Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Market overview
Covered Bonds

Authors: Dr Frederik Kunze // Henning Walten, CIIA

Primary market: CAFFIL makes second market appearance of 2021

After January got the year off to a sluggish start compared with previous years, there were no indications of a sea change over the past five trading days in the EUR benchmark segment. Only CAFFIL approached investors, successfully placing a public covered bond in the amount of EUR 750m (WNG). The deal featured a term to maturity of 15 years and was met with substantial demand, with the result that the final re-offer spread stood at ms +2bp after tightening by four basis points versus initial guidance (ms +6bp area). The order books for this deal totalled EUR 1.75bn, with the CAFFIL bond bringing the total issuance volume from France to EUR 5bn (five bonds). In fact, this was actually the second bond placed by CAFFIL so far in the current year. It had previously been active on the market on 11 January, offering a covered bond (CAFFIL 0.01 03/18/31) worth EUR 1.5bn with a term of 10.2y to its investors. The re-offer spread for its first deal of 2021 was ms +3bp, while the ASW spread in the secondary market is currently trading two basis points tighter based on Bloomberg screen prices. In view of an initial term of 10.2 years for the January deal, we can actually speak of an even narrower spread level. Looking at the geographical allocation of the issuance volume, it is clear that the largest share went to investors from Germany & Austria (51%), followed by France (24%) and the UK (11%). In terms of investor groups, the largest allocations were snapped up by the categories of banks (59%) in addition to central banks/OI (19%) and insurance/pension funds (16%).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CAFFIL	FR	08.02.	FR0014001ZD3	15.0y	0.75bn	ms +2bp	- / Aaa / AA+	-

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

Aareal Bank places second Pfandbrief of 2021 in the USD segment

After Deutsche Pfandbriefbank (pbb) turned to the USD segment on 13 January 2021 to place a covered bond worth USD 750m (3y; ms+23bp) on the market, a second Pfandbrief issuer in 2021 – namely Aareal Bank – has now also been active in this sub-market after approaching investors last Wednesday. The covered bond, likewise worth USD 750m, features a term to maturity of four years, which, given the market conditions in the USD segment, could in our view certainly be regarded as unusually long. This is not least due to the fact that it is the first 4y USD Pfandbrief since 2016, when LBBW placed a bond of this term on 08 August 2016. In actual fact, Aareal Bank ranks among the banks with an original funding requirement in USD on account of its commercial real estate financing portfolio in the USA. The bond was eventually priced at ms +24bp following guidance in the area of ms +27bp. In terms of the bond allocation, the largest share was attributable to Germany & Austria (37%) as well as the Nordics (24%) and France (19%). In terms of investor groups, banks (48%) dominated proceedings, followed by the category of asset managers (30%) and central banks/OI (21%).

Achmea Bank prepares programme for the issuance of soft bullet bonds

Achmea Bank from the Netherlands recently announced that it is laying the groundwork for another covered bond programme with the aim of issuing covered bonds in soft bullet format. The bank justifies this step by citing a desire to further diversify its investor base and to introduce a degree of flexibility in its funding with regard to maturities, among other factors. Achmea currently has three EUR benchmarks totalling EUR 1.5bn overall listed on the iBoxx EUR Covered. These were placed under its CPT programme and therefore feature a conditional pass-through structure. With a soft bullet programme now on the horizon, it seems that NN Bank is likely to have company from another Dutch bank in seeking to move away from dealing purely in CPT bonds by adding in soft bullet deals to its issuance portfolio. NN Bank announced this step, which Achmea Bank has now signalled its intention to follow, back in mid-2020 (cf. Covered Bond & SSA View from 13 May 2020), before issuing a first soft bullet EUR benchmark on the market shortly afterwards. A second soft bullet deal then followed just three months later. Alongside Achmea, Aegon, NIBC and Van Lanschot all have outstanding benchmarks issued exclusively in CPT format on the Dutch market, which remains the most important market for EUR benchmarks with this structure. In contrast, ABN AMRO, Rabobank, de Volksbank and ING issue EUR benchmarks only in soft bullet format. The exclusion of CPT structures from the Eurosystem's purchase activities under the CBPP3 and PEPP has reduced the appeal of these bonds in particular. With regard to the maturities of the bonds issued, from our point of view it can also be stated that the Dutch CPT deals placed since 2015 had a maximum term of ten years, while 17 of the 41 soft bullet benchmarks placed since 2010 featured a term of more than ten years. A switch towards the soft bullet segment would therefore appear to hold some merit, especially in the current yield landscape, in order to offer investors longer maturities and therefore higher yields as a result.

Sweden: S&P assesses harmonisation plans for Swedish legislation

In a recent sector report, the risk experts from S&P offered their views on the harmonisation proposals put forward by the Swedish government. Yesterday, on Tuesday, the official deadline elapsed for comments on the Swedish government's adjustment proposals for Swedish covered bond legislation presented back in November 2020 in connection with the harmonisation efforts of the European covered bond market. In commenting on the legislative proposal, which among other aspects provides for adjustments to LTV guidelines and coverage requirements as well as specifications to the 180-day liquidity buffer and potential maturity extensions, S&P takes a critical view of the latter due to the fact that the proposal does not offer sufficient transparency with regard to the events that trigger a delay to repayments, while it is additionally not clear whether the repayment hierarchy would remain unchanged in this instance either. Nevertheless, S&P takes the view that its own assessment of the Swedish legislation, namely that it offers a very resolute legal framework for the issuance of covered bonds, is supported by the Swedish government's proposal.

France: Moody's comments on revised guidelines to reduce risks linked to housing loans
Moody's has focused on the new guidelines for minimum standards in granting housing loans in France as part of a recent Sector Comment. In the context of potential macroprudential risks, the guidelines published at the end of January 2021 by the Haut Conseil de Stabilité Financière (HCSF), which take binding legal effect from the summer, deal with new lending in the real estate segment and target a maximum value for monthly loan payments of 35% of monthly household income (expressed in the form of the debt-service-to-income ratio). Moreover, the maximum loan term is to be limited to 25 years upon conclusion of the agreement. In terms of aspects such as the size of the debt-service-to-income ratio, among others, the directive is less strict than the predecessor version from 2019, which was set at 33%. However, the rating experts have nevertheless identified a reduction in the risks arising from the real estate sector for banks due to the implementation of this measure. The ultimate aim of the guidelines, which were previously amended in 2019, has been to prevent any deterioration of lending standards that may arise as a result of excessive lending activities.

Spain: S&P offers assessment of covered bond market – Moody's comments on Spanish central bank proposal to mitigate macroprudential risks
With an outstanding volume of EUR 89bn as at year-end 2020, Spain ranks among the largest EUR benchmark jurisdictions. For the current year, however, we are forecasting significant negative net supply (EUR -11.4bn), a development which we would put down to issuers opting to focus on meeting MREL/TLAC requirements. In this context, the largest benchmark issuer in Spain, Banco Santander, recently announced that it would be using its funding activities to build up a regulatory buffer. Nevertheless, 2021 is likely to be a lively year – albeit for other reasons – on the covered bond market. S&P has also taken a look at this market and recently published a detailed assessment. In retrospect, there were no rating downgrades for Spanish covered bonds in 2020 despite revised outlooks. For 2021, the rating experts highlight in particular the required adjustments to national laws within the context of EU harmonisation efforts, which must be implemented by the deadline of 08 July 2021. Spain is one of the countries with a significant need for adjustment. In this regard, the legal adjustments encompass both liquidity requirements and the introduction of a cover register. The departure from the previous regulation, according to which the entire loan book is compared with the outstanding bonds, could also have an impact on actual overcollateralisation levels and possibly limit any uplifts too. In terms of the covered bond ratings, S&P emphasises the importance of the sovereign rating. With a sovereign rating of A (outlook: negative), the best-possible rating that Spanish issuers can achieve is AA+ (four notches above the sovereign rating), which simultaneously indicates that Spanish bonds would be susceptible in the event of a rating downgrade for Spain. Moody's recently examined a proposal on the part of the Spanish central bank, after Banco de España presented a draft regulation with the aim of limiting macroprudential risks. Concentration risks should be kept in check by way of increased capital requirements for individual sectors, while the draft regulation also provides for stricter requirements with regard to income-based debt ratios and LTVs for new lending business, among other measures. Moody's sees improved credit quality for covered bonds via the mechanism of action on default probability. The consultation phase for the central bank's regulation remains open until 23 February 2021.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

Coronavirus: KfW business volume at record high

Last week, KfW reported a record high and as a result, it was the talk of the town: its promotional business reached EUR 135.3bn (+75%) in 2020. The main drivers of the strong growth were the measures to mitigate the economic impacts of the coronavirus pandemic in Germany and abroad, which totalled EUR 50.9bn (after cancellations and waivers for commitments of EUR 10.8bn) and consequently made up 38% of the total business volume. KfW reported in its press release that in Germany alone it committed around one million loans, grants and other financings for a total amount of EUR 106.4bn last year. By comparison, the special programmes after the financial crisis now seem rather modest, at just EUR 14bn. According to KfW records, the whole "Aufbau Ost" (rebuilding eastern Germany) programme received a total of only EUR 82.5bn between 1990 and 2000. The promotional programmes in the area of energy-efficient construction and refurbishment, which in the housing segment recorded an increase of 140% to EUR 26.8bn, also contributed to the growth of promotional business volume in Germany. Commitments by KfW Capital amounted to EUR 871m in 2020. KfW's financial markets business sector supported climate change mitigation and environmental protection by investing EUR 400m in green bonds. For 2021, KfW once again plans to make a new investment of EUR 400m for the green bond portfolio. Customers on the capital markets are of course most interested in the refinancing that funds its promotional business. Here, KfW raised funds of EUR 66.4bn on the international capital markets in 2020. There were 172 transactions in 14 different currencies overall. Making up 12.6% of the refinancing, 14 "Green Bonds – Made by KfW" contributed EUR 8.3bn, which is more than ever before. In comparison with the previous year, KfW issued around EUR 700m more in EUR (share: 64%). With a share of 24%, slightly below the 2019 level, the USD was the second most important currency and continues to play a key role for KfW. As part of KfW's Coronavirus Special Programme, new funding sources were tapped with access to federal auctions via the federal Economic Stabilisation Fund (ESF) and participation in the targeted longer-term funding of the Eurosystem via TLTRO III. A reminder: these two programmes were responsible for KfW's reduced funding volume. Looking ahead to the current year, long-term borrowing via the capital markets of EUR 70bn to EUR 80bn is planned; the selected range is wider than in the past, as KfW's participation in TLTRO in 2021 is still undecided. The use of additional funds from the ESF depends on the development of KfW's Coronavirus Special Programme, which is expected to run until the end of June 2021. The diversification of products and currencies guarantees continuity and flexibility to achieve the best possible funding results for KfW's promotional business. Finally, KfW is expecting a profit for 2020, although specific figures will only be published at the end of March.

KfW: not only a green issuer, but a green investor as well

By mandate of the German Federal Ministry for the Environment, KfW will remain committed to the green bond market as an investor and thereby contribute to the further development of this market segment. Since April 2015, KfW has been promoting climate change mitigation and adaptation, resource conservation and environmental protection projects through investments in green bonds under a promotional mandate of the German Federal Ministry for the Environment. Green bonds have become established as a capital market-based instrument for financing climate action and environmental protection projects. However, none of this can take place without a certain degree of ambition. In the following, we share some information from the press release: green bonds are an important instrument for raising the capital needed for the transition to an environmentally friendly and climate-neutral economy. Since 2015, KfW has built up a portfolio of green bonds which has now reached its EUR 2bn target and will be maintained at a level of EUR 2bn to EUR 2.5bn going forwards. In its investments, KfW will keep up its strong commitment to high standards, for example with regards to transparency and good reporting on the use of proceeds and the impacts of financed projects. It will also take even greater account of the climate action and sustainability focus of the issuers themselves in its future investment decisions. Jochen Flasbarth, State Secretary at the German Federal Ministry for the Environment, commented: “The trend of the past years has shown that investors have great interest in ecologically sustainable investments. Investors who wish to invest their funds with a view to impact need an offering that is truly in line with green ambitions. At the same time, green bonds are an important instrument for leveraging the enormous amounts we need to mobilise all over the world as we transition to an environmentally friendly and climate-neutral economy. The Ministry for the Environment therefore supports KfW in providing effective impetus as an investor to consolidate the green bond market on a high level in the future as well.” KfW is active in many different areas related to the qualitative green bond market development: it reportedly maintains a dialogue with a wide range of market stakeholders and acts as a point of contact for green bond issuers and other players in the green bond segment, such as financial intermediaries, investors, sustainability rating agencies and other stakeholders. It is also a strong supporter of various initiatives. For example, it has provided its expertise to the Technical Expert Group on Sustainable Finance established by the European Commission. Among other things, this expert group formulated recommendations on the creation of a common voluntary EU Green Bond Standard in the years 2019 and 2020. As a member of the Executive Committee and participant in working groups of the internationally recognised Green Bond Principles since 2015, KfW has been involved in the further development of these voluntary guidelines as well as of further recommendations for a science-based, climate-friendly and sustainable focus of capital market activities. A final remark from Bernd Loewen, Board Member of KfW Group, in charge of Capital Markets: “Green bonds enable an in-depth dialogue between numerous stakeholders on the necessary transition of the economy towards climate neutrality in 2050. This is essential for mobilising the required capital. In order to move forward in the transition we will integrate the overall sustainability and climate action focus of the issuers even more closely into our investment decisions in the future.” In February, our NORD/LB ESG Update will be published as an independent study. It will undoubtedly make for a fascinating read!

EFSF approves fourth successive reduction of step-up interest margin for Greece

The Board of Directors of the European Financial Stability Facility (EFSF) has decided to reduce to zero the step-up margin accrued by Greece for the period between 17 June 2020 and 31 December 2020, as part of the medium-term debt relief measures agreed for the country in 2018. The value of this fourth successive reduction amounts to EUR 122.5m. Additionally, as part of the debt relief measures, the European Stability Mechanism (ESM) – acting as an agent for the euro area member states and after their approval – on 22 December 2020 made a transfer to Greece amounting to EUR 644.42m, equivalent to the income earned on SMP/ANFA holdings. ANFA stands for the Agreement on Net Financial Assets. It is an agreement between the national central banks (NCBs) of the euro area and the European Central Bank (ECB), which together form the Eurosystem. The ANFA sets rules and limits for holdings of financial assets which are related to national tasks of the NCBs. Such financial assets of national central banks can be related, for example, to the counterpart to their capital and accounting reserves or other specific liabilities, their foreign reserves and employee pension funds or they can be held for general investment purposes. The Securities Markets Programme (SMP) is the predecessor to the latest purchase programmes. "Greece has continued its reform process under difficult circumstances. The government has taken important steps to improve the business environment and increase the effectiveness of the public administration. In addition, a major reform of the insolvency framework is being implemented. Therefore, the European institutions delivered a positive assessment regarding the completion of Greece's reform commitments in the first half of 2020. This cleared the way for the next tranche of debt relief measures tied to those commitments," said ESM Managing Director and EFSF CEO Klaus Regling. He added: "It is essential for Greece to maintain, and where necessary, strengthen reform efforts to further support the economic recovery, improve the resilience of the economy and to underpin the commitment to improve long-term potential growth." The step-up margin of 2% relates to the EFSF loan of EUR 11.3bn for Greece (part of the second Greek programme), which was used to fund a debt buy-back in 2012. The margin had originally been foreseen to apply to this loan from 2017 onwards. Under the short-term debt-relief measures, the step-up interest margin was reduced to zero for the year 2017. As part of the subsequent medium-term debt relief measures for Greece, the EFSF Board of Directors agreed to a conditional mechanism to reduce to zero the step-up margin starting with the year 2018. For the period until 2022, the margin can be reduced to zero by Board decision. Each half-yearly decision to reduce the margin to zero is based on a positive assessment of Greece's continued implementation of key reforms adopted under the ESM programme and compliance with its post-programme policy commitments. The reduction of the step-up margin and transfer of SMP/ANFA income equivalent amounts represent – as explained – the fourth tranche of policy-contingent debt relief measures for Greece. The total amount of debt relief applied in all four tranches exceeds EUR 3.4bn.

Further information on the ANFA

Holding financial assets not relating to monetary policy is an integral part of the functions exercised by central banks in Europe, and precedes the euro. When the monetary union was founded, governments decided to mutualise only those central bank functions and tasks that are necessary to conduct a single monetary policy for the whole euro area. At the same time, they decided to keep NCBs as independent institutions that can continue to perform national tasks provided that they do not interfere with the single monetary policy. In other words, national central banks are financially independent institutions and fulfil monetary policy tasks related to the Eurosystem's primary role of maintaining price stability as well as national tasks. ANFA was established to set an overall limit to the total net amount of financial assets relating to national, non-monetary policy tasks, such that they would not interfere with monetary policy. This principle is laid down in Article 14.4 of the Statute of the European System of Central Banks and the European Central Bank. The ANFA is reviewed at least every five years.

Primary market

As at 29 January 2021, KfW's refinancing volume amounted to EUR 14.6bn. We have always reported any major EUR transaction (including taps) in the primary market section of this publication. The EFSF has also completed its first quarter, with market players awaiting further transactions from the EU. At the moment, the primary market appears to be somewhere between frozen and thawing, with only four concluded transactions evident to us. These were a tap each from Berlin, Lower Saxony and Rentenbank as well as only one benchmark deal for our table presented below (Unédic). Let's begin with a brief outline of the biggest deal for the week (Wednesday to Tuesday): Union nationale interprofessionnelle pour l'emploi dans l'industrie et le Commerce, also known as France's National Professional Union for Employment in Industry and Trade, raised EUR 3bn via its social bond (13.3y). UNEDIC achieved this 15bp above the French benchmark (FRTR 1.25% 05/25/34). The books grew to more than EUR 8bn over the course of pricing, meaning the bond ultimately narrowed by 3bp against the guidance. Versus mid swaps, the pricing was around ms +6bp. Despite the EU's SURE bonds, UNEDIC is still among the top three European issuers of social bonds. BERGER opted for a tap of its 8/2040 bond. It sought to raise at least EUR 250m in the region of ms +4bp, but ultimately received EUR 500m at ms +3bp. The books even amounted to over EUR 1.4bn. NIESA unexpectedly decided to top up its 8/2039 bond by no less than EUR 1bn. This was at ms -2bp and therefore also one basis point tighter than the guidance. The books exceeded EUR 1.75bn. Rather as a side note by comparison is RENTEN's tap of EUR 50m for its 2/2030 bond. Yesterday afternoon, the Free and Hanseatic City of Hamburg mandated a consortium for a 20-year Landesschatzanweisung (LSA; State Treasury Note).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
UNEDIC	FR	09.02.	FR0014001ZY9	13.3y	3.00bn	ms +6bp	AA / Aa2 / -	X

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

Covered Bonds/SSA
PEPP reporting: upswing in public sector assets continues; covered bonds inconsequential

Authors: Henning Walten, CIIA // Dr Norman Rudschuck, CIIA

Higher for longer – ECB adjusts volume and duration of PEPP in December

Since the last comprehensive PEPP reporting by the ECB at the end of November/start of December (cf. Covered Bond & SSA View of 9 December 2020), the European Central Bank has made further adjustments to the purchase programme set up to combat the consequences of the pandemic. At their meeting on 10 December 2020, the central bankers, as expected, increased the volume of the programme from the previous EUR 1,350bn by a further EUR 500bn. In combination with the expansion of the purchase volume, the instrument was also extended on the time axis. A further nine months were added, meaning that securities are to be purchased under the PEPP until at least March 2022. At the same time, the period during which maturing PEPP securities are to be reinvested was extended until the end of 2023 (+12 months). In contrast with the final ECB meeting in the previous year, the first meeting in 2021 could be described as almost uneventful. In our view, what should be pointed out is that the ECB communicated for the first time in its press release on the decisions taken that not making full use of the amount of EUR 1,850bn was also was also within the realms of possibility. However, this indication was accompanied by the addition that the ECB was equally prepared to expand the volume once more if it believed that circumstances called for such action (i.e. a 50:50 chance; 'equally' was used in the statement). In our view, these different possible actions were implied in the ECB's toolkit anyway, which is why we do not detect a change of course in the now more comprehensive information provided.

44% of EUR 1,850bn already invested

It has meanwhile become established that every two months, we take the publication of the latest comprehensive PEPP report as an opportunity to look at the development and structure of the PEPP. It is now that time again! The charts on which the following information is based are available, as usual, in our ECB tracker. At the end of January 2021, the PEPP volume amounted to EUR 810.2bn and had therefore increased by a further EUR 110bn (+15.7%) or so since the last comprehensive reporting at the turn of the month of November/December. Compared with the APP, which has a volume of EUR 2,926.8bn, the PEPP remains small. Yet, considering the volume purchased in the period during which the two programmes have coexisted, the opposite picture emerges. In the months from March 2020 to January 2021, around 70% of the volume purchased by the ECB was attributable to the PEPP. In addition, the overall volume purchased under the PEPP is likely to be slightly higher than the current volume, since maturities that have already occurred under the PEPP amounted to around EUR 61.4bn at the end of January. The report is flawed in one point: unlike the APP, the ECB has not communicated any guidance with regard to reinvestment of maturities that have already occurred under the PEPP. This is an aspect we lament, as we believe that such guidance and the relevant transparency could provide some fascinating insights. As mentioned above, the only known aspect is the period when any bonds maturing are to be reinvested in the market.

Estimated portfolio development

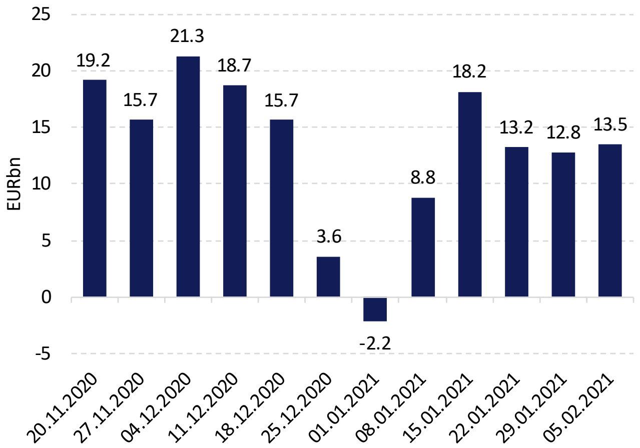
Assumed future purchase pace	Weekly net purchase volume	PEPP limit hit in...
Average net weekly purchase volume so far	EUR 18.2bn	56 weeks (04 March 2022)

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

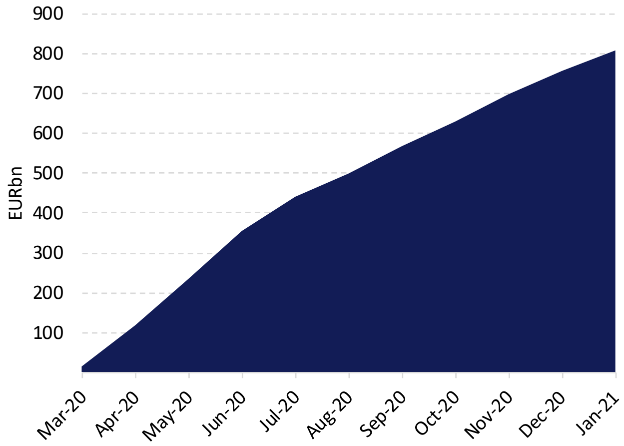
Calculated purchase rate almost achieved

Since the start of the PEPP at the end of March 2020, the ECB has purchased an average of EUR 18.2bn per week under the programme. Although the volume observed each week has certainly been subject to fluctuations worth mentioning – e.g. in phases of slow market activities (Christmas or the summer lull) – the current average reflects full use of the EUR 1,850bn on a calculated basis by early March 2022. This means that the ECB is still four weeks away from the currently defined earliest expected end of net purchases. However, in view of another summer lull and pause at year-end 2021, this is not likely to result in forced curbing of purchasing activities. In the longer term, we continue to assume natural fluctuations in the weekly purchase rate will occur – this is what we describe as the programme breathing.

Weekly purchase volume



Trend in PEPP volume



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

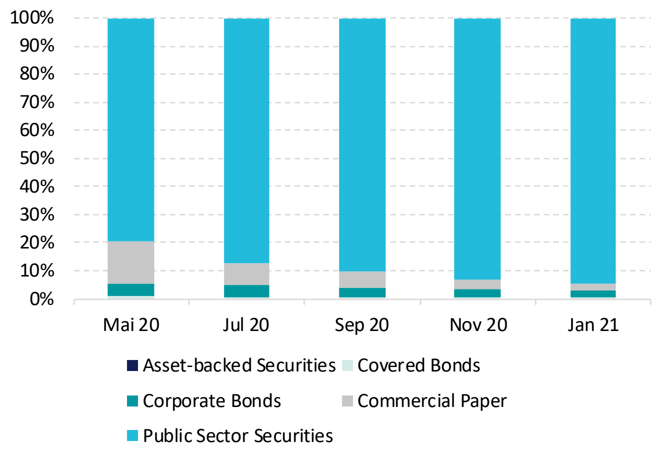
Share of public sector assets rose once again; covered bonds irrelevant

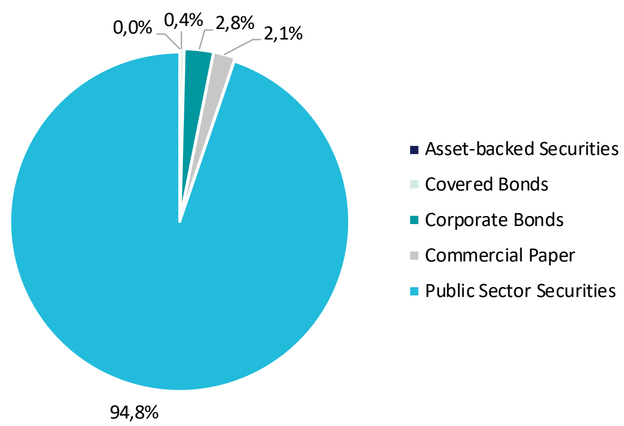
Based on the latest PEPP figures, a clear trend continues to be evident. The PEPP is used for the purpose of buying public sector assets. In fact, the share of public sector assets rose to a new record of 94.8%. This share has continuously increased since the programme was first set up. While the share of covered bonds has been a negligible 0.4%, the shares of corporate bonds (2.8%) and commercial paper (2.1%) decreased once again. A clear trend is also evident in this respect. Corporate bonds initially accounted for a 4.5% share of the PEPP, but have gradually become less important since then. At the same time, the share of commercial paper amounted to 15.1% at the end of May 2020. It is also noteworthy that holdings of covered bonds (EUR -3m) and commercial paper (EUR -7,695m) have actually decreased in the past two months. Since July 2020, covered bonds worth a net amount of only EUR 2m have been purchased under the PEPP. Although eligible for purchase in principle, no asset-backed securities have yet been purchased under the PEPP since the programme was launched.

Volumes of the asset classes (EURm)

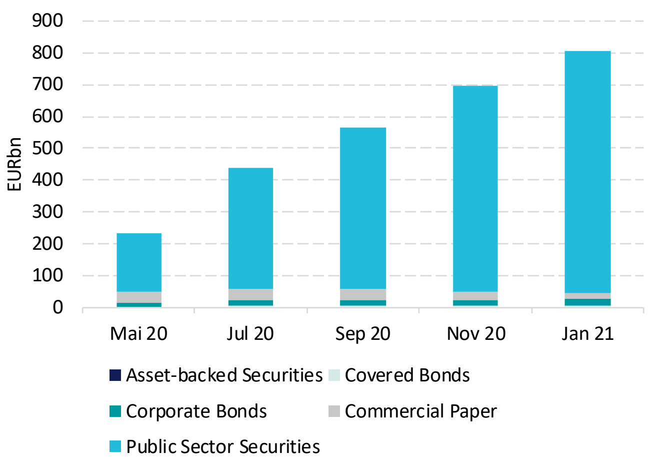
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Nov 2020	0	3,123	20,760	24,306	650,272	698,461
Jan 2021	0	3,120	22,315	16,611	764,710	806,756
Δ	0	-3	+1,555	-7,695	+114,438	+108,295

Portfolio structure

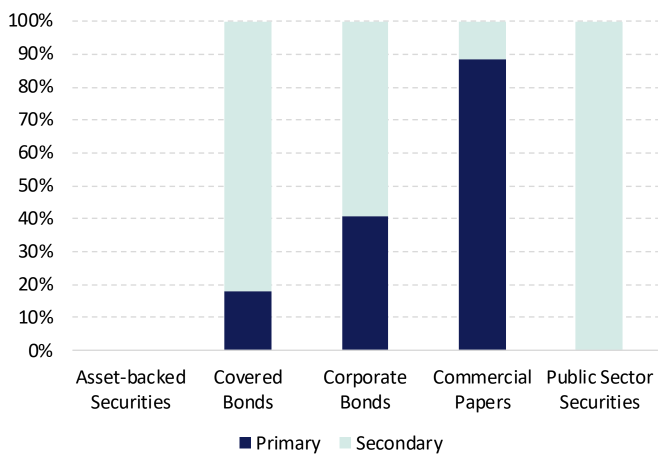




Portfolio development



Share of primary/secondary market purchases



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

PEPP capital key…

To recap, since the structure and set-up of the PEPP differs from that of the PSPP, there are changes to the capital key as well as purchases resulting from maturities, because Greek bonds are eligible to be purchased under the PEPP but excluded from purchases under the PSPP. The capital key for Germany is 23.7%, followed by France (18.4%), Italy (15.3%) and Spain (10.7%). Next are supranationals at 10%. At 2.2%, Greece ranks between Austria (2.6%) and Finland (1.7%). If applicable, the ECB will let us know whether the share of supranationals will be increased in the longer term. The increased supply from the EU as a new mega issuer would suggest that the ECB will make some finer adjustments in this respect. At 7.0%, the share of supranationals is still sufficiently far away from the 10% envisaged.

…compared with capital key for the PSPP

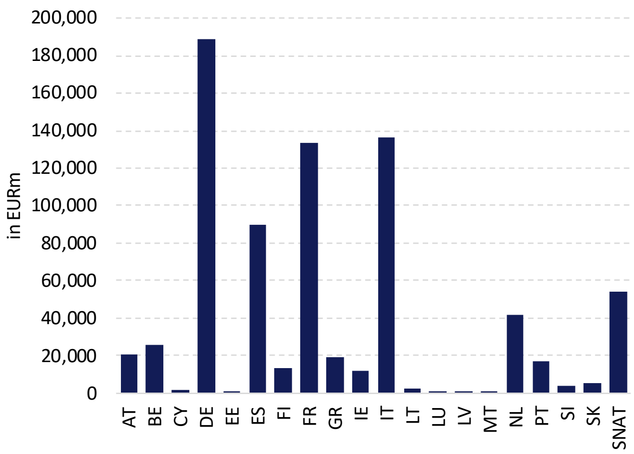
Since the PSPP differs, as explained, from the PEPP in terms of its structure and set-up, adjustments to the capital key result as well as maturity-driven purchases because Greek bonds are not eligible for purchase under the PSPP. The capital key for Germany in relation to this programme is 24.3%, followed by France (18.8%), Italy (15.7%) and Spain (11.0%). Next are supranationals at 10%.

Overview of public sector assets under the PEPP

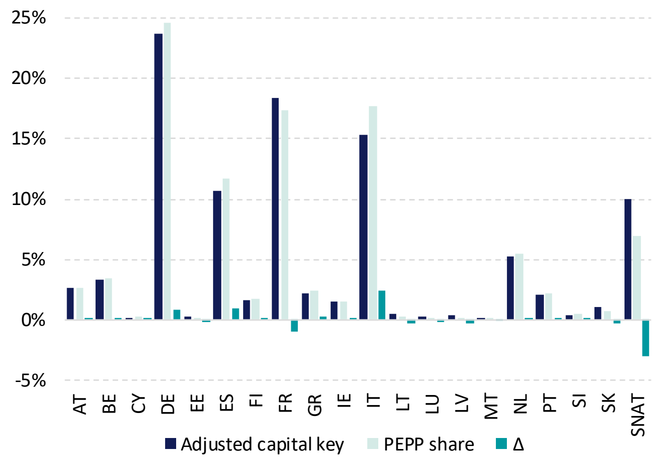
Jurisdiction	Holdings (in EURm)	Adjusted distribution key[1]	PEPP share	Δ vs. adjusted distribution key[2]	Ø time to maturity (in years)	Market average[3] (in years)	Difference (in years)
AT	20,692	2.6%	2.7%	0.1%	10.0	7.1	3.0
BE	26,084	3.3%	3.4%	0.1%	6.5	9.3	-2.8
CY	1,712	0.2%	0.2%	0.0%	10.4	8.2	2.3
DE	188,751	23.7%	24.6%	0.8%	5.1	6.7	-1.6
EE	211	0.3%	0.0%	-0.2%	8.9	8.2	0.8
ES	89,846	10.7%	11.7%	1.0%	8.5	7.4	1.0
FI	13,103	1.7%	1.7%	0.1%	7.1	6.9	0.2
FR	133,594	18.4%	17.4%	-1.0%	8.4	7.3	1.1
GR	18,950	2.2%	2.5%	0.2%	8.6	9.5	-0.8
IE	12,123	1.5%	1.6%	0.1%	9.0	9.4	-0.5
IT	136,310	15.3%	17.7%	2.5%	6.8	6.9	-0.1
LT	2,183	0.5%	0.3%	-0.2%	11.5	10.3	1.2
LU	1,301	0.3%	0.2%	-0.1%	6.9	6.2	0.6
LV	888	0.4%	0.1%	-0.2%	9.7	10.1	-0.4
MT	266	0.1%	0.0%	-0.1%	7.2	8.0	-0.8
NL	41,956	5.3%	5.5%	0.2%	4.4	7.8	-3.3
PT	17,304	2.1%	2.3%	0.1%	6.6	6.6	0.0
SI	3,644	0.4%	0.5%	0.0%	9.3	9.8	-0.5
SK	5,381	1.0%	0.7%	-0.3%	8.6	8.2	0.4
SNAT	53,849	10.0%	7.0%	-3.0%	9.8	7.9	1.9
Total / Avg.	**768,148**	**100.0%**	**100.0%**	**0.0%**	**7.1**	**7.3**	**-0.2**

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

Holdings of public sector bonds by jurisdiction



Deviations from adjusted capital key



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

Nominal holdings of public sector bonds

As illustrated in the above charts and the table, Germany is at the top of both the theoretical and actual ranking, with purchases in excess of EUR 188bn. According to the current reporting, German bonds have again been overbought, so that there is a positive variation from the adjusted capital key (+0.8% percentage points, or around EUR 6.7bn). Italian bonds have also been bought above the limit since the start of the PEPP (at +2.5 percentage points, although the trend now is downward). The only other upward deviation worth mentioning was seen for Spain (also with a downward trend at +1.0 percentage point). We ascertained departures from the key in a downward direction, i.e. insufficient securities purchased, for France (now only -1.0 percentage point) and supranationals (now -3.0 percentage points). Each percentage point currently corresponds to EUR 7.7bn. All other deviations are around the zero line and do not therefore play a significant role.

Monthly PSPP deviations a frequent topic of discussion

In our understanding, the PSPP portfolio has permanently been breathing since 2015. This is also what the ECB is communicating. In addition, the ECB does not consider itself obligated to meet the capital key exactly for its holdings in any one month. This applies not only to the net purchases made in the reporting month. It also applies to the figures recorded since the programme was first set up. This results from the circumstance that there are maturities in specific jurisdictions which may only be replaced subsequently and this means that, in net terms, portfolio outflows can actually occur instead of net purchases, as the vocabulary would suggest. Discrepancies have occurred and are occurring time and again with regard to the target figures for Germany, Italy and France as well as supranational. In this respect, market observers are left at a loss as to why purchases were made under the one programme on behalf of the Eurosystem rather than on behalf of the other entity, in order to avoid such discussion in the media or among market observers. Sometimes the figure is exceeded for the PEPP and there is a shortfall under the PSPP (or vice versa). In addition, we would welcome any positive change in reporting, for example to also facilitate providing information about the volume of reinvestments or to discern certain market shortages in good time, as has aleady been assumed for German and supranational bonds for many years. As a result of combating COVID, significantly more securities are available for purchase, particularly in the public sector, than was assumed at the end of 2019 when the APP was restarted and prior to the PEPP being launched.

Aggregated purchase activity under the APP and PEPP (EURm)

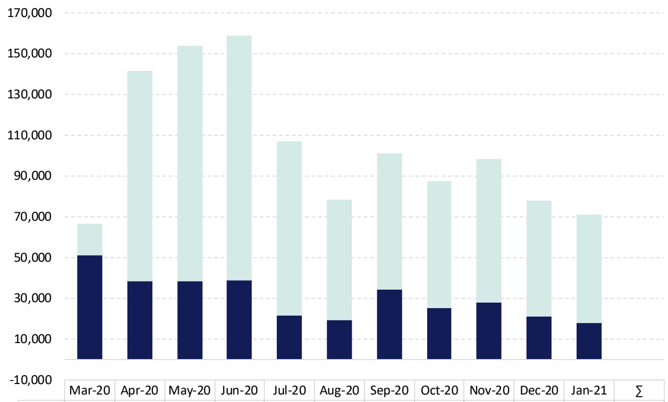
	APP	PEPP	APP & PEPP
Dec 2020	2,908,908	757,166	3,666,074
Jan-21	2,926,840	810,212	3,737,052
Δ	+17,932	+53,046	+70,978

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

PEPP vs APP – different purposes result in structural differences

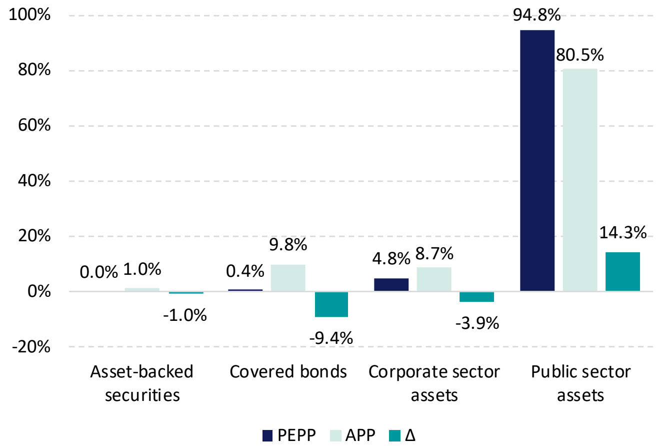
A comparison of the two ECB purchase programmes highlights that discrepancies for the various asset classes have slightly increased again in the past two months. The share of covered bonds in the PEPP remained 9.4 percentage points lower than that under the APP. At the same time, the (partly non-existent) share of ABS in the two programmes remained unchanged, reflecting a difference of one percentage point between the two programmes. With regard to corporate sector assets, the difference between the two programmes rose from 2.1 to 3.9 percentage points, with a higher share of corporate assets under the APP, in proportional terms. Based on steady portfolio shares of the various asset classes in the APP, the delta between this programme and the PEPP increased from 12.6 to 14.3 percentage points in view of the increasing public sector focus of the PEPP. It should be taken into account that these differences are in line with the different objectives of the two purchase programmes. The APP is run with the intention of achieving price stability, whereas the purpose of the PEPP is far more focused on the short term and aimed at counteracting the negative impacts of the pandemic. Broader market intervention via the APP is therefore just as understandable as the concentration on advantageous funding terms in the public sector, as the relevant offering and measures at state and subnational levels were taken in this sector, in particular. Support for the financial and corporate sectors, we believe, is provided by the current TLTRO III tender (which was also extended on 10 December 2020) as well as purchasing activities under the APP in the form of the CBPP3 and CSPP.

Monthly net purchases in EURm (PEPP & APP)



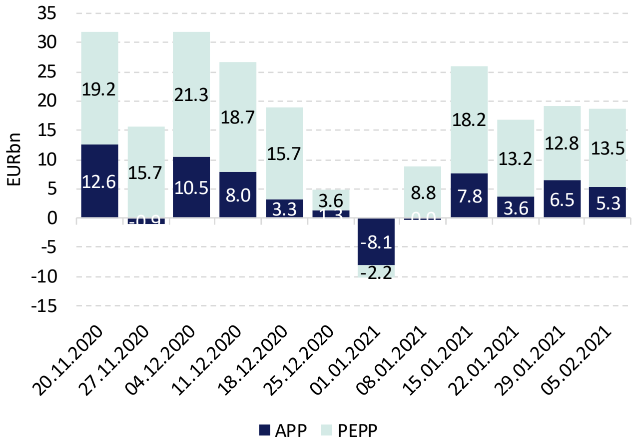
	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	∑
∑	66,586	141,807	154,025	159,091	106,952	78,593	101,322	87,334	98,555	78,092	70,978	1,166,7
PEPP	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	53,046	810,212
APP	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	20,929	17,932	356,553

PEPP vs. APP: Portfolio shares

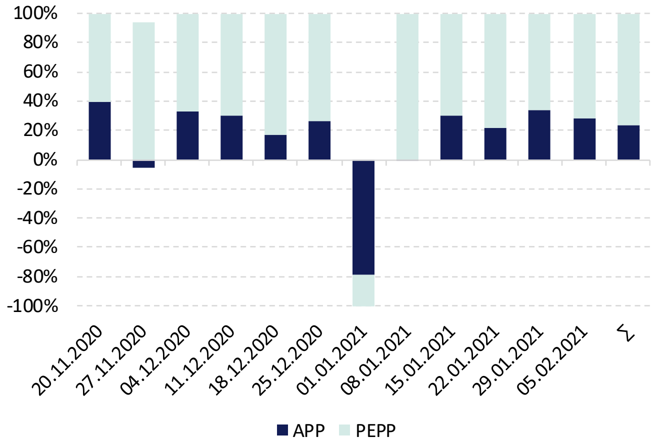


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Weekly purchase volume



Distribution of weekly net purchases



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

Conclusion and outlook

After adjusting the PEPP again in December 2020 by extending both duration and volume, the ECB's January meeting passed without further adjustments, which was expected. At present, we see no reason for adjustment and this is supported by the wording the European Central Bank used. In January 2021, the ECB indicated expressly for the first time that not making full use of the volume of now EUR 1,850bn was conceivable. Yet, the ECB at the same time communicated once more that it would also adjust the volume upwards if necessary – we see the chance of this happening as 50:50, because of the fact that in her opening statement, Christine Lagarde used the word 'equally'. Based on the assumption that we will see successes across Europe in 2021 as a result of the rollout of the vaccine – despite the current problems regarding the availability of sufficient vaccine doses – and there will not be another lockdown wave due to the spread of new variants of the coronavirus, we believe that the ECB is well positioned with the set-up of its PEPP and there currently is no need for further sharper adjustments.

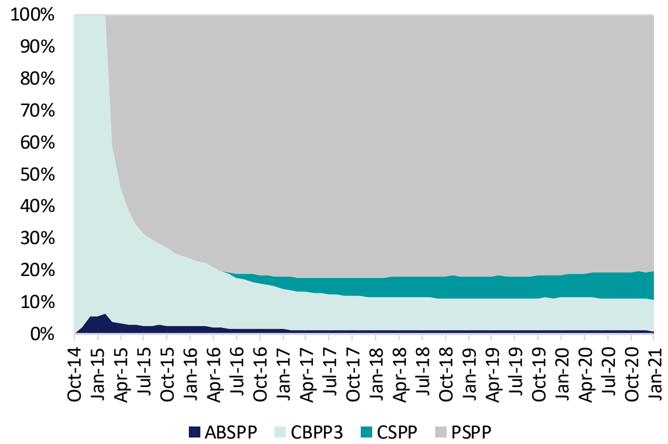
ECB tracker

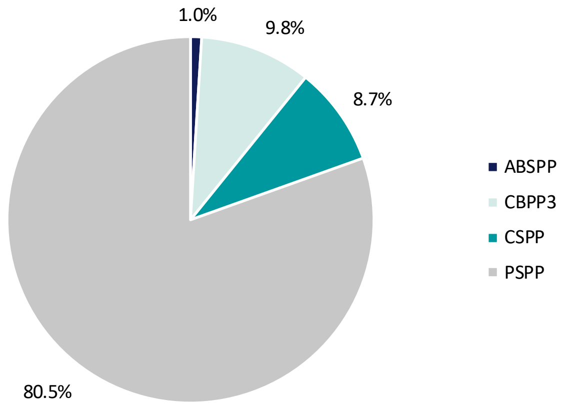
Asset Purchase Programme (APP)

Holdings (in EURm)

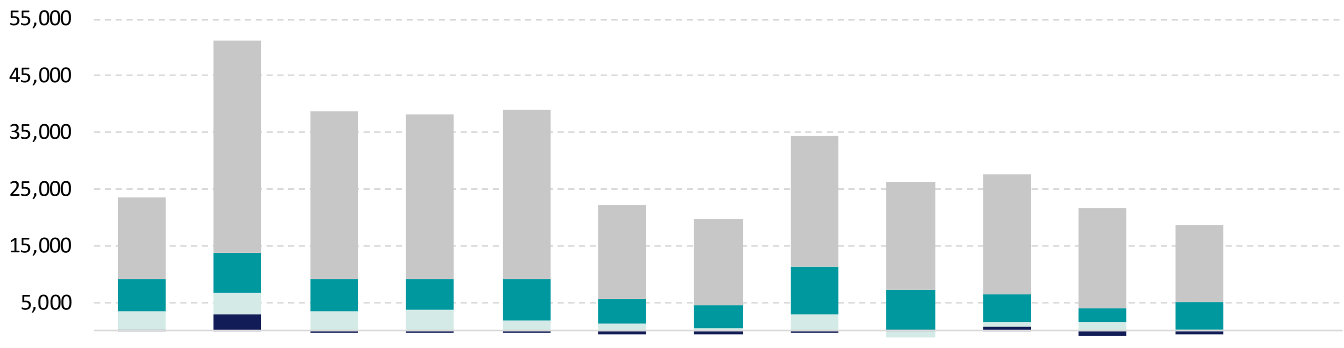
	ABSPP	CBPP3	CSPP	PSPP	APP
Dec-20	29,352	287,545	250,403	2,341,607	2,908,908
Jan-21	28,631	287,619	255,327	2,355,262	2,926,840
Δ	-721	+74	+4,924	+13,655	+17,932

Portfolio structure





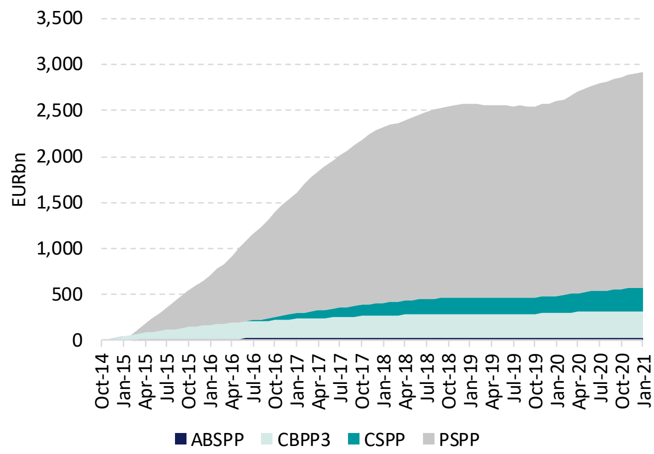
Monthly net purchases (in EURm)



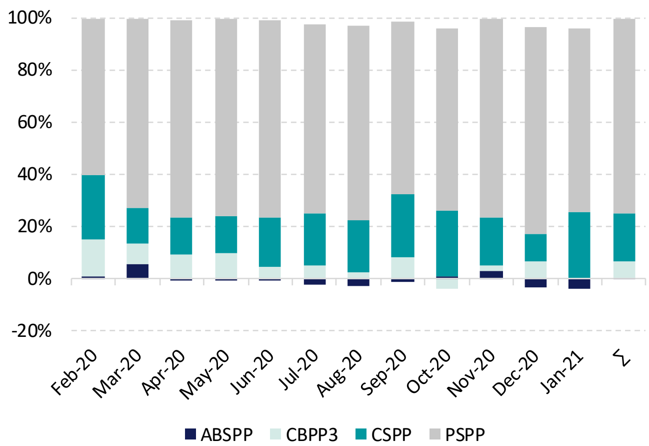
	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	∑
APP	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	20,929	17,932	356,553
PSPP	14,137	37,323	29,624	28,961	29,779	16,370	15,150	23,102	19,182	21,241	17,822	13,655	266,346
CSPP	5,738	6,965	5,560	5,438	7,515	4,502	4,004	8,496	6,983	5,009	2,378	4,924	67,512
CBPP3	3,334	3,931	3,582	3,785	1,731	1,198	500	2,839	-1,041	646	1,529	74	22,108
ABSPP	221	2,923	-325	-14	-255	-541	-527	-423	225	824	-800	-721	587

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

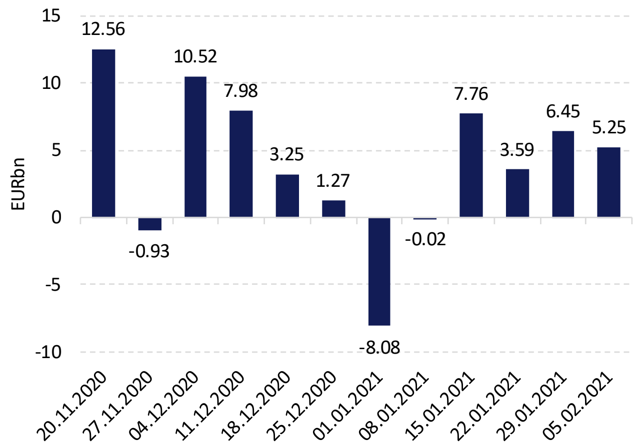
Portfolio development



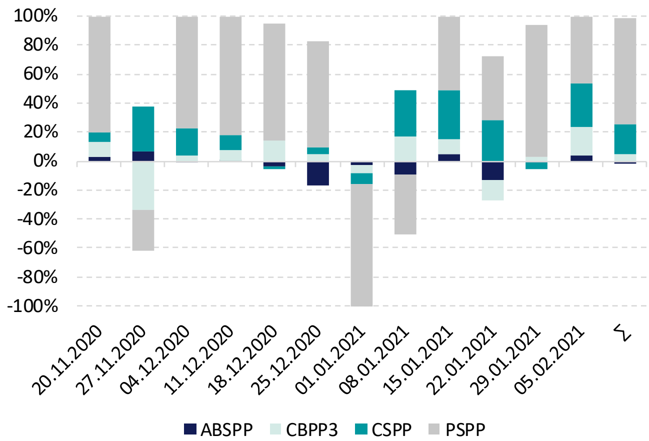
Distribution of monthly purchases



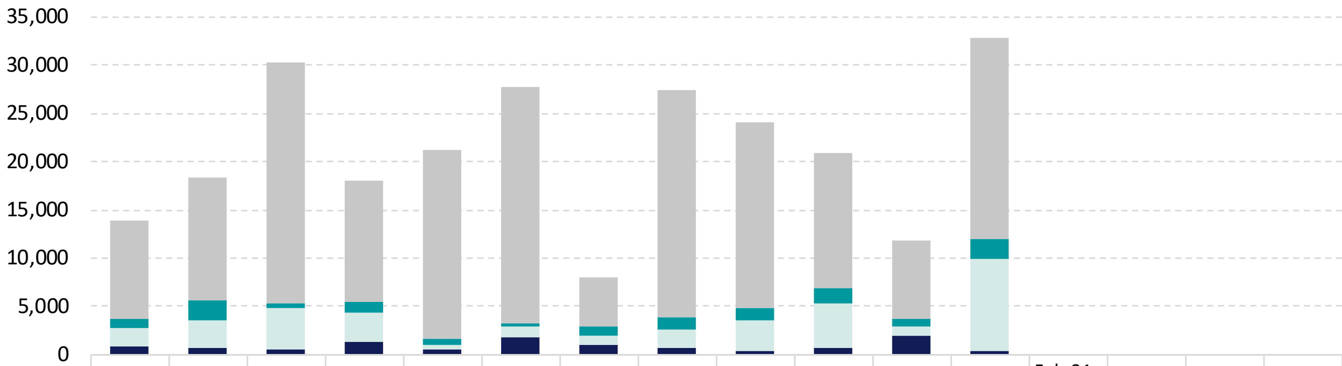
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

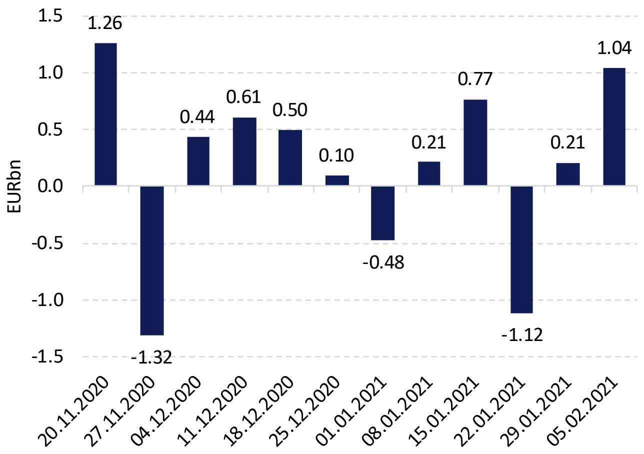


	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-21 - Jan-22	2020	2021	Jan 22
APP	13,919	18,343	30,273	18,048	21,158	27,791	8,044	27,433	24,071	20,912	11,895	32,843	254,730	262,253	247,423	32,843
PSPP	10,268	12,668	24,947	12,637	19,519	24,528	5,118	23,636	19,227	13,987	8,177	20,906	195,618	201,482	189,753	20,906
CSPP	960	2,209	578	1,144	686	334	966	1,272	1,309	1,673	826	1,981	13,938	18,267	15,942	1,981
CBPP3	1,824	2,818	4,278	2,894	367	1,132	1,002	1,902	3,123	4,625	937	9,605	34,507	33,236	30,050	9,605
ABSPP	867	648	470	1,373	586	1,797	958	623	412	627	1,955	351	10,667	9,268	11,678	351

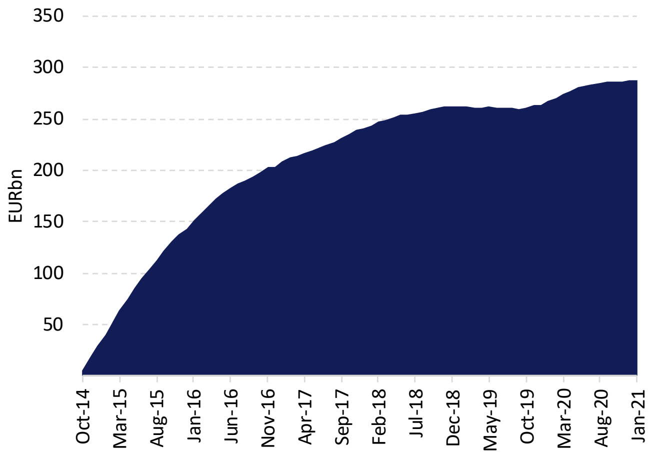
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

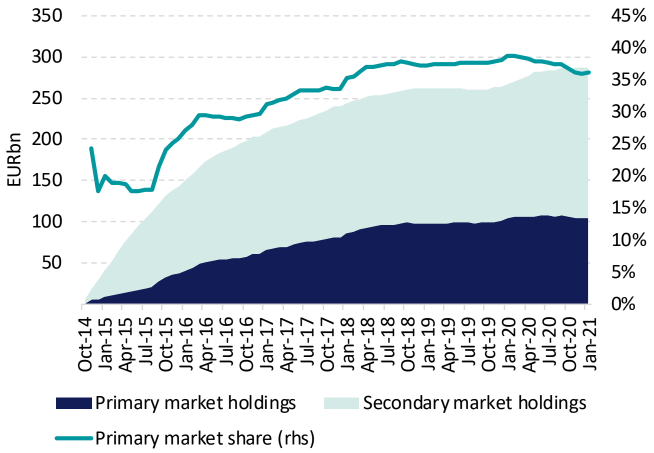
Weekly purchases



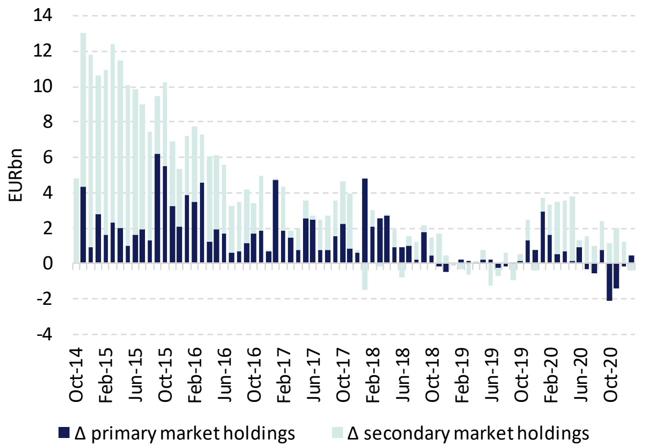
Development of CBPP3 volume



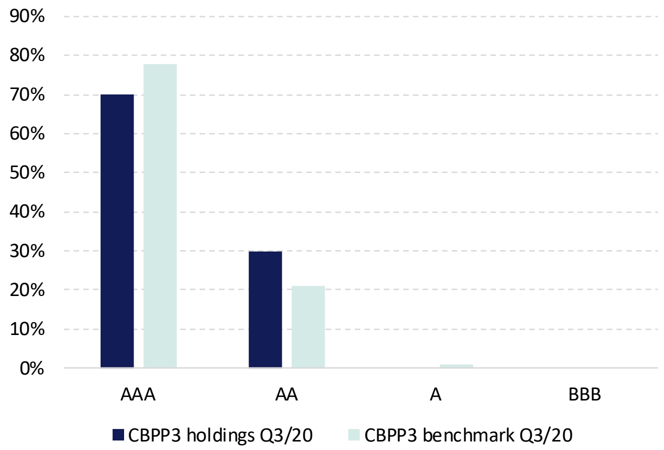
Primary and secondary market holdings



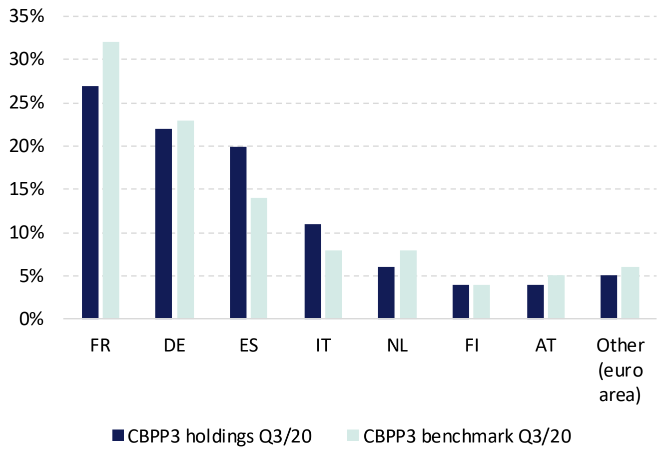
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



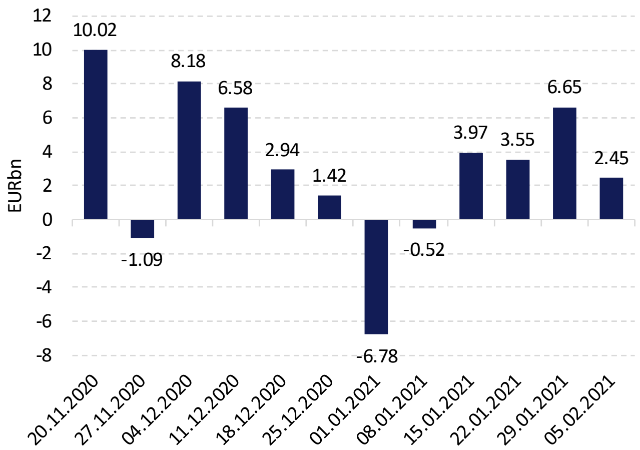
Distribution of CBPP3 by country of risk



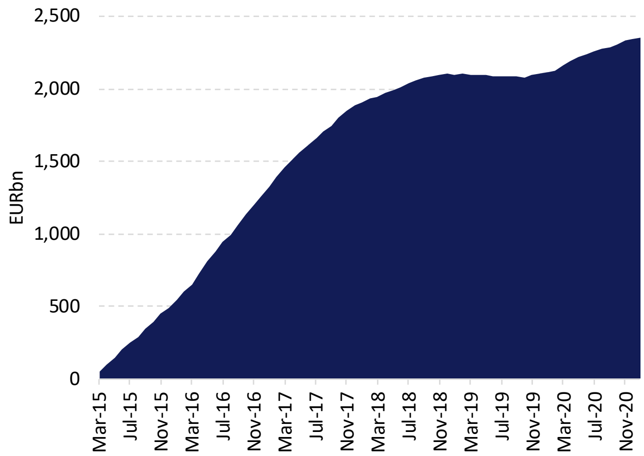
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



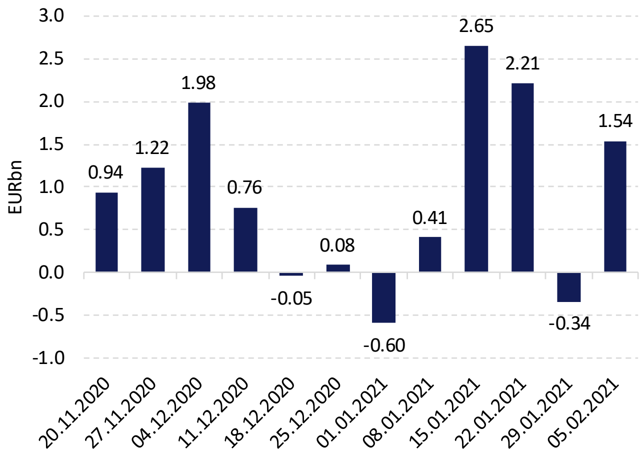
Overall distribution of PSPP buying at month-end

Country	Adjusted distribution key[1]	Purchases (EURm)	Expected purchases (EURm)[2]	Difference (EURm)	Average time to maturity in years	Market average in years[3]	Difference in years
AT	2.701%	67,577	66,048	1,529	7.78	8.04	-0.3
BE	3.362%	85,867	82,213	3,654	8.29	10.10	-1.8
CY	0.199%	3,142	4,856	-1,714	9.98	9.09	0.9
DE	24.327%	575,158	594,868	-19,710	6.52	7.64	-1.1
EE	0.260%	263	6,357	-6,094	9.52	9.51	0.0
ES	11.004%	290,758	269,088	21,670	8.12	8.41	-0.3
FI	1.695%	35,448	41,450	-6,002	7.10	7.95	-0.8
FR	18.848%	484,506	460,892	23,614	7.25	8.25	-1.0
IE	1.563%	36,997	38,212	-1,215	8.75	9.85	-1.1
IT	15.677%	411,971	383,360	28,611	7.28	7.71	-0.4
LT	0.360%	4,471	8,793	-4,322	9.84	11.00	-1.2
LU	0.304%	2,904	7,433	-4,529	5.31	6.36	-1.0
LV	0.534%	2,904	13,060	-10,156	9.71	10.30	-0.6
MT	0.097%	1,215	2,367	-1,152	9.82	9.34	0.5
NL	5.408%	117,408	132,245	-14,837	7.61	8.45	-0.8
PT	2.160%	45,389	52,815	-7,426	7.12	7.38	-0.3
SI	0.444%	8,936	10,866	-1,930	9.33	10.11	-0.8
SK	1.057%	14,259	25,843	-11,584	8.24	8.57	-0.3
GR	0.00%	0	0	0	0.00	15.93	0.0
SNAT	10.00%	256,123	244,530	11,593	7.43	8.74	-1.3
Total / Avg.	**100.0%**	**2,445,296**	**-**	**-**	**7.31**	**8.27**	**-1.0**

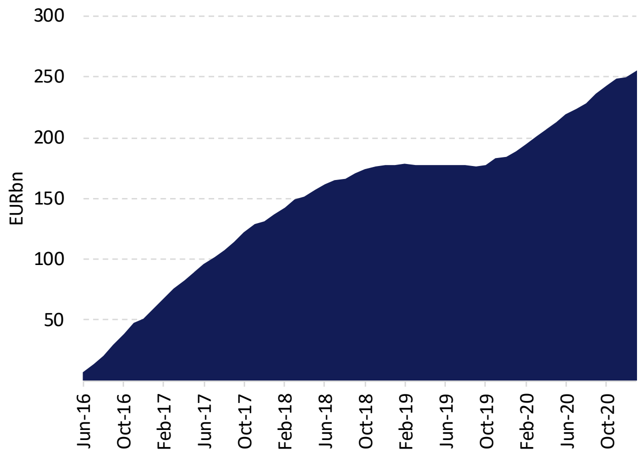
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key [3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

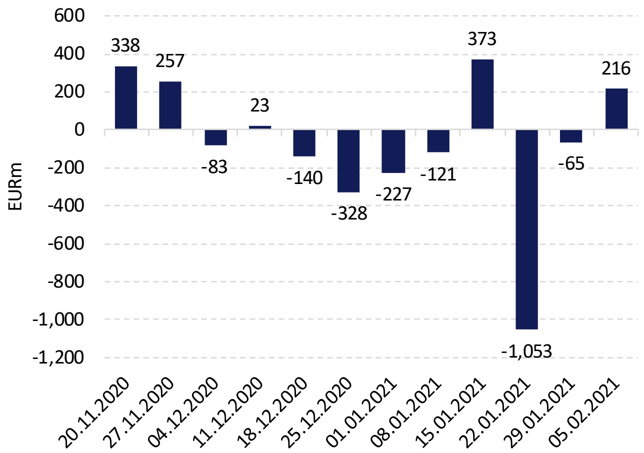


Development of CSPP volume

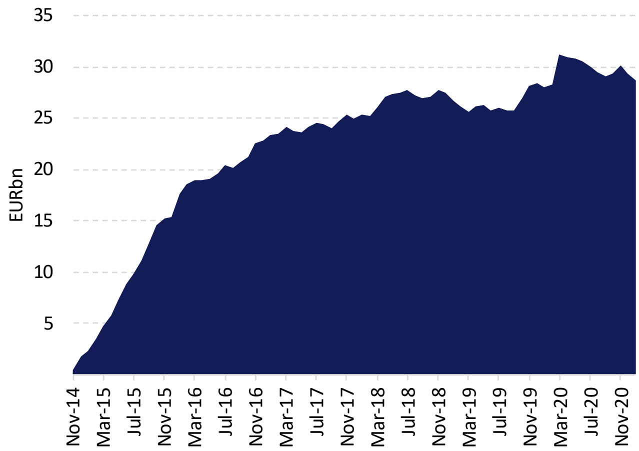


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



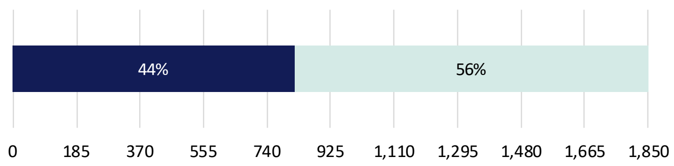
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Dec-20	757,166
Jan-21	810,212
Δ	+53,046

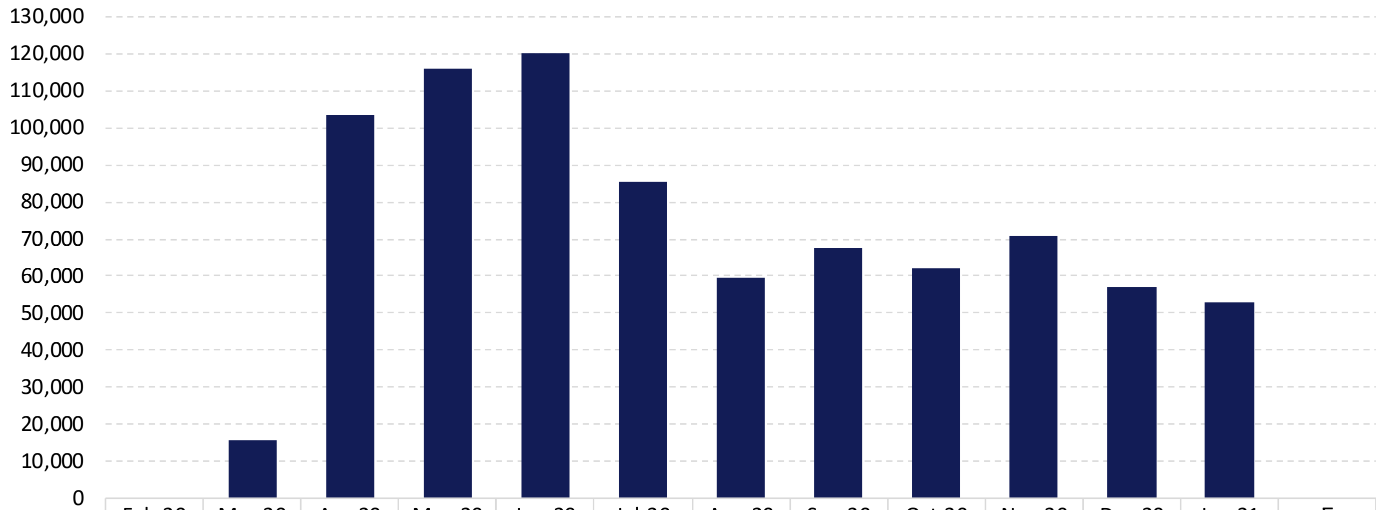
Volume already invested (in EURbn)



Estimated portfolio development

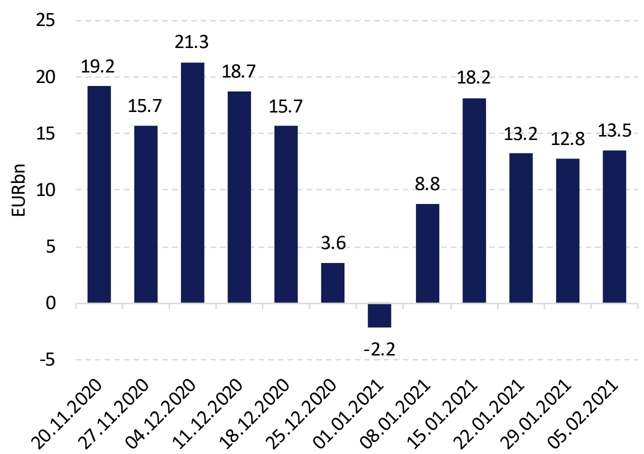
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 18.2bn	56 weeks (04.03.2022)

Monthly net purchases (in EURm)

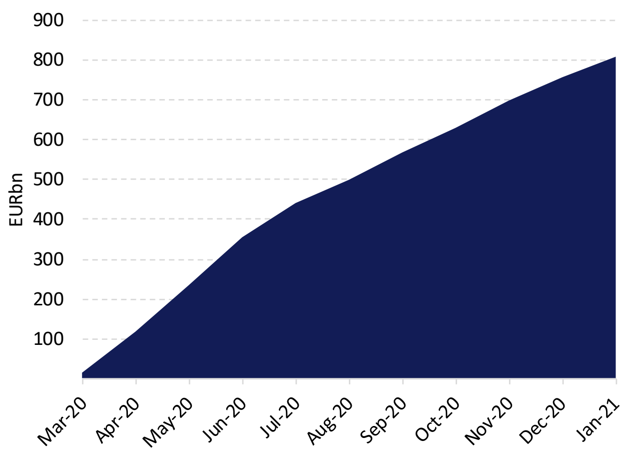


	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	∑
PEPP	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	53,046	810,212

Weekly purchases



Development of PEPP volume

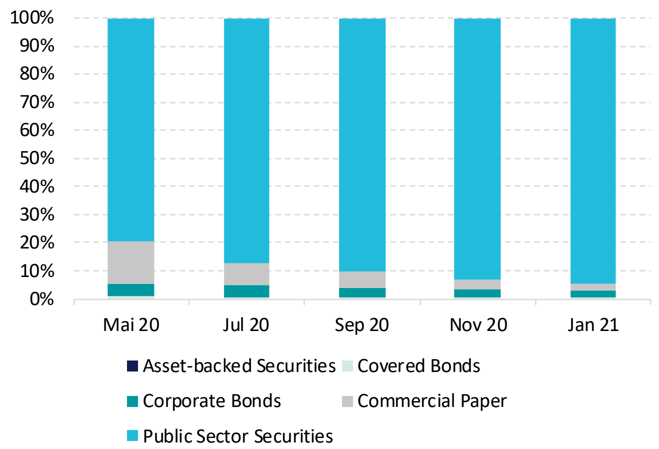


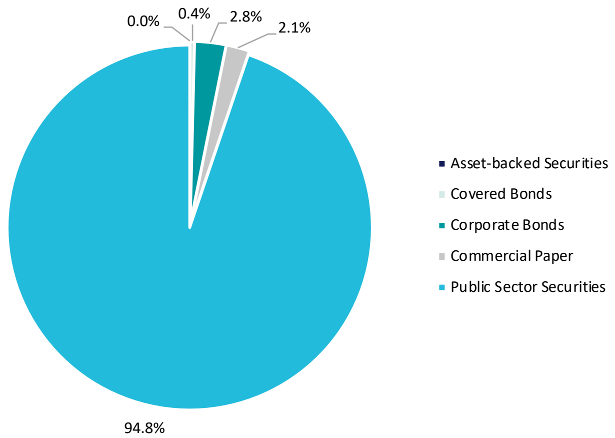
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

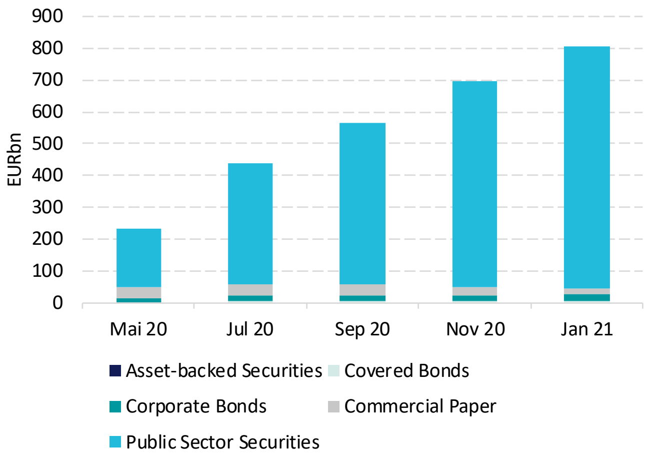
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Nov-20	0	3,123	20,760	24,306	650,272	698,461
Jan-21	0	3,120	22,315	16,611	764,710	806,756
Δ	0	-3	+1,555	-7,695	+114,438	+108,295

Portfolio structure

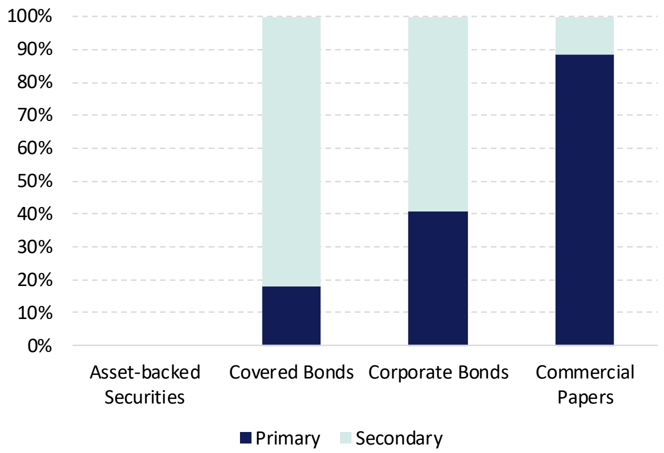




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP as of January 2021

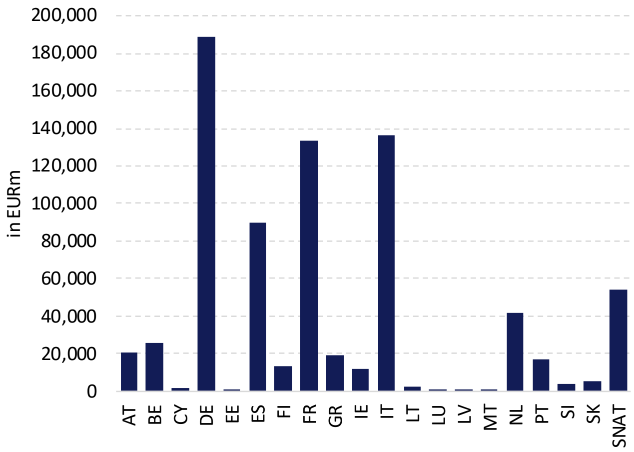
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	557	2,563	9,092	13,223	14,663	1,948
Share	0.0%	0.0%	17.9%	82.2%	40.7%	59.3%	88.3%	11.7%

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

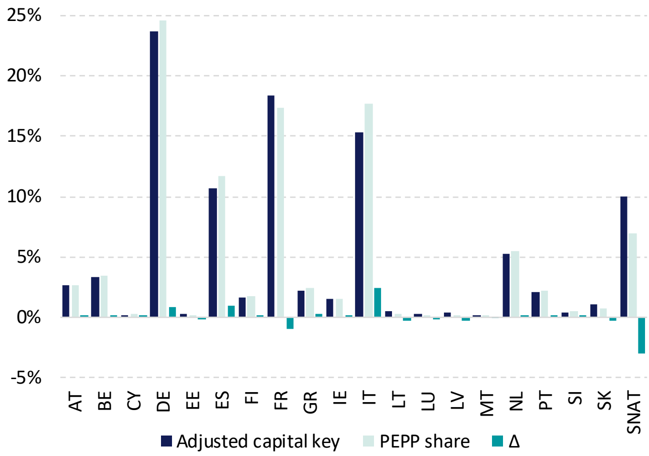
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key[1]	PEPP share	Deviations from the adj. distribution key[2]	ø time to maturity (in years)	Market average[3] (in years)	Difference (in years)
AT	20,692	2.6%	2.7%	0.1%	10.0	7.1	3.0
BE	26,084	3.3%	3.4%	0.1%	6.5	9.3	-2.8
CY	1,712	0.2%	0.2%	0.0%	10.4	8.2	2.3
DE	188,751	23.7%	24.6%	0.8%	5.1	6.7	-1.6
EE	211	0.3%	0.0%	-0.2%	8.9	8.2	0.8
ES	89,846	10.7%	11.7%	1.0%	8.5	7.4	1.0
FI	13,103	1.7%	1.7%	0.1%	7.1	6.9	0.2
FR	133,594	18.4%	17.4%	-1.0%	8.4	7.3	1.1
GR	18,950	2.2%	2.5%	0.2%	8.6	9.5	-0.8
IE	12,123	1.5%	1.6%	0.1%	9.0	9.4	-0.5
IT	136,310	15.3%	17.7%	2.5%	6.8	6.9	-0.1
LT	2,183	0.5%	0.3%	-0.2%	11.5	10.3	1.2
LU	1,301	0.3%	0.2%	-0.1%	6.9	6.2	0.6
LV	888	0.4%	0.1%	-0.2%	9.7	10.1	-0.4
MT	266	0.1%	0.0%	-0.1%	7.2	8.0	-0.8
NL	41,956	5.3%	5.5%	0.2%	4.4	7.8	-3.3
PT	17,304	2.1%	2.3%	0.1%	6.6	6.6	0.0
SI	3,644	0.4%	0.5%	0.0%	9.3	9.8	-0.5
SK	5,381	1.0%	0.7%	-0.3%	8.6	8.2	0.4
SNAT	53,849	10.0%	7.0%	-3.0%	9.8	7.9	1.9
Total / Avg.	**768,148**	**100.0%**	**100.0%**	**0.0%**	**7.1**	**7.3**	**-0.2**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



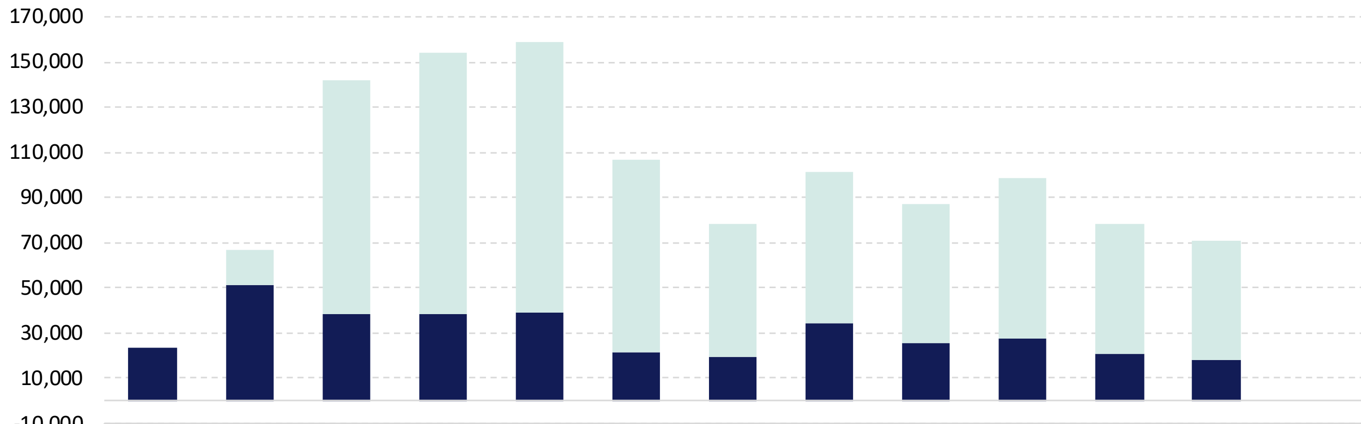
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

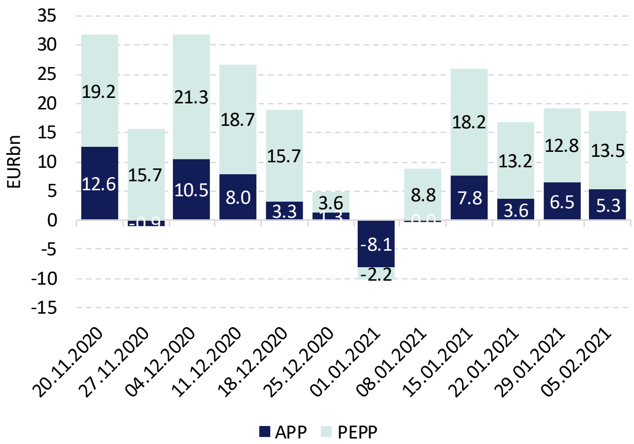
	APP	PEPP	APP & PEPP
Dec-20	2,908,908	757,166	3,666,074
Jan-21	2,926,840	810,212	3,737,052
Δ	+17,932	+53,046	+70,978

Monthly net purchases (in EURm)

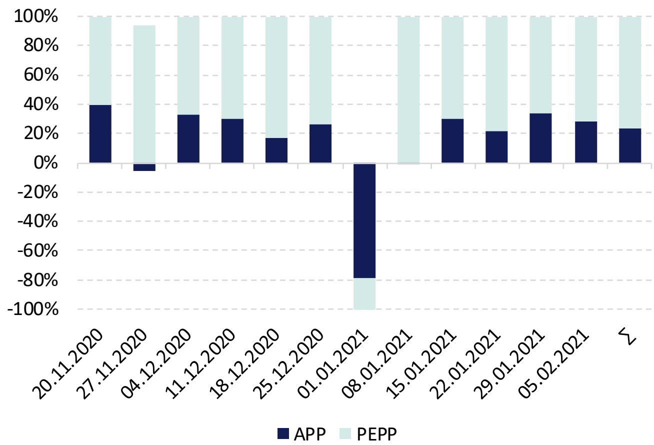


	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	∑
∑	23,430	66,586	141,807	154,025	159,091	106,952	78,593	101,322	87,334	98,555	78,092	70,978	1,166,76
PEPP	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	53,046	810,212
APP	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	20,929	17,932	356,553

Weekly purchases



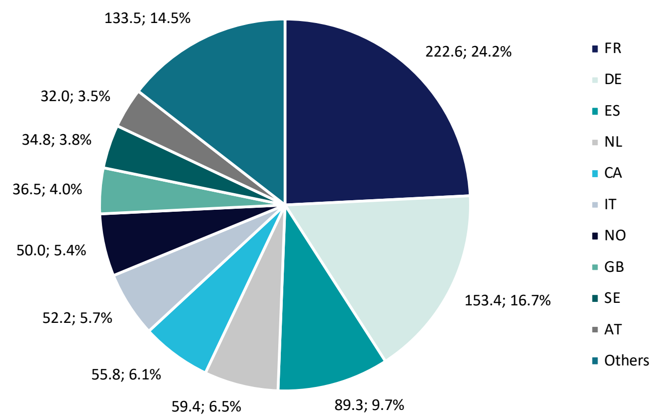
Distribution of weekly purchases



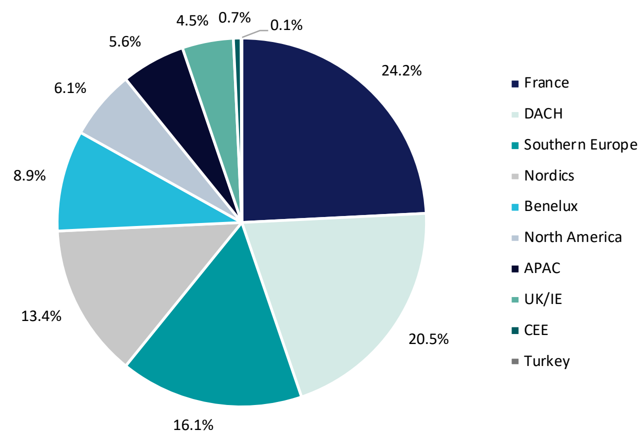
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



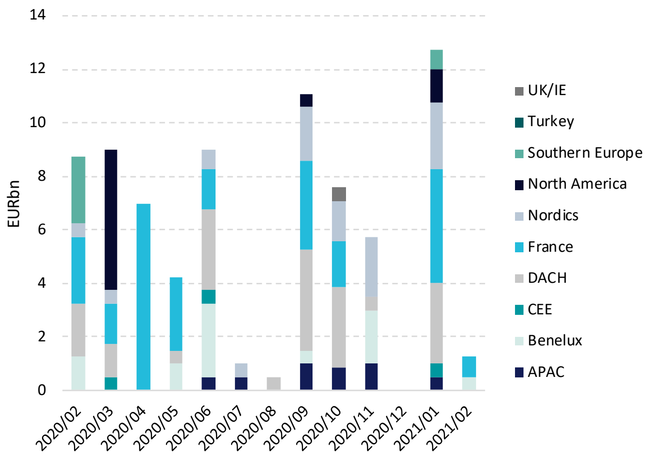
EUR benchmark volume by region (in EURbn)



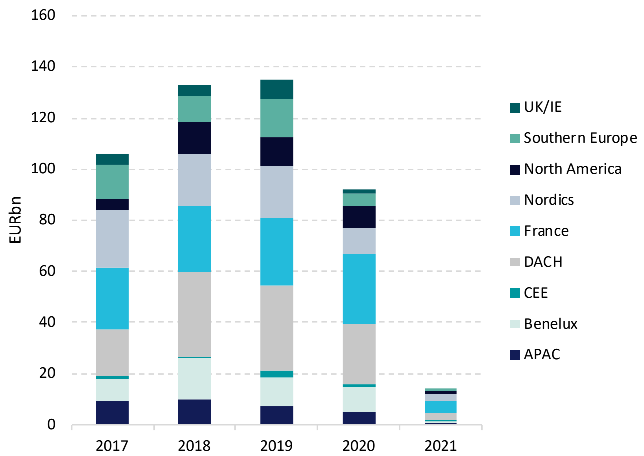
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	222.6	204	7	0.96	10.1	5.6	1.17
2	DE	153.4	229	12	0.60	8.3	4.7	0.49
3	ES	89.3	72	3	1.13	11.4	3.9	1.86
4	NL	59.4	58	0	0.97	11.1	7.2	0.98
5	CA	55.8	47	0	1.16	6.0	3.0	0.30
6	IT	52.2	60	0	0.84	9.0	4.3	1.45
7	NO	50.0	57	7	0.88	7.2	3.8	0.55
8	GB	36.5	41	0	0.90	8.4	3.3	1.12
9	SE	34.8	40	0	0.87	7.4	3.3	0.58
10	AT	32.0	58	0	0.55	9.3	5.7	0.75

EUR benchmark issue volume by month

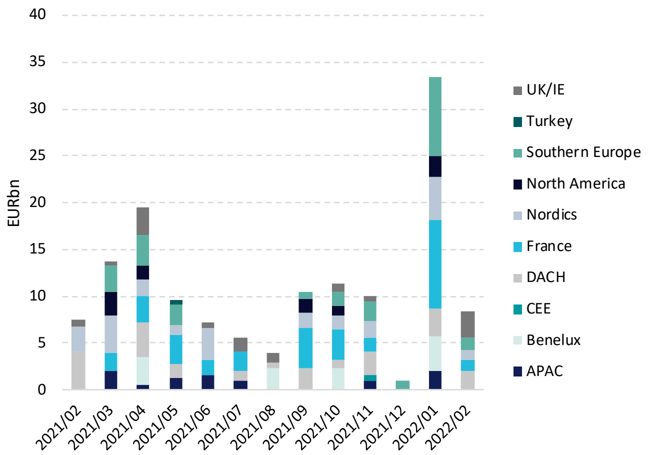


EUR benchmark issue volume by year

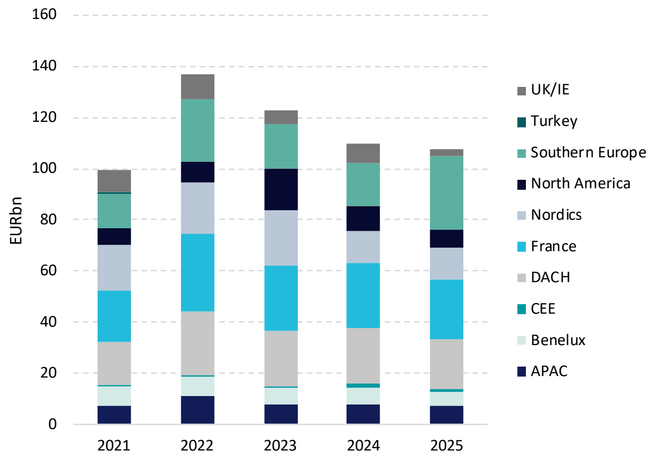


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

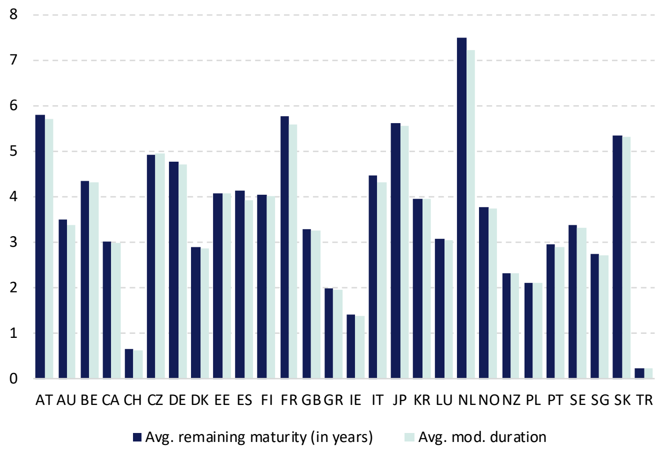
EUR benchmark maturities by month



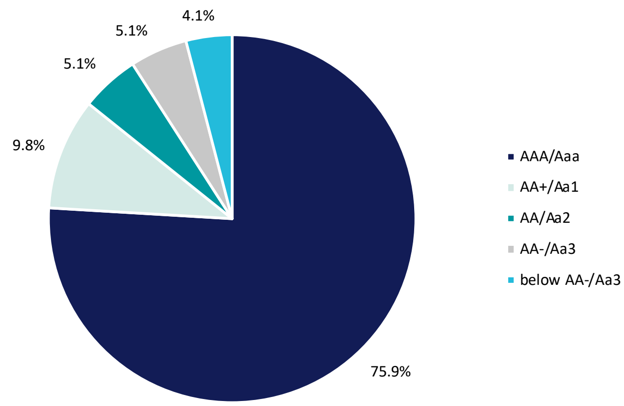
EUR benchmark maturities by year



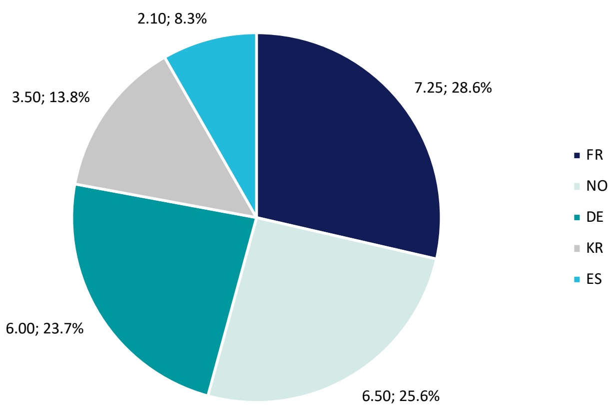
Modified duration and time to maturity by country



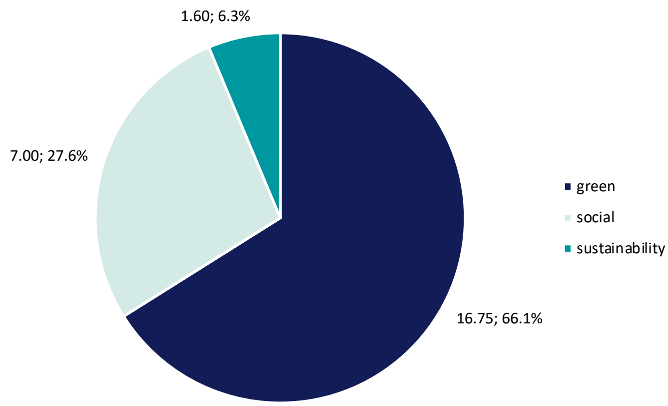
Rating distribution (volume weighted)



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

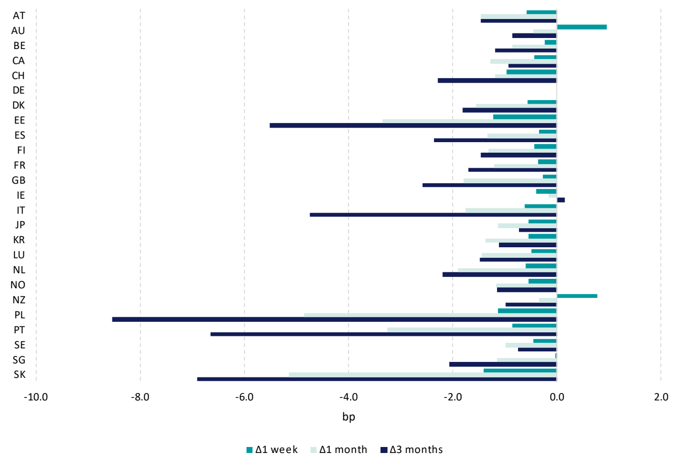


EUR benchmark volume (ESG) by type (in EURbn)

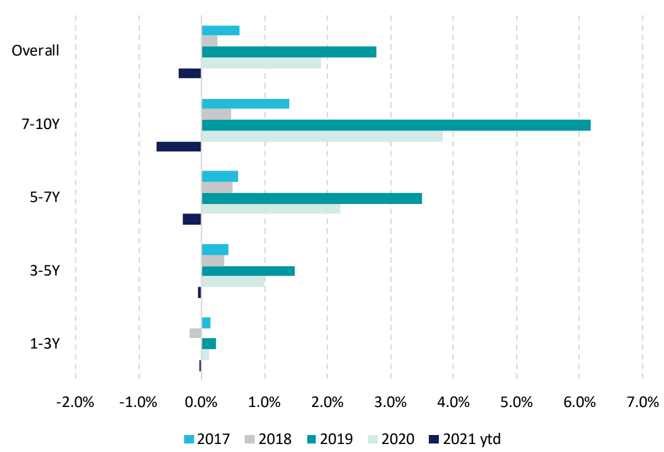


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

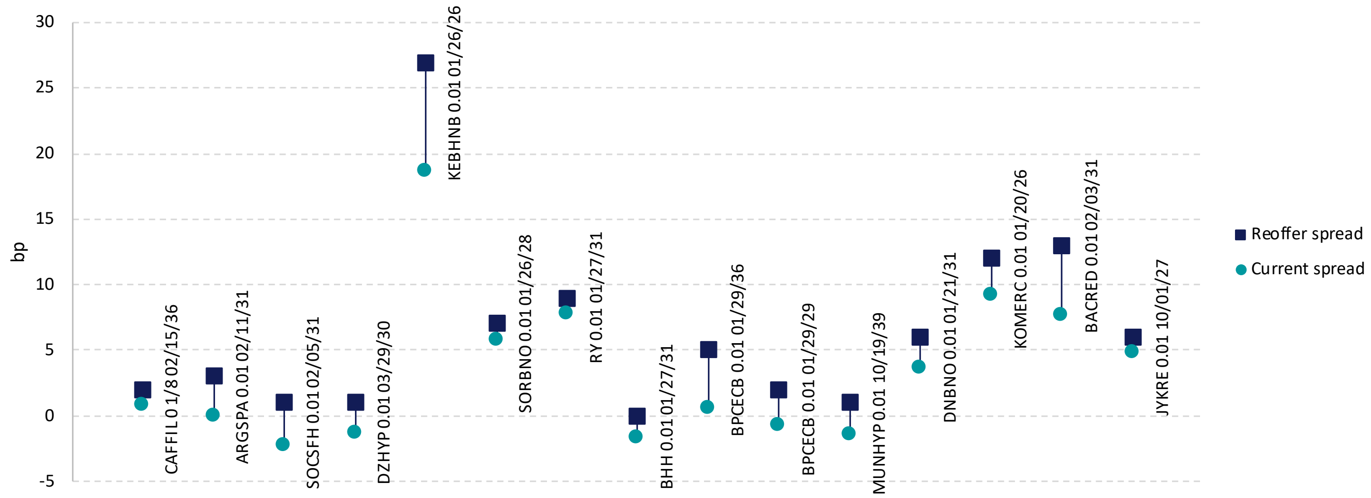
Spread development by country



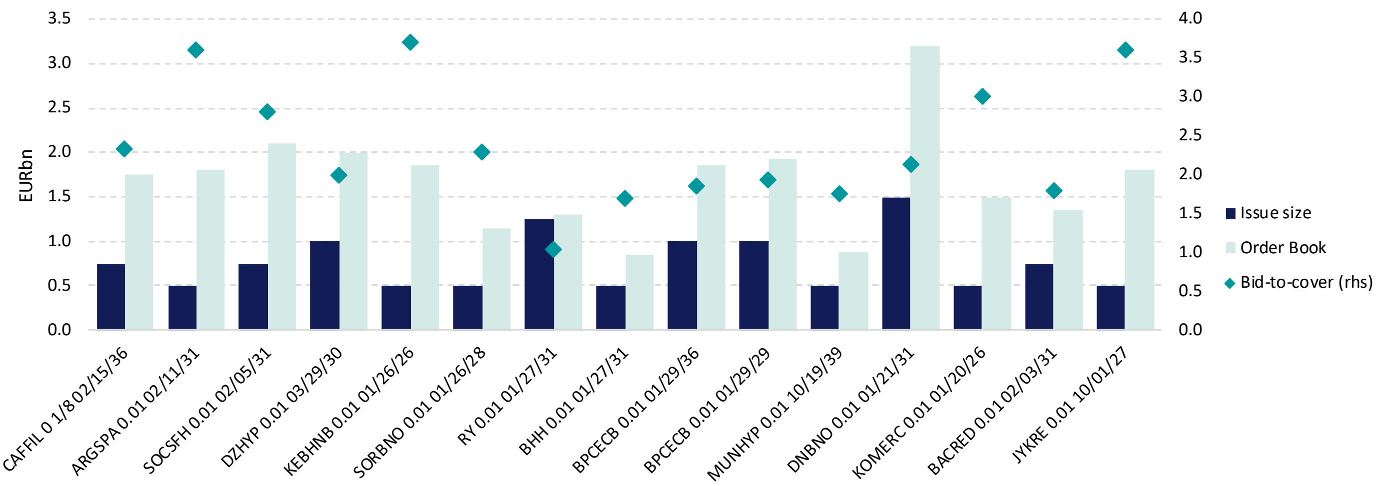
Covered bond performance (Total return)



Spread development (last 15 issues)



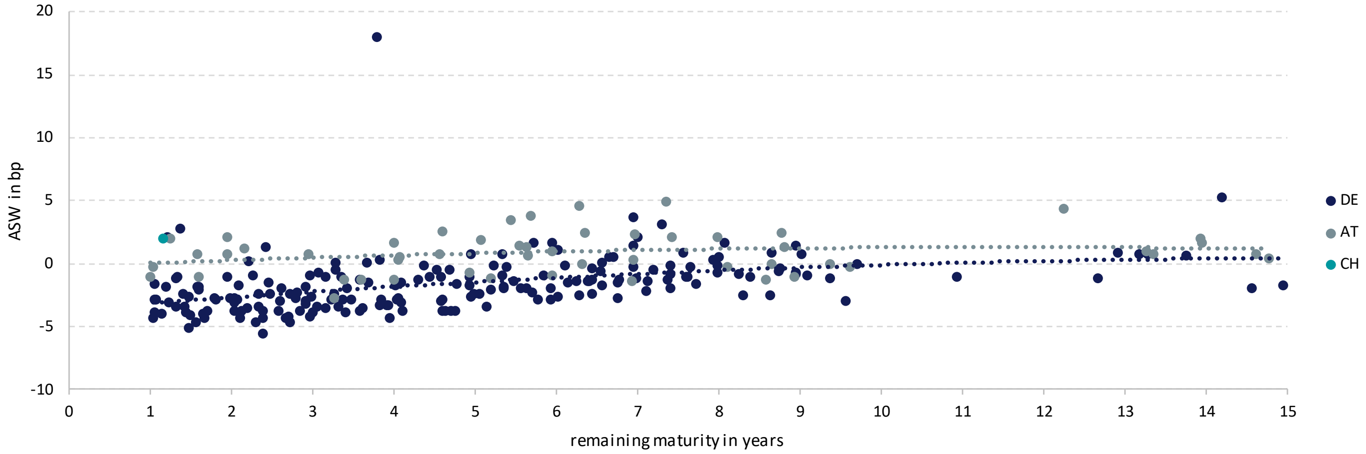
Order books (last 15 issues)



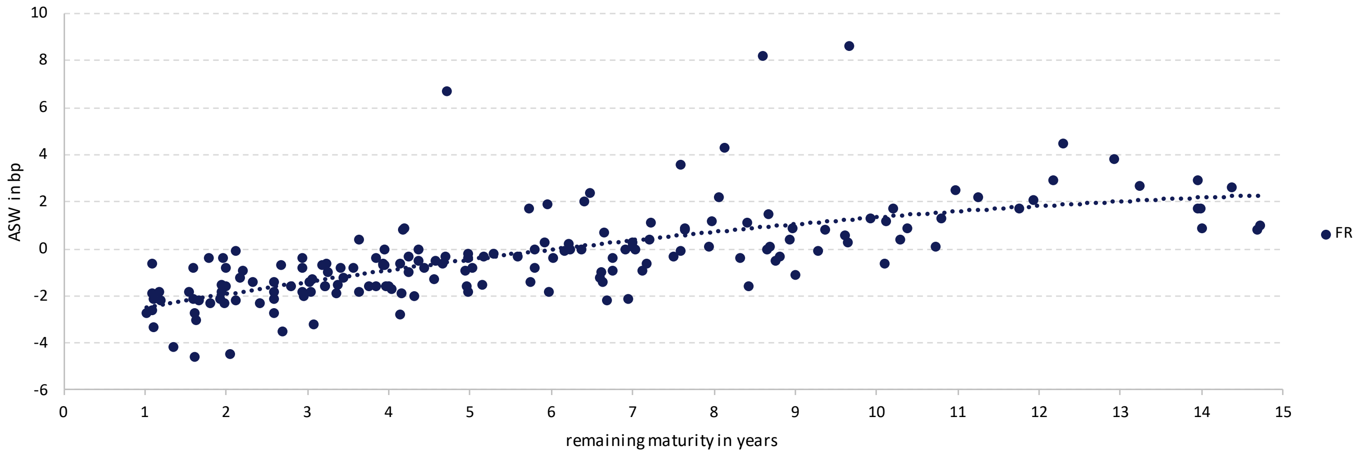
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

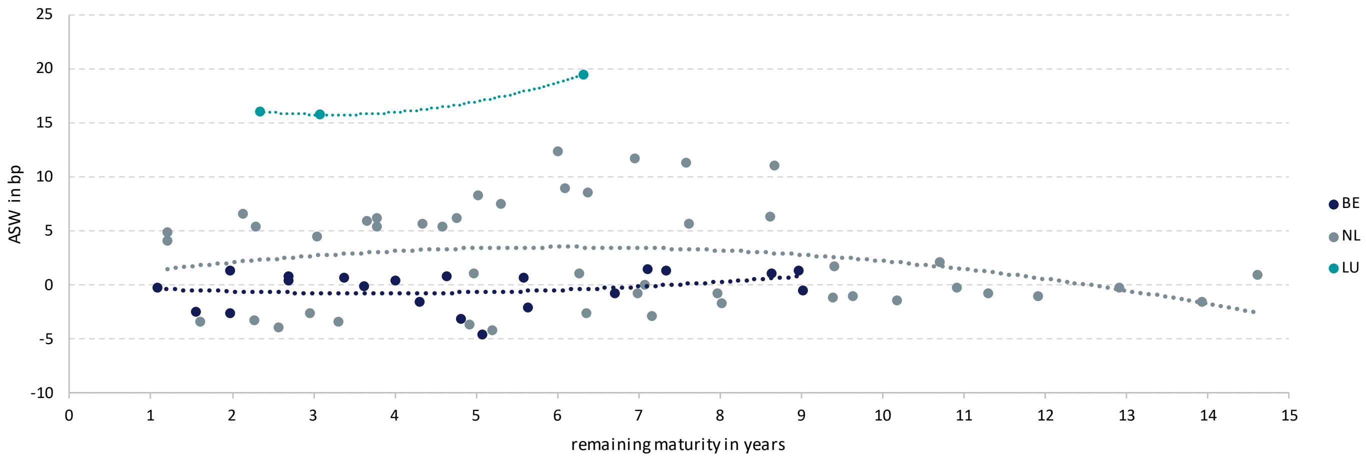
DACH



France

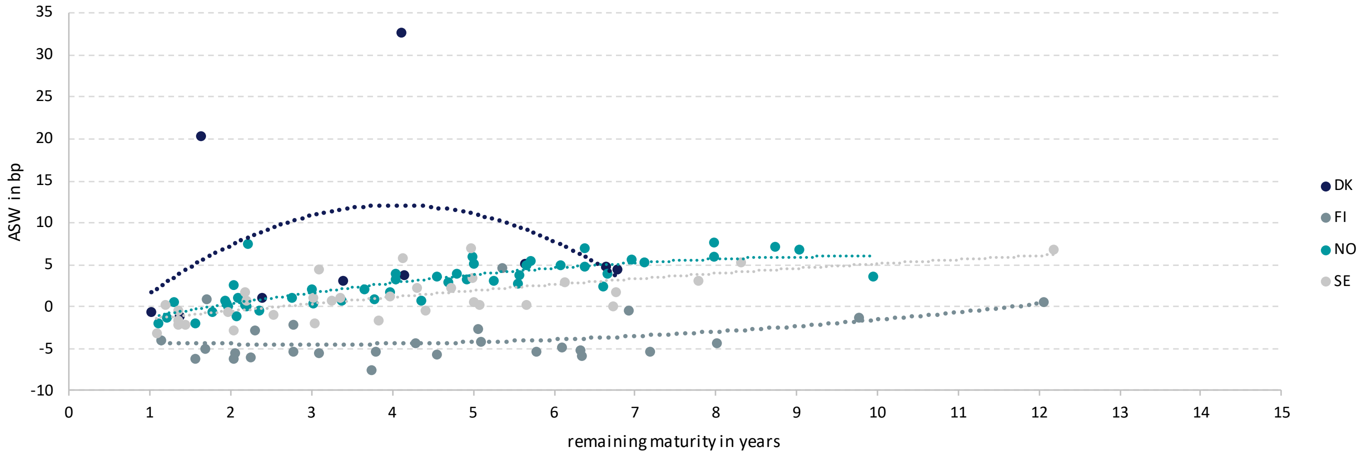


Benelux

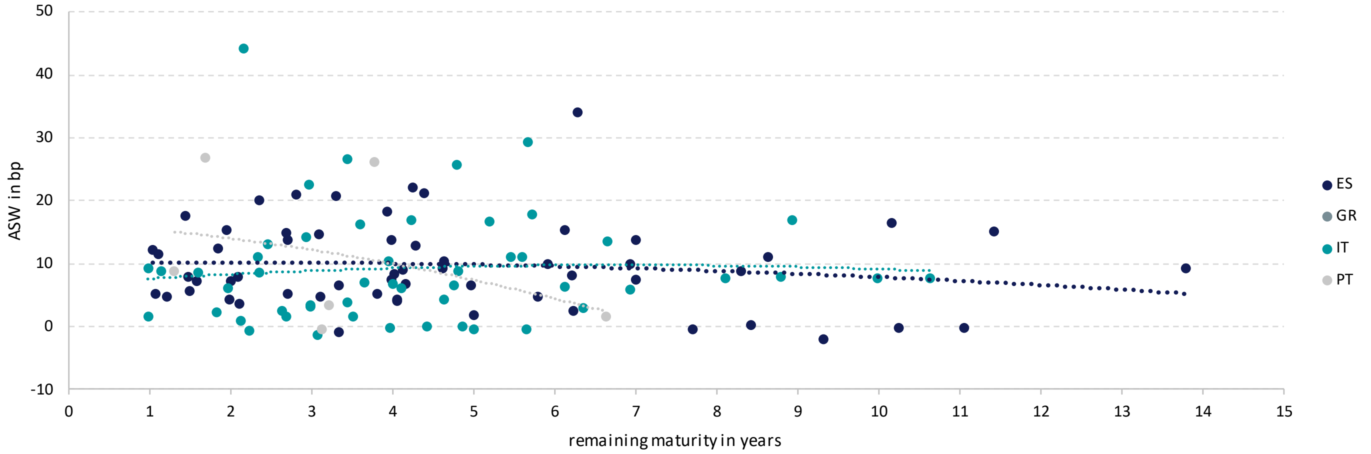


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

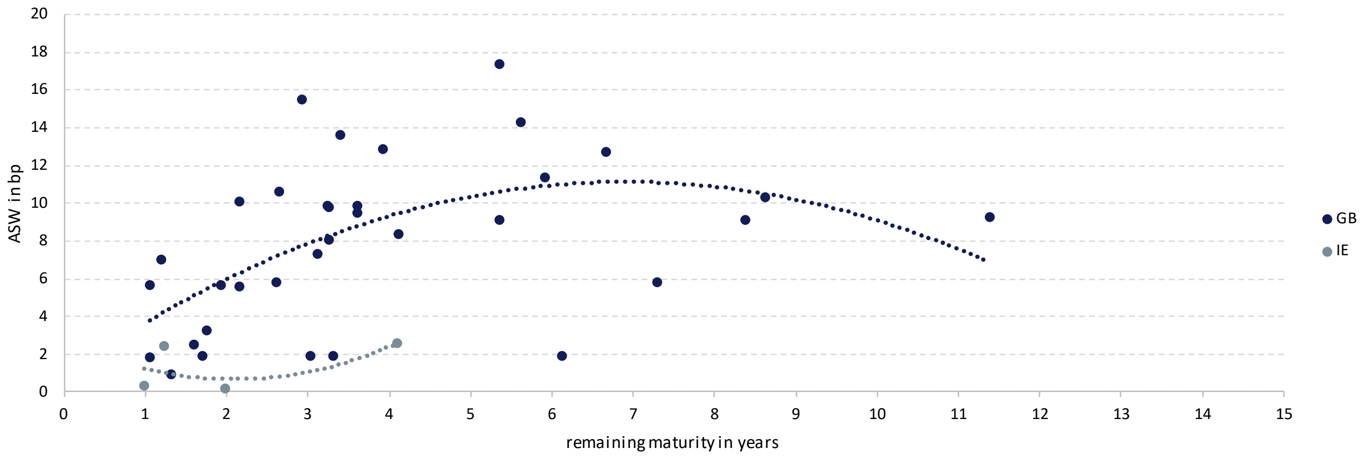
Nordics



Southern Europe

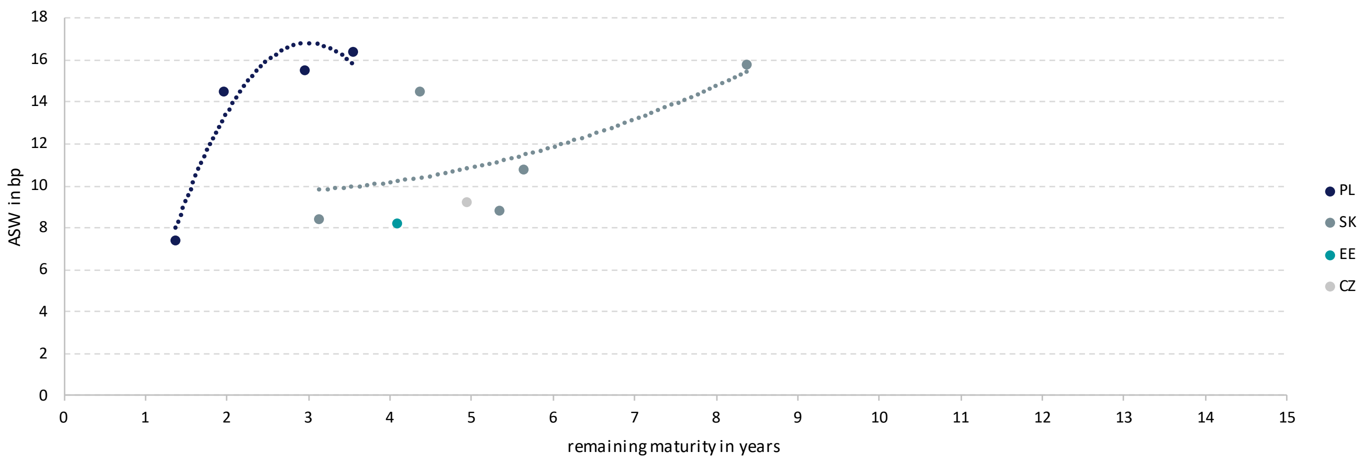


UK/IE

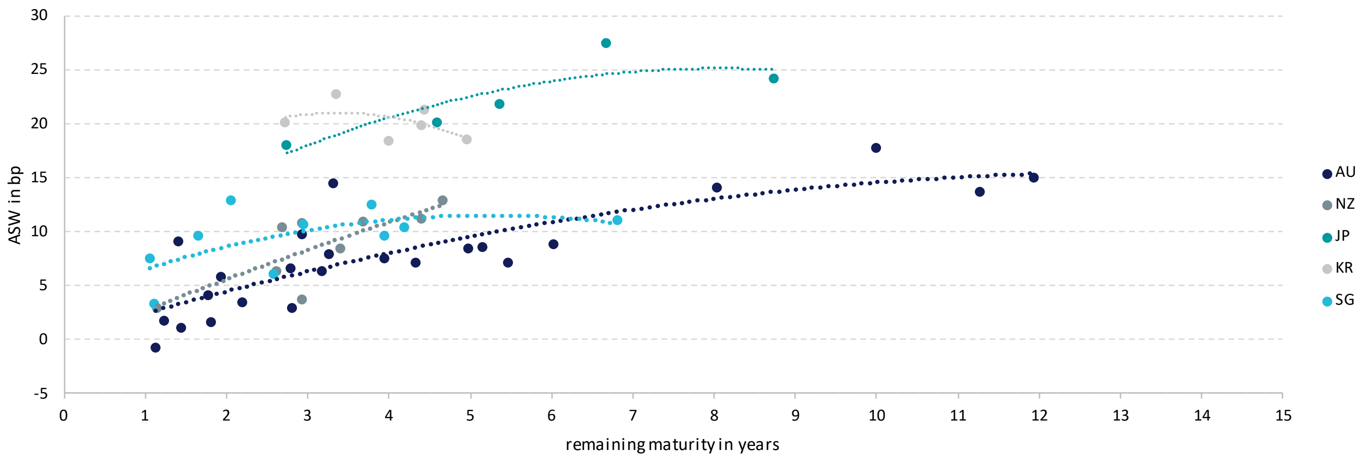


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

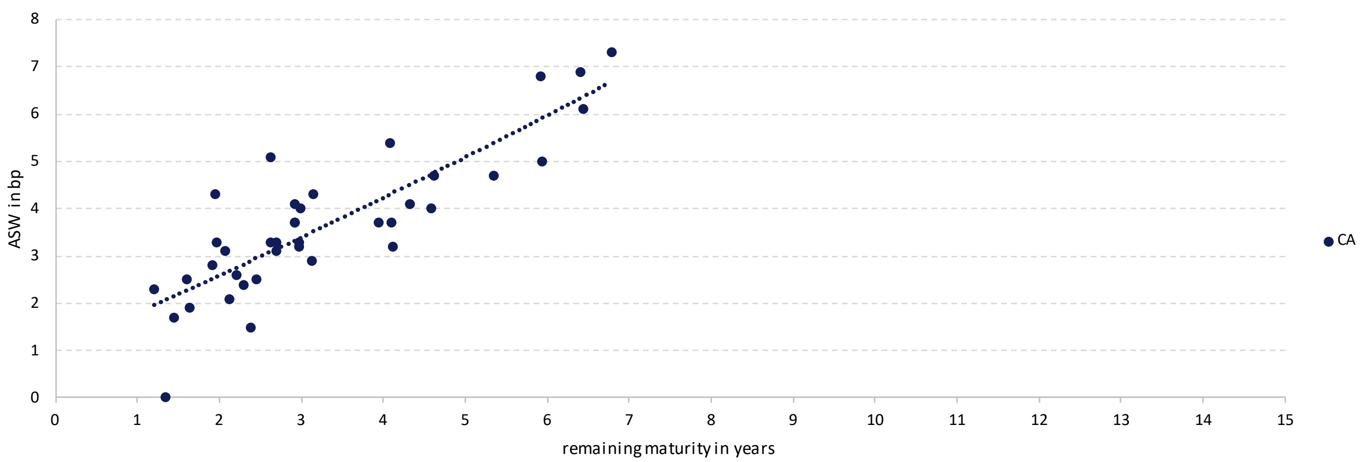
CEE



APAC



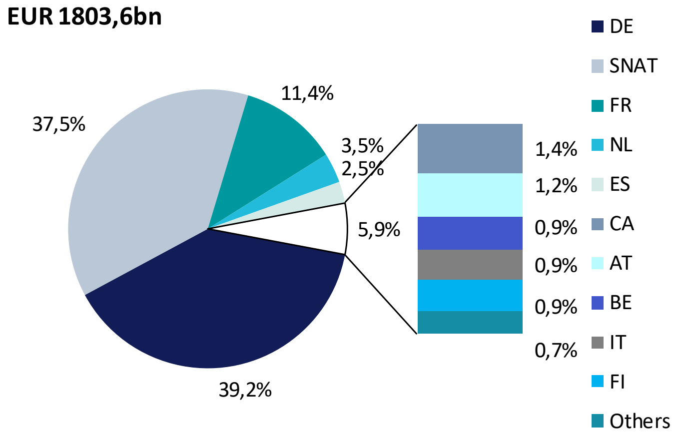
North America



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

Charts & Figures
SSA/Public Issuers

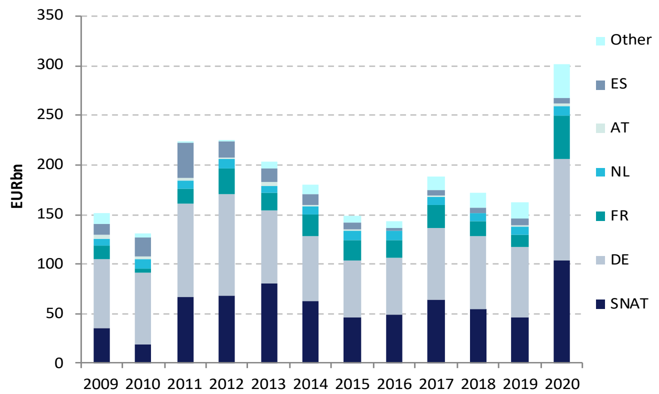
Outstanding volume (bmk)



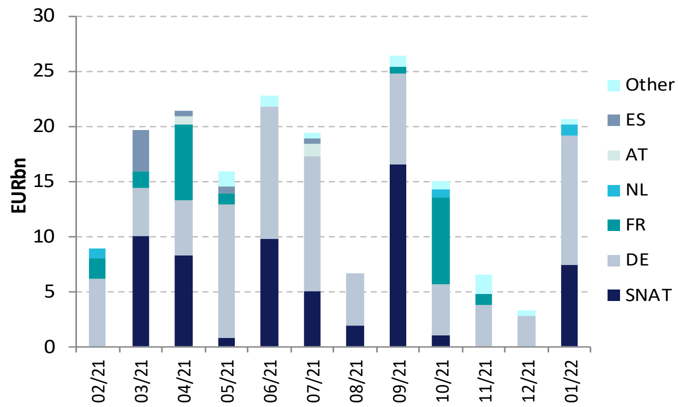
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	706,5	553	1,3	6,6
SNAT	677,1	178	3,8	7,9
FR	205,6	145	1,4	5,3
NL	62,4	64	1,0	6,5
ES	45,1	53	0,9	4,5
CA	25,0	18	1,4	5,6
AT	22,5	24	0,9	5,3
BE	16,3	19	0,9	14,1
IT	15,8	20	0,8	6,0
FI	15,5	20	0,8	5,9

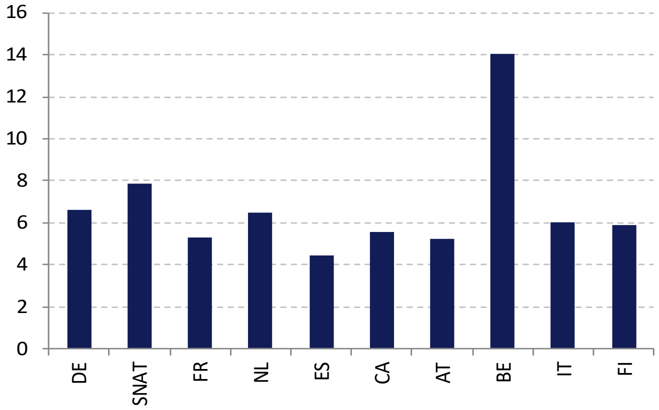
Issue volume by year (bmk)



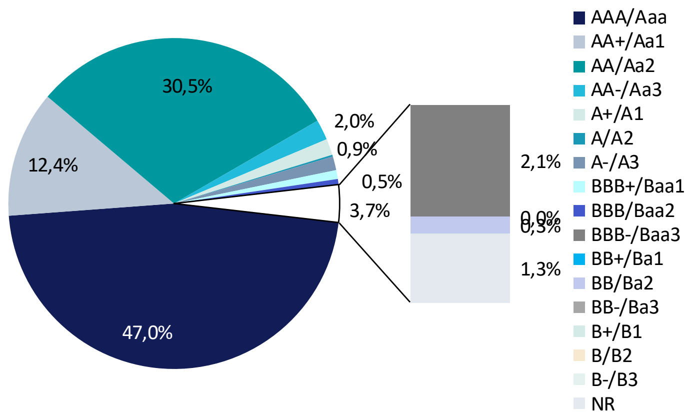
Maturities next 12 months (bmk)



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

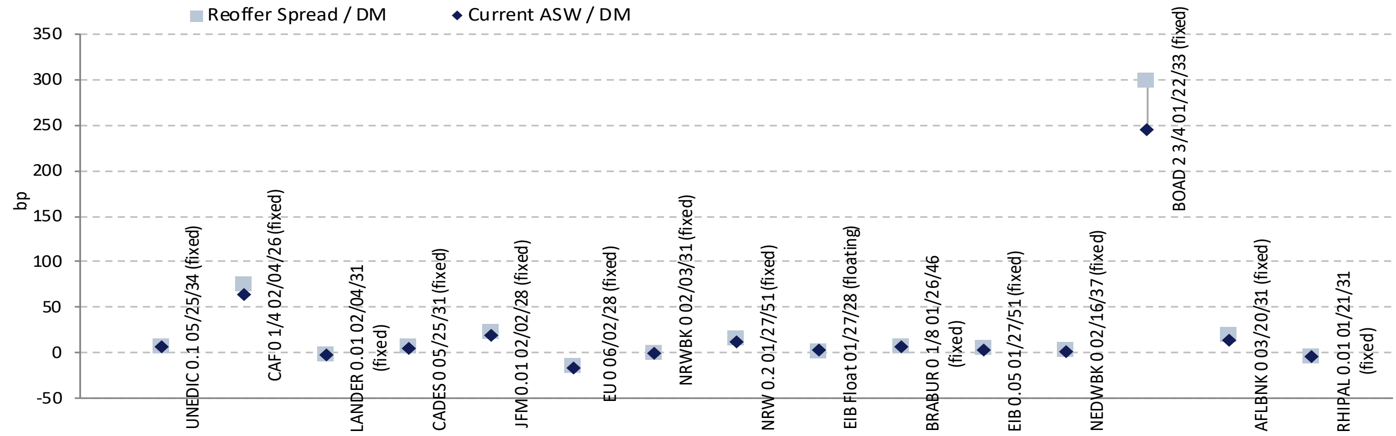


Rating distribution (vol. weighted)

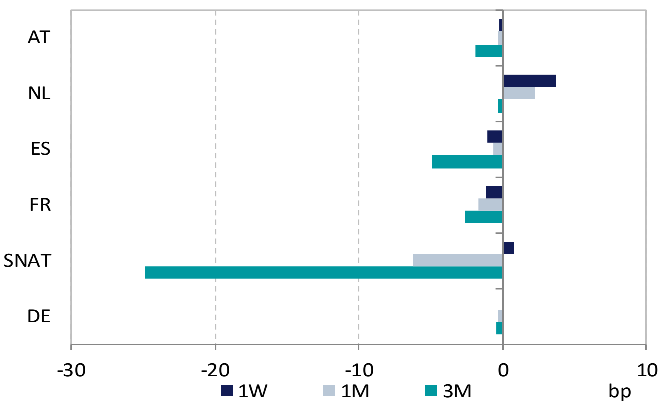


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

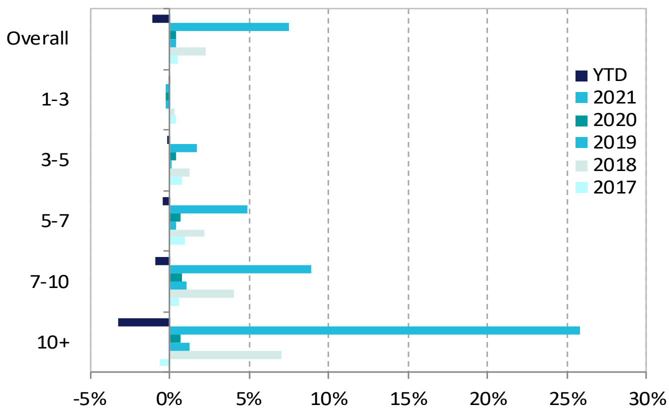
Spread development (last 15 issues)



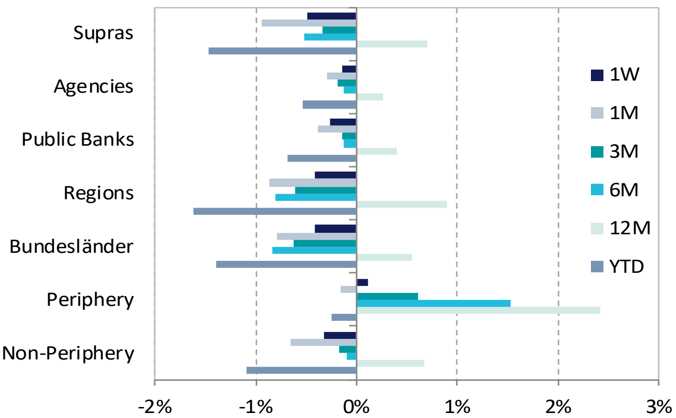
Spread development by country



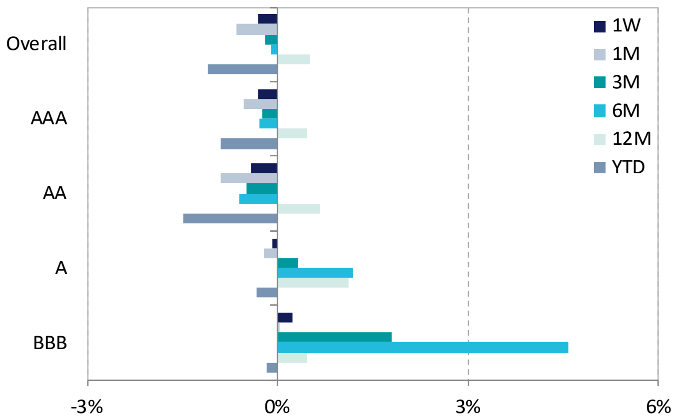
Performance (total return)



Performance (total return) by regions

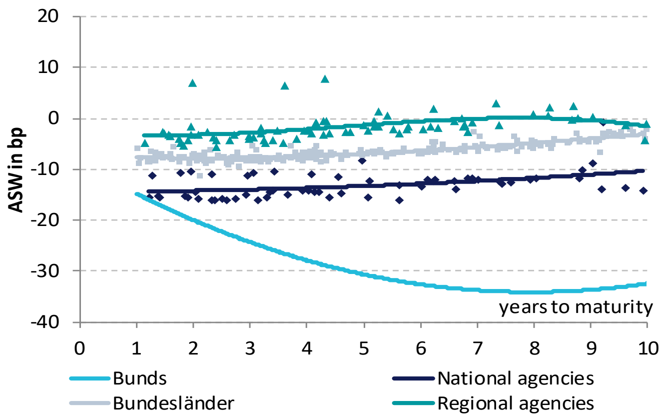


Performance (total return) by rating

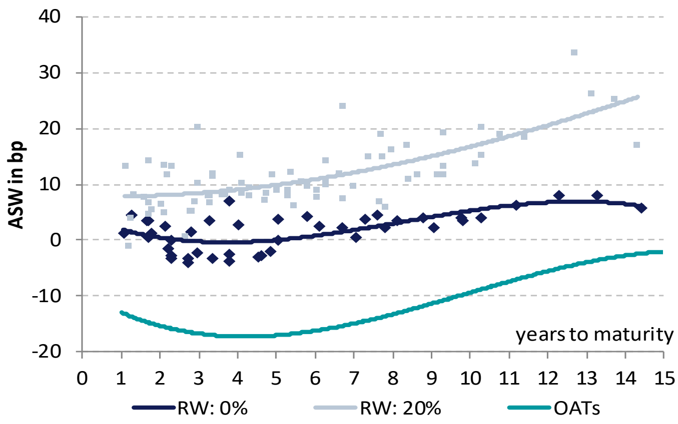


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

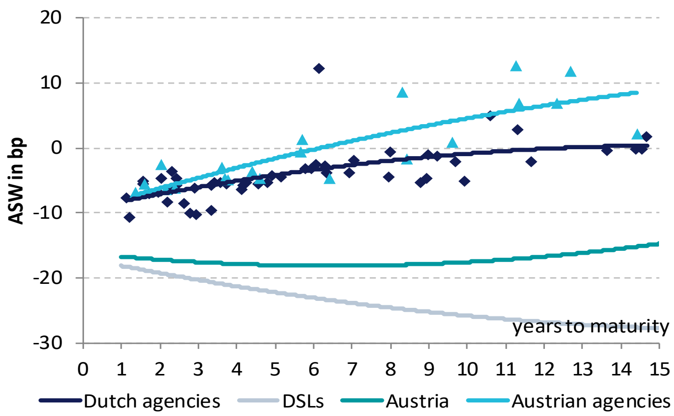
Germany (by segments)



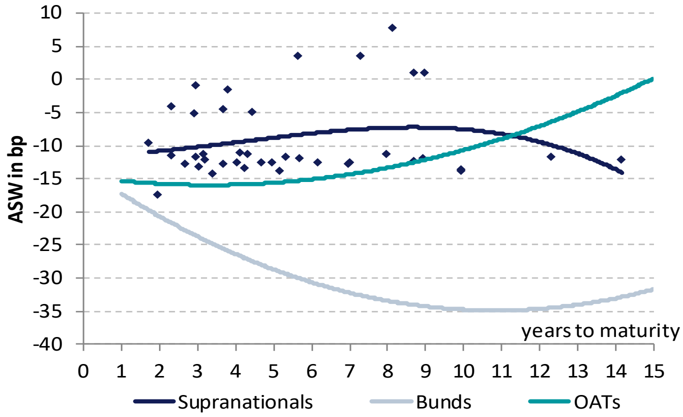
France (by risk weight)



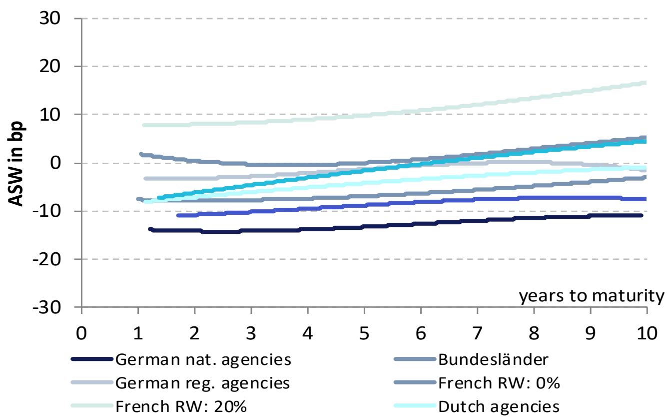
Netherlands & Austria



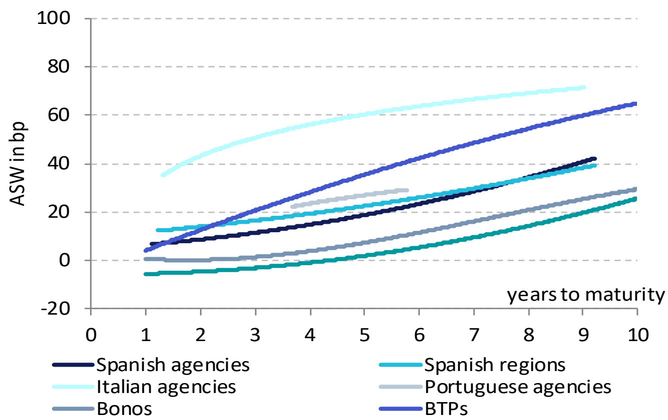
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
04/2021 ♦ 03 February	▪ Argenta Spaarbank expands Belgian market for EUR benchmarks ▪ An overview of the Fitch covered bond universe ▪ January 2021 packs a punch to kick off the new year
03/2021 ♦ 27 January	▪ An unusual – albeit expected – start to the year? ▪ A look at USD benchmarks ▪ ESM reform – restructuring continues
02/2021 ♦ 20 January	▪ Spread considerations – APAC covered bonds riding the wave of ECB purchase programmes? ▪ Return of the Danish market for EUR benchmark bond issues ▪ 22nd meeting of the Stability Council (Dec. 2020)
01/2021 ♦ 13 January	▪ EUR benchmark from the Czech Republic: Komerční Banka launches a new covered bond programme ▪ New covered bond programme from South Korea: Hana Bank ▪ Annual review of 2020 – covered bonds ▪ Annual review of 2020 – SSA
48/2020 ♦ 16 December	▪ TLTRO III: ECB extends tender and also raises the threshold
47/2020 ♦ 09 December	▪ Fourth and final round of PEPP reporting in 2020 ▪ Investment alternative: Paris metropolitan area (IDF and VDP)
46/2020 ♦ 02 December	▪ The ECB ahead of its course-setting meeting for 2021 ▪ Covered Bonds – Outlook 2021: Waiting for the game changer? ▪ SSA – Outlook 2021: Coronavirus and ECB dominate public-sector segment
45/2020 ♦ 25 November	▪ UOB ends the state of hibernation on Singapore's primary market ▪ The covered bond universe of Moody's: an overview ▪ Update: Belgium regions as investment alternatives
44/2020 ♦ 18 November	▪ Primary market 2021: real prospect of Hungarian EUR benchmarks? ▪ German Pfandbrief savings banks in Q3 2020 ▪ Development of the German property market
43/2020 ♦ 11 November	▪ Newcomer to the benchmark segment: HSBC Bank Canada sets sights on EUR debut ▪ OP Mortgage Bank: First green covered bond from Finland ▪ Transparency requirements §28 PfandBG Q3/2020
42/2020 ♦ 04 November	▪ Covered Bond Framework and Liquidity Coverage Ratio: European Commission presents draft version of amendments to LCR regulation ▪ An overview of the Fitch covered bond universe
41/2020 ♦ 28 October	▪ ECB: The year of the owl – review and outlook ▪ Yield developments on the covered bond market
40/2020 ♦ 21 October	▪ German building societies: EUR benchmark debuts and requirements for investing in soft bullet bonds ▪ NPLs in cover pools – lack of unified approach at national level
39/2020 ♦ 14 October	▪ Spain: Issuer consolidation ahead? ▪ PfandBG to include extendable maturity structures ▪ The EU has big plans – "SURE" and "Next Generation EU"

Appendix
Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2020

Risk weights and LCR levels of covered bonds

Transparency requirements §28 PfandBG

Transparenzvorschrift §28 PfandBG Sparkassen (German only)

SSA/Public Issuers:

Issuer Guide – Supranationals & Agencies 2019

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – German Bundeslaender 2020

Issuer Guide – Down Under 2019

Fixed Income:

ESG update

Analysis of ESG reporting

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

ECB launches corona pandemic emergency

ECB responds to corona risks

Appendix
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Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales 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

Treasury

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

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Additional information
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Issuer / security	Date	Recommendation	Bond type	Cause