Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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Market overview
Covered Bonds

Author: Dr Frederik Kunze

Primary market: colourful mix on the supply side, with new issue premiums on the rise
Against the backdrop of monetary policy uncertainty and geopolitical tensions, the market environment remains challenging. Nevertheless, looking back at the last five trading days, it is clear that the primary market remains intact and that issuers have been offering investors a very colourful mix of fresh supply. The first issuer to approach investors in the period under review was Belfius Bank from Belgium, which placed a EUR benchmark worth EUR 1.0bn at ms +32bp. As a result, the deal, which featured an initial term of five years, tightened significantly against its guidance (ms +37bp area). We calculated a new issue premium of four basis points here. The following day, three issuers from three separate currency areas tested the waters in an attempt to gauge investor appetite: Danmarks Skibskredit (DK), Sumitomo Mitsui Trust Bank (JP) and Achmea Bank (NL). The deal placed by Danmarks Skibskredit caught our eye on account of the underlying cover assets in the form of ship mortgages. However, it was notable also owing to the fact that we can vividly recall the time in 2022 when this issuer cancelled a planned deal due to market volatility at this time. Investors were offered a comparatively high degree of transparency for this new deal, which featured a term to maturity of three years. For example, the bank specified a deal size of EUR 500m as well as a range for the re-offer spread (WPIR: ms +90-93bp) in advance. Eventually, the covered bond was priced at ms +90bp and generated an order book of EUR 1.0bn (40 accounts). This strategy can be described as thoroughly successful, although the transaction was made attractive with a calculated new issue premium of more than 20 basis points and new issue yield of 4.426%. We devote a paragraph below to the contractual covered bond issued by Sumitomo Mitsui Trust Bank (ticker: SUMITR), in which we cover this transaction in greater detail. The EUR benchmark (term: 4.5y) with a volume of EUR 500m started out in the marketing phase at ms +72bp area, before being priced at this level. The deal also offered an attractive new issue premium of ten basis points. The fresh bond from Achmea Bank – which was the third benchmark from Belgium and the Netherlands within the space of three trading days – also offered a comparatively high new issue premium (+8bp). The re-offer spread of the covered bond totalling EUR 500m came to ms +26bp and was therefore in line with the guidance. Landesbank Baden-Württemberg (ticker: LBBW) kicked things off in the new trading week with the first Pfandbrief since 18 September. At 3.5 years, the issuer once again opted for a term to maturity on the shorter side. For this deal, LBBW ultimately raised EUR 500m at ms +11bp, which was four basis points tighter than the initial guidance. The bid-to-cover ratio for this public sector Pfandbrief was 3.2x, which also explains the lower new issue premium (+4bp) in comparison with the deals highlighted above. To finish, we have something of a comeback to report in the EUR benchmark segment in the form of Banca Popolare di Sondrio (Ticker: BPSOIM). The last EUR benchmark placed by this Italian issuer fell due in April of this year. For this latest transaction, the bank opted for a term of five years and communicated an issue size of EUR 500m (WNG) as soon as the order books were opened. The marketing phase for the covered bond, which is expected to garner a rating of AA from Fitch, started out at ms +83bp area. The final spread was fixed at ms +81bp, with the order book ultimately coming in at EUR 730m overall.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
BPSOIM	IT	17.10.	IT0005568529	5.0y	0.50bn	ms +81bp	AA / - / -	-
LBBW	DE	16.10.	DE000LB389C8	3.5y	0.50bn	ms +11bp	- / Aaa / -	-
Achmea Bank	NL	12.10.	XS2706237513	3.0y	0.50bn	ms +26bp	- / - / AAA	-
SUMITR	JP	12.10.	XS2698464885	4.5y	0.50bn	ms +72bp	- / Aaa / -	-
Danmarks Skibskredit	DK	12.10.	DK0004133725	3.0y	0.50bn	ms +90bp	- / - / A	-
Belfius Bank	BE	11.10.	BE0002970516	5.0y	1.00bn	ms +32bp	- / - / AAA	-

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

Supply forecast for 2023 adjusted

The primary market has certainly endured some weaker phases of activity during 2023. However, issuance activity remains on course for a record-breaking year. We believe there is still the potential for an extra EUR 30.0bn before the end of 2023 and recently adjusted our forecast. Issuers from Germany, Canada (cf. focus article) and France above all, as well as those in Spain and Italy, are likely to have something left in the tank. Overall, we now expect gross supply of EUR 202.0bn (which corresponds to a net supply of EUR +86.5bn).

NORD/LB issuance forecast 2023 (EUR BMK)

Jurisdiction	**Outstanding volume** as at 17 October 2023 (EURbn)	**Issues 2023ytd** as at 17 October 2023 (EURbn)	**Issues 2023e** (EURbn)	**Net supply 2023e** (EURbn)	**Issues to come 2023e** (EURbn)
AT	54.60	12.05	13.55	11.80	1.50
AU	36.05	6.25	7.50	3.75	1.25
BE	21.75	6.00	6.50	4.00	0.50
CA	87.45	17.00	20.50	5.50	3.50
CH	0.75	0	1.00	1.00	1.00
CZ	2.00	1.00	1.00	1.00	0.00
DE	196.77	32.00	35.00	17.25	3.00
DK	5.50	1.25	2.00	1.25	0.75
EE	1.00	0	0.50	0.50	0.50
ES	73.35	7.75	10.00	0.65	2.25
FI	36.25	6.50	8.00	2.25	1.50
FR	253.22	40.15	42.50	19.85	2.35
GB	24.36	2.50	4.00	0.00	1.50
GR	0.00	0	0.50	0.00	0.50
HU	0.00	0	0.50	0.50	0.50
IE	0.75	0	0.00	-1.00	0.00
IS	0.50	0	0.50	0.50	0.50
IT	48.41	7.50	10.00	2.75	2.50
JP	6.60	1.75	1.75	0.75	0.00
KR	9.90	2.60	2.60	2.10	0.00
LU	1.00	0	0.00	-0.50	0.00
NL	75.60	10.00	11.00	7.25	1.00
NO	44.00	1.25	3.50	-6.75	2.25
NZ	10.95	2.00	4.00	2.50	2.00
PL	1.50	0	1.00	0.50	1.00
PT	5.35	2.10	2.10	2.10	0.00
SE	32.08	6.75	7.50	3.00	0.75
SG	7.00	0	2.00	1.00	2.00
SK	8.00	3.00	3.00	3.00	0.00
Total	**1044.67**	**169.40**	**202.00**	**86.50**	**32.60**

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

House price developments in the EU: varied picture and a look at Spain

Eurostat presented updated data on house price developments in the EU on 03 October. The reporting period for this data set is the second quarter of 2023. The general trend is also reflected at EU level, with property prices falling (-1.1% Y/Y) but rents on the rise (+3.0% Y/Y). The quarterly data shows that prices declined sharply across the current reporting period, including for the important EUR benchmark jurisdictions of Germany (-9.9% Y/Y), Sweden (-6.8% Y/Y), Finland (-5.6% Y/Y) and the Netherlands (-4.3% Y/Y). However, Eurostat reported price increases for Portugal (+8.7% Y/Y), Poland (+7.0% Y/Y) and Spain (+3.7% Y/Y). In Spain (outstanding EUR benchmark volume: approx. EUR 73bn), this movement is supported in particular by robust demand or, to be more precise, continued excess demand. In particular, the country's robust economic development, lower inflation compared with Europe in general and a growing number of households searching for housing are the factors determining supply here. The long-term trend towards the demand side dominating is hardly likely to be reversed in the near future, as new construction activities are still not sufficient to meet demand. With regard to Spanish covered bonds, we see a supporting effect on the credit quality of the underlying cover pools, as realisation proceeds increase in the event of real estate financing defaults. On the other hand, the combination of higher residential property prices and increased mortgage interest rates could curb new business on the part of covered bond issuers. However, following a period of years in which Spanish issuance activity has tended to be rather thin on the ground, at present we are not yet seeing any threat of a shortage of available cover assets. For 2023, we expect new issues from Spain to total EUR 10.0bn overall, of which EUR 7.75bn has been placed on the market so far.

vdp I: commercial property financing under pressure in Germany

The Association of German Pfandbrief Banks (vdp) dealt with developments on the German property market as part of a recently published study and made particular reference to the challenging market environment in the commercial real estate (CRE) segment. While residential property prices appear to be stabilising, the decline in prices seen in the CRE segment has not yet come to a halt. The significant excess demand and situation on the labour market are acting as supportive factors for residential property prices. Due to the low vacancy rate, and with new contract rents on the rental property market continuing to rise, owners of rental properties are not facing pressure to sell up. Against the background of a multifaceted crisis situation – including high construction costs, the trend in inflation and rising financing costs, among other aspects – the vdp is of the view that investor interest in commercial real estate has fallen sharply. After a decline in new business of around 50% in the fourth quarter of 2022, the last two quarters have seen a slight recovery set in. There is an increasing reduction of space in the office property segment. The reason for this is the implementation of new workplace models (key phrase: working from home), which significantly reduce the amount of office space required. In the second quarter of 2023, CRE prices were almost 10% below the corresponding values seen in the prior year. According to the experts from vdp, there are still no signs of an improvement in the mood on the CRE market. Moreover, in actual fact the expectation is that lending in this area is likely to decline further over the course of the second half of 2023. Energy requirements for residential and commercial properties will increasingly come into focus over the coming years, which would in turn increase the need for construction work aimed at modernising and renovating properties. However, impetus for increased investment activities can, at present, scarcely be found.

Sumitomo Mitsui Trust Bank active on the market for the second time in 2023

Last week, Sumitomo Mitsui Trust Bank was active on the market for the second time this year, following a successful issuance in March 2023. On this occasion, the Japanese issuer approached investors with a covered bond in the amount of EUR 500m. With this deal, the new issuance volume pertaining to Japanese issuers currently stands at EUR 1.75bn in 2023. In addition to Sumitomo Mitsui Trust Bank, the only other Japanese issuer active on the market for EUR benchmark covered bonds this year has been Sumitomo Mitsui Financial Group (cf. also Issuer Guide Covered Bonds). Issues placed by Japanese issuers are – in the absence of a Covered Bond Act – structured covered bonds. Sumitomo Mitsui Trust Bank is the largest trust bank in Japan as measured by total assets has been supplementing its wholesale funding with the issuance of covered bonds in EUR benchmark format since 2020. Following this most recent deal, the bank's outstanding volume of EUR benchmarks amounts to EUR 2.55bn. Primary cover comprises RMBS senior tranches originating from the issuer itself without exception. In geographic terms, the assets are attributable to Japan in their entirety, with a distinct focus on the Tokyo region. The rating agency Moody's rates the covered bond programme at Aaa, with a TPI Leeway of two notches. We are not expecting any further EUR benchmark transactions on the part of Japanese issuers for the rest of this year. This means that new net supply from Japan in 2023 would total EUR +750m.

vdp II: update and expansion of benchmarking for top 15% criteria for real estate

Together with the corporate consulting firm Drees & Sommer, the Association of German Pfandbrief Banks (vdp) developed a method back in April 2022 which allows the EU taxonomy-compliance of selected property classes to be reviewed and verified. This benchmarking for top 15% criteria for real estate was recently updated and expanded (cf. vdp press release). For example, current regulatory requirements are now also taken into account. In this context, the vdp makes reference, for example, to the recently revised German Buildings Energy Act (GEG). Since 2022, vdp has sought, in conjunction with Drees & Sommer, to support financial market players and the real estate industry in providing evidence of EU taxonomy compliance. Here, the focus is on economic activity in the form of "acquisition and ownership of real estate". In fact, compliance with the taxonomy requirements and proof of taxonomy conformity for Pfandbrief issuers are among the major challenges when it comes to future growth in the increasingly important sub-market of green Pfandbriefe. In this respect, benchmarking and the ongoing updates are very much welcome support.

Moody's: bank tax is coming to Italy, albeit with potential "exceptions"

In Italy, the one-off bank levy was formally adopted by parliament on 09 October. The tax is being directed at the proportion of net interest income in the 2023 financial year that exceeds 10% of the net interest income in 2021, with the tax rate for this set at 40%. In contrast to the original draft, the promulgated law contains some revisions, including an exemption from the levy if the banks use the lost tax revenue to strengthen their capital base. In particular, the ECB, in its role as the banking supervisory authority, pointed out that the law in its old form could have weakened the solvency of Italian banks. During the legislative process, the ceiling of the tax formula was raised from 0.10% to 0.26% of risk-weighted assets, which leads to a reduction in the tax base. Moody's anticipates that many Italian banks will seek to make use of this exemption option, which should lead to an increase in CET1 ratios. Overall, the agency evaluates the legislative amendments as positive for the creditworthiness of the Italian banking sector. We still expect fresh EUR benchmark activity from Italian issuers in the order of EUR 2.5bn before the end of this year.

Market overview SSA/Public Issuers

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CADES: half-year report published

On 29 September 2023, Caisse d’amortissement de la dette sociale (ticker: CADES) presented its report on the first six months of 2023. Compared with the same period in the previous year, revenue rose by EUR 400m to EUR 10bn. Since costs more than doubled to EUR 1.3bn (H1 2022: EUR 0.5bn) at the same time in view of the (macro) economic environment, net income decreased slightly by EUR 400m to EUR 8.7bn. In accordance with the mandate awarded by the French parliament, surpluses are automatically used towards repaying French social security debt – since CADES was established in 1996, a total of EUR 233bn has already been repaid. On the funding side, CADES has also been very active this year and already placed EUR 22.2bn of its funding target totalling EUR 27.2bn in the capital market. In the year to date, three EUR benchmark social bond issues with maturities ranging from five to eight years have been placed as well as three USD benchmark social bond issues with maturities of three to five years. Consequently, we expect further capital market activities from CADES this year.

ISB: new investment to promote the energy transition

On 29 September 2023, Investitions- und Strukturbank Rheinland-Pfalz (ticker: ISBRLP) announced its latest investment. The bank has acquired a share in Inexogy Energy Holding via its subsidiaries, VcV Venture Capital Vorderpfalz and S-Innovations-Beteiligungsfinanzierungsgesellschaft Rheinland-Pfalz. Inexogy Energy Holding specialises, in particular, in the installation and operating of smart meters, which are considered to be one of the supporting pillars of the energy transition. By delivering real-time data on electricity consumption and how much renewable energy is fed back into the grid, the energy efficiency of households and companies is boosted. Furthermore, they make a significant contribution to the integration into the energy system of decentralised producers and large consumers, such as electric cars, heat pumps and battery storage. In addition, smart meters are paving the way for the market launch of time-variable electricity tariffs. David Zimmer, Inexogy Energy Holding’s CEO, explained: “Digital energy management is decisive for the success of the energy transition. It enables consumers to estimate as closely as possible when what electricity is available and at which price. This is an important factor when it comes to generating electricity with renewable energy, such as wind and solar. Our smart meter technology links up all players within the energy market and also with consumers in trade and industry as well as private households. In this way, we are creating a digital network for the energy transition and are very pleased that ISB has placed its trust in us and is accompanying us as a partner and investor on this pathway.” ISB in turn was also delighted about the successfully concluded participation. Mike Walber, Head of Venture Capital at ISB, particularly emphasised the strengths and opportunities of Inexogy Energy Holding in terms of environmental protection, energy sovereignty and competitiveness. The funds required for holding a stake in Inexogy Energy Holding stemmed from the Innovationsfonds Rheinland-Pfalz (Rhineland-Palatinate Innovation Fund), a funding initiative of Rhineland-Palatinate’s Ministry of Economy, Transport, Agriculture and Viticulture. The fund is additionally co-financed by the European Union with financial resources from the European Regional Development Fund (ERDF).

KfW-ifo SME barometer: is the economy bottoming out?

On 9 October 2023, KfW published the current findings of the KfW-ifo SME barometer. After recording a downward trend in business sentiment among small and medium-sized enterprises (SMEs) in Germany four times – some of which significant – the barometer fell again in September this year, although less marked, by 1.0 points to a net -19.5 points. In contrast, SME assessments of the business situation have weakened (more) substantially, by a further 3.7 points. It now stands at a net -14.2 points. However, the sentiment indicator was stabilised by business expectations, which were up by 1.3 points to a net -24.5 points. When considering specific sectors of the economy, a heterogeneous picture has recently emerged: with a decrease of 0.2 points, business sentiment was least gloomy in retail, where it now stands at a net -16.8 points. Sentiment in the services sector was down 1.1 points to a net value of -13.0 points. The climate in the construction industry was far frostier (-2.9 points to a net -27.7 points), whereas the mood improved somewhat in the manufacturing industry (+1.4 points to a net -22.8 points) and considerably in wholesale (+2.5 points to a net -26.5 points). With regard to large-scale enterprises, sentiment was significantly brighter in September this year, following a marked downward trend in the previous month. Business sentiment in this sector was up by 2.2 points to a net -26.7 points. Nevertheless, the level remained markedly lower than that for SMEs. The assessment of the overall situation (+3.4 points to a net -18.9 points) and expectations (+1.2 points to a net -33.8 points) of big companies rose. The minor upward trend in sentiment is broadly based, with all key sectors of the economy reporting an improvement on the previous month. Dr Fritzi Köhler-Geib, Chief Economist at KfW, evaluated this situation as follows: “The KfW-ifo SME barometer for September is ambiguous, with contrasting mood tendencies in the main sectors of the economy and enterprise categories by size. On the part of small and medium-sized businesses, slightly brighter expectations are accompanied by further deteriorations in the assessments of the situation. Such ambivalent indicator patterns are often observed at the early stage of an economic turnaround and could be an indication that the economy has bottomed out.” According to Köhler-Geib, this reasoning is supported by the German government’s autumn projection, which forecasts economic growth of +1.3% in the coming year after a decrease of -0.4% for this year.

Newfoundland and Labrador: credit unions help to strengthen small companies

We are taking this week’s editorial as an opportunity to report news about a sub-sovereign that is possibly less known to our readership. On 4 October 2023, the provincial government of the Province of Newfoundland and Labrador (ticker: NF) presented a two-year pilot project together with the local credit unions for promoting the growth and/or expansion of small companies. As part of the project, government loan guarantees are made available to small businesses for loans under existing loan programmes (of the credit unions). The credit unions are responsible for granting the loans and also for carrying out due diligence. Under the agreement concluded, participating credit unions will submit quarterly reports on activity and/or utilisation to the Department of Industry, Energy and Technology (IET). For the duration of the programme, guarantees amounting to CAD 5m in total are to be assumed initially. If the programme is successful, an increase is certainly conceivable. Andrew Parsons, Minister of Industry, Energy and Technology, commented on the agreement as follows: “The partnership between our government and credit unions for this new loan guarantee programme will give small businesses better access to capital, allowing them to maintain and create new economic opportunities in multiple sectors and regions of our province.”

NIB: conference on Sweden's energy transition

On 27 September 2023, the Nordic Investment Bank (ticker: NIB) held a conference in Stockholm to discuss Sweden's transition to a greener, more sustainable future. In this setting, André Küüsvek, CEO of NIB, provided insights into NIB's role in future financing: firstly, increasing productivity and the long-term competitiveness of the companies and economies financed, and secondly, giving absolute priority to environmental protection, which recently has become increasingly important. He stated that a particular focus was on a future without fossil fuels. Küüsvek also explained the strategic approach adopted by NIB, which focuses on making long-term financing available, complementing commercial banks. Since business activities launched in Sweden, projects worth the equivalent of EUR 18.8bn have been financed. The CEO pointed out that even closer integration (in terms of cooperation) of the public and private sectors as well as science would be crucial in the future, in order to achieve the necessary breakthroughs in areas such as sustainable transport and green energy. Inflation, especially in the energy sector, Covid-19 and geopolitical tensions represent challenges, but at the same time are instances that highlight the relevance and resilience of NIB because the bank offers "a steady hand" with its long-term financing options. Sweden's achievements to date as part of the country's green transition were also mentioned. For example, the electricity sector is almost 100% free from fossil fuels. With regard to the topic of future transport, Romina Pourmokhtari, Sweden's Minister for Climate and the Environment, also referred to the progress made by Swedish companies in the production of battery-powered lorries as well as their cooperation in this area, which has resulted in better battery lifetime.

Primary market

The conflict in the Middle East, which has flared up again, and cooler economic conditions have also impacted the capital markets. Potential bond issuers at times appear to have adopted a wait-and-see approach rather than taking a stab in the dark. Accordingly, we are only able to report on two new benchmark bond issues in the EUR segment this week. In addition, three mandates are on the list. Following last week's announcement, Caisse des Dépôts et Consignations (ticker: CDCEPS) was the first to venture onto the floor, issuing a sustainability bond worth EUR 500m with a maturity of just over seven years. After an original guidance of +28bp above the French curve (reference: FRTR 0% 11/25/30), which corresponds to approximately ms +17bp, the deal was eventually concluded with a bid-to-cover ratio of 3.0x and 2bp tighter. Cassa Depositi e Prestiti (ticker: CDEP) immediately followed, intending to also raise EUR 500m with a maturity of seven years. At a remarkable guidance for the SSA segment of ms +165-170bp, the order book filled up to more than EUR 1.8bn. As a result, the bond was ultimately issued at ms +163bp. Although Assistance publique – Hôpitaux de Paris (ticker: APHP) does not form part of our permanent coverage, the trust was present in the EUR sub-benchmark segment this week and we therefore mention its 12y social bond worth EUR 140m, which was priced in line with the guidance of OAT +52bp. New mandates awarded this week included Instituto de Crédito Oficial (ticker: ICO), EUR BMK, 5y long; Bpifrance (ticker: OSEOFI), EUR BMK, 4y and ESG label; Schleswig-Holstein (ticker: SCHHOL), EUR 500m, 5y. Furthermore, the EU's monthly bond auction is scheduled to take place on 23 October 2023.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CDEP	IT	11.10.	IT0005568123	7.0y	0.50bn	ms +163bp	BBB / - / BBB	-
CDCEPS	FR	11.10.	FR001400LFC1	7.1y	0.50bn	ms +17bp	- / Aa2 / AA	X

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

Covered Bonds
Focus on covered bond jurisdictions: Canada in the spotlight

Author: Dr Frederik Kunze

Canadian covered bond market: third largest market for EUR benchmarks

In the present edition of our weekly publication, we are once again putting the spotlight on the Canadian sub-market. In 2022, new bonds from this jurisdiction were among the most dynamic drivers in the primary market for EUR benchmarks. In fact, in this context, we might even say that there was a real flood of new issues. Hardly surprisingly, as a result we had increasing doubts about whether and to what extent the total amount of deals placed might have overstretched actual investor appetite. Some Canadian institutions feared that the general availability of free credit lines could then lead to a heightened execution risk for fresh EUR benchmark bonds. After all, it is important to bear in mind that the Canadian banking market is a very solid asset class. However, there has definitely been disproportionately strong growth in the recent past specifically in the covered bond sub-segment. This is also true in relation to other (up-and-coming) jurisdictions. We do not in any way expect this to result in a fundamental risk. After all, the high credit quality of Canadian pools also underpins the solidity of the institutions' EUR benchmarks. However, the building of credit lines for potential asset classes and/or new geographical investment universes is normally a rather gradual process. Looking back over the current year, it is nevertheless possible to speak of a "temporary pause" for covered bond investors, although it is still too early to sound the end of the issue year 2023 – this applies in particular, but not exclusively, to Canada.

Canadian EUR benchmark segment: eight banks active in the market

The following issuers are currently active in the Canadian EUR benchmark segment: Bank of Montreal (BMO), Bank of Nova Scotia (BNS), Canadian Imperial Bank of Commerce (CM), Federation des Caisses Desjardins du Quebec (CCDJ), HSBC Bank Canada (HSBC), National Bank of Canada (NACN), Royal Bank of Canada (RY) and Toronto Dominion Bank (TD). Please refer to the table below for a summary of the banks currently active in the EUR benchmark segment.

Overview: Canadian EUR benchmark issuers[1]

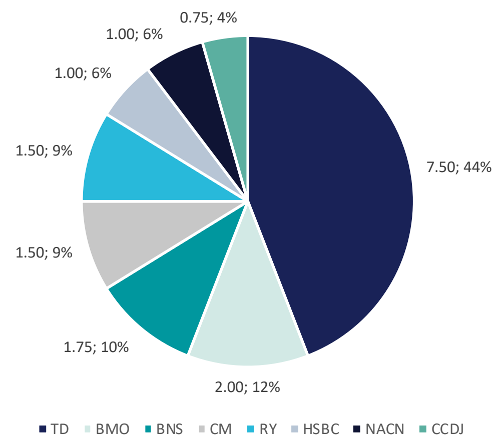
Issuer *(Link)*	Cover pool volume (in CADbn)	Total out-standing (in CADbn)	OC nominal	OC[2] CMHC Guide	OSFI ratio[3]	EUR BMK 2023ytd	EUR BMK 2022	EUR BMK 2021	EUR BMK 2020	EUR BMK 2019
						EURbn / Number of deals				
BMO	39.088	30.421	28.5%	7.0%	2.61%	2.00 / 1	5.50 / 3	1.25 / 1	1.25 / 1	1.25 / 1
BNS	100.716	59.421	69.5%	6.4%	4.53%	1.75 / 1	5.25 / 3	3.25 / 2	2.75 / 2	1.25 / 1
CCDJ	14.229	12.219	16.5%	4.4%	3.61%[5]	0.75 / 1	2.25 / 3	0.50 /1	0.50 / 1	1.25 / 2
CM	40.819	35.471	15.1%	7.4%	4.04%	1.50 / 1	2.50 / 1	2.00 / 2	0.75 / 1	1.00 / 1
NACN	21.234	12.012	76.8%	9.1%	3.08%	1.00 / 1	1.00 / 1	1.25 / 2	- / -	0.75 / 1
RY[6]	101.467	66.072	53.5%	7.6%	3.63%	1.50 / 1	6.50 / 4	2.50 / 2	2.50 / 2	3.00 / 2
TD	77.110	42.557	81.2%	5.3%	2.37%	7.50 / 4	6.25 / 3	- / -	1.00 / 1	3.00 / 2
HSBC	8.467	3.918	116.1%	10.3%	3.58%	1.00 / 1	1.00 / 1	0.75 / 1	- / -	- / -
					Σ	**17.00 / 11**	**30.25 / 19**	**11.50 / 11**	**8.75 / 8**	**11.50 / 10**

[1] Reporting date: 31 August 2023; [2] OC as basis for OSFI Limit; [3] OSFI Limit = 5.50%; [4] OC as basis for AMF Limit; [5] AMF Limit 5.50%; [6] reporting date: 30 Sept. 2023
Source: Issuers, market data, NORD/LB Markets Strategy & Floor Research

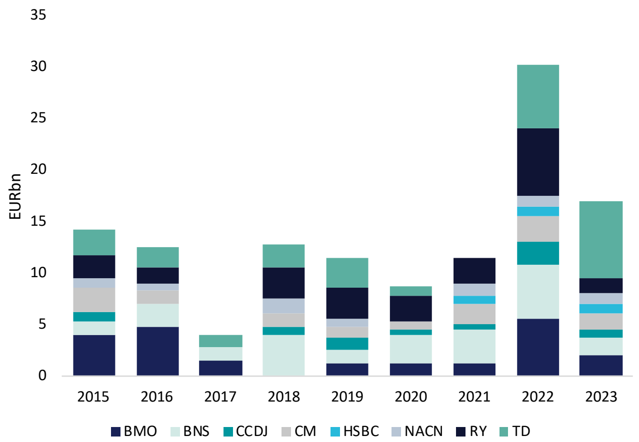
Primary market Canada: uneven picture in 2023

To date this year, EUR benchmark bonds from Canada amounting to a total of EUR 17.0bn have been placed in the market. Toronto Dominion accounts for the bulk of these with a share of 44% or EUR 7.5bn. In the case of this issuer, we should definitely highlight the triple tranche from August this year. In this instance, the institution went to investors with three deals at once and placed two covered bonds with a fixed coupon (EUR 1.5bn; maturity: 3.0y and EUR 1.0bn; maturity: 8.0y) along with a three-year EUR 750m floating rate note (FRN). Even though the FRN is not included in our set of data for reasons of methodology, the issue volume attributable to a single issuer does stand out impressively. At the same time, this transaction marked the last primary market activity to date in the Canadian EUR benchmark segment. As regards the other seven active institutions, a year-on-year comparison definitely indicates a certain pause. So far this year, the institutions have only issued one deal each. While this is not necessarily any different from 2022 in the case of issuers such as HSBC or even NACN, bigger issuers such as BMO, RY and BNS have been slightly quieter up to now.

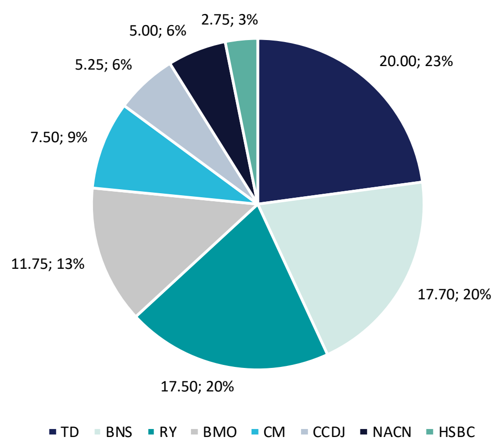
EUR benchmarks CA (2023 ytd; EUR bn)



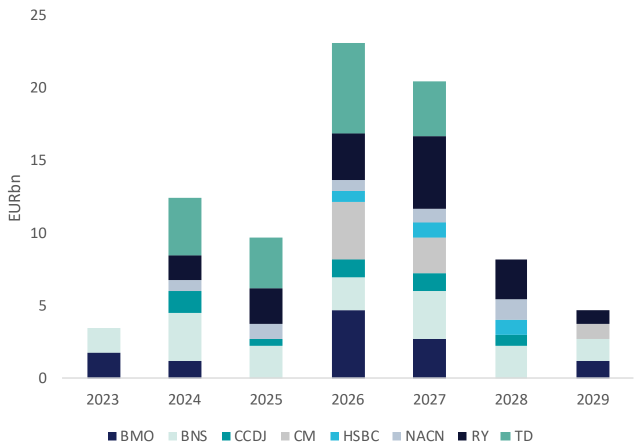
EUR benchmarks CA (issues; EUR bn)



EUR benchmarks CA (outstanding, EUR bn)



EUR benchmarks CA (maturities, EUR bn)

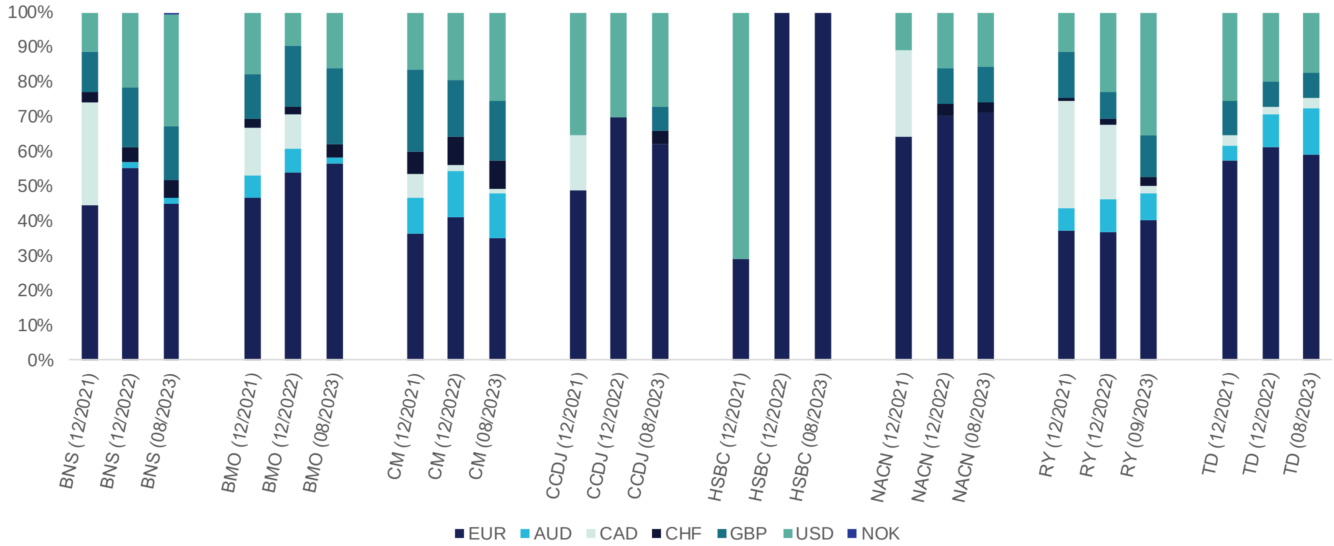


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Canadian EUR benchmark issuers: covered bonds by currency

A breakdown of the total outstanding covered bonds by currency and by issuer also shows an uneven picture. The following graph is based on the HTT publications of Canadian institutions. The currency breakdown is especially important for an assessment of the situation in the Canadian covered bond market because the institutions in this jurisdiction are very broadly based as regards the choice of issue currencies. Although in the present context it may only be of anecdotal value to refer to a private placement in Norwegian krone (which can be attributed to BNS), it nevertheless underlines the openness of Canadian issuers to currency zones that are relevant for covered bond issues even beyond the EUR and USD. BNS is also among those issuers which have recently reported a slightly higher weighting of USD issues (bearing in mind a rather restrained volume of fresh EUR benchmarks). This is also true of CM and RY. In all, Canadian issuers are active in EUR, AUD, CAD, CHF, GBP, USD and NOK.

Canadian covered bond issuers (EUR BMK): breakdown of outstanding volume by currency

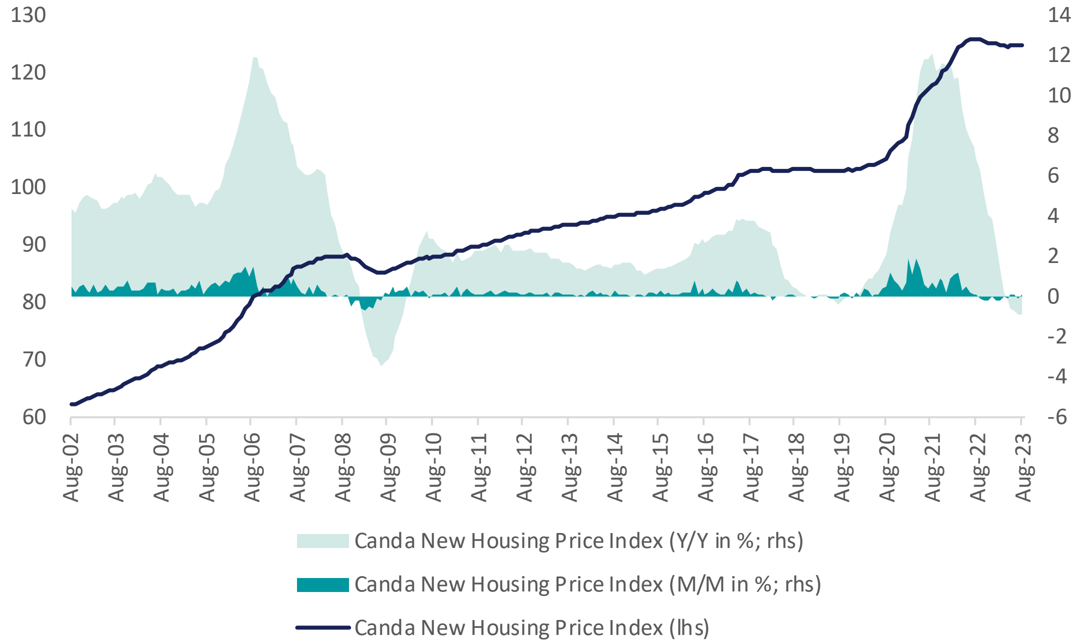


Note on Canadian issuers that are not active in the EUR benchmark segment: Laurentian Bank reports exclusively CAD-denominated covered bonds in 08/23 (two issues for a total of CAD 550m); Equitable Bank reports exclusively EUR-denominated covered bonds in 09/23 (four issues for a total of EUR 1.2bn); Source: Issuers, NORD/LB Markets Strategy & Floor Research

Property market as influence factor on the Canadian covered bond segment

In the past, the strength of the domestic property market has been a driver behind the high issuance volume from Canada. Mortgage loans have also been determined not least by developments in the residential property market. The strong price rise alone ultimately led to a marked increase in nominal financing volumes. At the turn of the year, in our projections for 2023, we underestimated the weight of the correction in the property market in relation to issuance behaviour. As a result, at EUR 25bn, our forecast for gross supply was too high. On the other hand, the property market in Canada is already bottoming out according to relevant indices or this is at least clear from the figures. For this reason, we believe it is entirely fair to conclude that Canadian banks will adjust their funding activities to factor in a major countermovement, including in their lending, and we are taking this into account in our current supply forecast (see below).

Statistics Canada: New Housing Price Index (NHPI)



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

Rating and regulatory classification of Canadian covered bonds

The covered bonds of Canadian EUR benchmark issuers have consistently top ratings from the rating agencies (Moody's, Fitch and DBRS). In addition, Moody's Collateral Score for the relevant covered bonds shows a high credit quality of cover assets even in an international comparison. The mortgage cover assets can be described as consistently granular, whereby the primary cover, as already mentioned, consists exclusively of residential mortgages. Moreover, the cover assets are domiciled without exception in Canada. As regards the regulatory classification of the covered bonds, a risk weight of 20% as per CRR is applicable. Moreover, in our view, the EUR benchmarks should be eligible as Level 2A assets in the context of LCR management. Since Canada is a member of the G10, EUR benchmarks are naturally eligible as collateral in the context of the ECB collateral management, which can make it far easier for the holders of covered bonds to access central bank liquidity, even in times of crisis.

Key features of covered bond legislation

In our view, the Canadian covered bond legal framework is among the stronger national frameworks, even in a global context. This view conforms not least with the assessment of rating agency Moody's, which takes into account not only the actual covered bond framework, but also the market standard arising from the issuance practices of the issuers and corresponding programme descriptions. Insolvency remoteness is ensured through an SPV model. The maximum loan-to-value ratio is specified as 80%. From July 2024, properties will have to be indexed at least quarterly in order to be able to value the cover assets in the pool.

Overview of legal frameworks: Canada and Germany

Country	Canada	Germany
Designation	Canadian Registered Covered Bonds	Mortgage, Public, Ship & Aircraft Pfandbriefe
Cover assets	Residential mortgage loans	Mortgage, Ship and Aircraft loans, Public sector loans, Bank loans
Owner of assets / special bank principle	SPV / No	Issuer / No
Geographical scope – mortgage loans	CA	EEA, CH, US, CA, JP, AU, NZ, SG, UK[1], Schipfe and Flupfe worldwide
Loan to value – mortgage loans	Residential: 80%	Residential and commercial: 60%
Cover pool register	No	Yes
Derivates as cover assts	Yes	Yes
Substitute assets / limit of subsitute assets	Yes / 10%	Yes / 15% Öpfe, 20% Hypfe, Schipfe, Flupfe
Minimum OC	3% nominal	Hypfe/Öpfe: 2% (nominal + stressed present value), Schipfe/Flupfe: 5% (nom. val.)
Asset encumbrance	Issue limit: 5.5% of total balance sheet	-
Deferral of maturity	Yes	Yes, mandatory
Trigger deferral of maturity	Insolvency, inability to pay, other events	Insolvency, resolution
CRD compliant	No	Yes (does not apply to aircraft Pfandbriefe)
ECB eligible	Yes (if in EUR denominated)	Yes

[1] Non-EEA assets are limited to 10%, unless the collateral is guaranteed

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

Article 14 CB Directive also relevant for Canadian covered bonds

Adjustments in the covered bond framework in the wake of the EU harmonisation project also brought about new challenges for Canadian covered bonds. Article 14 of the Covered Bond Directive, for example, sets out the requirements and criteria in relation to transparency disclosures, which have to be anchored in national legislation by the jurisdictions with EEA relevance. In the case of "third" countries such as Canada, direct compliance with the requirements of Article 14 within the sense of the CB Directive is important – especially in order to maintain eligibility as Level 2A assets in respect of LCR management. In this context, we believe it is important to draw attention to the fact that all Canadian EUR benchmark issuers are tied to the ECBC Covered Bond Label and therefore report in accordance with Article 14. The specification "Non-EEA, Art 14 CBD compliant" is applied to the relevant covered bond issues on the Covered Bond Label website.

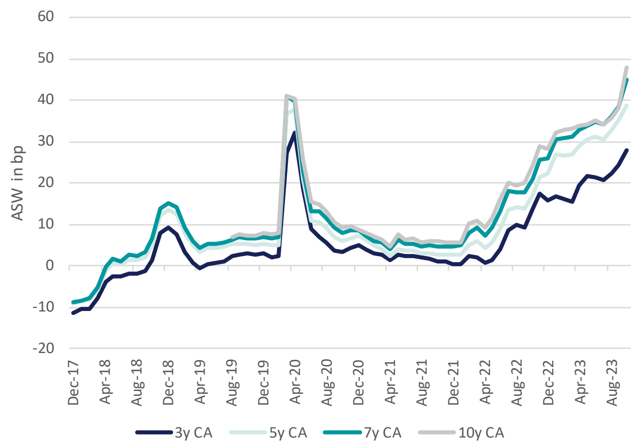
Issuance forecast 2023: slight upward revision (again) at year end

This year is once again set to be characterised by exceptionally lively activity in the primary market. Overall, we expect newly placed EUR benchmarks amounting to EUR 202.0bn. Taking into account maturities of EUR 115.5bn, this would mean net new supply of EUR +86.5bn. In relation to this, we are forecasting the highest issue volumes as part of our supply forecast for the three "big" jurisdictions, namely Germany (EUR 35.0bn), France (EUR 42.5bn) and Canada (EUR 20.5bn). We started off 2023 with the expectation that Canadian institutions would again flood the market after the record year 2022 (EUR 30.3bn). In fact, after a rather muted start to the year, we came to the view that the volume this year would probably turn out to be much lower. Rather restrained momentum in the property markets along with a stronger focus on other currency areas have prompted us to anticipate new issues closer to EUR 17.0bn (instead of EUR 25.0bn). However, signs of stabilisation on the mortgage lending front along with surprisingly strong issuance activity by Toronto Dominion have led us to gradually upgrade our expectations for 2023 to EUR 19.0bn and now to EUR 20.5bn.

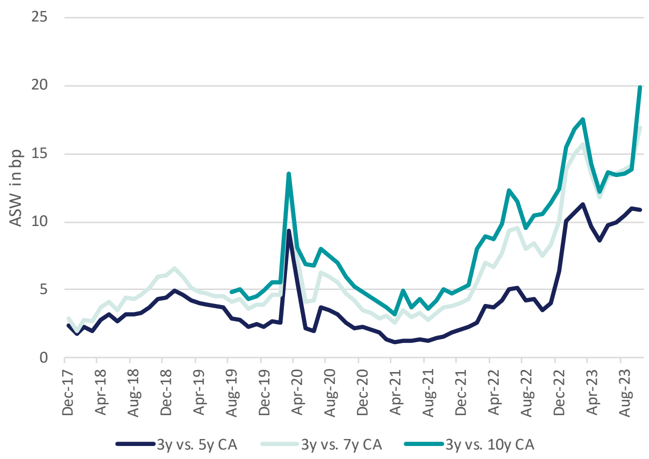
Canadian issuers as per the Canadian Covered Bonds Registry
All covered bond issuers active in Canada are listed in the CMHC Canadian Covered Bonds Registry. This broader definition of the Canadian covered bond market includes two additional institutions in the list of EUR benchmark issuers. One bank can be included in the EUR sub-benchmark segment (Equitable Bank; programme registered since July 2021), while the other is currently active exclusively in the domestic market for CAD (Laurentian Bank; programme registered since April 2021). We include Equitable Bank as an issuer of EUR sub-benchmarks in our current coverage (cf. NORD/LB Issuer Guide Covered Bonds 2023).

Spread performance in 2023: are we in the midst of a significant repricing phase?
The move into a marked phase of repricing, which was already taking shape early on in 2022, has had a major impact on spreads in the EUR benchmark segment, although the increase in spreads witnessed in the case of Canadian covered bonds is by no means solely a reflection of a high net supply in 2022. In fact, the widening can be ascribed more to a change of regime, arising from the change in direction of the ECB's monetary policy. The high term spread – i.e. the spread difference between covered bonds of various maturities – is in no way a Canadian phenomenon either. The main reason for the high term premiums is a pronounced inverted EUR swap curve. In our view, repricing to absolute levels of all the maturity ranges we cover has already reached a relatively late phase. Nevertheless, based on the current spread levels, we still anticipate an increase of four to six basis points for Canadian covered bonds and all other jurisdictions. The increase in spreads is likely to be slightly more pronounced at the short end, which has proven to be incredibly popular, as well as for long maturities, which are still slightly less in demand from investors. Compared with German Pfandbriefe, Canadian covered bonds should hold up slightly better – not least also in view of their high credit quality based on fundamental data. We do not expect any tightening of term spreads for Canada either until later in 2024. This tightening is likely to take place based on the expectation of a marked flattening of the spread curve at the halfway stage and that it would successfully move towards a "normal" pattern during the weeks and months that follow.

ASW spreads: Canada (generic)

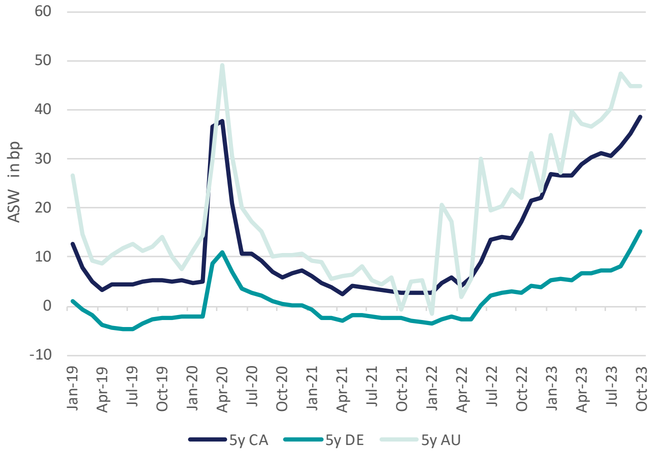


Canada: term spread (generic)

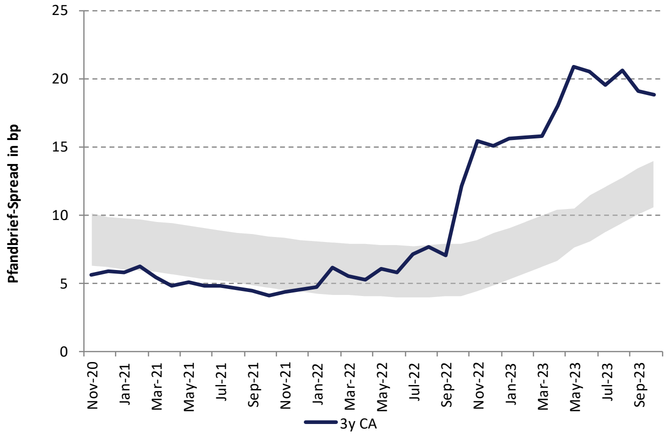


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

ASW spreads: CA, AU and DE (5y generic)



Relative value: CA vs. DE (5y generic)[1]



[1] shaded area = ±10% trading margin (rolling average over 36 months)
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Conclusion

In summary, we can say of the Canadian EUR benchmark segment that the issuance volume in 2023 will be lower than we had expected at the beginning of the year. However, we no longer expect it to be quite as weak as we had thought that it might be in the interim. The credit quality of issuers and cover pools as well as property market developments are also worthy of note in our view. Canadian issuers have not really been spared from the general spread impetus of the repricing regime. In addition, investors are likely to continue to focus on the issue of limit availability in the case of a number of issuers. From our perspective, one factor which is likely to have helped in this respect is that the majority of issuers in Canada have definitely taken a break from the market. As regards the choice of maturities, the Canadian covered bond market is fundamentally open towards longer deals as well. However, the last transaction with a double-digit term to maturity dates back to January 2021. We attribute this not exclusively but especially to maturity premiums. However, Canadian issuers are not the only ones having to shoulder this burden, while maturities of more than five years but below ten years cannot be entirely ruled out for this year either. Either way, we expect a conciliatory end to the year in and from Canada with a projected figure of EUR 20.5bn in new issuance activity overall.

NORD/LB

SSA/Public Issuers
A closer look at Newfoundland and Labrador

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann

Newfoundland and Labrador (ticker: NF) goes EUR

Five Canadian provinces currently have outstanding EUR-denominated bonds: ALTA, BRCOL, MP, ONT and Q. Since not everybody is familiar with Bloomberg tickers, we are planning an update of our publication for the Canadian sub-sovereign market for the end of Q4 2023. And that's not all: In March 2023, NF, to use the ticker of Newfoundland and Labrador, became the latest Canadian issuer to meet the requirements to tap the domestic market in currencies outside of the CAD. The diversification of the province's investor base along with increased reach to international markets offers the chance to reduce credit costs further. This is part and parcel of the government's duty to improve the state coffers. The funds raised are used to finance government programmes and services and to service the existing debt. Like all Canadian provinces, Newfoundland and Labrador also funds its borrowing needs by issuing bonds in the capital markets. These bonds are traded publicly and mainly held by a broad base of institutional investors. The government's strategic plan to return to a balanced budget, reduce the cost of borrowing and lower the debt was presented in London together with the EUR Borrowing Program. The regional prime minister and deputy prime minister came to the LSE in London especially for the purpose.

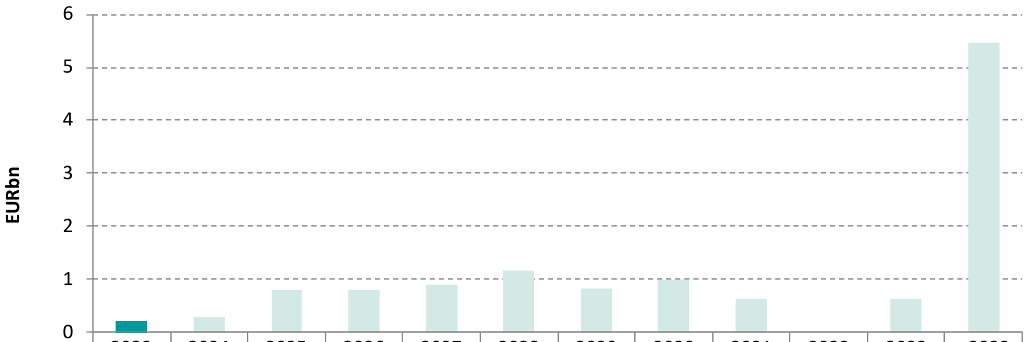
Newfoundland and Labrador: facts and figures

Newfoundland and Labrador is one of the smallest provinces in Canada with a population of around 500,000 inhabitants (1.4% of the total Canadian population) and covering an area of 358,170 km². Around one fifth of the population lives in the capital city, St. John's, which is also Canada's oldest city. The province's economy is strongly based on commodities (48% of Canada's iron production comes from the province) and the energy sector. Newfoundland and Labrador's oil and gas reserves amounted to 2.3bn barrels of crude and 356.8bn cubic metres of natural gas in 2021, which should last for decades at the current rate of extraction. The province generated around 1.5% (CAD 30.2bn) of Canadian GDP, although it was the only province in Canada to suffer a decline in real GDP in 2022 despite high oil prices (-1.7%). This decline even brought GDP below the level of 2010. Even so, GDP per capita is still above the Canadian average. At around 11.3% in 2022 (Canada: 5.3%), however, unemployment is once again the highest in the country in spite of a fall of 1.8 percentage points. Moreover, from a demographic point of view, Newfoundland and Labrador is the oldest sub-sovereign in Canada with an average age of 47.8 years. Net debt per capita has risen by +105.6% since 2012/13, standing at an unprecedented CAD 32,614 in 2021/22. Newfoundland and Labrador is the Canadian province which is least reliant on federal transfer payments; these accounted for 9.2% of total revenue in 2021/22.

Ratings

	LT	outlook
Fitch	-	-
Moody's	A1	stab
S&P	A	stab

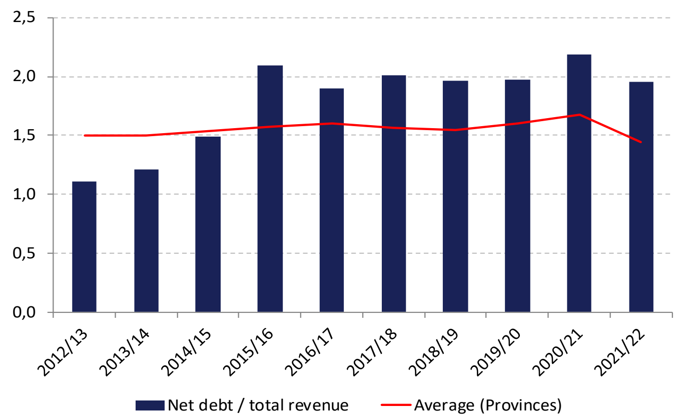
Province of Newfoundland and Labrador - outstanding bonds



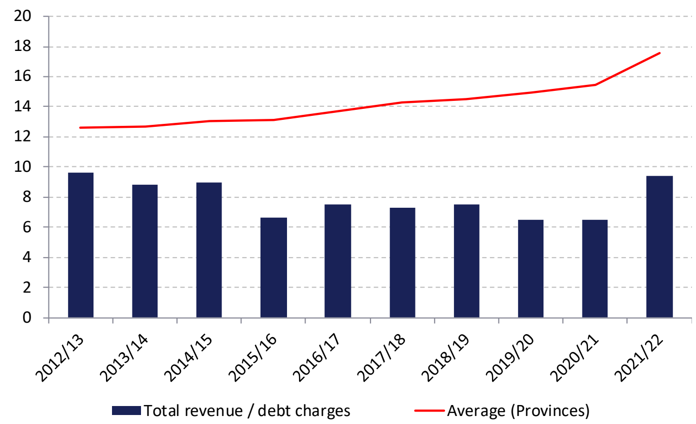
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	>2033
CAD	0	293	794	794	897	1.174	828	1.001	621	0	621	5.453
USD	206	0	0	0	0	0	0	0	0	0	0	0
EUR	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0

Foreign currencies are converted into EUR at rates as at 13 October 2023.
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

Trend in debt sustainability



Trend in interest cover



Source: Statistics Canada, Department of Finance Canada, NORD/LB Markets Strategy & Floor Research

Capital market

Net debt* (ranking)**
CAD 17.0bn (8th)

Outstanding bonds***
EUR 8.6bn

Of which EUR bonds
EUR 0.0bn

Bloomberg ticker
NF

Economy 2022/23

Real GDP** (ranking)**
CAD 30.2bn (9th)

Real GDP per capita (ranking)
CAD 57,323 (6th)

Real GDP growth (ranking)
-1.7% (13th)

Unemployment (ranking)
11.3% (11th)

Key figures 2021/22

Tax-interest coverage (ranking)
7.8x (13th)

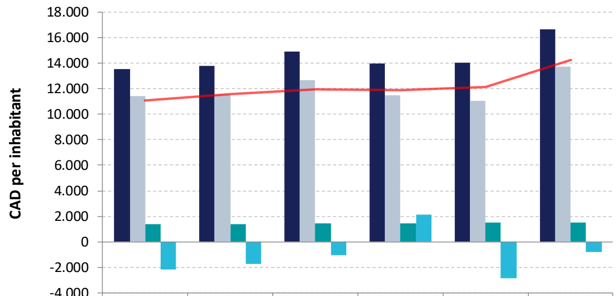
Total revenue/interest paid (ranking)
9.4x (13th)

Net debt/GDP (ranking)
55.3% (13th)

Net debt/revenue (ranking)
2.0x (12th)

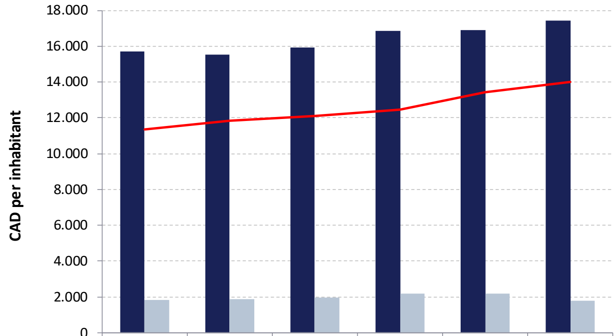
* Budget year 2021/22
** Current ranking of the province for the respective key figure, whereby a ranking of 1st is the best result in the sub-sovereign comparison.
*** Foreign currencies are converted into EUR at rates as at 13 October 2023.
**** GDP at constant prices versus 2012
Source: Statistics Canada, Department of Finance Canada, NORD/LB Markets Strategy & Floor Research

Development of revenue in CAD per capita



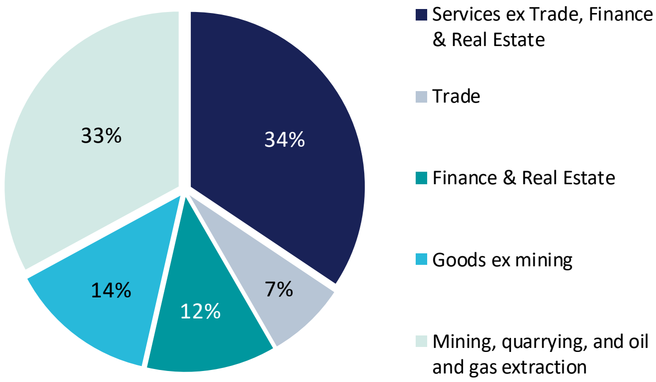
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating revenue	13.519	13.782	14.892	14.000	14.056	16.646
Tax revenue	11.433	11.540	12.643	11.461	11.040	13.724
Transfers	1.368	1.395	1.427	1.465	1.498	1.533
Deficit/surplus	-2.168	-1.724	-1.051	2.134	-2.861	-769
Operating revenue (Canada average)	11.065	11.572	11.926	11.871	12.163	14.233

Development of expenditure in CAD per capita

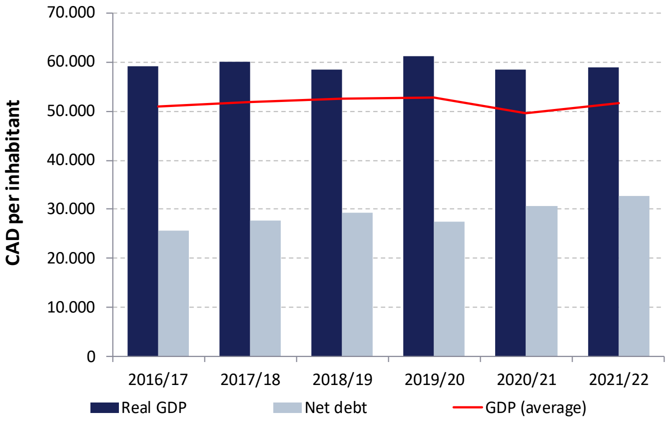


	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating expense	15.686	15.506	15.944	16.850	16.917	17.414
Debt charges	1.806	1.889	1.978	2.162	2.171	1.764
Operating expense (Canada average)	11.332	11.848	12.085	12.437	13.431	14.005

Gross value added by economic sector



Development of GDP and debt per capita



Source: Statistics Canada, Department of Finance Canada, NORD/LB Markets Strategy & Floor Research

Strengths/opportunities

+ Above-average GDP per capita
+ Limited transfer dependency

Weaknesses/risks

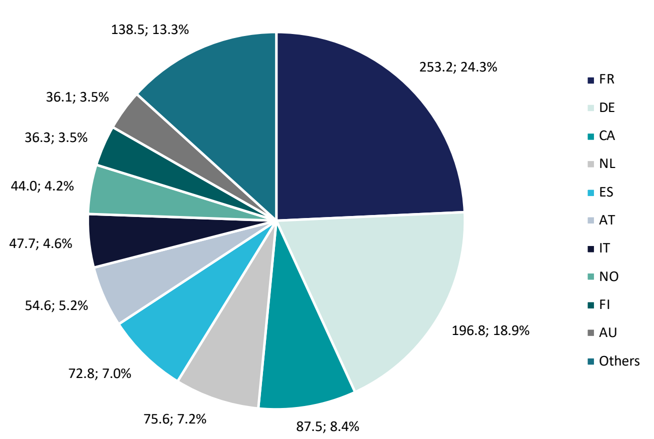
— High unemployment
— Dependency on the commodities sector
— Ageing population

Conclusion and outlook

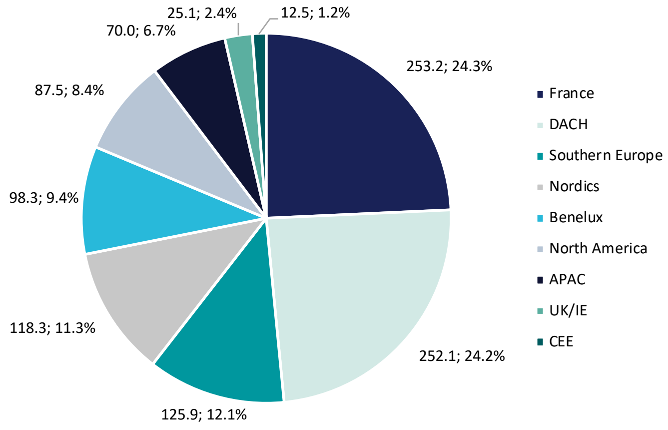
As part of this weekly publication, we asked in our last issue when and whether Quebec and especially Ontario would once again increase their EUR issues. Both these heavyweights have EUR-denominated maturities set to fall due over the next few months. It has been possible, at least in part, to make up for the past activity of the "big two" in euro through transactions from BRCOL, MP and ALTA. The attraction of this segment for European investors therefore remains high. Naturally, the respective interest rate conditions at the time of the transaction along with the cross-currency basis swap spread (XCCY) still also play an important role in the provinces' refinancing. Ultimately, new issues are driven by opportunities from respective current conditions in the relevant time frame. Since as early as March 2023, we have regarded Newfoundland and Labrador - to whom the current article is dedicated - as a potential candidate.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



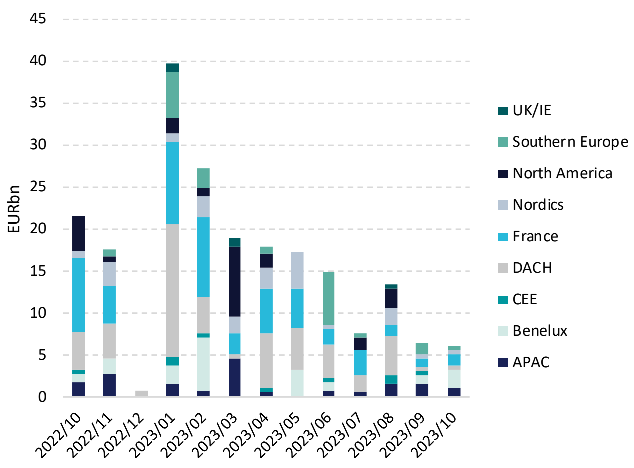
EUR benchmark volume by region (in EURbn)



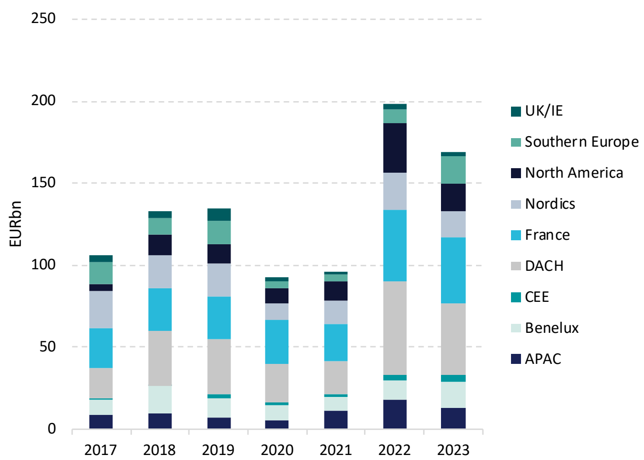
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	253.2	244	21	0.97	9.5	4.9	1.27
2	DE	196.8	281	35	0.65	8.0	4.1	1.15
3	CA	87.5	64	0	1.34	5.5	2.8	1.10
4	NL	75.6	77	2	0.92	10.6	6.3	1.13
5	ES	72.8	57	6	1.16	11.2	3.3	1.98
6	AT	54.6	93	4	0.58	8.2	4.7	1.35
7	IT	47.7	57	2	0.80	8.9	3.7	1.52
8	NO	44.0	53	12	0.83	7.4	3.7	0.62
9	FI	36.3	40	4	0.89	7.0	3.5	1.28
10	AU	36.1	35	0	1.03	7.1	3.4	1.49

EUR benchmark issue volume by month

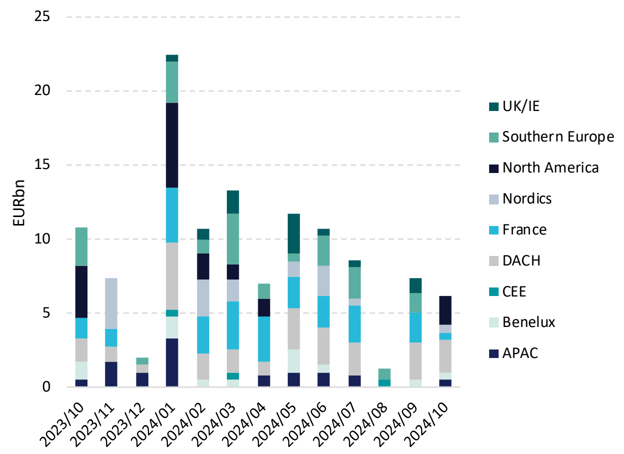


EUR benchmark issue volume by year

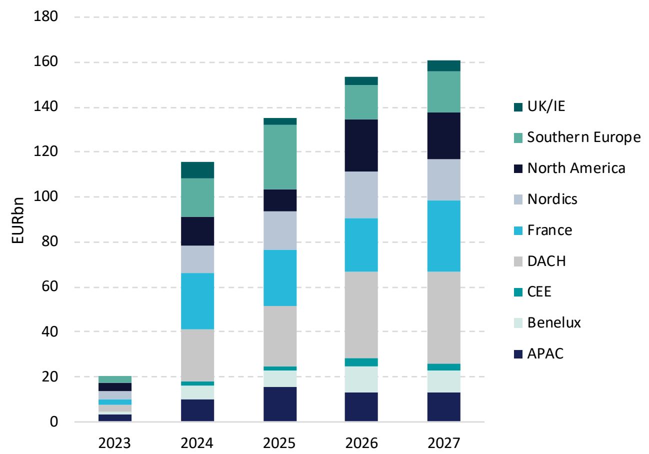


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

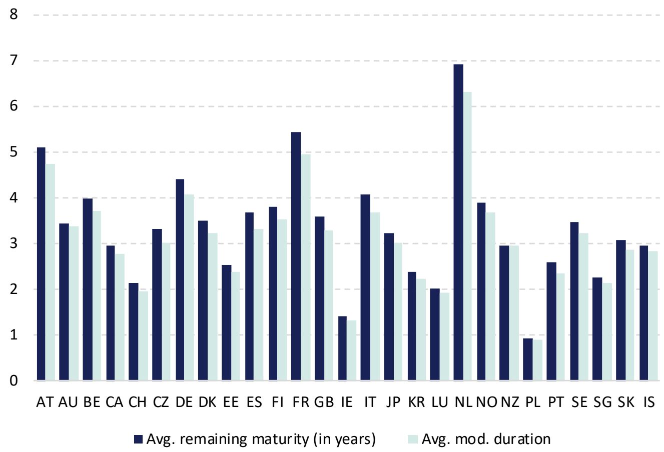
EUR benchmark maturities by month



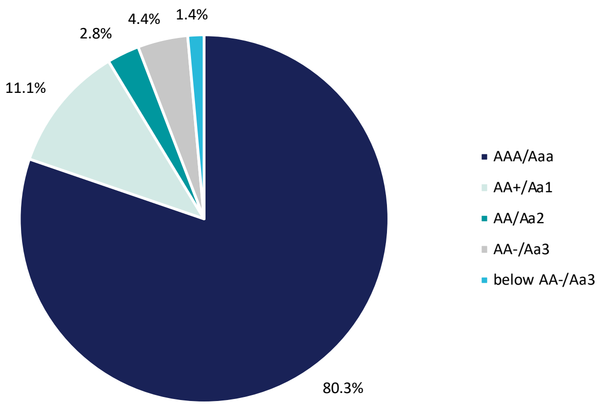
EUR benchmark maturities by year



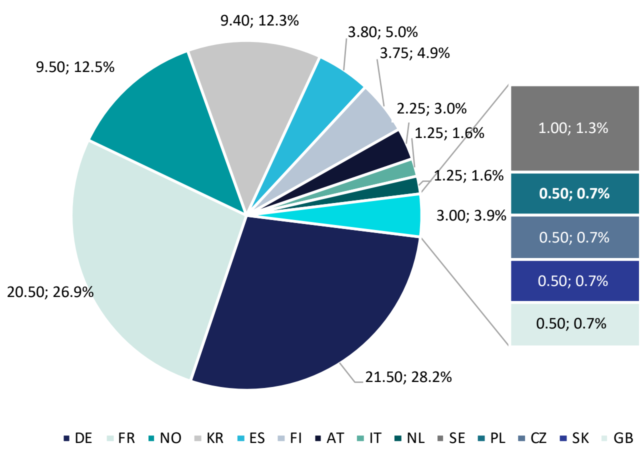
Modified duration and time to maturity by country



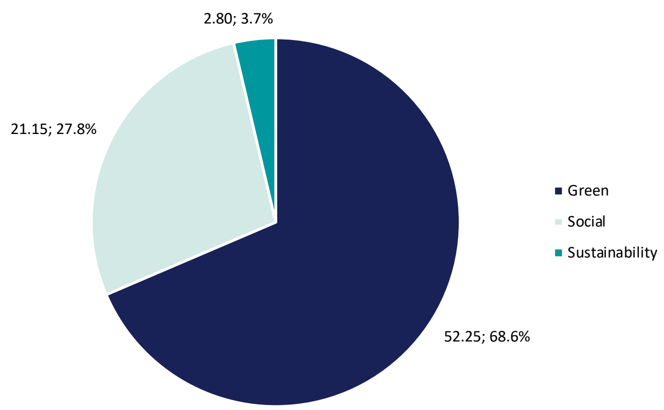
Rating distribution (volume weighted)



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



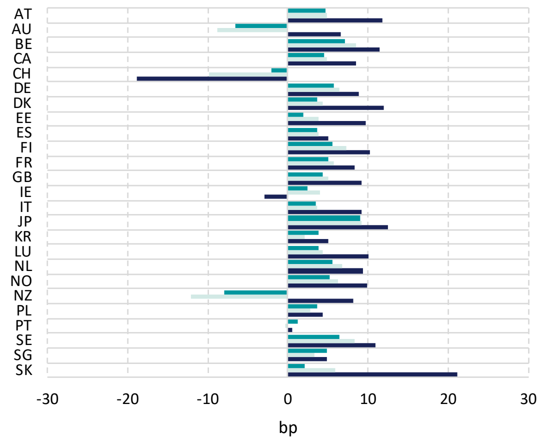
EUR benchmark volume (ESG) by type (in EURbn)



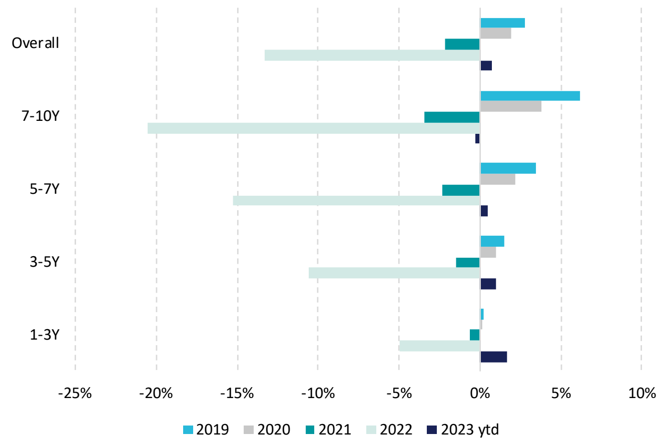
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

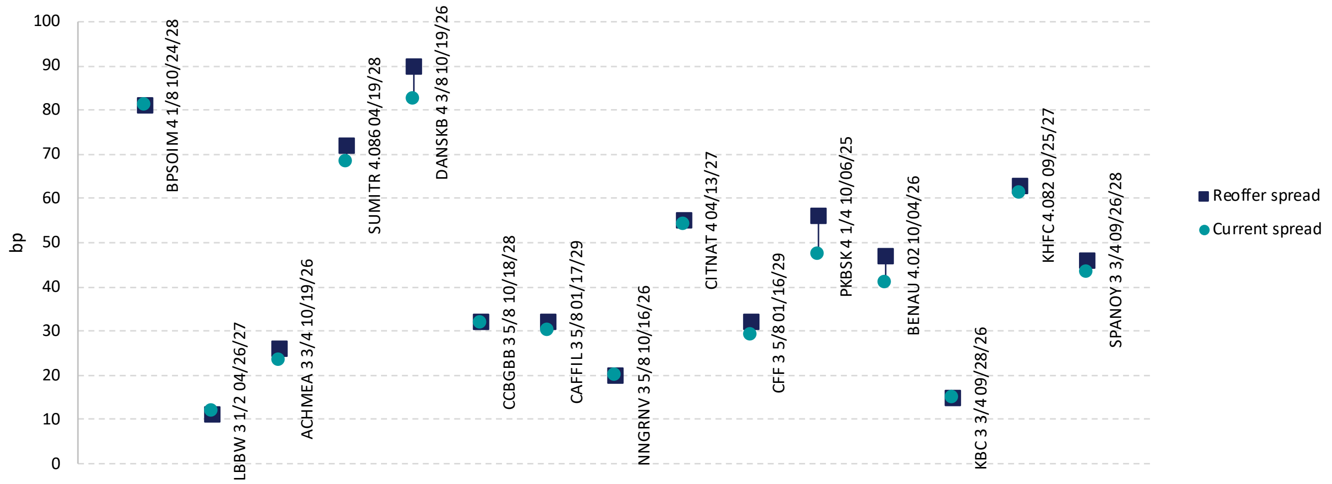
Spread development by country



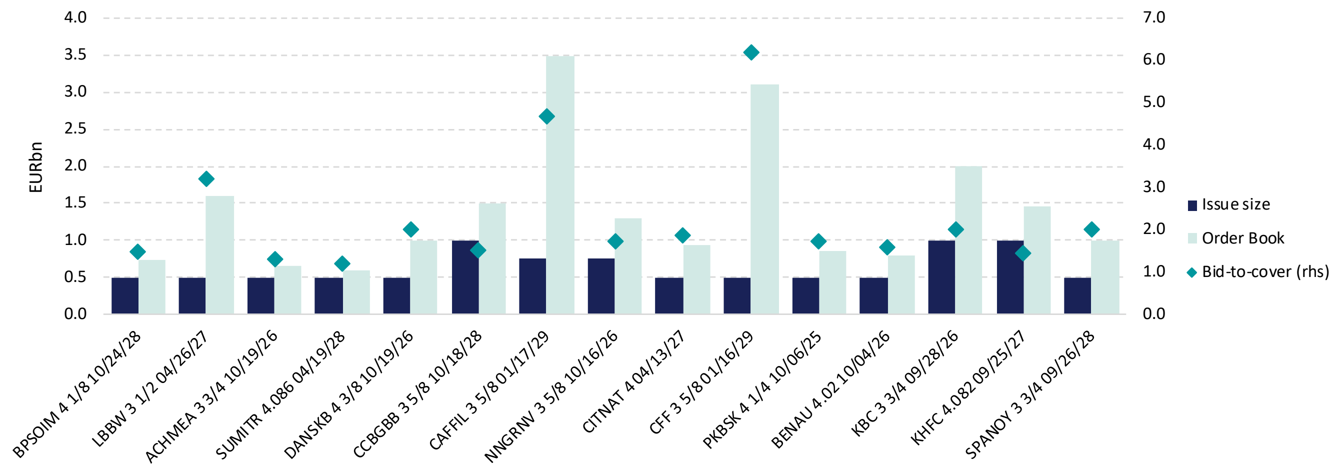
Covered bond performance (Total return)



Spread development (last 15 issues)



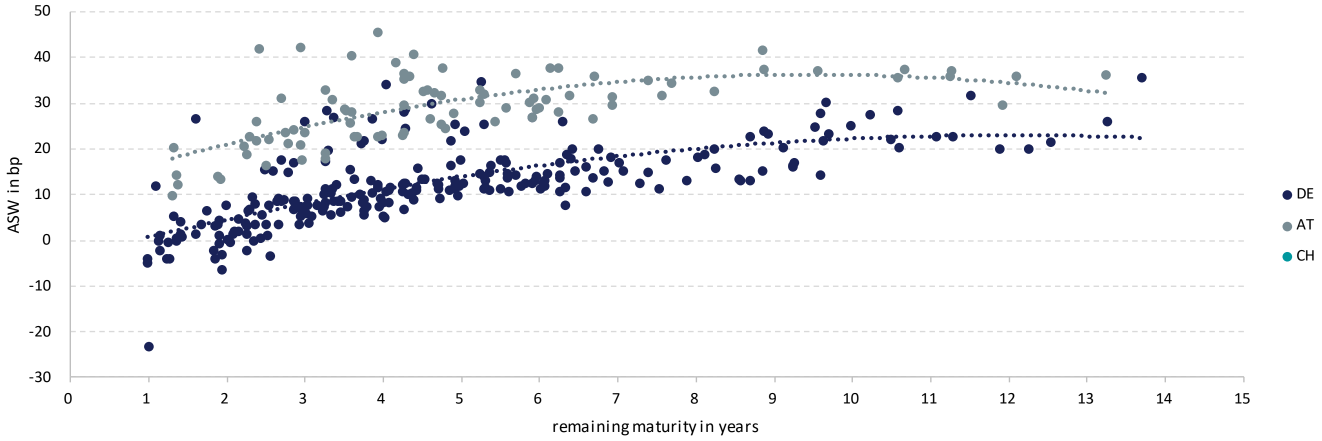
Order books (last 15 issues)



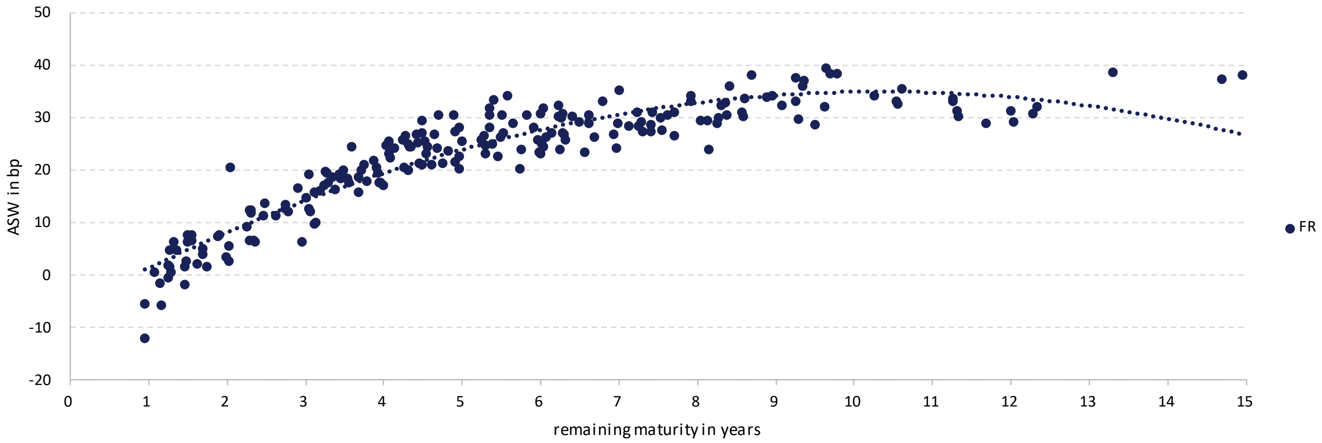
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

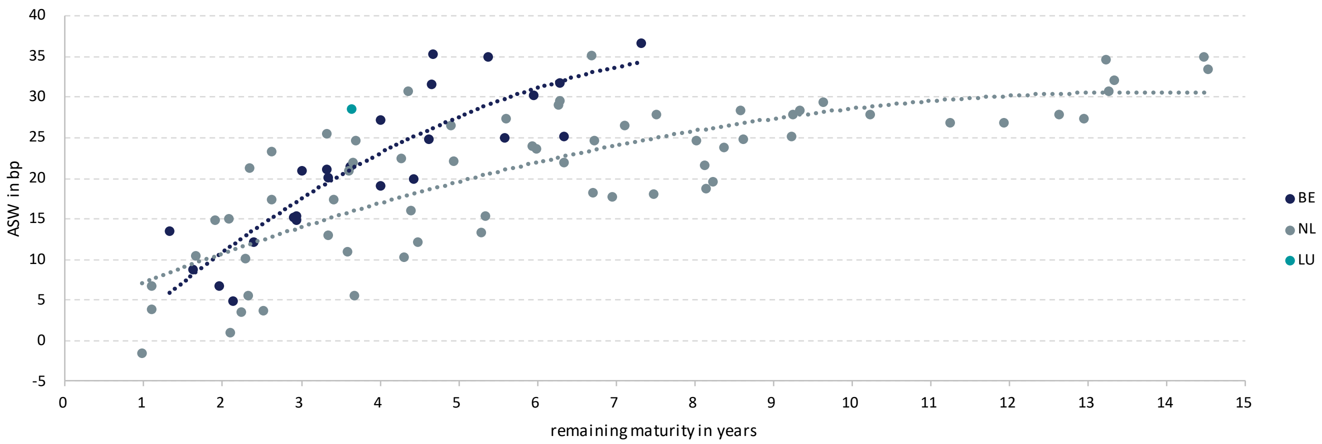
DACH



France



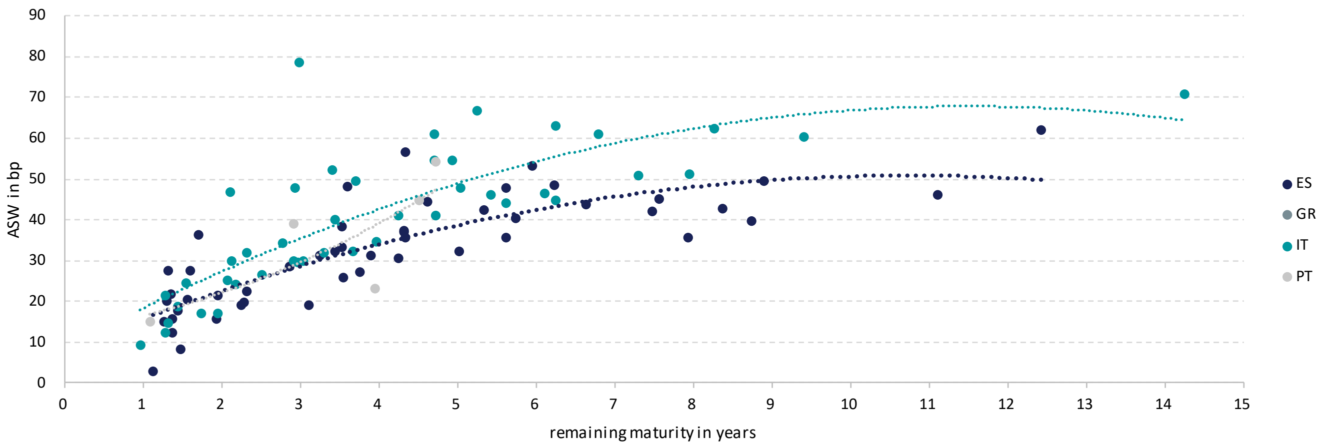
Benelux



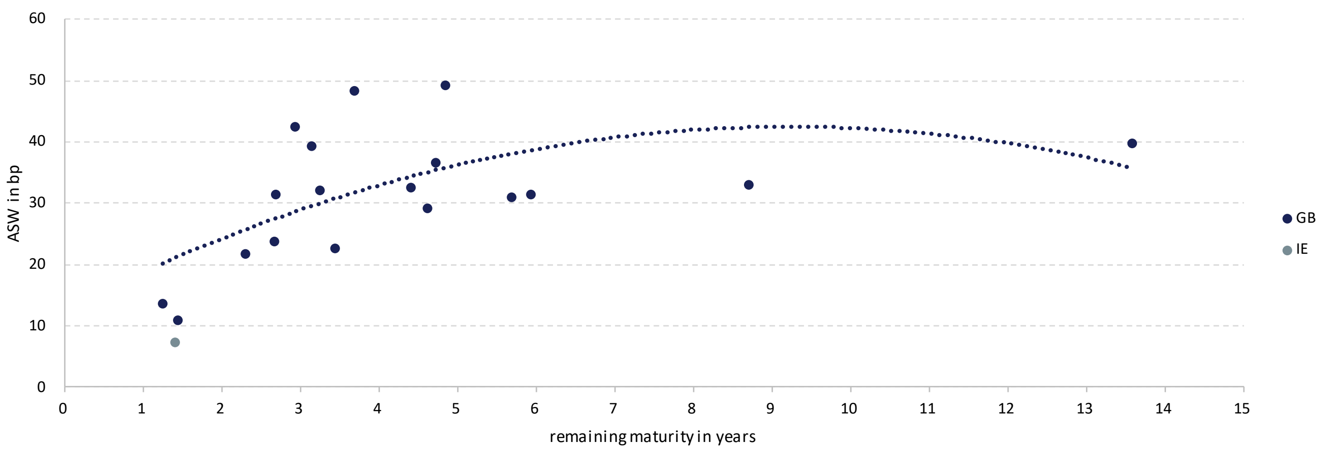
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

Nordics

Southern Europe

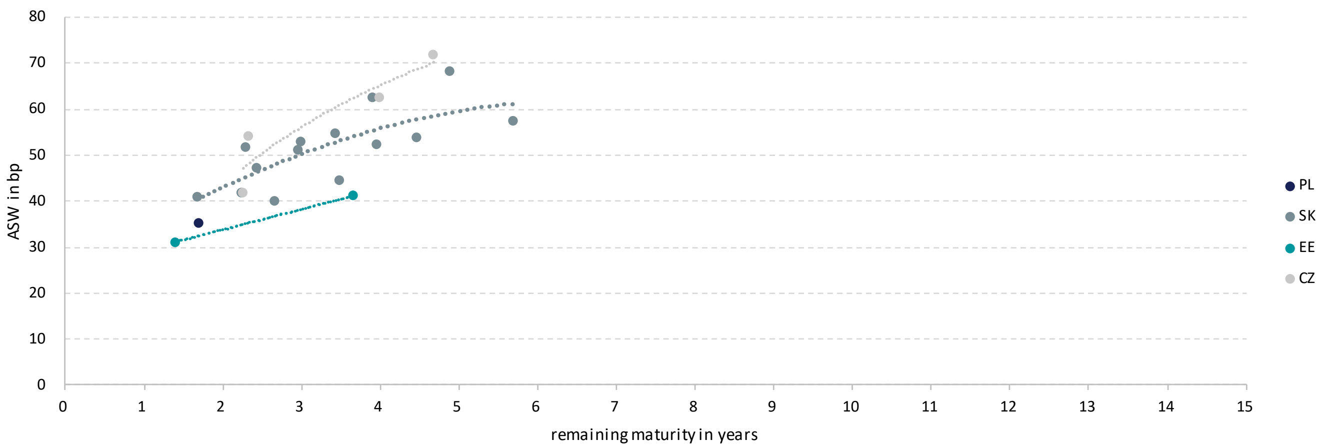


UK/IE

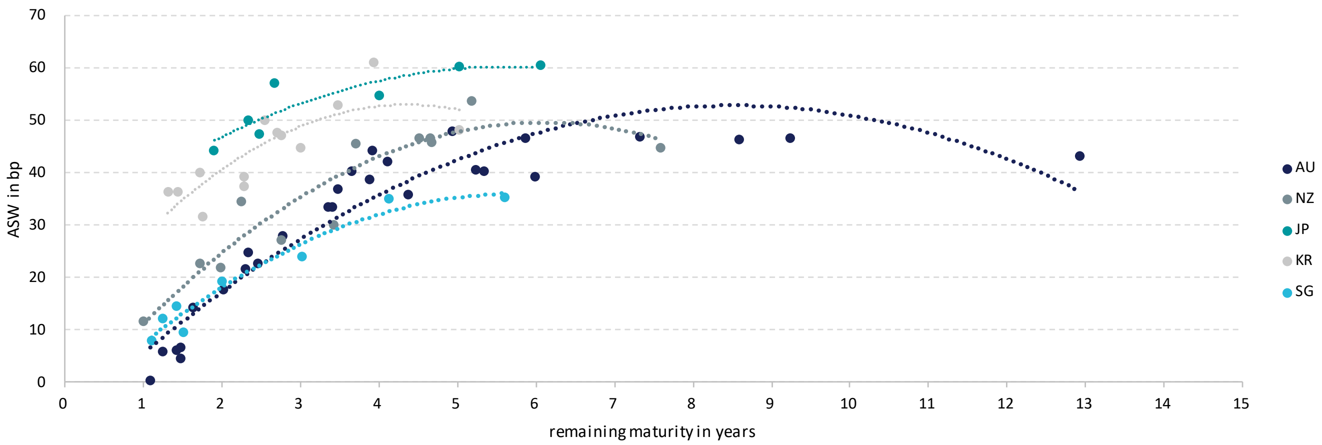


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

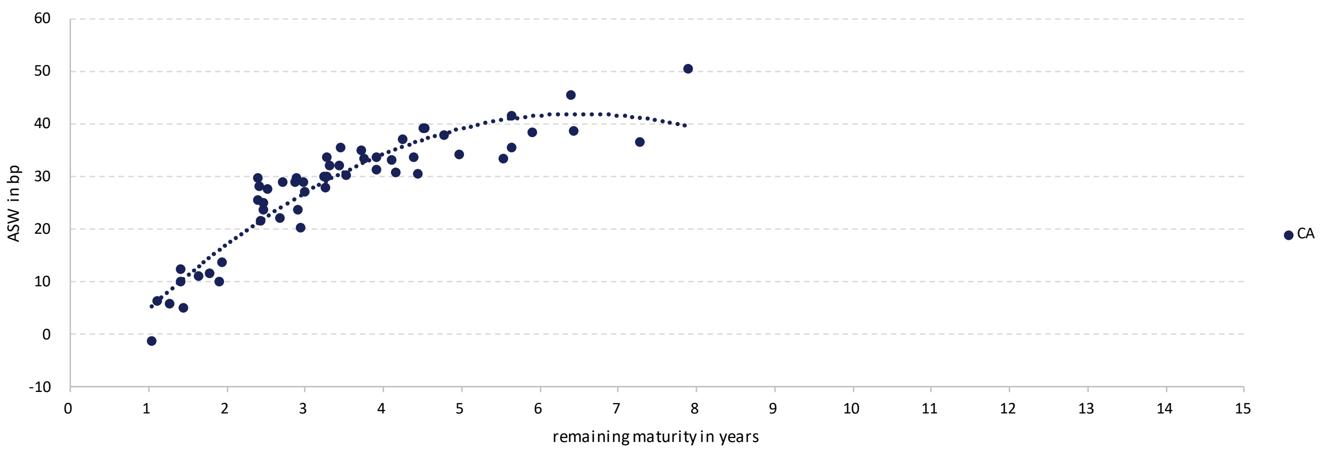
CEE



APAC



North America

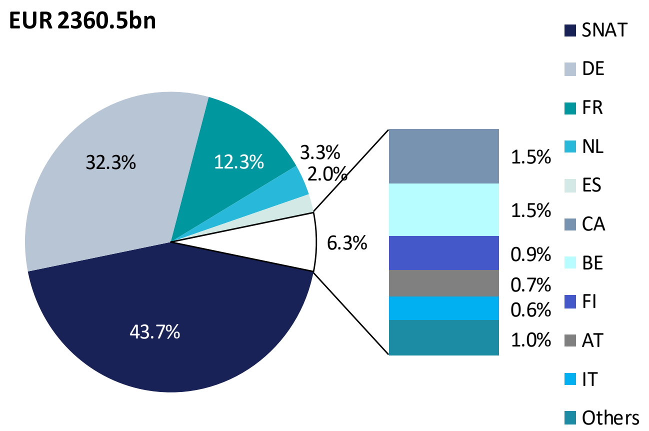


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

Charts & Figures
SSA/Public Issuers

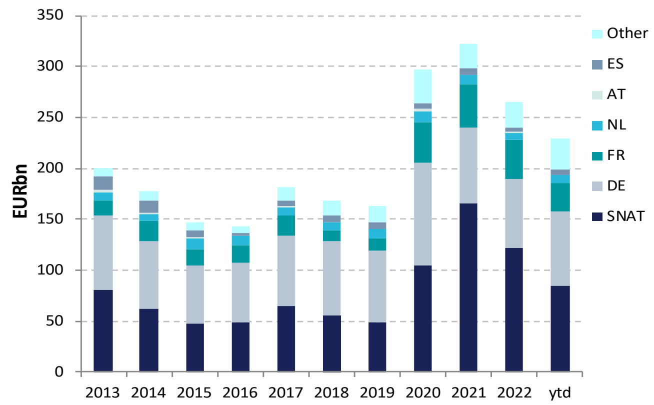
Outstanding volume (bmk)



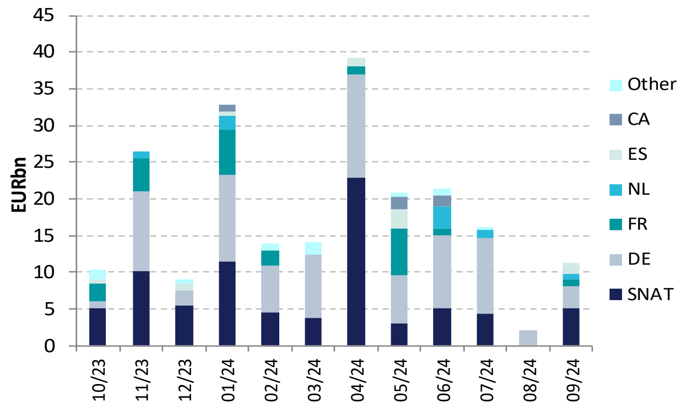
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	1,031.9	229	4.5	7.9
DE	763.4	567	1.3	6.1
FR	291.0	197	1.5	5.9
NL	78.2	68	1.2	6.6
ES	47.5	65	0.7	4.6
CA	35.6	25	1.4	4.2
BE	35.2	38	0.9	10.6
FI	22.2	24	0.9	4.8
AT	17.3	21	0.8	4.6
IT	15.0	19	0.8	4.7

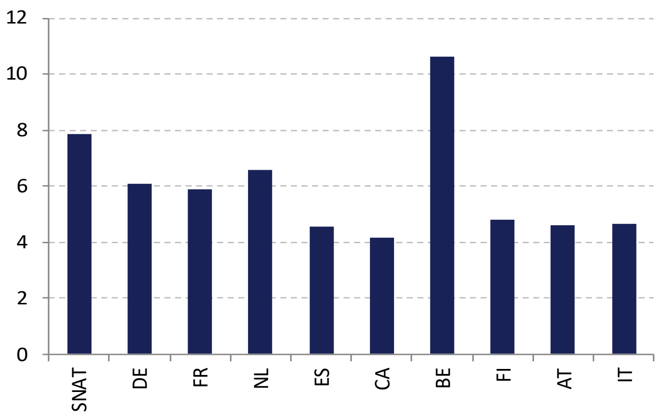
Issue volume by year (bmk)



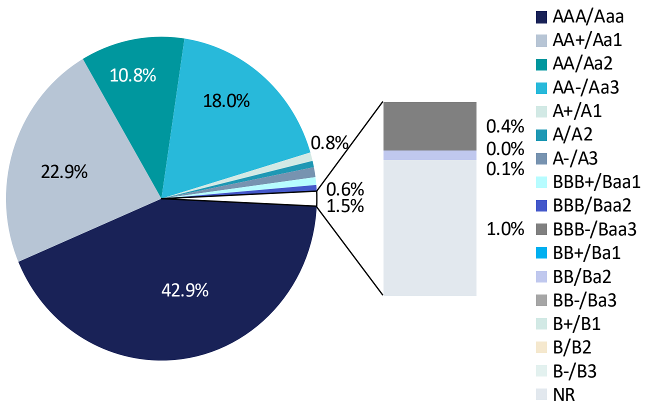
Maturities next 12 months (bmk)



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

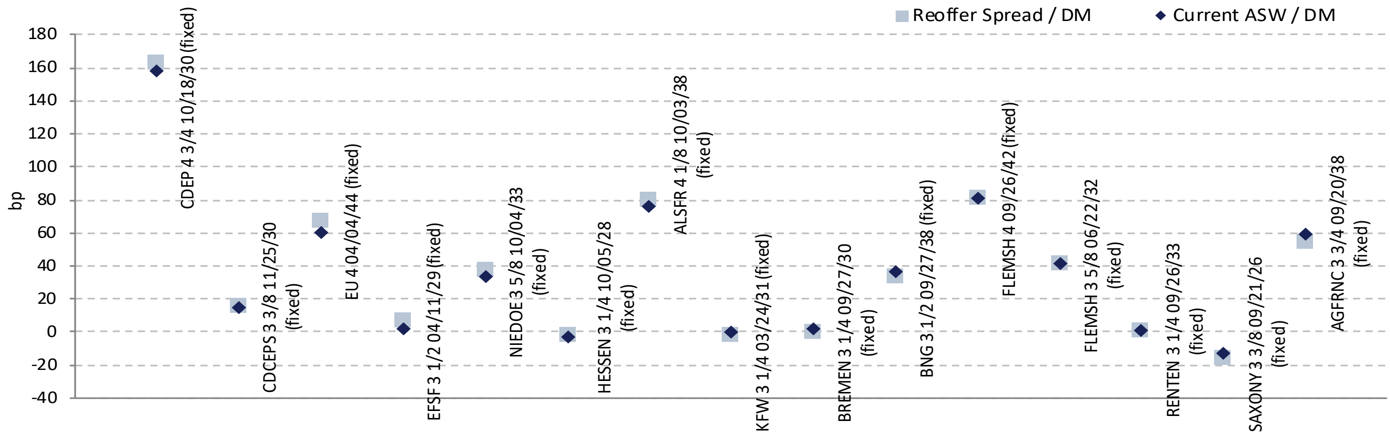


Rating distribution (vol. weighted)

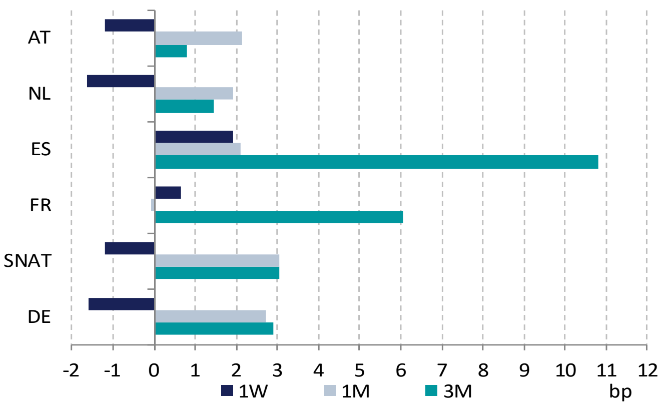


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

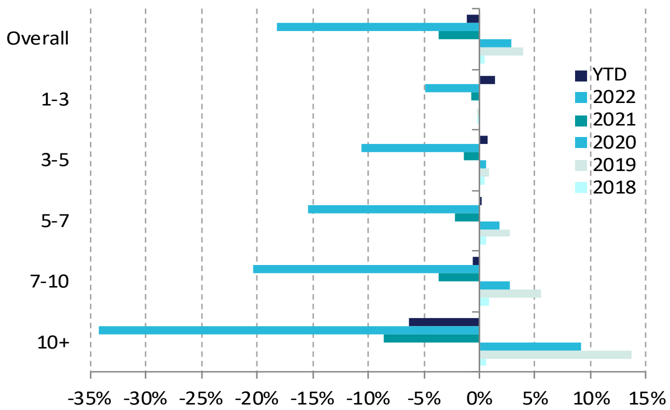
Spread development (last 15 issues)



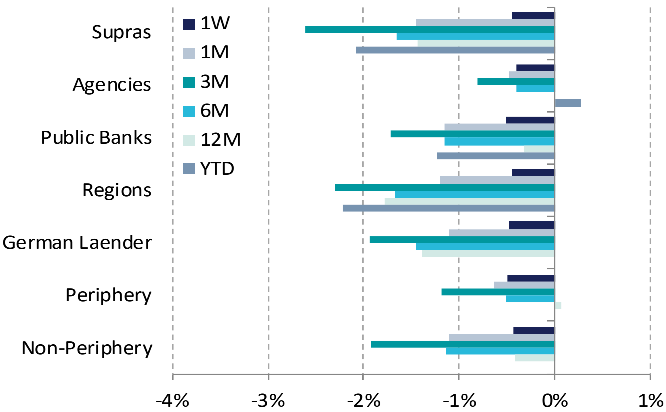
Spread development by country



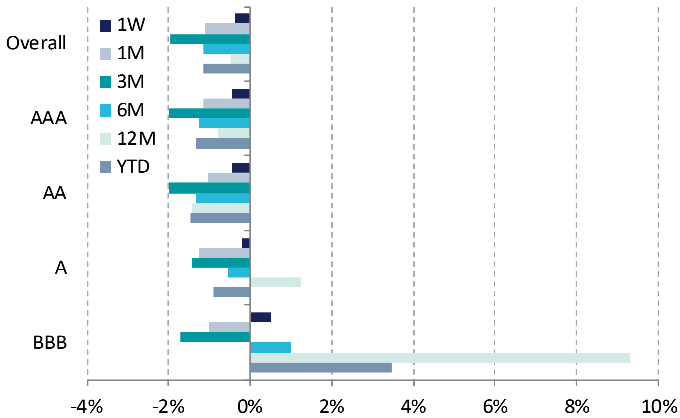
Performance (total return)



Performance (total return) by segments

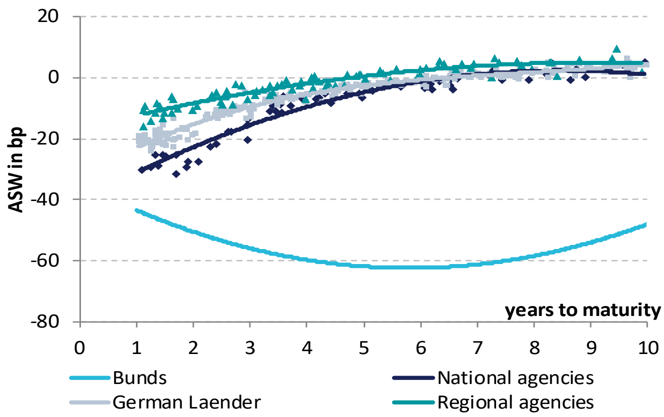


Performance (total return) by rating

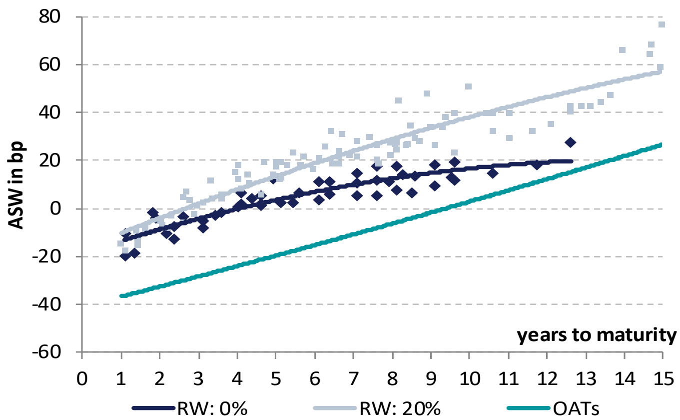


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

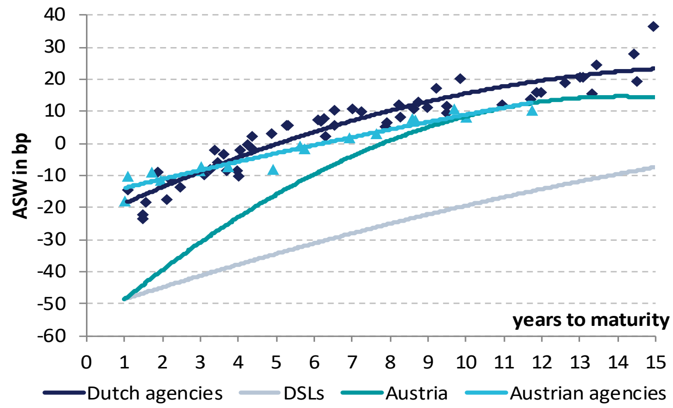
Germany (by segments)



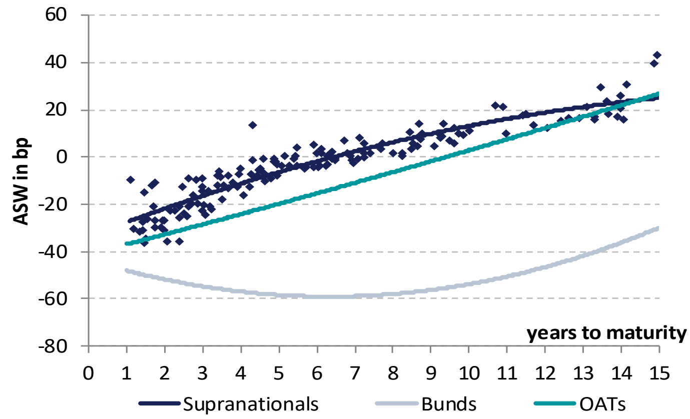
France (by risk weight)



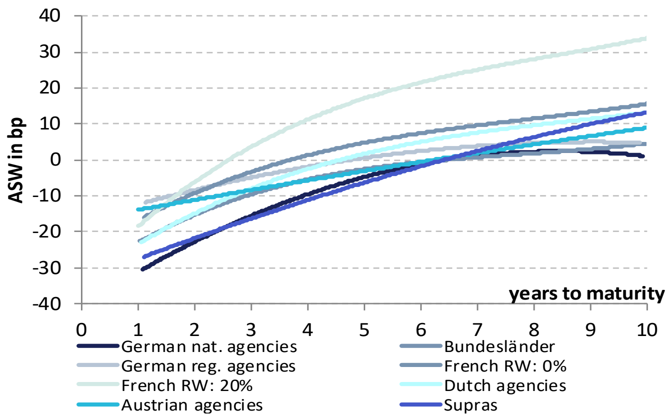
Netherlands & Austria



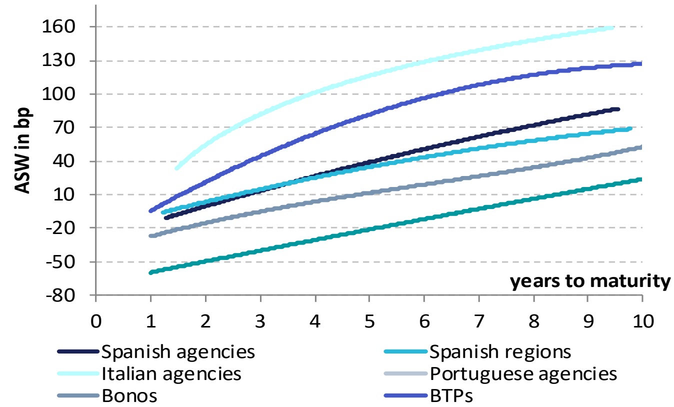
Supranationals



Core



Periphery



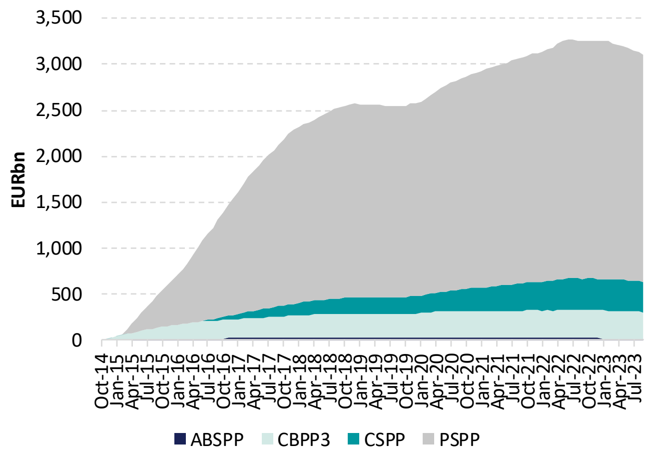
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

ECB tracker

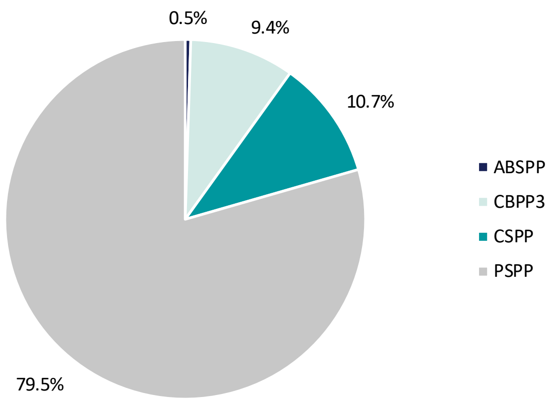
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Aug-23	16,436	295,503	334,738	2,487,900	3,134,577
Sep-23	15,324	291,992	331,156	2,470,598	3,109,070
Δ	-1,096	-3,346	-3,377	-13,434	-21,253

Portfolio development

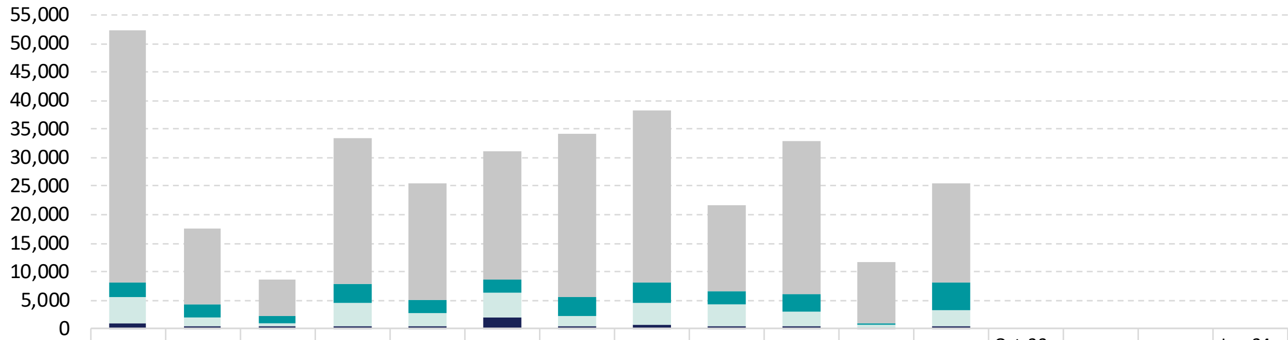


Portfolio structure



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

Expected monthly redemptions (in EURm)

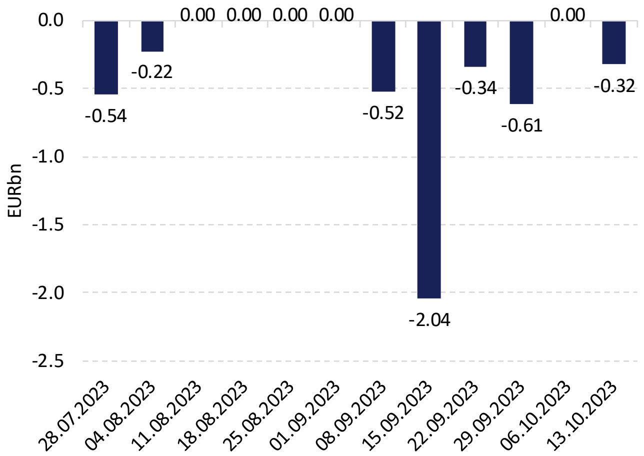


	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-23 - Sep-24	2022	2023	Jan-24 - Sep-24
APP	52,271	17,548	8,541	33,359	25,585	31,034	34,251	38,273	21,625	32,972	11,577	25,468	332,504	299,142	331,156	254,144
PSPP	44,186	13,277	6,336	25,524	20,470	22,413	28,712	30,194	14,974	26,877	10,533	17,401	260,897	228,585	255,017	197,098
CSPP	2,589	2,393	1,336	3,243	2,325	2,188	3,316	3,463	2,462	3,204	244	4,738	31,501	17,670	30,797	25,183
CBPP3	4,467	1,351	408	4,109	2,449	4,434	1,814	3,836	3,777	2,558	541	2,993	32,737	41,244	35,147	26,511
ABSPP	1,029	527	461	483	341	1,999	409	780	412	333	259	336	7,369	11,643	10,195	5,352

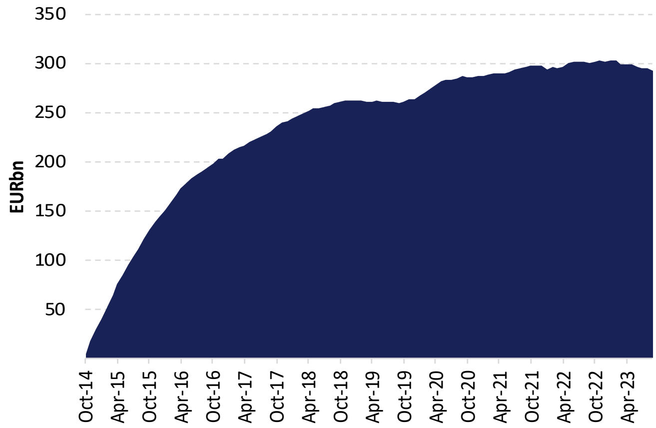
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

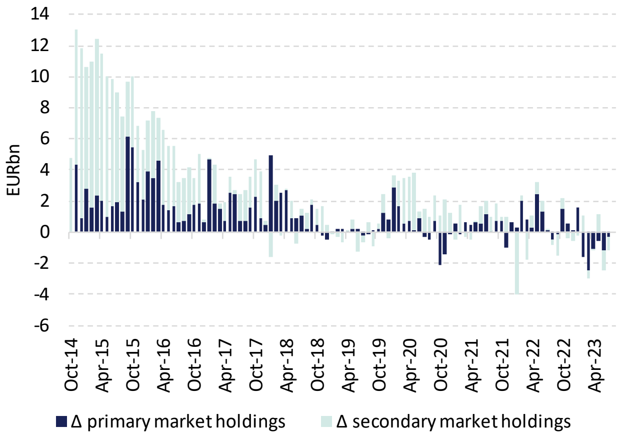
Weekly purchases



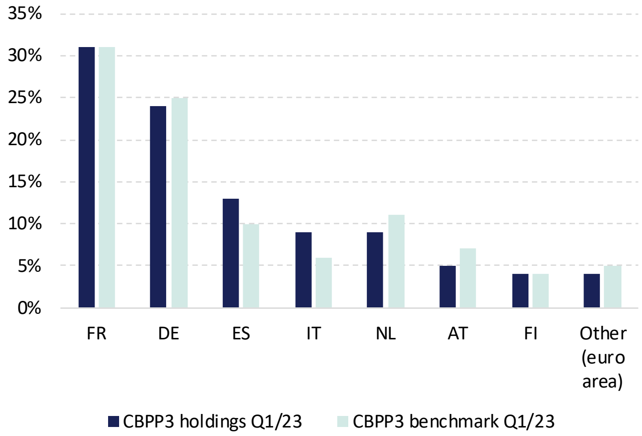
Development of CBPP3 volume



Change of primary and secondary market holdings

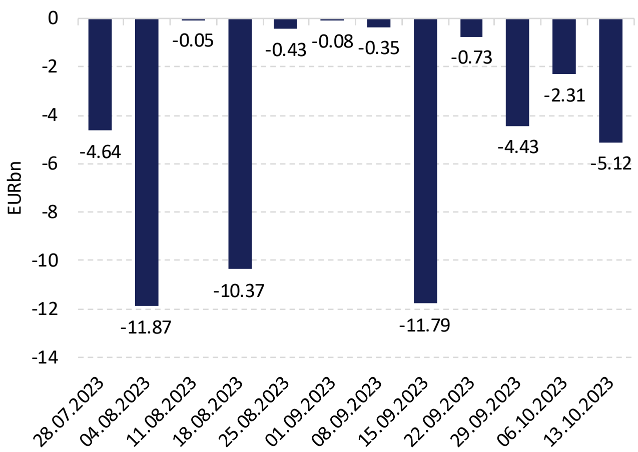


Distribution of CBPP3 by country of risk

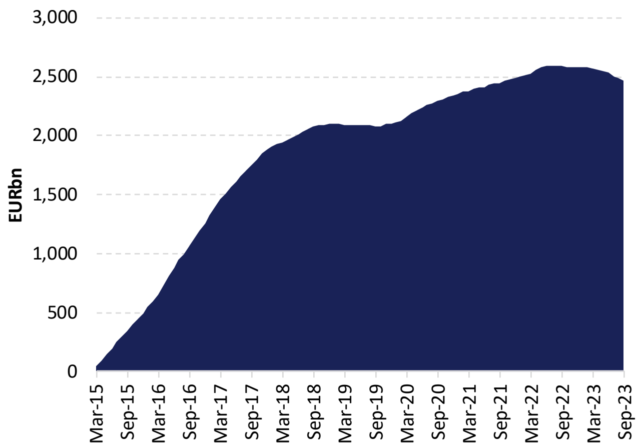


Public Sector Purchase Programme (PSPP)

Weekly purchases



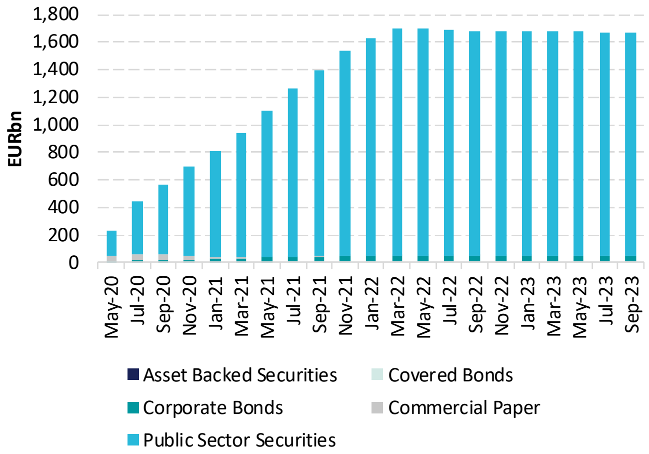
Development of PSPP volume



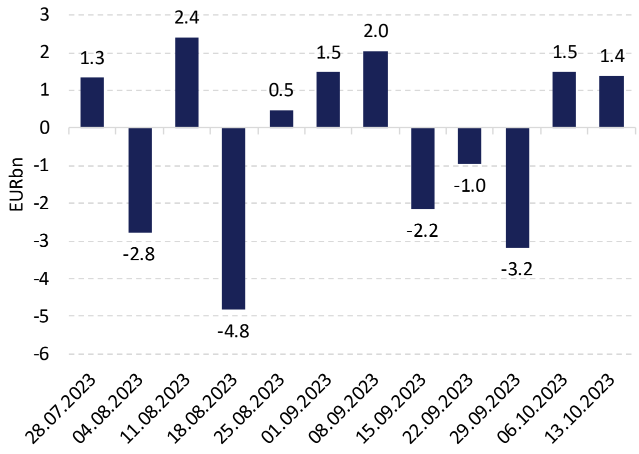
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Δ Holdings previous period	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	Current WAM[3] (in years)	WAM of eligible universe[4] (in years)
AT	44,129	-1,028	2.6%	2.7%	0.0%	7.2	7.8
BE	56,941	-610	3.3%	3.4%	0.2%	6.0	9.4
CY	2,423	-156	0.2%	0.1%	0.0%	8.4	8.2
DE	393,313	1,135	23.7%	23.7%	0.0%	6.7	7.0
EE	256	0	0.3%	0.0%	-0.2%	6.7	6.5
ES	193,041	-2,722	10.7%	11.6%	0.9%	7.2	7.4
FI	25,953	565	1.7%	1.6%	-0.1%	7.5	7.7
FR	298,322	1,717	18.4%	18.0%	-0.4%	7.3	7.8
GR	38,260	-172	2.2%	2.3%	0.1%	8.5	9.1
IE	25,541	133	1.5%	1.5%	0.0%	8.8	9.2
IT	292,198	938	15.3%	17.6%	2.3%	7.0	6.9
LT	3,145	-2	0.5%	0.2%	-0.3%	9.3	8.6
LU	1,858	-110	0.3%	0.1%	-0.2%	6.0	8.3
LV	1,843	23	0.4%	0.1%	-0.2%	7.9	7.5
MT	604	-4	0.1%	0.0%	-0.1%	9.8	8.5
NL	80,598	-2,269	5.3%	4.9%	-0.4%	7.6	8.9
PT	33,921	127	2.1%	2.0%	-0.1%	7.0	7.7
SI	6,493	44	0.4%	0.4%	0.0%	8.4	8.8
SK	8,040	65	1.0%	0.5%	-0.5%	7.9	8.3
SNAT	153,089	2,000	10.0%	9.2%	-0.8%	9.9	9.0
Total / Avg.	**1,659,970**	**-327**	**100.0%**	**100.0%**	**0.0%**	**7.4**	**7.6**

[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Current WAM of public sector securities holdings under the PEPP [4] WAM of eligible universe of public sector securities holdings under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
29/2023 ♦ 11 October	▪ A covered bond view of Belgium ▪ Funding of Canadian provinces – an overview
28/2023 ♦ 27 September	▪ The covered bond universe of Moody's: an overview ▪ Update on DEUSTD – Joint German cities (bond No. 1)
27/2023 ♦ 20 September	▪ Newcomer to the EUR benchmark segment: Bendigo and Adelaide Bank set to expand issuer base in Australia ▪ Teaser: Issuer Guide – Austrian Agencies 2023
26/2023 ♦ 13 September	▪ ECBC publishes annual statistics for 2022 ▪ Teaser: Issuer Guide – Dutch Agencies 2023
25/2023 ♦ 06 September	▪ Covered bond market on the growth path: OLB looks set to join the ranks of EUR benchmark issuers ▪ NORD/LB Issuer Guide German Laender 2023 published
24/2023 ♦ 19 July	▪ Banks in Europe: EBA Risk Dashboard in Q1 2023 ▪ ECB repo collateral rules and German Laender
23/2023 ♦ 12 July	▪ Covereds: Half-year review and outlook for the second half of 2023
22/2023 ♦ 28 June	▪ Special publication on LCR classification and risk weights: a (regulatory) overview of the EUR benchmark segment ▪ ESG bonds of German Laender – significant further development
21/2023 ♦ 21 June	▪ ESG covered bonds: a look at the supply side ▪ Increasing exposure of E-supras to Ukraine
20/2023 ♦ 14 June	▪ Moody's covered bond universe – an overview ▪ Beyond Bundeslaender: Spanish regions
19/2023 ♦ 07 June	▪ ECB Preview: ECB's 25th anniversary and is still going strong ▪ Focus on legal requirements for covered bonds
18/2023 ♦ 24 May	▪ Repayment structures on the covered bond market: an update ▪ Stability Council convenes for 27th meeting
17/2023 ♦ 17 May	▪ ESG update 2023 in the spotlight ▪ Development of the German property market ▪ Transparency requirements §28 PfandBG Q1/2023
16/2023 ♦ 10 May	▪ The ECB and the covered bond market: influences old and new ▪ Update: Joint Laender (Ticker: LANDER)
15/2023 ♦ 26 April	▪ ECB preview: caught in two minds? ▪ EBA Risk Dashboard paints solid picture of Q4 2022
14/2023 ♦ 19 April	▪ Lending in the Eurozone and Germany ▪ The French agency market – an overview
13/2023 ♦ 05 April	▪ Supply forecast requires no great adjustment ▪ Current risk weight of supranationals & agencies
12/2023 ♦ 29 March	▪ The Moody's covered bond universe – an overview ▪ NGEU: Green Bond Dashboard

Appendix
Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2023

Covered Bond Laws

Covered Bond Directive: Impact on risk weights and LCR levels

Risk weights and LCR levels of covered bonds (updated semi-annually)

Transparency requirements §28 PfandBG Q2/2023 (quarterly update)

Covered bonds as eligible collateral for central banks

SSA/Public Issuers:

Issuer Guide – German Laender 2023

Issuer Guide – European Supranationals 2023

Issuer Guide – French Agencies 2023

Issuer Guide – Dutch Agencies 2023

Issuer Guide – German Agencies 2022

Beyond Bundeslaender: Belgium

Beyond Bundeslaender: Greater Paris (IDF/VDP)

Beyond Bundeslaender: Spanish regions

Fixed Income Specials:

ESG-Update 2023

ECB: This rate terminates here – 99.9% sure

ECB preview: Knives out… It's edging-time

ECB: From the bottom to the top time to stop? Nobody knows it

Appendix
Contacts at NORD/LB

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Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship Management Europe	+352 452211-515

Trading

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

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Origination Corporates	+49 511 361-2911

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

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Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

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Öffentliche Kunden	rm-oek@nordlb.de

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