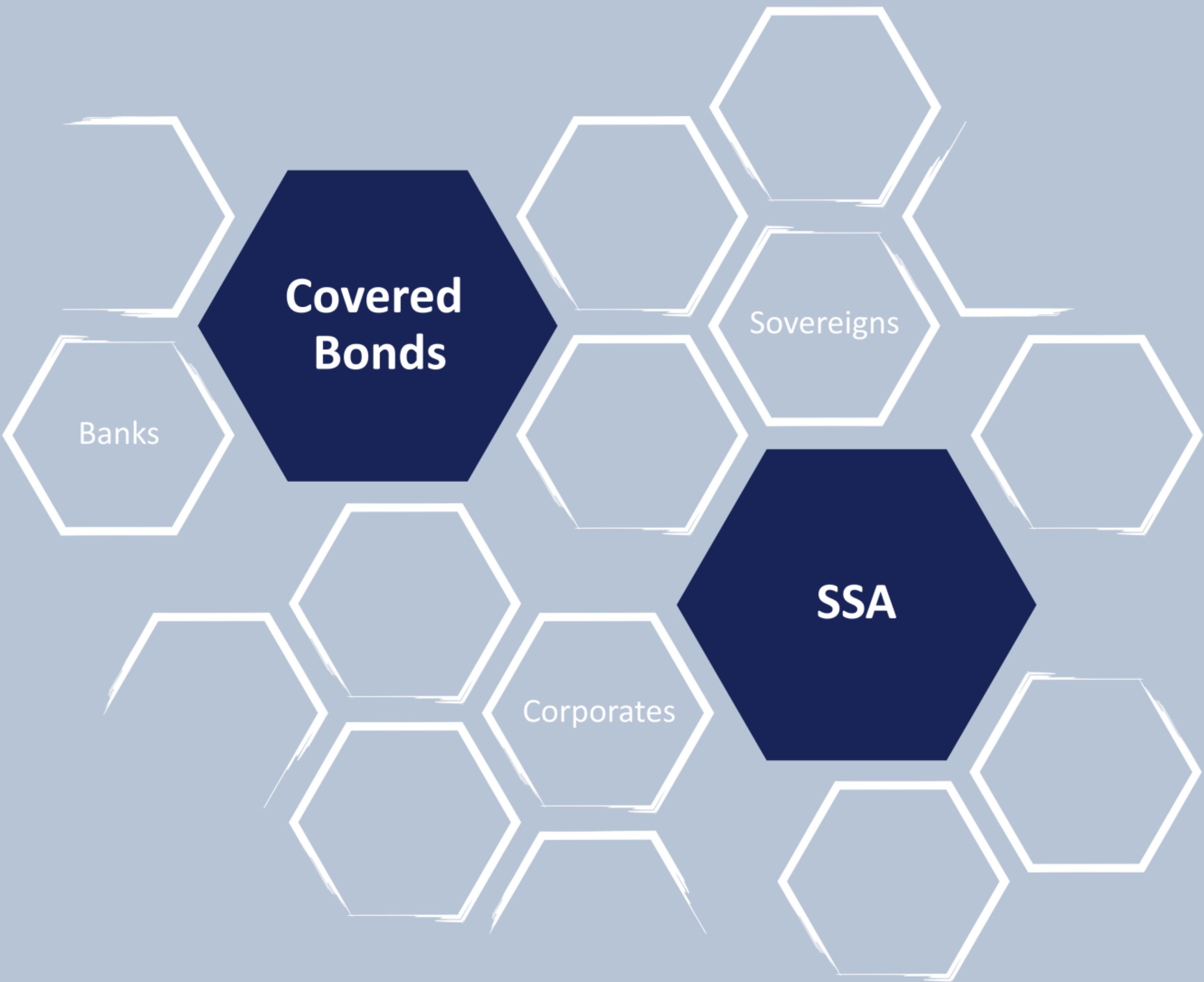


Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

13 January 2021 ♦ 01/2021

Investment strategy recommendation and marketing communication

(see disclaimer on the last pages)

Agenda

Floor analysts:

Dr Frederik Kunze
Covered Bonds
frederik.kunze@nordlb.de

Dr Norman Rudschuck, CIIA
SSA/Public Issuers
norman.rudschuck@nordlb.de

Henning Walten, CIIA
Covered Bonds
henning.walten@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

Authors: Henning Walten, CIIA // Dr Frederik Kunze

Two new issuances to start 2021...

The primary market for covered bonds got off to a quiet start in 2021, with just two deals totalling EUR 2.0bn overall brought to market in the EUR benchmark segment over the course of the first eight trading days of the year. In 2020, a total of 14 transactions with an overall volume of EUR 13.75bn were completed in the same time frame, while the equivalent figures for 2019 were even as high as 20 deals worth EUR 17.75bn. Aareal Bank kicked things off in the current year by issuing a Hypothekenpfandbrief for EUR 500m. This deal featured a term to maturity of long seven years at ms +1bp. With an order book of EUR 1.0bn, pricing tightened by three basis points in comparison with the guidance. At -0.402%, the new issuance premium was well into negative territory. In fact, just two deals from 2020 (DZ HYP 5.0y and Aareal Bank 5.8y) were issued with lower yields. Based on the current situation, yields are likely to remain at this level for the time being. At the beginning of the current trading week, CAFFIL then approached its investors. The French bank printed EUR 1.5bn for long ten years. As was the case with the Aareal deal, the final pricing (ms +3bp) was ultimately fixed much tighter than the initial guidance (ms +7bp area). The transaction was likewise twice oversubscribed (order book: EUR 3.25bn). Both Aareal Bank and CAFFIL were last active in the EUR benchmark segment in October 2020. The yield for the CAFFIL deal was slightly higher, at -0.188%, one of the reasons for this being the maturity segment chosen. Based on EUR benchmark maturities of EUR 25.9bn for the current month, we expect that additional issuers will seek to use the market for publicly placed EUR benchmarks over the coming weeks despite the TLTRO III tender running across the year as a whole. This should see spreads continue to tighten marginally, as the net supply in the first half of the year is likely to be substantially negative due to the fact that around two-thirds (EUR 88.6bn) of the maturities falling due in 2021 (EUR 130.6bn) can be attributed to the first six months of the year, while issuance behaviour is likely to remain depressed on account of the ongoing pandemic situation.

...and two significant announcements

In addition to the first two new issuances of the year, there were also two other pieces of good news coming from the market. The first concerns Komerční Banka from the Czech Republic, which has set its sights on an inaugural EUR benchmark in the form of a 5y bond. There are presently no Czech issuers active in the EUR benchmark segment. The second announcement from the market centred on Hana Bank from South Korea, which has also organised investor calls with a view to subsequently issuing an inaugural EUR benchmark over 5 years and thereby increasing the number of Korean EUR benchmark issuers to three (alongside KHFC and Kookmin). In addition, this debut transaction is likely to be issued in ESG format (social bond). For this reason, we shall be taking a look at both Komerční Banka and the Czech market as well as Hana Bank in the present edition of this publication.

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
CAFFIL	FR	11:01.	FR0014001GV5	10.2y	1.50bn	ms +3bp	- / Aaa / AA+
Aareal Bank	DE	05:01.	DE000AAR0280	7.0y	0.50bn	ms +1bp	- / Aaa / -

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

Moody's acknowledges bill aimed at establishing covered bond legislation in Latvia
As part of a recent sector report, the risk experts at Moody's have discussed a bill aiming to establish Latvian covered bond legislation, highlighting in the process the implications for a newly emerging pan-Baltic covered bond market in particular. Accordingly, the implementation of the proposal (expected for the end of Q2 2021) would entail uncertainty with regard to Latvian cover assets for non-Latvian covered bonds from other EU member states – Latvia's Baltic neighbours Estonia and Lithuania should above all be considered in this context. According to information from Moody's in connection with the current legal situation, the legal risks that may arise are related to the non-recognition of the administrator's powers by the Latvian courts. In addition, Latvian legislation does not provide for a waiver of banking secrecy that would make it easier for administrators to carry out their tasks. Furthermore, it is not currently possible to authorize the transfer of a Latvian cover pool to a third party. The legislation governing the issuance of covered bonds in accordance with Latvian law also seeks to address these shortcomings. In addition to a reduction of legal risks, it has also been clarified that Estonian banks do not have to deviate from their covered bond model for Latvian cover assets, which requires the cover assets to remain on the balance sheet. In contrast, the SPV model is applied in Latvia.

High level of consistency for Fitch covered bond ratings
The recent publication of the Covered Bonds Protection Dashboard by Fitch has revealed that covered bonds developed in highly consistent fashion in Q4 2020. Accordingly, there was just a single rating change among the 102 covered bond programmes assessed in the previous quarter, for which an uplift of two notches was awarded. In total, 87 programmes had a stable rating outlook as at 31 December 2020, while the outlook for 12 programmes was assessed as negative. In terms of the theoretical buffers against an issuer downgrade, the categories of "3 notches" and "4 notches" again dominated in comparison with the end of September review, although a total of 16 programmes also had no available buffer. Of this figure, ten programmes were attributable to the Iberian Peninsula. Our view is that the data shows that covered bond ratings boast comparatively high stability, even in view of the medium-to-long-term impacts of the coronavirus pandemic. These impacts had yet to properly materialise in 2020, but are likely to become more influential in 2021, meaning that the development of covered bond ratings should also therefore be monitored very closely moving forwards.

APP redemptions in 2021: around EUR 30bn falling due under the CBPP3
As we closed the door on 2020, the ECB published its expected redemptions under the APP for the full year 2021 at the beginning of the new year for the first time. Accordingly, current estimates suggest that a total of EUR 246.0bn in securities will fall due over the course of the next 12 months under the four sub-programmes of the APP. While this may indeed represent a decline on 2020 (EUR 262.1bn), it remains higher than the level recorded in 2019 (EUR 204.5bn). At 77.7% (EUR 191.3bn; 2020: 77.5%), the largest share is attributable to the PSPP, which should come as no surprise given the sheer size of the programme (accounts for 80.5% of the APP) In addition, 12.1% of redemptions can be attributed to the CBPP3 (APP share: 9.9%), with the share in comparison with 2020 rising by 3.2 percentage points overall. The highest levels of redemptions here will be recorded in January (EUR 5.1bn), November (EUR 4.6bn) and April (EUR 4.2bn). Additional information on the ECB's purchase programmes can, as usual, be found in the ECB tracker section towards the end of this publication.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

Selected funding figures for 2021

While the year is still young it is well worth looking at the planned funding figures that have been published to date. Following yet another extremely successful year for KfW in 2020, in which it raised funding of approximately EUR 65.7bn through 160 transactions in 14 different currencies, it now plans to raise EUR 70-80bn in 2021. It stated: “Our highlight in the second half was our green bond issues, in particular: at just shy of EUR 8bn, they have accounted for a significant share of our borrowings since July 2020.” We see no reason why the green programme should not fare as well in 2021; accordingly, KfW plans green issues worth EUR 10bn for 2021. Approximately 50% of its funding is still to be denominated in EUR. For 2021, Landwirtschaftliche Rentenbank expects funding to amount to up to EUR 11bn with maturities of more than two years. This would be marginally less than in 2020. The average maturity of issues increased to 7.3 years (2019: 7.1 years). It aims to raise up to 50% of its medium and long-term funding via benchmarks in EUR or USD. Rentenbank (LaWi) successfully issued its first green bond benchmark in EUR last September and intends to concentrate on developing a corresponding curve from 2021. The German agencies will be joined first and foremost by the two major Luxembourg institutions, ESM and EFSF: their respective funding targets – EUR 8.0bn and EUR 16.5bn respectively – have been set in stone for many months now. We were also given the time frame for the first three months and the precise calendar weeks as well as the breakdown of the amounts per quarter with the December Newsletter. ESM’s figures especially are clear: it plans to raise EUR 2.0bn each quarter, whereas EFSF will request EUR 7.0bn twice, meaning that it will raise EUR 14bn before the end of June. This will be followed by EUR 2.5bn in Q3, with nothing further planned for the final quarter. This suggests that EFSF and the EU do not wish to encroach on each other in terms of supply and demand at the year-end. For ESM, net supply amounts to EUR +2.0bn, but for EFSF the figure is EUR -5.8bn.

Long-term funding plan 2021 (EUR bn)

	Q1	Q2	Q3	Q4	∑ 2021
EFSF	7.0	7.0	2.5	-	**16.5**
ESM	2.0	2.0	2.0	2.0	**8.0**

Time window for...

…ESM/EFSF bond issuances		**… ESM Bill auctions (3M, 6M and 12M)**			
CW 02	11-15 January	**January**	TUE 05	TUE 19	TUE 12
CW 05	01-05 February	**February**	TUE 02	TUE 16	TUE 09
CW 10	08-12 March	**March**	TUE 02	TUE 16	TUE 09
CW 12	22-26 March				

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

…and other supras

The EU is a leading player here: we expect it to raise at least EUR 150bn in 2021. This would be approximately EUR 3bn per complete calendar week. The SURE programme alone still requires EUR 60.5bn of the estimated EUR 100bn. This programme is exclusively for social bonds. This funding could be concluded before Easter and is likely to have an average maturity of 15 years. The EU also has to refinance or extend EUR 10bn worth of "regular" funding. On top of this, it requires funding for the "Next Generation EU" fund. The second half of the year is likely to get interesting here. So far, unlike the ESM/EFSF, we have not been able to make out precise planned funding windows here. The EIB estimates its funding requirement at EUR 60bn in 2021. In its December meeting, the Board of Directors approved fundraising of up to EUR 70bn, according to a press release by the EIB, meaning that the bank still has a certain amount of headroom. The bank has implemented its funding programme for 2020 in full – and made use of the aforesaid buffer, which was increased during the year, including prefunding (also EUR 70bn in total). In 2021, the EIB is expected to repay maturities of EUR 64bn in total. In 2020, repayments came to EUR 69bn.

German government published its planning just after our previous issue

Although we do not consider the German government as an issuer within our coverage here, its curve is still used as a reference by many of our institutional clients. We shall therefore look briefly at Germany's offer: to finance the federal budget and its special funds, the German government plans to issue securities totalling EUR 469-471bn through auctions in 2021. Of this figure, EUR 222bn is attributable to the capital market and EUR 241bn to the money market. Two syndication processes are also planned, the amounts involved will be determined during syndication. According to a press release, the comparatively substantial issuance volume is attributable, as it was last year (EUR 406.5bn), to the impact of the COVID-19 pandemic in particular, which is having a dramatic effect on the revenues and expenses of the federal budget and its special funds. Among others, the German government's co-funded special funds include the Economic Stabilisation Fund (ESF), which was established to combat the economic consequences of the pandemic in 2020, and the Financial Market Stabilisation Fund (FMS), which was set up in the wake of the financial markets' crisis in 2008. Both funds are managed by the German Finance Agency. And here we come full circle, since KfW makes use of the ESF and the winding-up agencies are guaranteed by the FMS. The German government's issuance schedule also envisages placing green bonds in 2021 equivalent to the amount issued in 2020. The German government intends to issue the first green federal bond with a 30-year maturity in May. The features are to match the conventional federal bond that was issued on 21 August 2019 with a coupon of 0% and maturity in August 2050. The government plans to issue the new green twin on a syndicated basis. The German government also plans to issue a new 10-year green federal bond in September which will mature in August 2031. The planned auction volume of the new issue and an increase planned for October amounts to EUR 3bn in each case. The conventional twin of this green security is the 10-year federal bond, which the government plans to issue on 16 June 2021. When issuing a green federal security, the conventional twin bond is increased by the same amount at the same time. The increase in the amount in circulation will be reflected in the German government's portfolio.

Latest press releases on German public-sector debt

Public sector debt increased to a new record high in the third quarter of 2020: the total public budget (Bund, Laender, municipalities and municipal associations as well as social security including all supplementary budgets) owed EUR 2,195.1bn to the non-public sector (financial institutions as well as other domestic and foreign entities, such as private companies in Germany and abroad) at the end of the quarter. The highest level previously reported in the debt statistics (EUR 2,109.2bn) had been reached at the end of the second quarter. A similarly high level of debt – EUR 2,068.3bn – was last recorded at the end of 2012. Public debt had fallen every year since then. As the Federal Statistical Office (Destatis) also announced on the basis of provisional results, public debt therefore increased by +15.6% or EUR 296.4bn compared with the end of 2019 at the end of the third quarter. The increase is essentially due to raising financial resources for measures to cope with the coronavirus crisis. Compared with the second quarter, debt increased by +4.1%. According to Destatis, with the exception of social security, all levels of the total public budget were more indebted at the end of the third quarter than at the end of 2019. The German government's debt increased most dramatically, by +20.3% or EUR 241.5bn to EUR 1,430.1bn, during this period. Securities debt (i.e. new bonds) rose particularly sharply, by EUR 207.4bn. At the end of Q3, the Laender were EUR 631.1bn in debt, which equates to an increase of +9.1% or EUR 52.4bn compared with the end of 2019. Debt has increased in all German sub-sovereigns. In percentage terms, it rose most sharply in Saxony, where the debt level increased by a factor of 2.7 from a low level (+170.9%), followed by Bavaria (+26.5%) and Bremen (+20.8%). The Laender that reported the highest absolute growth were NRW (EUR +16.4bn), Bremen (EUR +6.3bn) and Lower Saxony (EUR +5.0bn). In most Laender, higher debt was mainly associated with the coronavirus crisis. Destatis, however, explicitly shows that the increase in Bremen was attributable, in particular, to borrowings to provide cash collateral for derivative transactions. The debts of municipalities and municipal associations rose by +1.9% or EUR 2.5bn to EUR 133.9bn compared with the end of 2019, which is minimal compared with the Bund and Laender. However, developments varied from region to region: according to Destatis data, debt increased primarily in municipalities and municipal associations in Hesse (+7.3%), Schleswig-Holstein (+6.6%) and Lower Saxony (+6.2%), whereas debt fell in Saarland (-15.1%), in Saxony (-13.7%) and in Thuringia (-5.7%), in particular. The decline in debt level among the municipalities and municipal associations in Saarland is largely due to the fact that the "Saarland Pact special fund" managed by the federal state assumed EUR 336m of the Kassenkredite loans granted to municipalities and municipal associations in the first three quarters.

Redemption tracker: APP

The December 2021 figures were published across all sub-programmes of the APP a few days ago. Maturities from ABSPP through CBPP3 and CSPP to PSPP total EUR 246.0bn. A total of 77.7% or EUR 191.3bn of this figure is attributable to the public sector and is consequently available for reinvestment. Not just this but also the PEPP means that the ECB or the Eurosystem with its national central banks will continue to drive trends in credit spreads beyond 2021.

Primary market

Same procedure as every year: on 30 December last year, the State of Lower Saxony commissioned banks with the issue of a ten-year bond, which was priced as early as 4 January. The terms for the ten-year bond were quoted at ms -1bp for ten years (EUR 1bn). This was four basis points wider than a year ago. As in 2020, the spread tightened by 1bp compared with guidance in the pricing process, while the books were well filled. Two additional highlights followed on the second day's trading: NRW achieved EUR 2bn for 100 years at ms +111bp. The Düsseldorf-based specialists in ultra-long "Methuselah" bonds were delighted when the book exceeded EUR 3.25bn. The maturity is hard to beat, which is why KfW scored a hit in terms of size: EUR 5bn for ten years came to ms -9bp. The order book was highly impressive at EUR 19.5bn, with tightening of 2bp versus the guidance possible here. Italy's book was even more lavishly filled, at EUR 105bn, in comparison (2037 maturity). Rentenbank also ventured onto the market rapidly in the New Year, it increased a green bond (2027) by EUR 250m at ms -12bp. THRGN was the next federal state to try its chances, raising EUR 500m for 30 years at ms +14bp. The bond was three times oversubscribed, its performance in the secondary market was also outstanding. With its EARN (10y), the EIB achieved an order book of over EUR 33bn, EUR 5bn was allocated at ms -11bp. The EIB came along a little later with a further EUR 1.5bn in a sustainability awareness bond (SAB) (ms -7bp, 2041). SAXONY did not need to be asked twice either, opting to raise EUR 500m for three years at ms -6bp. EFSF also got what it wanted: EUR 2bn for 31 years at ms +9bp and EUR 3bn for ten years at ms -11bp changed hands. The books stood at over EUR 32bn and more than EUR 38.5bn (10y) respectively. As a result, EUR 5bn of the EUR 7bn envisaged for Q1 is already home and dry. Canada Pension Plan Investment Board (CPPIB: 20y, EUR 1bn at ms +24bp), which features rarely on the market, is not actually part of our coverage. Additional deals (see table) were provided by Rentenbank (7y, ms -12bp), Rhineland-Palatinate (2y, ms -7bp) and by the seldom-seen Council of Europe Development Bank (10y, ms -14bp) as well as a tap by KfW (EUR 1bn at ms -14.5bp in a 2024 maturity). Looking ahead, the following issuers have already commissioned banks to organise benchmark issues yesterday: BERGER (20y), DEXGRP (7y, incl. IPT ms +15bp area), BNG (10y), LBANK (10y) and the World Bank in the form of the IBRD with a Sustainable Development Bond (40y).

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
COE	SNAT	12.01.	XS2286422071	10.0y	1.00bn	ms -14bp	AA+ / Aa1 / AAA
RHIPAL	DE	12.01.	DE000RLP1247	2.0y	1.00bn	ms -7bp	AAA / - / -
RENTEN	DE	12.01.	XS2288920502	7.5y	0.85bn	ms -12bp	AAA / Aaa / AAA
EIB	SNAT	11.01.	XS2287879733	20.3y	1.50bn	ms -7bp	AAA / Aaa / AAA
CPPIBC	CA	11.01.	XS2287744135	20.0y	1.00bn	ms +24bp	- / Aaa / AAA
EFSF	SNAT	11.01.	EU000A1G0EL5	10.0y	3.00bn	ms -11bp	AA / Aa1 / AA
EFSF	SNAT	11.01.	EU000A1G0EM3	31.0y	2.00bn	ms +9bp	AA / Aa1 / AA
SAXONY	DE	08.01.	DE0001789329	3.0y	0.50bn	ms -6bp	- / - / AAA
EIB	SNAT	07.01.	XS2283340060	10.0y	5.00bn	ms -11bp	- / Aaa / AAA
THRGN	DE	07.01.	DE000A3H3ET0	30.0y	0.50bn	ms +14bp	AAA / - / -
KFW	DE	05.01.	DE000A3H2ZF6	10.0y	5.00bn	ms -9bp	- / Aaa / AAA
NRW	DE	05.01.	DE000NRW0MP9	100.0y	2.00bn	ms +111bp	AAA / Aa1 / AA
NIESA	DE	04.01.	DE000A3H3ES2	10.0y	1.00bn	ms -1bp	AAA / - / -

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

Covered Bonds
EUR benchmark from the Czech Republic: Komerční Banka launches a new covered bond programme

Authors: Dr Frederik Kunze // Henning Walten, CIIA

Komerční Banka has a new covered bond programme

At the beginning of the new year 2021, the Czech covered bond issuer Komerční Banka announced the launch of its new covered bond programme worth EUR 5bn. The bank also promised the placement of EUR benchmark issues and an initial issue of this kind under this programme, which is based on the country's covered bond legislation, which underwent significant amendment in 2019. The country's first EUR benchmark covered bond for more than five years has been given a provisional AAA rating by Fitch and will be placed as a soft bullet covered bond with a maturity of five years. We expressly welcome this sign of growth from the Czech Republic and would like to take this latest development as an opportunity to highlight the Czech covered bond market, since it is not a jurisdiction that is currently represented in the EUR benchmark segment but which we believe offers significant potential for growth.

Komerční Banka – the issuer

The issuer Komerční Banka, a.s. is part of the international Société Générale Group (SG share of Komerční Banka: 60.4%) and, with around 1.7 million customers in the Czech repuplic alone, operates as one of the country's leading banks (approximately 8,000 employees and more than 240 offices). In 2019, the bank ranked third both in terms of the national market share of outstanding loans (market share 18.4%) and the corresponding deposits (16.8%). Komerční Banka is also represented in the CEE region. In the course of their risk assessment, the agencies S&P and Fitch both derived a long-term rating of A (outlook: negative), while Moody's long-term rating was A1 (stable). As of 30 September 2020, the bank also reported a core tier 1 ratio of 20.9% (31 December 2019: 19.1%). At 230%, the liquidity coverage ratio indicated a substantial liquidity buffer. The cost-to-income ratio can be described as moderate, at 51.2%. On the same reporting date, total assets came to CZK 1.263bn (approximately EUR 48bn). The loan portfolio totalled CZK 684bn (approximately EUR 26bn). Generally speaking, Komerční Banka could not escape the upheavals caused by the COVID-19 pandemic either, which had a corresponding impact on both new business and loan loss provisions or past-due debts. Nevertheless, the NPL ratio, at 2.3% (30 September 2020) can still be described as moderate and more than 50% is covered with provisions created for this purpose. By its own account, the upcoming EUR benchmark issue aims to make its own funding more efficient. Particularly with regard to pricing stability and refinancing in EUR, access to a more extensive investor base will offer significant advantages compared with derivatives markets, for example.

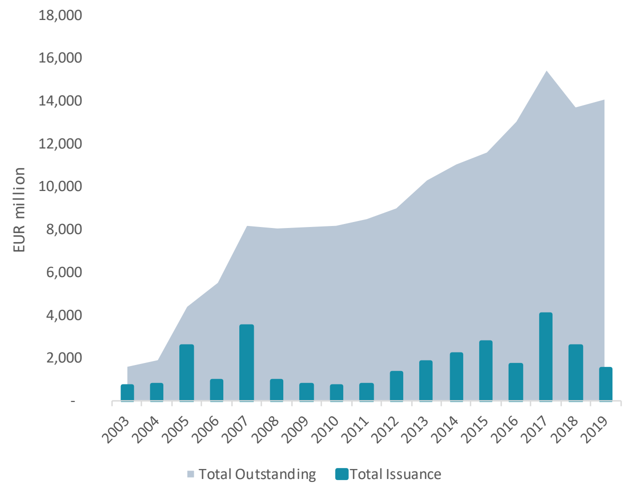
Czech covered bond market: outstanding volume of EUR 12.4bn

According to ECBC data, growth in the Czech covered bond market has been modest in recent years. Accordingly, as of 31 December 2019, the aggregate outstanding volume of the eight covered bond issuers in total amounted to the equivalent of EUR 14.2bn in total. The ECBC database also shows that there are no benchmark bonds outstanding. All issues also featured a hard bullet structure. Bloomberg data also indicate that there were no public placements of benchmark bonds last year (2020) – which is not yet included in ECBC data – meaning that a majority of the deals are likely to be retained deals. According to Bloomberg, the outstanding bonds currently total the equivalent of EUR 12.4bn spread across eight issuers, whereby the largest shares are attributable to UniCredit Bank Czech Republic & Slovakia (44%), Hypoteční Banka (24%) and Komerční Banka (13%). Looking at currencies, 53% are denominated in Czech koruna while the remaining 47% are denominated in euro. According to Bloomberg, issuance volume of EUR 4.6bn (7 bonds) was observed, of which the substantial share attributable to UniCredit is striking. Without exception, the bonds denominated in euro amounting to EUR 4.5bn are issues retained by the issuer. On the contrary, we see the latest announcement by Komerční Banka as a sign that public placements are likely to become more popular in future and that the country's covered bond market should post correspondingly rapid growth.

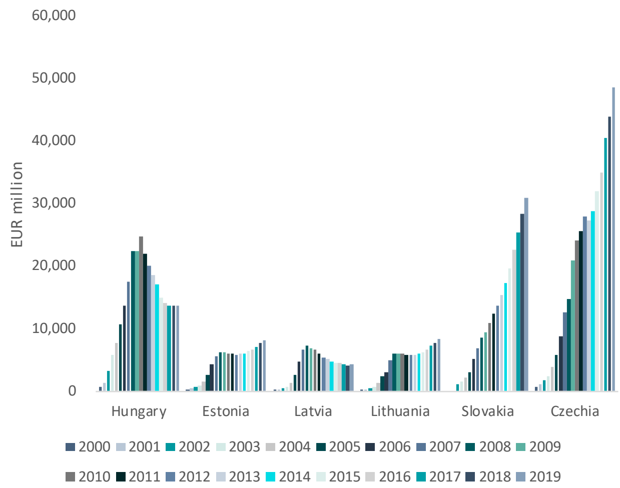
Czech covered bond market: significant potential for growth

In recent years, the Czech economy has ultimately grown quite strongly, which is reflected in a comparatively low unemployment rate and generally sound public finances among other things. In the course of the upheavals caused by the COVID-19 pandemic, both political decision-makers and the monetary authorities have intervened massively and launched support measures to mitigate the negative economic consequences of the crisis. Not least as a consequence of this economic situation and the reactions of the government and the central bank, the Czech covered bond market also promises significant potential for growth in our opinion. In this context, a generally sound Czech banking market, characterised by comparatively substantial customer deposits, a strong focus on property financing as well as robust liquidity, equity and profitability ratios, will provide support. Covered bonds rank among the most important funding sources, in addition to customer deposits, for property loans. The volume of outstanding residential loans increased sharply in recent years, whereas growth in terms of covered bond issuance volume must be viewed as more subdued. The above-mentioned economic factors provided significant support for demand for property in the past, which also led to rapidly rising house prices. The effects of the COVID-19 pandemic make it difficult to provide a forecast, but we still see covered bonds as an important source of funding, which will be provided on a broader basis through EUR benchmark bonds and will be able to tap new investors. With regard to residential property finance, we also see significant catch-up potential which is reflected, among other aspects, in comparatively low outstanding mortgages per capita compared with the EU average.

CZ: outstanding volume of covered bonds



CZ: outstanding residential loans



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

Czech Republic's legal framework for covered bonds: need for adjustment in the context of European covered bond market harmonisation

Since 04 January 2019, covered bond programmes and issues emerging from these have been governed by a comprehensively revised legal framework, which envisages three types of covered bonds according to Czech legislation in principle. Accordingly, in addition to bonds backed by mortgage cover assets (hypoteční zástavní listy) and public sector covered bonds (veřejnoprávní zástavní listy), issues backed by both cover assets (smíšené zástavní listy) are also regulated. For mortgage cover assets, 85% of the nominal value of covered bonds must accordingly consist of mortgage assets, while a similar minimum figure applies to public sector assets for public sector covered bonds. For the hybrid form, a minimum value of 85% of approved mortgage and/or public sector assets also applies – albeit no ratio is specified for this. Czech legislation stipulates nominal minimum overcollateralisation of 2%. In light of the loan-to-value ratios currently applicable, the Czech legislation definitely constitutes an exception since an LTV limit of 100% must be viewed as comparatively high – and therefore less strict. The high limit is put into perspective by the fact that the mortgage lending value and not the market value is used as the reference value. In our opinion, further adjustment is required in relation to the covered bond harmonisation initative, particularly in relation to the 180-day liquidity buffer and the triggers needed for deferring maturities in the case of soft bullet structures. Neither regulation is dealt with in the current Czech legislation. While the 180-day liquidity buffer is a mandatory requirement which must be regulated by legislators at national level, the triggers for maturity extensions must be specified if covered bonds with extendable maturities are approved by the legislator.

Czech Republic: legislation – an overview

Designation	Mortgage: hypoteční zástavní listy Public sector: veřejnoprávní zástavní listy Mixed: smíšené zástavní listy
Special covered bond law	Yes
Cover assets (incl. substitute cover)	Mortgage loans, public sector assets
Owner of assets	Issuer
Specialist bank principle	No
Geographical scope mortgage loans	EEA
Geographical scope public sector assets	OECD
Loan to value - Mortgage loans	100%
Preferential claim by law	Yes
Cover register	Yes
Substitute assets	Yes
Statutory limit	85%
Coverage requirement	2% nominal value
UCITS compliant	Yes
CRD compliant	Yes[1]
ECB eligible	Yes

Source: National legislation, ECBC, NORD/LB Markets Strategy & Floor Research; [1] depending on programme

Czech Covered Bond Act: CRR compliance to be ensured at programme level

To achieve compliance with requirements under the CRR and therefore to achieve preferential treatment by the regulator at the same time, the issuers must include requirements to this effect in the programme description. Accordingly, in the case of Komerční Banka's covered programme, an LTV limit of 80% is specified, which in addition to other conditions will ensure that the planned EUR benchmark issue is CRR compliant and the bank's EUR benchmarks can therefore, we believe, benefit from a preferred risk weighting of 10% according to the CRR. The deal would also be eligible for LCR purposes and could be used as a Level 1 asset in managing the LCR. Komerční Banka's contractual arrangements also provide for an overcollateralisation ratio of 5%, which also exceeds the legal requirement (2%).

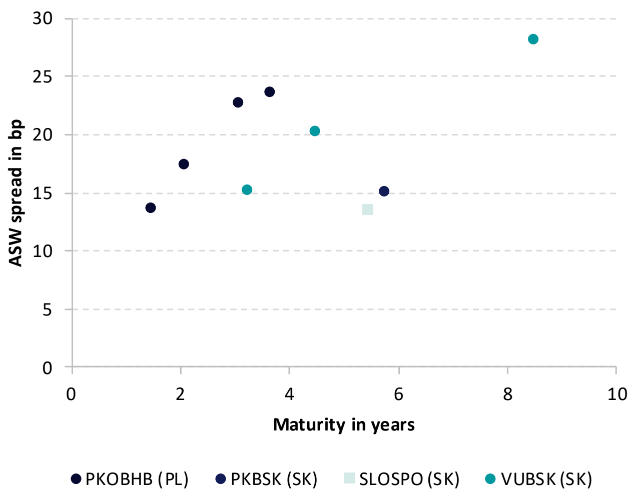
Cover pool

The covered bond programme launched by Komerční Banka comprises a volume of EUR 5bn. As at 30 September 2020, the cover pool consisted of loans amounting to CZK 14.7bn (approximately EUR 543m), where the primary cover assets were solely Czech residential mortgages. Generally speaking, the cover pool can be described as granular. According to the issuer, there are no NPLs in the cover pool. At 63%, the weighted loan-to-value ratio (WA LTV) satisfies both the legal requirements and the requirements of the programme's contractual arrangements. A good two thirds of the property financing was raised for the purpose of acquiring a property. The cover assets are highly diversified in terms of their regional distribution. The largest shares are attributable to the central Bohemian region (15%) and Prague (13%) respectively.

Komerční Banka: programme data

30 September 2020	**Mortgage**
Total loan balance	CZK 14,665bn (EUR 543m)
OC (legal / committed / intended)	2% / 5% / 25%
Adjusted loan balance (LTV 80% test)	CZK 14,285 (EUR 529m)
Type	100% Residential
Country	100% Czech Republic
Number of mortgage loans	11,495
Number of borrowers	11,280
Number of properties	11,726
WA seasoning (months)	65
WA remaining term (months)	247
WA LTV	63.10%
Loans in arrears (<90 days)	0.00%
Ten largest borrowers as % total adjusted loan balance	0.80%
CB Rating (Fitch / Moody's / S&P)	AAA / - / -

Spread overview EUR BMK PL and SK (maturity ≥1y)



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

Covered bond placement in soft bullet format

The anticipated maturity for the EUR benchmark covered bond is five years and it will feature a soft bullet structure (possible extension by twelve months), which has previously been a rarity in the Czech market. Our understanding is that maturity can only be extended in the event of an issuer default. With regard to treatment by the regulators, it should be noted that the issue meets the requirements according to article 52(4) UCITS and, as an eligible asset, can be used in the context of the ECB Collateral Framework. On the other hand, the bond is not eligible for purchase under the PEPP or APP/CBPP3. The expected AAA rating also has a buffer of three notches in the event of downgrades of Komerční Banka's issuer default rating (IDR), which is also the reason for the stable rating outlook for the covered bonds. The AAA rating is also based on an overcollateralisation ratio of 25%, which was apparent on 5 January 2021, according to Fitch, on the basis of the information available to the agency.

Spread considerations

It must be assumed in principle that Komerční Banka's EUR benchmark will be placed on the market with at most a slight spread premium against fair value. With regard to deriving a fair pricing, the fact that the issue is the first of its kind in the country means that it is impossible to compare it directly with other issues. While the covered bonds of the non-EMU jurisdiction Poland (issuer: PKO; Moody's rating Aa1) have features that are not directly comparable in terms of rating and maturity extension, Slovakia's benchmarks also feature a soft bullet structure but are not uniformly rated (Moody's ratings: PKBSK and SLOSPO: Aaa and VUBSK Aa2 respectively) and are eligible for purchase under the PEPP or APP/CBPP3 as issues by an EMU state. Overall, we therefore think that a reoffer spread close to ms +15bp would be a fair price for the issue by Komerční Banka.

Conclusion

With regard to the covered bond market in general and the EUR benchmark segment in particular, the CEE region definitely ranks as one of the growth regions. The issue of a EUR benchmark by Komerční Banka would add a market that definitely offers significant potential for growth to the group of EUR benchmark issuers. In this respect, it could actually be followed by other banks in the short to medium term. The Czech legal framework should benefit in future from the adjustments required in the context of the harmonisation initiative. For the covered bond in EUR benchmark format promised by Komerční Banka, significant investor interest is likely to be generated by the high rating, among other factors. We would mainly justify a premium compared with AAA-rated Slovakian covered bonds with the lack of eligibility for purchase under the CBPP3, whereas, with regard to the regulatory classification of the upcoming issue, its eligibility as a Level 1 asset for the purposes of managing the LCR and the preferential risk weight according to CRR of 10% must be emphasised, in our view.

Covered Bonds
New covered bond programme from South Korea: Hana Bank joins the ranks of EUR benchmark issuers

Authors: Dr Frederik Kunze // Henning Walten, CIIA

Hana Bank sets up new programme for covered bond issuances

South Korea's Hana Bank has set a new covered bond issuance programme worth USD 5bn. The resultant bonds will be issued in line with the Korean Covered Bonds Act and are set to carry the top rating (AAA) from S&P and Fitch. The bank has announced a 5-year EUR benchmark deal in the form of a social covered bond and investor calls start on 13 January 2021. In this article, we examine Hana Bank and look at where the EUR benchmark bonds under its new issuance programme sit in the APAC market.

The issuer Hana Bank

Hana Bank is a wholly-owned subsidiary of Korea's Hana Financial Group and was formed by the 2015 merger between Korea Exchange Bank (KEB), founded in 1967, and Hana Bank. The institution continued to trade under the name KEB Hana Bank until February 2020. With assets of KRW 450tn as of 30 September 2020, the bank accounted for the lion's share of the Hana Financial Group's assets (KRW 580tn). In terms of earnings, the majority of the Position Net Income (consolidated on a group level: 2,106bn) also stemmed from Hana Bank's net income (KRW 1,654bn). Hana Bank's outstanding loans totalled KRW 234bn, with the largest share attributable to private households (51.8%). Mortgage-backed housing finance amounted to KRW 88,709bn. Customer deposits accounted for most of its funding, with capital market funding playing a secondary role. At 0.34%, the NPL ratio was comparatively low. The Tier 1 ratio for Q3 was cited at 13.29% (CET1 ratio 13.24%). S&P assigns an Issuer Credit Rating of A+ (stable), which is based in part on the assumption that government support will be forthcoming if required. The rating agency counts the bank's market position and competitive position in international trade finance and in FX business among its strengths and highlights how the bank has dealt with credit risks in the past. S&P lists the bank's weaknesses as the paucity of cross-selling opportunities, its modest profitability and the potential for a downturn in asset quality due to the high level of household debt. Fitch derives a Long-term Issuer Default Rating of A- (stable) and highlights the bank's sound capital buffer, the possibility of sovereign support and the bank's systemic relevance (e.g. market share of total loans 12%). Moody's analysts also cite the likelihood of government support as the grounds for its Long-term Debt Rating of A1 (stable). It lists strengths as those relating to the bank's stable capitalisation and profitability among others. With regard to weaknesses, the agency referred to the bank's dependence on time deposits from companies and the public sector on the funding side. Hana Bank is the third South Korean, sixth Asian and in global terms the 116th issuer to join the covered bond label. We welcome this move, particularly in light of the issuer's associated voluntary commitment to transparency endeavours and harmonisation of reporting with global market standards.

Regulatory matters: top classifications for LCR Level and risk weighting

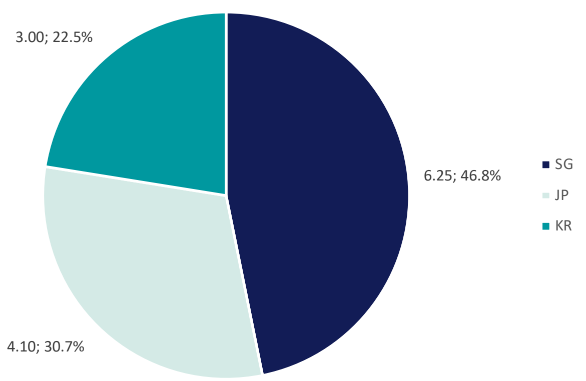
The dual recourse character of Hana Bank's covered bonds, which guarantees recourse to the cover pool as well as to the issuer, is particularly enshrined in the legal framework for covered bonds. The main provisions of the Korean Covered Bond Act, which governs issues launched by Hana Bank, are summarised in the table below and compared with the KHFC Act, which applies to bonds issued by the public entity Korea Housing and Finance Corporation (KHFC). With regard to regulatory indicators, assuming AAA ratings for the bonds from Fitch and S&P, we believe the benchmark bonds can be classified as Level 2A assets in the context of LCR. The same also continues to apply to EUR benchmark bonds issued by KHFC or by Kookmin Bank, also under the Korean Covered Bond Act. Our assessment of the applicable risk weighting is also identical for all three Korean issuers. Even though there is no preferred risk weighting of 10% as the bonds are issued outside the European Economic Area, the deals from Kookmin Bank, KHFC and Hana Bank still benefit from a risk weighing of 20%, which corresponds to the best possible risk weighting for non-EEA covered bonds. However, with regard to providing collateral for repo transactions, Korean bonds are not eligible as collateral with the central bank, nor are they eligible for purchase under CBPP3.

South Korea: legal framework

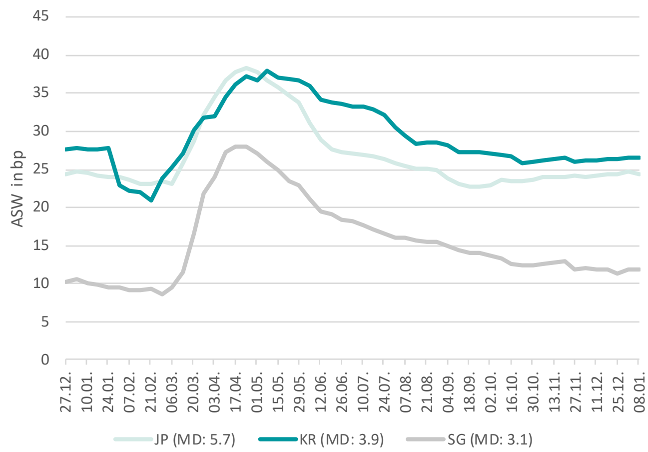
Description	Korean Covered Bond Act South Korean covered bonds	KHFC Act KHFC covered bonds
Short form	-	-
Specific act	Yes	Yes
Cover assets (if applicable incl. serving as substitute cover)	Public sector claims, mortgages, ABS, ship and aircraft loans, claims on banks	Mortgages
Owner of the assets	Issuer	Issuer
Specialist bank principle	No	No
Geographical restriction - mortgage cover	KR	KR
Geographical restriction - public sector cover	KR	KR
Lending limit - mortgage cover	70%	70%
Statutory preferential claim in bankruptcy	Yes	Yes
Minimum surplus cover	5% nominal	-
Asset encumbrance * Issuing limit ** Cover pool limit	4% of total assets**	50x subscribed capital**
Section 52(4) UCITS fulfilled	No	No
CRD compliant	No	No
ECB eligibility	No	No

Source: ECBC, respective national legislation, NORD/LB Markets Strategy & Floor Research

EUR benchmarks from Asia: volumes in EUR bn



EUR benchmarks from Asia: movement in spreads

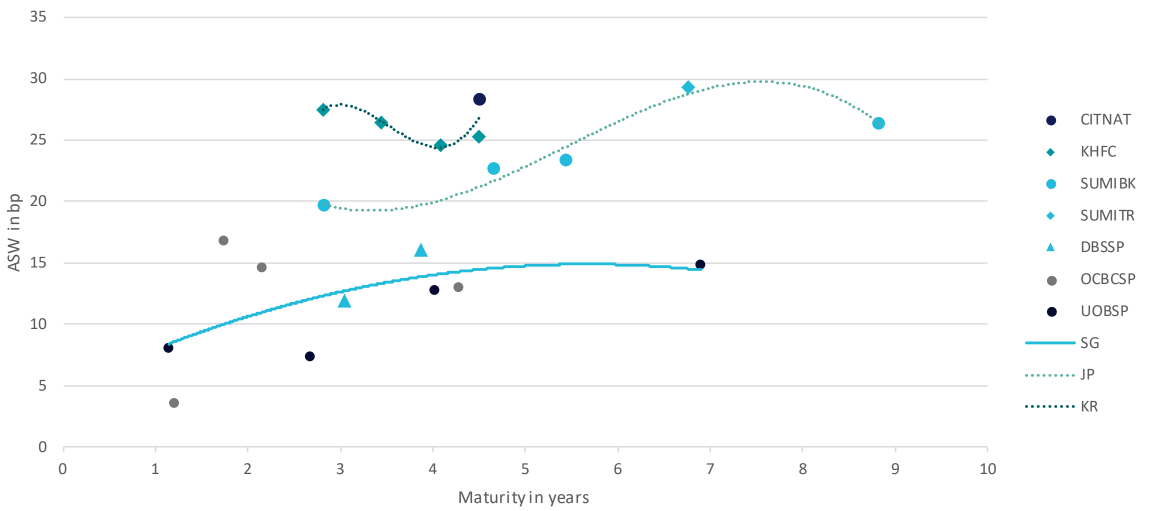


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

EUR benchmarks from the Far East

The Asian market for EUR benchmarks currently comprises the jurisdictions of Japan, Singapore and South Korea. In total, there are 21 bonds with a volume of EUR 13.35bn are outstanding, with Singapore accounting for the lion's share of the EUR benchmarks. While both Japan and South Korea each have two issuers each in the EUR benchmark segment in the form of Sumitomo Mitsui Banking Corporation (SUMIBK) and Sumitomo Mitsui Trust Bank (SUMITR) and Korea Housing Finance Corporation (KHFC) and Kookmin Bank (CITNAT), there are three issuers active in the market in Singapore. These are United Overseas Bank (UOBSP), DBS Bank (DBSSP) and Oversea-Chinese Banking Corporation (OCBCSP). In addition to the new bond from South Korea, we consider it highly likely that another institution from Singapore will make its benchmark debut, not least as a result of the regulatory adjustments by MAS, which now permit a higher issuance limit.

Spread overview: APAC (EUR benchmark; maturity >1y)



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

Conclusion

Hana Bank, one of South Korea's major credit institutions, has set up a new covered bond issuance programme. Growing momentum in the EUR benchmark market among Asian issuers has been evident in recent years, and it therefore comes as no surprise to us that Hana Bank too is turning its attention to this segment. The move will also enable the bank to diversify its own capital market funding in an established market. We believe this development will also be welcomed from an investor perspective as it increases the investment universe not directly impacted by ECB purchases. With regard to the new issuance premiums expected and anticipated spillover effects from the sub-segment EUR benchmarks from the eurozone, the development points at least to an increased chance of spread tightening in the future.

Covered Bonds
Annual review of 2020 – covered bonds

Authors: Henning Walten, CIIA // Dr Frederik Kunze

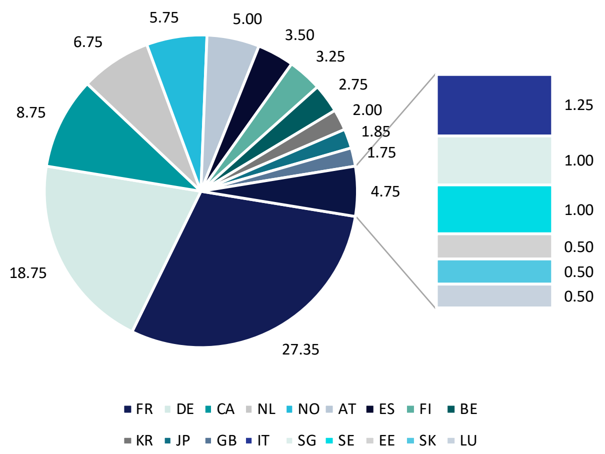
2020: gripped by the pandemic
In our first issue of 2021, we also propose to carry out a brief review of last year since there were many developments in 2020 which will continue to be of major relevance this year and indeed have laid the ground for developments in 2021. Accordingly, we have included links at the relevant places to various articles from last year instead of providing any comprehensive analysis of the topics in question in the following article. The covered bond market in 2020 was marked to a large extent by the international central banks, and above all by the ECB's response to the crisis. However, even in other regions such as Canada or Sweden, for example, the crisis led to at least a temporary change in issuance behaviour. One positive factor in this respect in our view was once again that covered bonds showed themselves to be a reliable funding instrument in spite of the crisis, and there were even a number of new entrants to the market. The same can be said of the ESG segment which showed another record issuance level in 2020 after 2019. Apart from our review, which we definitely regard as important for the future performance of the market, we would also refer our readers to our Outlook for 2021, in which we give an assessment of the development of the EUR benchmark segment in 2021.

ECB responds to pandemic with raft of measures and is crucial factor
While the extent of the COVID-19 crisis could not yet be predicted at the turn of 2019/2020 and likewise the covered bond market initially started the new year with "business as usual", the ECB also had to respond to the new situation at the latest in the latter part of Q1 2020. It made a dynamic first intervention in mid-March, not only with an increase in the APP by an additional EUR 120bn until the end of the year on 12 March, but also with an adjustment in the TLTRO III programme. As early as the following week, the ECB announced its new EUR 750bn PEPP under which a limited volume of covered bonds was also purchased initially, but this has no longer been the case for now several months. However, undoubtedly the most important decision for the covered bond market in 2020 is likely to have been the decision of 30 April, which involved a further adjustment of the TLTRO III programme by the ECB and a further improvement in terms and conditions. Requirements surrounding collateral requirements had already been eased temporarily at the beginning of April. Together, these measures led to a change in issuance behaviour, especially ahead of the TLTRO III.6 tender in June. Instead of publicly placed bonds, issuers increasingly turned to retained deals in order to use these as collateral in the context of raising funds via the TLTRO programme. After all, banks borrowed EUR 1,300bn of TLTRO III funds in June 2020, which definitely had a significant impact on the issuance behaviour of credit institutions in relation to publicly placed covered bonds. The last act in 2020 was the ECB council meeting in December when the PEPP was increased again (to now EUR 1,850bn) and extended (until at least March 2022). There was also a further adjustment to the conditions of the TLTRO III programme – both in relation to its duration and borrowing terms.

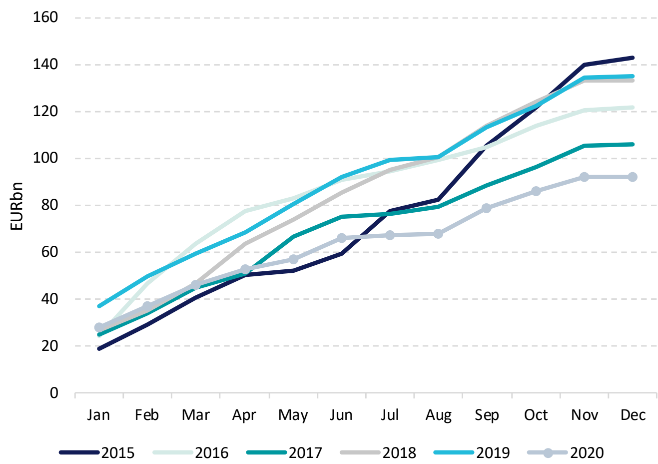
Regulators and governments also provide aid packages

Aside from monetary-policy decision makers, the bodies charged with supervising credit institutions along with governments also responded to the crisis with support measures and adjustments to regulatory requirements. In this context, the many regulations in particular surrounding the treatment of loans in arrears are likely to have been of relevance for international covered bond markets. In many cases, payment moratoria prevented loans from being classified as NPLs, which in many jurisdictions would have had consequences for the asset quality of credit institutions and therefore possibly also for the relevant cover pools. The temporary easing of regulatory requirements is also likely to have given credit institutions significant breathing space and scope for lending, which in turn is likely to have prevented the threat of rating migrations. Whereas 2020 can be regarded as the year when the crisis was brought under control as regards the measures outlined, it will now depend on how covered bond issuers are able to cope with the end of the aid measures. At the same time, there is room for confidence since decision makers will probably want to avoid any cliff-edge effect.

Issuance volume EUR BMK 2020 (EUR 92.2bn)



EUR BMK: trend in issuance volume



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

Issuance volume only EUR 92.2bn in 2020

The Issuance volume in 2020 fell well below the level of previous years, firstly as a result of general uncertainty and later on in the year as a result of the current ECB monetary policy. The issuance volume (excl. taps) of EUR-denominated benchmark covered bonds amounted to EUR 92.2bn (2019: EUR 135.0bn; 2018: EUR 133.2bn) in 2020. The following jurisdictions accounted for the largest shares: France 29.7% or EUR 27.35bn, Germany 20.3% or EUR 18.75bn and Canada 9.5% or EUR 8.75bn, while the Netherlands accounted for 7.3% or EUR 6.75bn. France and Germany therefore accounted for 50% of the EUR benchmark volume (2019: 38.9%), whereas institutions from outside the eurozone accounted for a further 24% of the volume (2019: 30.6%). Singapore and Sweden issued one single EUR benchmark bond each (EUR 1.0bn in each case), likewise Estonia, Slovakia and Luxembourg (EUR 500m in each case). A total of 110 EUR benchmark bonds in 2020 came from 18 jurisdictions, whereas in 2019, there were 170 deals from 21 jurisdictions. From an historical point of view, the issuance volume in 2020 lags well behind the levels recorded in previous years.

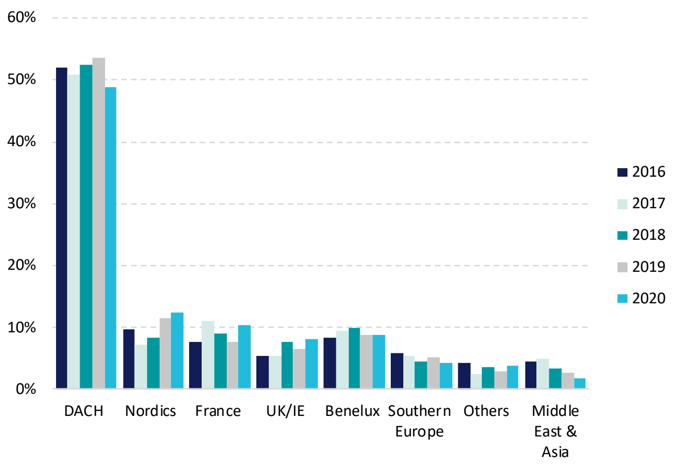
Further widening of issuer base

Another positive factor in our view is that the EUR benchmark market still managed to attract new issuers in 2020 who offered their investors EUR-denominated benchmark bonds for the first time. The debut by Estonia's Luminor Bank is especially worth mentioning in this respect since the transaction dating from the beginning of March has not only brought a further EUR benchmark issuer to the market, but also increased the number of EUR benchmark jurisdictions. At the end of last year, the market therefore included EUR benchmark bonds from 27 different jurisdictions. There were two further debut issuers in the EUR benchmark segment from the APAC region. Kookmin Bank followed KHFC in July, increasing the number of active EUR benchmark issuers from South Korea to two, while in October, Sumitomo Mitsui Trust Bank issued its first EUR benchmark bond, becoming the second issuer from Japan along with Sumitomo Mitsui Banking Corporation. In Q4, Wüstenrot Bausparkasse and Bausparkasse Schwäbisch Hall followed each other in quick succession with inaugural deals in the segment for EUR-denominated benchmark bonds.

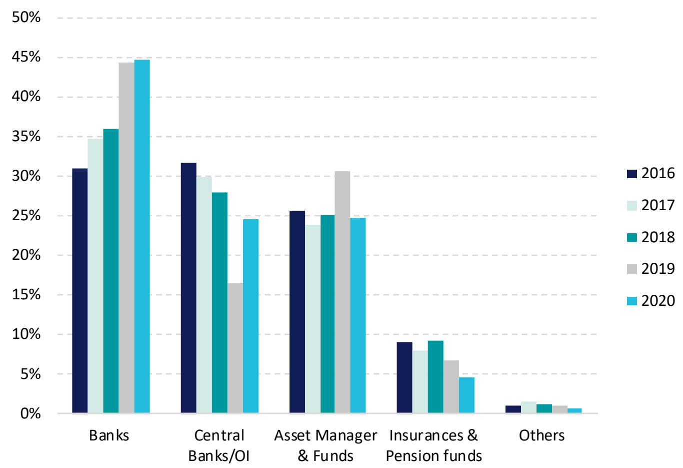
Mostly a decline in issuance volume versus previous year

Compared with the previous year, the issuance volume in sub-markets varied widely from one jurisdiction to another in 2020, although most national markets showed fewer new issues than in 2019. The biggest decline was in Germany where the volume of EUR benchmark bonds declined by EUR 7.78bn year on year. Likewise, there were sharp falls in the UK (EUR -5.85bn), Italy (EUR -5.60bn) and Sweden (EUR -4.75bn). Moreover, Australia (EUR -4.0bn) is one of nine jurisdictions which did not issue a single EUR benchmark bond in 2020. Conversely, there was an increase in the volume placed against 2019 in Belgium (EUR +2.25bn), South Korea (EUR +1.50bn) and France (EUR +1.35bn). Whereas the increase in Belgium reflected a poor year for issues in 2019, South Korea is a young and growing market. French issuers were able to top the previous year's already high issuance volume (EUR 26.0bn), reflecting among other things an especially active phase in the spring when French bank almost exclusively showed that covered bonds can secure access to funding, even in times of crisis.

Primary market distribution by investor country



Primary market distribution by investor



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

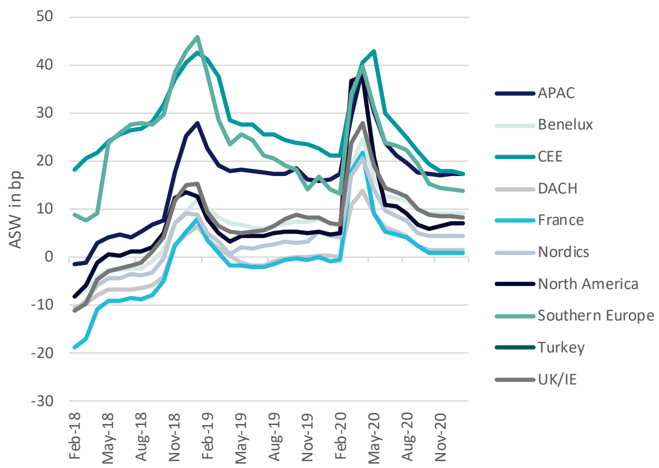
Only small changes in investor base

As regards investors, it is again hardly surprisingly that the last 12 months were also strongly affected by the ECB's monetary policy approach. There was an increase of eight percentage points in the Central Banks/OI investor group to 24.5%, since, unlike in 2019, the Eurosystem was active in the market with net purchases the whole of 2020, purchasing around EUR 23.5bn (net) of covered bonds under the CBPP3 (2019: around EUR 1.3bn). However, based on maturities of EUR 33.2bn in 2020 under the CBPP3, the actual amount is likely to be much higher. Even though this means a further increase in the importance of this investor group and is likely to go hand-in-hand with a crowding-out effect in respect of real money investors, banks remain the dominant buyer group in the covered bond market with a virtually unchanged share of 44.8%. In contrast, Asset Managers & Funds have lost ground and on average were only involved in 24.8% of new issues (2019: 30.7%). In addition, the share of the Insurances & Pension Funds segment also declined from 6.8% to 4.7%, although issuers increasingly opted for longer-dated bonds. The average time to maturity of issues in 2020 was 9.1 years, i.e. almost one year longer than in 2019 (8.2 years) and 2018 (7.8 years). The geographic distribution proved quite robust. The proportion of investors from the DACH region fell by 4.7 percentage points to an average of 48.9%, dipping below 50% for the first time in many years. We attribute this development firstly to a lower issuance volume from Germany in 2020 and secondly to a substantial and moreover slightly higher volume from France. In this context, it is also worth noting that the proportion of French investors has increased from 7.8% to 10.4%.

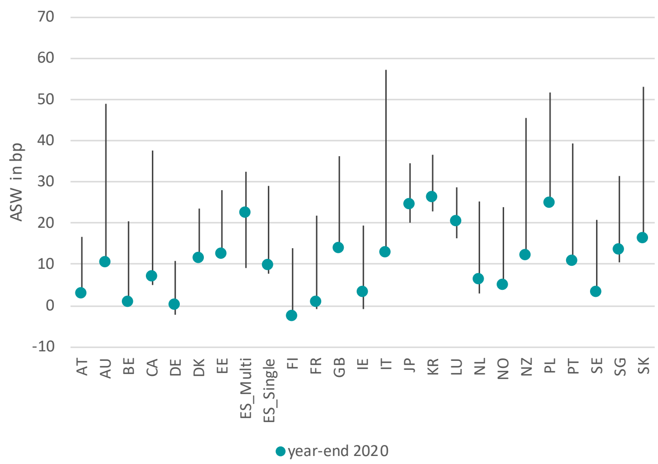
Spread performance in the secondary market

While some spreads even tightened further right at the turn of the year, there was a massive widening of spreads in the covered bond market in March and April triggered by pandemic-led market turbulence. Another important factor in this respect is that three out of a total of six periods in which there were at least ten calendar days between two days with new issues fell between 20 February and 12 May. After all, screen prices are of limited indicative value, especially during market phases with few new issues, and secondary market prices tend to lag. Whereas spreads peaked at the end of April, there was a significant countermovement until the end of May, which admittedly weakened slightly subsequently, but still continued until the end of the year on the back of the measures taken by the ECB and through spillover effects. Looking over a 12-month horizon and bearing in mind monetary policy measures taken in particular by the ECB, it hardly comes as any surprise that spreads at the end of 2020 were trading virtually back at pre-crisis level. All in all, a reduced public supply and still high demand led to a marked tightening of spreads from mid-May onwards.

Development of ASW spread by region (5Y)



Spread range by country in 2020 (5Y)



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

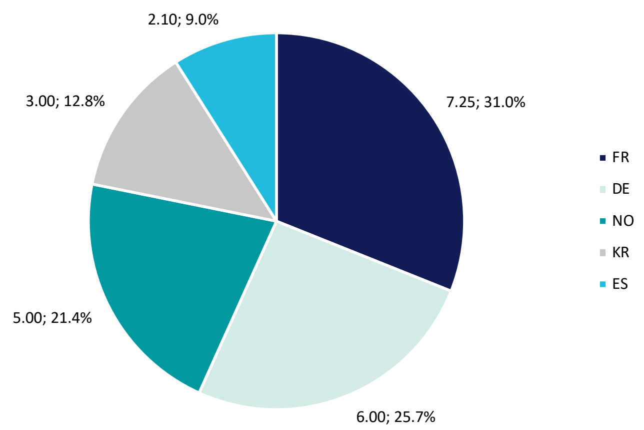
Covered bond harmonisation: implementation period underway since January

After the package of measures for the harmonisation of the European covered bond market, consisting of one directive and one regulation was published in December 2019 in the Official Journal of the European Union, it came into force on 07 January 2020 20 days after publication. Consequently, this date represents a further milestone on the road towards a harmonisation of the covered bond market in the European Economic Area. This date also sets the timeframe for the next stage of the initiative in so far as national legislators are now required to adjust their relevant covered bond legal framework by 08 July 2021, and this will now be applicable and binding from 08 July 2022 at the latest. Adjustments to the regulation will also come into force from that date. Overall, however, it is fair to say in relation to harmonisation in the calendar year 2020 that there was nothing of note with the exception of just a few proposals to change national frameworks (including Germany). In light of this, it is definitely worth mentioning that, in view of the huge impact of the COVID-19 crisis and ongoing pandemic, prioritisation in respect of implementing the rules in the directive into national law will have changed. To that extent, we can expect both proposals and finalised drafts for approval to be announced rather slowly in some jurisdictions.

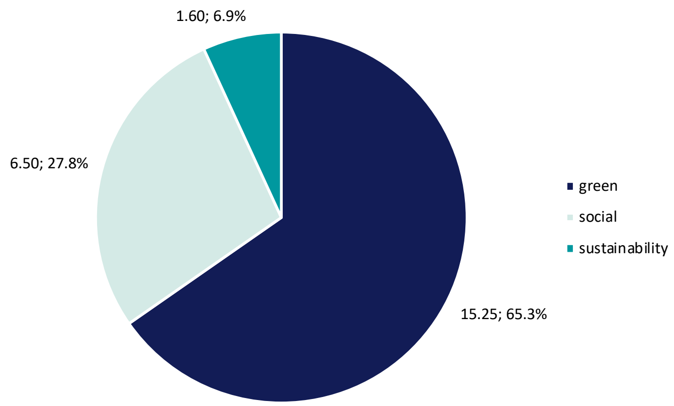
ESG: record in spite of crisis year

In spite of the pandemic and hence much lower issuance volumes in the EUR benchmark segment, it was still a record year in the covered bond market for ESG covered bonds. Whereas just nine EUR benchmark bonds were issued in ESG format in 2019 with a total volume of EUR 6.5bn, there were as many as 10 deals last year amounting to EUR 7.75bn of which five deals were issued as green, four as social and one as a sustainability covered bond. Debut issuers were Norway's Sparebanken Vest Boligkreditt, Kookmin Bank from South Korea and France's BPCE. In all, at the end of the year, there had been 33 issues from Germany, Spain, France, South Korea and Norway in the market for EUR-denominated ESG benchmark bonds. Geographically, France accounted for the largest number of transactions; in terms of format, the majority were issued as green covered bonds.

EUR benchmark volume (ESG) by country (EUR bn)



EUR benchmark volume (ESG) by format (EUR bn)



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

Conclusion

For us all, 2020 will forever be the year of the coronavirus pandemic. The same applies to the covered bond market. Whereas the market got off to a very good start, the spread of the virus led to increasing restrictions and hence also to reactions, not only by governments, but also or perhaps especially by central banks and first and foremost the ECB. The APP was increased, the PEPP established and the TLTRO III programme adjusted to name just a few of the measures which had an impact on the market in 2020 and which mostly continue to influence it. One positive factor is that covered bonds have once again proved that they are resilient in a crisis, even though at times during the spring the market was out of action. Any temporary widening of spreads had been corrected again by the end of the year, reflecting not least efforts and support from the ECB. Another positive factor was that the market for EUR benchmark bonds and the ESG bond segment attracted new issuers, even in 2020, underlining the importance of covered (and sustainable) funding. Although we have reviewed last year in this issue, we already looked ahead to the new year at the end of 2020 and set out our expectations for this year in our Outlook 2021.

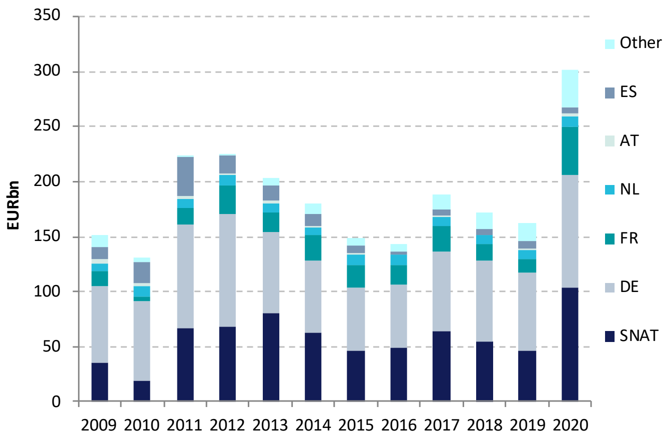
SSA/Public Issuers
Annual review of 2020 – SSA

Autor: Dr. Norman Rudschuck, CIIA

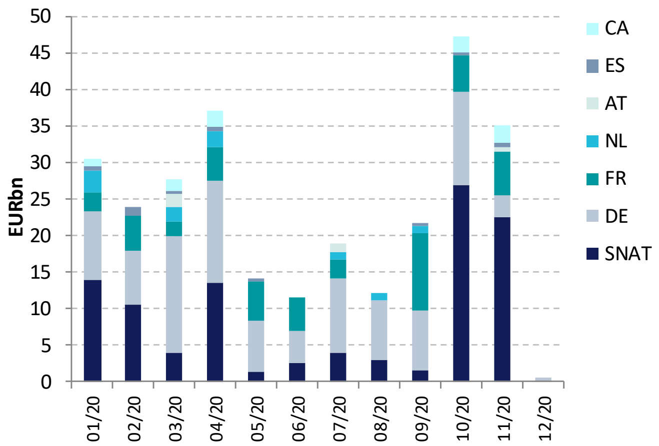
Introduction

In this first issue of our publication in 2021, we are taking the opportunity to undertake a detached review of the SSA market in EUR in 2020 in spite of the hectic dislocations. On the whole, last year was once again characterised by favourable funding conditions for the issuers in our coverage universe. This was only temporarily affected by the pandemic when spreads reacted excessively to the extremely high level of uncertainty. Consequently, the spread level was higher at the March/April quarter changeover in particular, before heading back down again when the intense repricing stopped. As a result of the Eurosystem's purchase programmes (PSPP and PEPP) in particular, investors will be able to capture significantly higher yields in the top ratings segment in the coming years.

EUR benchmark issuance volumes



EUR benchmark issuance volume 2020



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

Jump in issuance volumes

Everything was pointing towards 2020 being an unspectacular year: funding figures seemed clear, the debt brake came into force, the ECB had embarked on its course at the change of the year 2019/20. Yet things have a habit of not turning out quite as you imagined. The supplementary budgets of the Laender (one per federal state was mostly not enough) and the support measures from the European Central Bank (extension of PSPP, creation of PEPP and multiple increases, TLTRO) ensured both an increased supply and a sharp rise in demand. But it was not just the Bundeslaender having to make adjustments; the government, KfW, the EU, all well-known issuers, were hard hit by the emergency situation to fund the costs of the pandemic. Programmes sprang up out of nowhere, some individual and some joint, to combat the coronavirus.

No usual concentration on first half of the year

Even some of the usual issuance patterns have gone by the wayside. January was undisputedly a very busy month with EUR benchmarks of more than EUR 30bn. But it was still only the fourth busiest month of the year, and with around EUR 35bn, November ranked in third place, just behind April. But it was October that stood out with in excess of EUR 45bn in the EUR SSA benchmark segment. As a result of the situation outlined above, there was no further reduction in the issuance volume in the EUR bond segment – it would have been the third year in a row. Instead, activity even far outstripped 2011 and 2012, the busiest years up to now. The months of May to July in particular were weaker due to challenging market conditions and the summer break. The first coronavirus shock was absorbed in March and April and issuers made a significant return to the market from August onwards. Overall, a record issuance volume (EUR benchmark) of EUR 303.8bn was achieved. To compare, the average since 2008 stands at EUR 172.5bn. The previous record years were 2011 and 2012 with around EUR 224bn. The number of EUR benchmark bonds also hit a record high at 207. The long-term average here is 130 bonds, again with figures peaking in 2011 (153 bonds) and 2012 (157).

Publications in 2020

In addition to our ad hoc publications on events that affect the market, including three major ECB decisions, and coverage detailing the PEPP, TLTRO and PCS programmes and what they all mean, last year saw us return to our roots somewhat when we published the Issuer Guide – German Bundeslaender 2020. The publication was stopped in 2019 due to capacity constraints and this latest edition proved very popular. It is always interesting for us to see how investor interest in so-called niche products is growing: Therefore we are also proud to have published the fourth edition of our Issuer Guide – Canadian Provinces & Territories 2020. Our other annual publication, the Issuer Guide for Supranationals & Agencies (2019 edition), which serves as a reference work and provides a comprehensive overview of the EUR benchmark segment, was not produced due to capacity constraints but will be published as a 2021 edition in the first half of this year. These flagship publications were accompanied by 49 issues of the weekly publications and two digital capital market conferences. Our department was also rebranded Markets Strategy & Floor Research on 1 September.

Summary of key themes in 2020

Up until the end of 2019 the word corona largely had positive connotations and was associated for example with a refreshing beer or known simply as the Latin word for “crown”. Then in 2020, our lives changed, as did activity in and around the capital market. Corona became COVID-19 or SARS-CoV-2, at first played down as an epidemic, but then as a virus that spread across the world (pandemic). The challenges, initially purely medical, were met by governments, regions, promotional banks and supranational entities with countermeasures to combat business bankruptcies, unemployment and to promote digitisation and of course support healthcare systems. Packages were put together, various supplementary budgets devised, applications assessed and funds disbursed. All of this was procured and covered via the capital market. Just the SURE bonds alone that were issued by EU met with global demand of EUR 522bn for an offering of EUR 39.5bn! The ECB also increased its PEPP programme twice to its present level of EUR 1,850bn. In the following, we take a closer look at these headlines, as well as downgrades for individual Bundeslaender, the importance of pioneering ESG topics, city bonds from Munich or Bochum and even the German Constitutional Court, among other aspects.

The year ended as it began: with the ECB battling the pandemic

Monetary policy for 2021 (and beyond) was presented and explained in December by the ECB Council headed by Christine Lagarde. With regard to the PEPP programme, set up specifically to combat the coronavirus pandemic, the ECB increased both the volume and duration as expected. The additional EUR 500bn increases the programme volume to EUR 1,850bn and instead of expiring in June 2021 at the earliest, it has now been extended by a further 9 months to March 2022. Once again this is a minimum duration and net purchasing can carry on until the ECB deems the coronavirus crisis to be over. In the wake of the duration extension, the period for reinvestments under the PEPP was also adjusted. These can now be carried out until the end of 2023 at least, which is 12 months longer than previously announced. Both interest rates and the Asset Purchase Programme remained unchanged: the monthly net purchases under the APP remain at EUR 20bn until shortly before a rise in key interest rates. The announced changes to the TLTRO III tender were also to be expected in our opinion. The programme will now be extended beyond March 2021 (III.7) with a further three rounds (June, September and December). This extension was accompanied by an adjustment to the interest rate modalities and the period with a preferential interest rate of 50bp below the deposit rate, i.e. currently -1.0%, has been adjusted and now applies between June 2020 and June 2022. This equates to an additional 12 months which is a doubling of the timeframe. The maximum amount per institution has also been raised from 50% of eligible loans to 55%. The interest rate modalities should only apply to those credit institutions that comply with an adjusted target for lending. However, the main focus in 2020 was on the PEPP, which was set up in mid-March and had been increased and extended twice by December.

Supplementary budgets everywhere

Governments and regions were among the first to tackle the crisis. While governments naturally bore the brunt of crisis management, and will continue to do so in future, in our SSA coverage we are focusing mainly on the German Bundeslaender. For instance, in mid-2020 the federal state government in Lower Saxony initiated a second supplementary budget with a volume of EUR 8.4bn to combat the impact of the coronavirus and offset lost tax revenue. Finance Minister Reinhold Hilbers explained that for 2020 alone, the forecast tax revenue shortfall stands at EUR 3.4bn, which equates to around 10% of the federal state budget. “The corona tax aid under the government’s fiscal package will result in an additional burden for Bundeslaender budgets of EUR 1.1bn”, according to Hilbers. Lower Saxony’s own fiscal and crisis package amounts to a hefty EUR 3.9bn, which is supplemented by EUR 1.4bn from the first supplementary budget. The borrowing authorisation in the second supplementary budget is set to amount to up to EUR 7.8bn, of which around EUR 1.4bn stems from the usual cyclical adjustment in accordance with the debt brake rules. For the amount above this, in an emergency the debt brake allows for exceptions to the fundamental ban on new borrowing. Consequently, from NRW to Bavaria, no Bundesland has escaped having to initiate these special measures and intra-year adjustments. Even SAXONY returned to the capital market last year, providing investors with an excellent and rare credit risk as one positive effect of the pandemic.

New debt followed by downgrades for German Bundeslaender

But naturally the bad news predominated, particularly in terms of the impact on people and health, but also on the budget side. Baden-Wuerttemberg was downgraded by S&P back on 14 August and Saxony-Anhalt also saw its rating cut by one notch on 18 September. The rating agency assumed 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 Bundesland will finance its considerable budget deficit 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. BADWUR and SACHAN, as they are known with their Bloomberg tickers, are by no means alone. 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, highlighted the risks for Q4. The restrictions in our public and private lives, as well as in parts of the hospitality industry, tightened significantly again. Hesse (AA+) and Saxony (AAA) have also each been assigned a negative outlook. S&P cites the rationale for this as follows: according to their 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 more than 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.

Promotional banks – the curious case of KfW

While the Bundeslaender were obtaining borrowing authorisations amounting to more than EUR 156bn, KfW cut its funding requirements through capital markets. On closer examination, however, this is not surprising. It cut its issuance target for 2020 by EUR 10bn in the half-yearly review of its funding requirement. Additional funding sources also played a role here, as the promotional bank explained. For instance, KfW participated in the TLTRO III for the first time, drawing an amount of EUR 13.4bn. A further EUR 30bn came from the Economic Stabilisation Fund which is funded via the government. The new funding target therefore stood at EUR 65bn and included green bonds amounting to EUR 8bn. In addition, all promotional banks were deluged with applications but normal activity was largely suspended or they received no applications due to lockdown, short-time working etc. Several promotional banks and Bundeslaender also had to deal with instances of fraudulent claims for financial assistance or phishing attacks with attempts to steal data and redirect payments. Hardly acts of solidarity but sadly unsurprising and particularly despicable in a time of crisis.

Unexpected expansion of the PSPP list (and thus also PEPP-eligible)

The unexpected often happens: In 2020, the ECB’s Governing Council decided to add the following 15 issuers to the list of recognised (eligible) agencies on the ECB's website: NBank Investitions- und Förderbank Niedersachsen (NBank), Investitionsbank Sachsen-Anhalt (ISA), Thüringer Aufbaubank, Investitions- und Strukturbank Rheinland-Pfalz (ISB), Bremer Aufbau-Bank, Landesförderinstitut Mecklenburg-Vorpommern, Saarländische Investitionskreditbank AG, Clairsienne, Clésence, Valloire Habitat, Alliade Habitat, Néolia, Vilogia, Batigère and Malta Development Bank. This was preceded by a positive assessment that they had met the qualitative criteria based on their non-profit activity and national/regional field of action. As a result, these issuers are eligible for purchases under the Asset Purchase Programme (APP), PSPP and PEPP. It is our understanding that only Thüringer Aufbaubank already has a Bloomberg ticker (THUAUF). Its bond issued in 1995 matured in 2000 and is the only bond issued in the promotional bank’s history to date. All the other agencies can be found in the terminal, but are without bonds and/or ratings. Thus, no new bonds from this jurisdiction can be purchased under the programmes to expand the overall universe. However, this could be an interesting portent for future capital market activity.

Ruling of the German Federal Constitutional Court on the PSPP

On 5 May 2020, the German Federal Constitutional Court largely upheld several complaints brought against the PSPP, which was launched in 2015 (to stimulate inflation and the economy). The German Federal Government and the German Bundestag were supposed to ensure that the ECB subsequently examined whether the purchases had been proportionate. Otherwise, the Bundesbank would no longer have been allowed to participate. A spokesperson from the German Ministry of Finance said in response to a media enquiry that the requirements of the German Federal Constitutional Court were considered to have been met. The proportionality assessment by the ECB’s Governing Council explained the weighing-up process in a comprehensible manner. The court does not check compliance with its judgment of its own accord, but if the complainants are in any doubt, they can apply for a writ of execution. The Bundesbank also thinks the requirements of the Federal Constitutional Court on government bond purchases have been met. The central bank announced that the Deutsche Bundesbank would therefore continue to participate in purchases under the PSPP.

We no longer classify SNCF SA as an agency

The new bond issued by SNCF SA, which now acts as the parent company in the market instead of SNCF Réseau or Mobilité, seems to have been purchased only in the CSPP in 2020 and no longer in the PSPP, which is why the change in status from EPIC to SA may have led to us no longer being able to maintain coverage, as it is no longer an agency. The SNCF and SNCFM bonds, according to the two tickers on Bloomberg, feature as part of Banque de France's purchases, while RESFER's old bonds remain in the PSPP. Of the new bonds issued in 2020 by the new entity SNCF SA, ISINs already appeared in the CSPP shortly afterwards. The old RESFER bonds remain in the PSPP (held to maturity).

ESM now also has Social Bond Framework

In 2020 the European Stability Mechanism (ESM) reaffirmed its commitment to socially responsible values. They describe the strengthening of its commitment in the ESG areas of environment, social affairs and governance. It also presented its new framework for social bonds, which had already been addressed in a Global Investor Call in May. It is intended as necessary crisis support in the context of pandemic management. The ESM Social Bond Framework is fully consistent with the International Capital Market Association (ICMA) Social Bond Principles. The ESM social bonds are listed on the Luxembourg Green Exchange (LGX). Since October, the ESM has been fully able to issue ESM social bonds. All issues under the SURE programme were social bonds.

EIB Group approves Climate Bank Roadmap

The European Investment Bank (EIB) Board of Directors has approved the Climate Bank Roadmap 2021-2025. It serves as a compass for its future financing, with which the Bank aims to mobilise investments of EUR 1,000bn in climate protection and environmental sustainability by 2030. In addition, the roadmap helped the EIB to align all financing activities with the principles and objectives of the Paris Climate Agreement by the end of 2020. It has also approved new financing for companies hit by the coronavirus crisis and for investments in clean transport, sustainable urban development, renewable energy, as well as health and education in Europe and globally. The EIB has approved funds for medical research, new hospitals and public health, as well as for local support programmes to make the private sector more resilient to the economic shocks of COVID-19. Support for airport capacity expansion and conventionally operated aircraft has been discontinued. According to the Climate Plan, the bank will instead focus on improving existing airport capacity by investing in safety and decarbonisation.

Definitions: EIB SAB and NWB SDG Housing Bonds

The European Investment Bank has issued a sustainability bond (8.0y, EUR 1bn, ms +6bp; Sustainability Awareness Bond (SAB or SA bond)), the proceeds of which are earmarked for its financing activities contributing to the United Nations Sustainable Development Goals (SDGs), including universal access to affordable healthcare services. The EIB reported that the bond was seven times oversubscribed. Eligibility will be extended to other areas of EIB financing directly related to fighting the COVID-19 pandemic. To recap: With its SA bonds, the EIB contributes to the EU Sustainable Finance Action Plan of March 2018 as well as to the 2030 Agenda and the UN Sustainable Development Goals. The projects are to be implemented worldwide and supplemented modularly with new ecological and social goals. The Sustainability Bonds build on the success of the Climate Action Bonds (CABs) – the EIB's green bonds – which continue to focus on climate projects. The SABs are in line with the principles for green bonds, social bonds and sustainability bonds. In addition, the Nederlandse Waterschapsbank renamed its Affordable Housing Bonds “SDG Housing Bonds” in 2019 to signal the transition from a social to a sustainable bond. The idea is to pursue ecological goals in addition to social ones. The reporting focuses on eight Sustainable Development Goals, all of which are linked to social and environmental issues. NWB was able to raise EUR 2bn for three years (ms +11bp).

EU: Very SURE – EUR 39.5bn of the EUR 100bn already raised in 2020
In five transactions, the EU raised EUR 39.5bn of the targeted EUR 100bn in its role as an issuer. All five order books since the start of the programme add up to EUR 522bn. With maturities of 5, 10, 15, 20 and 30 years, a social SURE curve was also generated in a very short time. All bonds subsequently performed notably. Although the new issue premium fell slightly over time for each transaction, this did not diminish interest at all, as the over-subscription rates showed. Over 70% of the most recent transaction was placed with ESG-oriented investors. This leaves a good EUR 60bn in SURE funding for the EU for 2021, all of which will be in the form of social bonds. At least in 2020 and 2021, the EU will therefore be the largest issuer in EUR social bonds – followed by UNEDIC and CADES. Once all SURE disbursements are completed, Italy will have received a total of EUR 27.4bn, followed by Spain (EUR 21.3bn) and Poland (EUR 11.2bn; see table below). To recap: the support, in the form of loans on favourable terms, is intended to help Member States cope with the surge in public spending to maintain jobs. In particular, they will help cover the costs directly related to the financing of national short-time work schemes they have introduced in response to the pandemic, especially for the self-employed. Among others, the heavyweights Germany and France did not apply for SURE.

Financial support already approved in 18 Member States (EUR 90.3bn)

Belgium	EUR 7,800m	**Lithuania**	EUR 602m
Bulgaria	EUR 511m	**Malta**	EUR 244m
Croatia	EUR 1,000m	**Poland**	EUR 11,200m
Cyprus	EUR 479m	**Portugal**	EUR 5,900m
Czech Republic	EUR 2,000m	**Rumania**	EUR 4,000m
Greece	EUR 2,700m	**Slovakia**	EUR 631m
Ireland	EUR 2,500m	**Slovenia**	EUR 1,100m
Italy	EUR 27,400m	**Spain**	EUR 21,300m
Latvia	EUR 192m	**Hungary**	EUR 504m

Source: European Commission, NORD/LB Markets Strategy & Floor Research

World Bank/IBRD pandemic bonds suddenly the talk of the town
In view of the spread of the coronavirus from China to other countries, attention has focused on special financial instruments to support the global fight against acute epidemics. The International Bank for Reconstruction and Development (IBRD), which we have covered for years, issued two pandemic bonds in mid-2017. The IBRD is part of the World Bank Group and a regular issuer in the market for mostly plain vanilla bonds in various currencies, but also e.g. sustainability bonds. The money raised from bondholders (USD 225m and USD 95m) was intended for particularly poor countries where an epidemic breaks out and needs to be combated quickly. When this happens, investors lose some or all of their investment. Without an event, they get the money back at the end of the term. The 6M USD Libor served as the reference rate. The larger tranche offered a premium of 650 basis points, while the smaller high-risk tranche, which covers Lassa fever, Crimean-Congo haemorrhagic fever (CCHF) and Rift Valley fever (RVF), in addition to coronavirus, even offered a premium of 1,110 basis points. For more on this see the bond conditions and press release from June 2017.

Munich City Bond 2020 – Social Bond

At its plenary session at the end of January, Munich City Council voted by a large majority in favour of issuing a new Munich city bond. Most recently, the City of Munich re-established the tradition of city bonds in 1994 and 1995 (so-called Schmuckanleihe). In the meantime, the securitised bonds have all matured. The funds from the new city bond, designed as a social bond, will primarily be used to finance the exercise of pre-emption rights and thus to protect tenants in Munich. One way of countering this is for the City of Munich to exercise its right of pre-emption. In the past two years, hundreds of flats have been acquired for more than EUR 300m. These and other city bonds – whether alone, in pairs, jointly in NRW or, like the DEUSTD (German cities bond), across state borders – underline the acceptance of institutional investors. The collected volume amounted to EUR 120m (ms +15bp for 12 years).

Another Bochum municipal bond

The city of Bochum issued its own city bond for the first time in 2016. At that time, investors could secure an interest rate of 1% per year for a term of ten years. Bochum was also part of the first cross-Laender German city bond at the end of 2018 (EUR 50m of the EUR 200m of the ticker DEUSTD). Bochum was also represented in the established NRW Joint Bonds (NRWGK). In 2020, the Westphalians from the “Pott” were in action again. BOCHUM issued a municipal bond EUR 250m, with the books attracting orders of around EUR 345m. The spread stood at ms +23bp (10y), with the guidance having started in the area of ms +28bp. On this occasion, 96.7% of the bond remained in Germany compared with “only” 90% for its last successful capital market venture.

Lower Austria (NIEDOE) issues first EUR benchmark

Also in 2020, we saw a new benchmark issuer for investors with a regional focus in the market, namely the Austrian federal state of Lower Austria. In terms of pricing, the bond came to market for 15 years at ms +11bp. The guidance had been ms +16bp area. HAMBRG came at ms +2bp at the end of October in comparison and NRW appeared earlier in October at ms +7bp with an identical term to maturity. With a corresponding pick-up, the NIEDOE order book according to the Bloomberg ticker was more than EUR 2.5bn. It is Austria's largest federal state with the second-highest population share (1.7m, 19%). It surrounds the federal capital Vienna (134.9 km border), which has a 21% share of the population. The ratings are Aa1 (stable) and AAu (neg.) with Moody's and S&P respectively, which is slightly lower than the Republic of Austria (Aa1 and AA+, stable respectively).

CEB – COVID-19 Response Social Inclusion Bond

The Council of Europe Development Bank (CEB or COE, according to the ticker) concluded a EUR 1.0bn bond issue in 2020 to combat the pandemic with a term of seven years. The issue attracted a wide range of socially responsible investors. In addition, asset managers and banks showed particularly strong interest. This was already the fourth bond with the theme “Social Inclusion”. With this new issue, the CEB has once again acted in line with its social mandate and maintained its good track record of promoting social investments across Europe. Within this framework of social inclusion, the proceeds of the bonds are normally used to finance projects with high social added value in the following areas: social housing, education and the creation and maintenance of jobs in micro, small and medium-sized enterprises.

ILB Social Bond – successful debut

As a rule, Investitionsbank des Landes Brandenburg (ILB) funds its promotional lending business through global loans from the European Investment Bank, Landwirtschaftliche Rentenbank, KfW Bankengruppe and the Council of Europe Development Bank. In addition, ILB issues bearer bonds, SSD and registered bonds to refinance via the capital market. In addition, by issuing social bonds, the ILB intends to create an opportunity for sustainability-oriented capital market investors to participate in social investment projects and thereby support the sustainable development of the state of Brandenburg. Both the Social Bond Framework and the issuance of social bonds give ILB the opportunity to present its sustainable business model in a more transparent and visible way. The social investment selection process was verified by imug in a Second Party Opinion (SPO). In 2020, the inaugural social issue raised EUR 100m for five years at ms -3bp, resulting in a negative yield (-0.301%). The guidance was initially ms -1bp. ILB now has four smaller bonds outstanding, including a sub-benchmark as the largest security (EUR 250m).

First Rentenbank Green Bond in 2020

Landwirtschaftliche Rentenbank successfully placed its first public Green Bond. The issuance volume of the benchmark bond with a seven-year term to maturity was set at EUR 1.75bn. Demand amounted to just under EUR 4bn. “The record demand for a Rentenbank bond shows how dynamically this market segment is currently developing”, says Horst Reinhardt, spokesman of Rentenbank's Board of Directors. In the placement of the bond, investors who explicitly incorporated sustainability goals in their investment strategy benefited from an increased allocation rate. The green bond framework is matched by a loan portfolio that, at the time of the issue, comprised more than 2,000 loans in the wind farm sector and approximately 21,500 photovoltaic investment projects.

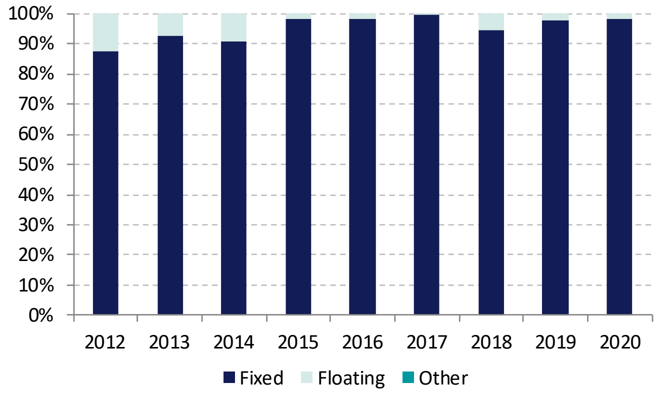
NIB now also issues response bonds

In response to COVID-19, Nordic Investment Bank (NIB) has started issuing NIB Response Bonds to finance eligible projects aimed at mitigating the social and economic consequences of the coronavirus pandemic in the bank's Nordic-Baltic member countries. As requested by their owner countries, the NIB loans will be made available to member countries and sustainable enterprises facing economic consequences due to the pandemic. The novel Response Bonds will finance eligible projects aimed at mitigating the social and economic impact of the pandemic in the bank's member countries and ultimately supporting their recovery process (NIB Response Bond Framework).

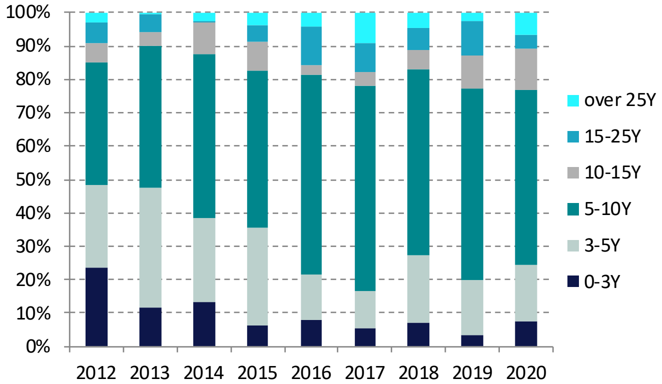
Fewer EUR benchmarks issued as floaters again in percentage terms

With interest rates falling since 2008, the importance of fixed-coupon bonds has also increased continuously and recently stabilised at an extremely high level. In 2018, there was a minimal trend reversal. For the first time since 2014, FRN issues increased again. However, the share of FRNs as a percentage of market volume remained low at 5.4%. In 2019, this share fell to 2.2% and in 2020 to 1.9%. They did not account for a really large share in the past either. Only a genuine normalisation of monetary policy coupled with diverging expectations about the medium to long-term development of the general interest rate level could cause the share of floaters to increase much more strongly, as could be seen in 2011-2014. For the moment, however, we do not expect any notable expansion of the floater share. In terms of volume, EUR 5.75bn of the market volume (EUR 303.8bn) were floaters, so the value was higher in absolute terms than in 2019 (EUR 3.7bn), but not in relative terms.

EUR benchmark issues by coupon type



EUR benchmark issues by maturity range

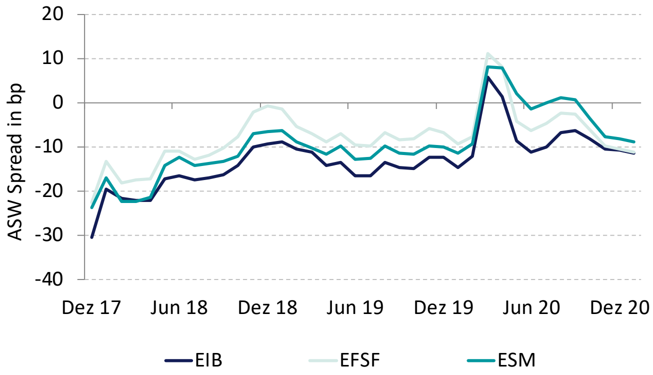


NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

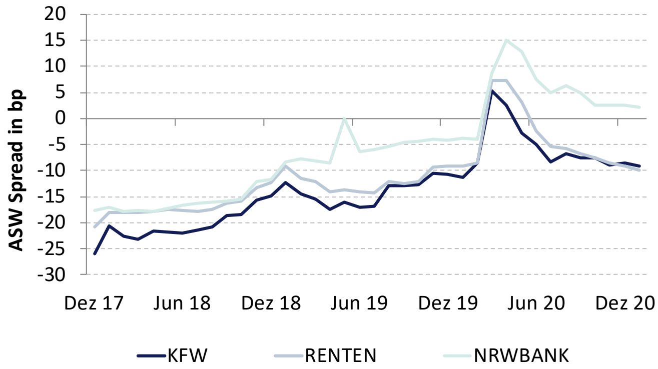
Maturity buckets also tend to be ultra-long

The picture for maturity buckets cannot be described with a general trend. While the 0-3y share was still over 20% in 2012, it was only 3.3% in 2019 and 7.3% in 2020. Accordingly, the shortest bucket increased just as much as the longest category over 25 years. Here, the share rose from 2.6% (2019) to 6.5% last year. The trend towards long maturities in refinancing was also evident in the 10-15y bucket. Thus, the share of this maturity band increased since 2016 (3.0%) to 5.9% (2018) and now 12.2%. The main segment is still the 5-10y maturity band, although it has always been at around 60% since 2016 and now stands at 52.7%. The 3-5y segment remains stable at around 17% in our EUR benchmark differentiation.

European Supras ASW Spreads 10y



German Agencies ASW Spreads 10y

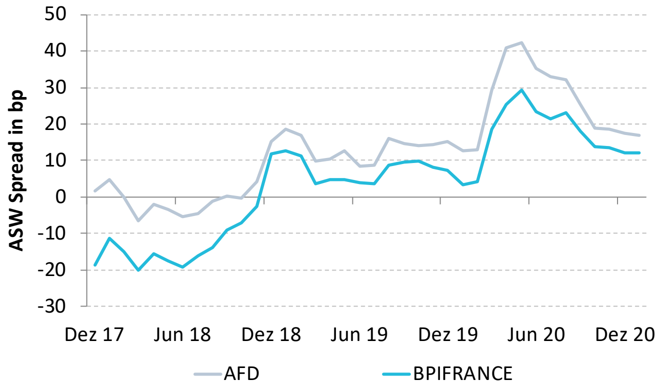


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

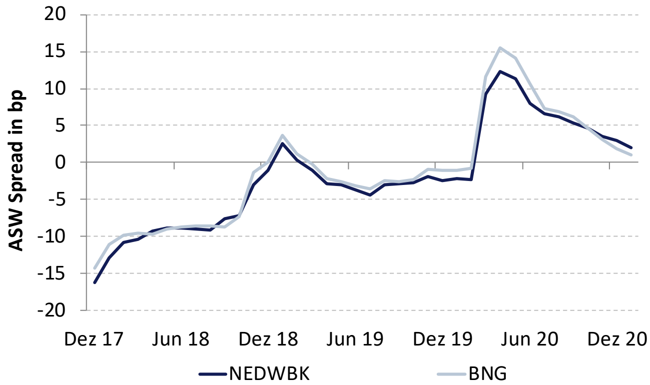
First sideways, then corona shock, then narrowing

The spread movements of all sub-asset classes can be described in a few words: At the beginning of the year, virtually all spreads were tending to move more or less sideways. In April and May, spreads were scarcely recognisable after the corona shock. In retrospect, the tensions lasted "only" two months and after the peaks the ASW spreads moved back towards pre-crisis levels week by week. The increased supply through special programmes and supplementary budgets was well received by the central banks. For almost the whole of last year, the spreads of the largest issuers were running almost parallel to each other. In particular, the rating differences are the key differentiating feature here, as well as the new bond supply. In turn, "sideways" is also a good description of current movements.

French Agencies ASW Spreads 10y



Dutch Agencies ASW Spreads 10y



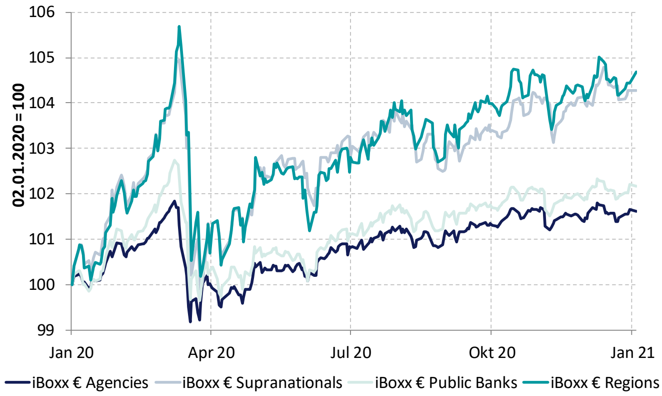
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Similar pattern for French and Dutch issuers

A similar pattern has emerged for French and Dutch agencies. While relative value considerations may have played a primary role in the case of Dutch agencies due to regulatory disadvantages compared to other issuers (risk weight 20%), CADES only has one bond that falls into the 10y maturity bucket, which is why the chart looks somewhat sparse. In any case, the French market is more volatile due to its heterogeneity. We expect both segments to move sideways in 2021.

ASW Spread Development SSA iBoxx € Indices

Total Return Development SSA iBoxx € Indices



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

iBoxx € Indices: Spread widening and positive total returns

The same picture as described above can be seen for the iBoxx benchmark bonds. The second half of the year in particular reveals certain spread narrowing after the corona shock. While spreads initially moved sideways in the first quarter, they jumped many times over in March/April before falling again. Long term, we expect a fair spread level at the level of mid-2016. However, it will probably take longer than 2022 before these higher levels are reached. The total returns at the end of 2020 were all higher than at the beginning of the year, but below the shock level. The peaks for all asset classes were reached in the spring.

Conclusion

Last year was extraordinary and difficult to squeeze into an annual review. Moreover, it is far too easy to overlook other factors beyond the coronavirus pandemic or what (sustainable and/or) positive consequences can even be discerned. Once again, a difficult one for SSA investors – but also for issuers. For a change, this was not due to the permanently smouldering Brexit debate right down to the wire, but was mainly shaped by coronavirus itself. The issuance volume of EUR benchmarks was gigantic at EUR 303.8bn. Trends have changed from some perspectives, with fewer floaters in percentage terms and longer maturities again chosen more frequently (incl. 100 years NRW), for example. In addition to the familiar QE (PSPP), the ECB also countered the consequences of the pandemic by establishing the PEPP. A total of EUR 1,850bn is to be purchased here by the Eurosystem by the end of March 2022. This brought spreads back to their previous level after the significant widening at the beginning of the crisis. Recently, spreads have been moving sideways everywhere, and we do not expect a turnaround in the new year. However, once again uncertain funding volumes and also the reinvestments of the Eurosystem are likely to dampen further spread widening, with the result that the spread increase will only be gradual (if at all).

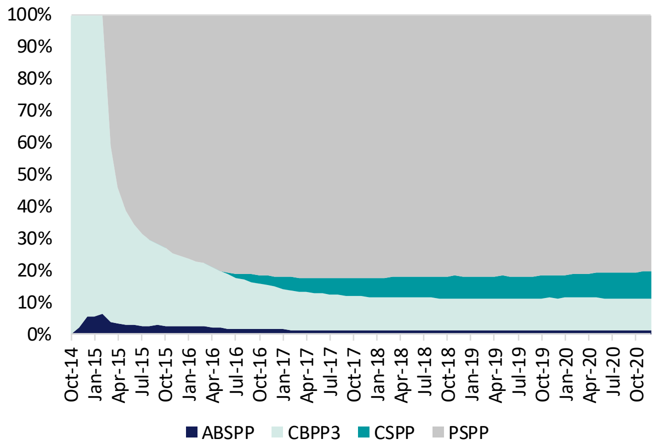
ECB tracker

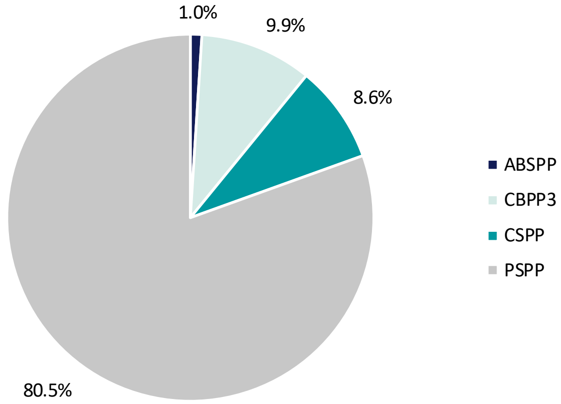
Asset Purchase Programme (APP)

Holdings (in EURm)

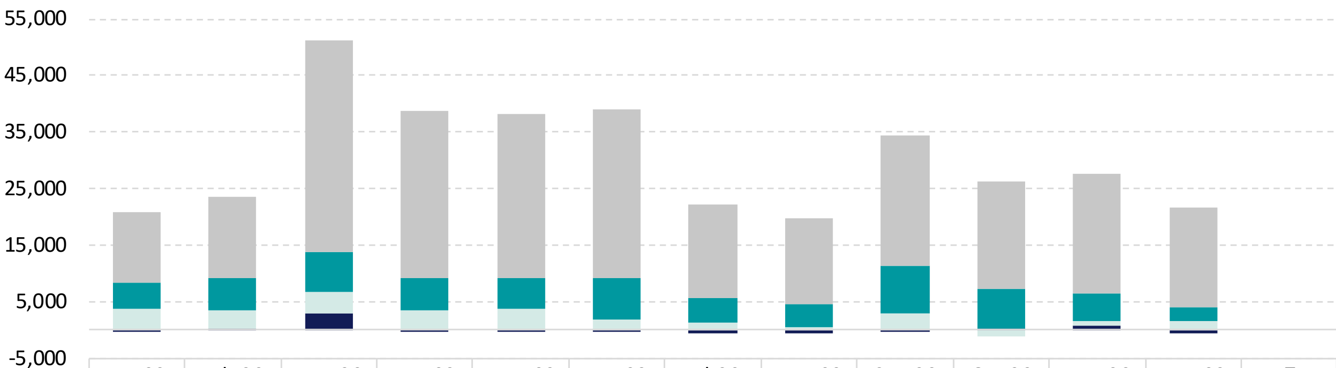
	ABSPP	CBPP3	CSPP	PSPP	APP
Nov-20	30,161	286,458	248,340	2,330,562	2,895,521
Dec-20	29,497	287,545	250,403	2,341,607	2,909,053
Δ	-664	+1,087	+2,063	+11,045	+13,532

Portfolio structure





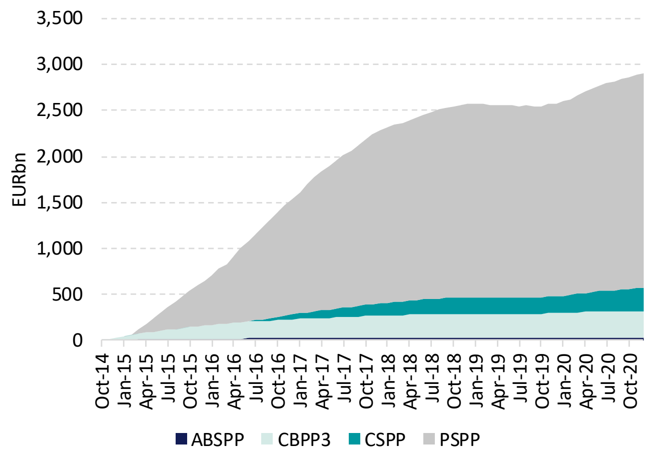
Monthly net purchases (in EURm)



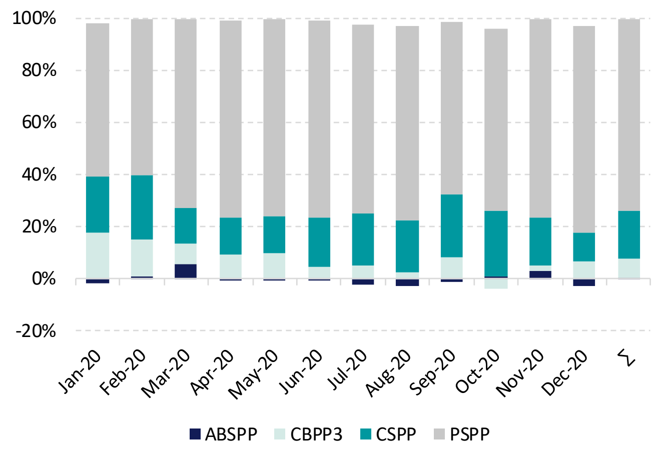
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
APP	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	21,073	359,159
PSPP	12,427	14,137	37,323	29,624	28,961	29,779	16,370	15,150	23,102	19,182	21,241	17,822	265,118
CSPP	4,611	5,738	6,965	5,560	5,438	7,515	4,502	4,004	8,496	6,983	5,009	2,378	67,199
CBPP3	3,684	3,334	3,931	3,582	3,785	1,731	1,198	500	2,839	-1,041	646	1,529	25,718
ABSPP	-328	221	2,923	-325	-14	-255	-541	-527	-423	225	824	-656	1,124

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

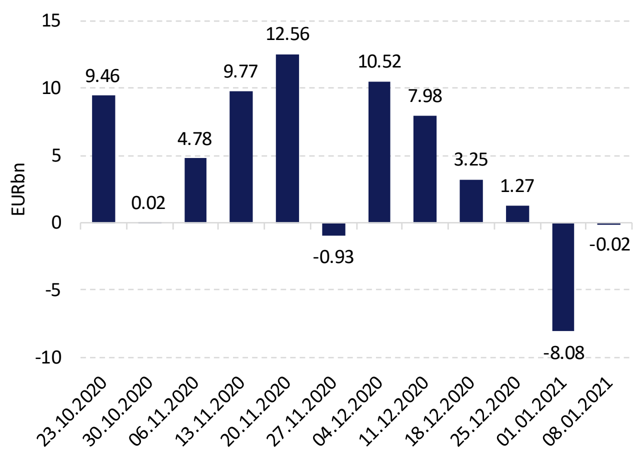
Portfolio development



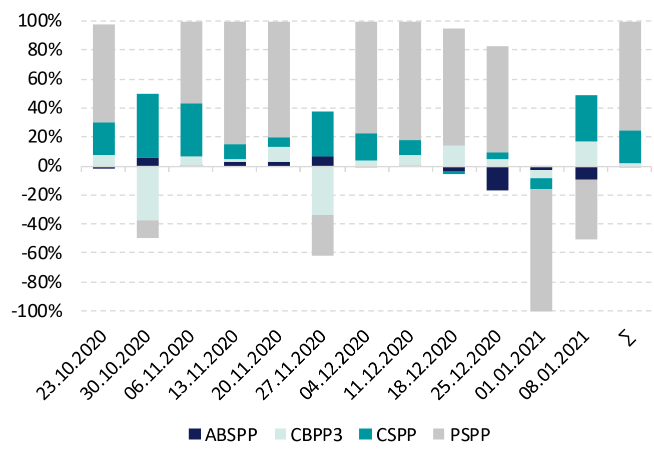
Distribution of monthly purchases



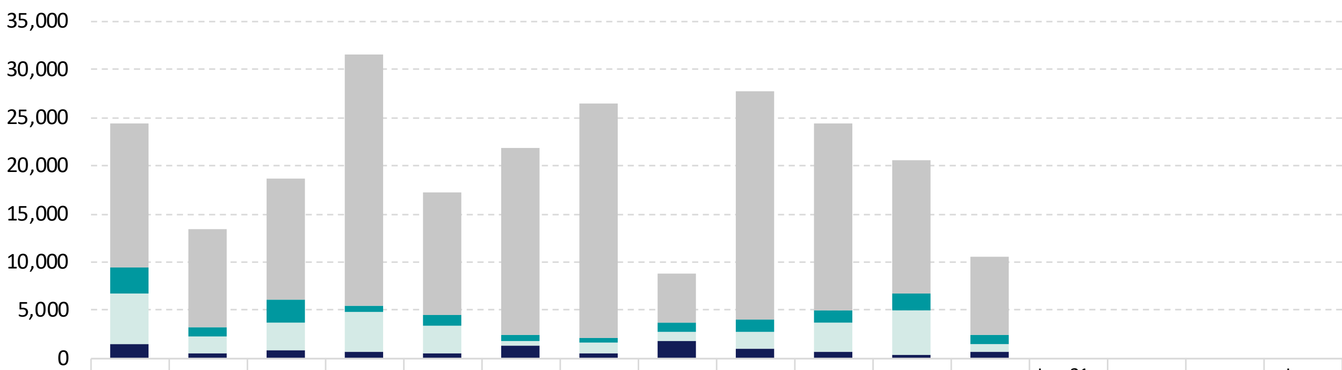
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

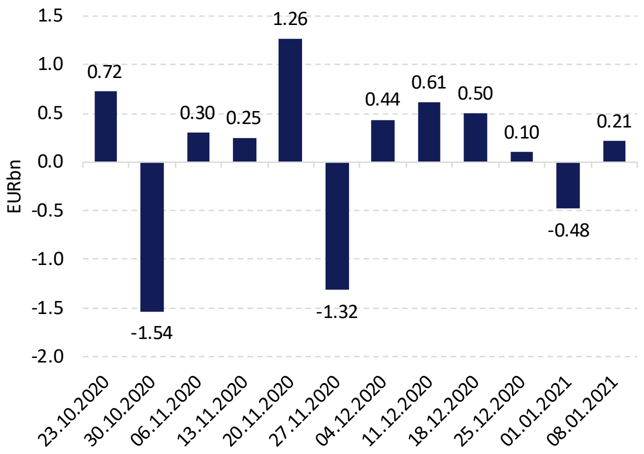


	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-21 - Dec-21	2019	2020	Jan - Dec-21
APP	24,426	13,437	18,687	31,635	17,169	21,940	26,564	8,871	27,713	24,399	20,656	10,547	246,044	204,542	262,109	246,044
PSPP	15,041	10,268	12,673	26,194	12,670	19,519	24,526	5,118	23,639	19,438	13,991	8,177	191,254	167,334	201,482	191,254
CSPP	2,722	846	2,323	578	1,144	686	334	966	1,272	1,309	1,673	826	14,679	7,070	18,267	14,679
CBPP3	5,148	1,824	2,818	4,224	2,894	367	1,132	1,002	1,847	3,037	4,597	937	29,827	21,948	33,236	29,827
ABSPP	1,515	499	873	639	461	1,368	572	1,785	955	615	395	607	10,284	8,190	9,124	10,284

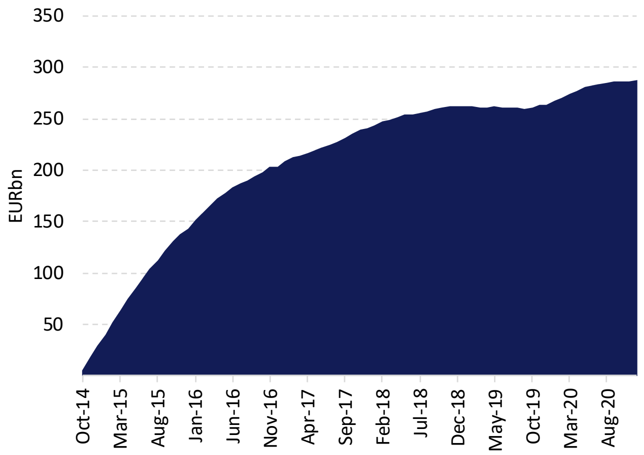
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

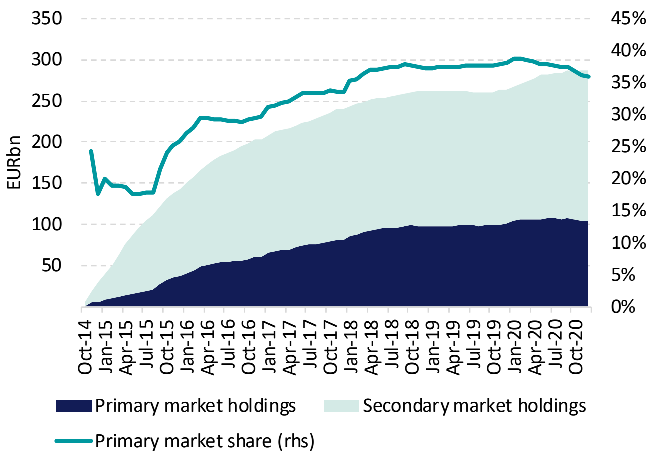
Weekly purchases



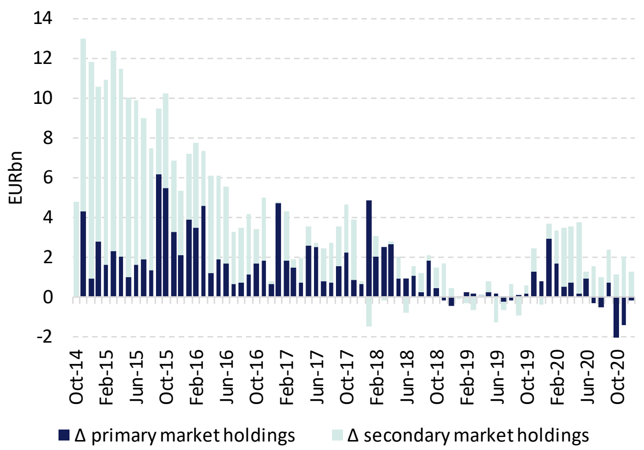
Development of CBPP3 volume



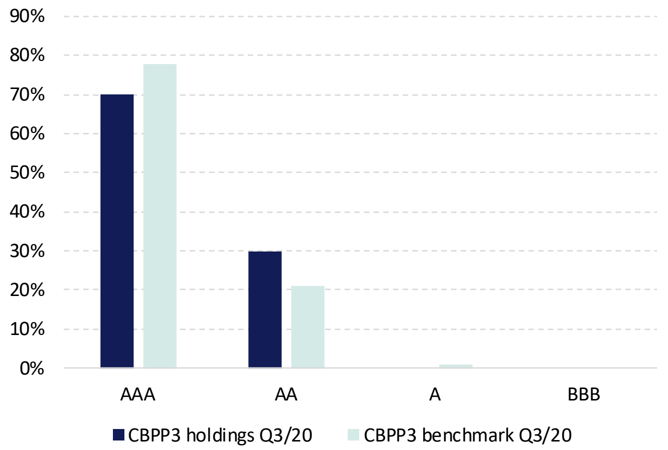
Primary and secondary market holdings



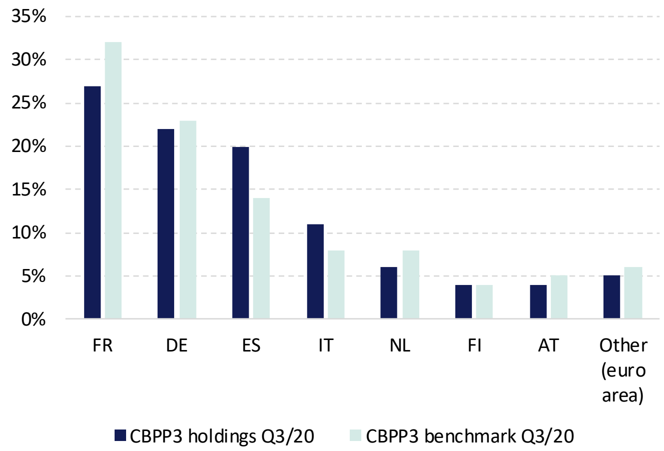
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



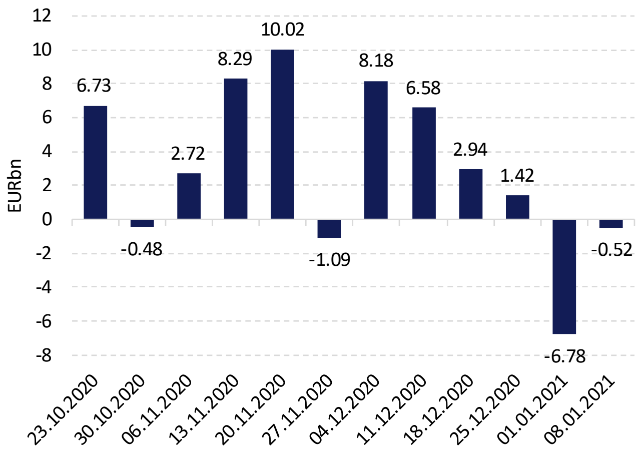
Distribution of CBPP3 by country of risk



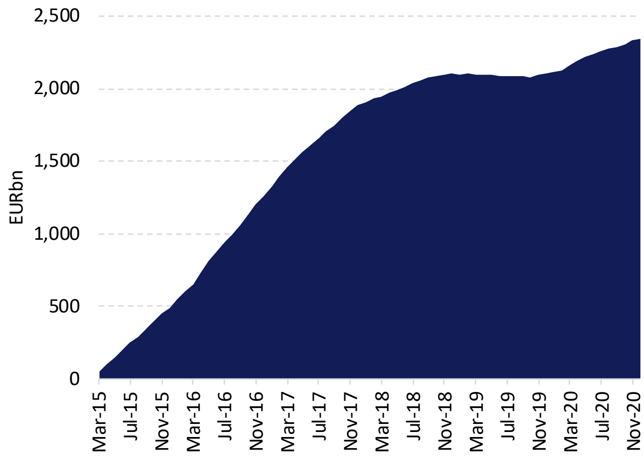
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



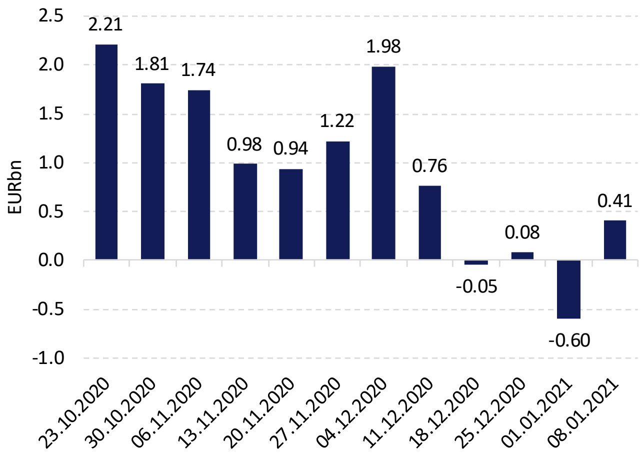
Overall distribution of PSPP buying at month-end

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%	67,577	66,048	1,529	7.78	8.04	-0.3
BE	3.362%	85,867	82,213	3,654	8.29	10.10	-1.8
CY	0.199%	3,142	4,856	-1,714	9.98	9.09	0.9
DE	24.327%	575,158	594,868	-19,710	6.52	7.64	-1.1
EE	0.260%	263	6,357	-6,094	9.52	9.51	0.0
ES	11.004%	290,758	269,088	21,670	8.12	8.41	-0.3
FI	1.695%	35,448	41,450	-6,002	7.10	7.95	-0.8
FR	18.848%	484,506	460,892	23,614	7.25	8.25	-1.0
IE	1.563%	36,997	38,212	-1,215	8.75	9.85	-1.1
IT	15.677%	411,971	383,360	28,611	7.28	7.71	-0.4
LT	0.360%	4,471	8,793	-4,322	9.84	11.00	-1.2
LU	0.304%	2,904	7,433	-4,529	5.31	6.36	-1.0
LV	0.534%	2,904	13,060	-10,156	9.71	10.30	-0.6
MT	0.097%	1,215	2,367	-1,152	9.82	9.34	0.5
NL	5.408%	117,408	132,245	-14,837	7.61	8.45	-0.8
PT	2.160%	45,389	52,815	-7,426	7.12	7.38	-0.3
SI	0.444%	8,936	10,866	-1,930	9.33	10.11	-0.8
SK	1.057%	14,259	25,843	-11,584	8.24	8.57	-0.3
GR	0.00%	0	0	0	0.00	15.93	0.0
SNAT	10.00%	256,123	244,530	11,593	7.43	8.74	-1.3
Total / Avg.	**100.0%**	**2,445,296**	**-**	**-**	**7.31**	**8.27**	**-1.0**

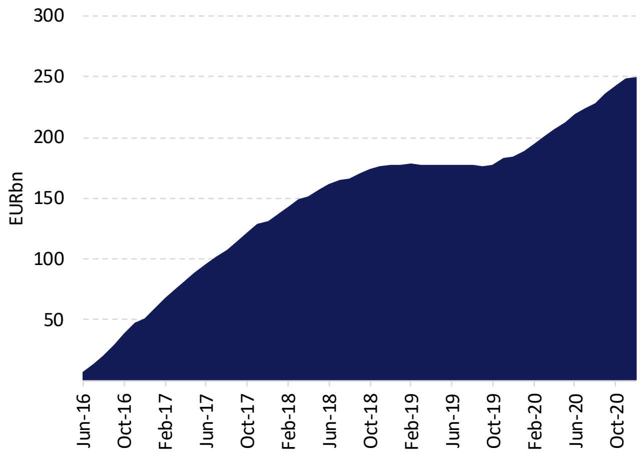
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key [3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

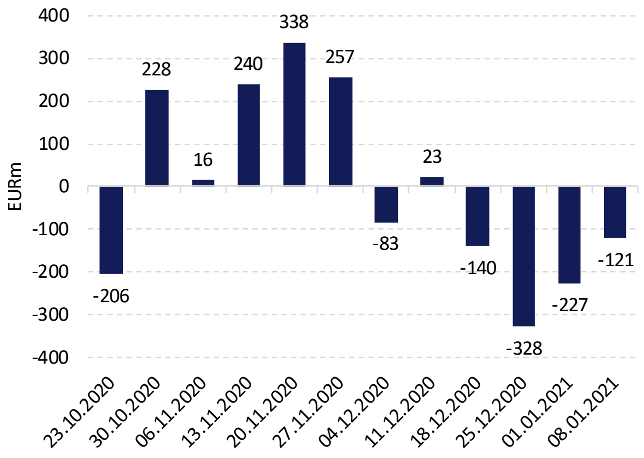


Development of CSPP volume

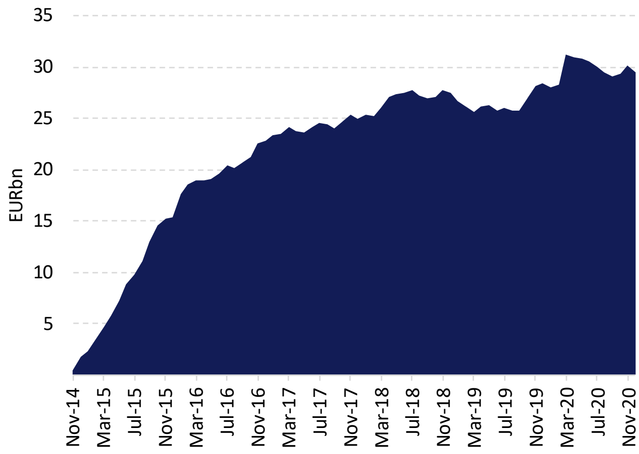


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



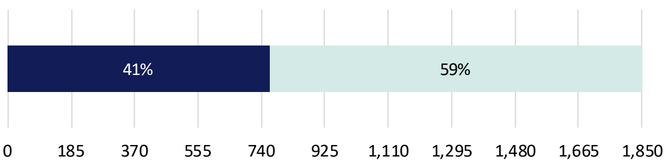
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Nov-20	700,003
Dec-20	757,166
Δ	+57,163

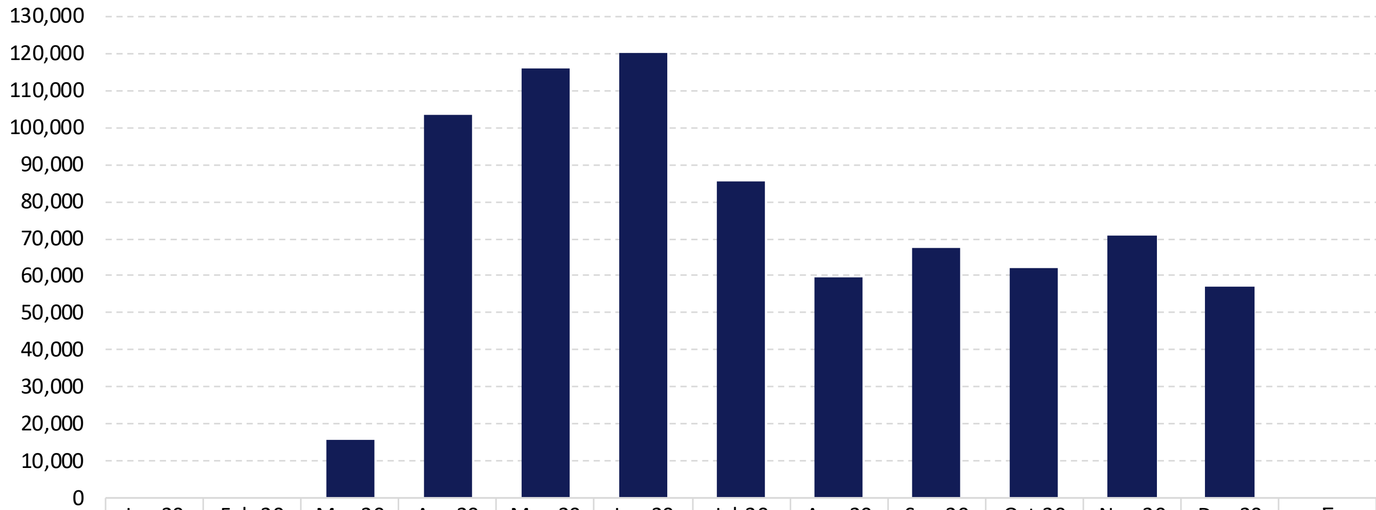
Volume already invested (in EURbn)



Estimated portfolio development

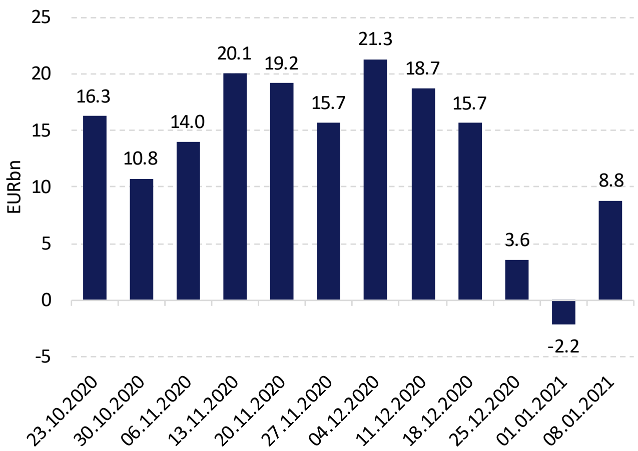
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in …
Average weekly net purchase volume so far	EUR 18.6bn	58 weeks (18.02.2022)

Monthly net purchases (in EURm)

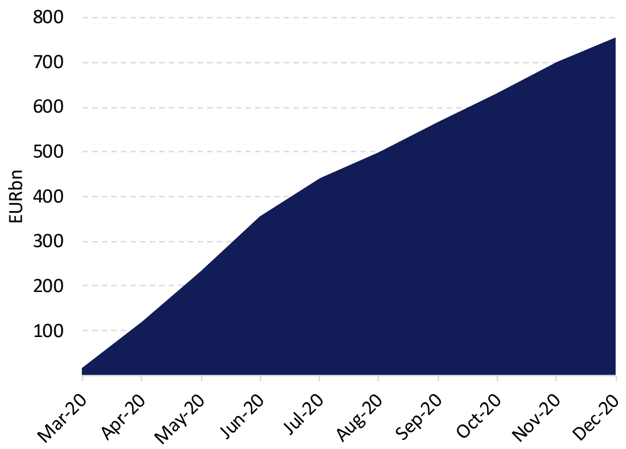


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
PEPP	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	757,166

Weekly purchases



Development of PEPP volume

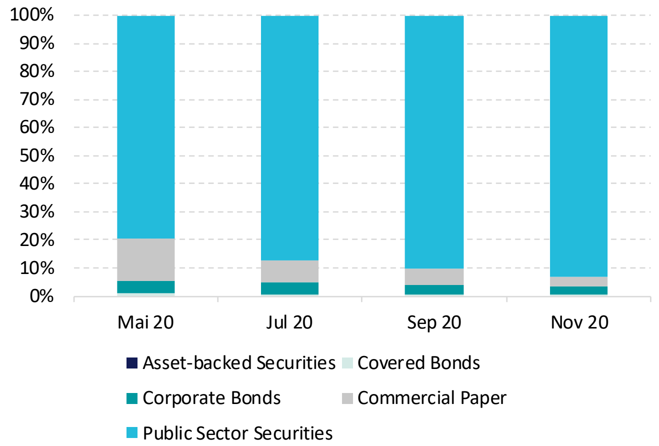


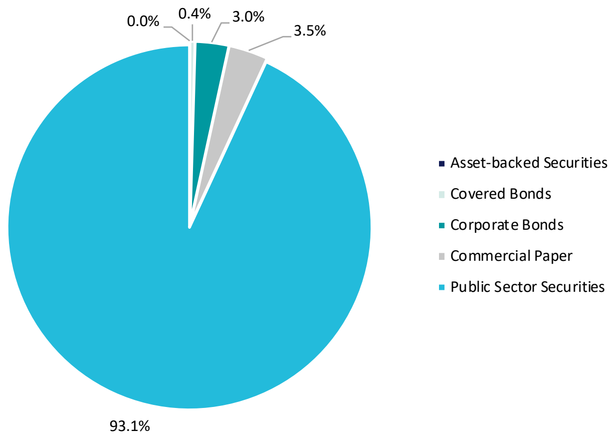
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

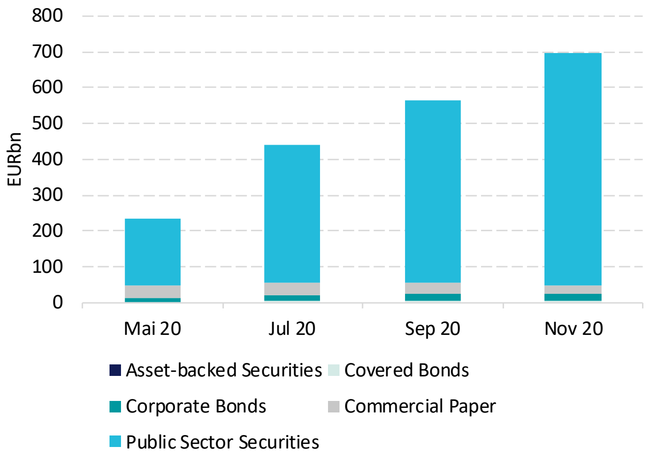
	Asset-backed securities	Covered bonds	Corporate bonds	Commercial paper	Public sector securities	PEPP
Sep-20	0	3,123	20,418	31,988	510,112	565,641
Nov-20	0	3,123	20,760	24,306	650,272	698,461
Δ	0	0	342	-7,682	140,160	132,820

Portfolio structure

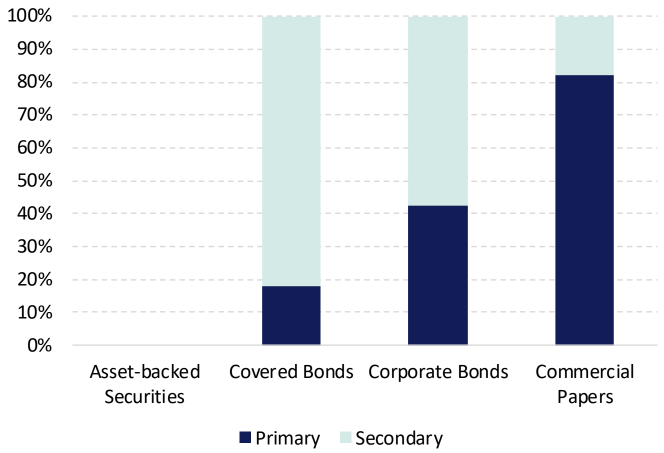




Portfolio development



Share of primary and secondary market holdings



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

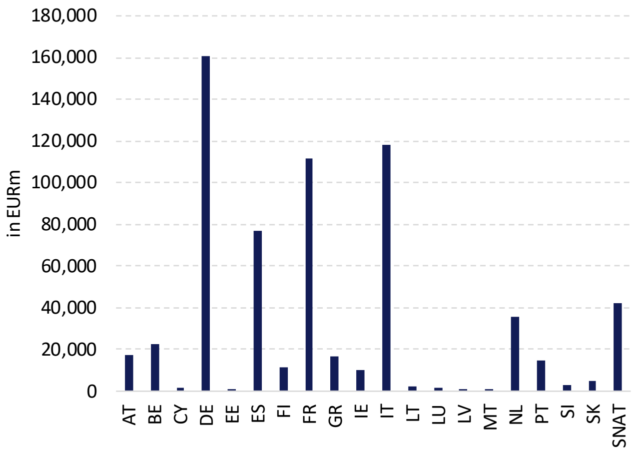
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Bestand in EURm	0	0	557	2,566	8,842	11,918	20,001	4,305
Anteil	0.0%	0.0%	17.8%	82.2%	42.6%	57.4%	82.3%	17.7%

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

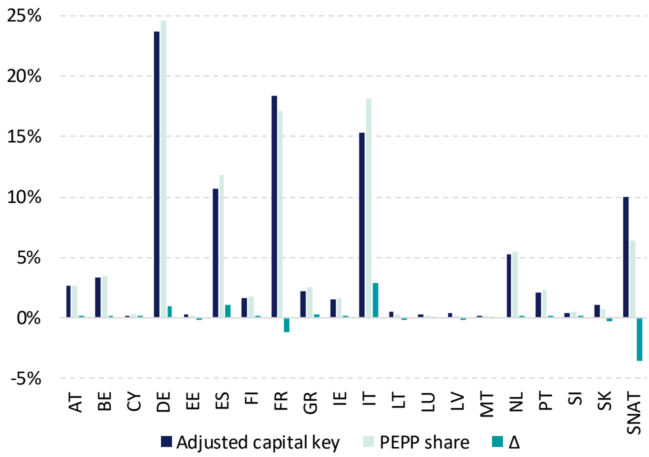
Breakdown of public sector securities under the PEPP

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	17,567	2.6%	2.7%	0.1%	10.9	7.1	3.9
BE	22,197	3.3%	3.4%	0.1%	6.3	9.4	-3.1
CY	1,484	0.2%	0.2%	0.0%	10.9	8.3	2.5
DE	160,619	23.7%	24.6%	0.9%	4.8	6.7	-1.9
EE	207	0.3%	0.0%	-0.2%	9.1	7.5	1.6
ES	77,128	10.7%	11.8%	1.1%	8.5	7.4	1.0
FI	11,169	1.7%	1.7%	0.1%	7.2	7.0	0.3
FR	111,810	18.4%	17.2%	-1.2%	8.6	7.3	1.4
GR	16,307	2.2%	2.5%	0.3%	8.4	9.4	-1.0
IE	10,317	1.5%	1.6%	0.1%	8.9	9.6	-0.7
IT	118,169	15.3%	18.1%	2.8%	6.8	6.9	0.0
LT	2,080	0.5%	0.3%	-0.2%	11.8	10.6	1.2
LU	1,244	0.3%	0.2%	-0.1%	7.1	6.4	0.8
LV	907	0.4%	0.1%	-0.2%	9.1	10.3	-1.2
MT	261	0.1%	0.0%	-0.1%	7.5	8.1	-0.7
NL	35,705	5.3%	5.5%	0.2%	4.1	7.3	-3.2
PT	14,809	2.1%	2.3%	0.2%	6.8	6.6	0.2
SI	3,131	0.4%	0.5%	0.0%	8.3	9.5	-1.2
SK	4,707	1.0%	0.7%	-0.3%	7.8	8.2	-0.4
SNAT	41,991	10.0%	6.4%	-3.6%	8.9	7.6	1.3
Total / Avg.	**651,810**	**100.0%**	**100.0%**	**-**	**7.0**	**7.2**	**-0.3**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



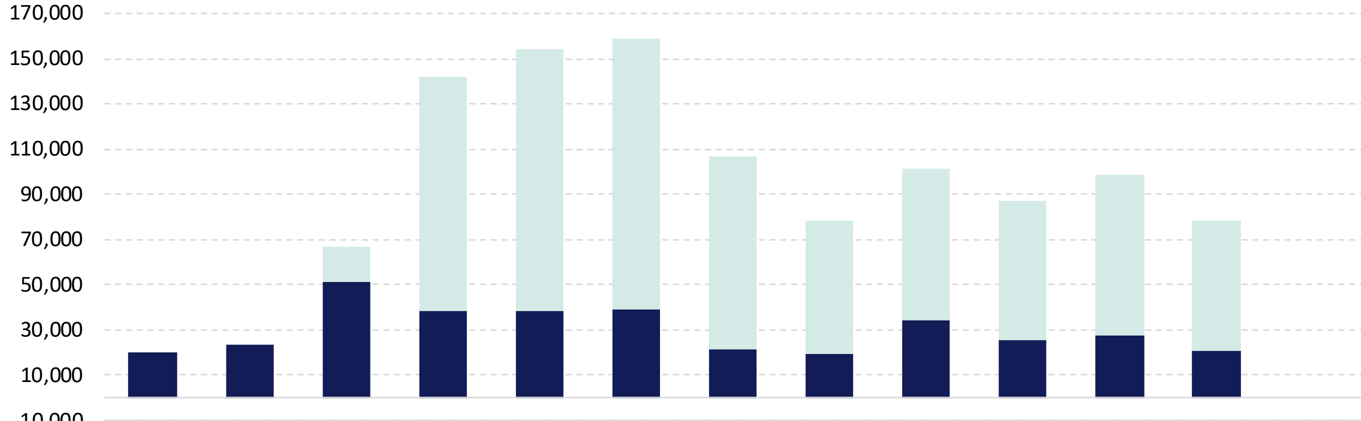
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

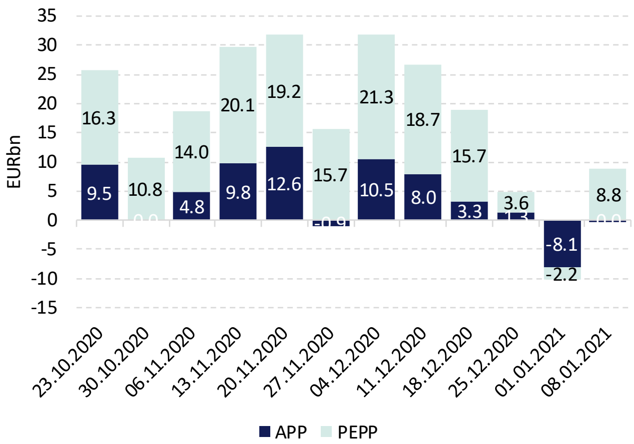
	APP	PEPP	APP & PEPP
Nov-20	2,895,521	700,003	3,595,524
Dec-20	2,909,053	757,166	3,666,219
Δ	+13,532	+57,163	+70,695

Monthly net purchases (in EURm)

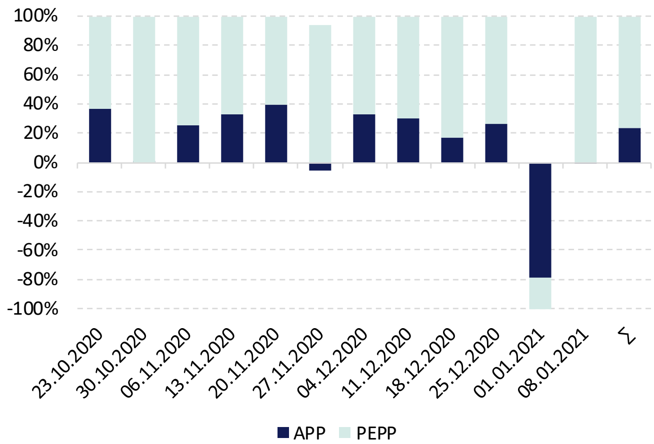


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
∑	20,394	23,430	66,586	141,807	154,025	159,091	106,952	78,593	101,322	87,334	98,555	78,236	1,116,32
PEPP	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	757,166
APP	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	21,073	359,159

Weekly purchases



Distribution of weekly purchases

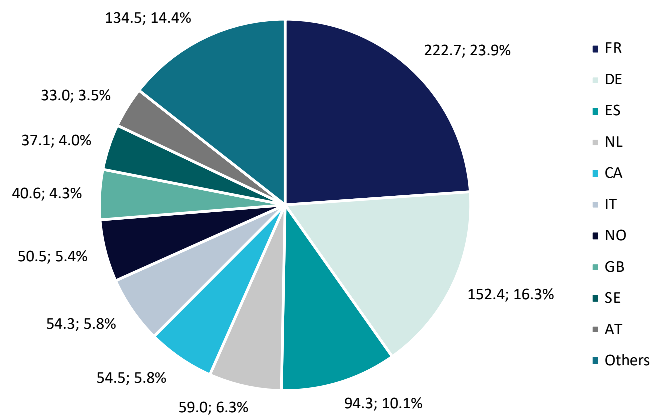


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

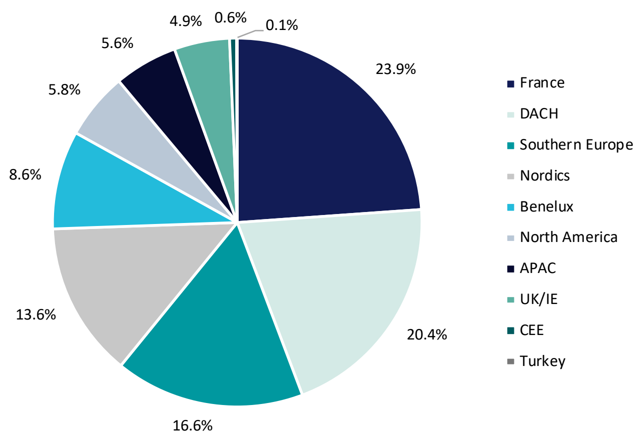
NORD/LB

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



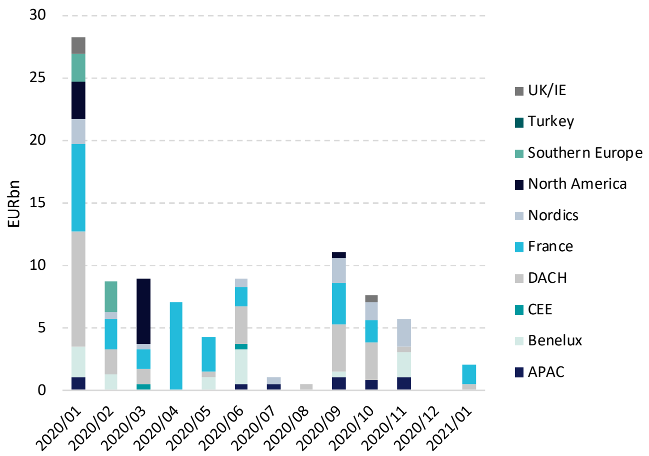
EUR benchmark volume by region (in EURbn)



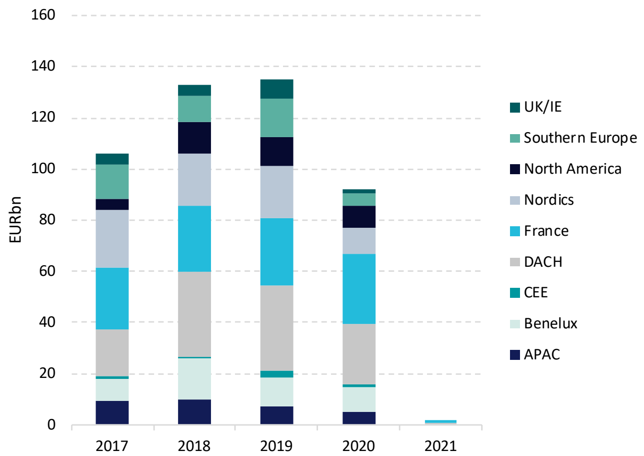
Top-10 jurisdictions

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	222.7	202	7	0.96	10.1	5.5	1.23
2	DE	152.4	227	12	0.60	8.2	4.6	0.51
3	ES	94.3	75	3	1.15	11.4	3.8	1.90
4	NL	59.0	58	0	0.97	11.1	7.3	0.98
5	CA	54.5	46	0	1.16	5.9	2.9	0.31
6	IT	54.3	62	0	0.85	8.9	4.1	1.59
7	NO	50.5	57	6	0.89	7.1	3.5	0.62
8	GB	40.6	44	0	0.93	8.2	3.1	1.16
9	SE	37.1	42	0	0.88	7.3	3.3	0.56
10	AT	33.0	59	0	0.56	9.4	5.7	0.80

EUR benchmark issue volume by month

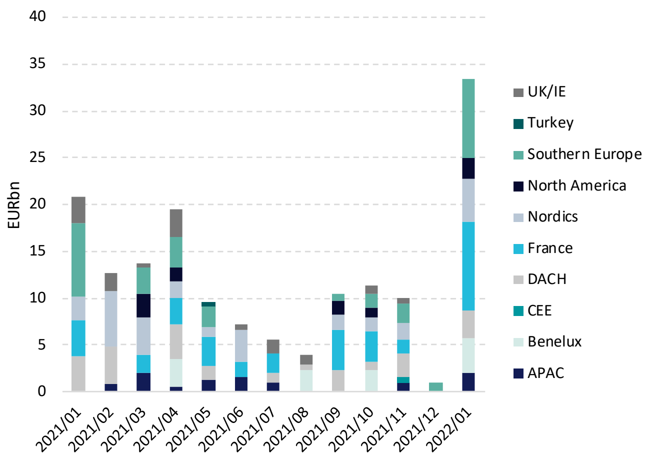


EUR benchmark issue volume by year

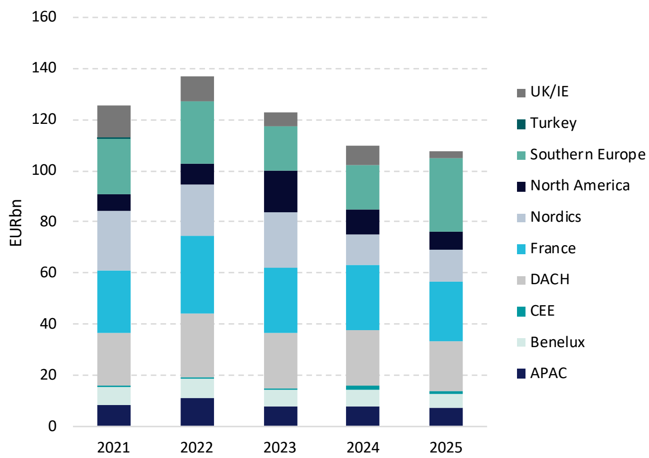


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

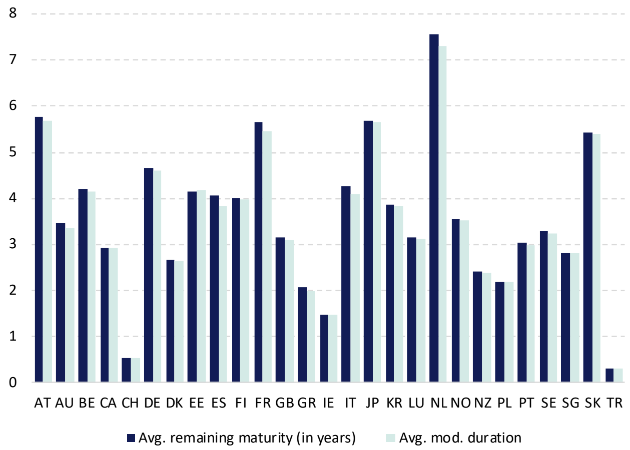
EUR benchmark maturities by month



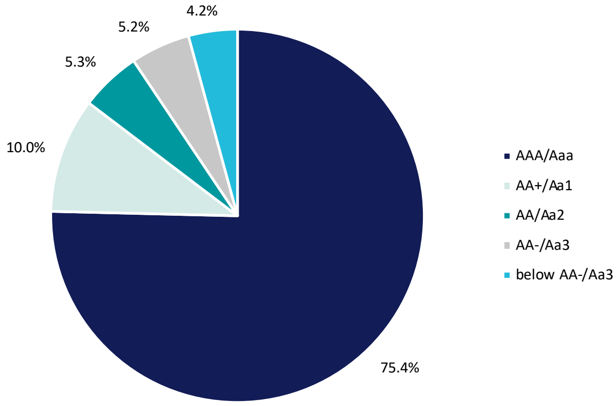
EUR benchmark maturities by year



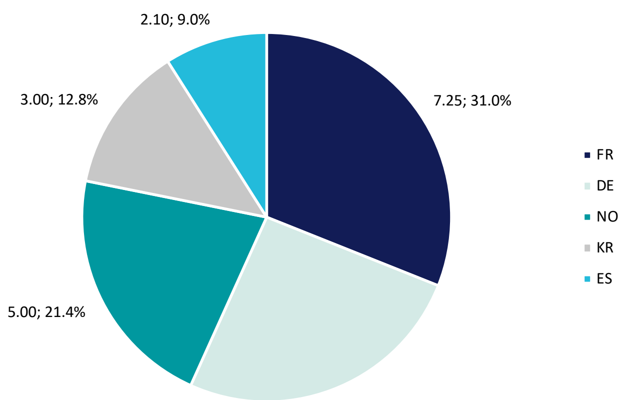
Modified duration and time to maturity by country



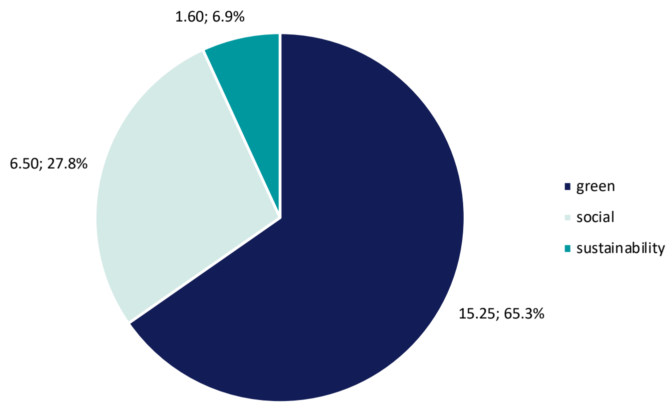
Rating distribution (volume weighted)



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

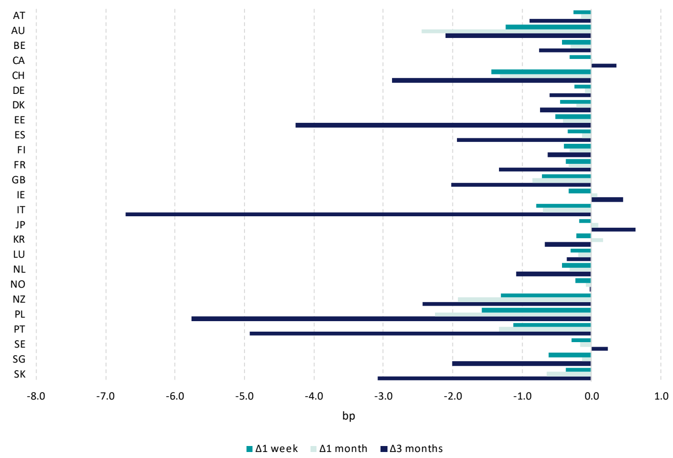


EUR benchmark volume (ESG) by type (in EURbn)

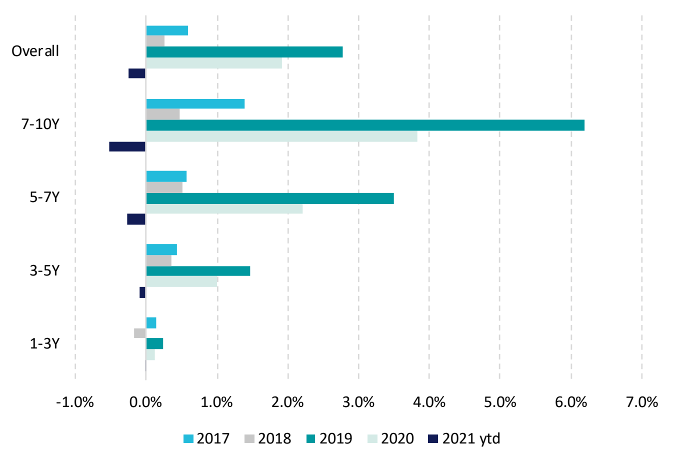


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

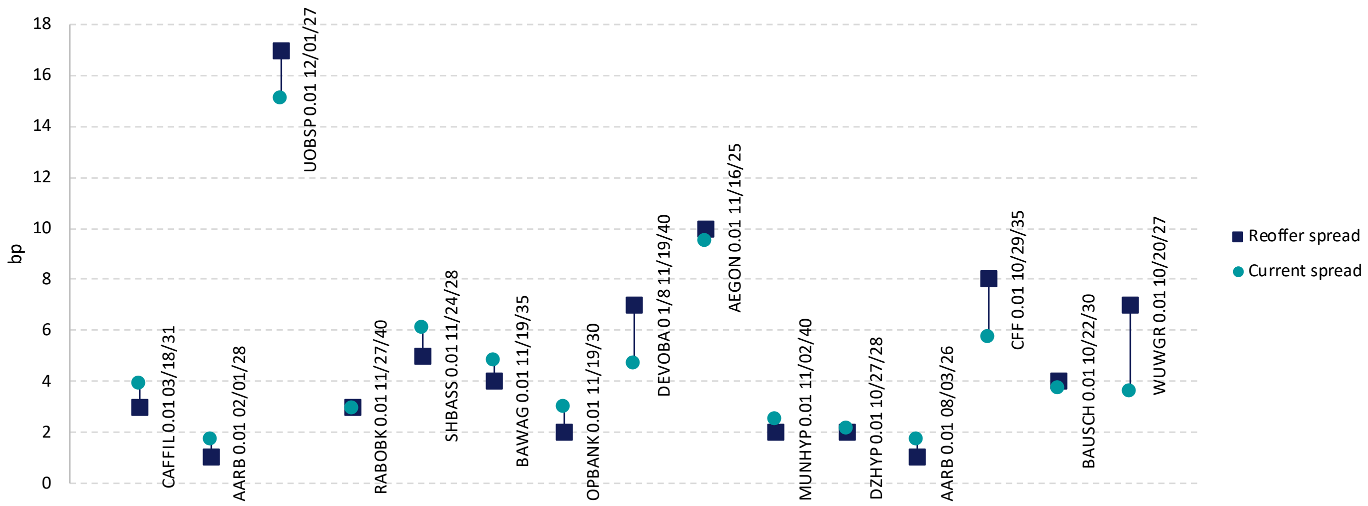
Spread development by country



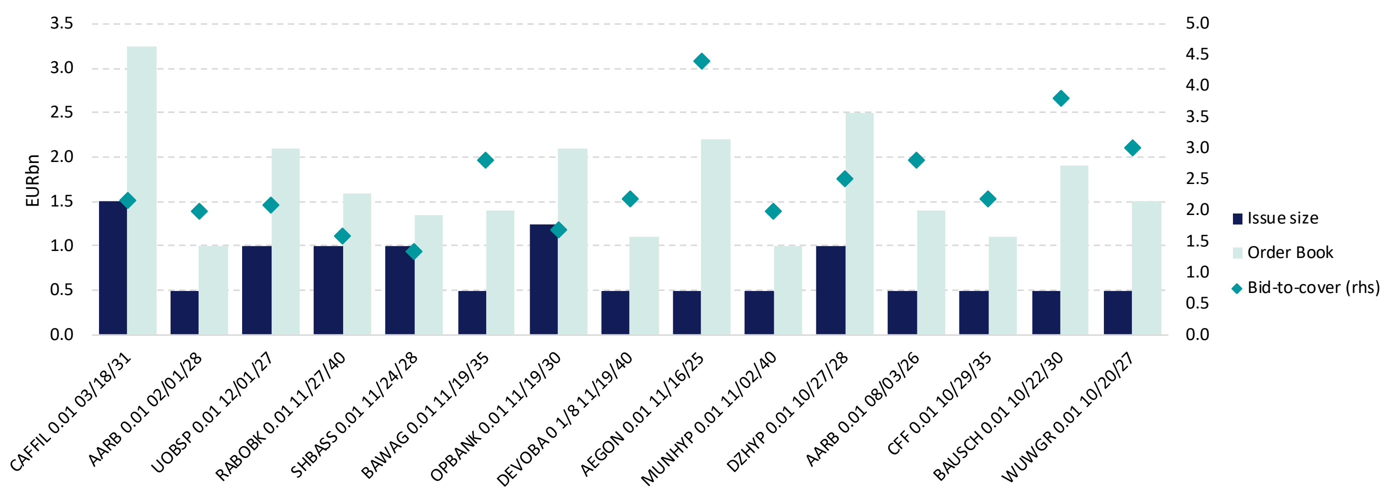
Covered bond performance (Total return)



Spread development (last 15 issues)



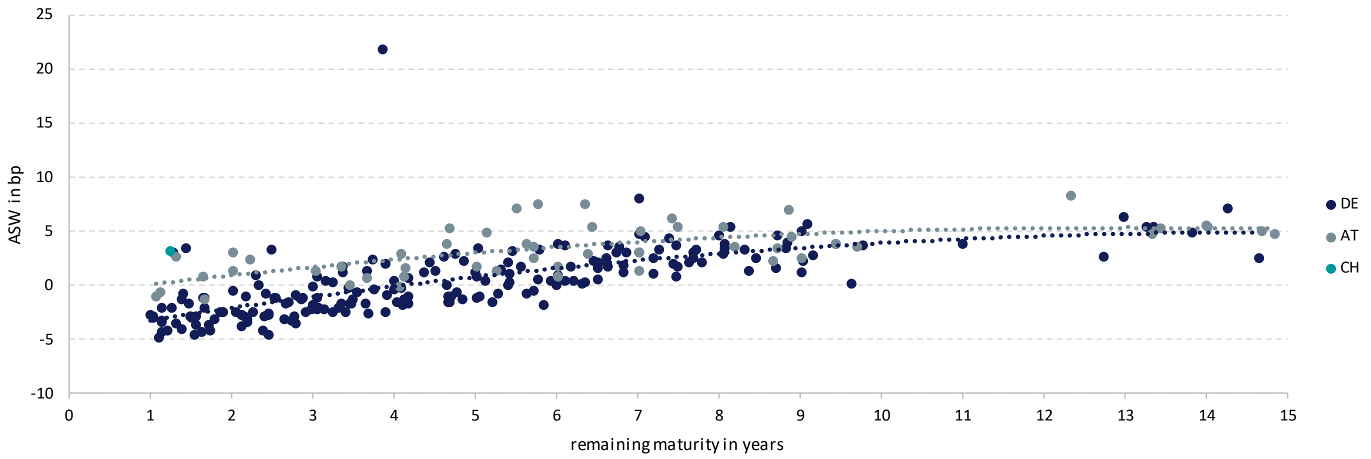
Order books (last 15 issues)



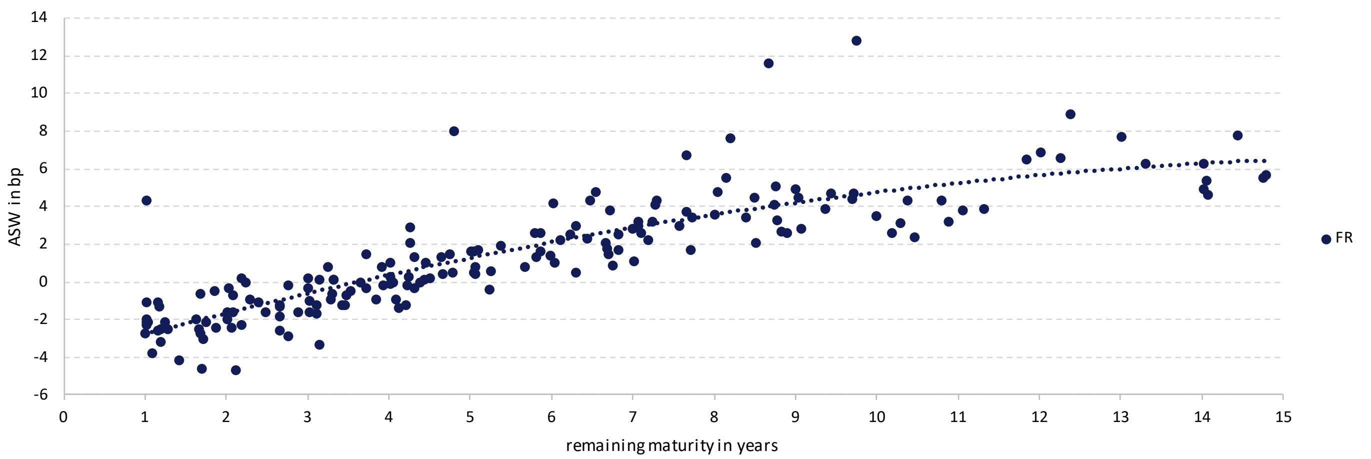
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

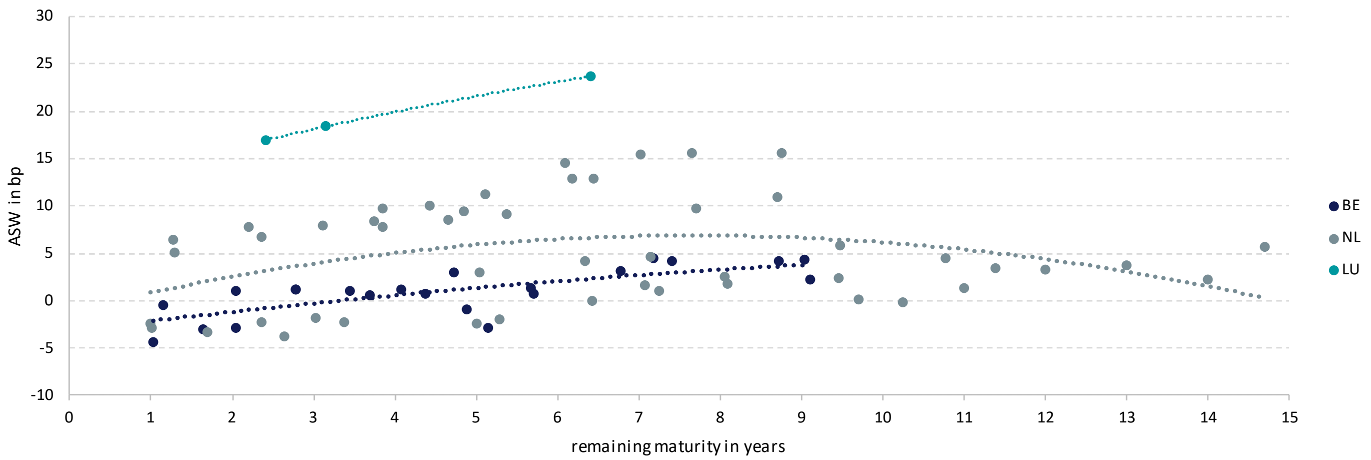
DACH



France

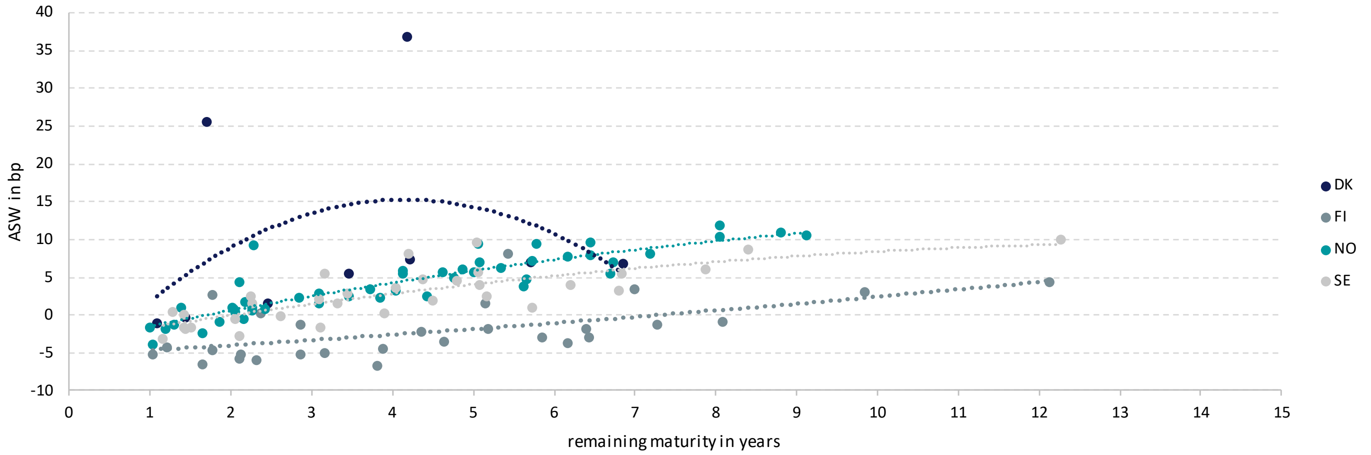


Benelux

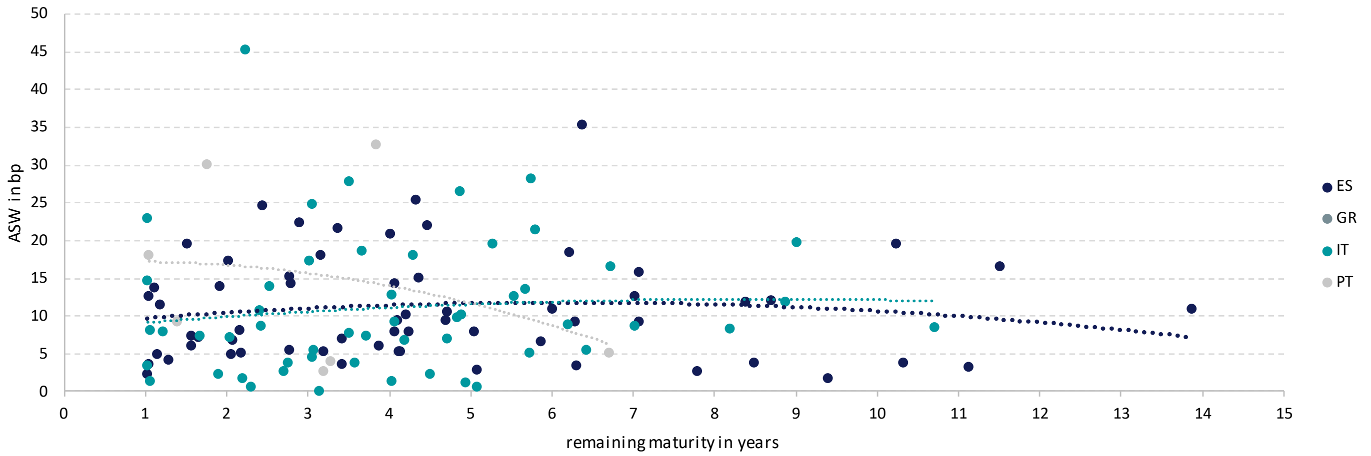


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

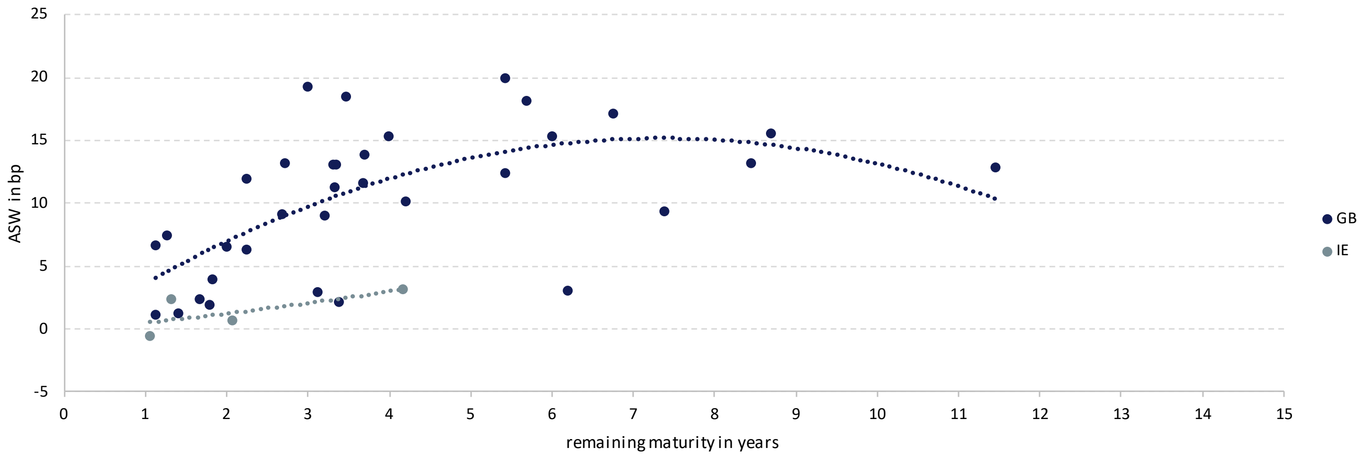
Nordics



Southern Europe

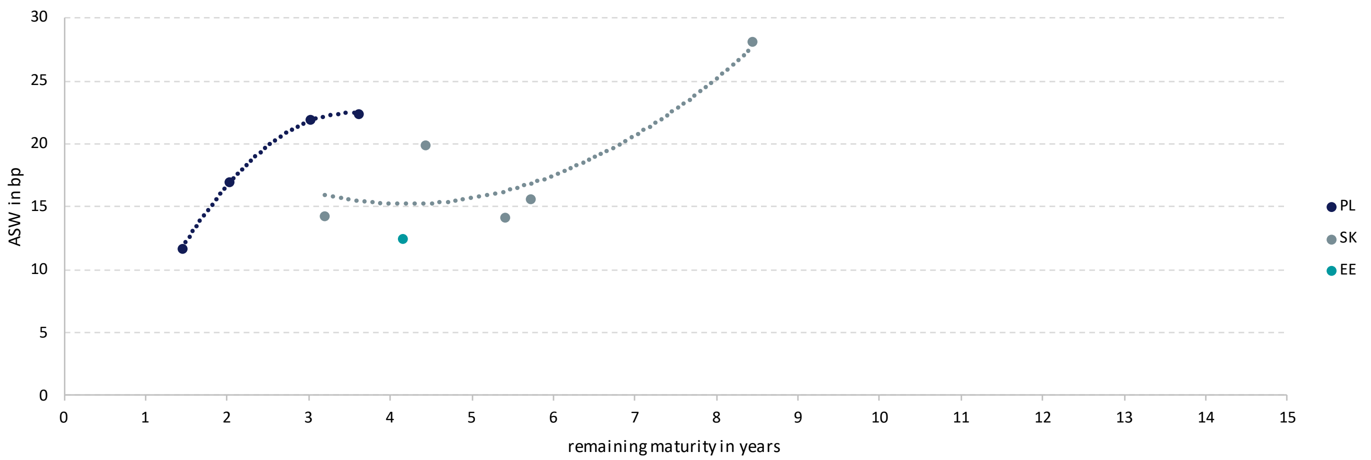


UK/IE

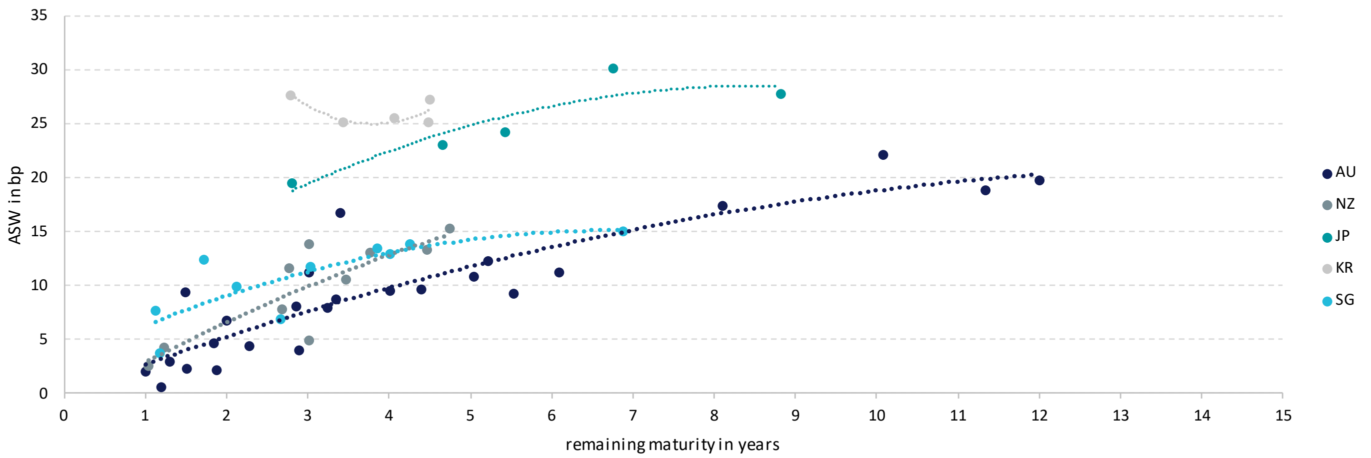


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

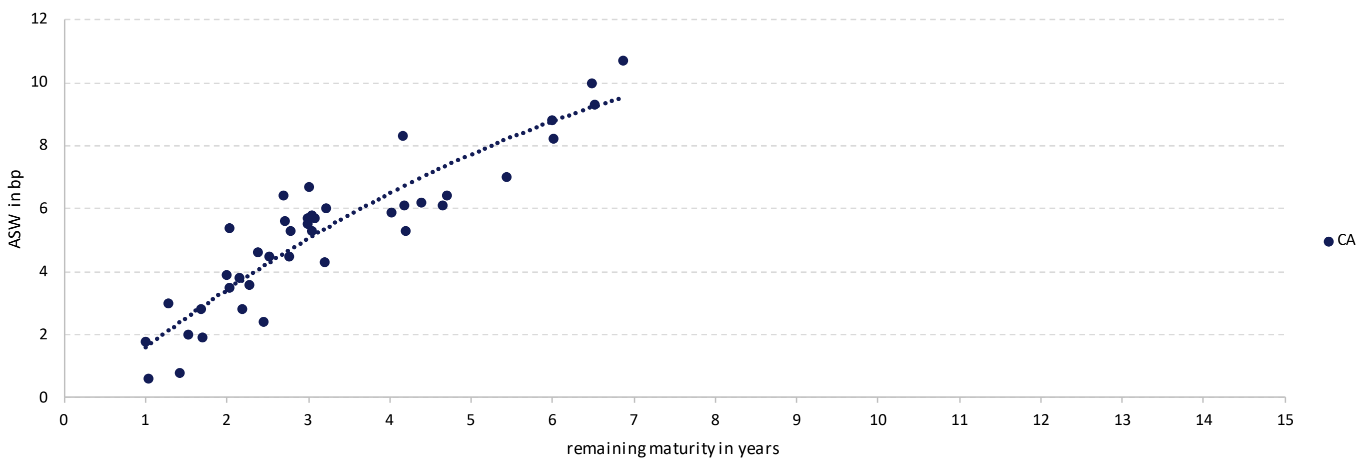
CEE



APAC



North America

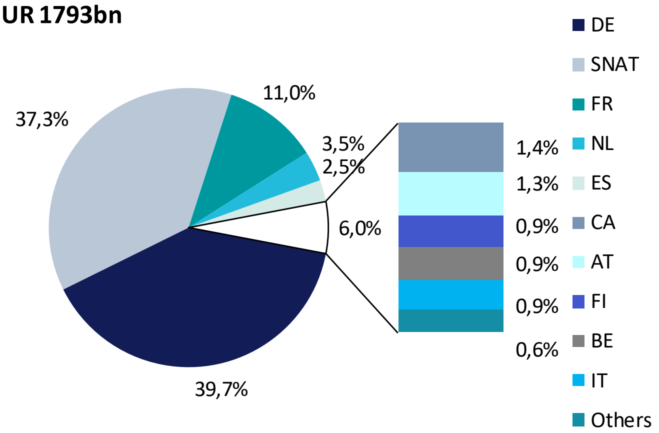


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
SSA/Public Issuers

Outstanding volume (bmk)

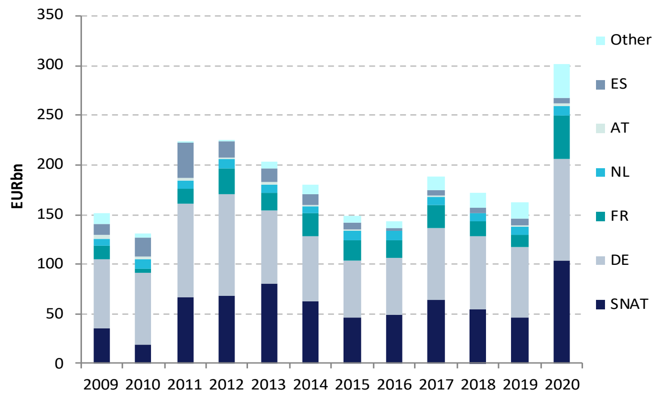
EUR 1793bn



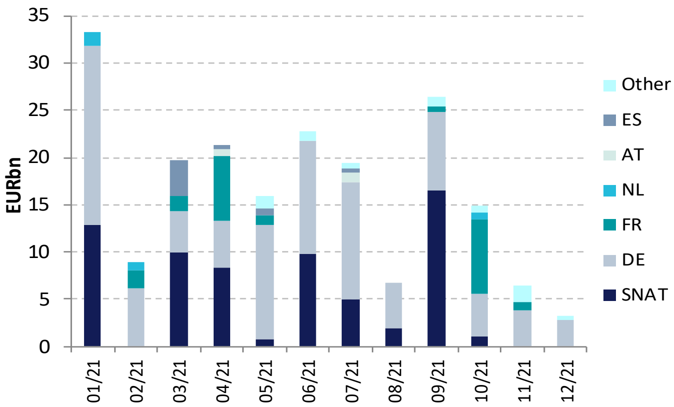
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	711,9	554	1,3	6,4
SNAT	668,4	175	3,8	7,5
FR	198,0	140	1,4	5,1
NL	62,5	64	1,0	6,3
ES	45,1	53	0,9	4,5
CA	25,0	18	1,4	5,6
AT	22,5	24	0,9	5,3
FI	16,4	20	0,8	5,9
BE	16,3	19	0,9	14,2
IT	15,8	20	0,8	6,0

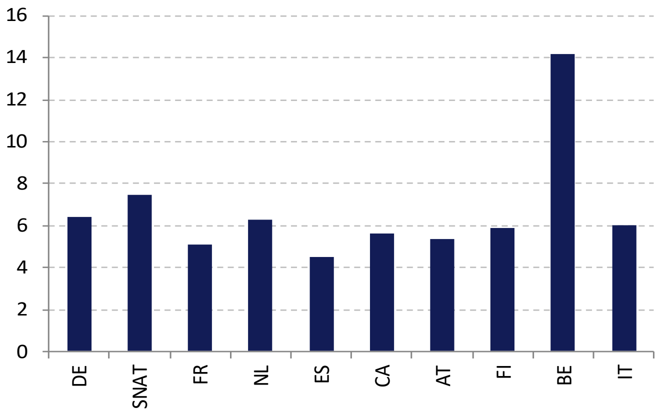
Issue volume by year (bmk)



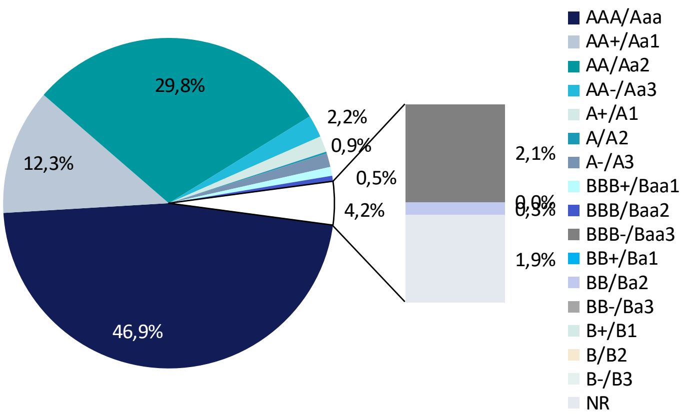
Maturities next 12 months (bmk)



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

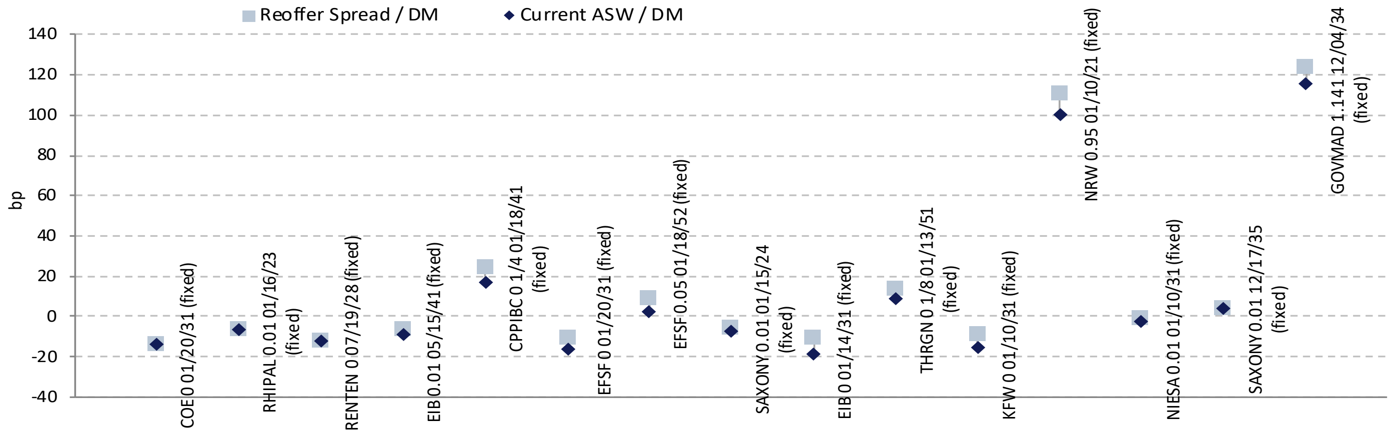


Rating distribution (vol. weighted)

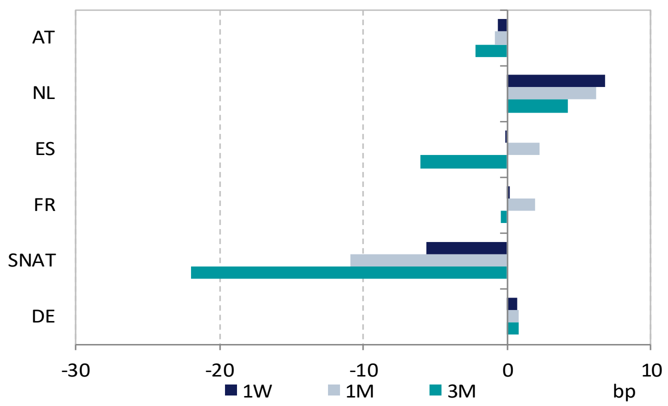


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

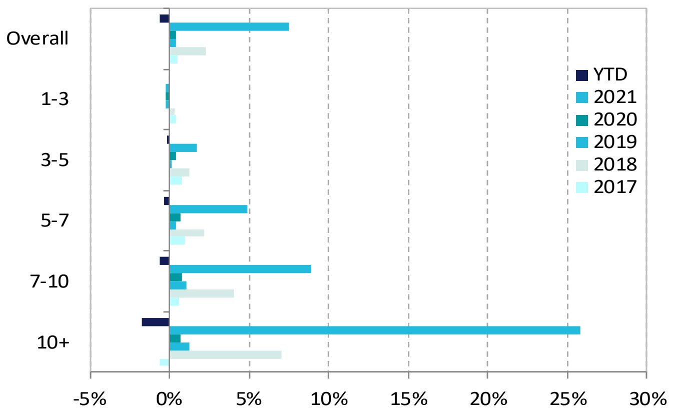
Spread development (last 15 issues)



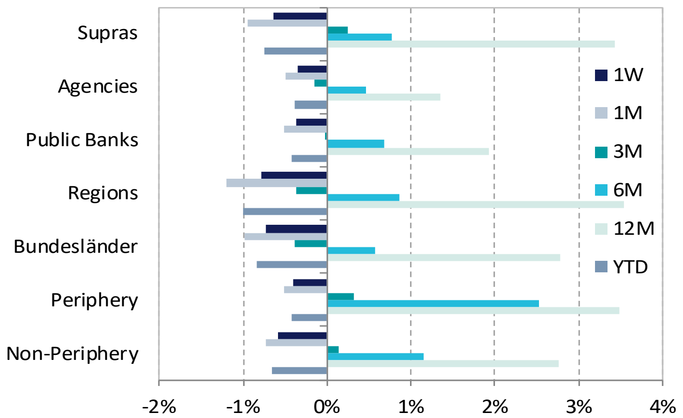
Spread development by country



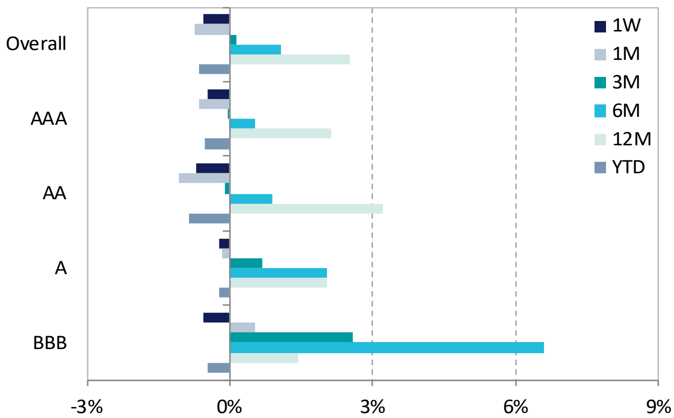
Performance (total return)



Performance (total return) by regions

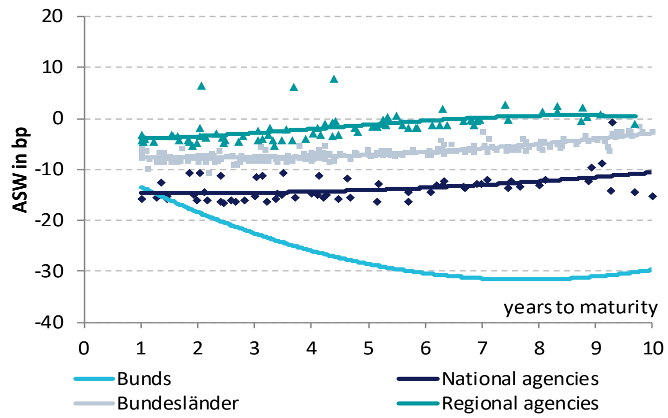


Performance (total return) by rating

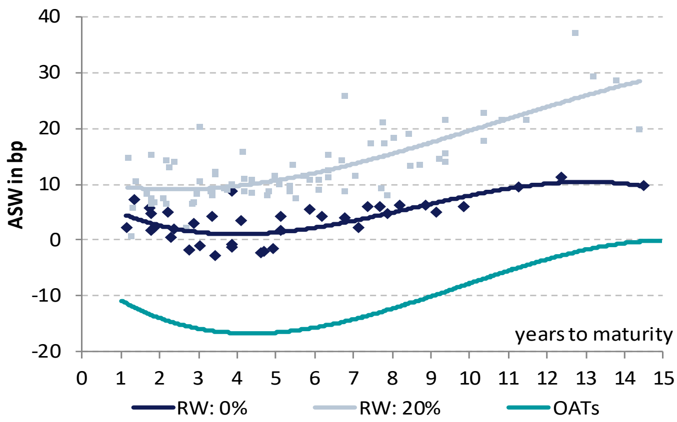


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

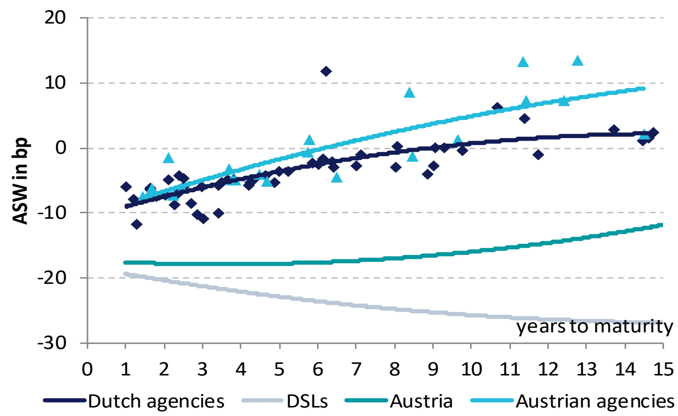
Germany (by segments)



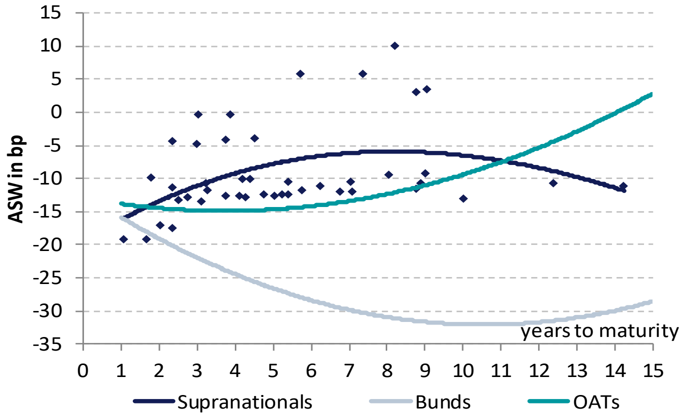
France (by risk weight)



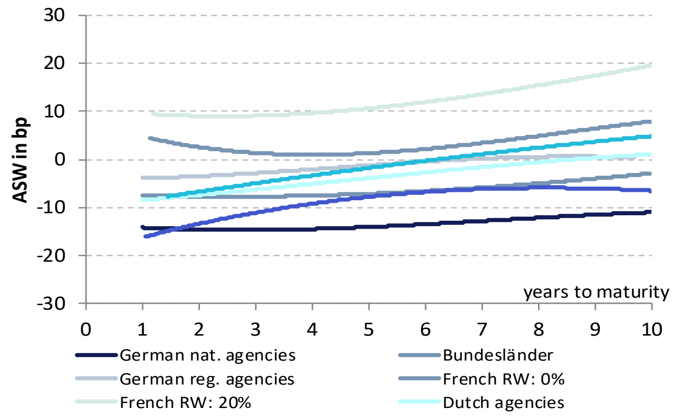
Netherlands & Austria



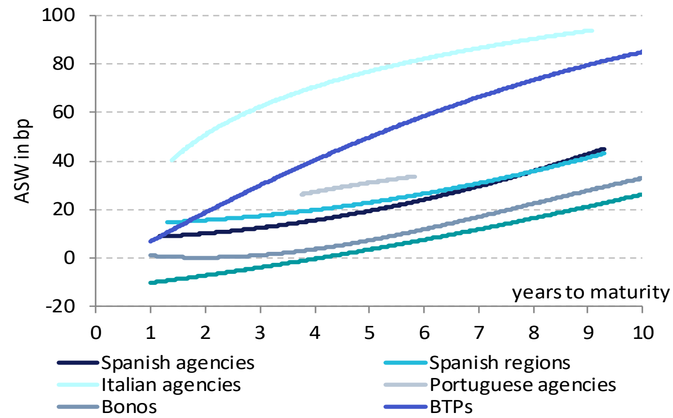
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
48/2020 ♦ 16 December	▪ TLTRO III: ECB extends tender and also raises the threshold
47/2020 ♦ 09 December	▪ Fourth and final round of PEPP reporting in 2020 ▪ Investment alternative: Paris metropolitan area (IDF and VDP)
46/2020 ♦ 02 December	▪ The ECB ahead of its course-setting meeting for 2021 ▪ Covered Bonds – Outlook 2021: Waiting for the game changer? ▪ SSA – Outlook 2021: Coronavirus and ECB dominate public-sector segment
45/2020 ♦ 25 November	▪ UOB ends the state of hibernation on Singapore's primary market ▪ The covered bond universe of Moody's: an overview ▪ Update: Belgium regions as investment alternatives
44/2020 ♦ 18 November	▪ Primary market 2021: real prospect of Hungarian EUR benchmarks? ▪ German Pfandbrief savings banks in Q3 2020 ▪ Development of the German property market
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

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

ECB launches corona pandemic emergency

ECB responds to corona risks

Appendix
Contacts at NORD/LB

Markets Strategy & Floor Research

Michael Schulz
Head
+49 511 361-5309
+49 172 740 4123
michael.schulz@nordlb.de

Melanie Kiene
Banks
+49 511 361-4108
+49 172 169 2633
melanie.kiene@nordlb.de

Dr Frederik Kunze
Covered Bonds
+49 511 361-5380
+49 172 354 8977
frederik.kunze@nordlb.de

Dr Norman Rudschuck
SSA/Public Issuers
+49 511 361-6627
+49 152 090 24094
norman.rudschuck@nordlb.de

Henning Walten
Covered Bonds
+49 511 361-6379
+49 152 545 67178
henning.walten@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

Origination & Syndicate

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

Treasury

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

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

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

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Additional information
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None

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Issuer / security	Date	Recommendation	Bond type	Cause