EUR 5.7bn, Hamburger Sparkasse is the largest mortgage Pfandbrief issuer among the German savings banks. Sparkasse KölnBonn continues to follow in second place with a share of only 8.7%. The two institutions are also the only German savings banks with outstanding EUR benchmarks, which are also listed in the iBoxx EUR Covered. While the ten largest Pfandbrief savings banks have a market share of 67.9%, the share of the five largest issuers alone is still more than 50%.

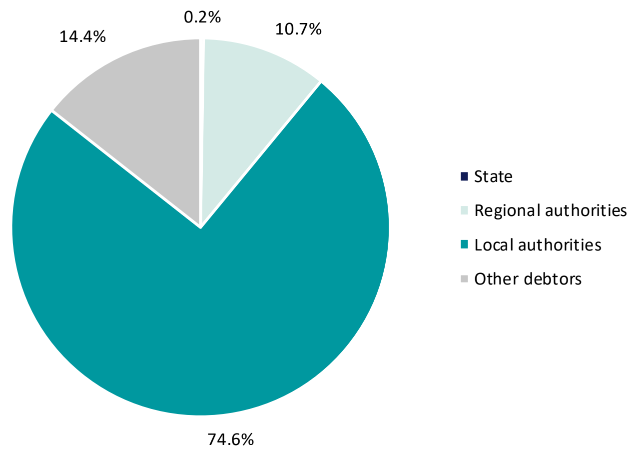
EUR 1.712bn in outstanding public-sector Pfandbriefe
Not only in terms of outstanding volume, but also in regard to the number of issuers, public-sector Pfandbriefe in the German savings bank sector lag substantially behind mortgage Pfandbriefe. The 14 issuers of public-sector Pfandbriefe have an outstanding volume of EUR 1.71bn, which is a slight decrease on the previous quarter (EUR 1.82bn).

Around 75% of debtors are local authorities
At 74.6%, most of the primary cover assets used to cover the Pfandbriefe are attributable to borrowers from the segment comprising local authorities. This is followed by receivables from other debtors (14.4%) and from regional authorities (10.7%). The share of primary cover assets (97.9%) is higher still compared with the mortgage Pfandbrief segment.

Top 10 public-sector Pfandbrief issuers



Debtor type for cover assets



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

Sparkasse Hannover is the largest public-sector Pfandbrief issuer among savings banks
Due to the fact that only 14 savings banks in Germany have outstanding public-sector Pfandbriefe, the concentration of market shares is also significantly higher compared to the mortgage Pfandbrief segment. With a market share of 43.1%, Sparkasse Hannover is undisputedly the Sparkasse with the largest volume of public-sector Pfandbriefe. In second place comes Sparkasse Hanau (14.0%), giving the two first-placed savings banks a market share of more than 50%. Together with the Kreissparkasse Köln and Sparkasse Aachen, the market share already rises to 78.4%. Kreissparkasse Köln, Sparkasse KölnBonn, Stadtsparkasse Düsseldorf and Sparkasse Hannover are ranked among the top 10 mortgage and public-sector Pfandbrief issuers.

Conclusion
After publishing the Transparency requirements §28 PfandBG Q3/2020 report, which was also based on the cover pool reports within the meaning of Section 28 PfandBG, the "NORD/LB Covered Bond Special – Transparency requirements §28 PfandBG Q3/2020 Savings Banks" (German only) was published, which provides an overview of the Pfandbrief landscape in the German savings bank sector. In comparison to Q2 2020, there are only minor changes. With regard to the Pfandbrief landscape in the savings bank sector, it can be noted that, in addition to the large EUR benchmark and EUR sub-benchmark institutions, a large number of smaller savings banks are also active in the Pfandbrief business and create a heterogeneous market. The characteristics of the cover pools at an aggregate level are characterised by a high degree of stability and there are only marginal changes quarter on quarter.

Covered Bonds
Development of the German property market

Author: Henning Walten, CIIA

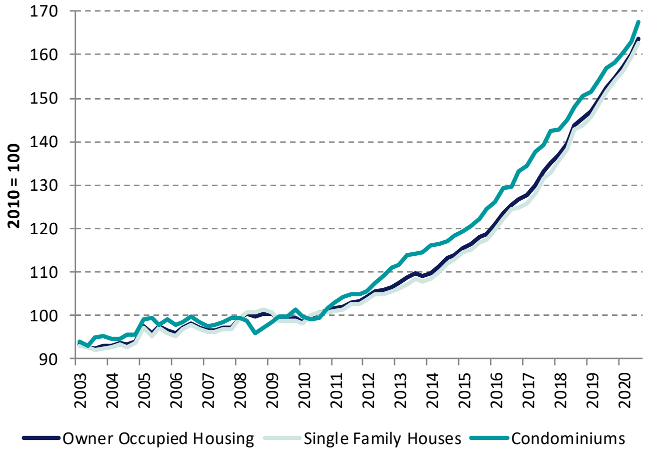
Price index increases by 6.1% year-on-year despite pandemic

As is the case every quarter, the Association of German Pfandbrief Banks (vdp) has published figures on the development of property prices in Germany after the end of Q3 2020. They show that, measured by the vdp's property price index, prices for German property rose by +6.1% (previous quarter: +5.5%) over a 12-month period despite the macroeconomic effects of the pandemic. Differentiated according to residential and commercial property, the increase in the residential property segment was +7.1% (previous quarter: +6.0%) and in the commercial property segment +2.6% (previous quarter: +3.9%). By contrast, the top seven index for residential property, which tracks the price trend in the cities of Berlin, Hamburg, Frankfurt am Main, Munich, Stuttgart, Düsseldorf and Cologne, rose by +3.8% in the period under review (previous quarter: +2.8%).

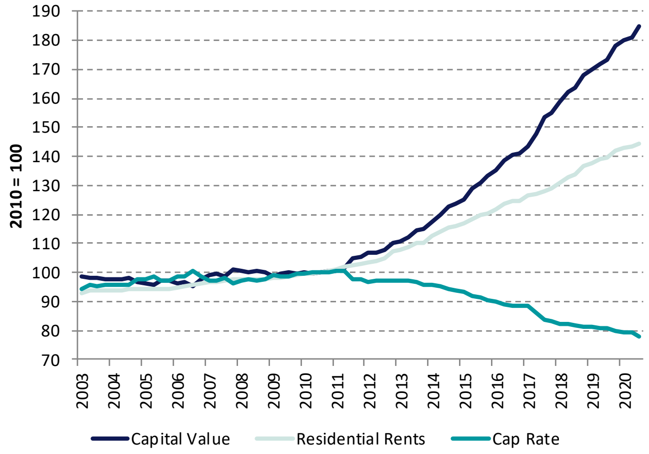
Price trend for owner-occupied residential property

In the area of owner-occupied residential property, the index calculated by the vdp rose by +7.3% compared with Q3 2019 (previous quarter: +6.8%). Divided into the two subcategories privately owned homes and apartments, it can be seen that these have undergone an adjustment, with year-on-year increases of +7.4% (previous quarter: +7.2%) and +6.7% (previous quarter: +5.6%) respectively with regard to their contribution to the index increase. In all three cases, the price increase accelerated over the 12-month period compared to the previous quarter. The impact of the pandemic on the residential property market was therefore limited. While the pace slowed slightly in Q2, the third quarter saw a significant increase in index levels again. In all three cases, the rise in the index was also above the average for the previous eight quarters. Since the end of the first quarter, the three indices have also gained around 4% each, which means that despite the lockdown measures in the spring and the resulting economic consequences, there are no signs yet of a sustained break in the price trend on the market for residential property.

Owner-occupied residential property



Multi-family houses



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

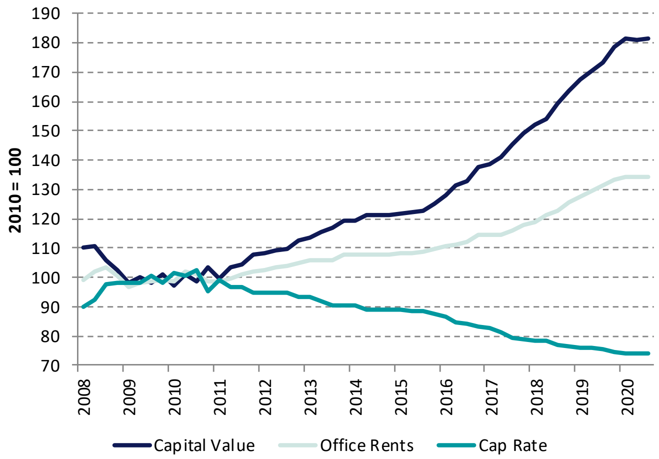
Rents and prices for multi-family houses

The market trend for multi-family houses also remained unaffected by the pandemic in Q3. With a price increase of +7.0% over the past twelve months (previous quarter: +5.2%), prices rose as sharply as they had done over the whole of 2018. One possible reason for this development could be the low risk of rent losses, which is likely to be higher in the commercial sector and therefore allows investors to continue to be more active in the multi-family house segment. In addition to prices, new rental contracts also rose more strongly again at +3.4% (previous quarter: +3.1%). As a result, this latest development is above the two-year average (6.4%). On a quarterly comparison basis, prices rose by +2.4%, a figure that was last seen at the end of 2018. After a small break at a still comparatively high level in Q2, the market for multi-family houses has resumed its pre-pandemic pace. The feared impact of the economic situation has not yet materialized on the market. In our opinion, however, this trend does not suggest that the effects of the pandemic on the market have already been surmounted. Even if, based on current experience, we do not believe that the renewed lockdown in November will cause distortions in the market for multi-family houses, we should continue to closely monitor the further course of the pandemic.

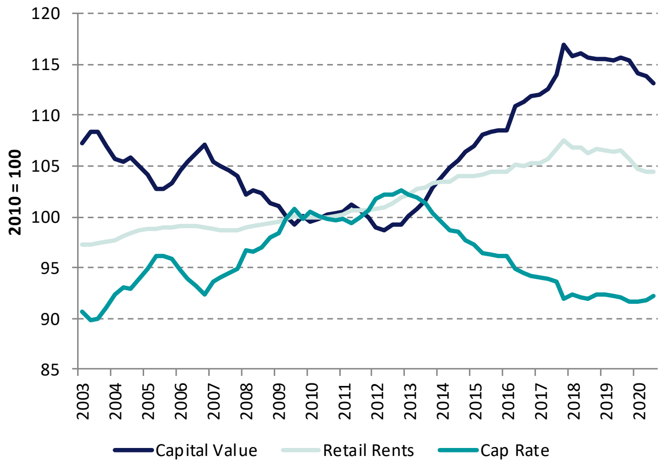
Prices for office premises slowing significantly

In contrast to the market for residential property, the impact of the pandemic is certainly reflected in the commercial sector. For example, office property prices fell by only +4.7% between Q3 2019 and Q3 2020. The last time that slower growth was observed here was between Q1 2015 and Q1 2016. This means that the price trend in this segment has declined continuously since the second quarter of 2019 (+10.5%). Based on a quarterly comparison, the index rose by only +0.3% after it had even declined by -0.3% in Q2. The trend towards working from home, which not only has boomed during the pandemic and lockdown, but is also likely to become more widespread in the future as well, is again likely to be the main factor here. The renewed lockdown could therefore lead to a further slowdown in price development in Q4.

Office property



Retail property



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

Prices for retail property are falling even more sharply

What the home office is to office properties, e-commerce is to retail properties. With a decline in the index over a 12-month period of -2.2%, the decline of -1.3% from Q2 has once again been clearly surpassed. Price declines of this magnitude have not been seen since the financial crisis. The market for retail property therefore remains the only one of the sub-markets examined here with falling prices, although this development was not triggered by the pandemic, but was significantly heightened and acted as a catalyst for the path already taken. Retail therefore remains the hardest hit sector. Even if the retail sector remains open in the current lockdown, the current position is likely to make the situation even worse. Along with falling prices, new rental contracts also fell sharply by -2.1% (previous quarter: -1.8%). This figure also represents a new negative record since the index was introduced in 2003.

Top seven housing market: constant growth

The separate index for the development of the residential property market in the above-mentioned top seven cities showed a slight upwards trend again over a 12-month period. Accordingly, prices have risen by +3.8% in the past twelve months, compared with only +2.8% in Q2. Prices last increased more strongly between Q2 2018 and Q2 2019. The largest increase was recorded by the sub-index for privately owned apartments in the top seven cities, where prices rose by +5.8%. As in the nationwide analysis of the residential property market, there is therefore no sign of a sustained negative effect on the market in the top seven cities. In fact, prices have risen even more than before the pandemic.

Trend influences on the property market

While the trend towards e-commerce in the retail sector and the increase in the number of people working from home in the office property segment is being accelerated by the coronavirus crisis, other trends may also emerge as a result of the experiences of recent months, and these will also have an impact on the market. During the lockdown periods, those who owned a garden were the lucky ones. As a result, there could be a shift in demand from privately owned apartments in city centres to homes out of town. A further factor that could at least slow down the move to cities is that with an increasing number of people working from home, fewer people are commuting to work and therefore the advantages of a property near to the city centre have faded. A shift in investor interest from commercial assets to residential properties is just as conceivable as increased demand for privately owned homes, even though the increase in prices for privately owned apartments was 1.3 percentage points higher in the top seven cities.

Conclusion

While residential property prices rose significantly in Q3, the commercial sector has been influenced by existing or emerging trends. Buzzwords here are e-commerce and home office. The feared impact of the coronavirus crisis has yet to materialise on the property market. In addition, the ECB's policy should keep interest rates low and support demand for residential property, even if further price increases are likely to have a dampening effect. However, the road ahead will continue to be largely influenced by the future course of the pandemic; one reason why only prices for retail properties have fallen is probably Germany's coronavirus policy and the fact that it has escaped relatively lightly.

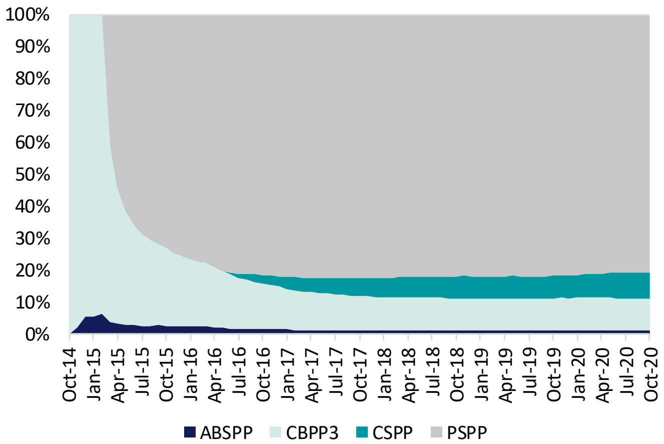
ECB tracker

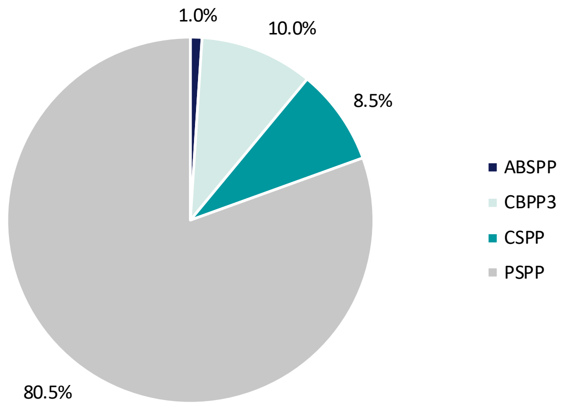
Asset Purchase Programme (APP)

Holdings (in EURm)

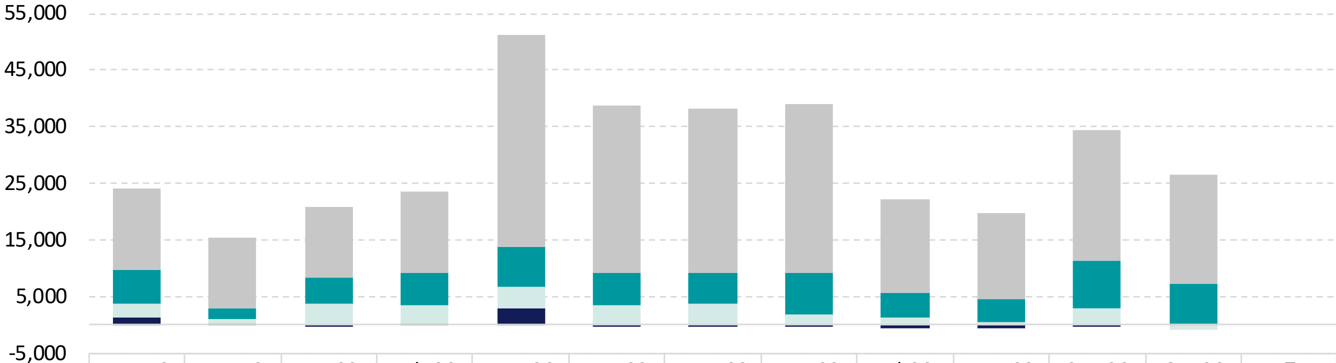
	ABSPP	CBPP3	CSPP	PSPP	APP
Sep-20	29,112	286,852	236,349	2,290,140	2,842,453
Oct-20	29,401	285,864	243,331	2,309,322	2,867,918
Δ	+289	-989	+6,983	+19,182	+25,465

Portfolio structure





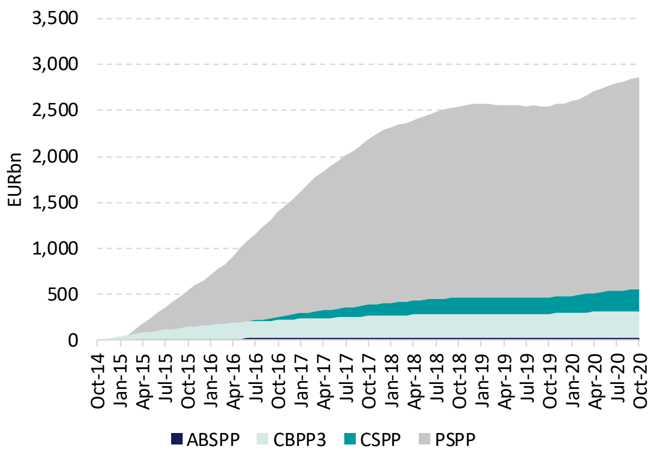
Monthly net purchases (in EURm)



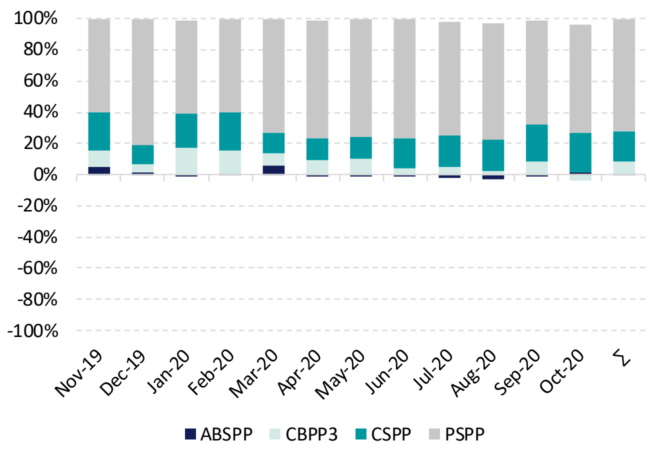
	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	∑
APP	24,096	15,408	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,465	349,986
PSPP	14,478	12,515	12,427	14,137	37,323	29,624	28,961	29,779	16,370	15,150	23,102	19,182	253,048
CSPP	5,917	1,799	4,611	5,738	6,965	5,560	5,438	7,515	4,502	4,004	8,496	6,983	67,528
CBPP3	2,448	865	3,684	3,334	3,931	3,582	3,785	1,731	1,198	500	2,839	-989	26,908
ABSPP	1,253	229	-328	221	2,923	-325	-14	-255	-541	-527	-423	289	2,502

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

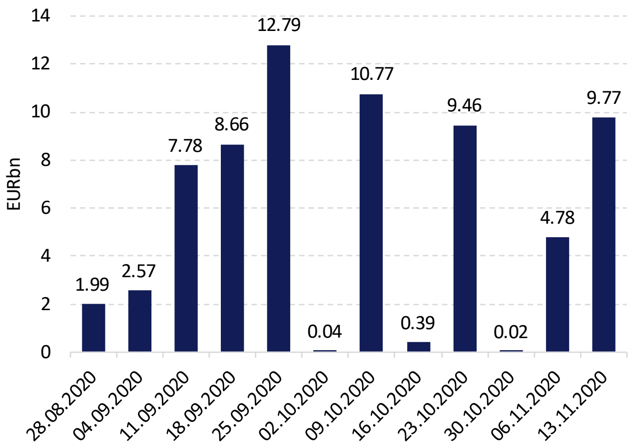
Portfolio development



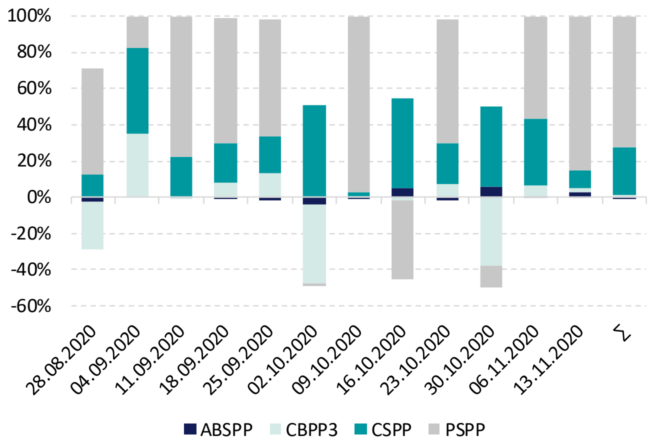
Distribution of monthly purchases



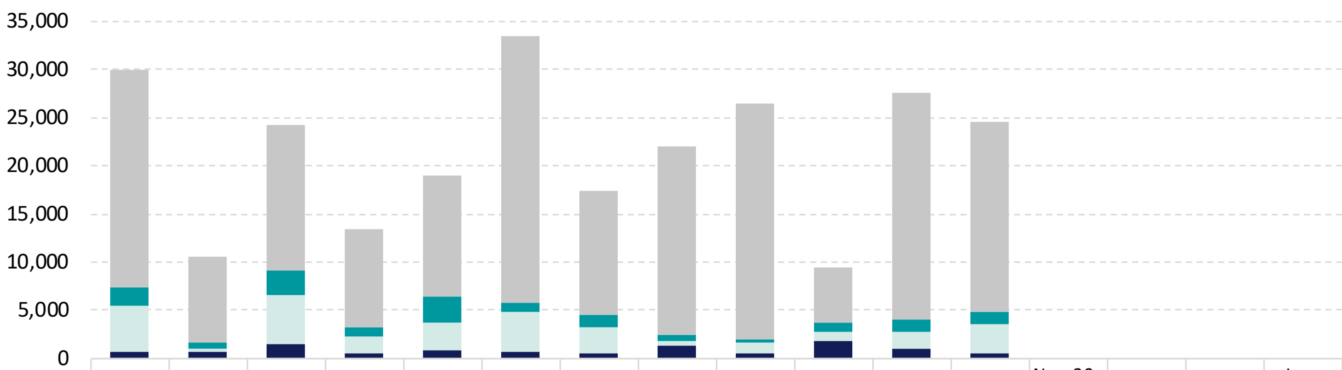
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

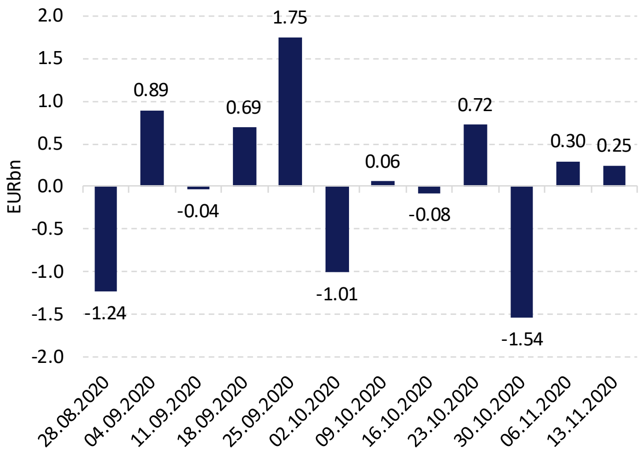


	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-20 - Oct-21	2019	2020	Jan - Oct-21
APP	29,933	10,567	24,192	13,413	19,027	33,473	17,407	22,010	26,534	9,505	27,612	24,653	258,326	204,542	259,637	217,826
PSPP	22,509	8,871	15,064	10,268	12,669	27,702	12,976	19,519	24,536	5,778	23,637	19,778	203,307	167,334	201,482	171,927
CSPP	1,967	701	2,589	846	2,728	981	1,144	778	331	966	1,239	1,309	15,579	7,070	15,849	12,911
CBPP3	4,756	302	5,099	1,820	2,782	4,178	2,849	367	1,129	1,002	1,805	2,976	29,065	21,948	33,237	24,007
ABSPP	701	693	1,440	479	848	612	438	1,346	538	1,759	931	590	10,375	8,190	9,069	8,981

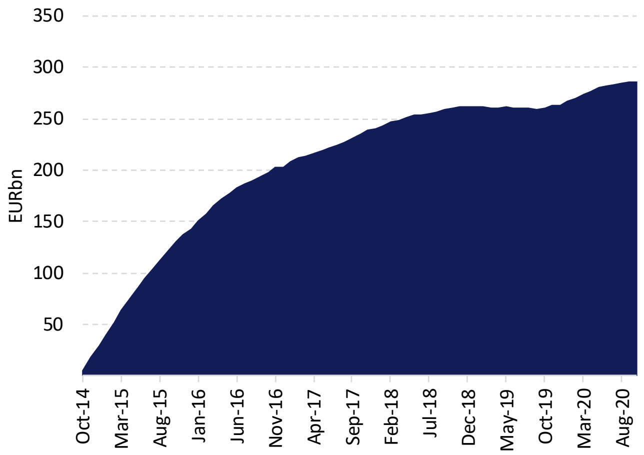
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

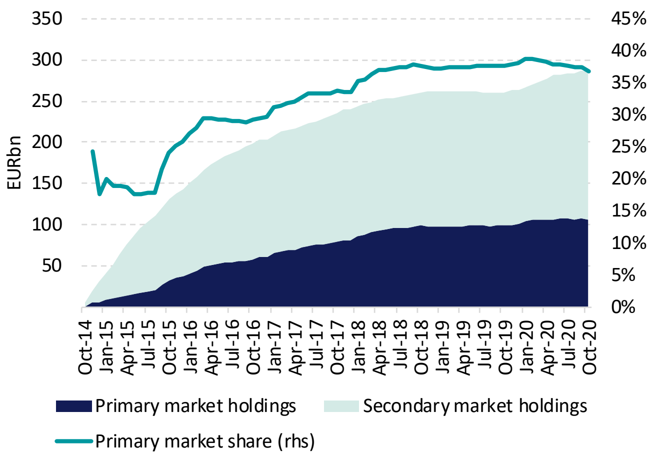
Weekly purchases



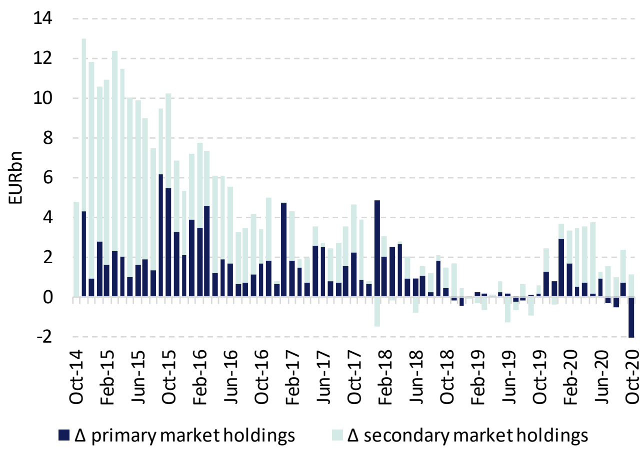
Development of CBPP3 volume



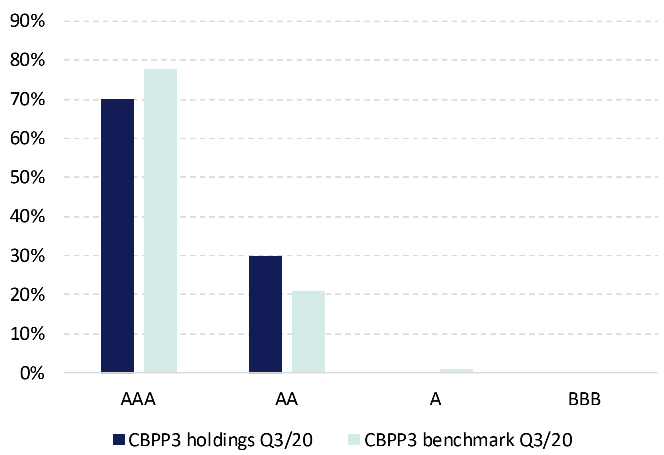
Primary and secondary market holdings



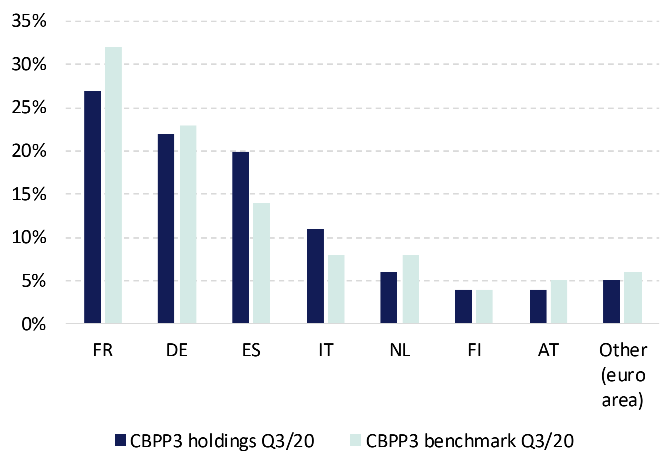
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



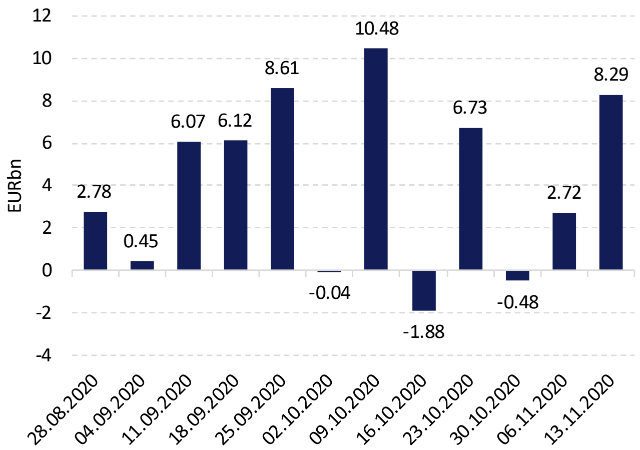
Distribution of CBPP3 by country of risk



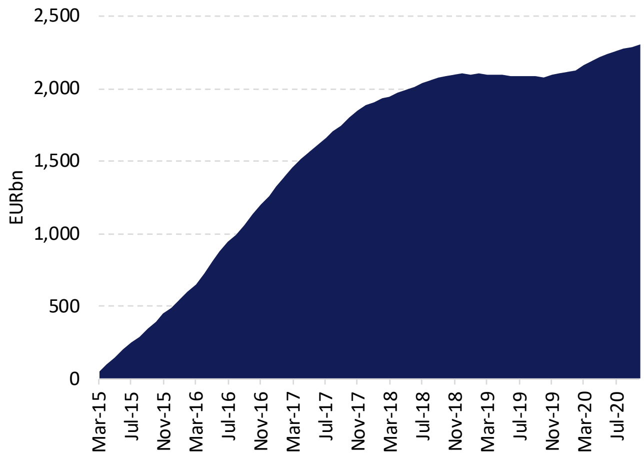
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



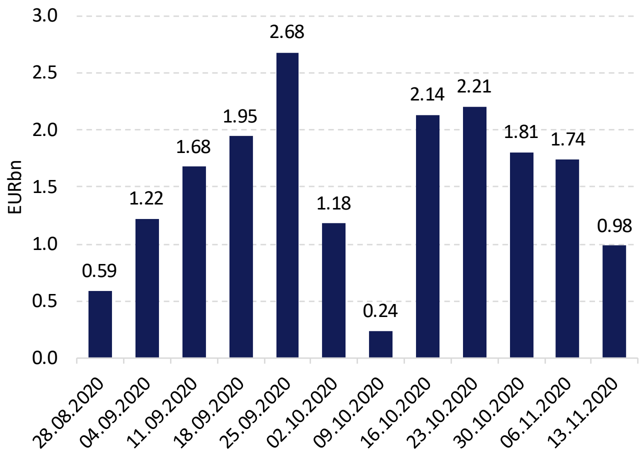
Overall distribution of PSPP buying at month-end

Country	Adjusted distribution key[1]	Purchases (EURm)	Expected purchases (EURm)[2]	Difference (EURm)	Average time to maturity in years	Market average in years[3]	Difference in years
AT	2.701%	66,722	65,474	1,248	7.80	8.12	-0.3
BE	3.362%	84,991	81,499	3,492	8.35	10.31	-2.0
CY	0.199%	3,021	4,813	-1,792	10.00	9.16	0.8
DE	24.327%	562,019	589,701	-27,682	6.55	7.60	-1.0
EE	0.260%	225	6,302	-6,077	9.61	9.58	0.0
ES	11.004%	288,271	266,751	21,520	8.10	8.33	-0.2
FI	1.695%	34,826	41,090	-6,264	7.15	7.95	-0.8
FR	18.848%	485,477	456,888	28,589	7.15	8.13	-1.0
IE	1.563%	36,261	37,881	-1,620	8.77	9.86	-1.1
IT	15.677%	413,443	380,029	33,414	7.11	7.72	-0.6
LT	0.360%	4,365	8,716	-4,351	9.61	11.14	-1.5
LU	0.304%	2,773	7,369	-4,596	5.21	6.43	-1.2
LV	0.534%	2,851	12,947	-10,096	9.89	10.38	-0.5
MT	0.097%	1,203	2,346	-1,143	9.96	9.57	0.4
NL	5.408%	115,902	131,097	-15,195	7.57	8.49	-0.9
PT	2.160%	44,950	52,357	-7,407	7.20	7.43	-0.2
SI	0.444%	8,785	10,771	-1,986	9.29	9.97	-0.7
SK	1.057%	13,885	25,619	-11,734	8.29	8.60	-0.3
GR	0.00%	0	0	0	0.00	16.01	0.0
SNAT	10.00%	254,084	242,406	11,679	7.34	8.52	-1.2
Total / Avg.	**100.0%**	**2,424,055**	**-**	**-**	**7.26**	**8.22**	**-1.0**

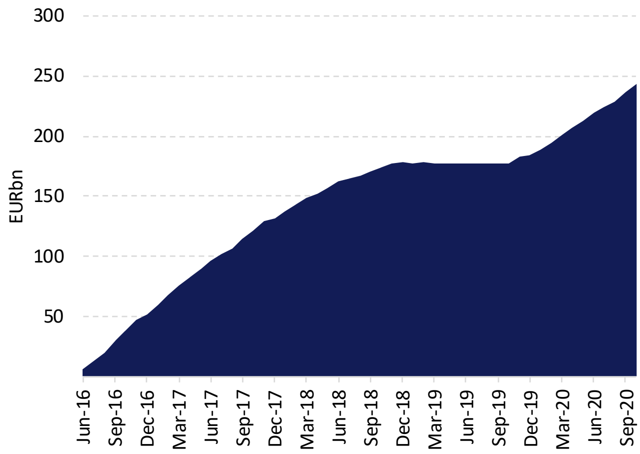
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key [3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

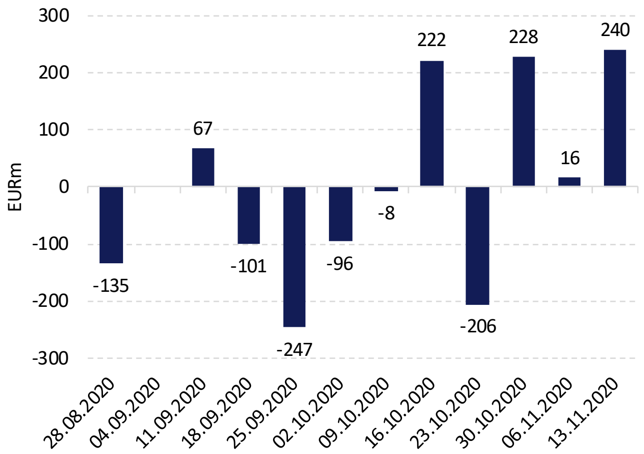


Development of CSPP volume

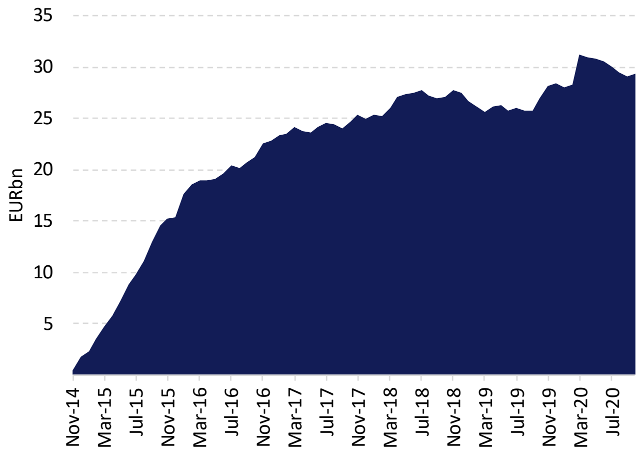


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



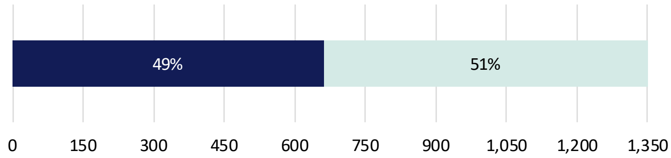
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Sep-20	567,183
Oct-20	629,169
Δ	+61,985

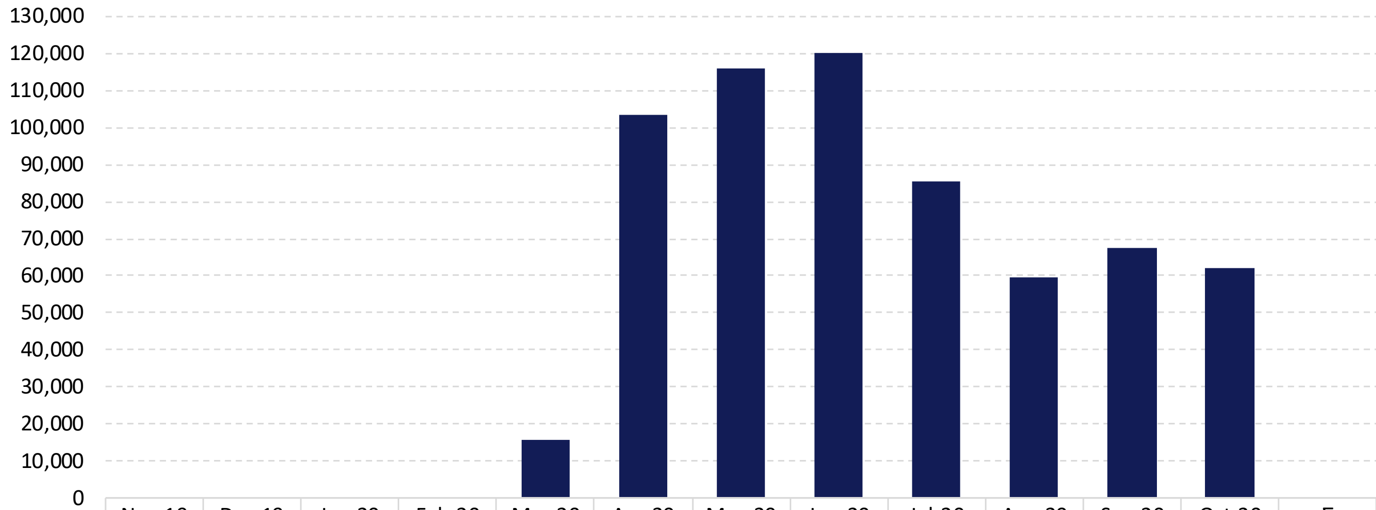
Volume already invested (in EURbn)



Estimated portfolio development

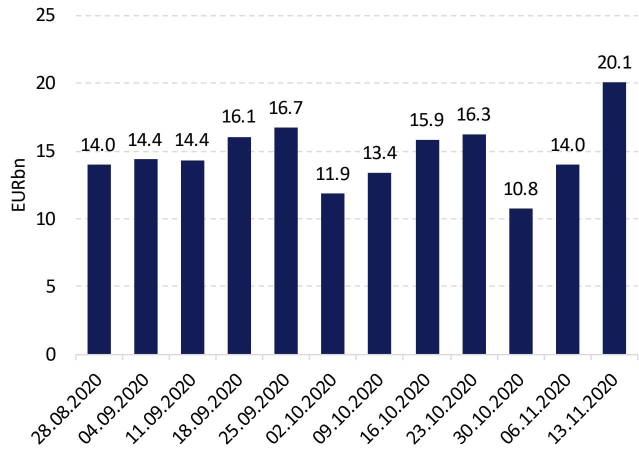
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in …
Average weekly net purchase volume so far	EUR 20.1bn	34 weeks (09.07.2021)

Monthly net purchases (in EURm)

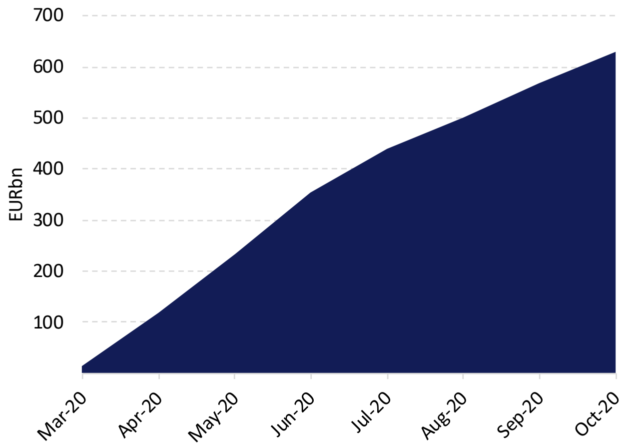


	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	∑
PEPP	0	0	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	629,168

Weekly purchases



Development of PEPP volume

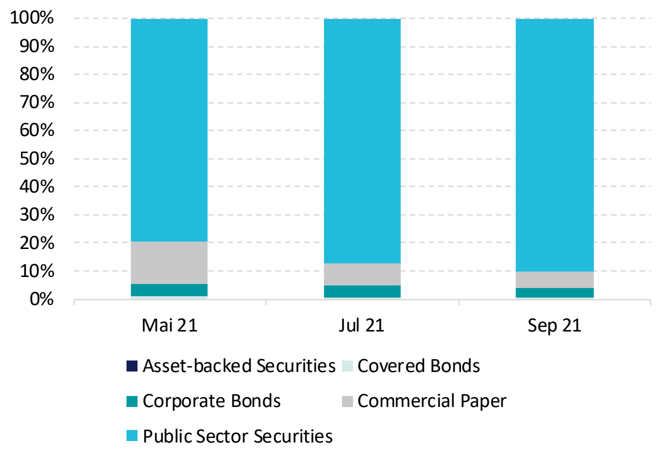


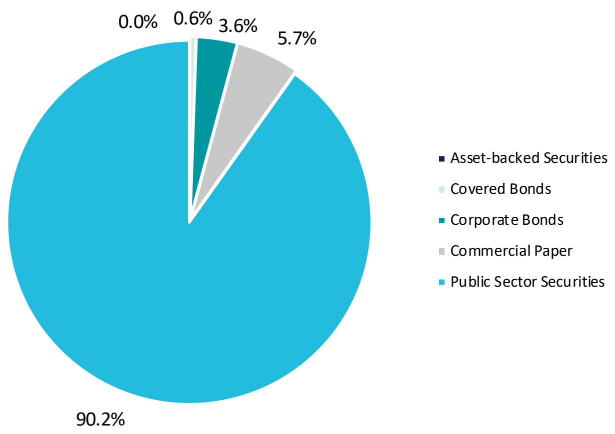
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

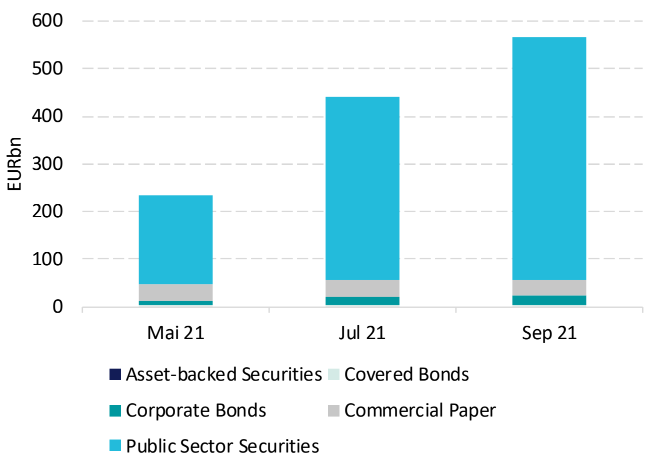
	Asset-backed securities	Covered bonds	Corporate bonds	Commercial paper	Public sector securities	PEPP
Jul-20	0	3,128	17,620	34,845	384,464	440,057
Sep-20	0	3,123	20,418	31,988	510,112	565,641
Δ	0	-5	+2,798	-2,857	+125,648	+125,584

Portfolio structure

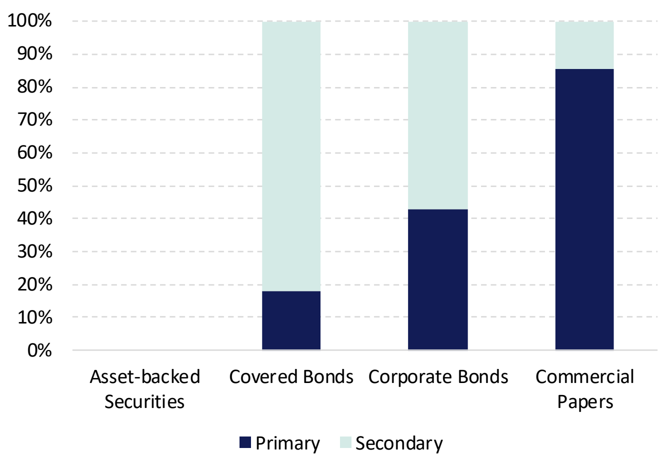




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP as of July 2020

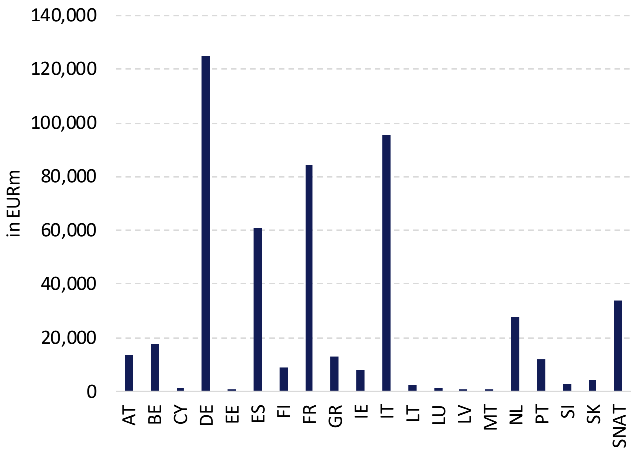
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**
Holdings in EURm	0	0	557	2,566	8,735	11,683	27,281	4,707
Share	0.0%	0.0%	17.8%	82.2%	42.8%	57.2%	85.3%	14.7%

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

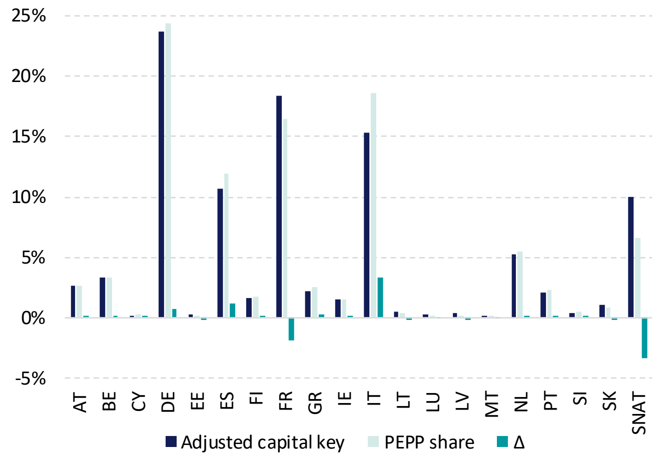
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	ø time to maturity (in years)	Market average[3] (in years)	Difference (in years)
AT	13,614	2.6%	2.7%	0.0%	10.9	7.2	3.8
BE	17,279	3.3%	3.4%	0.1%	5.9	9.4	-3.5
CY	1,194	0.2%	0.2%	0.0%	11.7	8.1	3.6
DE	125,048	23.7%	24.4%	0.7%	4.5	6.6	-2.1
EE	192	0.3%	0.0%	-0.2%	9.2	7.7	1.6
ES	61,030	10.7%	11.9%	1.2%	8.4	7.4	0.9
FI	8,688	1.7%	1.7%	0.0%	7.3	7.0	0.3
FR	84,237	18.4%	16.5%	-1.9%	9.0	7.4	1.7
GR	12,966	2.2%	2.5%	0.3%	8.3	9.1	-0.8
IE	8,028	1.5%	1.6%	0.0%	8.3	9.6	-1.3
IT	95,243	15.3%	18.6%	3.3%	7.0	6.8	0.2
LT	1,988	0.5%	0.4%	-0.1%	12.0	10.6	1.4
LU	994	0.3%	0.2%	-0.1%	6.4	6.4	0.0
LV	837	0.4%	0.2%	-0.2%	9.7	8.9	0.8
MT	238	0.1%	0.0%	0.0%	7.6	7.9	-0.4
NL	27,795	5.3%	5.4%	0.2%	3.9	7.2	-3.3
PT	11,649	2.1%	2.3%	0.2%	7.0	6.6	0.4
SI	2,481	0.4%	0.5%	0.1%	7.0	8.6	-1.5
SK	4,338	1.0%	0.8%	-0.2%	6.8	8.1	-1.3
SNAT	33,811	10.0%	6.6%	-3.4%	8.1	7.2	0.8
Total / Avg.	**511,650**	**100.0%**	**100.0%**	**-**	**6.9**	**7.2**	**-0.3**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



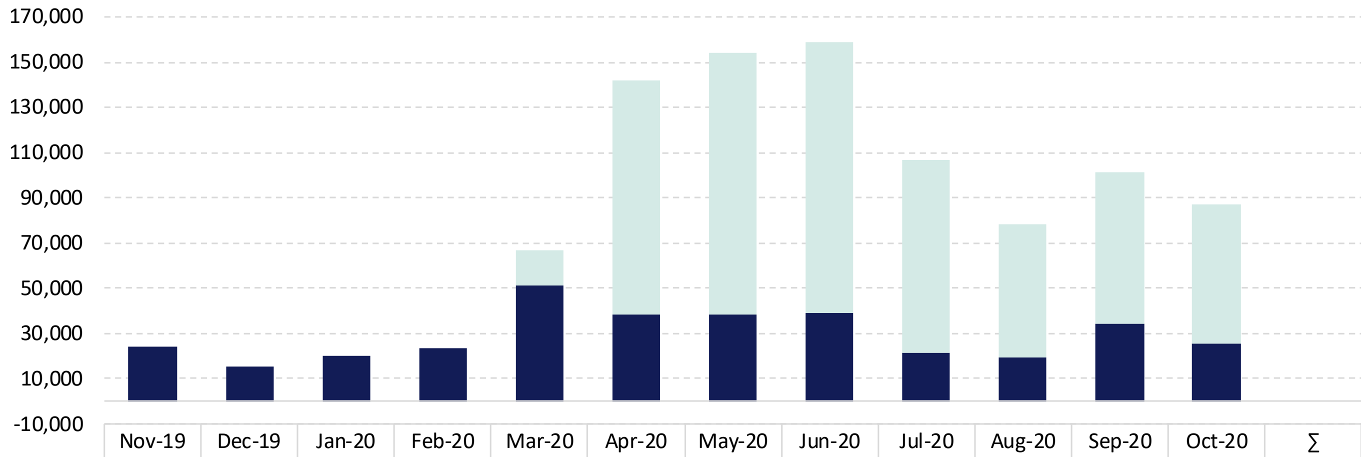
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

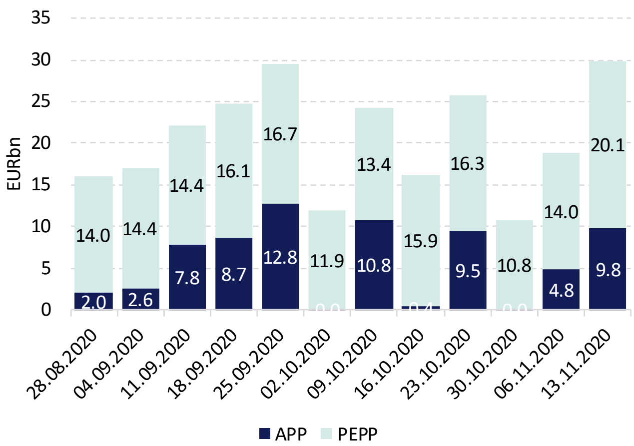
	APP	PEPP	APP & PEPP
Sep-20	2,842,453	567,183	3,409,636
Oct-20	2,867,918	629,169	3,497,087
Δ	+25,465	+61,985	+87,450

Monthly net purchases (in EURm)

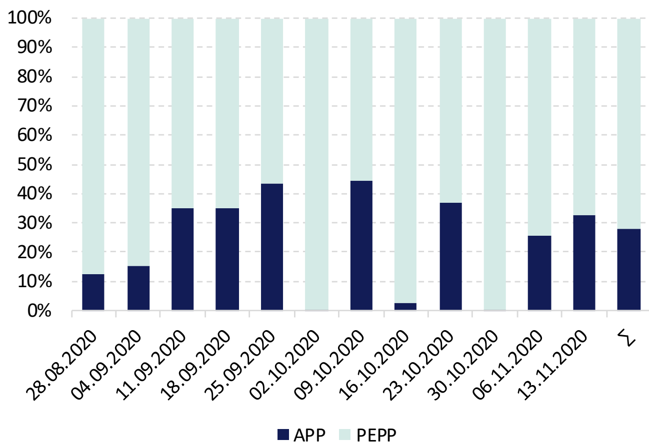


	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	∑
∑	24,096	15,408	20,394	23,430	66,586	141,807	154,025	159,091	106,952	78,593	101,322	87,450	979,154
PEPP	0	0	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	629,168
APP	24,096	15,408	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,465	349,986

Weekly purchases



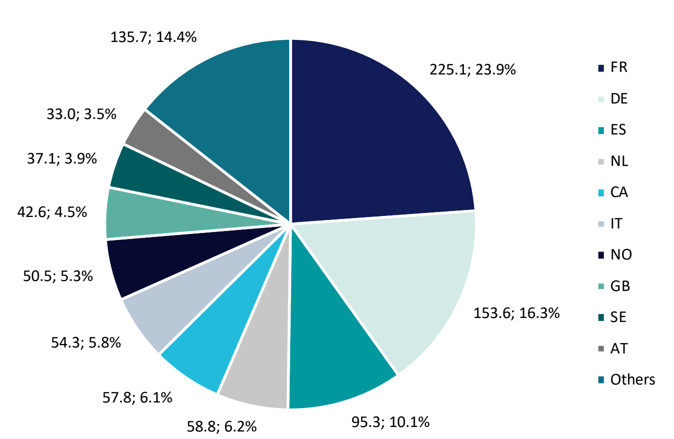
Distribution of weekly purchases



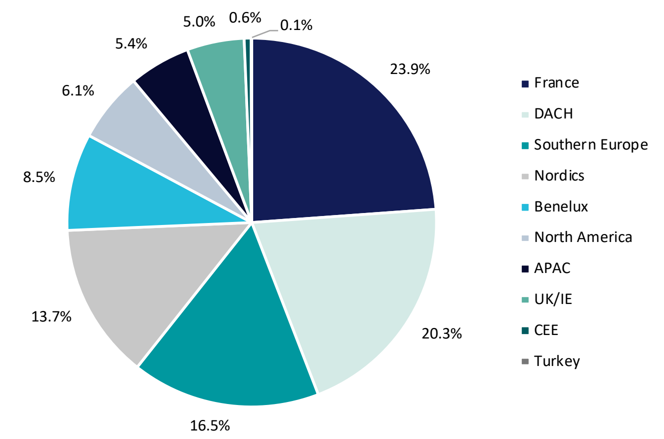
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



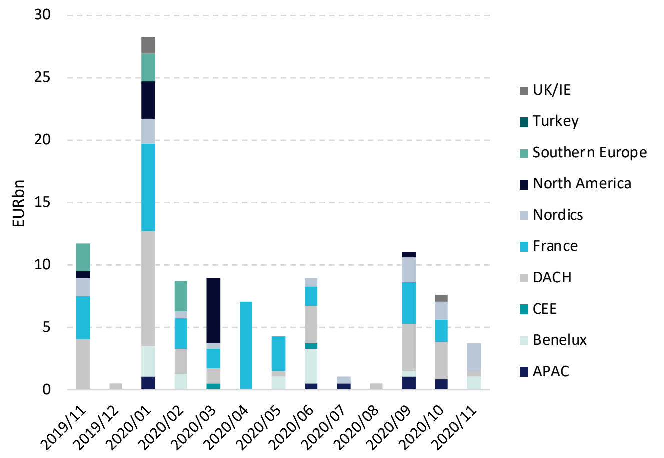
EUR benchmark volume by region (in EURbn)



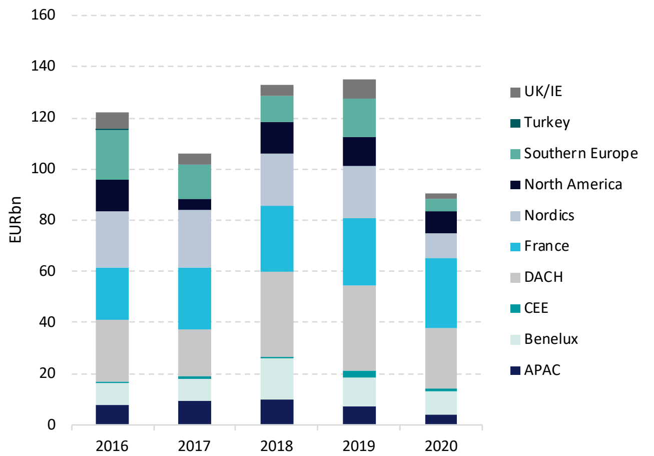
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	225.1	204	7	0.97	10.1	5.5	1.26
2	DE	153.6	228	12	0.61	8.1	4.7	0.50
3	ES	95.3	76	3	1.15	11.3	3.9	1.88
4	NL	58.8	58	0	0.96	10.8	7.1	0.99
5	CA	57.8	49	0	1.15	5.9	2.9	0.32
6	IT	54.3	62	0	0.85	8.9	4.2	1.59
7	NO	50.5	57	6	0.89	7.1	3.7	0.62
8	GB	42.6	46	0	0.94	8.2	3.1	1.24
9	SE	37.1	42	0	0.88	7.3	3.4	0.56
10	FI	33.0	34	0	0.97	7.6	3.9	0.62

EUR benchmark issue volume by month

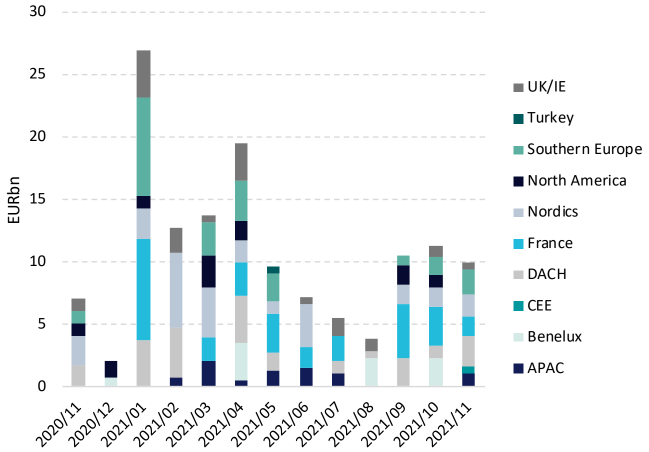


EUR benchmark issue volume by year

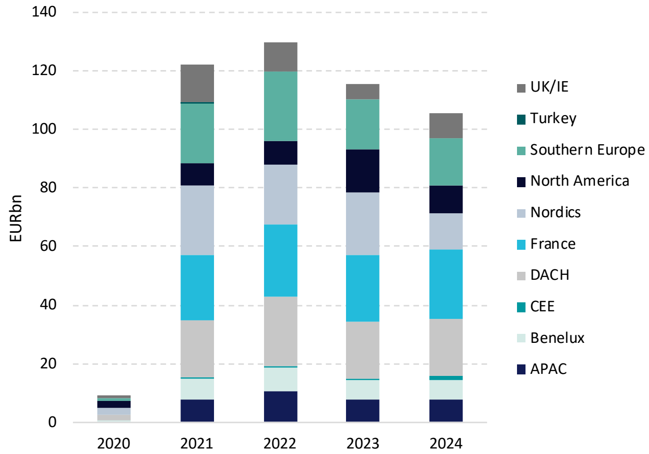


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

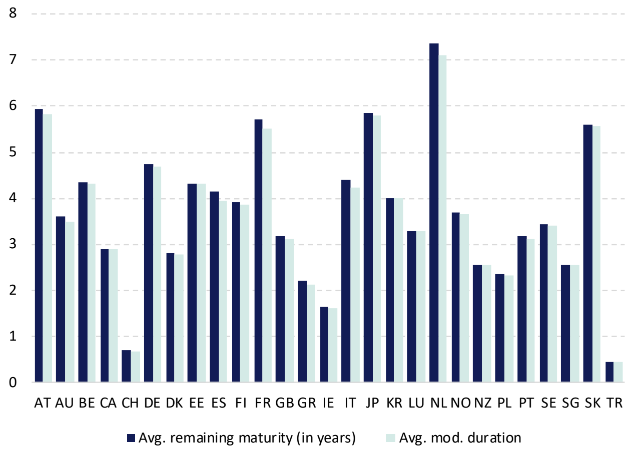
EUR benchmark maturities by month



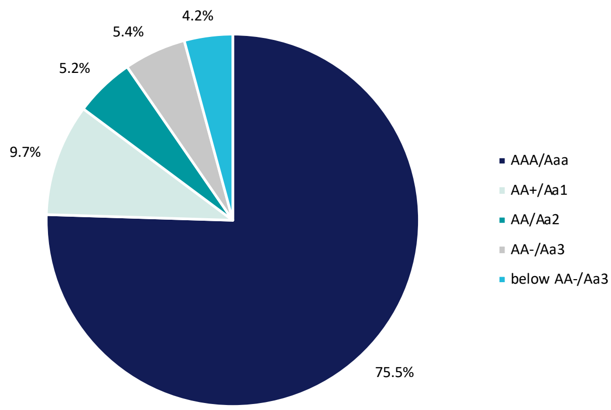
EUR benchmark maturities by year



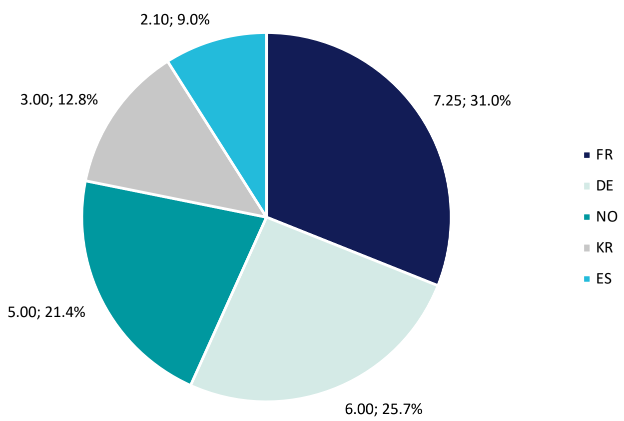
Modified duration and time to maturity by country



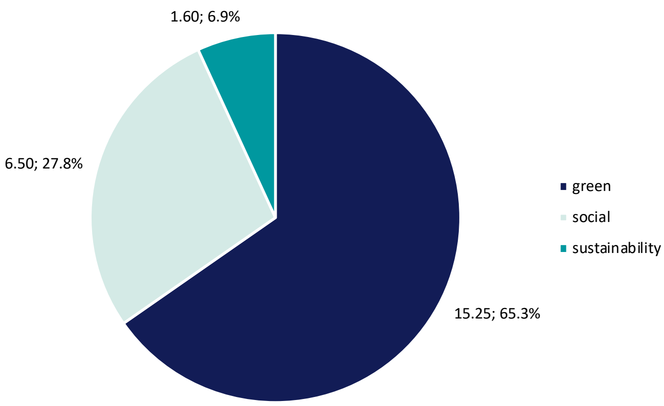
Rating distribution (volume weighted)



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

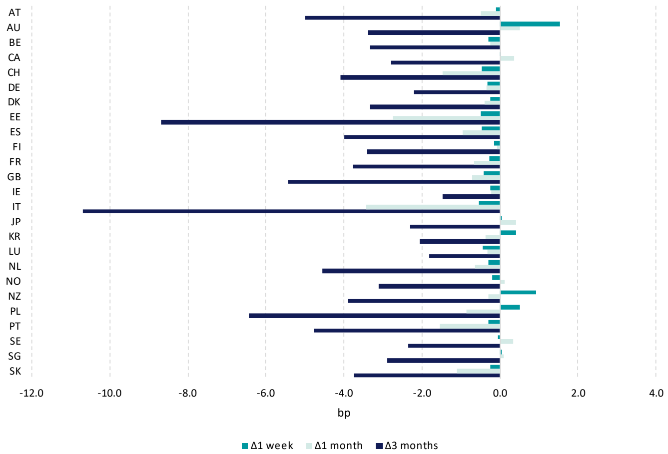


EUR benchmark volume (ESG) by type (in EURbn)

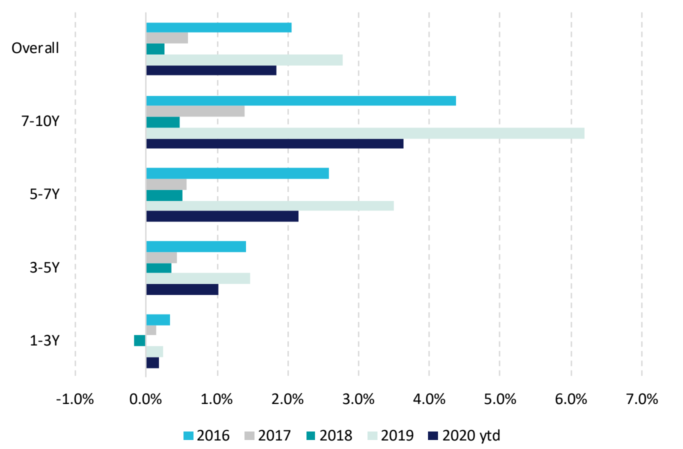


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

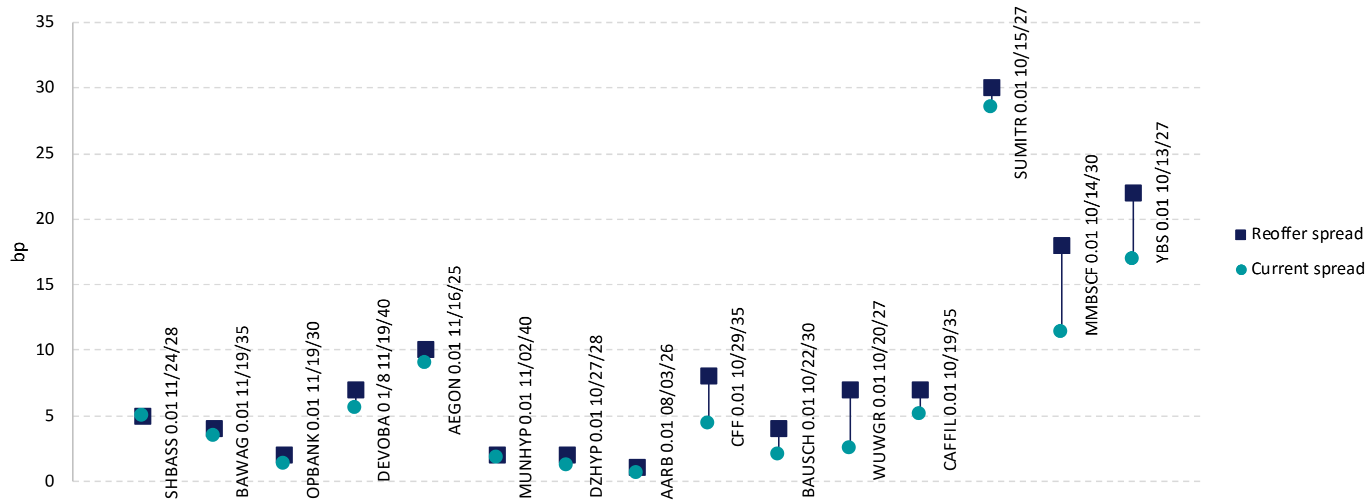
Spread development by country



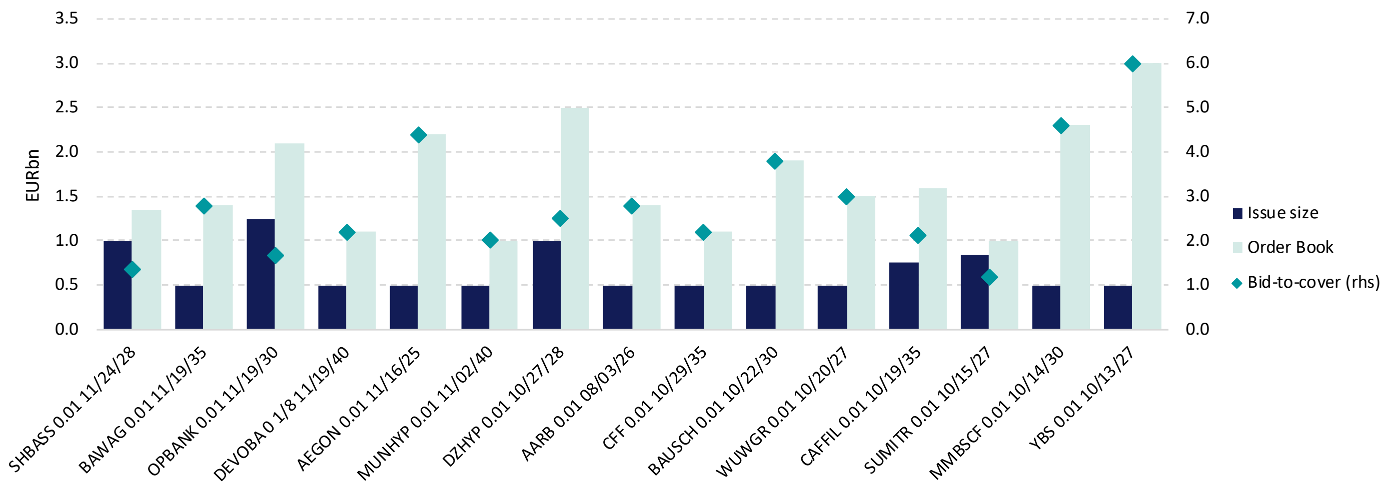
Covered bond performance (Total return)



Spread development (last 15 issues)



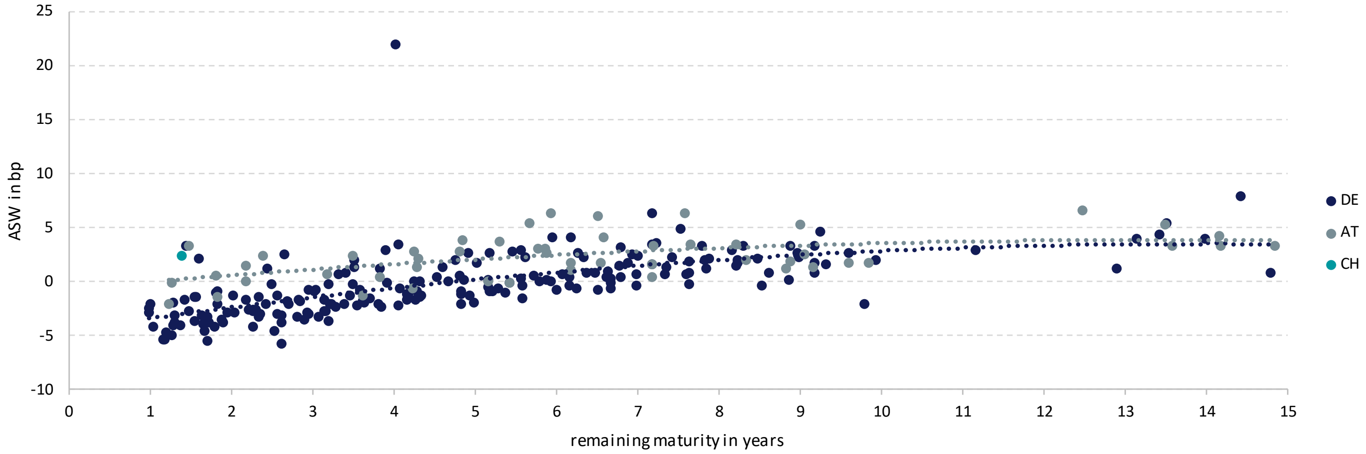
Order books (last 15 issues)



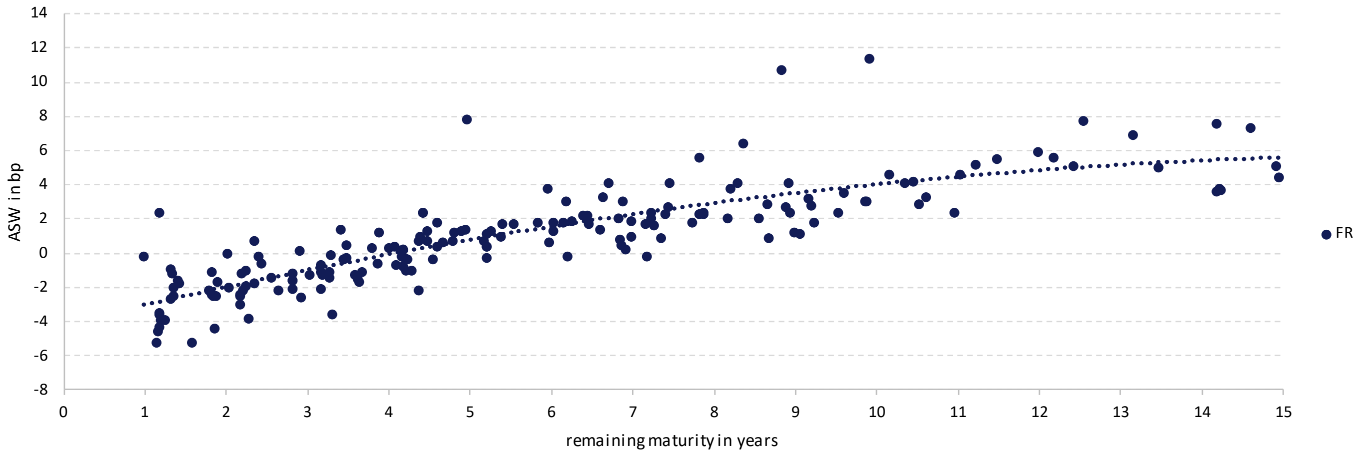
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

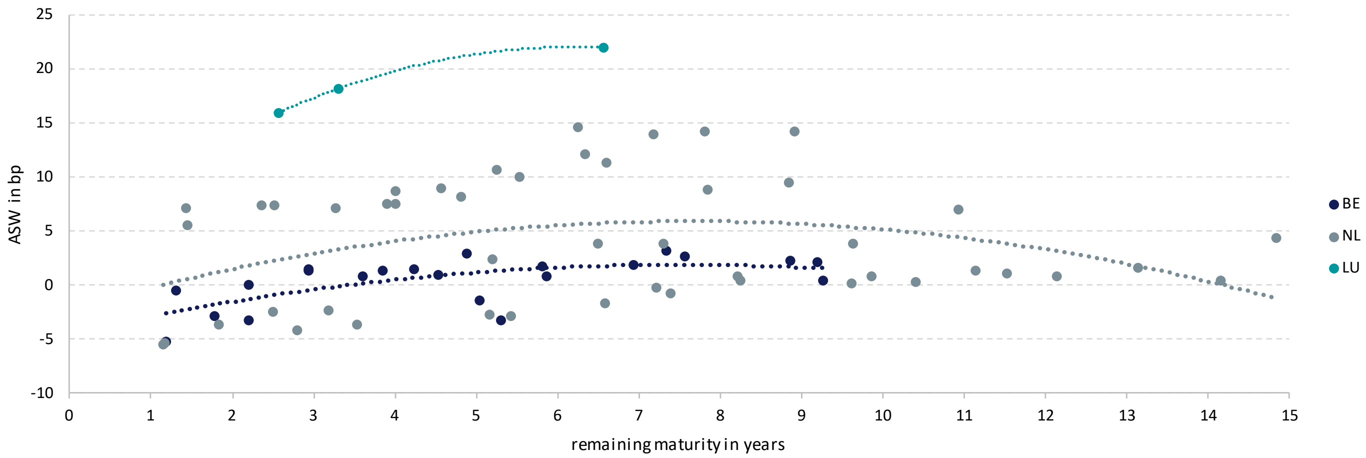
DACH



France

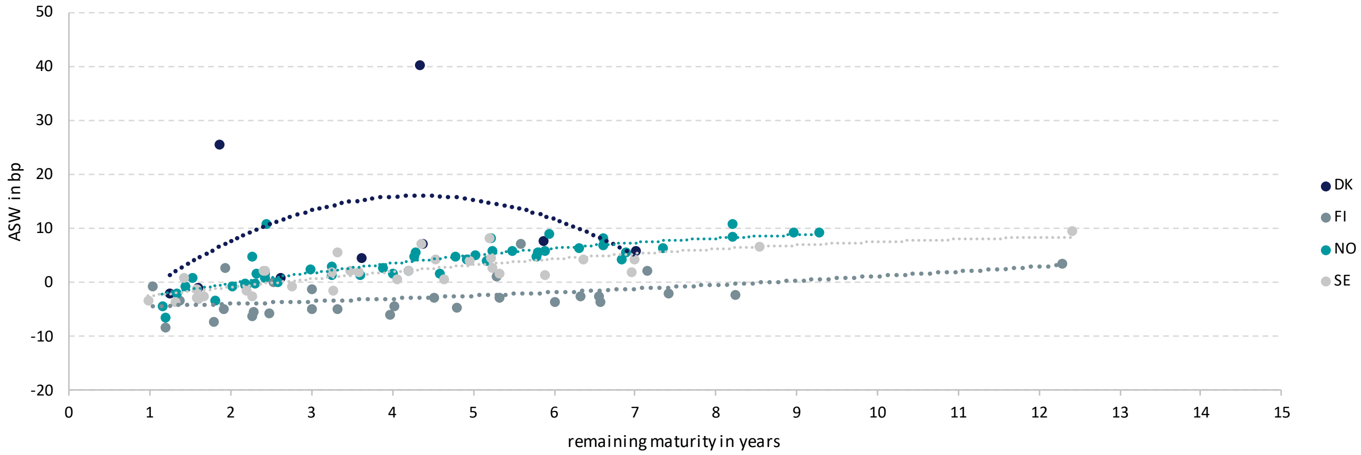


Benelux

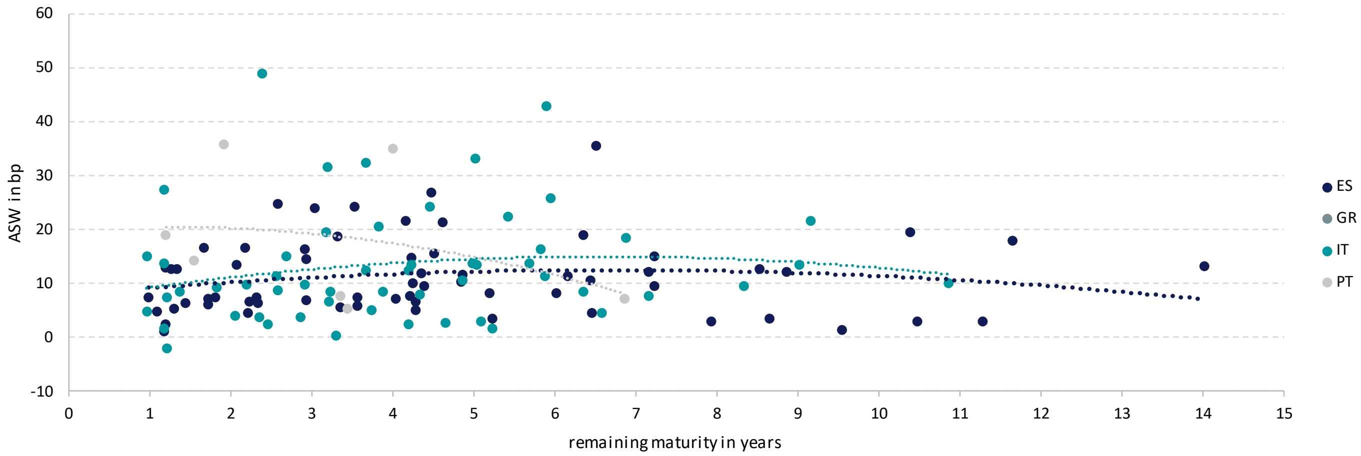


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

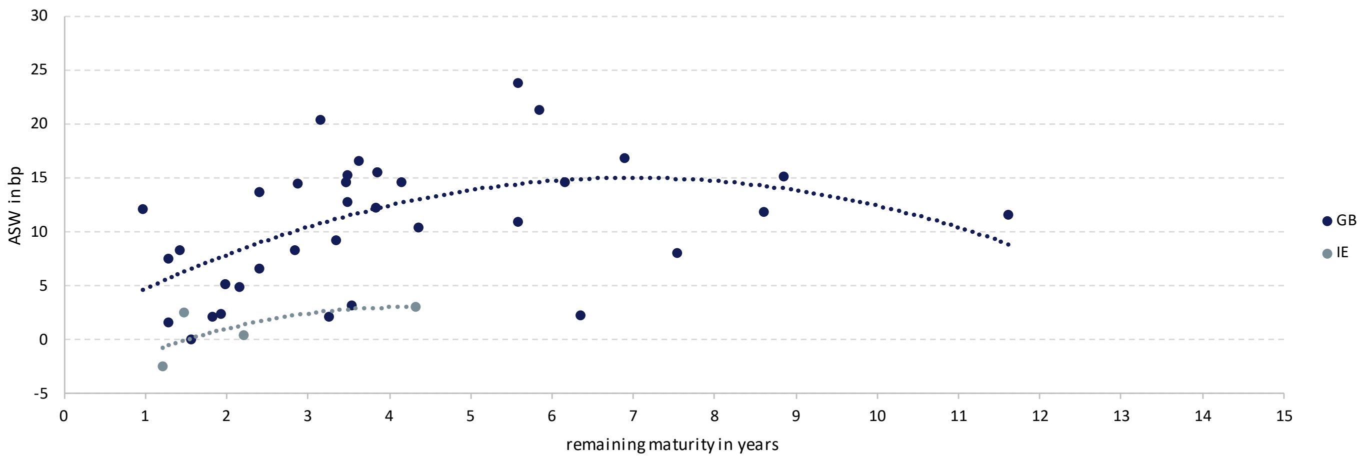
Nordics



Southern Europe

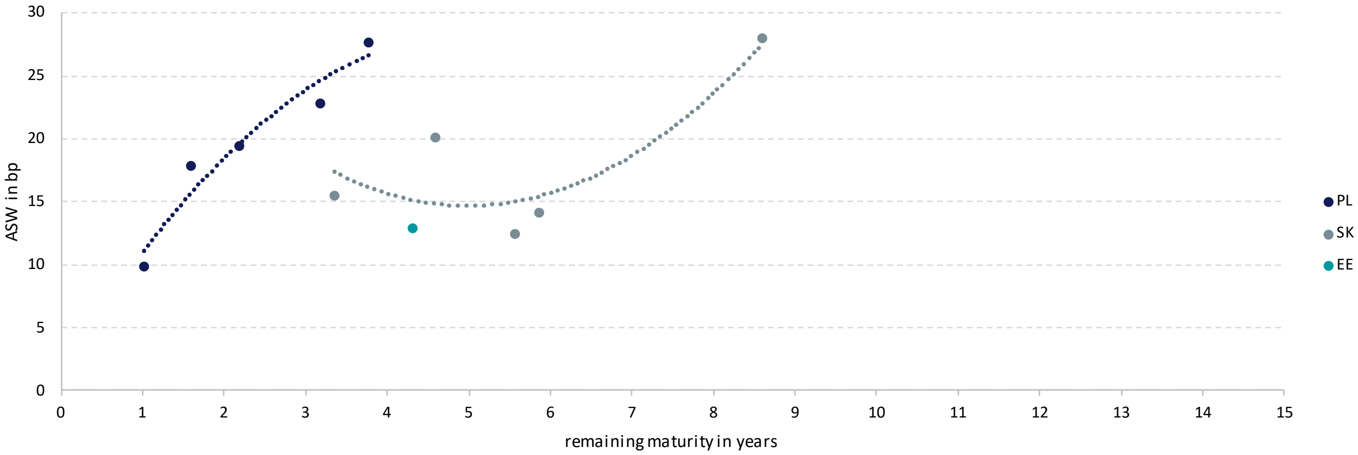


UK/IE

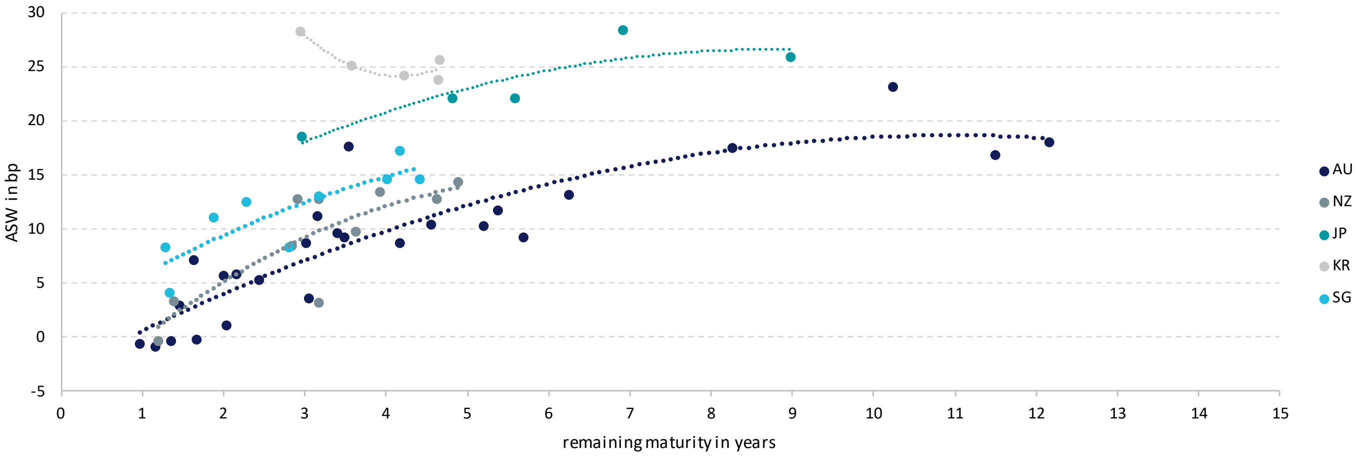


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

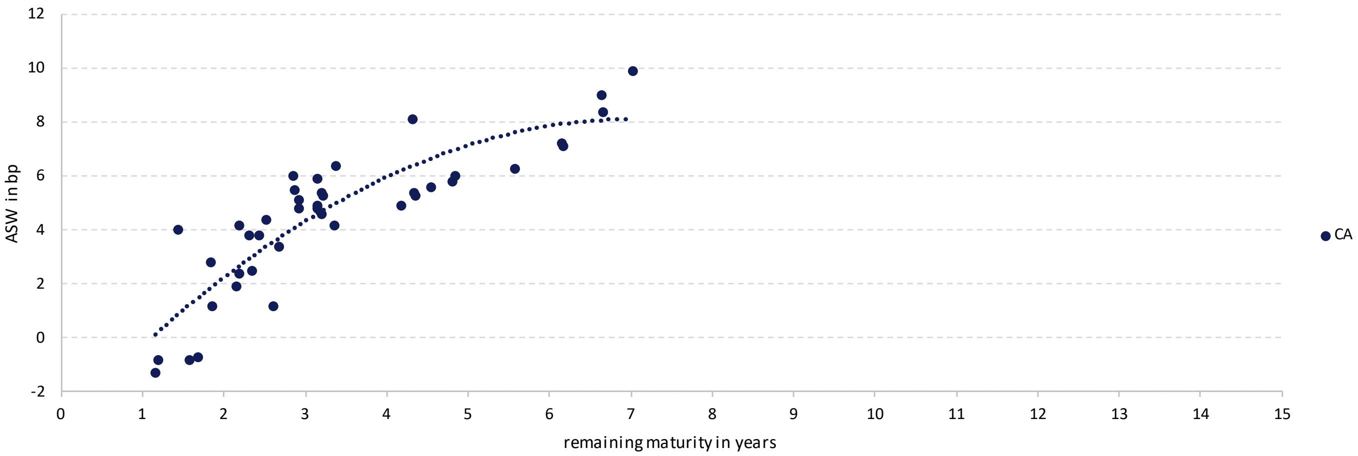
CEE



APAC



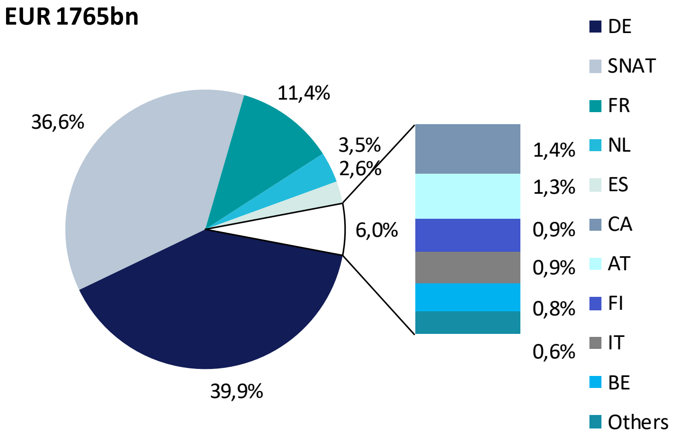
North America



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

Charts & Figures
SSA/Public Issuers

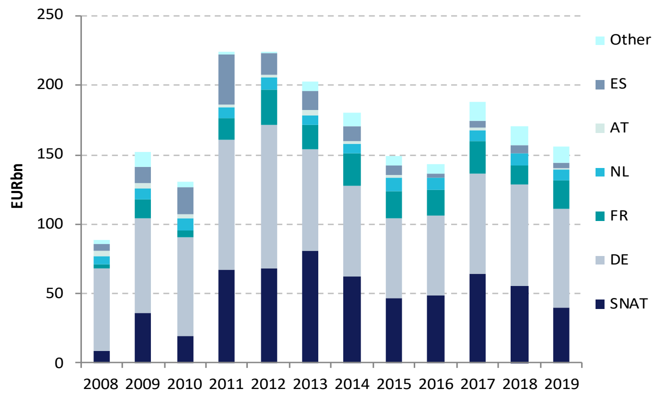
Outstanding volume (bmk)



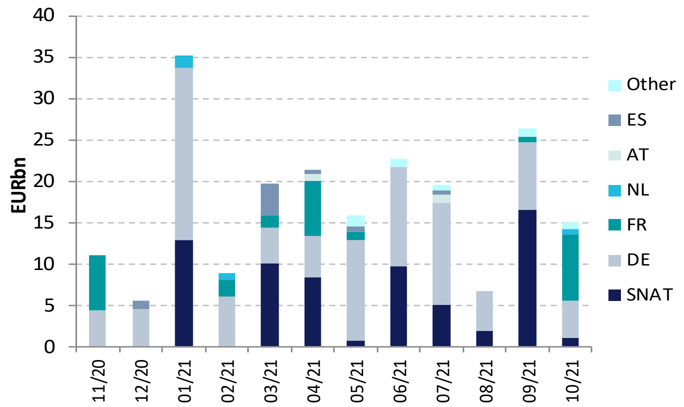
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	704,0	547	1,3	6,2
SNAT	646,3	171	3,8	7,4
FR	201,4	142	1,4	5,1
NL	62,4	64	1,0	6,4
ES	45,5	53	0,9	4,5
CA	25,0	18	1,0	5,3
AT	22,5	24	1,4	5,4
FI	16,1	20	0,8	6,2
IT	15,8	20	0,8	6,1
BE	14,7	17	0,8	13,8

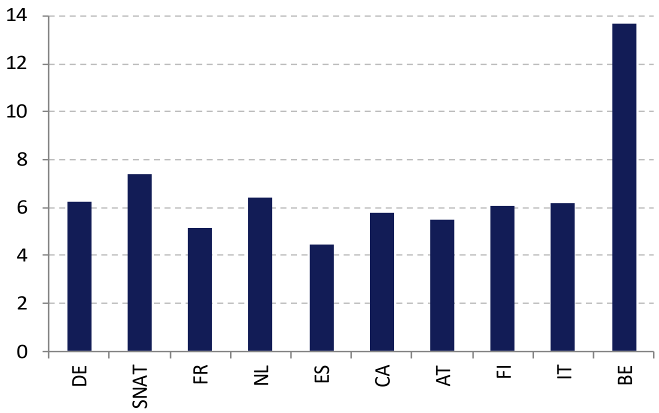
Issue volume by year (bmk)



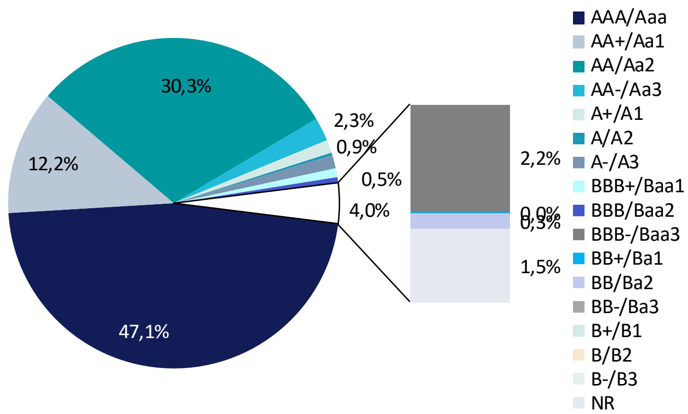
Maturities next 12 months (bmk)



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

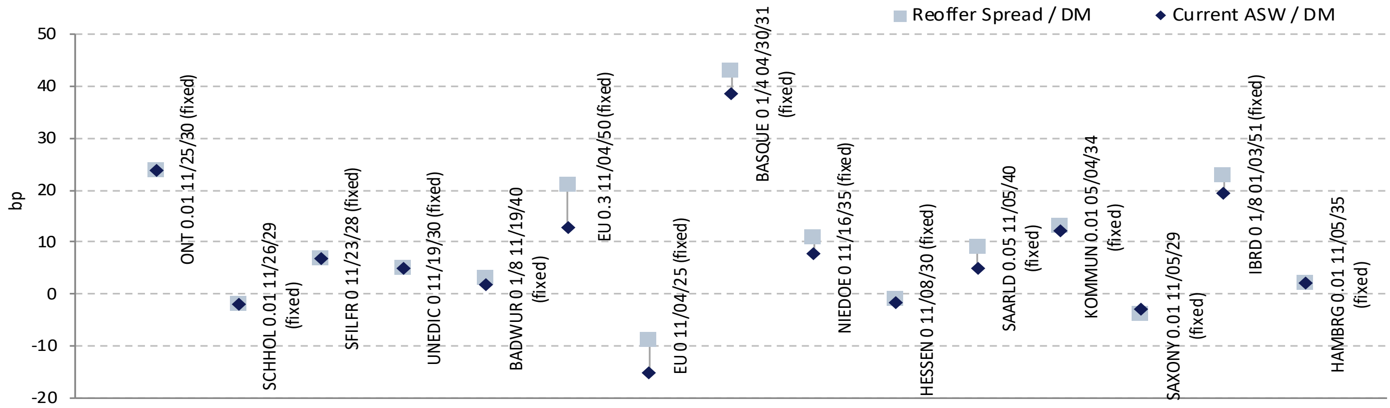


Rating distribution (vol. weighted)

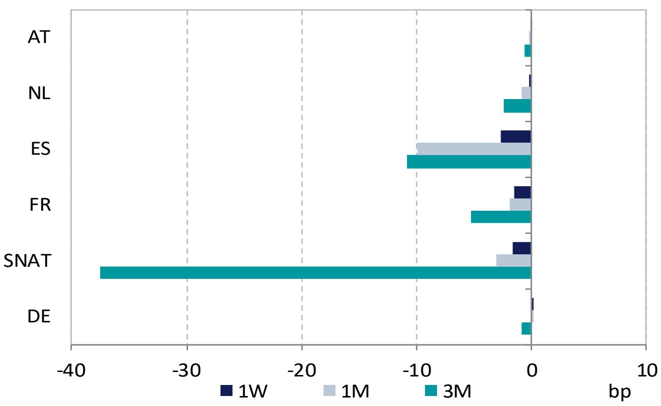


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

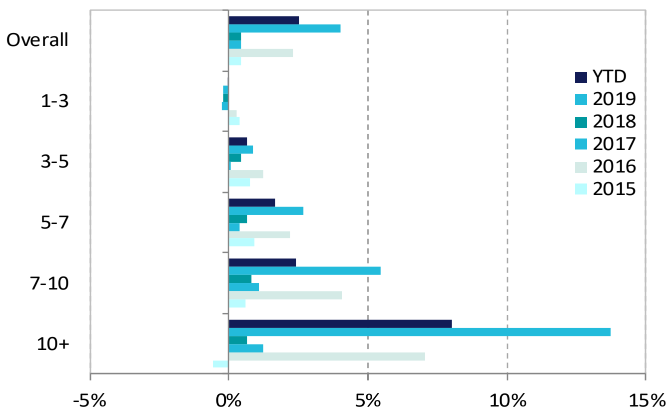
Spread development (last 15 issues)



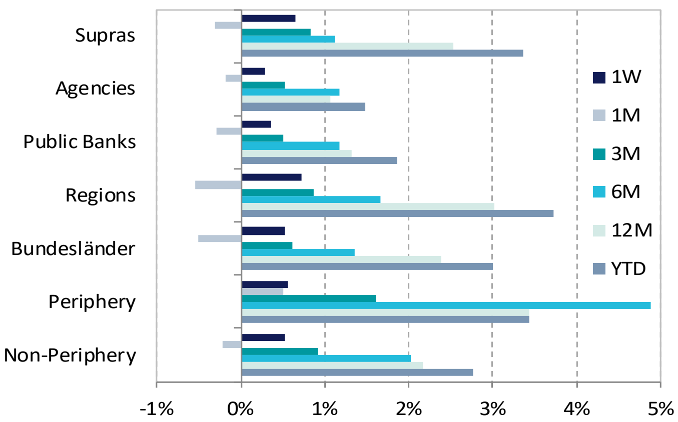
Spread development by country



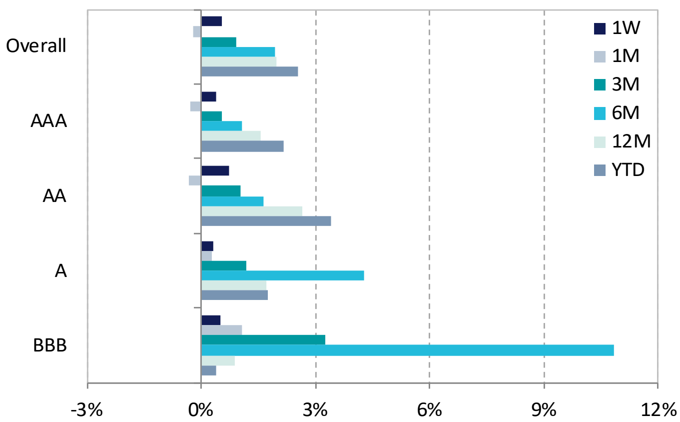
Performance (total return)



Performance (total return) by regions

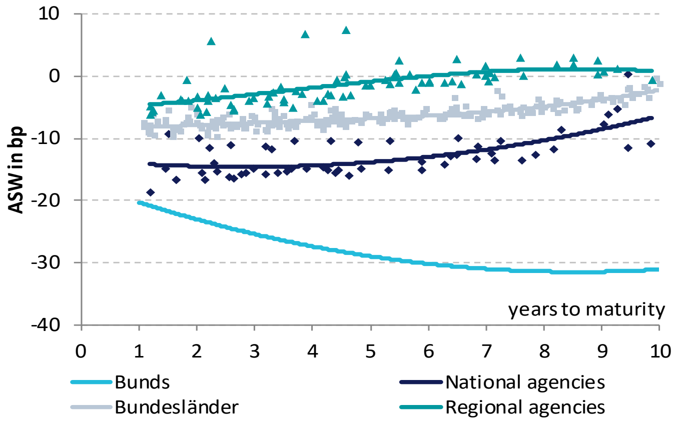


Performance (total return) by rating

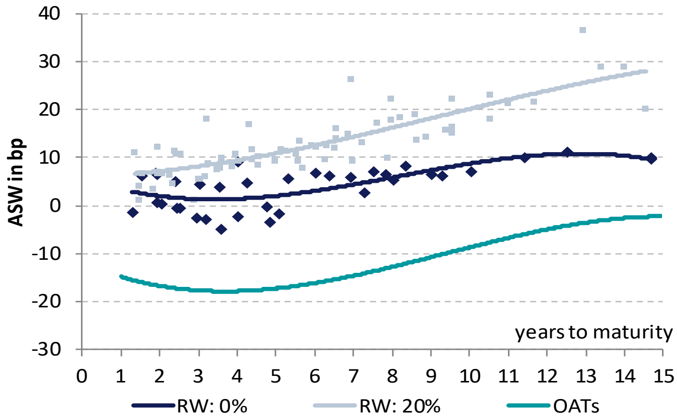


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

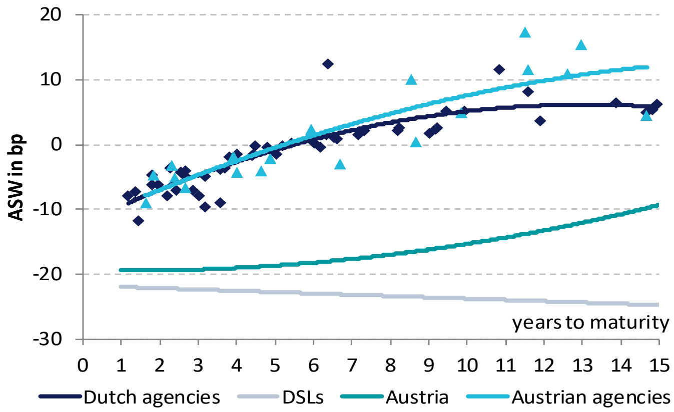
Germany (by segments)



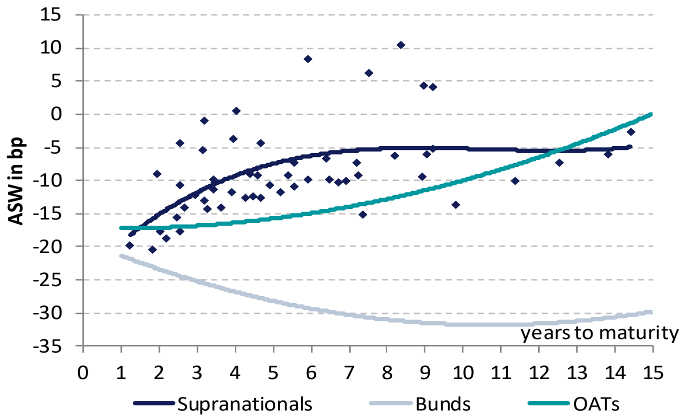
France (by risk weight)



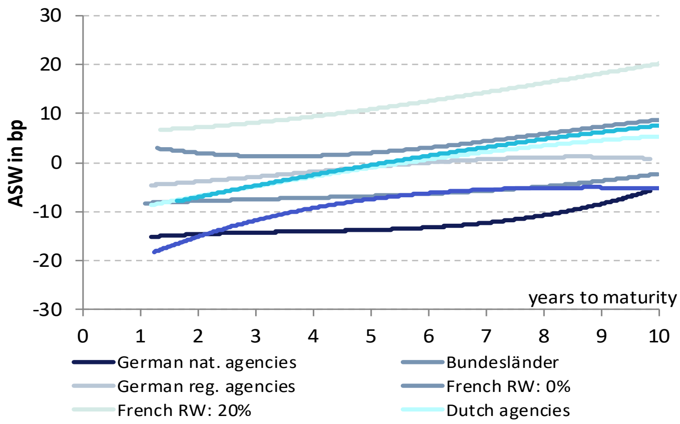
Netherlands & Austria



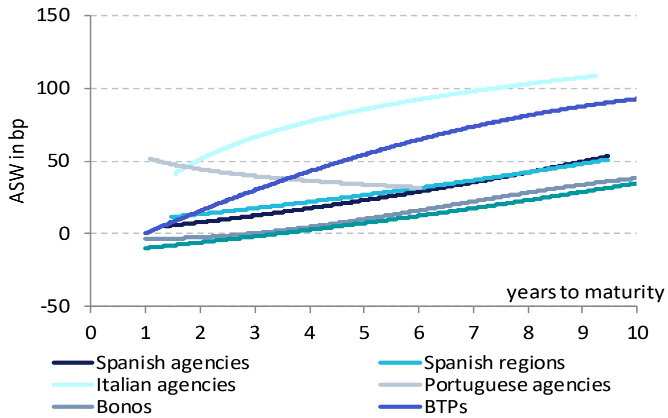
Supranationals



Core



Periphery



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

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
43/2020 ♦ 11 November	▪ Newcomer to the benchmark segment: HSBC Bank Canada sets sights on EUR debut ▪ OP Mortgage Bank: First green covered bond from Finland ▪ Transparency requirements §28 PfandBG Q3/2020
42/2020 ♦ 04 November	▪ Covered Bond Framework and Liquidity Coverage Ratio: European Commission presents draft version of amendments to LCR regulation ▪ An overview of the Fitch covered bond universe
41/2020 ♦ 28 October	▪ ECB: The year of the owl – review and outlook ▪ Yield developments on the covered bond market
40/2020 ♦ 21 October	▪ German building societies: EUR benchmark debuts and requirements for investing in soft bullet bonds ▪ NPLs in cover pools – lack of unified approach at national level
39/2020 ♦ 14 October	▪ Spain: Issuer consolidation ahead? ▪ PfandBG to include extendable maturity structures ▪ The EU has big plans – “SURE” and “Next Generation EU”
38/2020 ♦ 07 October	▪ New issuer from Japan – Sumitomo Mitsui Trust Bank places inaugural EUR benchmark bond ▪ PEPP – taking stock six months on
37/2020 ♦ 30 September	▪ Cover pool characteristics – international comparison
36/2020 ♦ 23 September	▪ Bausparkasse Schwäbisch Hall plans inaugural EUR benchmark ▪ Update: Auckland Council – Investment alternative in Down Under
35/2020 ♦ 16 September	▪ Moody’s covered bond universe: an overview ▪ Update Down Under: Victoria (TCV)
34/2020 ♦ 26 August	▪ Covered bonds as central bank-eligible collateral – European Central Bank presents Q2 2020 figures ▪ Update: New South Wales (NSWTC)
33/2020 ♦ 19 August	▪ German Pfandbrief savings banks in Q2 2020 ▪ ECBC publishes annual statistics for 2019
32/2020 ♦ 12 August	▪ Transparency requirements §28 PfandBG in Q2 2020 ▪ Development of the German property market ▪ European Atomic Energy Community (Euratom)
31/2020 ♦ 05 August	▪ PEPP: Second round of reporting again provides valuable insights
30/2020 ♦ 29 July	▪ LCR levels and risk weights of EUR benchmarks ▪ Update: Funding of German Bundeslaender (ytd)
29/2020 ♦ 22 July	▪ iBoxx Covered indices: current status and criteria ▪ Update: Joint Laender jumbos (LANDER)
28/2020 ♦ 15 July	▪ Repayment structures on the covered bond market ▪ 21st meeting of the Stability Council
27/2020 ♦ 08 July	▪ Sparebanken Vest issues first EUR benchmark in ESG format ▪ Second issuer from South Korea: Kookmin Bank to shortly make its debut in the EUR benchmark segment ▪ KfW reduces 2020 funding target to EUR 65bn

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 2020

Risk weights and LCR levels of covered bonds

Transparency requirements §28 PfandBG

Transparenzvorschrift §28 PfandBG Sparkassen (German only)

SSA/Public Issuers:

Issuer Guide – Supranationals & Agencies 2019

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – German Bundeslaender 2020

Issuer Guide – Down Under 2019

Fixed Income:

ESG update

Analysis of ESG reporting

ECB launches corona pandemic emergency

ECB responds to corona risks

Appendix
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