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

Authors: Dr Frederik Kunze // Lukas Kühne

Primary market: is the winter break already upon us?

The past five trading days saw neither any new EUR benchmark deals nor any new projects on the market. It should therefore come as little surprise that this raises the question as to whether the primary market in the covered bond segment has entered its traditional winter break comparatively early this year. In fact, general uncertainty regarding the real estate segment and the exposure of numerous banks to this sector must also be considered as a possible explanation for the dearth of activity. Either way, the primary market has entered a weak phase towards the end of this year. However, the sub-segment of sustainable covered bond issues could not, by any measure, be described as weak in 2023. This applies in particular to the EUR benchmark segment. As such, we have opted to take a closer look at this sub-market in a Covered Bond focus article as part of the present edition of our weekly publication.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

Secondary market: curves are wider and new deals are performing

Meanwhile, the situation over on the secondary market remains pretty much unchanged. Accordingly, new deals continue to perform – particularly those offering higher new issue premiums. In contrast, curves are widening, albeit with market sales being lower overall. The fact that the end of the 2023 trading year is inching ever closer is also reflected in this development, with some investors now demanding longer-dated deals in the present environment.

S&P issues rating upgrade for Icelandic covered bond programmes

With S&P having upgraded Iceland's sovereign rating by one notch to A+ on 10 November 2023, rating upgrades for the three Icelandic covered bond issuers included in the rating agency's coverage also became necessary, which were communicated by the rating experts this week. In accordance with S&P's valuation methodology, the covered bond rating of the issuers Arion Banki, Islandsbanki and Landsbankinn also improved from A to A+. As justification for the rating upgrade, S&P cites, among other aspects, the effective settlement system and quality of the assets in the cover pools underlying the covered bonds. As such, the covered bond ratings of all three Icelandic issuers that have so far been active with at least one sub-benchmark deal on the market have now been upgraded. Arion Banki is the only Icelandic issuer that has so far successfully placed a EUR benchmark (volume of at least EUR 500m) with investors. With deals in the amount of EUR 300 million each, Islandsbanki and Landsbankinn have been active in the market for EUR sub-benchmarks.

Slight upturn in new business volume of vdp member institutes

Both the interest rate turnaround on the part of the ECB and general market uncertainty have also had a lasting impact on new business at vdp member institutions in recent quarters. In this context, from our perspective, the fact that demand for real estate financing has recently increased slightly again can certainly be highlighted as good news. This is clearly indicated by the figures on new business volume recently published by the Association of German Pfandbrief Banks (vdp). Accordingly, the volume of loan commitments amounted to EUR 30.7bn in the third quarter of 2023, +15.8% up on the previous quarter. However, this development by no means makes up for the slowdown in comparison with the previous year (-21.5% Y/Y). Nevertheless, when compared with the previous quarter, it is certainly worth highlighting that the growth covered both residential (+13.4% Q/Q) and commercial properties (+19.0% Q/Q). Commercial real estate was dominated by commitments in the office real estate sub-segment (EUR 6.2bn; -10.1% Q/Q). The total volume of loans granted by vdp member institutions comes to approximately EUR 1,004bn, while, by way of comparison, the equivalent volume as at 30 September 2022 stood at around EUR 993bn. At present, a total of EUR 713.3bn is attributable to residential real estate financing, with commercial real estate financing accounting for a share of EUR 290.7bn. No real shortages in the cover assets for mortgage Pfandbriefe can therefore be identified. Nevertheless, the continuation of the subtle countermovement on a quarterly basis is certainly something to be welcomed.

Scope: a look at the Swedish banking market

The risk experts at Scope Ratings recently presented their outlook for the Swedish banking market in addition to touching upon the challenges linked to macroeconomic developments in the Scandinavian country. Compared with the eurozone (GDP growth 2023: +1.0% p.a.), as well as jurisdictions such as Finland (+0.0% p.a.) and Denmark (+1.3% p.a.), Scope has identified a contraction in economic output amounting to -0.7% for Sweden in the current year. Inflation rates are also likely to remain at a high level by international comparison in 2023 (8.7% p.a.) and 2024 (4.0% p.a.). In principle, Scope sees Swedish banks as being well positioned to cope with these challenging headwinds. These will not only take the form of falling loan volumes and rising (funding) costs; there is also a need for risk provisions to be built up due to deteriorating asset quality (particularly in the CRE segment), which must likewise be factored in as a stress factor for Swedish banks. However, strong earnings expectations for the full year 2023 do help to counteract this circumstance. In actual fact, Scope identifies a positive trend here moving forward. Covered refinancing is highly relevant within the Swedish banking market. However, this is not always reflected in high issuance volumes in the EUR benchmark segment, which can, among other aspects, be put down to the fact that a liquid covered bond market has also been established in the home currency (SEK). In 2023, a total of EUR 6.75bn in EUR benchmarks was placed by Swedish issuers. For 2024, we are anticipating a volume of EUR 6.00bn, which would correspond to net growth of EUR 1.25bn.

Fitch APAC Covered Bond Quarterly Q3 2023: signs of recovery on the property markets

The risk experts from Fitch responsible for evaluating covered bond programmes in the APAC jurisdictions of Australia, New Zealand, Singapore and South Korea recently commented on the developments in these economies relevant to the covered bond segment. As part of the most recent “APAC Covered Bond Quarterly”, Fitch notes a degree of volatility on the residential real estate markets in the quartet of jurisdictions mentioned above. Unsurprisingly, this is due to inflation and interest rate hikes on the part of the relevant central banks. The risk experts from Fitch are also of the view that issuance activities are being impacted by this environment. Nevertheless, Fitch expects the housing market to recover over the coming quarters – albeit with different dynamics in the four jurisdictions. The rating agency evaluates nine programmes in Australia and five in New Zealand, while offering risk assessments for two programmes each in South Korea and Singapore. All APAC issuers enjoy the AAA top rating with a stable outlook from Fitch. Issuance volumes in the EUR benchmark segment were restrained, particularly in the case of Singapore (EUR 0.00bn; net supply: EUR -1.00bn). For 2024 we expect new issuance activity to total EUR 2.50bn, offset by maturities of around EUR 1.50bn. The corresponding markets in Australia (net supply: EUR 2.50bn), South Korea (EUR 2.10bn) and New Zealand (EUR 0.50bn) at least recorded a degree of growth in 2023. In 2024, we expect the primary market to be more dynamic in the APAC jurisdictions, particularly in Singapore, and would not be wholly surprised to see one or two newcomers arriving in the EUR benchmark segment.

Market overview SSA/Public Issuers

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NORD/LB Capital Markets Spotlight – Outlook 2024

2022 was the year of the breaking points in many ways, in 2023 we reached the interest rate peak together with the ECB. The geopolitical trouble spots will also accompany us into the new year 2024. But will the focus in the first half of the year really be less on monetary policy and more on fundamental facts and special situations? In our Outlook 2024, we will discuss with you whether and how the PEPP, reinvestments under which are still ongoing, the TPI, which has not (yet?) been activated, the continued reduction of the ECB's balance sheet and possible interest rate cuts in the second half of 2024 will affect the sub-markets in relation to the SSA/Public Issuers and Covered Bonds sections we cover in our weekly publication. We therefore cordially invite you to our 45-minute digital presentation ***"The ECB and the bond markets in 2024 – supervised detox or cold turkey?"*** on 11 December at 2:00 pm (CET). The session will also be held in English from 3:00 pm (CET). If you have not yet received a digital invitation, then please contact your sales or DCM advisor directly.

Ruling by BVerfG: Budgetary discipline – or: debt brake and stretching it beyond

Last week, we reported that the Federal Constitutional Court had declared that the reallocation of COVID-19 funds from 2021 to the Climate and Transformation Fund (CTF) was unconstitutional. Since then, there has been a EUR 60bn hole in the federal budget, which has sparked a lively (political) debate. Here is a selection of the different standpoints: Katharina Dröge, parliamentary group leader of the Greens, is calling for a reform of the debt brake as it is a "poorly crafted law" and has the wrong economic effects. The Minister-President of Bavaria, Markus Söder (CSU), has clearly positioned himself against such a reform: "The leaders of the CSU and CDU agree on this." Instead, Federal Finance Minister Christian Lindner (FDP) is calling for savings, including in social benefits, and is insisting on compliance with the debt brake. And as Federal Chancellor Olaf Scholz? Well, he opted not to comment on the debt brake in his government statement either. What followed? The imposition of a public spending freeze for 2023, which also affected the "Scholz double whammy" in the form of the Economic Stabilisation Fund (WSF). On Monday, we then received the news that the "traffic light coalition" – as the Scholz cabinet comprising members of the Social Democratic Party of Germany (SPD; red), the Free Democratic Party (FDP; yellow/amber) and Alliance 90/The Greens (green) is known – had passed a supplementary budget for 2023 by circular resolution. "It's about rectifying a breach of law that would occur if we did nothing now," the Ministry of Finance said in this regard. The condition is that the Bundestag declares an extraordinary emergency for 2023, which can be used to suspend the debt brake. As in the previous year, the German government is basing its arguments on the high energy prices and the consequences of the Russian invasion of Ukraine. The resolution is intended to legally secure loans totalling around EUR 45bn, most of which have already been used for the energy price brake and to support flood victims. We see three possible options for 2024: 1) The "traffic light coalition" undermines the debt brake, either by suspending it or reforming it; 2) The government tries to continue spending money with budgetary tricks; 3) The federal government pursues a tough austerity policy. While the first two variants are kind of "I make the world the way I like it", the latter would be particularly detrimental to the future viability of the German economy.

Autumn tax estimate from Saxony: budget uncertainty in the East too?
The latest tax estimate does not bode well for future budgets in Saxony (Ticker: SAXONY): although the latest forecasts show a slight improvement compared with the May tax estimate, the overall revenue expectations are still below the planning basis for the 2023/24 double budget. For the current budget, a revenue shortfall of just over EUR 330m is expected. Additional income of just under EUR 70m is not anticipated until 2024. Even for the period from 2025 onwards, only slight improvements are expected compared with the last tax estimate. Finance Minister Hartmut Vorjohann (CDU): "The economic situation has continued to deteriorate in recent months. It is primarily high inflation that is currently fuelling slightly higher revenue expectations compared with the May tax estimate. As Saxony's tax revenues in 2023 are still significantly in the red compared with the budget, further management measures cannot be ruled out. The slight additional revenue from the coming year will be offset by the trade unions' wage demands alone, which would place a burden on our public finances of around EUR 1bn a year [...] The tax estimate does not offer any new wiggle room." However, the situation looks somewhat better for Saxony's local authorities: They can expect slightly higher revenues for 2023 and 2024 versus the May estimate. Revenue totalling EUR 4.5bn is expected in 2023 and EUR 4.7bn in 2024.

KfW Economic Compass: Germany and the myth of the "sick man of Europe"
Although German economic output is likely to stagnate over the course of 2023, the real GDP growth rate for 2023 as a whole will be moderately negative. In its current autumn forecast, KfW (ticker: KFW) expects GDP to contract by -0.4% for 2023 versus the prior year, confirming the previous forecast. Two (statistical) effects will play a decisive role in this: First, the statistical underhang resulting from the sharp drop in GDP in the final quarter of 2022, which caused this year's economic growth to start from a level that was 0.2% lower than the average across all four quarters of 2022. This deficit would have had to be balanced out first before generating any growth at all in 2023 on the previous year. Furthermore, the year 2023 has two fewer working days on which to generate GDP than 2022, which in itself reduces annual growth by around 0.2 percentage points as a negative calendar effect. In 2024, the German economy should then return to moderate real growth with slightly rising quarterly rates from the spring. The business cycle will be bolstered particularly by gains in household purchasing power, which will kickstart consumption in the course of the year. The recovery of consumption, however, will commence a bit later than was predicted in the summer, so that KfW has revised its GDP forecast for 2024 downward slightly to +0.6% (previous forecast: +0.8%). The rebound in purchasing power will be backed by rising nominal wages and a sharp drop in inflation. KfW expects the German inflation rate (HICP) to drop from 6.1% in 2023 to 2.5% in 2024. "Rising real wages with stable employment will also lead to a noticeable increase in the wage bill in real terms in 2024, giving private households more purchasing power that they can use for consumption. The return to a consumption-based and at least moderate growth is, after all, a first silver lining on the horizon, considering the numerous crises and great challenges facing the German economy", said Dr Fritzi Köhler-Geib, Chief Economist at KfW.

ASFINAG launches the next major photovoltaic offensive

In November, the Austrian Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft (ticker: ASFING) will launch its next major photovoltaic offensive, taking another major step towards its goal of being energy self-sufficient (as per the energy balance) by 2030 through the expansion of renewable energy sources. Since February 2021, the ASFINAG site in Klagenfurt has been powered by a photovoltaic system with an output of more than 200 kilowatts peak. The total output of the system will now be more than doubled to 500 kWp by spring 2024. The battery storage unit will also be increased accordingly and will then be able to store 1,000 kilowatt hours of energy. The amount of electricity produced by this plant in future would cover the annual energy requirements of around 70 single-family homes. A tripling of the PV system is planned at the Villach site, where more than 1,500 PV modules will be installed. Once completed in spring 2024, the system will supply a total of 800 kilowatts peak of solar power, which will be enough to supply the entire site and the e-charging stations. A new PV system will also be installed at the east portal of the Ehrentalerberg tunnel from spring 2024. More than 2,600 PV modules with a total output of 1,100 kilowatt peak will ensure that the tunnel can be operated in a climate-neutral manner in relation to energy in the future. “The energy transition can only succeed with the systematic expansion of photovoltaics, hydropower and wind power,” says ASFINAG CEO Hartwig Hufnagl. For this reason, a small hydropower plant is also to be built at the Karawanken tunnel in order to utilise tunnel seepage water for energy. The output of the power plant will be around 470 megawatt hours, which is roughly equivalent to the annual energy requirement of around 100 single-family homes.

Primary market

Following last week’s report of declining activity on the primary market, the trend has continued over the past seven days. As a result, we only have one sub-benchmark, one tap and the results of the latest EU bond auction to report on today. Last Thursday, Sächsische Aufbaubank (ticker: SABFOE) from the German promotional bank segment came to market with a EUR 250m sub-benchmark after the mandate was announced on Wednesday. For a term of five years, guidance of ms +9bp area was announced. The price was finally fixed at ms +8bp, with the corresponding order book amounting to EUR 390m. We also observed a tap in our coverage, namely an increase of EUR 250m by Schleswig-Holstein (ticker: SCHHOL) at ms +2bp for its SCHHOL 2.625% 11/17/28 bond (guidance: ms +2bp area); no details regarding the order book were published. As already announced in our previous issue, the final EU bond auction of the year took place on Monday. We would like to share the results with you: With EU 2% 04/10/27 and EU 2.75% 04/02/33, two bonds were directly topped up. In total, EUR 1.8bn was added to the bond with the shorter maturity and EUR 1.731bn to the longer-dated bond. The bid-to-cover ratios came in at 1.67x and 1.16x respectively. No new mandates were available to us at the time of going to print.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

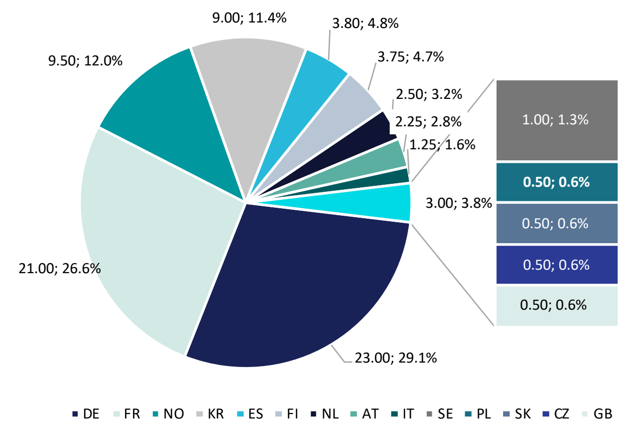
Covered Bonds
ESG covered bonds: a look at the supply side

Authors: Dr Frederik Kunze // Lukas Kühne

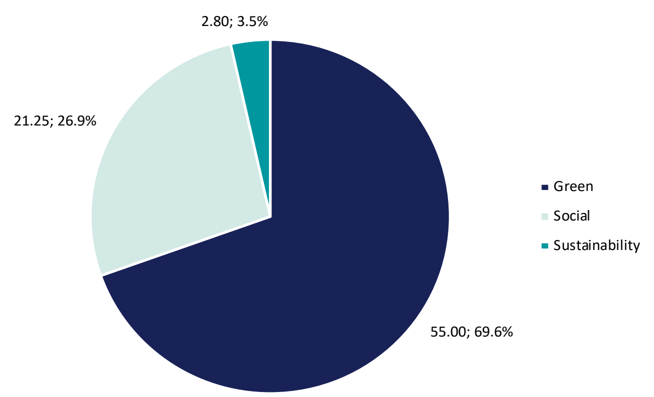
The market for ESG covered bonds: four new issuers in the EUR benchmark segment

As part of our annual ESG Updates, we regularly discuss general developments in the ESG segment, focusing on both those in the ever-growing sub-market of ESG bonds and on regulatory developments. In our weekly publications, we also carry out an actual assessment of the situation for issuers in our coverage. Developments in the ESG sub-market in the covered bond category will be at the heart of the today's edition of our weekly publication, focusing especially on the EUR benchmark and EUR sub-benchmark segment. Just before the end of the year, it makes sense to take a look back at what has happened so far in the ESG segment in 2023. Since the beginning of the year, four new issuers have successfully placed an inaugural EUR benchmark covered bond in sustainable format with investors. The most recent newcomers in this segment were Bausparkasse Wüstenrot (DE) and Rabobank (NL), which issued their first green covered bonds last week. In the following, we propose to outline the supply side for covered bonds in sustainable formats, looking in closer detail at the latest developments, before attempting to outline a brief outlook into the future.

ESG covered bonds by country (EUR BMK; EURbn)



ESG covered bonds by type (EUR BMK; EURbn)



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

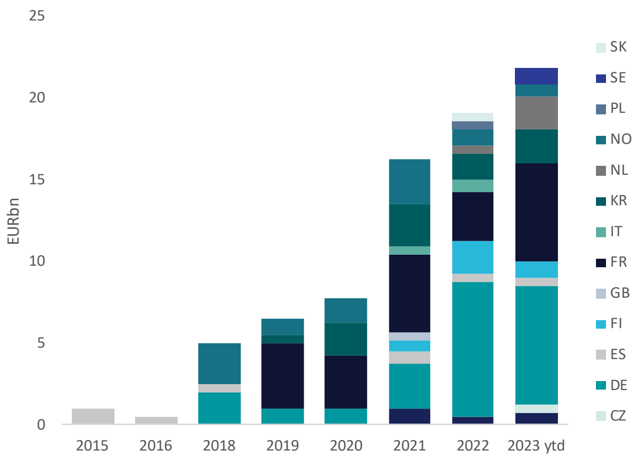
EUR benchmarks in ESG format: green bonds continue to dominate…

The total outstanding volume of EUR benchmarks stands at around EUR 1,041.5bn, of which ESG covered bonds account for around EUR 79bn. They are still dominated by issues labelled as "green" (EUR 55.0bn or 69.6%). The remaining amount is split between social (EUR 21.3bn or 26.9%) and sustainability bonds (EUR 2.8bn or 3.5%). The dominance of green formats hardly comes as a surprise, bearing in mind the asset class in question and the main cover assets involved (residential or commercial real estate mortgages).

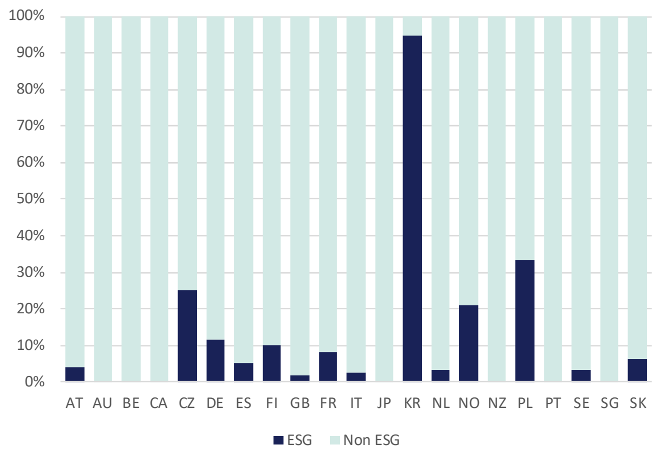
…and Germany is the biggest supplier of ESG covered bonds

A country analysis shows that outstanding ESG covered bonds (a total of 108 outstanding bonds) are mainly domiciled in Germany (EUR 23.0bn; 36 bonds) and France (EUR 21.0bn; 22 bonds). There are now 14 active jurisdictions in the EUR benchmark segment, including Norway (EUR 9.5bn; 12 bonds) and South Korea (EUR 8.9bn; 14 bonds). One unusual feature in the case of South Korean issuers is that ESG issues (all in social format) represent an extremely large share of the market, above all in view of the public mandate of Korea Housing Finance Corporation (KHFC).

ESG covered bond issues (EUR BMK)



ESG covered bonds: market share (EUR BMK)



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

Market developments since the beginning of the year

As regards the calendar year now coming to an end, the signs are that it will be another record year for new issues in the EUR benchmark format. Most recently, the new issue volume amounted to EUR 21.9bn (green: EUR 14.8bn; social: EUR 7.1bn). In other words, the trend of an annual rise in new issues remains unbroken in 2023 (new issue volume in 2022: EUR 19.1bn). Measured based on the number of individual issues, 2023 will be another record year. So far, 31 deals have been placed in the ESG format (against 28 in 2022 and 21 in 2020). From our talks with investors, we understand that an ever-growing number of accounts are pursuing an ESG mandate as a partial objective and in this respect are also looking for investment options in the covered bond segment. As part of this process, portfolio managers will be given precise requirements in terms of the share of the ESG portfolio in relation to the total book. In our view, the relative growth of the ESG market for covered bonds should also play an important role here. So far in 2023, a total of EUR 184.7bn has been placed in the EUR benchmark segment, and the EUR 21.9bn mentioned therefore accounts for 12.1%. This represents a slight year-on-year percentage increase in the share of ESG deals in relation to new issues (2022: 9.6%). However, measured in relation to the total outstanding volume (EUR 1,041.5bn), the ESG segment (EUR 79.0bn) only accounts for 7.6% of all outstanding issues. In the next few years, we expect a steady rise in the share of ESG issues, although ESG regulations (above all in relation to green bonds) could dampen the momentum – at least temporarily.

Issuers of EUR-denominated ESG benchmarks

Issuer	Country	ESG Type	Volume (in EURbn)	No. of ESG BMKs	Framework based on ICMA principles
BAWAG	AT	Green	0.5	1	YES (Link)
Hypo Tirol Bank	AT	Social	0.5	1	YES (Link)
UniCredit Bank Austria	AT	Green	1.25	2	YES (Link)
UniCredit Bank	CZ	Green	0.5	1	YES (Link)
Bayerische Landesbank	DE	Green	1.0	2	YES (Link)
Berlin Hyp	DE	Green	4.75	8	YES (Link)
		Social	1.75	3	YES (Link
Deutsche Kreditbank	DE	Social	2.25	4	YES (Link)
DZ HYP	DE	Green	2.75	4	YES (Link)
ING-DiBa	DE	Green	3.25	3	YES (Link)
Landesbank Baden-Wuerttemberg	DE	Green	1.5	2	YES (Link)
Muenchener Hypothekenbank	DE	Green	2.75	4	YES (Link)
Norddeutsche Landesbank	DE	Green	1.5	3	YES (Link)
UniCredit Bank	DE	Green	1.0	2	YES (Link)
Wuestenrot Bausparkasse	DE	Green	0.5	1	YES (Link)
Caja Rural de Navarra	ES	Green	1.0	2	YES (Link)
		Sustainable	1.1	2	
Eurocaja Rural	ES	Sustainable	0.7	1	YES (Link)
Kutxabank	ES	Social	1.0	1	YES (Link)
Nordea Kiinnitysluottopankki	FI	Green	2.0	2	YES (Link
OP Mortgage Bank	FI	Green	1.75	2	YES (Link)
Arkea Home Loans SFH	FR	Green	1.0	1	YES (Link)
BPCE SFH	FR	Green	4.5	4	YES (Link)
CAFFIL	FR	Green	2.25	3	YES (Link)
		Social	3.75	5	
Compagnie de Financement Foncier	FR	Social	0.5	1	YES (Link)
Credit Agricole Home Loan SFH	FR	Green	1.25	1	YES (Link)
		Social	2.25	2	
La Banque Postale Home Loan SFH	FR	Green	0.75	1	YES (Link)
		Social	1.25	1	
Societe Generale SFH	FR	Green	3.5	3	YES (Link)
Yorkshire Building Society	GB	Social	0.5	1	YES (Link)
Banco BPM	IT	Green	0.75	1	YES (Link)
Credit Agricole Italia	IT	Green	0.5	1	YES (Link)
Hana Bank	KR	Social	1.1	2	YES (Link)
Kookmin Bank	KR	Green	0.5	1	YES (Link)
		Sustainable	1.0	2	
Korea Housing Finance	KR	Social	6.3	9	YES (Link)
Cooperatieve Rabobank	NL	Green	1.25	1	YES (Link)
Nationale-Nederlanden Bank NV	NL	Green	1.25	2	YES (Link)
DNB Boligkreditt	NO	Green	3.0	2	YES (Link)
Eika Boligkreditt	NO	Green	1.0	2	YES (Link)
SpareBank 1 Boligkreditt	NO	Green	2.75	2	YES (Link)
Sparebanken Soer Boligkreditt	NO	Green	1.0	2	YES (Link)
Sparebanken Vest Boligkreditt	NO	Green	1.25	2	YES (Link)
SR-Boligkreditt	NO	Green	0.5	1	YES (Link)
PKO Bank Hipoteczny	PL	Green	0.5	1	YES (Link)
Stadshypotek	SE	Green	1.0	1	YES (Link)
Slovenska Sporitelna	SK	Green	0.5	1	YES (Link)

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

ESG benchmark covered bonds: 43 active issuers

We now count 43 active ESG issuers. At jurisdiction level, the segment was recently increased to include the first issuer from the Czech Republic in the form of UniCredit Bank Czech Republic and Slovakia. The bank successfully placed its first green covered bond for EUR 500m in June 2023. There were also further debut bonds this year from Germany, the Czech Republic, France and the Netherlands.

Issuers of EUR-denominated ESG sub-benchmarks

Issuer	Country	ESG Type	Volume (in EURbn)	No. of ESG BMKs	Framework based on ICMA principles
Hypo Tirol Bank	AT	Green	0.30	1	YES (Link)
Oberbank	AT	Green	0.25	1	YES (Link)
Oberoesterreichische Landesbank	AT	Green	0.50	2	YES (Link)
Landesbank Saar	DE	Social	0.25	1	YES (Link)
Banca Popolare dell'Alto Adige	IT	Green	0.25	1	YES (Link)
NORD/LB Luxembourg	LU	Green	0.30	1	YES (Link)
Moere Boligkreditt	NO	Green	0.25	1	YES (Link)

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

EUR sub-benchmark segment

Apart from the EUR benchmark segment, we have also observed a trend towards increased issues of covered bonds in an ESG format for the EUR sub-benchmark segment. Based on our calculations, the volume of publicly placed ESG issues in the EUR sub-benchmark segment that have a fixed coupon amounted to EUR 2.1bn most recently. Of this, the current calendar year accounts for 38.1% (EUR 800m). The majority of the issuers were from Austria with four issues totalling EUR 1,050m. Bearing in mind the general growth in the EUR sub-benchmark segment, driven especially by Austria and Germany, we expect to see further growth in ESG deals in this market segment over the coming years.

What happens next? – Reporting requirements a constraining factor…

The steady growth alone in the number of jurisdictions with active issuers and, within the issuing countries, the growing group of institutions with sustainable frameworks for the issuance not only of covered bonds in our opinion definitely points towards a rising number of ESG EUR benchmarks. We still assume that green issues will continue to dominate in relative terms, although conditions definitely remain challenging. In this respect, it is worth looking at the EU taxonomy. On 23 October 2023, the European Council announced that it had adopted a regulation creating a standard for European green bonds. Consequently, covered bonds will also be able to carry the "European Green Bond" label if they meet the requirements under the EU taxonomy. At the same time, however, it is also important to take into account how investors are approaching the whole ESG issue from an investment point of view. In the first instance, we are not envisaging a fundamental increase in demand in relation to the purchase of sustainable assets. The much more pressing issue is to what extent regulatory requirements could also affect the demand side. We definitely see the potential in this and further initiatives for rapidly changing requirements to become a growing burden for issuers and investors alike, even though we are fundamentally in favour of such a high level of transparency in the ESG segment. Nevertheless, increasing reporting obligations will involve rising transaction costs, which, among other things, can be ascribed to existing room for interpretation and problems with definitions.

…no taxonomy compliance at present…

Based on the most recent information, we are not aware of a single issuer whose covered bonds meet the requirements of the EU taxonomy. As far as we know, the process of building up assets that are eligible for the cover pool and at the same time meet the requirements of the EU taxonomy is still very limited among active issuers. During the transition period – until the full implementation of the EU taxonomy – it will be sufficient for 85% of assets to be taxonomy compliant for covered bonds to be entitled to the "EU Green Bond" label. Even under these no less strict requirements, no covered bond currently seems to meet the requirements of the EU taxonomy. We believe that the covered bond market should also prove capable of change as the establishment of the green bond segment progresses. One possible approach could be to uncouple cover assets from the green classification. In this context, the switch from a conventional to a green covered bond would be achieved outside the cover pool through an allocation of issue proceeds to fund green projects. In our view, this separation in the use of issue proceeds from the "covered part" should also have to go hand-in-hand with greater transparency. In a narrow interpretation, this separation would contradict our intuitive understanding of covered bonds.

…and yet, the ESG market remains on the growth path for covered bonds too

Irrespective of this, we remain convinced that the covered bonds asset class can be seen as a key natural "partner" in both the sub-segment of green covered bonds and in that of social issues. After all, the combination of a sustainable investment with high safety standards based on national legislation remains an investment alternative for many investors with ESG requirements. We expect further strong growth in supply in the ESG covered bond segment in the EUR benchmark format in 2024. Overall, we expect new supply in the region of EUR 150-160bn. Assuming a slight increase in the share of ESG new issues, 2023 should therefore account for ESG new issues amounting to EUR 21-23bn.

Conclusion

ESG covered bonds have become a firm fixture in the EUR benchmark segment. There is strong growth on the supply side, in spite of rising regulatory requirements. However, we see this as a necessary evil and do not regard the complexity of the requirements as insurmountable in the long term in relation to further strong growth of both green and social issues. We expect more new issuers to enter the market next year, while existing institutions are likely to expand their presence. The aim will be unchanged, namely to continue to penetrate new investor groups. The fundamentally growing importance of a "sustainable presence" is likely to prove to be an additional motive for institutions. However, as part of this process, it will no longer be enough merely to focus on the issues. In our view, investors are likely to focus increasingly on issuer sustainability. This also means that ESG ratings will become even more crucial – another subject on which regulators are increasingly focusing and that also concerns covered bond issuers.

SSA/Public Issuers
Current risk weight of supranationals & agencies

Authors: Dr Norman Rudschuck, CIIA // Christian Ilchmann // assisted by Lukas-Finn Frese

Varying risk weights

In virtually no other asset class are the differences in the regulatory framework as pronounced as for quasi-government issuers. For both supranationals and agencies, risk weight is one of the levels at which strong variance occurs based on a range of different factors.

Relevant regulatory framework: Regulation (EU) 575/2013 (CRR)

On the basis of the risk weights that were defined by Basel II, the EU initially specified the provisions in Directive 2006/48/EC. In mid-2013, the CRR (Regulation (EU) 575/2013) then replaced the definitions for the risk weights. This was extended by Directive (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries. In the following, we look at the individual articles of the regulation that also affect supranationals and agencies. The following mapping table shows the risk weights of the different exposure classes, which are the basis for the further categorisation of the risk weight and other regulatory ratios such as the LCR.

Mapping table (long term)

Rating class	Fitch	Moody's	S&P	Corporate	Institution			Country
					Country method	Rating method		
						Maturity > 3 months	Maturity ≤ 3 months	
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	20%	20%	0%
2	A+ to A-	A1 to A3	A+ to A-	50%	50%	50%	20%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	100%	100%	50%	20%	50%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100%	100%	100%	50%	100%
5	B+ to B-	B1 to B3	B+ to B-	150%	100%	100%	50%	100%
6	CCC+ and lower	Caa1 and lower	CCC+ and lower	150%	150%	150%	150%	150%

Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: other rating agencies in Commission Implementing Regulation EU/2016/1799; detailed allocation of risk weights covered in later chapters

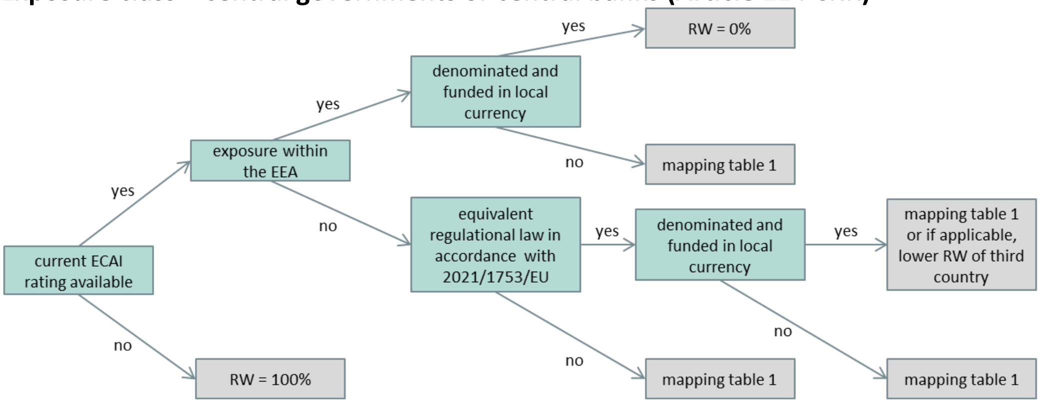
Risk weight of EU countries pursuant to the standardised approach: 0%

The risk weight for exposures to central governments or banks results from Article 114 of the CRR. For risk exposures to EU Member States or the ECB, this means a risk weight of 0% in accordance with paragraphs 3 and 4. If the exposure is denominated in the domestic currency of that respective country, this applies indefinitely. For exposures of Member States where those exposures are denominated and funded in the domestic currency of another Member State, a risk weight of 0% applied until the end of 2022 pursuant to Article 500a CRR. This has gradually increased since and from 2025 the risk weight will be fully based on Article 114 of the CRR.

Temporary treatment up to and including 2024

For example, a risk weight of 0% would therefore apply for EUR bonds from Poland until the end of 2022 pursuant to Article 500a of the CRR. Since 2023, the risk weight applied to the exposure is 20% (2024: 50%) of the risk weight determined under Art. 114(2) of the CRR (20% of the current risk weight of 20% [4%]). From 2025, the risk weight determined pursuant to Art. 114 (2) will apply in full.

Exposure class – central governments or central banks (Article 114 CRR)



Mapping Table 1

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	0%	20%	50%	100%	100%	150%

NB: receivables against the ECB are generally assigned a risk weight of 0%
Source: CRR, NORD/LB Markets Strategy & Floor Research

Risk weight of regional governments or local authorities

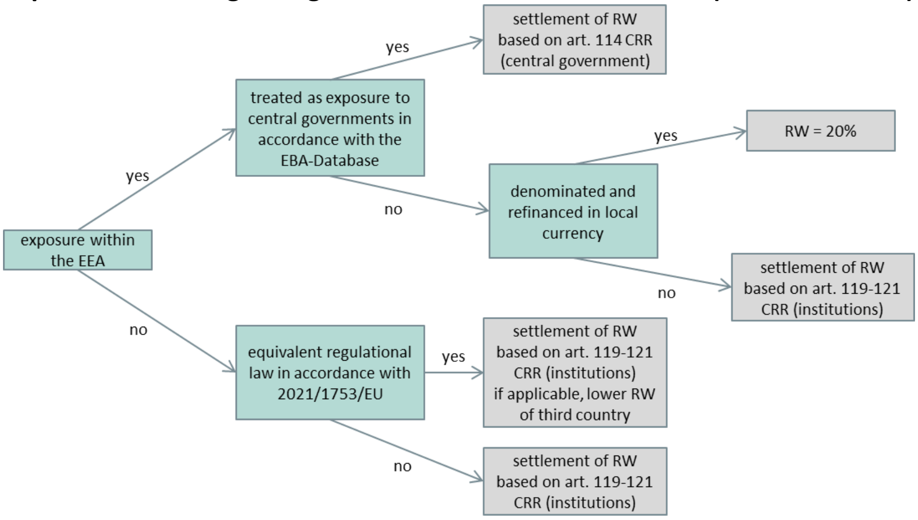
Pursuant to Art. 115(2) of the CRR, the risk weight of regional governments and local authorities (RGLA) is equated with that of the relevant state, provided rights to levy taxes are in place and, based on the existence of specific institutional arrangements to reduce their risk of default, there is no difference in risk between such exposures held against the central government of the state in question. This applies analogously to sub-sovereigns from third countries with equivalent supervisory and regulatory status. For other sub sovereigns of Member States, the risk weight is 20%, provided that the exposure is denominated in the respective domestic currency. For other sub-sovereigns, risk weight is the same as for institutions. A public database of all RGLAs in the EU where the competent authorities treat exposures as exposures to the respective central government is published by the EBA.

List of third countries with equivalence in terms of the supervisory and regulatory requirements (EU 2021/1753)

Argentina	India	Saudi Arabia
Australia	Isle of Man	Switzerland
Bosnia and Herzegovina	Japan	Serbia
Brazil	Jersey	Singapore
China	Canada	South Africa
Faroe Islands	Mexico	South Korea
Greenland	Monaco	Turkey
Guernsey	New Zealand	USA
Hong Kong	North Macedonia	

Source: EU 2021/1753, NORD/LB Markets Strategy & Floor Research

Exposure class - regional governments or local authorities (Article 115 CRR)



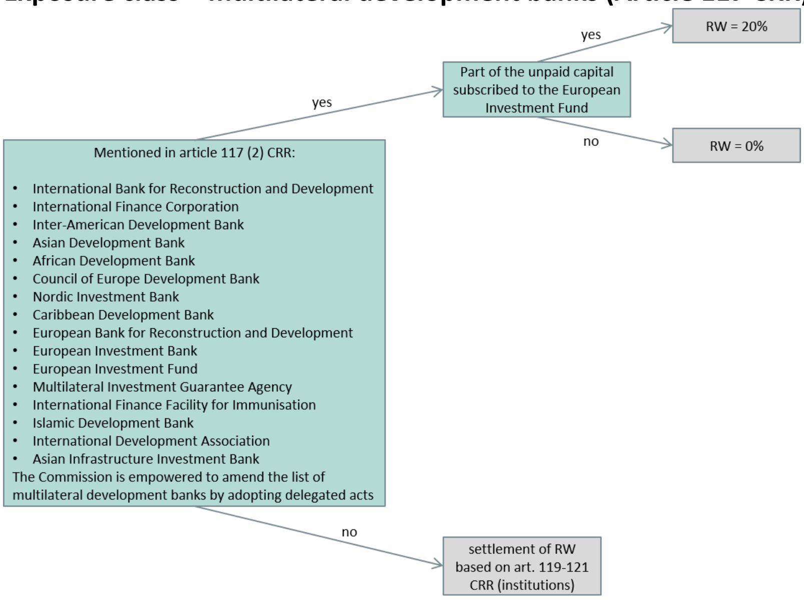
Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: churches and religious communities are also treated as regional governments and local authorities insofar as Art. 115 (3) CRR is fulfilled; no preferential treatment for short-term risk exposures under application of Art. 119-121 CRR

However, now the country of origin, e.g. New Zealand, must also apply a risk weight of 0% to its sub sovereigns, so that the risk weight for local investors can also be 0%. The supervisory agency of New Zealand (RBNZ), for example, does not do this; rather, it applies 20% for its sub sovereigns (example: its largest sub sovereign – Auckland Council)

Risk weight of supranationals

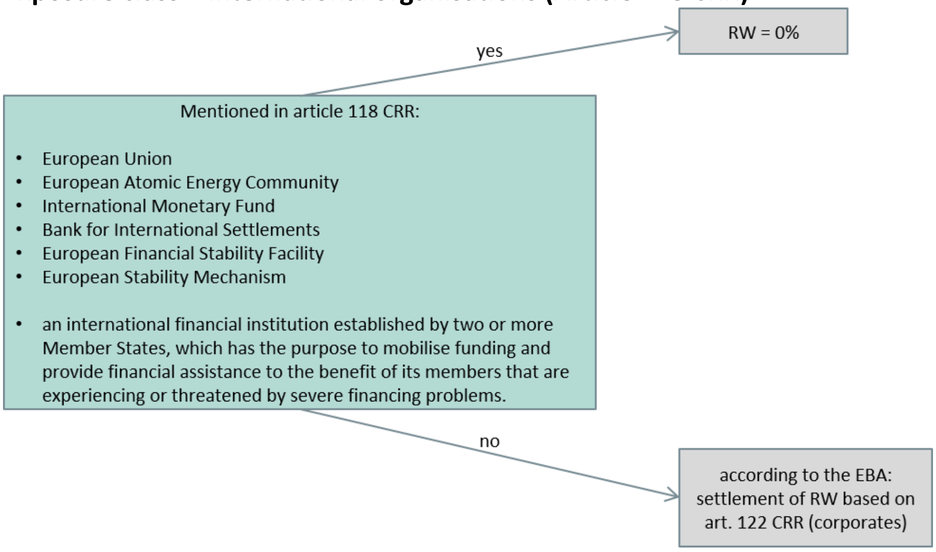
For supranationals, risk weight is based on Articles 117 and 118 CRR. The two articles identify multilateral development banks and international organisations for which a risk weight of 0% is possible. For issuers not mentioned here (e.g. EUROFIMA), the risk weight results from the provisions on risk weight for exposures to institutions (Art. 119 CRR).

Exposure class – multilateral development banks (Article 117 CRR)



Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: no preferential treatment for short-term risk exposures under application of Articles 119-121 CRR

Exposure class – international organisations (Article 118 CRR)

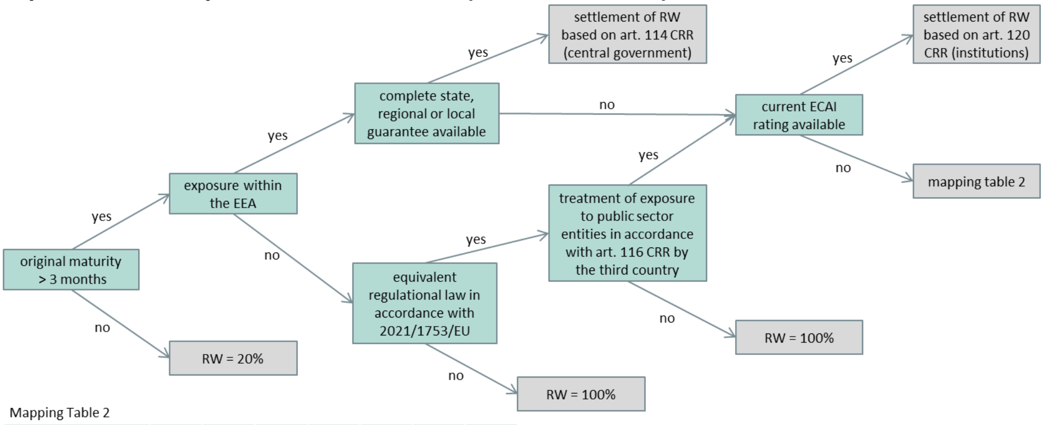


Source: CRR, NORD/LB Markets Strategy & Floor Research

Risk weight of agencies

In principle, the existence of an adequate guarantee allows an agency to apply a risk weight that would be applicable to the respective guaranteeing central, regional or local government. However, it is unclear what is considered an adequate guarantee under the CRR. As a rule, this should include the explicit guarantee, which in our view represents the strongest liability mechanism. Other security mechanisms, such as the maintenance obligation, are much more difficult to classify here. The EBA provides a list detailing all public sector entities that can be treated as exposures to regional governments, local authorities or central governments/sovereigns. This explicitly names issuers for whom a risk weight of 0% can be applied. If this cannot be assigned or there is no appropriate guarantee, pursuant to Art 116(2) CRR, the risk weight is derived from the risk weight of institutions insofar as a credit assessment is available (see below). If there is no rating, reference shall be made to the credit quality step (CQS) to which the respective central government is assigned.

Exposure class – public sector entities (Article 116 CRR)



Mapping Table 2

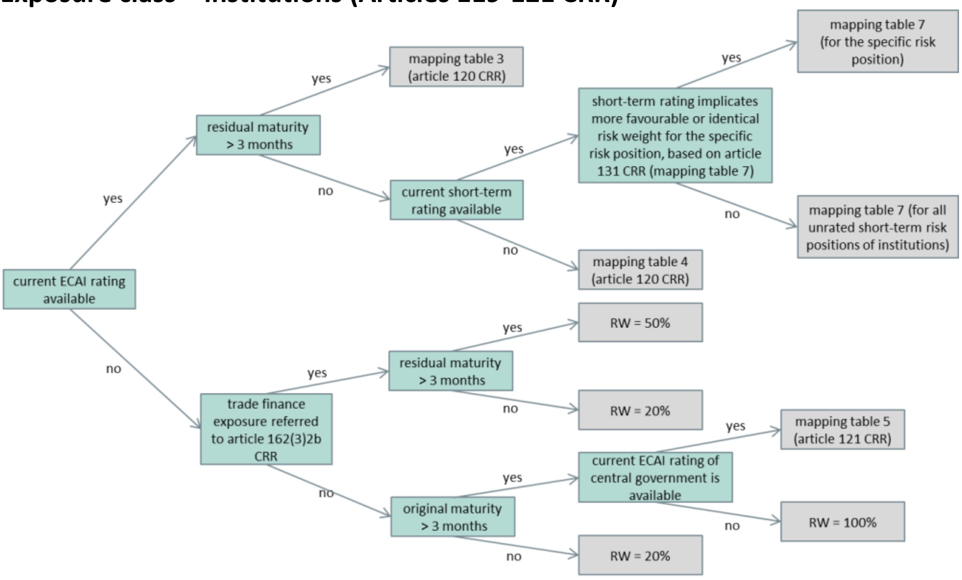
Rating Class of central government	1	2	3	4	5	6	n.R.
Risk Weight (RW)	20%	50%	100%	100%	100%	150%	100%

Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: no preferential treatment for short-term risk exposures under application of Articles 119-120 CRR

Risk weight of institutions

For agencies that do not have an appropriate guarantee and do not represent corporates, the risk weight is derived from Art. 119 CRR. In this case, reference is made to the rating, insofar as one is available. Here, differences arise depending on the maturity (three months or less and more than three months). In the absence of a rating, the risk weight is determined by the credit assessment of the country in which the institution is based.

Exposure class – institutions (Articles 119-121 CRR)



Mapping Table 3

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	50%	100%	100%	150%

Mapping Table 5

Rating Class of central government	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	100%	100%	100%	150%

Mapping Table 4

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	20%	20%	50%	50%	150%

Mapping Table 7

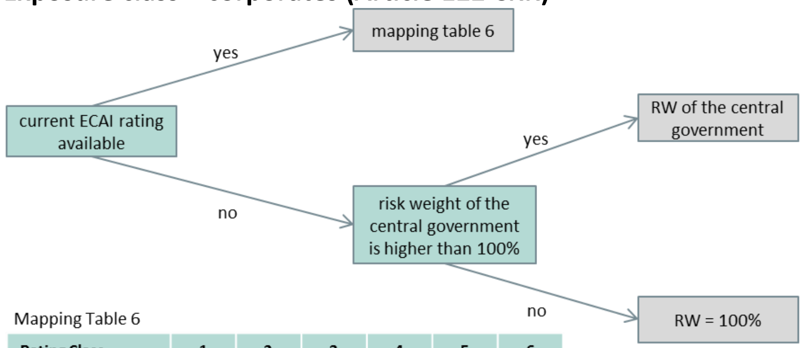
Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	100%	150%	150%	150%

Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: pursuant to Article 119(4) CRR, certain risk exposures may be weighted, such as exposures to central banks; pursuant to Article 113 (6) and (7) CRR, a 0% weighting of risk exposures relating to group participations is possible

Risk weight of corporates

The risk weight of corporates is defined by Art. 122 CRR: the risk weight can therefore be derived directly from the rating of the corporate. Exposures for which such a credit assessment is not available shall be assigned a 100% risk weight or the risk weight of the jurisdiction in which the corporate is incorporated, whichever is the higher.

Exposure class – corporates (Article 122 CRR)



Mapping Table 6

Rating Class	1	2	3	4	5	6
Risk Weight (RW)	20%	50%	100%	100%	150%	150%

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

Our assessment of the risk weights of supranationals

This results in the following for our defined coverage within NORD/LB for supranational entities: all supranationals and multilateral development banks (MDBs) have a risk weight of 0%, with the exception of EUROF and CAF (both 20%).

Our assessment of risk weights of agencies

As explained above, the classification of national and regional development banks, agencies with special mandates, etc. is much more complex. Again, the majority of our coverage has a risk weight of 0%. However, the lack of guarantees at times quickly results in a classification of 20% or even 50%. Please refer to the following two pages for our assessment.

Our assessment of the risk weights of supranationals and agencies

Bloomberg ticker	Country/type	Risk weighting (standard approach)	Rating (Fitch/Moody's/S&P)
EFSF	Supranational	0%	AA-/Aaa/AA
ESM	Supranational	0%	AAA/Aaa/AAA
EU	Supranational	0%	AAA/Aaa/AA+
EIB	Supranational	0%	AAA/Aaa/AAA
EBRD	Supranational	0%	AAA/Aaa/AAA
NIB	Supranational	0%	-/Aaa/AAA
COE	Supranational	0%	AAA/Aaa/AAA
EUROF	Supranational	20%	AA/Aa2/AA
IBRD	Supranational	0%	AAAu/Aaa/AAA
IADB	Supranational	0%	AAAu/Aaa/AAA
ASIA	Supranational	0%	AAA/Aaa/AAA
IFC	Supranational	0%	-/Aaa/AAA
AFDB	Supranational	0%	AAA/Aaa/AAA
CAF	Supranational	20%	AA-/Aa3/AA
ISDB	Supranational	0%	AAA/Aaa/AAA
KFW	Germany	0%	AAAu/Aaa/AAA
RENTEN	Germany	0%	AAA/Aaa/AAA
FMSWER	Germany	0%	-/Aaa/AAA
ERSTAA	Germany	0%	AAA/Aa1/AA
NRWBK	Germany	0%	AAA/Aa1/AA
LBANK	Germany	0%	AAAu/Aaa/AA+
WIBANK	Germany	0%	-/-/AA+
BAYLAN	Germany	0%	-/Aaa/-
IBBSH	Germany	0%	AAA/-/-
BYLABO	Germany	0%	-/Aaa/-
IBB	Germany	0%	AAA/-/-
ILBB	Germany	0%	AAA/-/-
SABFOE	Germany	0%	-/-/AAA
ISBRLP	Germany	0%	AAA/-/-
IFBHH	Germany	0%	AAA/-/-
CADES	France	0%	AA-u/Aa2/AA
AGFRNC	France	20%	AA-/-/AA
UNEDIC	France	0%	AA-/Aa2/-
CDCEPS	France	0%	AA-/Aa2/AA
BPIFRA (formerly OSEOFI)	France	20%	AA-/Aa2/-
SAGESS	France	20%	-/-/AA
AFLBNK	France	20%	-/Aa3/AA-
SFILFR	France	20%	-/Aa2/AA
SOGRPR	France	20%	AA-/Aa2/-
CCCI	France	0% (for guaranteed bonds)	AA-u/Aa2/AAu (guaranteed) A/Baa2/- (not guaranteed)

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

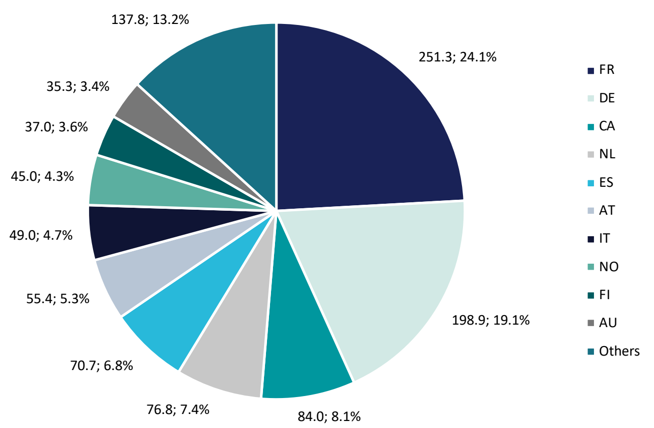
Our assessment of the risk weights of supranationals and agencies (continued)

Bloomberg ticker	Country/type	Risk weighting (standard approach)	Rating (Fitch/Moody's/S&P)
BNG	The Netherlands	20%	AAA/Aaa/AAA
NEDWBK	The Netherlands	20%	-/Aaa/AAA
NEDFIN	The Netherlands	0%	AAA/-/AAA
OKB	Austria	0%	-/Aa1/AA+
OBND	Austria	0%	-/Aa1/AA+
ASFING	Austria	0%	-/Aa1/AA+
KBN	Norway	20%	-/Aaa/AAA
SEK	Sweden	20%	-/Aa1/AA+
KOMINS	Sweden	0%	-/Aaa/AAA
KUNTA	Finland	0%	-/Aa1/AA+
KOMMUN	Denmark	0%	-/Aaa/AAA
FINNVE	Finland	0%	AA+/Aa1/-
ICO	Spain	0%	A-/Baa1/A
FADE*	Spain	0%	-/-/-
ADIFAL	Spain	0%	A-/Baa2/-
CORES	Spain	50%	A-/-/A
CDEP	Italy	50%	BBB/Baa3/BBB
REFER	Portugal	0% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	-/A3/-
BGOSK	Poland	0% (PLN-denominated bonds) 20%** (EUR-denominated bonds)	A-/(P)A2/-
DEXGRP	Belgium/France	0% (for guaranteed bonds) / 50% (for non-guaranteed bonds)	AA-/Aa3/AA (guaranteed) BBB+/Baa3/BBB *- (not guaranteed)
MAEXIM	Hungary	50%	BBB/-/BBB-
JFM	Japan	50%	-/A1/A+
KDB	South Korea	20%	AA-/Aa2/AA
EIBKOR	South Korea	20%	AA-/Aa2/AA
DBJJP	Japan	50%	-/A1/A+ (guaranteed) -/A1/A (not guaranteed)
INDKOR	South Korea	20%	AA-/Aa2/AA-
EDC	Canada	0%	-/Aaa/AAA
SDBC	China	50%	-/A1/A+

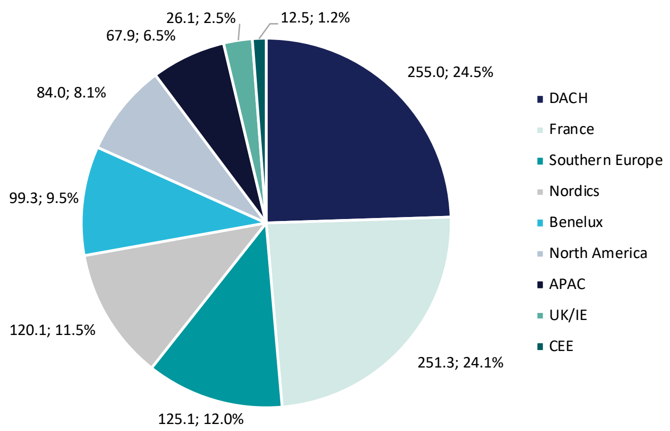
* No issuer ratings available; bonds are rated equivalent to the Spanish state
** Excluding temporary treatment under Art. 500a of the CRR
Source: Bloomberg, issuers, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



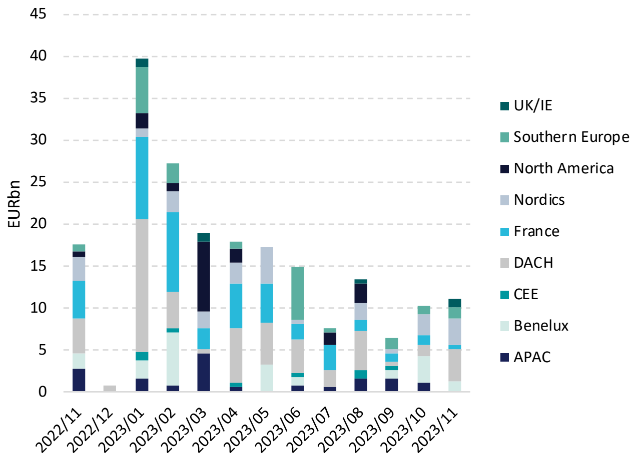
EUR benchmark volume by region (in EURbn)



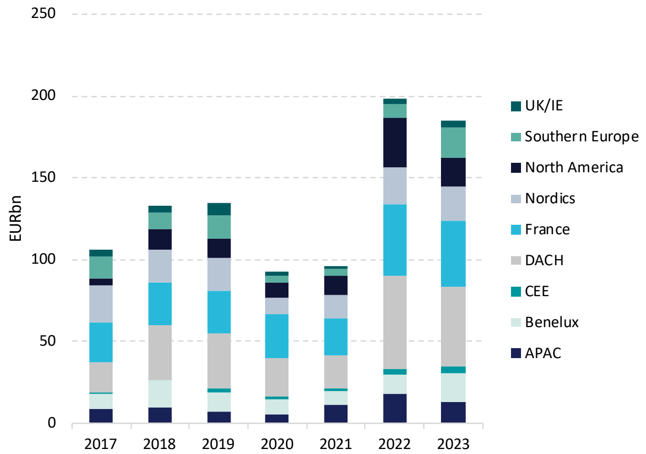
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	251.3	243	22	0.96	9.4	4.9	1.26
2	DE	198.9	282	36	0.65	7.9	4.1	1.20
3	CA	84.0	62	0	1.33	5.5	2.8	1.12
4	NL	76.8	78	3	0.92	10.5	6.2	1.16
5	ES	70.7	56	6	1.15	11.1	3.4	2.00
6	AT	55.4	94	4	0.58	8.2	4.7	1.37
7	IT	49.0	59	2	0.80	8.7	3.6	1.60
8	NO	45.0	55	12	0.82	7.3	3.7	0.78
9	FI	37.0	41	4	0.89	6.9	3.7	1.49
10	AU	35.3	34	0	1.04	7.1	3.5	1.53

EUR benchmark issue volume by month

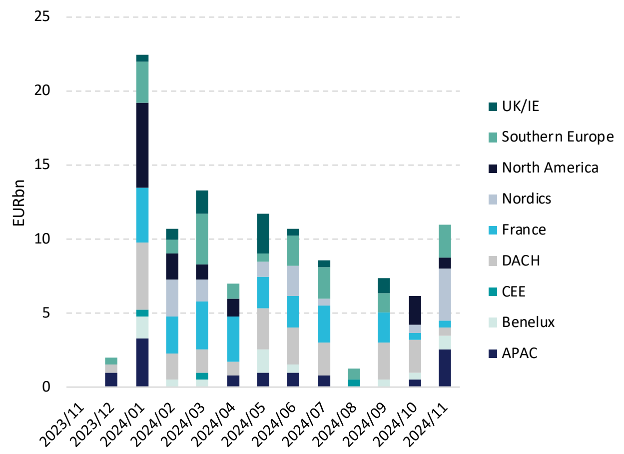


EUR benchmark issue volume by year

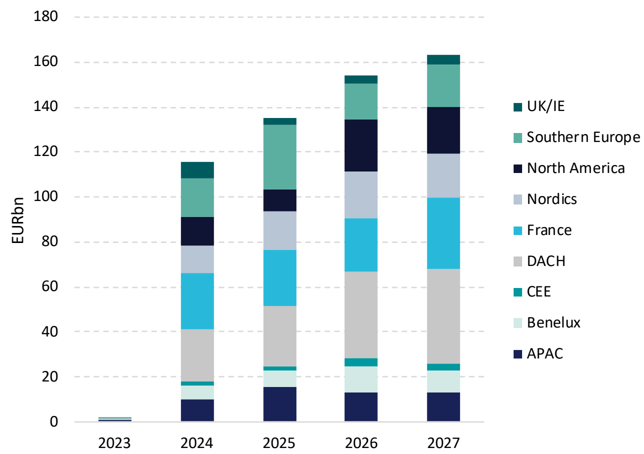


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

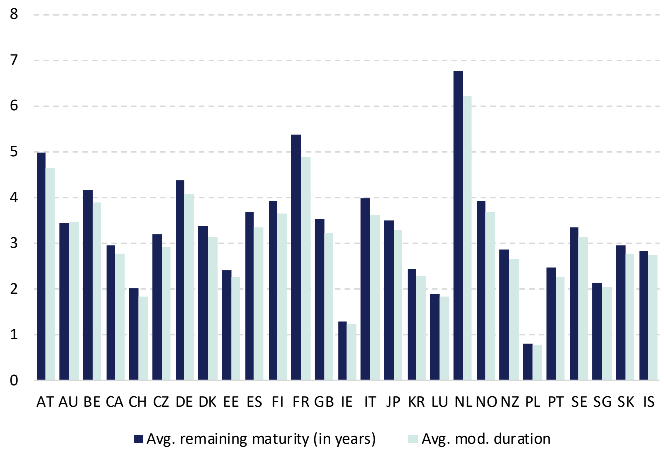
EUR benchmark maturities by month



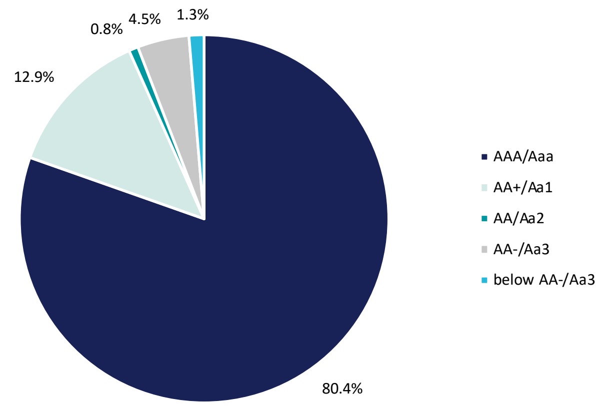
EUR benchmark maturities by year



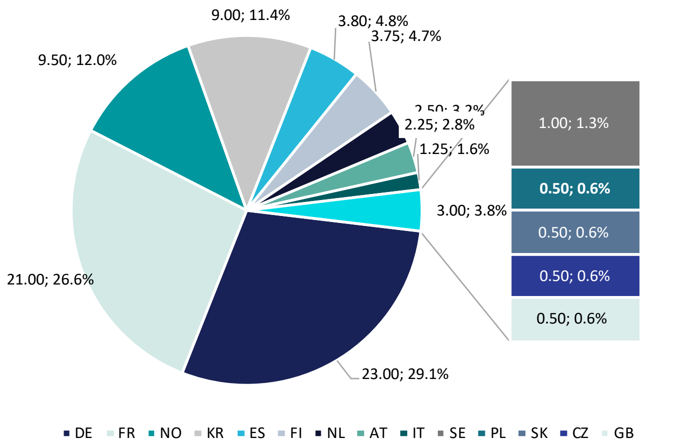
Modified duration and time to maturity by country



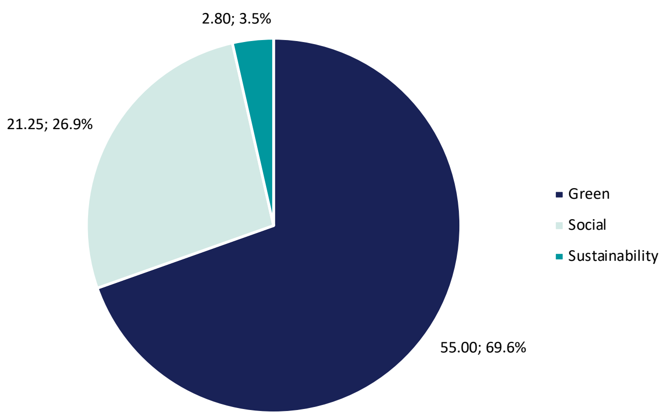
Rating distribution (volume weighted)



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

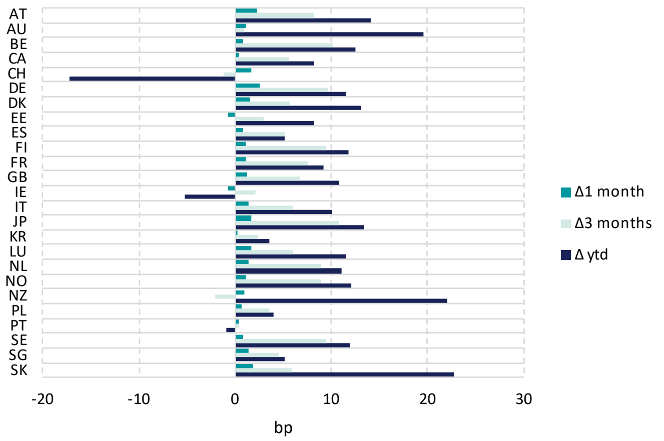


EUR benchmark volume (ESG) by type (in EURbn)

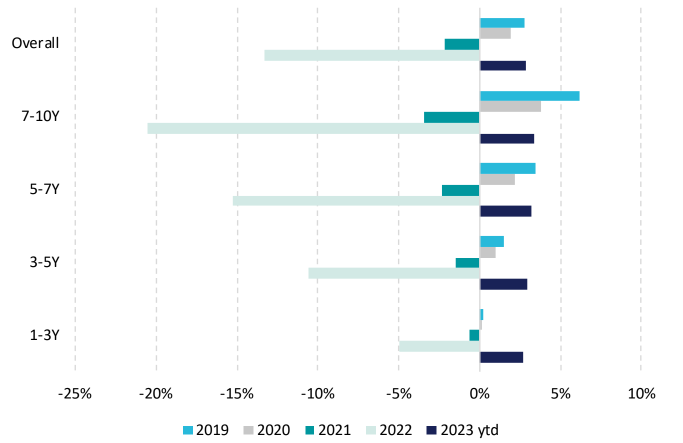


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

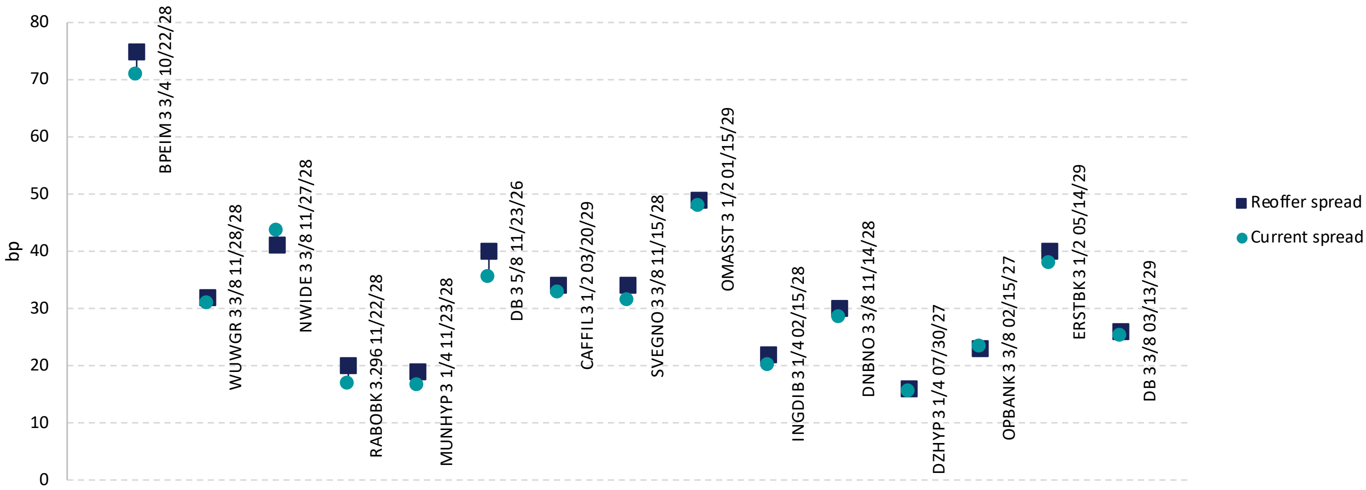
Spread development by country



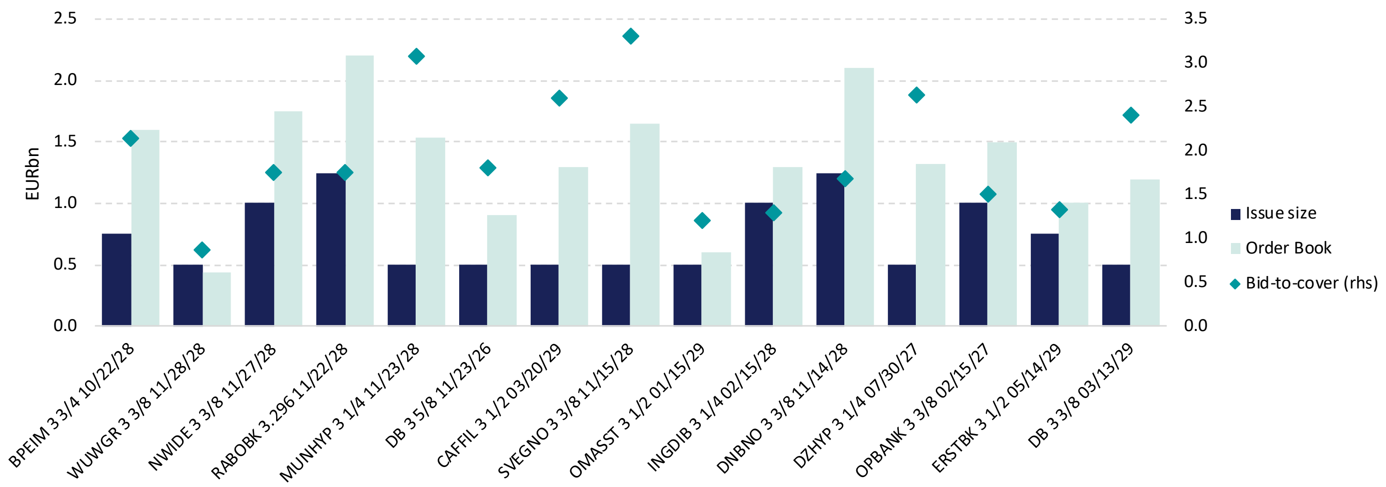
Covered bond performance (Total return)



Spread development (last 15 issues)



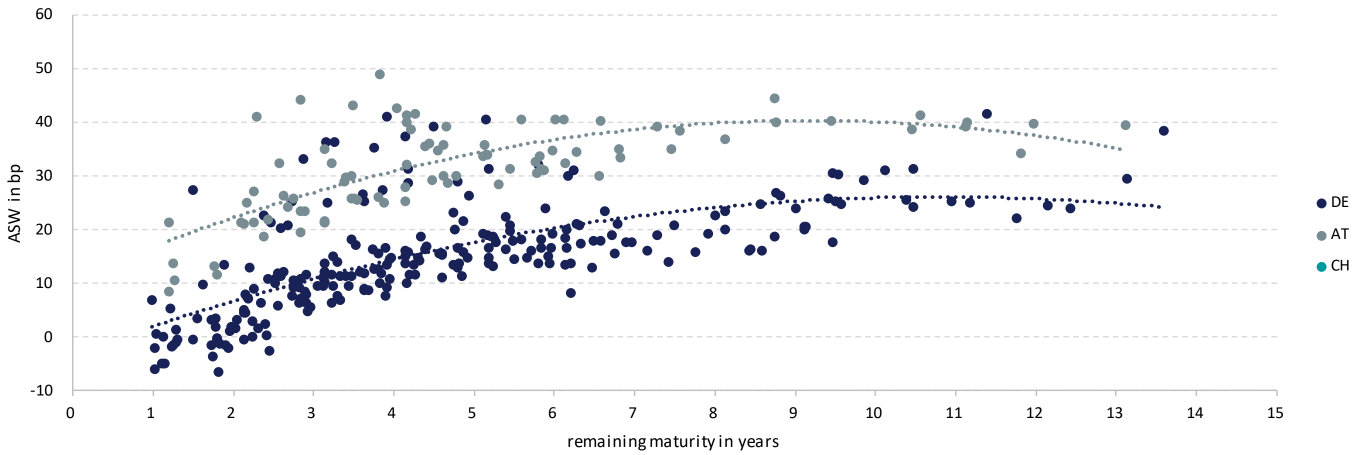
Order books (last 15 issues)



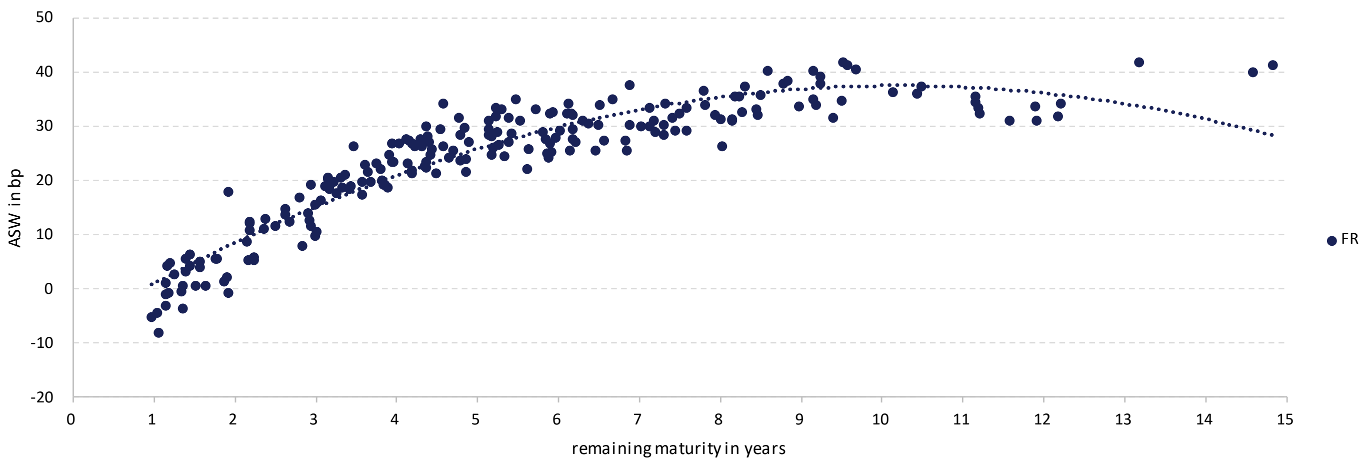
Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

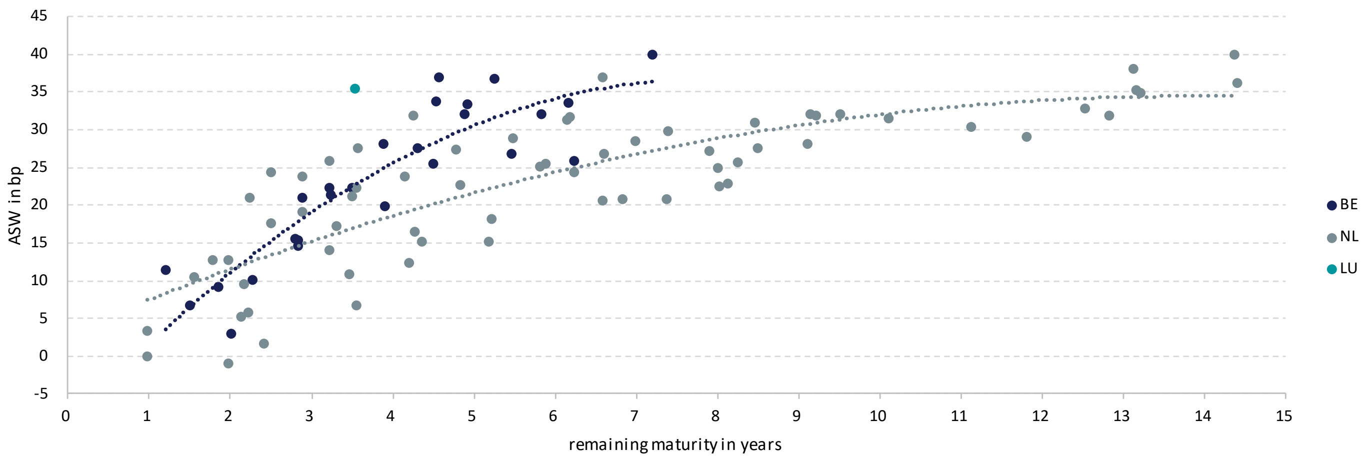
DACH



France

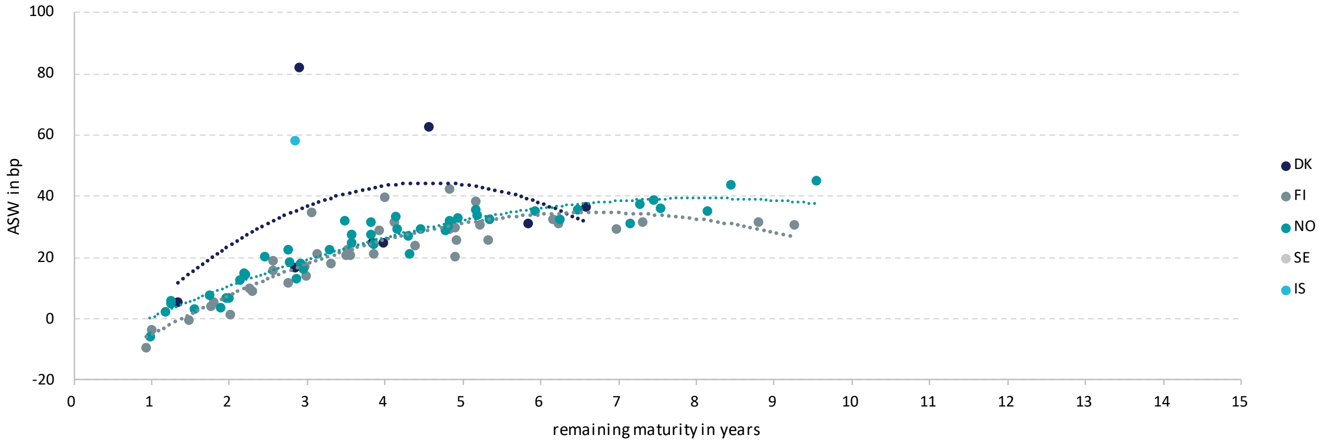


Benelux

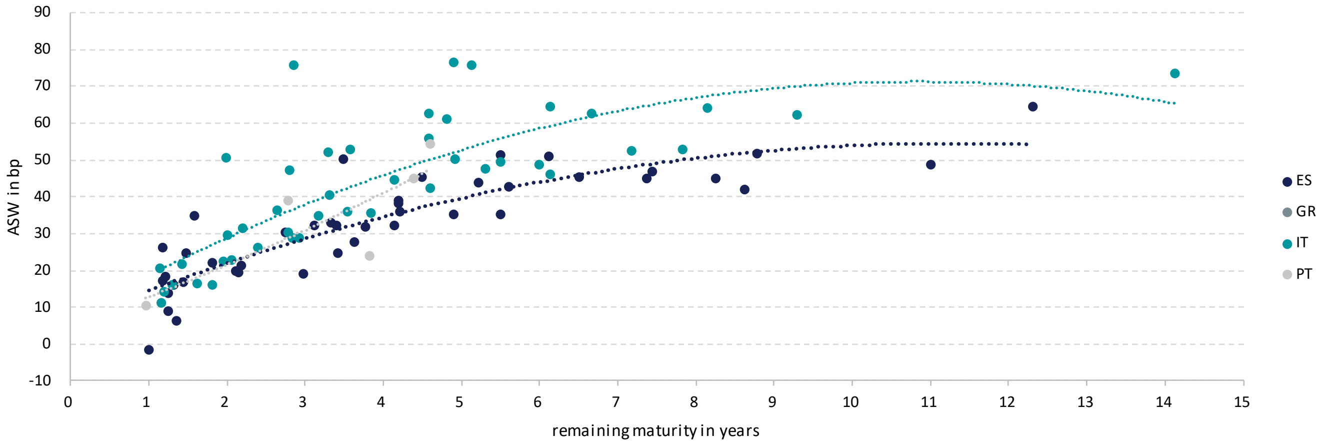


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

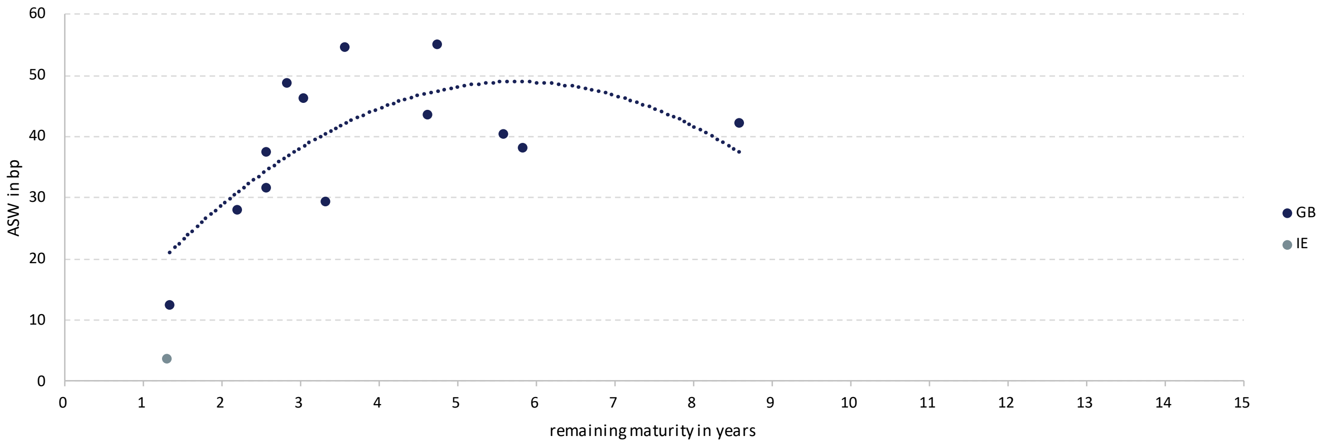
Nordics



Southern Europe

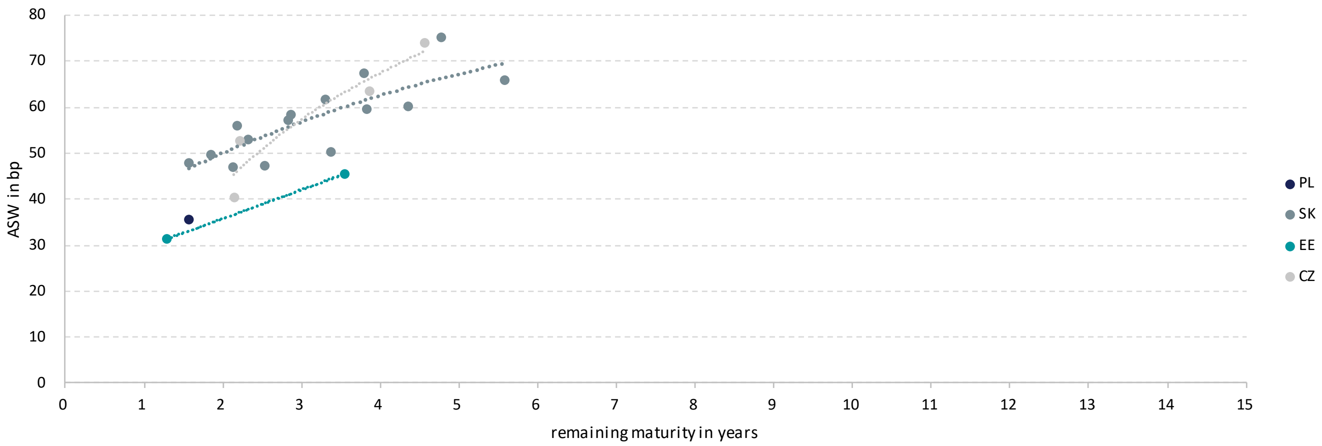


UK/IE

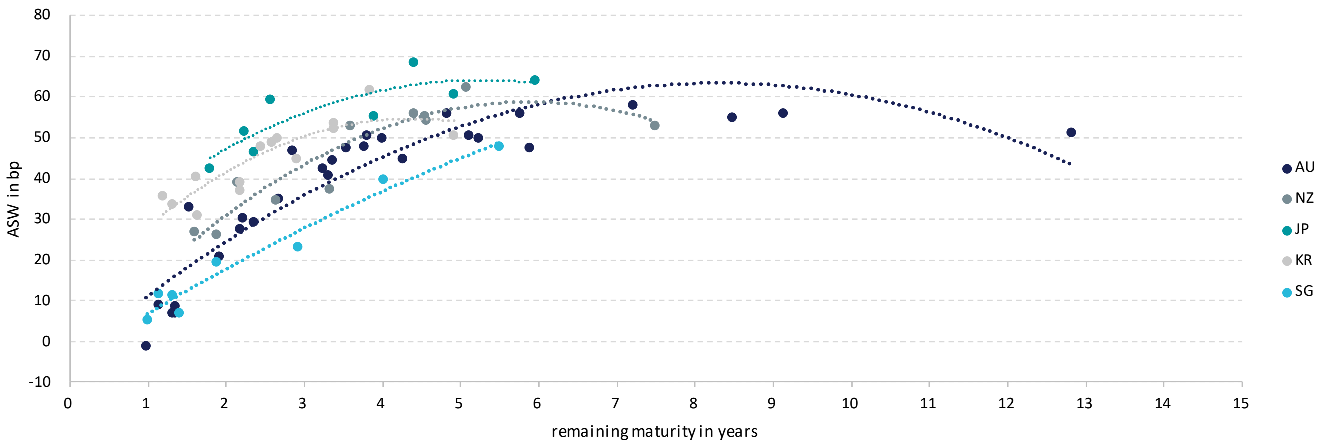


Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

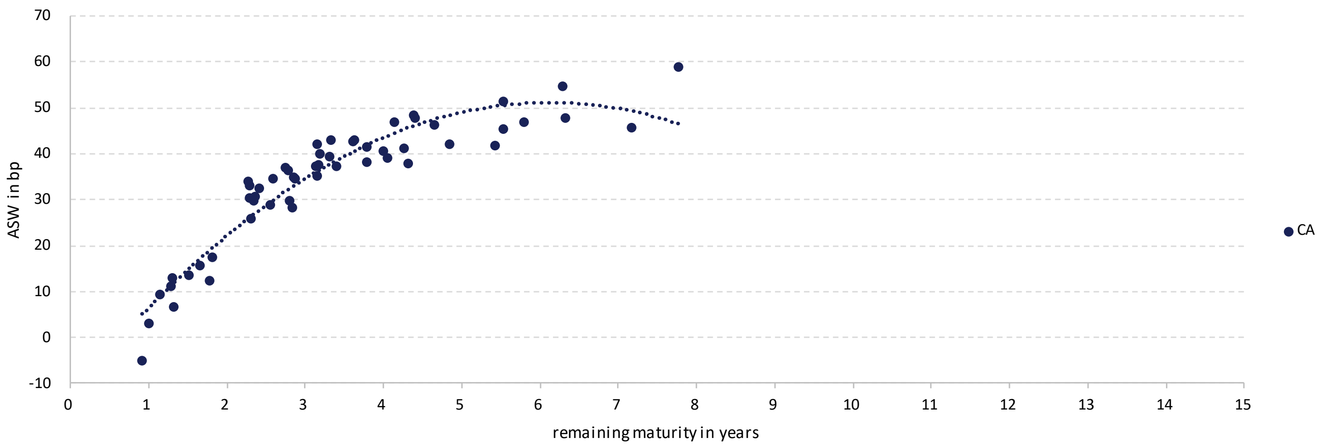
CEE



APAC



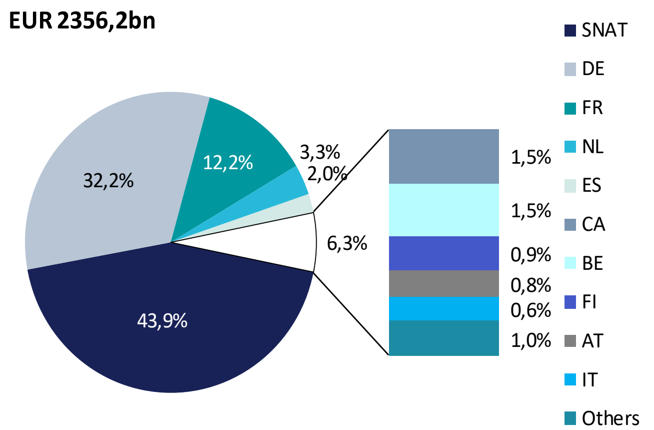
North America



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

Charts & Figures
SSA/Public Issuers

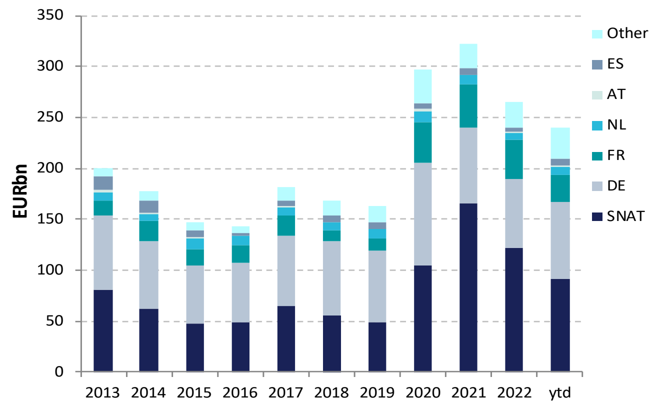
Outstanding volume (bmk)



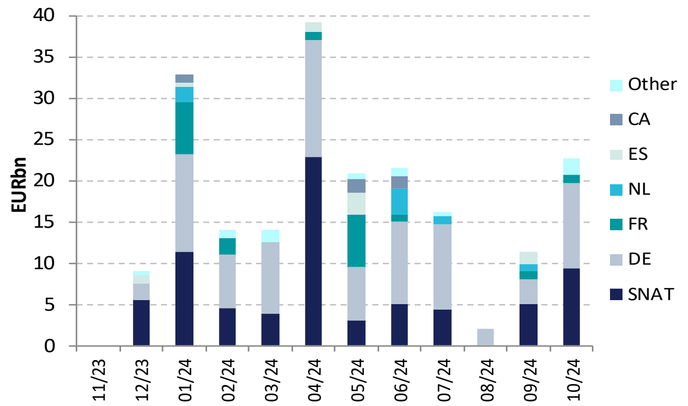
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	1.035,1	229	4,5	8,0
DE	759,1	566	1,3	6,2
FR	287,4	196	1,5	6,0
NL	77,3	67	1,2	6,6
ES	48,0	65	0,7	4,6
CA	35,9	25	1,4	4,3
BE	35,2	38	0,9	10,7
FI	22,3	24	0,9	4,7
AT	17,8	22	0,8	4,5
IT	15,0	19	0,8	4,6

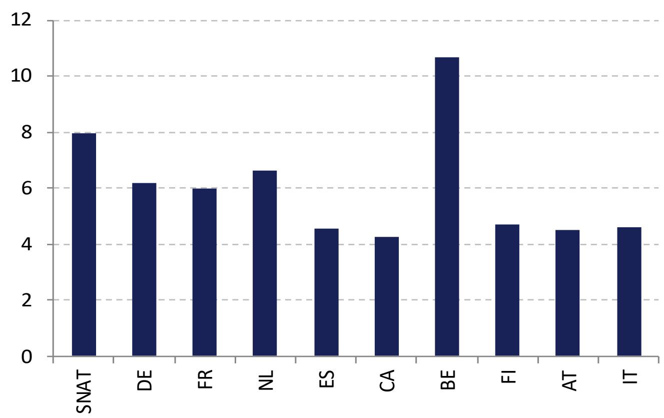
Issue volume by year (bmk)



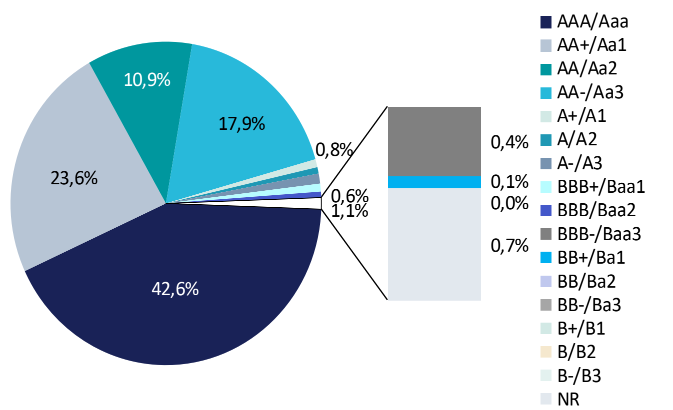
Maturities next 12 months (bmk)



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



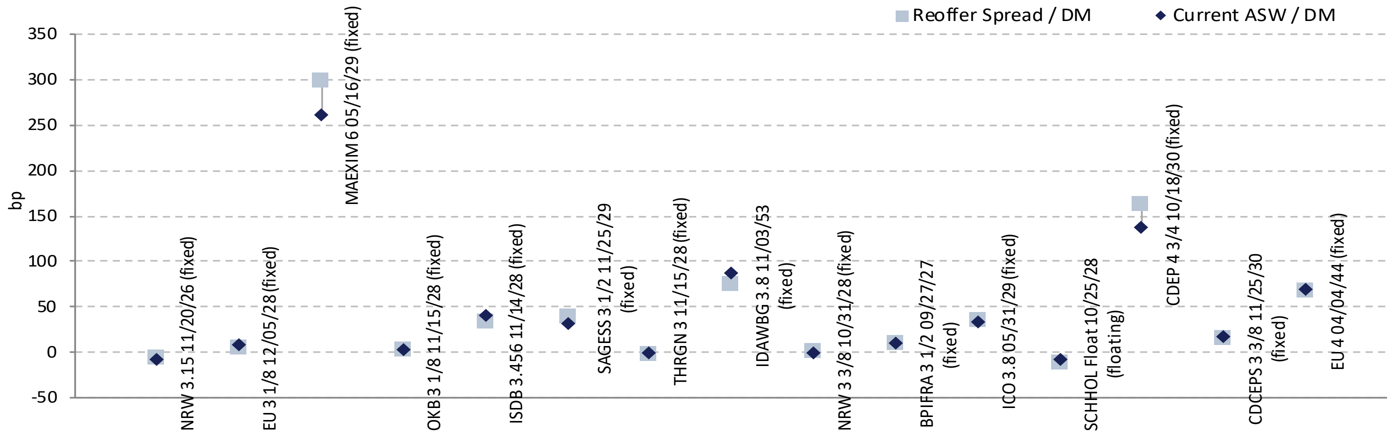
Rating distribution (vol. weighted)



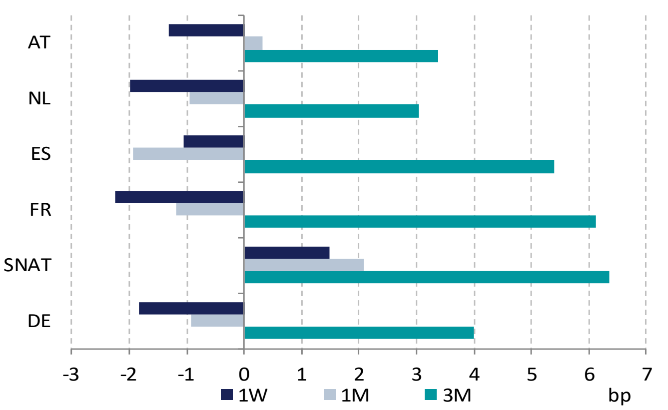
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

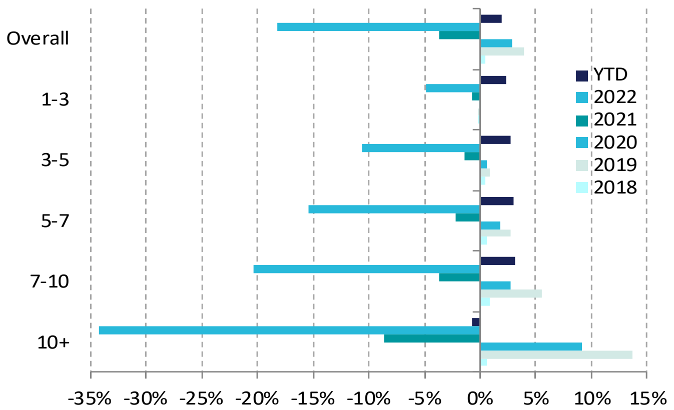
Spread development (last 15 issues)



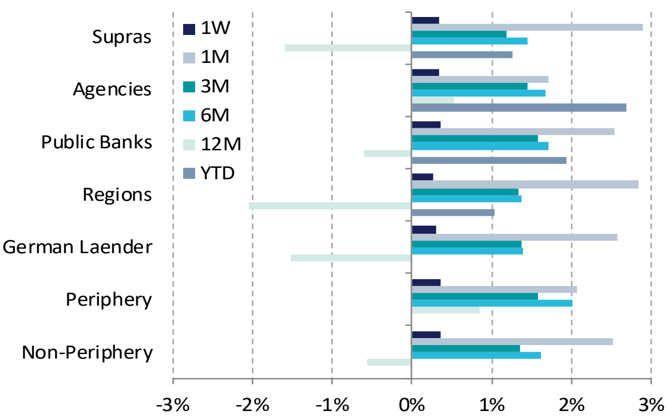
Spread development by country



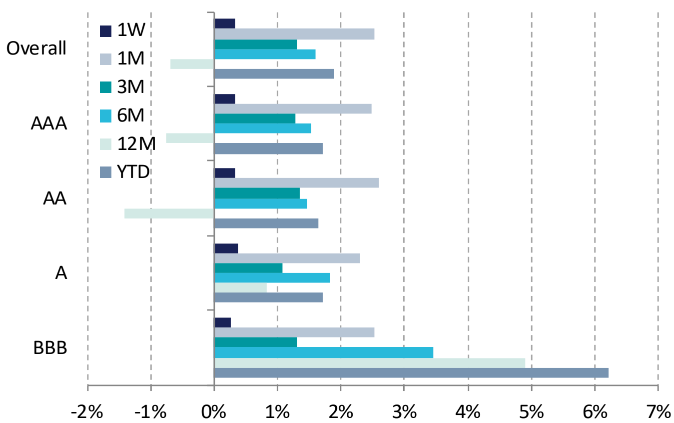
Performance (total return)



Performance (total return) by segments

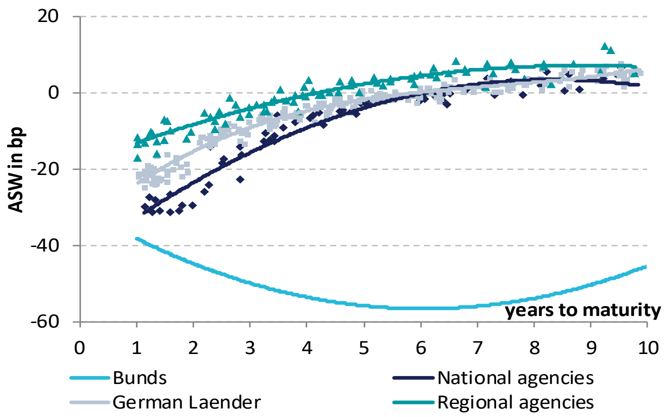


Performance (total return) by rating

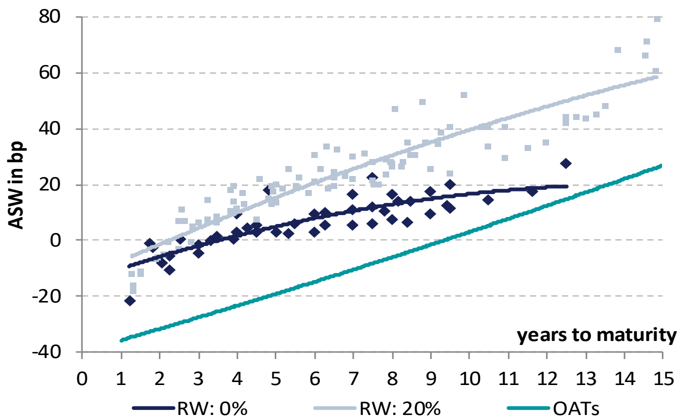


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

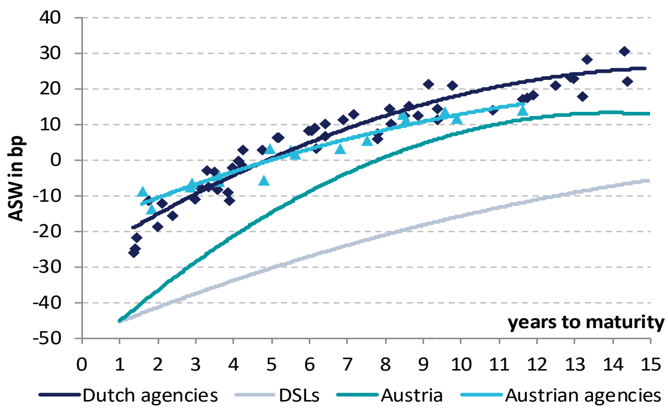
Germany (by segments)



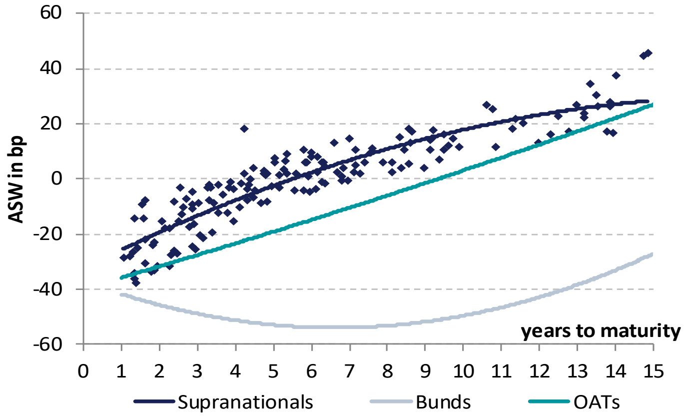
France (by risk weight)



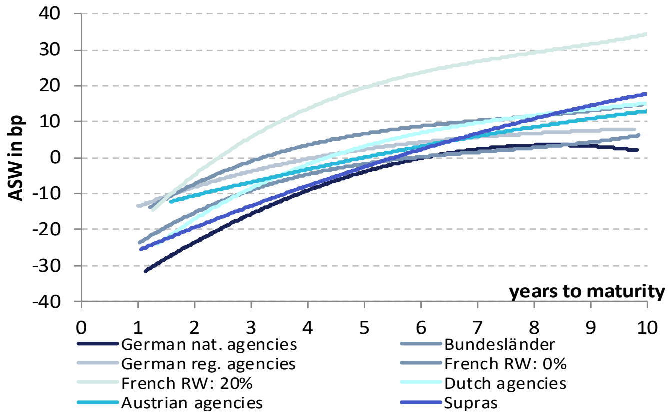
Netherlands & Austria



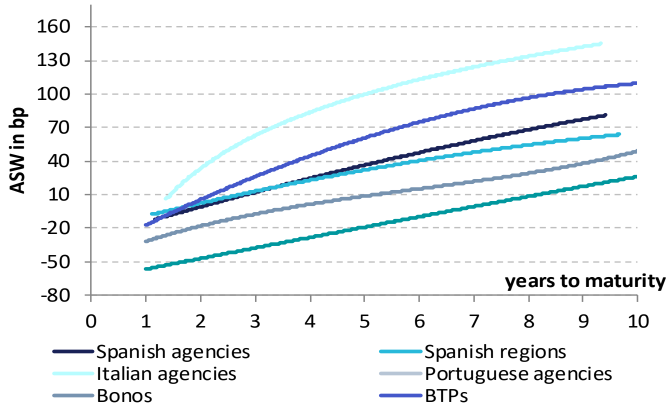
Supranationals



Core



Periphery



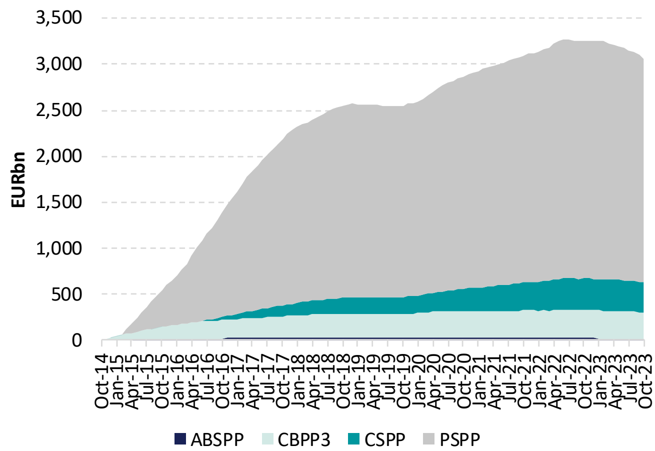
Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

ECB tracker

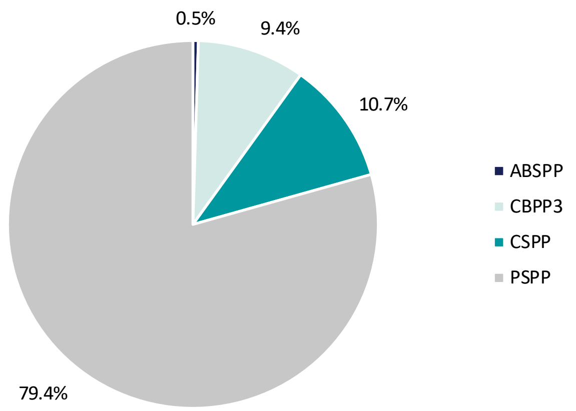
Asset Purchase Programme (APP)

	ABSPP	CBPP3	CSPP	PSPP	APP
Sep-23	15,312	291,992	331,155	2,470,598	3,109,057
Oct-23	14,350	287,525	328,193	2,426,355	3,056,423
Δ	-962	-4,467	-2,962	-44,243	-52,634

Portfolio development

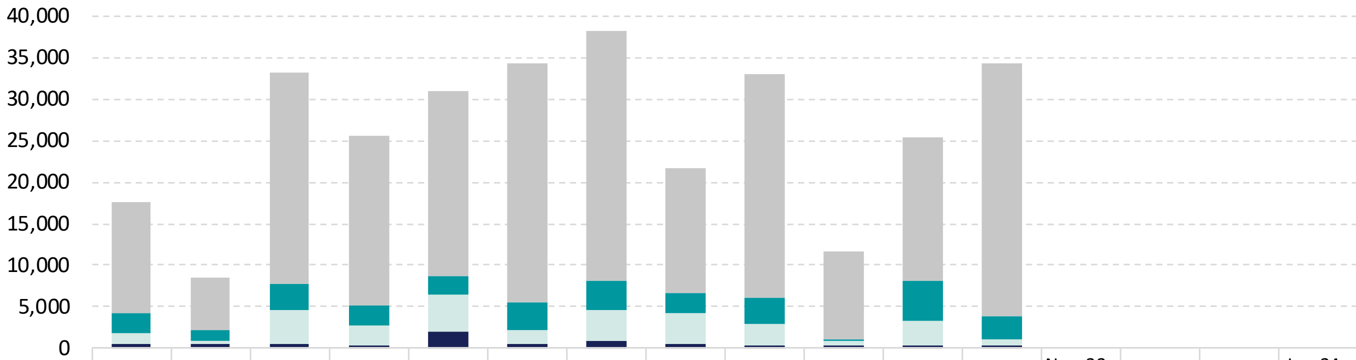


Portfolio structure



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

Expected monthly redemptions (in EURm)



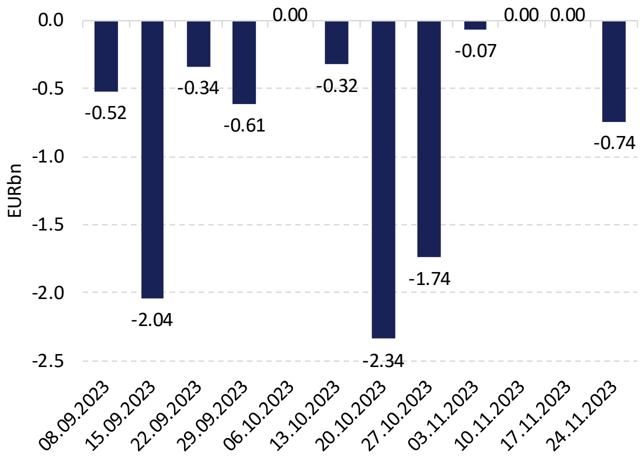
	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-23 - Oct-24	2022	2023	Jan-24 - Oct-24
APP	17,560	8,548	33,226	25,570	31,041	34,259	38,283	21,633	33,011	11,587	25,504	34,440	314,662	299,142	331,493	288,554
PSPP	13,282	6,336	25,524	20,445	22,413	28,712	30,194	14,974	26,910	10,533	17,424	30,578	247,325	228,585	255,022	227,707
CSPP	2,393	1,336	3,101	2,325	2,188	3,316	3,463	2,462	3,204	244	4,738	2,720	31,490	17,670	31,170	27,761
CBPP3	1,351	408	4,109	2,449	4,434	1,814	3,836	3,777	2,558	541	2,993	736	29,006	41,244	35,147	27,247
ABSPP	534	468	492	351	2,006	417	790	420	339	269	349	406	6,841	11,643	10,154	5,839

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

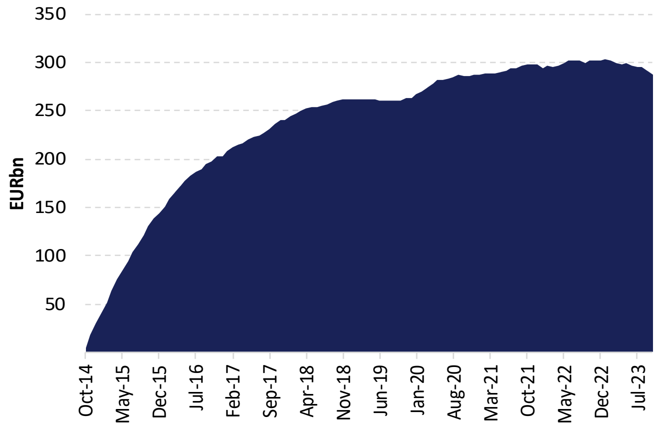
NORD/LB

Covered Bond Purchase Programme 3 (CBPP3)

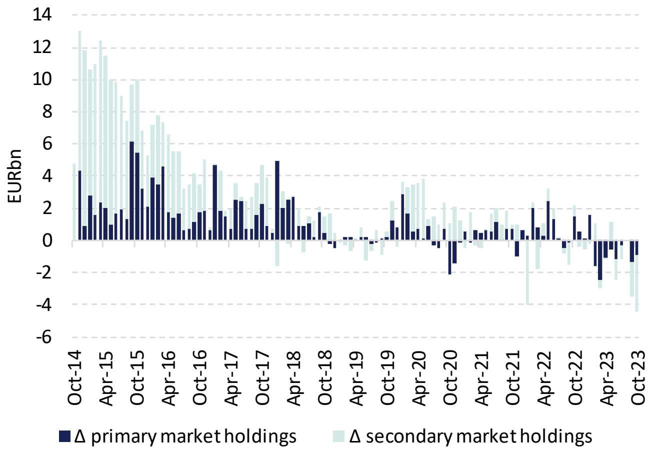
Weekly purchases



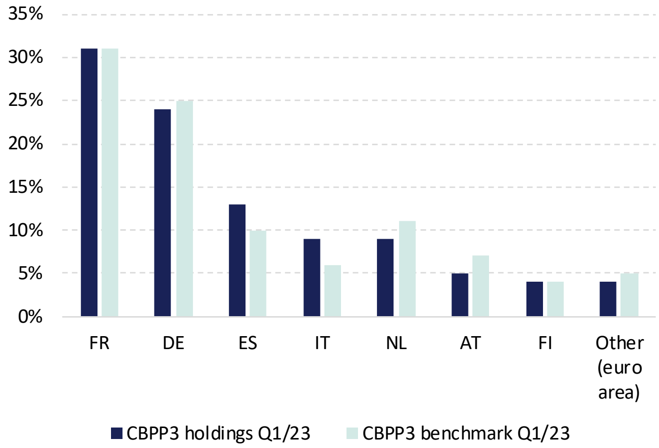
Development of CBPP3 volume



Change of primary and secondary market holdings

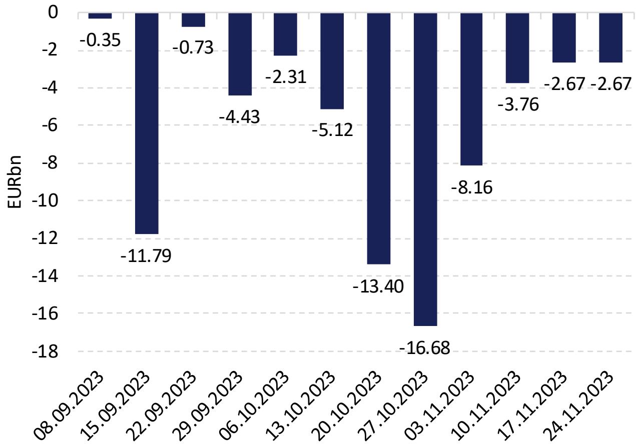


Distribution of CBPP3 by country of risk

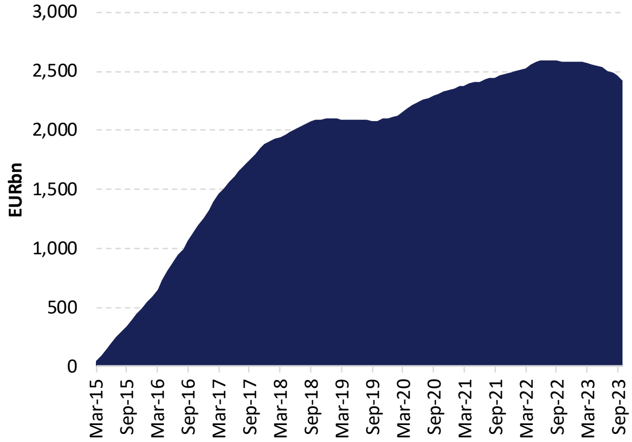


Public Sector Purchase Programme (PSPP)

Weekly purchases



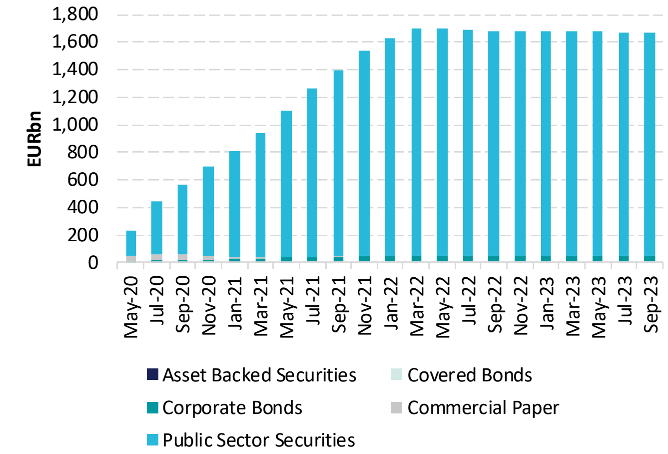
Development of PSPP volume



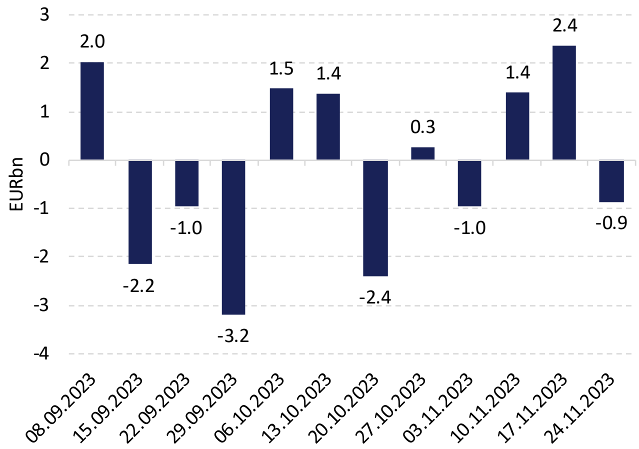
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Portfolio development



Weekly purchases



Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Δ Holdings previous period	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	Current WAM[3] (in years)	WAM of eligible universe[4] (in years)
AT	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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
34/2023 ♦ 22 November	▪ Transparency requirements §28 PfandBG Q3/2023 ▪ Teaser: Issuer Guide – German Agencies 2023
33/2023 ♦ 15 November	▪ Development of the German property market ▪ ECB repo collateral rules and their implications for Supranationals & Agencies
32/2023 ♦ 08 November	▪ Norway: creation of SpareBank 1 Sor-Norge ▪ ECB: PEPP versus TPI – or: (re)investing where others like to go on holiday
31/2023 ♦ 25 October	▪ Banks in Europe: the EBA Risk Dashboard in Q2 2023 ▪ Teaser: Issuer Guide – Spanish Agencies 2023
30/2023 ♦ 18 October	▪ Focus on covered bond jurisdictions: Canada in the spotlight ▪ A closer look at Newfoundland and Labrador
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

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: Now is not the time for forward guidance!]
- [ECB preview: Wait and see without calling it a pause]
- [ECB: This rate terminates here – 99.9% sure]

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

Origination & Syndicate

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

Sales Wholesale Customers

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

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

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