Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

16 September 2020 ♦ 35/2020

Investment strategy recommendation and marketing communication

(see disclaimer on the last pages)

Agenda

Our latest publications:

Issuer Guide Covered Bonds 2020

Issuer Guide German Bundeslaender 2020

Canadian Provinces & Territories 2020

Covered Bonds
Market overview

Analyst: Henning Walten, CIIA

Primary market picks up momentum again

Since the last Covered Bond & SSA View on 26 August, Berlin Hyp, which heralded the end of the summer break on 25 August (10y, EUR 500m ms +6bp), has been followed by five other issuers with EUR benchmarks, all of which were placed in September. It started with Münchener Hypothekenbank, which issued EUR 500m over 15y at ms +7bp. At +0.128%, the yield was in positive territory. With an order book of EUR 1.8bn, this deal was also more than three times oversubscribed. A day later, BPCE became the first French institution to place a deal after the summer break and the first French issuer since 17 June (AXA Home Loan: 15y; EUR 500m; ms +16bp). The EUR 600m deal for 7y generated investor demand of EUR 3.2bn and was more than five times oversubscribed, which was also reflected in the reoffer spread, which was five basis points tighter than the guidance at ms +5bp, resulting in a yield of -0.262%. The next day, Japanese Sumitomo Mitsui Banking Corp., which had last approached its investors in October 2019, made an appearance on the market. After the two KHFC transactions and the debut of Kookmin Bank, it was only the fourth deal in 2020 from the APAC region and the institution's fourth EUR benchmark overall. With a volume of EUR 1.0bn, the bond, which is not LCR-eligible as a contractual covered bond, still attracted interest to the tune of EUR 1.8bn. With a term to maturity of 5y and priced at ms +24bp, the new issuance yield was -0.168%. At the beginning of the previous trading week, two more German issuers in the form of DZHYP and UniCredit Bank were also active, both bringing EUR 1.0bn to market. While DZHYP chose a term of 5y with pricing at ms flat, UniCredit Bank opted for 8y, with the price rising slightly to ms +7bp as a result. Both transactions had a negative yield at issue, with the DZHYP deal being particularly noteworthy as it was the lowest new issuance yield for a publicly placed EUR benchmark this year, at -0.420%. For the sake of completeness, the yield on the UniCredit Bank deal was -0.242%. In addition, both transactions were around two times oversubscribed.

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
Sparebank 1	NO	15.09.	XS2234568983	7.0y	1.00bn	ms +7bp	- / Aaa / -
UniCredit Bank Austria	AT	15.09.	AT000B049846	15.0y	0.50bn	ms +9bp	- / Aaa / -
CAFFIL	FR	14.09.	FR0013535820	7.2y	1.50bn	ms +4bp	- / Aaa / AA+
UniCredit Bank	DE	08.09.	DE000HV2ATM6	8.0y	1.00bn	ms +7bp	AAA / Aaa / -
DZHYP	DE	07.09.	DE000A289PC3	5.0y	1.00bn	ms flat	- / - / AAA
SMBC	JP	03.09.	XS2225211650	5.0y	1.00bn	ms +24bp	- / Aaa / -
BPCE	FR	02.09.	FR0013533403	7.2y	0.60bn	ms +5bp	- / Aaa / AAA
MünchenerHyp	DE	01.09.	DE000MHB25J1	15.0y	0.50bn	ms +7bp	- / Aaa / -

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

Deals over the past five trading days

In addition to the five deals placed in previous weeks described above, the past five trading days have also seen primary market activity, albeit only at the beginning of the current trading week. CAFFIL was the second French bank to issue a bond. The bond with a volume of EUR 1.5bn and a term to maturity of just over seven years was placed at ms +4bp. With an order book of around EUR 3bn, the deal was also subject to strong demand, which was also reflected in pricing five basis point tighter than the initial guidance. Based on the final pricing, the bond came to market with a negative issuance yield of -0.289%. Yesterday, Tuesday, UniCredit Bank Austria and Sparebank 1 Boligkreditt then followed. While the Austrians positioned themselves at the long end with a term of 15y, the Norwegians opted for the medium-term maturity segment and a term of 7y. The EUR 1.0bn Sparebank 1 deal (yield: -0.279%) was also a green covered bond. While this is the sixth ESG issue in EUR benchmark format from the Scandinavian country, it was the bank's second green covered bond overall in this segment. At ms +7bp, pricing was once again well below the initial guidance (ms +12bp area), which is not surprising given that the order book totalled EUR 2.35bn, therefore making this deal 2.5 times oversubscribed. UniCredit Bank Austria's covered bond actually attracted slightly greater demand. An issuance volume of EUR 500m ultimately compared with interest of EUR 2.95bn. At ms +9bp, the bond was therefore also priced five basis points below the guidance. As with Münchener Hypothekenbank's 15y Pfandbrief, the yield in this case was also in positive territory (0.073%) due to the maturity chosen.

Market landscape following the summer break

Overall, there was strong demand for all new issues after the summer break, once again highlighting the current situation of negative net supply that is unlikely to come to an end any time soon. Yields were also very negative in some cases, proving once again that negative yields are not an obstacle in the covered bond market. Since the summer break, a total of EUR 7.6bn has been brought to market, spread over nine transactions, bringing the issuance volume for the year as a whole to EUR 74.85bn.

CaixaBank and Bankia discuss merger

The two Spanish covered bond issuers CaixaBank and Bankia have started talks about a merger of the two institutions. While Bankia had outstanding mortgage-backed covered bonds with a volume of EUR 23.5bn as at 30 June (EUR 65.6bn in cover assets), CaixaBank operates both mortgage and public sector programmes. With EUR 49.5bn (EUR 85.2bn in cover assets) in outstanding bonds, the mortgage programme is considerably larger than the public sector covered bonds programme (EUR 3.5bn in outstanding bonds and EUR 7.2bn in cover assets). The two institutions therefore had a combined outstanding covered bond volume of EUR 73bn at the end of Q2 2020. As regards the covered bond market, a possible merger would create a heavyweight on the market. With a joint EUR 24bn in outstanding EUR benchmarks, a merged entity would move into the top 10 EUR benchmark institutions and overtake Santander, currently the largest Spanish EUR benchmark issuer. Further information on the two institutions can be found in our Issuer Guide Covered Bonds 2020.

Nationwide Building Society offers covered bonds for repurchase

After a number of issuers, for example Berlin Hyp, Deutsche Pfandbriefbank, Hamburg Commercial Bank and Lloyds Bank already went down the road of bond buybacks this year, Nationwide Building Society is now following suit. A total of six EUR (see table) and five GBP benchmarks will be offered for repurchase up to 17 September. In addition, the institution is also willing to buy back private placements in EUR, CHF, GBP and NOK, but will only provide a list of the corresponding ISINs without giving a pricing indication. To ensure unchanged regulatory treatment, a minimum volume after repurchases of EUR 500m or the equivalent in GBP applies to the above bonds. This does not, for example, affect our assessment as a Level 1 asset in the context of LCR management for the time being.

Nationwide Building Society: EUR benchmarks offered for buy backs

ISIN	Bond	Remaining maturity	Amount outstanding (EUR)	Current ASW spread	Repurchase spread	Yield
XS1130066175	NWIDE 0 3/4 10/29/21	1.1y	1.00bn	-3bp	-1bp	-0.463%
XS1308693867	NWIDE 0 3/4 10/26/22	2.1y	1.00bn	2bp	3bp	-0.439%
XS1569896498	NWIDE 0 1/2 02/23/24	3.4y	1.00bn	4bp	-6bp	-0.413%
XS2004366287	NWIDE 0.05 06/03/24	3.7y	1.25bn	5bp	-3bp	-0.384%
XS1207683522	NWIDE 0 5/8 03/25/27	6.5y	0.75bn	5bp	-3bp	-0.321%
XS1638816089	NWIDE 1 3/8 06/29/32	11.8y	1.00bn	15bp	9bp	-0.006%

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

Harmonised Transparency Template (HTT) from 2021 with optional ESG specifications

The Harmonised Transparency Template (HTT) for 2021 is finished and will for the first time offer the possibility of reporting on ESG criteria. The template, the publication of which is mandatory for all 155 members of the Covered Bond Label, thus opens up the rapidly growing segment of sustainable covered bonds. In addition to general information on possible integration of the covered bond programme in the institution's sustainability strategy, the 2021 HTT also provides for the first time the option of uniform reporting on ESG cover assets. Although it remains to be seen to what extent issuers will make use of this option, we expressly welcome this step from an investor's point of view, as it could further contribute to the transparency of the fast-growing market for ESG covered bonds.

CBPP3 grew only slightly over the summer break

As expected, the ECB significantly reduced its purchasing activity under the EAPP over the summer break. While the EAPP volume declined as at the reporting dates of 17 June and 31 June, the portfolio grew by only EUR 1.99bn and EUR 2.57bn at the end of August and the beginning of September respectively. Conversely, the volume increased again significantly to EUR 7.78bn as at the current reporting date. With regard to covered bonds, the CBPP3 volume has increased by only EUR 353m since the week of the last EUR benchmark transaction before the summer break. The volume of the PEPP has also stalled. While EUR 30bn in assets had been purchased within one week as of 26 June, the weekly volume since the beginning of August has ranged between EUR 13.8bn and EUR 15.1bn per week. As a result, the average volume purchased under the PEPP has fallen by around EUR 2.5bn to EUR 21.9bn since the beginning of August.

SSA/Public Issuers
Market overview

Analyst: Dr Norman Rudschuck, CIIA

ECB review

As expected, the Governing Council of the ECB last week decided not to change its monetary policy stance. The main refinancing rate remains at 0.0% and the deposit facility rate at -0.5%. The purchasing volume for PEPP is unchanged (for the time being) at EUR 1,350bn. For Q3 2020, our Chief Economist is anticipating the highest quarterly GDP growth of all time in the eurozone, which should total more than +7% (Q/Q). This is essentially a catch-up effect after the crash, but recovery continues to be incomplete and uneven. In 2020 as a whole, GDP is expected to fall by around -8%. The external value of the EUR has traditionally not been a direct target ratio for the ECB, a fact that all previous presidents have always stressed repeatedly. Nevertheless, the exchange rate has a considerable influence on the development of the inflation rate and the recovery of the real economy. In August, the inflation rate slipped into negative territory and will not move significantly upwards again until the beginning of 2021. However, a further appreciation of the euro is then very likely to provoke counter-reactions from the ECB, ranging from verbal interventions to additional expansionary measures. At this time, the Council has not yet seen any reason to introduce such measures. However, earlier voices from the ranks of the ECB, according to which the PEPP might not have to be fully utilised, have become noticeably quieter. The agreement reached on an EU financial package in July has also reduced the pressure on the ECB. Combating the crisis is no longer the sole responsibility of the ECB, which allows monetary policy to be conducted with a calmer hand. However, the effect of the fiscal measures will only be felt over the course of the coming months, so that additional monetary policy measures are not off the table in the event of poorer economic data. This is another reason why the ECB is keeping its powder dry for the time being. In our opinion, too much emphasized calmness could quickly backfire.

Germany goes green

On 27 August the German Finance Agency invited investors to take part in a conference call focused on the framework for green bonds. Soon afterwards, a German Government green bond was placed directly on the market for the first time (EUR 6.5bn at DBR -1bp). The issue took place only a few days after the framework was published by the Federal Ministry of Finance. The intention is to drive the development of the sustainable finance market by giving investors worldwide easy access to green benchmark bonds with high liquidity. For its inaugural deal, the Finance Agency chose a 10y green federal bond with the same features as the conventional twin bond issued on 17 June 2020. “Orders in the order book reached more than EUR 33bn from investors worldwide. As hoped, we were able to allocate the orders in a balanced and diversified way”, said Tammo Diemer, member of the Finance Agency's management board. After a promising start, further issues will follow to establish the Bund as a permanent issuer in the green bond market. A new issue is already planned for Q4, most likely a 5y green federal bond (our estimation: up to EUR 4.5bn).

The EU, ESM and EFSF and their funding plans

A few days ago, the European Union (Bloomberg ticker: EU) updated its investor presentation. While we always assumed that 21 September would be the starting point for this year's funding, some market participants have been on tenterhooks since the beginning of the month. This has resulted in a slight widening of spreads for new issues in anticipation of the increased supply. In the aftermath in particular, many bonds performed well because there was as yet no new major issuer. Now the start is planned for the first or second full week of October. So, things will get going by 5 October at the earliest. It remains to be seen whether EUR 30bn can actually be raised in 2020. With at least EUR 70bn in 2021, the EU would be the largest European issuer in the coming year (based on similar amounts for KfW and EIB as for 2020), but certainly ahead of the ESM and EFSF in any case. Speaking of rescue packages: the big E-supras will therefore be keeping out of each other's way somewhat at the end of September, as there are two windows for ESM and EFSF transactions in the coming week (from 14 September) and in the following trading week (from 21 September). But both issuers have already stated that they are done for Q3 and will only return in October. For the fourth quarter, all Luxembourg E-supras will be back in action, as the EFSF is again planning to issue EUR 5bn from October and ESM a total of EUR 1.5bn. Currently, the other names are however something of a sidekick, which is why we return to the subject of the European Union. It intends to launch green and social bonds (ESG bonds) on the market in the near future. Part of the proceeds will be used to finance the EUR 750bn reconstruction fund. EU representatives are working on a series of directives to establish criteria for green bonds, a person familiar with the matter, who works at the European Commission, told Bloomberg. However, it is unlikely that the draft law will be ready by the end of the year. According to Bloomberg, the issuance of green bonds was largely expected – EU representatives had already promised to spend almost a third of their package of measures on climate-friendly projects. However, the EU has yet to officially confirm that it will issue this type of paper – with no indications contained in the presentation yet. "This will bring change. It will actually attract more investors and demand will really increase," said Sean Kidney, head of the Climate Bonds Initiative. "This is the spiral we have been expecting", he added. The move would probably make the EU the largest issuer of green bonds and the main provider of a secure asset linked to environmental objectives. S&P estimates that the EU's total green bond sales could reach EUR 225bn. This corresponds roughly to the total volume of green bonds issued last year, according to data compiled by Bloomberg. "It is 50 actions for 2050", said Ursula von der Leyen, President of the European Commission, in summarising her Green Deal back in 2019. On the path to climate neutrality in 2050, the CO_2 reduction target for 2030 is also due to be tightened up. It could rise from 40% compared with 1990 to 50-55%. For this it will also need the EIB. So all E-Supras are somehow on-board and involved. After all, ESM COVID-19 bonds will also be ESG-compliant.

Primary market focused on deals outside Germany

Before our technically induced summer break, we did not see a permanent lull in the SSA market thanks to the Bundeslaender, although we did notice a reduction in fresh supply. The EIB had just printed EUR 3bn for 10y at ms -4bp at the end of August. In addition, NRW (30Y) and NEDWBK (15Y) had mandated deals. The NRW deal in particular has a comparatively high volume and long term in comparison with the issues seen over 2020 so far: EUR 1.25bn at ms +30bp for three decades. The order book was worth just over EUR 1.55bn. A good deal for all parties involved. Pricing for the SDG Housing Bond (Social Development Goals) from NEDWBK in the amount of EUR 1bn eventually settled at ms +10bp. The order books were valued at approximately EUR 1.4bn for 15y. Both deals tightened by two basis points compared with the guidance. Another big deal came from KFW: EUR 3bn for 10y issued at ms -5bp. The order books were valued at EUR 6.9bn. An update for the funding at the end of August was not yet available before going to print. However, KfW is unlikely to have EUR 15bn more to raise by year-end (target 2020: EUR 65bn). In our opinion, the other deals will continue to be characterised by considerable oversubscription despite narrow spreads. The following three Nordics, rather rare guests on the market, are classified as “Other” in our table due to the limited EUR offer and we are not assigning them to a specific region. The pandemic situation has not changed anything, as the supply of fresh material has not increased significantly. For example, the Danish KOMMUN issued a green bond in the amount of EUR 500m for 20y at ms +17bp. The Finnish KUNTA (municipal financier MuniFin) ventured into a new arena and mandated a consortium for a series of investor calls (including a digital roadshow) to prepare for its inaugural social bond. At the beginning of September, EUR 500m (WNG) was then announced for 15 years. This bond was placed shortly afterwards at ms +9bp. The third deal in the Nordic alliance was FINNVE at EUR 1bn (WNG) for 7y. The Finnish issuer placed this deal at ms flat. The guidance had suggested ms +2bp area. The books rose to more than EUR 2.7bn. Otherwise, the list of European issues seemed to be endless. For example, the French CDCEPS issued a 5y sustainability bond (EUR 500m) at approximately ms flat. The spread narrowed by at least four basis points during the pricing process. According to reports, a term of up to 7y was even possible, but the issuer chose the lower point of the range indicated in the mandate. The EIB also offered a tap on its 2036 ECOOP bond (EUR 400m at ms +3bp). The books were worth around EUR 575m. The Dutch BNG also chose a tap deal in the amount of EUR 250m for its 2035 maturity, which was met by investor interest at ms +10bp. CADES took a further step in its funding mix: First, it mandated a consortium to launch a social bond framework, only to place a 10y bond under this framework a few days later. A total of EUR 5bn was raised, while the books were actually more than three times oversubscribed (EUR 15.7bn). The deal tightened by four basis points in comparison with the guidance. The World Bank was also active in the primary market in the form of the IBRD: it also opted for a sustainability bond (15y). A total of EUR 1.5bn was placed at ms +10bp. Two rather rare guests on the primary market round off today's worldwide overview before we come to Germany: Korea Eximbank (KEXIM for short; ticker: EIBKOR), has issued EUR 500m as a COVID-19 bond. The books were almost eight times oversubscribed (EUR 3.9bn). While the guidance was still at ms +60bp, the bond was eventually priced at ms +35bp. In addition, the Italian CDEP opted for an 8y social bond in the amount of EUR 750m. Compared with the guidance, the bond was priced around 12 basis points lower.

Other deals: Germany dominates primary market

Not only for the Federal Republic of Germany were all funding signs set to "green" (see above). Rentenbank has now also got involved in the green segment for the first time. It conducted a series of investor calls before its inaugural benchmark transaction. It then mandated a consortium for a 7y green bond. While the guidance was still at ms -6bp area, the deal for EUR 1.75bn was closed at ms -9bp yesterday (Tuesday). Nevertheless, the order books still exceeded EUR 4.5bn. German Bundeslaender were of course also heavily involved in the market. In chronological order as far as possible, in addition to the above-mentioned deals, the following primary market transactions were executed in the last three trading weeks: THRGN with EUR 250m as a tap of its bond with a term to 2040 (ms +10bp). NIESA with EUR 1bn for 6y at ms -4bp. Both deals were oversubscribed, although they could hardly be more different in terms of maturity and volume. The NIESA deal was even able to tighten by a single basis point versus guidance. BERGER also joined the ranks and brought EUR 600m for 30 years at ms +27bp. With a few trading days between them, this was three basis points less than at the end of August for NRW. BAYERN raised EUR 100m on the market for 6y at ms -4bp. NRW the again followed suit, this time with EUR 1.25bn for 8y at ms -2bp. The books exceeded EUR 1.6bn. Tightening of two basis points was also possible compared to the guidance (ms flat). A floater was also a means to an end to raise EUR 750m for RHIPAL, with the deal transacted at 3mE +150bp for 2y. The 20-year segment was also served: BREMEN raised EUR 500m at ms +13bp. That was also where the guidance lay, while no details were disclosed regarding the order book. Nobody seems to be opting for longer than 30 years at the moment, not even HAMBRG. A total of EUR 500m was priced at ms +25bp. The book amounted to just over EUR 650m; IPT and guidance were both also at ms +25bp. HESSE, on the other hand, chose a term of 7y and issued EUR 1bn (WNG) at ms -4bp. Book details were not disclosed. Yesterday afternoon, NRWBK also issued a mandate for a 10y benchmark. We expect details with regard to the pricing to be made available this morning shortly after our deadline for going to print (before 9 am).

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
RENTEN	DE	15.09.	XS2233120554	7.0y	1.75bn	ms -9bp	AAA / Aaa / AAA
HESSEN	DE	15.09.	DE000A1RQDY0	7.0y	1.00bn	ms -4bp	- / - / AA+
CDEP	Other	14.09.	IT0005422032	8.0y	0.75bn	ms +134bp	BBB- / - / BBB
EIBKOR	Other	14.09.	XS2230307006	3.0y	0.50bn	ms +35bp	AA- / Aa2 / -
IBRD	SNAT	10.09.	XS2231588547	15.0y	1.50bn	ms +10bp	- / - / AAA
CADES	FR	09.09.	FR0013534559	10.2y	5.00bn	ms +14bp	AA / Aa2 / -
HAMBRG	DE	09.09.	DE000A2LQPE7	30.0y	0.50bn	ms +25bp	AAA / - / -
BREMEN	DE	09.09.	DE000A289K06	20.0y	0.50bn	ms +13bp	AAA / - / -
RHIPAL	DE	08.09.	DE000RLP1213	2.0y	0.75bn	3mE +150bp	AAA / - / -
NRW	DE	08.09.	DE000NRW0MK0	8.3y	1.25bn	ms -2bp	AAA / Aa1 / AA
FINNVE	Other	08.09.	XS2230845328	7.0y	1.00bn	ms flat	AA+ / Aa1 / -
CDCEPS	FR	07.09.	FR0013534443	5.0y	0.50bn	ms flat	- / - / AA
KUNTA	Other	03.09.	XS2227906034	15.0y	0.50bn	ms +9bp	- / Aa1 / AA+
BERGER	DE	02.09.	DE000A289LA6	30.0y	0.60bn	ms +27bp	AAA / - / -
NIESA	DE	01.09.	DE000A3H2XK1	6.0y	1.00bn	ms -4bp	AAA / - / -
KFW	DE	27.08.	DE000A289RK2	10.0y	3.00bn	ms -5bp	- / Aaa / AAA
KOMMUN	Other	27.08.	XS2226280084	20.0y	0.50bn	ms +17bp	- / Aaa / -
NEDWBK	NL	26.08.	XS2226241854	15.0y	1.00bn	ms +10bp	- / Aaa / AAA
NRW	DE	26.08.	DE000NRW0MJ2	30.0y	1.25bn	ms +30bp	AAA / Aa1 / AA

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

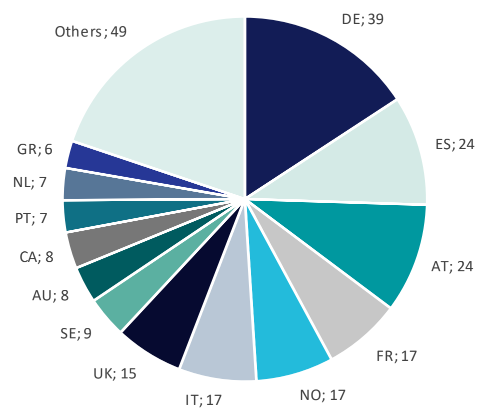
Covered Bonds
Moody's covered bond universe: an overview

Analyst: Henning Walten, CIIA

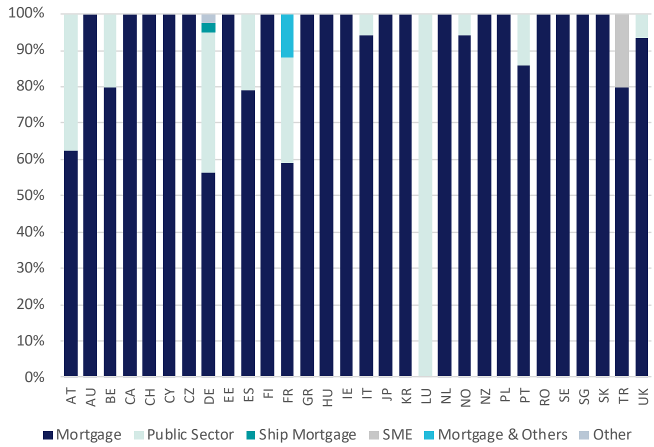
Covered bond programmes rated: 247

Moody's has published its quarterly report on its rating activities in the covered bond segment. For this, Moody's predominantly draws on rating reports from the first quarter 2020, which means it has improved the time it takes to process data by one quarter. The report shows that Moody's provided rating assessments for a total of 247 covered bond programmes. Moody's covered bond universe covers 202 mortgage-backed programmes, making up the majority share of 81.8%. In addition, Moody's rates 40 public sector programmes (16.2%). These are predominantly concentrated in Germany (15 programmes; 37.5%), Austria (9; 22.5%), France and Spain (both 5; 12.5%). Breaking the data down by jurisdiction, it can be established that almost 80% of programmes are in those 13 countries in which at least six programmes were rated. The remaining 49 programmes are spread across 17 jurisdictions overall, though of these the EUR benchmark jurisdictions of Estonia, Luxembourg and Japan each only have one programme.

Number of programmes with a Moody's rating



Breakdown of programme type by country



Source: Moody's, NORD/LB Markets Strategy & Floor Research

Focus on mortgage programmes from EUR benchmark jurisdictions

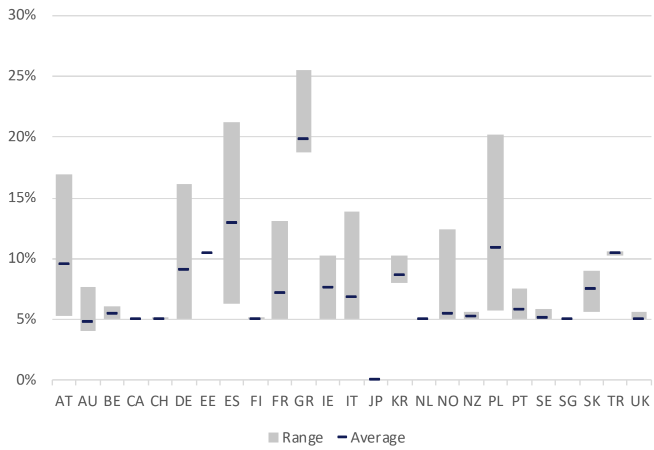
Looking at covered bonds in the Moody's ratings universe, there is unequivocally a focus on mortgage programmes, and these are almost all based in EUR benchmark jurisdictions. Only the Czech Republic (2 programmes), Hungary (2), Cyprus (1) and Romania (1) do not currently have any outstanding covered bond issuances in the EUR benchmark segment. For these reasons, we will focus below on those mortgage-backed programs that were set up from EUR benchmark jurisdictions. In this context, it should be taken into account that EUR benchmarks were not necessarily issued through these programmes. Rather, placing this limitation on our assessment of Moody's covered bond universe as a whole will allow for a better comparison between the data from an investor's perspective.

Mortgage programmes are predominantly residential

With regard to the classification of cover assets in the individual programmes carried out by Moody's, it can be ascertained that, on average, 83.6% of bond cover consists of residential assets. Proportions averaging less than 75% are only registered for Germany (43.8%) and Austria (55.0%). Notable percentages of multi-family assets can be seen for Germany (12.0%), but also Switzerland (11.0%) and Sweden (8.0%), while the share of commercial assets is especially high in Germany (38.9%), Austria (39.1%), Spain (19.7%) and Poland (11.7%). By contrast, a noteworthy percentage of public sector cover assets can be seen in France (5.7%) and Sweden (1.4%), although in both cases, it still only makes up a tiny proportion of the cover pool volume.

Structure of cover pools (mortgage programmes)

Collateral score by country (mortgage programmes)



Source: Moody's, NORD/LB Markets Strategy & Floor Research

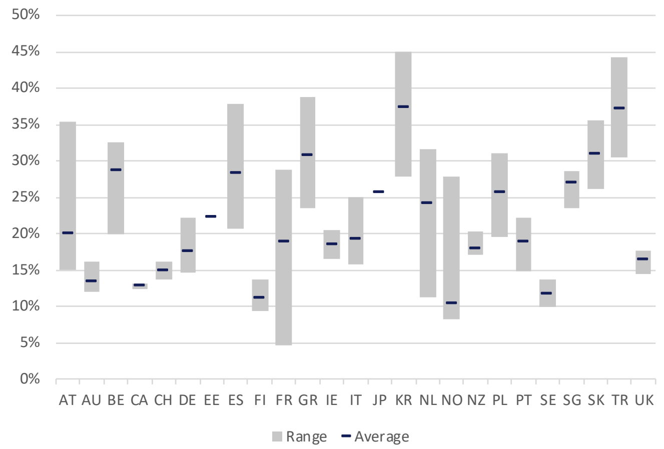
Collateral score as an indicator of cover pool quality

The collateral score is an important metric in the Moody's covered bond universe. This is used by the ratings agency to assess the quality of cover assets, with a low value indicating that the quality of assets in the cover pool is high. The above chart not only shows the average collateral score at national level in each case, but also the possible range of scores. Three jurisdictions have a maximum score of 5%, namely Canada, the Netherlands and Singapore. The chart also shows that the range of collateral scores in these jurisdictions is comparatively low. For Austria, Germany, Spain, Italy and Poland, a significantly more heterogeneous picture emerges at national level with regard to the quality of the rated covered bond programmes. The average quality of assets in the cover pool is lowest in Estonia, Spain, Poland, Greece and Turkey. It comes as little surprise that a differentiated picture emerges at global level. While this heterogeneity does also manifest itself nationally in some jurisdictions, the cover pool quality is to a great extent equivalent between programmes rated by Moody's in many countries. Japan is a special case, as it has residential mortgage-backed securities (RMBS) for its covered bonds with a Aaa rating.

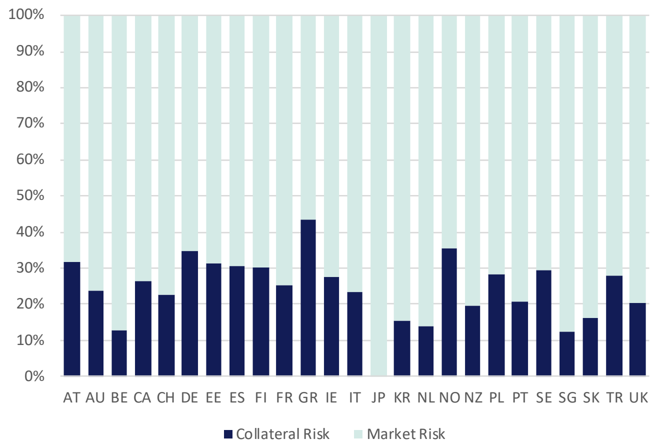
Cover pool losses an indicator comprising two components

Moody's rating experts use the cover pool losses (CPL) to reflect the losses expected in the cover pool in the event of issuer default. This risk is composed of two components: market risk (refinancing, interest and currency risks) and collateral risk (asset quality and credit risk). Similarly to the collateral score, a high degree of heterogeneity can be identified in a global comparison of CPL. This is reflected not only in the average CPL, but also with regard to the range of national variation. Specifically, the CPL in Finland, Norway and Sweden are particularly low, while those in Slovakia, Turkey and South Korea are especially high. However, the range is low for programmes from Canada, Switzerland, New Zealand and the UK, although this is partly attributable to the small number of programmes in these countries. In the established EUR benchmark jurisdictions, the CPL range is greatest in France, the Netherlands and Austria.

Cover pool losses by country (mortgage programmes)



CPL risk component by country (mortgage programmes)



Source: Moody's, NORD/LB Markets Strategy & Floor Research

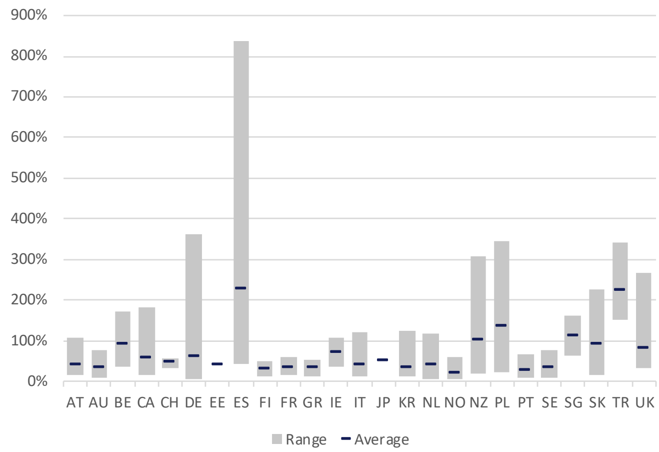
Refinancing, interest and currency risks determine the expected losses

The top right chart shows that there is considerable variation at national level between the two components (collateral risk and market risk). The share of collateral risk in the CPL is relatively high in Greece, Norway and Germany. On account of a declining quality in the cover pool in the event of issuer insolvency, the degree of CPL is comparably low in Belgium, the Netherlands and Singapore. The programme from Japan again adopts a special position, with no collateral risk on account of its cover pool structure (cover assets are RMBS transactions alone). On the whole, it can be ascertained that CPL are largely impacted by market risk, so that losses in the event of issuer insolvency are ascribed to the categories of refinancing, interest and currency risks and not due to the quality of cover assets.

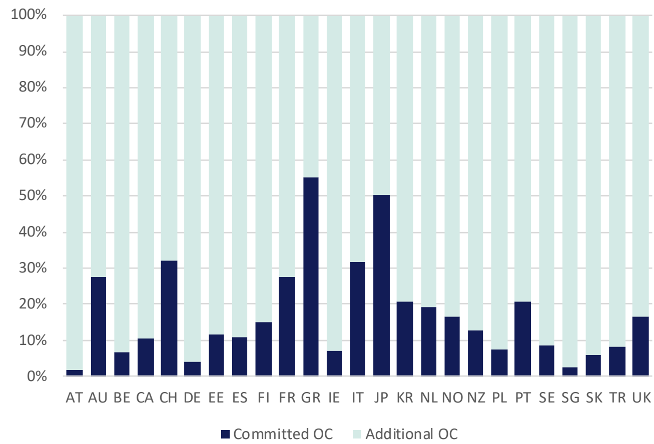
Spanish programmes with heterogeneous high overcollateralisation

Looking at the overcollateralisation ratio for programmes rated by Moody's, there are no real surprises with respect to differences internationally. The greatest national heterogeneity can be seen in Spain and Germany. Please note that we have exempted the programme of Bausparkasse Schwäbisch Hall in our assessment of overcollateralisation, as the figure is 4,917.7% and would have distorted the data too substantially. While the lowest overcollateralisation among the Spanish programmes was 43.0%, overcollateralisation of Kutxabank's programme was 836.2% in the first quarter of 2020. There is also a high degree of variation in the overcollateralisation ratios for Poland, New Zealand and the UK. Conversely, Switzerland, Finland and Greece are all jurisdictions in which the overcollateralisation levels of individual programmes are comparable. However, low overcollateralisation variance is to some extent due to the number of programmes being rated.

Overcollateralisation by country (mortgage programmes)



Composition of overcollateralisation (mortgage programmes)



Source: Moody's, NORD/LB Markets Strategy & Floor Research

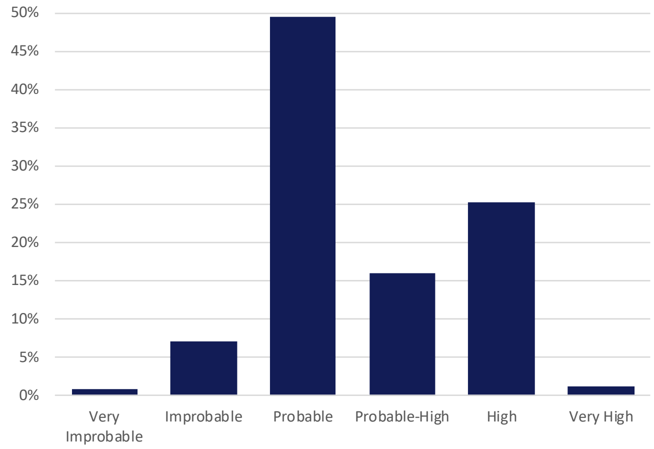
Committed OC as starting point for voluntary overcollateralisation

Overcollateralisation can also be divided into subcomponents. It might have been committed to the rating agency to ensure a certain rating or as a legal requirement. Committed OC can therefore be seen as a kind of lower threshold, meaning that overcollateralisation should not readily or even must under no circumstances fall below this level. In contrast, actual overcollateralisation might just be a temporary status, which is potentially subject to certain volatilities through new issuances or maturities. With regard to the proportion of OC levels made up of committed OC, it becomes apparent that overcollateralisation in Austria, Germany and Singapore is to a large degree offered on a voluntary basis and therefore can be reduced relatively easily. Conversely, around half of overcollateralisation in Greece and Japan is attributable to committed overcollateralisation and half voluntary. Overall, it can be established that the largest share of overcollateralisation for the issuer is on a voluntary and non-committed basis. Moreover, a high proportion of committed OC by no way means that overcollateralisation is also high (cf. Greece, for example).

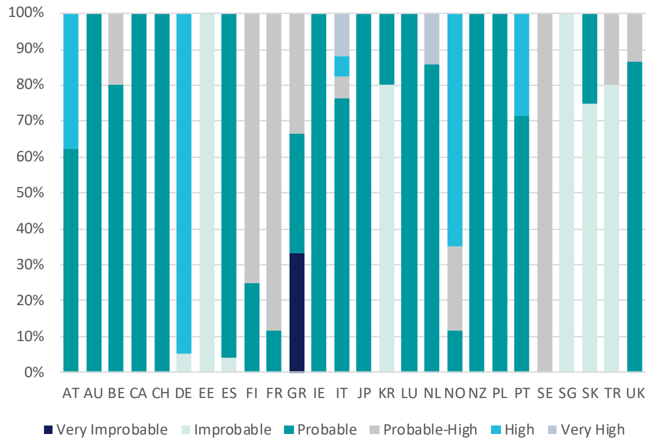
TPI links covered bond rating with issuer rating

One other ratio provided by Moody's is the timely payment indicator (TPI), which indicates the likelihood that timely payment will be made to covered bondholders in the event of issuer default. This ranges on a six-notch scale from "Very High" to "Very Improbable" (cf. table below). The TPI level also determines the potential covered bond rating to a certain number of notches above the issuer's rating. The TPI Leeway denotes the number of notches by which Moody's might lower the covered bond anchor before the rating agency downgrades the covered bond programme because of TPI framework constraints. The table below shows that around half of all mortgage programmes rated by Moody's have been assigned a TPI of "probable". However, the lowest and highest assessment levels are less strongly represented at present, with shares of 0.8% and 1.3% respectively.

Timely Payment Indicator (TPI)
(mortgage programmes)



TPIs by country
(mortgage programmes)



Source: Moody's, NORD/LB Markets Strategy & Floor Research

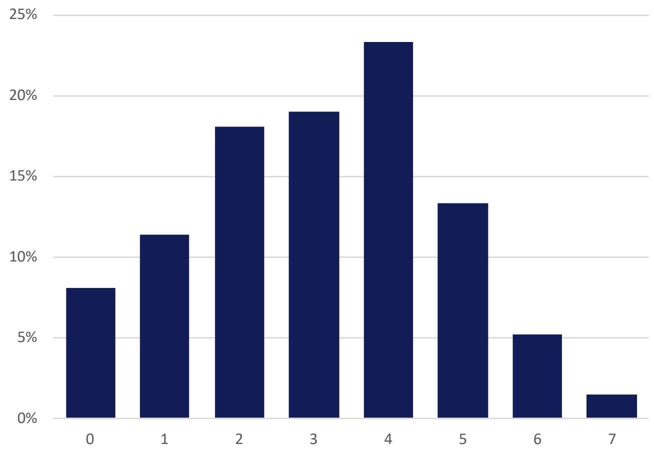
National estimates largely the same

In 11 EUR benchmark jurisdictions, the programmes within a jurisdiction have all been assigned the same TPI level. While this is "probable" in eight cases, the programmes in Estonia and Singapore only have a TPI of "improbable", while all nine Swedish programmes are rated "probable-high". Only three programmes (2x IT and 1x NL) have been assigned the highest possible TPI of "very high". Just two Greek programmes fall at the other end of the spectrum ("very improbable"). Three different levels for the likelihood that timely payment will be made can be found only in Greece, Italy and Norway. In Germany, a high probability that payment obligations will be met on a timely basis in the event of issuer default is assumed for 37 of the 39 programmes. In addition, a high probability is also ascribed to programmes in Norway (11 of 17 programmes) and Austria (9 of 24 programmes).

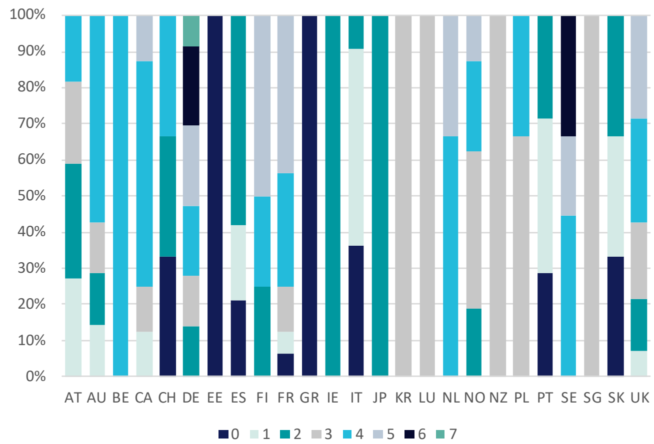
Adequate buffer with regard to downgrades

As previously mentioned, the TPI Leeway is another key metric, denoting the number of notches that the covered bond anchor can be lowered before the rating agency downgrades the covered bond programme because of TPI framework constraints. Of the covered bond programmes rated by Moody's, 18 do not have a corresponding buffer. This means that in the event that the covered bond anchor is downgraded, the programme would be downgraded as a direct consequence. More than half the programmes are allocated to the categories of 2, 3 and 4, which means that the majority of programmes have an adequate buffer.

TPI Leeway in notches (mortgage programmes)



TPI Leeway in notches by country (mortgage programmes)



Source: Moody's, NORD/LB Markets Strategy & Floor Research

Germany, France, Sweden and the UK have high buffers in some cases

Looking at national covered bond markets, it can be established once again that these feature a high degree of heterogeneity. The rated programmes in Germany, France and the UK have at least five different notch assessments on the TPI Leeway scale. The TPI Leeway – and therefore the rating buffer – is particularly high in Germany, France, Sweden and the UK, as at least four programmes have been assigned a TPI Leeway of a minimum of five notches. However, four programmes each in Greece, Italy and Spain have no buffer. In the case of Greece, this is true of all programmes rated by Moody's. In Italy and Spain, the maximum assessment is two notches, demonstrating the low level of rating buffers on the eurozone periphery.

Conclusion

The latest report from Moody's rating agency once more shows the importance of Moody's ratings for the rating landscape in the EUR benchmark segment. We welcome the improved speed at which Moody's publishes its reporting and that its Q2 report already draws on data for the end of the first quarter. It is not surprising that the data reveals a highly heterogeneous picture with regard to the individual rating assessments. By means of this article, we want to enable an improved and quicker allocation of key metrics for both national and international comparisons, which means the quality and characteristics of covered bond programmes can be analysed as required.

NORD/LB

SSA/Public Issuers
Update Down Under: Victoria (TCV)

Analyst: Dr Norman Rudschuck, CIIA

Update on Victoria – a city tormented by bushfires

As was the case in the previous edition of this publication presenting the Canadian provinces, Australian sub-sovereigns also represent interesting alternatives to the bonds issued by German Bundeslaender, for example. Although the outstanding EUR-denominated volume is modest, the states and territories of Australia do offer yield pick-ups versus EUR bonds from Canada and Germany. The devastating bush fires, which have struck the majority of Australian states since the end of last year, and the consequences of these fires, now provide us with an opportunity to take a closer look at Victoria on the back of the updated profile of New South Wales a few weeks ago. Due to torrential rainfall, all bushfires raging in Victoria have since been reported as extinguished. The situation in Australia is reminiscent of the Canadian province of Alberta in 2016/17, when a forest fire blazed for 15 months. The extent of the damage caused made this the most expensive natural catastrophe in the history of Canada. It impacted the budget of Alberta so severely that it resulted in a rating downgrade for the province. While it has not (yet) come to this in Victoria or New South Wales, Moody's has, however, identified climate-related risks as a potential danger for the credit rating, as we also reported previously in connection with NSW. In Australia, the bushfires have burned away more than 18 million hectares of land, which equates to just over half of the total area of Germany. Of this affected area, 1.5 million hectares are located in Victoria. In January 2020, the central government founded the National Bushfire Recovery Agency as a response to the fires in order to coordinate the redevelopment of the affected areas and to manage the recovery fund of AUD 2bn.

Coronavirus as a challenge for economy and budget

Victoria is the Australian state most-affected by the coronavirus. More than 70% of all reported cases of infection in Australia are attributable to Victoria. Unsurprisingly, the state capital of Melbourne is an infection hotspot. While the rest of Australia had been looking towards slowly relaxing the restrictions introduced to combat the coronavirus, the metropolitan region of Melbourne, home to just under 5 million inhabitants, was placed in a six-week lockdown including a curfew following a renewed outbreak of infections at the beginning of July. In addition, a face mask covering both nose and mouth had to be worn whenever leaving the house. Furthermore, the neighbouring state of New South Wales, which we covered in greater detail in edition 34/2020 of this publication, closed its borders with Victoria. This is problematic for several reasons, but primarily because the economy of Victoria is reliant on domestic and foreign migration to a greater extent than any other Australian state. Due to Victoria's economic structure and the sustained lockdown in parts of the state, GDP in the state fell by -8.5% in Q2 2020, while economic output across Australia as a whole declined by "only" -7.0%, thrusting the country into its first recession for 28 years in the process. In order to combat the direct consequences of the pandemic, a credit facility totalling AUD 24.5bn was integrated in the state budget. With regard to the economic impacts of this crisis, it is therefore also important to keep a very close eye on further developments.

Basic information on Victoria

With 6.6 million inhabitants (approximately 26% of the total population of Australia), Victoria is the second-most-populous Australian state after New South Wales. In comparison with the other states in Australia, Victoria covers a relatively small total area of 224,420 km^2. Victoria was created out of New South Wales in 1851 and from that moment onwards was run as an independent British colony subject to royal rule. In 1901, it joined the newly founded Commonwealth of Australia. The regional capital, Melbourne, initially also served as the national capital city until being replaced by Canberra in 1913. Melbourne has been a major economic centre in south-east Australia ever since it was founded in 1835. The population of some interior areas grew rapidly on the back of the gold rush from 1850 onwards. Today, Victoria continues to be characterised by rapid population growth. Over the past five years, the population has risen by 11.9%, which is not only faster than the national average of 8.0%, but also the largest increase across the whole of Australia. Melbourne is Australia's second-largest city behind Sydney and is home to numerous major companies. In addition to mining companies, many European corporations have established their Australian headquarters in Melbourne. Overall, the tertiary sector dominates the Victorian economy. Over the past few years, the financial and insurance sectors in particular have played an important role. As was the case in the previous year, around 23.3% of Australian GDP was generated in Victoria during the 2018/19 financial year. In relative terms, economic output is therefore lagging slightly behind Victoria's share of the population.

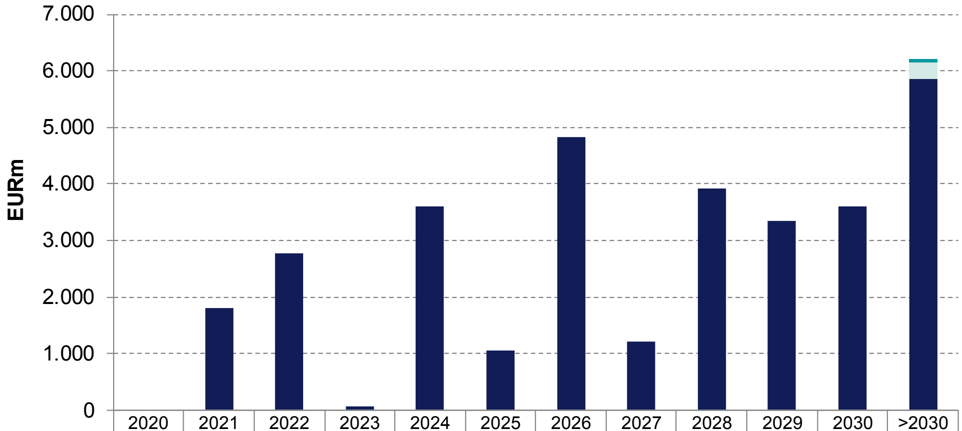
General information

Outstanding bond volume
EUR 32.4bn (EUR equivalent)

Of which EUR bonds
EUR 0.3bn

Bloomberg ticker
TCV

Victoria – outstanding bonds



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	>2030
JPY	0	0	0	0	0	0	0	0	0	0	0	60
EUR	0	0	0	0	0	0	0	0	0	0	0	300
AUD	0	1.799	2.769	61	3.608	1.051	4.830	1.210	3.929	3.337	3.597	5.856

Foreign currencies are converted into EUR at rates as at 15 September 2020.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

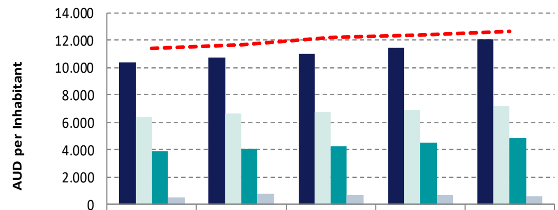
Outstanding bonds

Victoria, referred to here as TCV (Treasury Corporation of Victoria), has an outstanding bond volume equivalent to EUR 32.4bn, the majority of which is of course denominated in AUD. The EUR follows thereafter, with a share of EUR 300m. The third-largest funding currency is the JPY, accounting for a total of EUR 60m in outstanding bonds. The maturity profile contains just a single bond denominated in both EUR and JPY. This means that 34 of the 36 outstanding bonds are denominated in AUD. Due to the bushfire situation and Covid-19 pandemic, we believe there is additional EUR potential for both investors and the issuer itself. There are no further bonds set to mature in 2020.

Assessment of the ratings

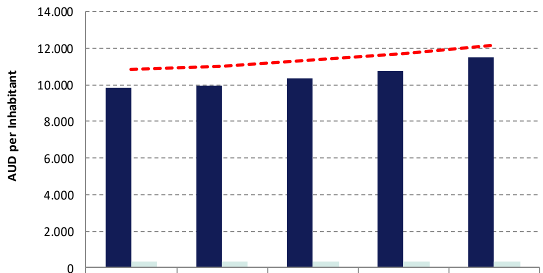
Aside from New South Wales (NSW) and Australian Capital Territory, Victoria is the third sub-sovereign to be allocated the top rating of AAA. S&P cites the broad diversification of its economy and the healthy situation on the labour market as the basis for this. According to S&P's rating report, the latter in particular has led to a surge in migration to Victoria, which in turn has increased demand on the property market. In this context, Victoria's self-generated revenue would be strengthened by way of the real estate transfer tax. Moreover, the financial management is described as reliable and the debt situation has stabilised. Parallel to this, S&P raised its outlook for both NSW and Victoria in September 2018 from negative to stable as a result of the positive national budget and associated sovereign rating upgrade for Australia. This upgrade was, however, revoked in April 2020, after the rating outlook for Australia (and at the same time Victoria) was revised downwards due to the coronavirus crisis. S&P explained this step by citing the threat of the first recession in Australia for almost 30 years and restricted scope for monetary policy measures associated with this. Moody's also praised the diversified and growing economy in addition to the robust budgetary development in its most recent report (April 2020). Rising debt and increased pressure on both the income and expenses side were, however, identified as weaknesses. One reason provided for a potential downgrade involves accelerated growth in expenditure and debt level in the future (infrastructure). Should the costs associated with fighting bushfires and dealing with the coronavirus crisis have an excessively strong impact, leading to a significant increase in the debt level, it is feasible that Victoria could experience a rating downgrade – or at least a change in its rating outlook.

Development of revenue in AUD per capita



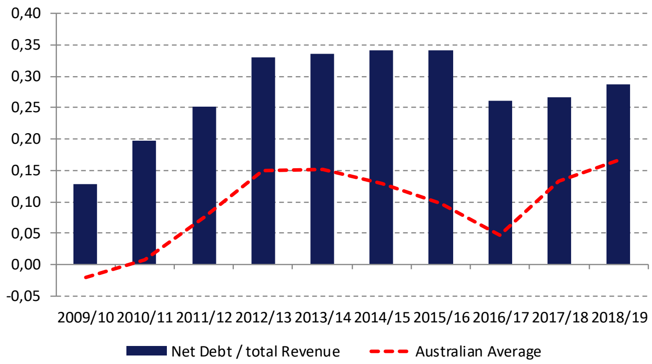
	2014/15	2015/16	2016/17	2017/18	2018/19
Operating revenue	10.348	10.716	11.022	11.419	12.050
Own-source revenue	6.421	6.689	6.774	6.896	7.206
Grants and subsidies	3.927	4.027	4.248	4.522	4.843
Deficit/ surplus	495	755	676	667	558
Operating revenue (Australian average)	11.372	11.674	12.171	12.366	12.653

Development of expenditure in AUD per capita

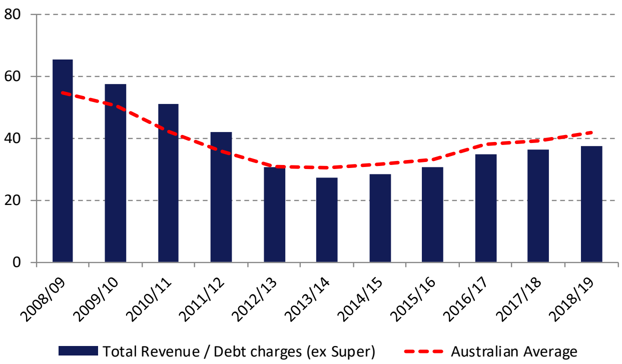


	2014/15	2015/16	2016/17	2017/18	2018/19
Operating expense	9.853	9.961	10.345	10.752	11.492
Debt charges	362	351	317	315	321
Operating expense (Australian average)	10.846	11.036	11.376	11.718	12.162

Trend in debt sustainability

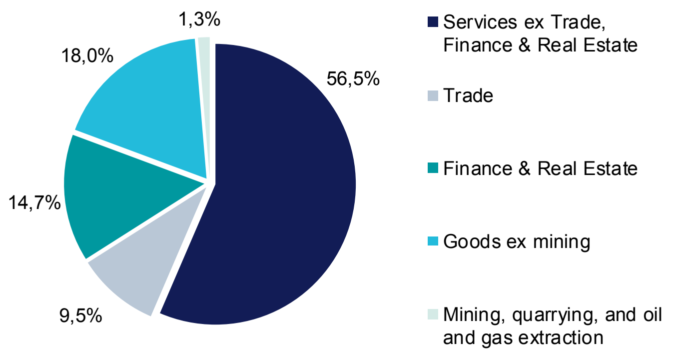


Trend in interest cover

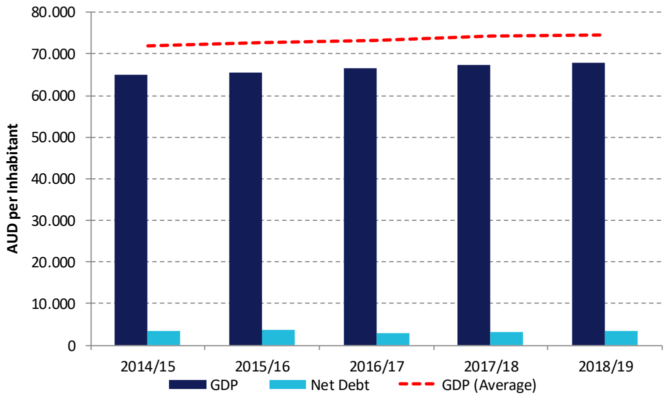


Source: Australian Bureau of Statistics, NORD/LB Markets Strategy & Floor Research

Gross value added by economic sector



Trend in GDP and total debt



Source: Australian Bureau of Statistics, NORD/LB Markets Strategy & Floor Research

(Values in AUD)

Balance (vs. 2017/18; rank*)

3.7bn (-0.6bn; 1st)

Balance/GDP (2017/18; rank*)

0.8% (1.0%; 3rd)

Adjusted income (vs. 2017/18)**

47.3bn (+2.9bn)

Adjusted income/ interest expenditure (2017/18; rank*)**

22.5x (21.9x; 6th)

Net debt (vs. 2017/18; rank*)

22.8bn (+3.6bn; 7th)

Net debt / real GDP (2017/18; rank*)

5.1% (4.5%; 4th)

Net debt / adjusted income (2017/18; rank*)**

0.48x (0.44x; 5th)

* Ranking of the state among all Australian states for the respective key figure, where 1 is the best figure in the comparison of the states.

** Revenue excluding equalisation payments.

Key budget indicators 2018/19

At AUD 3.7bn (0.8% of GDP), Victoria recorded the highest operating surplus of all Australian states and territories in the 2018/19 budget year. In a comparison of all Australian states, this value ranks Victoria in third place for both the balance/GDP metric and the per capita consideration. On the income side, strong growth to AUD 79.1bn is above all noteworthy. A growth rate of 7.7% is the highest in Australia (average 3.9%), which, in addition to a consideration of the data in absolute terms, also applies to long-term growth (since 2009/10: +55.5%) and the increase on a per capita basis. One positive aspect to note is that this development cannot be solely attributed to the high level of growth in transfer payments (+9.3% Y/Y), with a rise in own revenues (+6.7% Y/Y) also playing a role here. In the 2018/19 budget year, an increase was also recorded on the expenditure side, which, at +9.1%, was higher than in any other state or territory in Australia – which, as mentioned above, was also the case on the income side. Overall, expenditure in Victoria totalled AUD 75.5bn, which produces the lowest level of per capita expenditure, at AUD 11,492, aside from New South Wales. However, at +6.9%, this value actually saw a sharper increase than anywhere else in Australia. Victoria registered the highest level of interest expenses of all Australian sub-sovereigns, which comes as little surprise considering it has the second-highest debt level in Australia. Victoria's metrics for debt sustainability and interest coverage are worse than the national average. Nevertheless, these are actually at very good levels overall, as is the case with the ratio of debt/GDP. This stands at 5.1% and places Victoria in fourth position in a national comparison.

GDP (vs. 2017/18; rank*)
AUD 446.1bn
(AUD +13.1bn; 2nd)

GDP per capita (vs. 2017/18; rank*)
AUD 67,936 (AUD +354; 6th)

GDP growth (2017/18; rank*)
3.0% (3.4%; 2nd)

Unemployment rate (2018; rank*)**
4.6% (5.3%; 4th)

* Ranking of the state among all Australian states for the respective key figure, where 1 is the best figure in the comparison of the states.

**In contrast to the usual approach, unadjusted unemployment figures were used here, as adjusted data was not available for all Australian states.

Economic data 2018/19

Once again, economic output in the Australian state of Victoria rose further in the prior year, with an increase of AUD 21.6bn leading to overall GDP in the amount of AUD 454.6bn being posted. In this context, Victoria is ranked second within Australia. In terms of GDP per capita, the state ranks in sixth position with a value of AUD 69,232. The unemployment rate has remained largely stable for several years now, standing at 4.6% in June 2019. This represents a slight improvement versus the previous year (5.3%). However, according to the most recent figures, unemployment rose to 6.9% in May 2020, a development which directly reflects the effects of the coronavirus pandemic. Looking at Australia as a whole, the labour market situation in Victoria is the fourth-best in the country. Alongside the financial and real estate sector (14.7%), the specialised services sector (8.1%) and construction sector (8.7%) also play an important role in the economic output of Victoria. In fact, the latter accounts for a higher share of GDP in Victoria than in any other Australian state. Manufacturing industries today account for a significantly reduced share of value added than was the case at the turn of the millennium. Nevertheless, its contribution to economic output remains the largest of all Australian sub-sovereigns, at 7.4%. GDP growth of +3.0% puts Victoria in second place nationally. Only Tasmania recorded a higher growth rate for this metric, at +3.6%, while the Australian average for 2018/19 stood at +1.9%. Economic growth on a per capita basis was, at +0.9%, above average (Australia as a whole: +0.3%), with Victoria only outstripped by Australian Capital Territory (+1.3%) and Tasmania (+2.4%) in this regard.

Future influence factors for the economy of Victoria

At the last election in November 2018, the Australian Labor Party achieved an overall majority, with Daniel Andrews re-elected to office as Premier of Victoria for the fifth consecutive election after opposition parties lost a total of 11 seats. The election campaign focused above all on dealing with Melbourne's growing population. After the city grew by an average of just under 160,000 inhabitants from 2015-2018, an increase of around 190,000 was recorded in 2019. This issue therefore remains topical. Linked to this are new infrastructure projects for the city which require capital and which occasionally entail adverse impacts for the existing population. The University of Melbourne has a superb reputation, reflected by its ranking of 39th in the global QS World University Rankings. Looking at the trend in start-ups being founded in Victoria can also provide an indication as to the state's future viability. In this context, with the city home to 14% of all start-ups in Australia, Melbourne was ranked in second place in a national comparison by "the martec". Moreover, the real estate service provider Savills has put Melbourne in 22nd place on its list of the most attractive cities for technology enterprises. As a result of climate change, more frequent and stronger bushfires will have an increased impact on the economy and public finances in Victoria. With Bushfire Recovery Victoria, a new authority has now been specifically founded, which, like the National Bushfire Recovery Agency, aims to support regions affected by bushfires with reconstruction projects. Given the high cases of infection and economic structures in place within the state, the coronavirus pandemic threatens to affect Victoria more severely than other Australian states. The pandemic represents a risk that should in no way be underestimated, and one which, precisely due to the below-average per capita values for GDP and debt in comparison with other Australian states, may well be felt for a longer period of time.

Strengths

+ Top credit rating (AAA)
+ Above-average economic growth

Weaknesses

– High degree of dependency on the service sector

– Below-average GDP per inhabitant

Comment

Up to now, the liabilities of the Australian state of Victoria have almost exclusively been denominated in AUD. Only two bonds have been issued by the Treasury Corporation of Victoria (Bloomberg ticker: TCV) in foreign currencies: one in EUR and one in JPY. However, we also believe there is potential for future EUR deals from Victoria. Due to sustained operating budget surpluses, Victoria's finances remain very robust, while the figures for economic growth are impressive and the state's top credit rating (AAA) speaks for itself. Nevertheless, weaknesses have been identified. GDP per capita remains below average, while the debt situation also continues to lag behind the average in a national comparison. Although revenues rose sharply in the 2018/19 budget year, this must be contextualised by highlighting an equally sharp increase in expenditure growth. The extent to which the effects of the coronavirus pandemic will influence future developments with regard to income, expenditure and debt level in Victoria remains to be seen. Solid budgetary management over recent years means that Victoria is well equipped to deal with the imminent recession. However, bushfires could continue to pose problems in the future, although Victoria is now better prepared and boasts coordinated response mechanisms.

Appendix

The ECB tracker and Charts & Figures chapters will be included here again soon.

Appendix
Publication overview

Publication	Topics
34/2020 ♦ 26 August	▪ Covered bonds as central bank-eligible collateral – European Central Bank presents Q2 2020 figures ▪ Update: New South Wales (NSWTC)
33/2020 ♦ 19 August	▪ German Pfandbrief savings banks in Q2 2020 ▪ ECBC publishes annual statistics for 2019
32/2020 ♦ 12 August	▪ Transparency requirements §28 PfandBG in Q2 2020 ▪ Development of the German property market ▪ European Atomic Energy Community (Euratom)
31/2020 ♦ 05 August	▪ PEPP: Second round of reporting again provides valuable insights
30/2020 ♦ 29 July	▪ LCR levels and risk weights of EUR benchmarks ▪ Update: Funding of German Bundeslaender (ytd)
29/2020 ♦ 22 July	▪ iBoxx Covered indices: current status and criteria ▪ Update: Joint Laender jumbos (LANDER)
28/2020 ♦ 15 July	▪ Repayment structures on the covered bond market ▪ 21st meeting of the Stability Council
27/2020 ♦ 08 July	▪ Sparebanken Vest issues first EUR benchmark in ESG format ▪ Second issuer from South Korea: Kookmin Bank to shortly make its debut in the EUR benchmark segment ▪ KfW reduces 2020 funding target to EUR 65bn
26/2020 ♦ 01 July	▪ Half-year review and outlook for the second half of 2020 ▪ The German debt brake in 2020
25/2020 ♦ 24 June	▪ EUR benchmark covered bonds in ESG format – an overview ▪ BULABO falling due – R.I.P.
24/2020 ♦ 17 June	▪ TLTRO-III.4 vs. covered bonds: are bond repurchases worth it? ▪ TLTRO-III now of increased interest for promotional banks too?
23/2020 ♦ 10 June	▪ The adjustment follows the reporting: insights into the PEPP
22/2020 ♦ 03 June	▪ Moody's covered bond universe – an overview
21/2020 ♦ 27 May	▪ BPCE issues inaugural green covered bond ▪ France: retained issuances and benchmark deals ▪ The federal financial equalisation system (LFA)
20/2020 ♦ 20 May	▪ German Pfandbrief savings banks in Q1 2020 ▪ EIOPA and BaFin see insurers as prepared for the coronavirus crisis: SCR calculation for covered bonds under Solvency II
19/2020 ♦ 13 May	▪ Transparency requirements §28 PfandBG Q1/2020 ▪ Dutch CPT issuer NN Bank announces new soft bullet programme ▪ Development of the German property market ▪ Borrowing authorisations of the German Laender – an update

NORD/LB: Markets Strategy & Floor Research

NORD/LB: Covered Bond Research

NORD/LB: SSA Research

Bloomberg: RESP NRDR <GO>

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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

Corporate Sales	
Schiffe/Flugzeuge	+49 511 9818-9440
Immobilien/Strukturierte Finanzierung	+49 511 9818-8150
Firmenkunden 1	+49 511 9818-4006
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Additional information
Time of going to press: 16 September 2020 08:55h (CET)

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Issuer / security	Date	Recommendation	Bond type	Cause