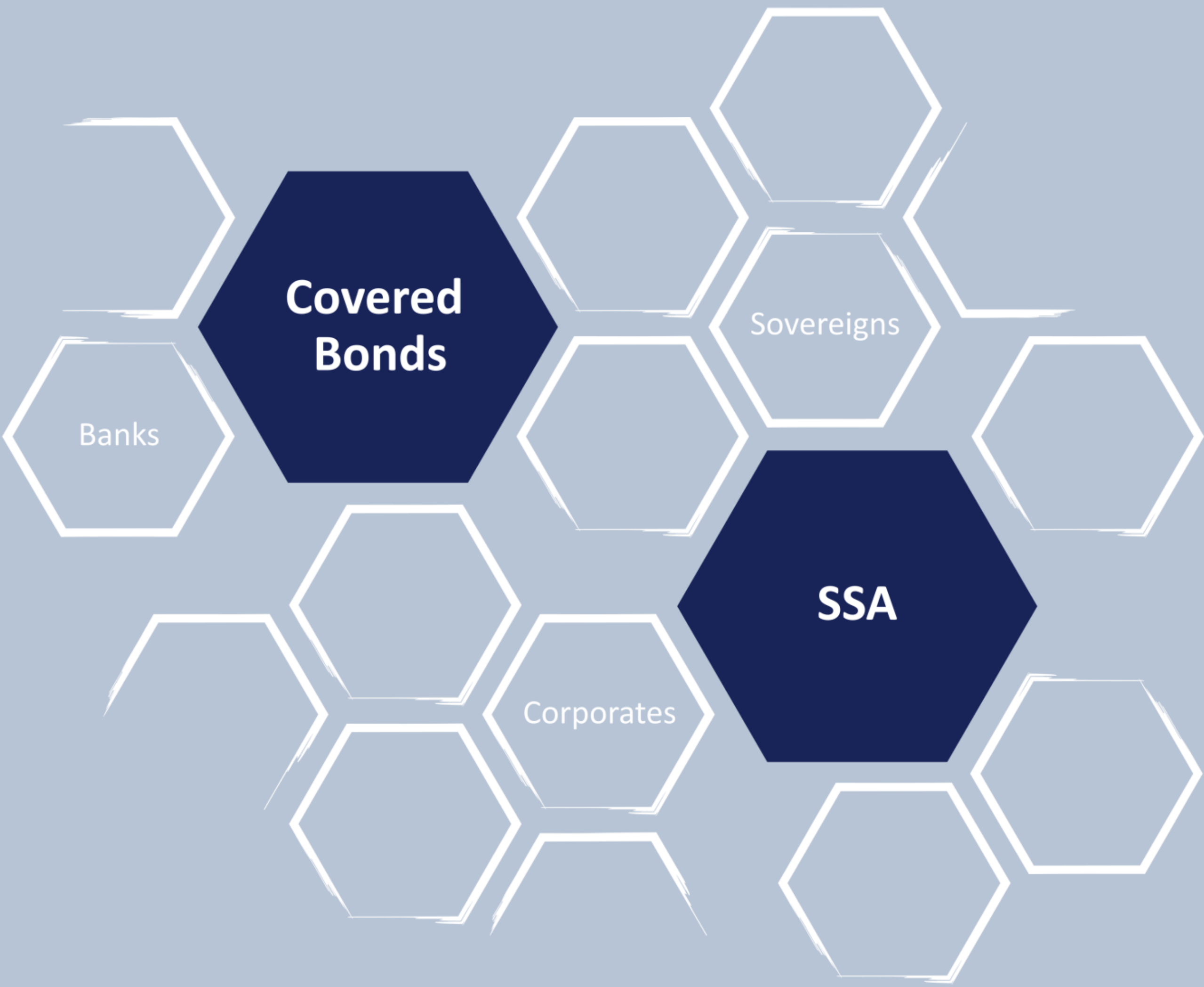

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

10 November 2021 ♦ 35/2021

Investment strategy recommendation and marketing communication
(see disclaimer on the last pages)

Agenda

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RESP NRDR <GO>

Market overview
Covered Bonds

Author: Dr Frederik Kunze

Primary market: Yorkshire Building Society elevates the UK to the circle of ESG issuers
Right at the start of the new trading week, there were signs of growth in the sub-segment of covered bond issuances in ESG format, with the Yorkshire Building Society becoming the first UK issuer to make a foray into the sub-segment of ESG covered bonds. This social covered bond worth EUR 500m (7y) started out in the marketing phase at ms +14bp area. The re-offer spread was eventually fixed at ms +9bp, while the order book for what was just the third EUR benchmark from the UK so far this year amounted to EUR 1.4bn. In total, the issuance volume from the UK in the year to date now amounts to EUR 1.75bn, which is counteracted by maturities of EUR 13.1bn for the full year 2021. Last week, UniCredit Bank AG topped up its Pfandbrief deal HVB 0 1/4 01/15/32 by EUR 250m. The spread stood at ms -1bp and the order books totalled EUR 438m.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
SpareBank 1 Boligkreditt	NO	27.10.	XS2404591161	7.0y	1.00bn	ms +3bp	- / Aaa / -	-

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

S&P offers view on the Dutch covered bond market
As part of the most recent edition of its own publication series "Covered Bond Market Insights", the rating agency Standard & Poor's (S&P) discussed developments on the covered bond market in the Netherlands. According to information from the rating agency itself, S&P currently rates nine out of the country's 14 programmes. Dutch covered bond legislation has not yet been adjusted in line with the harmonisation efforts at EU level, but we nevertheless share the assessment of S&P that only minor adjustments will be needed here. In this context, S&P cites in particular the specific requirements related to extendable maturity structures for covered bonds. Soft bullet deals are already an established part of the Dutch covered bond market and are increasingly taking up further space or, in other words, constraining the issuance of CPT structures. S&P covers the latter aspect in the context of the CBPP3, within the framework of which CPT covered bonds are no longer eligible for purchase. In terms of market-specific challenges, S&P also identifies developments on the property market, which are making it harder for people in the Netherlands to own their own homes. Looking at the covered bond rating, however, S&P evaluates the risk of a rating downgrade as a consequence of price declines on the property market as modest.

EMF-ECBC publish "Hypostat 2021"
The statistical report from the EMF-ECBC "Hypostat 2021" delivers a comprehensive overview of developments on the residential property and mortgage market. Published on an annual basis, the report covers the 27 EU member states in addition to a further 13 jurisdictions and presents a summary of the trends observed on the respective sub-markets. Accordingly, house prices in Europe rose by +4.8% in 2020 (2019: +5.8%). The volume of outstanding real estate financing also displays a sustained growth trend (EU27 in 2020: +4.5% Y/Y to EUR 6.17tn). Alongside data on property markets, the 2021 edition also covers the driving forces behind developments on property markets in 2020. These include both the implications related to payment holidays in the context of the COVID-19 crisis and ESG risks in a banking context.

Eurosystem influence on the covered bond market: how can the CBPP3 proceed in 2022?
In today's issue of our weekly publication, we will discuss the further course of purchases under the ECB's Pandemic Emergency Purchase Programme (PEPP) as part of a Cross Asset article. In a straight analysis, the PEPP's direct influence on the covered bond market can be regarded as limited in the sense that covered bonds are only rarely purchased as part of the pandemic programme. At the same time, however, the question as to how things will proceed in connection with the PEPP is certainly highly relevant, also for the CBPP3, and therefore for the covered bond segment too. In this context, various scenarios are feasible. Rather than considering every possible factor in play, we intend to run through two theoretical scenarios. In the first scenario, we assume a higher absolute purchase volume of covered bonds. In this context, a significant volume of PEPP purchases would – after this programme has come to an end – be "transferred" to the APP, with the shares under the APP largely remaining unchanged. In this respect, with a continued 10% share of covered bonds, the monthly volume purchased under the CBPP3 would increase accordingly. In contrast, under the second scenario, the result could be a decline in the purchase volume if the observable overweighting of public sector debt securities (under the PEPP) were to be transferred into the APP and if the Eurosystem were at the same time to aim to continue purchasing the highest possible share of these issuances. Assuming that the new APP makes far fewer purchases overall than the previous APP and PEPP combined, a substitution relationship at the expense of the covered bonds would have to be assumed in the context of this second scenario. While the first scenario would be more likely to support spreads, the second scenario could well lead to spread widening. However, since the EUR benchmark segment will be characterised by a negative net supply in 2022 – we are anticipating an issuance volume in the order of EUR 119bn set against expected maturities of EUR 138bn – we would not overestimate the sustainable character of pronounced spread widening under the second scenario in this hypothetical analysis. However, from our perspective, the situation could play out differently if covered bond purchases were reduced in the context of genuine tapering.

Riksbank discusses the influence of its own monetary policy on risk premiums
The Swedish central bank, Riksbank, was one of the central banks that opted to purchase covered bonds in the wake of the outbreak of COVID-19 and the ensuing crisis. As part of a recent working paper, Riksbank has now discussed the influence of its own monetary policy on risk spreads. While the author extensively describes the understandable challenges with a view to deriving the specific influence of individual measures on spreads, we would emphasize the fundamental discovery that the risk premium for the covered bonds in question has decreased to a value of zero. Unsurprisingly, the working paper concludes: "Even when covered bonds are collateralised with high quality securities, this does not necessarily mean that the risk premiums should amount to zero under normal circumstances. For this reason, it is possible that risk premiums will rise again when market conditions return to normal."This statement refers explicitly to the Swedish sub-market of bonds denominated in SEK that were purchased by Riksbank. However, to a certain extent, this line of thinking can also be applied to other markets such as the EUR benchmark segment or other currency areas.

Market overview SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

EU Annual Budget Conference delivers news both old and new

Following the European Parliament's approval, the European Council adopted the EU's Multiannual Financial Framework for 2021-2027 on 17 December 2020. The regulation, which we looked at in detail a year ago, provides for a long-term EU27 budget of EUR 1,074.3 bn in 2018 prices and is inclusive of the European Development Fund. Together with the NextGenerationEU programme amounting to EUR 750bn, the EU will over the next few years therefore be able to make funds available at the unprecedented level of at least EUR 1.8tn to combat the COVID-19 pandemic and support long-term priorities in a very wide range of areas. A few words at this juncture regarding the process here. Three EU institutions are involved in the procedure to adopt the annual EU budget: the European Commission, the European Council and the European Parliament. It starts in the February of the preceding year when the Council and Parliament accept the guidelines. The Commission then submits a draft proposal to the Council and Parliament, generally in the May. Between July and September, the Council determines its position, which the Parliament can either approve or amend in the following month. This is the stage that has just taken place. The EU's annual budget is generally adopted by the end of the preceding year. If no agreement can be reached, the new budget is generally drawn up in accordance with the "provisional twelfths" system, whereby no more than one twelfth of the previous year's budget may be spent per month. This is different from the Multiannual Financial Framework, referred to above, which is set up on a long-term basis. Short-term budget changes serve to adjust the EU budget to new developments. Changes can become necessary on the expenditure side, to cover new requirements resulting from crises such as the COVID-19 pandemic, for example. On the income side, amendments may be required if revenue from the various sources is lower than forecast or there are unexpected surpluses from the previous year. Johannes Hahn is the Commissioner responsible for budget and administration and opened the Annual Budget Conference on Monday. He highlighted the impact of the record stimulus package resulting from the long-term budget in conjunction with the firepower of the NGEU programme. Hahn's tasks include a smooth and swift transition to the long-term EU budget for 2021-2027, as well as leading the annual assessment of accounts ("discharge process"). The NextGenerationEU programme has broken new ground: it enables the Commission to issue bonds on a large scale which are backed by the EU budget and will help the EU emerge stronger from the coronavirus crisis. This means that the European Union can incur debt to support all Member States in fighting the crisis and building resilience. Hahn went on to say that the stimulus package has already shown the power of Europe as a learning Union: while it took 8 years to recover from the previous crisis, all countries are expected to be at, or above, pre-pandemic growth levels by the end of next year. The EU will soon become the biggest issuer of green bonds. Moreover, a total of 11 Member States have already issued green bonds and a further three have announced their intention to do so in 2022.

Future of the EU in light of the budget – the most promising candidates

Five countries currently hold the official status of EU accession candidates. Article 49 of the EU Treaty gives every European country the right to apply to join the European Union. The EU grants official "accession candidate" status to those countries that have submitted an entry application which, following a positive recommendation by the European Commission, has been unanimously accepted by the EU Council. The exact accession procedure is explained in the article "Enlargement of the European Union". As a result of their number, the current candidates (Albania, Montenegro, North Macedonia, Serbia, Turkey) are designated CC-5 (Copenhagen criteria). Turkey has been part of a customs union with the EU since 1996, and has been an official accession candidate since 1999, with negotiations starting in 2005. However, for some years (since 2017 at least), the country has only been included for "statistical purposes" as its accession is nowadays more unrealistic than ever. Negotiations with Montenegro have officially been underway since 18 December 2012 and it was granted candidate status back at the end of 2010. There is little to no resistance in the case of Montenegro to date but it has still taken nine years to fulfil all the criteria. Further efforts are still required with regard to the creation and implementation of administrative capacity, as well as in terms of press freedom and freedom of speech. Albania has been an official EU accession candidate since 24 June 2014 and the European Council resolved at the end of March 2020 to start accession negotiations. However, the beginning of actual talks was blocked in November 2020 by the Netherlands. The country formerly known as the Republic of Macedonia was granted accession candidate status on 17 December 2005, but the name dispute with Greece led to delays until this was clarified in 2018 when the country was renamed North Macedonia. The start of accession negotiations was also resolved at the end of March 2020 but was blocked in November 2020 by Bulgaria. With regard to Serbia, the UN war crimes tribunal prevented notable progress for many years. Following the arrests of Tolimir (2007), Karadžić (2008) and Mladić (2011), Serbia was granted accession candidate status in March 2012. However, the start of Serbia's negotiations was contingent on the country resuming mediation talks with Kosovo. The accession negotiations began at the start of 2014. Among other aspects, the EU is supporting the Western Balkan states with a COVID-19 package of up to EUR 3.3bn to help mitigate the socio-economic repercussions of the crisis. In addition, the European Commission has presented an economic and investment plan for the Western Balkans with a total funding volume of up to EUR 9bn. According to the EU, further potential candidates are Kosovo as well as Bosnia and Herzegovina. Iceland has wished not to be regarded as a candidate back in March 2015.

Primary market

While new issuance activity increased in the Corporates sector in particular, new deals in the SSA segment were few and far between. Auckland Council issued mandates for a green senior secured bond with a volume of EUR 500m (WNG). As we understand it, bonds from Auckland (ticker AUCKCN) carry a risk weighting of 20% despite securitization and ratings of Aa2 and AA. The deal was 7x oversubscribed and tightened by 7 basis points during the pricing process. KfW also issued a green tap (EUR 1bn; 2031) at ms -1bp, while BNG issued investor call invitations for a sustainability bond.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
AUCKCN	Other	04.11.	XS2407197545	10.0y	0.50bn	ms +18bp	- / Aa2 / AA	X

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

Cross Asset
PEPP approaching notional end – will the APP be pepped up?

Authors: Dr. Frederik Kunze // Dr Norman Rudschuck, CIIA

Introduction

The Pandemic Emergency Purchase Programme, or PEPP for short, has been a hot topic since it was first established in March 2020. It has been increased several times and has a "loose" target figure of EUR 1,850 bn. This is the first tricky point: because of the pandemic, the programme has been designed to be very flexible and this target does not even have to be achieved. It is this point that we wish to examine in today's Cross Asset article. At present, we calculate that the PEPP will hit its target on 1 April 2022 if the average pace of purchasing of EUR 17.7bn is maintained. However, in light of the ECB's communication, we are forecasting a lower figure which we will also examine here. So will the programme be ended, increased or transformed? The members of the ECB Council still seem to have no unanimous view and all eyes are therefore on December's meeting (scheduled for 16 December).

Wording of monetary policy decision

The wording at the ECB is as follows: "The ECB Council will continue to conduct net asset purchases under the PEPP with a total envelope of EUR 1,850 billion until at least the end of March 2022 and, in any case, until it judges that the coronavirus crisis phase is over. The ECB Council continues to judge that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the PEPP than in the second and third quarters of this year. The ECB Council will purchase flexibly according to market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope can be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation. The ECB Council will continue to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance."

Estimated portfolio development

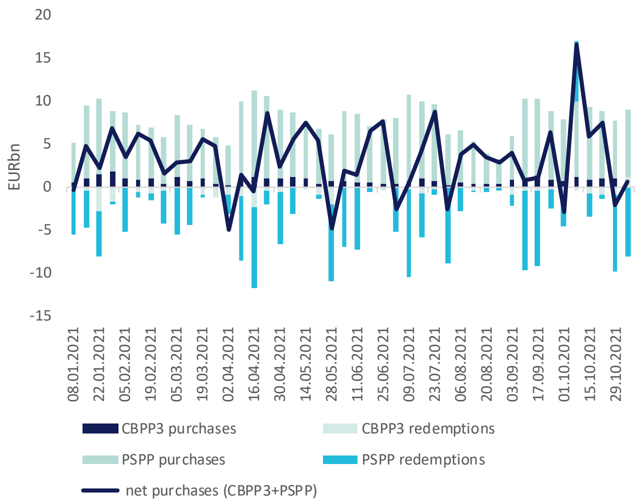
Assumed future purchase pace	Weekly net purchase volume	PEPP Limit hit in...
Average net weekly purchase volume so far	EUR 17.7bn	21 weeks (01 April 2022)

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

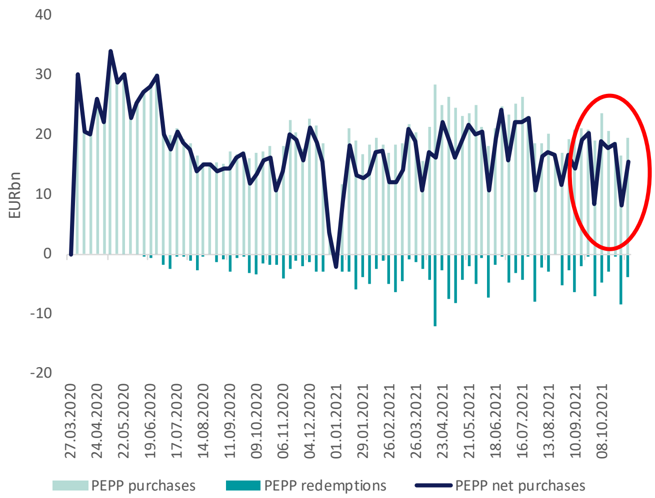
Literal analysis
The programme will therefore run “until at least the end of March 2022” and moreover “until [...] the coronavirus crisis phase is over”. In light of the fourth wave in Germany, among other factors, when this time will actually come is even harder to forecast than before. A certain level of vaccination fatigue coupled with waning immunity (i.e. vaccine breakthrough – symptomatic infection in a vaccinated person) is causing additional uncertainty here. The ECB Council also continues to insist that “the envelope need not be used in full” provided that favourable financing conditions can be maintained. “Equally” – i.e. 50:50 as we see it, “the envelope can be recalibrated if required” – in other words, increased again. Either way, the focus is clearly on flexibility and maintaining favourable financing conditions. We shall look at reinvestments under the programme up until the end of 2023 later on in this article.

PEPP: expected to be closed at the end of March 2022
The first three figures for October gave no indication of a slowdown in the pace of purchasing. In fact, at EUR 55.1bn, the average totalled just below EUR 18.4bn. It was not until the fourth figure was reported (EUR 8.2bn) that there was a sign of a considerable deceleration, with the average dropping to EUR 15.8bn. Christine Lagarde, however, has always asked the press and analysts to view the figures on a monthly, not weekly, basis. The aggregate monthly figure for the four reporting dates in October stands at EUR 63.3bn and is still ahead of our estimate of an average weekly figure of EUR 14.6bn by the end of the year. The first weekly figure for November was made available to us yesterday afternoon: EUR 15.6bn. In light of growing concerns regarding inflation, especially in Germany, the ECB’s chief economist Philip R. Lane also commented recently on the PEPP and stressed once again that the ECB Council adopts a multidimensional approach to assessments and takes more than just the current situation into account. Lane was also relaxed with regard to evaluating market developments in the context of the ECB entering the tapering phase, and in our opinion warned once again about focusing on too short a timeframe. However, he also once more emphasised that the Eurozone was by no means in a phase where asset purchasing would end.

Purchasing under the PSPP and CBPP3 (2021 ytd)



Purchasing under the PEPP (since inception)



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

PEPP: public sector bonds account for largest share

Even though a general end to all asset purchasing by the ECB is not going to appear on the agenda anytime soon, question marks remain over the actual continuation of the PEPP. Not all asset classes are affected equally here. The composition of the PEPP highlights the direct significance of the pandemic programme for public sector debt securities. While no ABS are purchased, covered bonds also remain a niche product in the context of the PEPP. In the latest breakdown as of September 2021, just 0.4%, or EUR 6.1bn, was attributable to covered bonds. The PEPP category "public sector securities", on the other hand, accounted for a volume of EUR 1,353bn as of the same date.

PEPP: Volumes of the asset classes (EUR m)

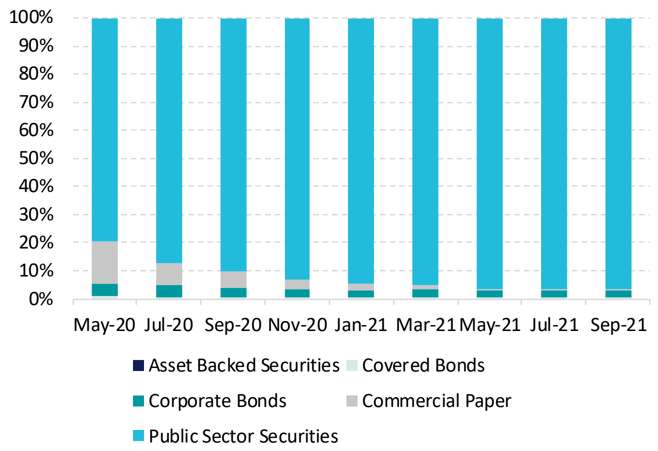
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
July 2021	0	5,379	33,684	3,861	1,220,424	1,263,348
Sept 2020	0	6,079	37,139	3,314	1,353,076	1,399,609
Δ	0	+707	+3,489	-545	+136,451	+140,101

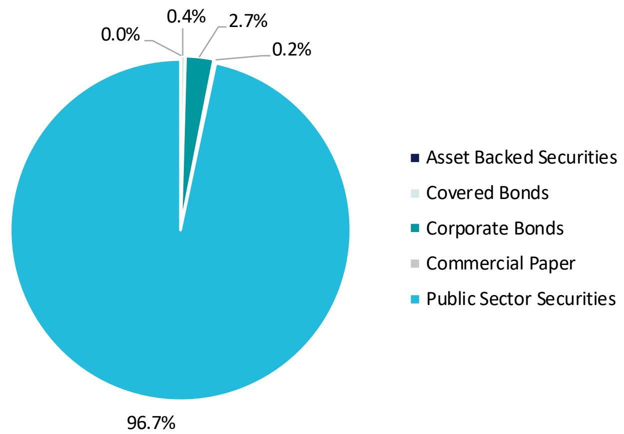
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

PEPP: funds from maturing securities to be reinvested until end 2023 at least

We believe the PEPP portfolio structure is also relevant for reinvesting funds from maturing securities. To date, funds from maturing securities under the PEPP programme amount to EUR 218.3bn (as of 5 November 2021). Moreover, the record figure so far of EUR 12.1bn on 16 April was achieved within one week. In this context, the maturing components of the programme should therefore not be underestimated. This is particularly important as the current resolution stipulates that the funds from maturing securities in the PEPP programme will be reinvested until the end of 2023 at least. Consequently, the PEPP will either be transferred on a large scale in December and integrated into the existing toolbox, or the instrument for mitigating the impact of the pandemic will be retained at a notable level for another two years. There is still no overview of maturing securities available; we have been criticising this lack of transparency on the part of the ECB for months now.

PEPP: portfolio structure





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

PEPP: Overview of private sector assets

September 2021	Asset-backed Securities		Covered Bonds		Corporate Bonds		Commercial Paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EUR m	0	0	1,298	4,781	14,113	23,026	3,191	123
Share	0.0%	0.0%	21.4%	78.7%	38.0%	62.0%	96.3%	3.7%

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

Gross purchasing exceeds EUR 1,700bn; net purchasing just under EUR 1,500bn

As of the most recent reporting date (5 November), the PEPP volume amounted to EUR 1,483.1bn, which equates to 80.2% of the target volume of EUR 1,850 bn. As this figure only depicts the current balance of the programme, it is worth looking at gross purchasing and maturities since the programme was established. This reveals that in gross terms, a volume of around EUR 1,713.9bn has already been purchased under the PEPP. Maturing securities therefore account for 12.7% of gross purchases and are consequently notable and relevant as they are being reinvested in full. Since the programme started, on average assets with a volume of EUR 2.8 bn have matured each week. Given the reinvestment strategy, we remain perplexed as to why the ECB is demonstrating such a lack of transparency here.

Conclusion and comments

All three quarters of 2021 so far have been unusual when it comes to the PEPP. While the pace of purchasing in the first quarter was slightly slower than expected, the figures for January and February then served as reference values to be exceeded in the two subsequent quarters. The Eurosystem was able to achieve this. For Q4, the ECB believes that favourable financing conditions can be maintained if net asset purchasing under the PEPP is moderately lower than in the second and third quarters. No further quantification of the volume has been forthcoming. The initial data shows that this by no means precludes marked variability in weekly purchasing. As early as June, we considered a systematic reduction to the level of Q1 2021 (EUR 14.6bn weekly) as sensible for the final quarter of the year, and assumed a further reduction of weekly purchasing to EUR 12.5bn for Q1 2022. This would mean that the PEPP’s volume of EUR 1,850bn would not be utilised in full. A worsening of the pandemic coupled with another increase in the PEPP volume and/or extension must also be considered against the background of the current inflation debate. The situation to be debated at the decisive ECB meeting on 16 December is therefore complex. The APP could then be “pepped up”, so to speak, by means of a transformation of the QE programmes. However, all interested parties still have just over five weeks to wait first. The Market Overview section at the beginning of this publication provides some food for thought on the PEPP, APP and the CBPP3 in particular.

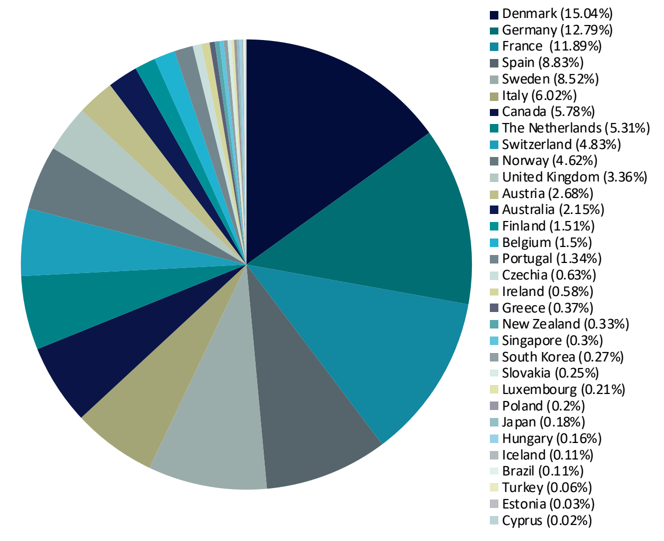
Covered Bonds
Spain's major move – will the amended covered bond legislation breathe new life into the market?

Author: Dr Frederik Kunze

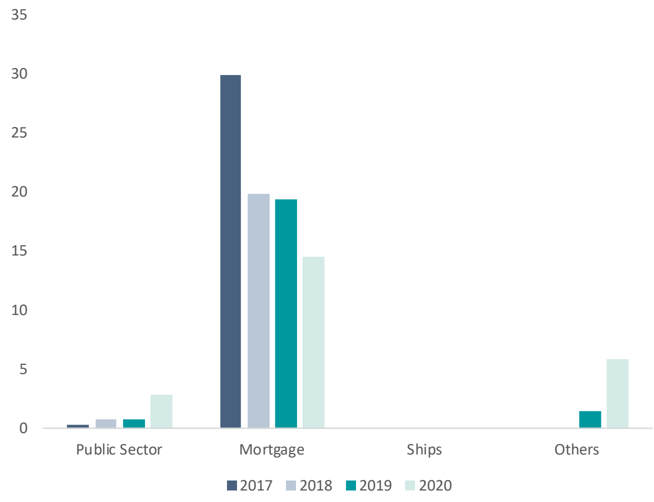
Spain's major move – new legislation presented

Amendments to the legal framework for covered bonds under Spanish law were presented on 3 November 2021. The new regulations will come into force in July next year for all covered bonds outstanding and any new covered bonds placed under Spanish law. This means that a further jurisdiction – albeit with a slight delay – has implemented the requirements of the covered bond directive. We are taking this development as an opportunity to provide a brief overview of the Spanish EUR benchmark bond segment and will go into key points of the new legal framework. As a matter of fact, the Spanish covered bond market has tended to see consolidation on the issuer side in recent months – or even years – rather than pronounced issuing activities. The amended legislation presented, in our view, suggests that a major factor for uncertainty with regard to new bond issues – including in relation to the EUR benchmark bond segment – will be a thing of the past. Spain was among those jurisdictions for which the project to harmonise European covered bond legislation resulted in extensive adjustments to existing legal framework conditions. Yet, in parallel with the achievement of this significant milestone, there are other factors which suggest that issuing activities of Spanish financial institutions are more likely to continue to be somewhat slow. In addition to the tendency towards consolidation on the part of financial institutions, we also see the influence of alternative funding options via deposits, central bank funds and senior unsecured issues.

ECBC statistics – distribution by volume (outstanding)



ECBC statistics – issuances in Spain (EUR bn)

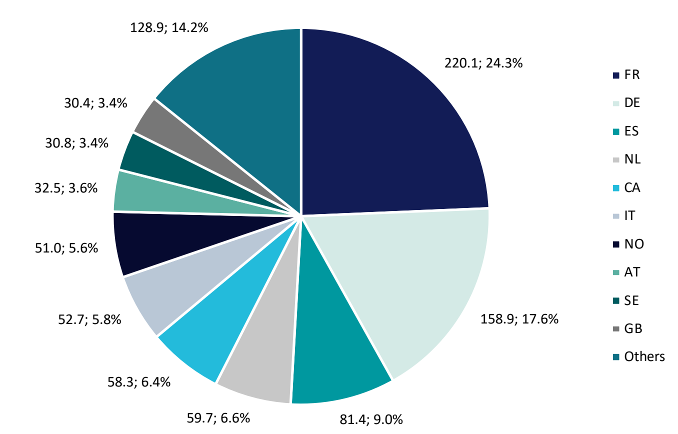


Source: ECBC, NORD/LB Markets Strategy & Floor Research

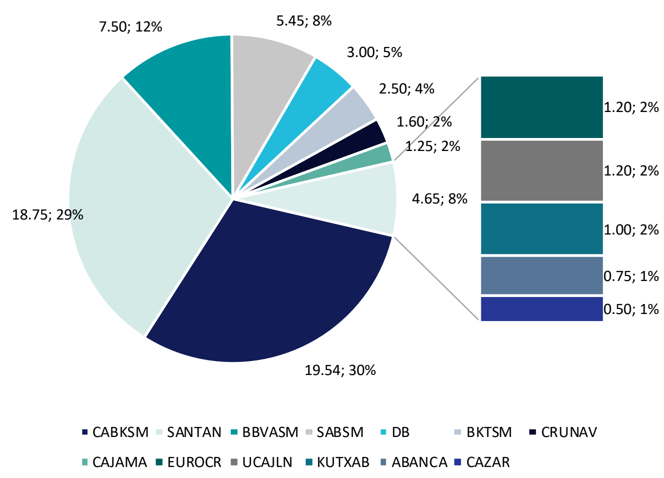
Spain's covered bond market: (still) ranked fourth worldwide – 2020 once again marked by dynamic growth in the non-publicly placed sub-segment

On the basis of the ECBC's annual statistics, Spain remained one of the most significant covered bond jurisdictions in the world as at the reference date of 31 December 2020. With a volume outstanding of EUR 257bn, the country was ranked fourth based on its 8.83% share, behind Denmark (15.04%), Germany (12.79%) and France (11.89%) but ahead of Sweden (8.52%), Italy (6.02%) and Canada (5.78%). However, based on the issuance volume in 2020, a different picture emerges. With a share of 3.81% (or EUR 23.4bn) in terms of new covered bonds issued, Spain was ranked in tenth place behind Italy (4.26%) but ahead of Switzerland (3.35%) and Belgium (3.14%). The comparatively low share of publicly placed bonds (EUR 3.5bn) is striking with regard to new Spanish bond issues. At EUR 14.6bn, the major part of the total volume from Spain was attributable to the dominant sub-segment of mortgage bonds. Compared with other jurisdictions, Spain's dominant role in the ECBC category of "Others" is also conspicuous. With a volume of EUR 5.9bn, Spain accounted for 95.15% of all new bonds placed in this category. This pattern was caused by the sub-market of covered bonds guaranteed with export finance. According to our interpretation, it mainly relates to retained bonds. Overall, the ECBC's annual statistics included 26 covered bond programmes by 21 issuers. Of the 21 issuers, two issuers had placed covered bond issues in the sustainability segment. The volume outstanding of ESG covered bonds totalled EUR 2.1bn as at year-end 2020 and exclusively comprised mortgage covered bonds.

EUR benchmarks: Top 10 countries



Spain: outstanding EUR benchmarks (EUR bn)

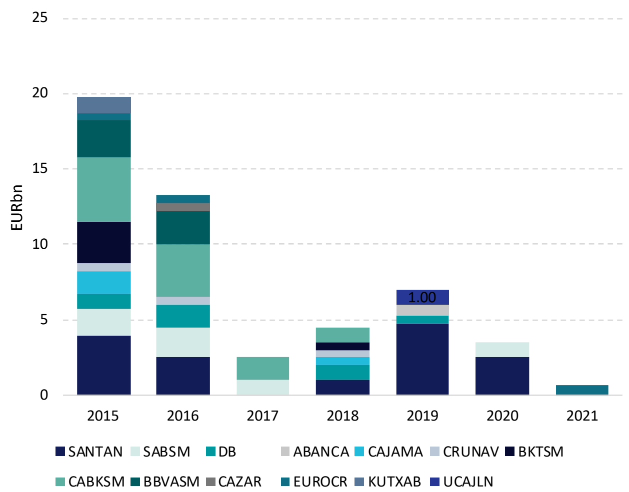


Source: market data, NORD/LB Markets Strategy & Floor Research

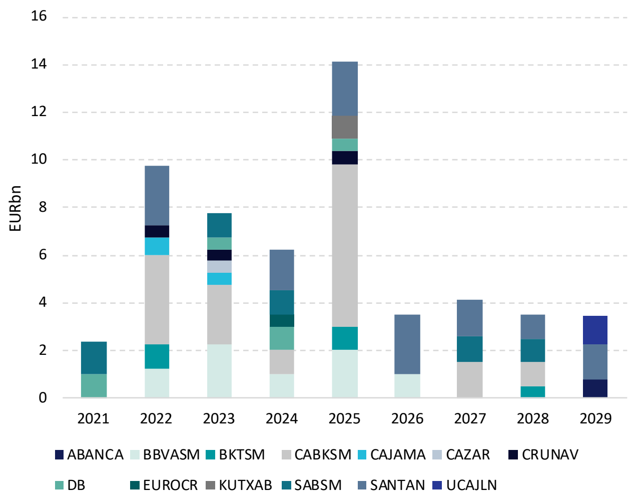
EUR benchmark bond issues – Spain ranked third in terms of volume, with very slow primary market activities in 2020 and 2021

With regard to the EUR benchmark bond segment, we counted 13 active issuers at present. With a volume outstanding of EUR 81.4bn (share of 9.0%), the Spanish covered bond market was ranked in third place in the EUR benchmark segment, behind France (EUR 220.1bn, or 24.3%) and Germany (EUR 158.9bn, or 17.6%). Of the 66 benchmark bond issues in total, four are to be classified as ESG issues. The issuers here are Eurocaja Rural (1 bond issue, EUR 700m, ESG type: sustainability), Caja Rural de Navarra (2 bond issues, EUR 1.1bn, ESG type: sustainability) and Kutxabank (1 bond issue, EUR 1.0bn, ESG type: social). One of the Eurocaja Rural bond issues was also the most recent EUR benchmark bond issue to be launched from Spain (pricing on 15 September 2021). Furthermore, it was the only EUR benchmark bond issue from Spain placed in the current year, and we do not expect any further bond issues in the remaining trading weeks of 2021. Consequently, Spain is set to record the most marked negative net supply at year-end 2021, at around EUR 15bn. The process of contraction is also set to continue in 2022, during which a volume of almost EUR 10bn (excluding multi cédulas) will mature and in which we expect an issuance volume of around EUR 4.0bn.

Spain – EUR benchmark bond issues 2015 – 2021ytd



Spain – EUR benchmark bond maturities 2021 - 2029



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

EUR benchmarks all issued under mortgage programmes

The table below lists the Spanish covered bond programmes with EUR benchmark bond placements. In Spain, the EUR benchmark bond segment exclusively comprises mortgage programmes. CaixaBank accounted for the highest cover pool volume. The financial institution also has the highest volume of covered bonds outstanding. Ranked in second place, both with regard to the size of the cover pool and the volume outstanding, was Banco Santander. Compared with year-end 2019, the cover pools – with few exceptions – recorded a downwards trend in the shares of NPL. On the basis of ratings, a risk weight of 10% was assigned to the bond issues under all of the programmes. In addition, we consider the conditions to be met for classification as a Level 1 asset in the context of LCR management.

Overview of Spanish EUR benchmark bond cover pools

Benchmark Pools (link to cover pools)	Cover pool (mEUR)	Amount outst. (mEUR)	OC in %	Loans in arrears in %	Amount outst. (mEUR) 31.12.19	Loans in arrears in % 31.12.19	CB-Rating (Fitch / Moody's/ S&P / DBRS)	LCR level / risk weight in %	Moody's collateral score in %
ABANCA	15,375	2,990	414.20	1.80	2,457	2.10	- / Aa1 / AA+/ -	1/10	12.10
Banco de Sabadell	43,424	18,254	137.90	3.10	NA	NA	- / Aa1 / - / AAA	1/10	15.30
Banco Santander	81,195	49,429	64.30	7.33	41,199	8.31	AA / Aa1 / - / -	1/10	19.80
Bankinter	32,639	15,690	108.00	1.10	11,300	1.63	- / Aa1 / AA+ / -	1/10	10.30
BBVA	58,873	31,898	84.60	1.30	NA	NA	- / Aa1 / AA+ / AAA	1/10	11.70
CaixaBank	145,119	66,371	118.80	3.50	NA	NA	- / Aa1 / AA / AAA	1/10	12.40
Cajamar Caja Rural	13,142	6,250	110.30	6.70	5,250	9.40	BBB+ / - / AA / AH	1/10	14.90
Caja Rural de Navarra	5,223	2,450	113.20	-	1,850	1.20	- / Aa1 / - / -	1/10	12.30
Deutsche Bank S.A.E.	7,600	5,355	133.00	1.93	5,400	1.86	- / Aa1 / - / -	1/10	27.50
Eurocaja	3,123	1,700	83.70	1.30	1,000	1.90	- / Aa1 / - / -	1/10	10.40
Ibercaja Banco	18,433	4,100	349.50	2.60	5,742	3.90	- / Aa1 / AA / -	1/10	11.40
Kutxabank	24,400	1,347	1711.90	2.70	2,697	3.40	- / Aa1 / AA+ / -	1/10	8.40
Unicaja Banco	18,077	2,834	537.90	4.70	3,819	4.40	- / Aa1 / - / -	1/10	11.20

Source: HTT, issuers, rating agencies, NORD/LB Markets Strategy & Floor Research; * different ratings at bond level result in deviations when deriving the CQS and therefore in different LCR levels and risk weights; NA = no HTT available as at the cut-off date

High overcollateralisation ratios due to current legislation

The Spanish legal framework for covered bonds primarily provides for the division into mortgage bonds (cédulas hipotecarias, CH) and public sector covered bonds (cédulas territoriales, CT). While many of the country's issuers rely on both types of cover pools – and some issuers also on bond issues covered with export finance – the EUR benchmark bond segment in Spain currently only comprises cédulas hipotecarias. To date, the Spanish legal framework for covered bonds provided for a rather general description of the form of the cover pool volume, without a definition of cover assets which was comparable to that of other jurisdictions. As a result, the entire volume of mortgage-backed financing was considered part of the cover pool at programme level – with few exceptions. This specific feature was and is made particularly apparent by the high overcollateralisation ratios, which also far exceeded and continue to exceed national requirements (cf. table above). One of the most significant amendments of the new legislation is the change to a considerably tighter definition of permitted cover assets (based on the covered bond directive), as well as the overcollateralisation requirement, which has been revised downwards. The minimum OC under the new legislation is indicated as 5%. This is far lower than the currently applicable 25% nominal (CH) and 45% nominal (CT) respectively. Eligibility as cover asset and inclusion of a cover asset in the calculation of cover is more stringent under the new legislation, particularly given that annual property valuation is stipulated. Asymmetrical causation applies, which means that when property prices go down, the cover asset to be included also decreases if necessary, whereas the LTV ratio must not be exceeded when property prices go up. Consequently, both cover pool volumes and OC values will decrease while the quality of cover assets should be enhanced as a result of the tighter definition.

Spain – overview of currently applicable legislation

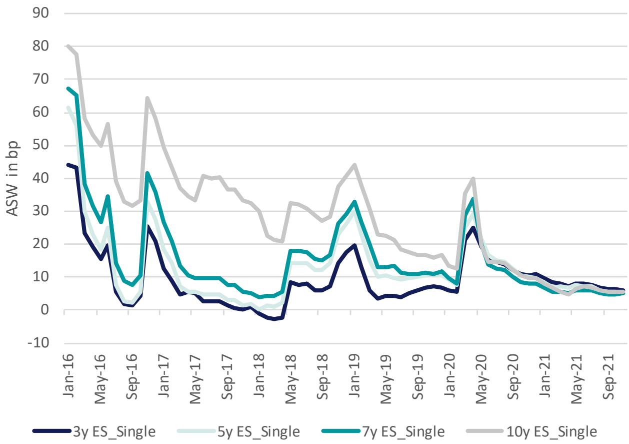
Designation	Cédulas Hipotecarias	Cédulas Territoriales
Short form	CH	CT
Special covered bond law	Yes	
Cover assets (incl. substitute cover)	Mortgage loans	Public sector loans
Owner of assets	Issuer	
Specialist bank principle	No	
Geographical scope	EEA	
Loan to value – Mortgage loans	Residential: 80% Commercial: 60%	-
Preferential claim by law	Yes	
Cover register	Yes	
Derivatives as cover assets	Yes	No
Substitute assets	Yes	No
Limit of substitute assets	5%	-
Minimum OC	25% nominal value	43% nominal value
UCITS compliant / CRD compliant	Yes / Yes	
ECB eligible	Yes	

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

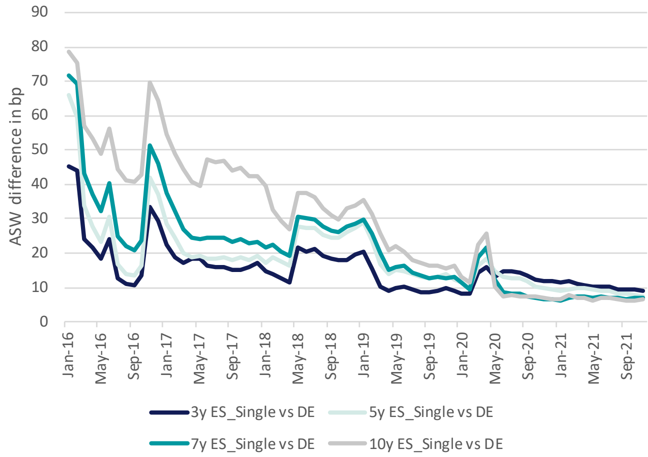
Further amendments to covered bond legislation in Spain

In view of the extensive amendments to Spanish legislation required in the context of EU harmonisation – compared at international level – the amended act presented in November 2021 includes a series of other important changes. The introduction of a required 180-day liquidity buffer should be mentioned, which was not previously included under Spanish legislation. In formal terms, issuers now also need a licence to issue covered bonds. Furthermore, supervision is additionally strengthened with regard to covered bonds by a cover pool monitor. The procedure regarding issuer default has also been specified in detail. A separate administrator must check, in such an event, the extent to which the cover pool may continue or whether it must be liquidated. The result of an acceleration test is decisive in this context; this relates to the calculated overcollateralisation. In our opinion, the fact that the new Spanish legislation also creates the opportunity to place covered bonds with the option of maturity extension is worth highlighting. The Spanish legislators have therefore implemented the 'may' rule of Article 17 of the directive on extendable maturity structures. Unlike the German legislation, Spanish legislation provides for such soft bullets to co-exist with hard bullets, which previously existed exclusively in Spain. Spain's legislators also specified the objective trigger required by the directive for maturity extension, as well as the requirement that the Spanish central bank approves the maturity extension. With regard to immediate implications for the market, we do not see any major impetus from the new legislation on spreads. Nonetheless, we would attach considerable importance to the contribution which this new framework for covered bonds under Spanish legislation makes towards transparency. The above-mentioned reduction of potential uncertainties with regard to the features of the new legal framework are to be welcomed by the market, although market developments currently continue to be determined more by monetary policy and the progression of the pandemic.

Spread curve – Spanish covered bonds



Spread difference Spain vs Germany – covered bonds

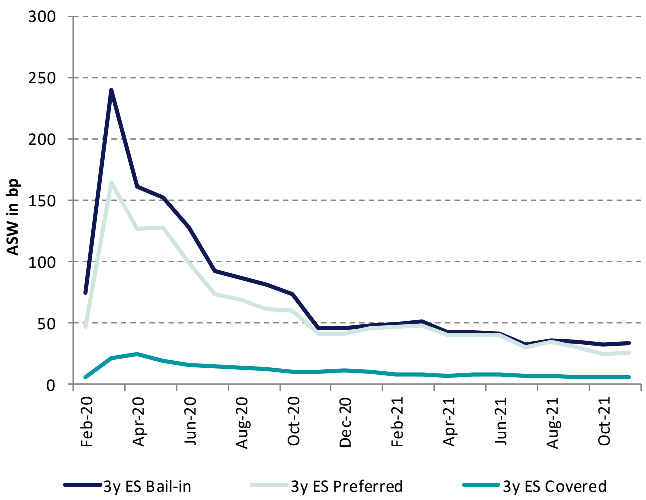


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

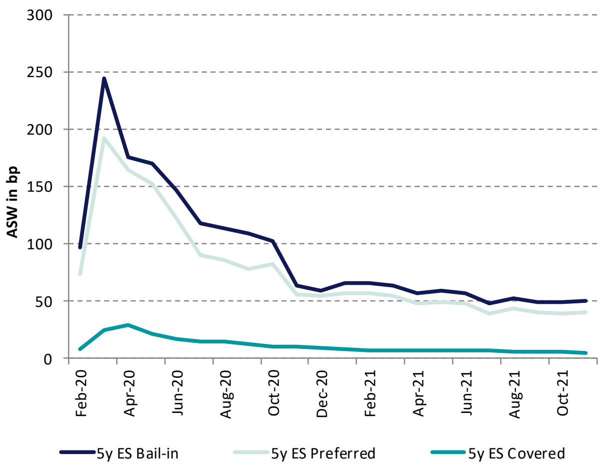
Spread trend in Spain – ECB monetary policy remains a decisive factor

As before, generic ASW spreads on Spanish covered bonds mainly reflect the monetary policy regime of the Eurosystem. Accordingly, spreads are at an extremely low level across all of the maturity buckets we analysed, both in absolute terms and when compared with Pfandbriefe. This trend is certainly also caused by the prevailing short supply of Spanish covered bonds. At the same time, Spanish covered bonds – when viewed in abstract – are not immune to the general trend of converging spreads (and therefore not shielded from risks). This is also evident when considering the gaps in ASW spreads on senior unsecured bonds from Spain. There is only a small difference compared with generic spreads on senior bank bonds in the same maturity bucket. We ultimately see this as an obvious reason for unsecured bond issues also being more attractive for issuers in Spain, in relative terms.

Spread curve Spain (3y) – covered bonds vs banks



Spread curve Spain (5y) – covered bonds vs banks



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

Critical review of ASW spreads in Spain

The analysis of the generic spread trend is somewhat blurred, in our opinion. We previously reported on the fact that subdued primary market activities are also to the detriment of the informative value of secondary market spreads. In terms of a trend, this effect is amplified by the low level of liquidity in the secondary market. In this respect, once again, we believe that the Eurosystem has a decisive impact, particularly on Spain. The volume of the CBPP3 portfolio currently totals EUR 298bn, with the ECB itself disclosing that the share of Spanish covered bonds amounted to 17% (and therefore around EUR 50bn) in Q3/2021. Measured in terms of both the EUR benchmark volume and the market as a whole based on ECBC data, this represents a considerable share. Taking into account the 70% limit per ISIN for covered bonds under CBPP3, we see a significant impact on the liquidity of the EUR benchmark bond segment in Spain. The reason is that a considerable share of the bonds in this sub-market comprises bonds that were issued a long time ago, which means that the probability of the ISIN limit already having been reached is relatively high. It also means that from the point of view of investors, a fairly important exit channel no longer exists, which in turn is likely to additionally affect trading. In this context, it also seems worth mentioning that a covered bond can not only find its way to the ECB via CBPP3. It may also be used as collateral under the ECB collateral framework. The ECB has also clarified as part of its FAQ that it is possible, for one ISIN, that 70% of the volume was purchased under CBPP3 and that additional shares of the bond issue are deposited as collateral. We would expect that increased inclusion as collateral is to be assumed for the jurisdictions where increased uptake has been observed in the context of TLTRO III tenders.

Covered bonds in Spain – outlook for 2022

The importance of these distortions to the informative value of ASW spreads is likely to wane in the long term, as fresh bonds are issued. In our view, increased primary market activities – or slightly increased at any rate – may be promoted by a few factors in 2022. For example, at the start, we mentioned the fact that the element of uncertainty regarding the specific features of the amended legislation no longer exists. Furthermore, the dampening effect of long-term central bank funding should ease off. The reduced focus of issuers on MREL eligible funding, due to the regulatory situation, and a sharper increase in risk premiums may additionally result in a stronger focus on covered funding. This applies, in particular, if accompanied by dynamic property markets, and there are no further setbacks in terms of real economic activity because of infection rates.

Conclusion

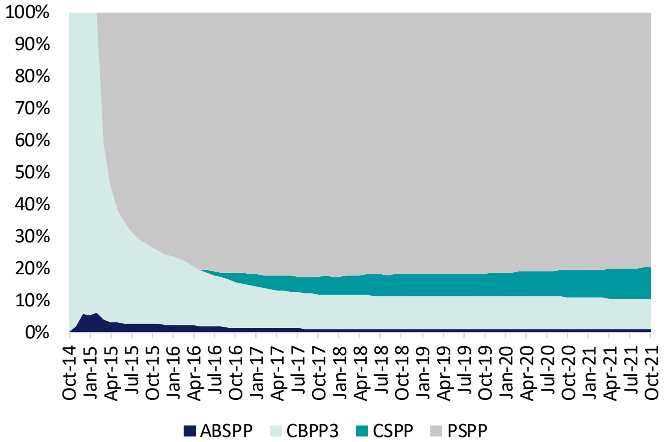
Spain's legislators were able to report to Brussels that covered bond legislation had been executed. From July 2022 onwards, a new framework will apply to covered bonds in Spain. Spain remains one of the major covered bond jurisdictions. Its EUR benchmark bond segment is particularly marked by negative net supply, and this is likely to continue in 2022. Nevertheless, after the turn of the year, it is likely that supply will be more dynamic, starting from this low level. The future course of the pandemic and the ECB's monetary policy remain elements of uncertainty.

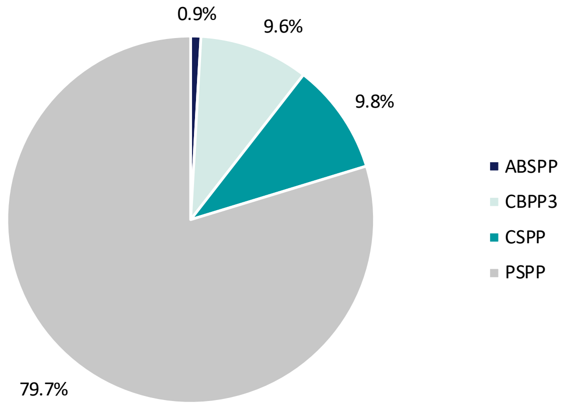
ECB tracker

Asset Purchase Programme (APP)

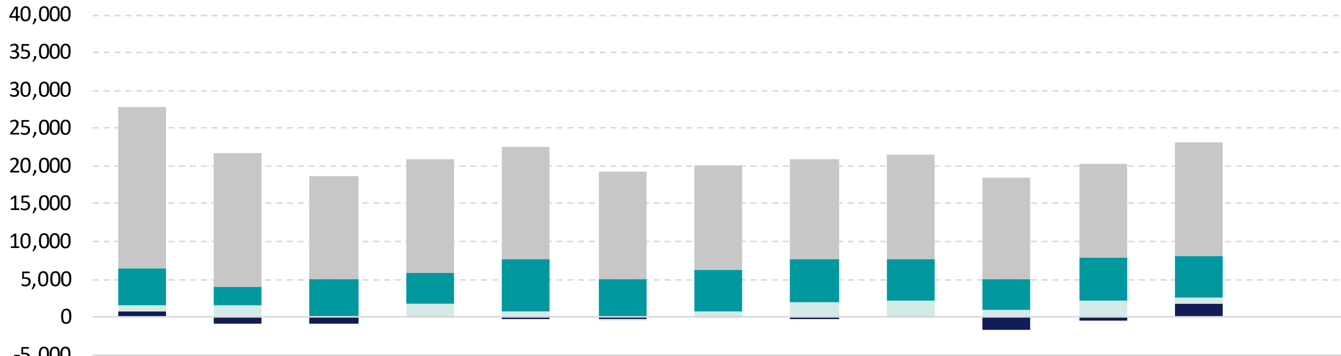
	ABSPP	CBPP3	CSPP	PSPP	APP
Sep-21	26,013	296,590	296,403	2,449,278	3,068,284
Oct-21	27,671	297,598	301,885	2,464,316	3,091,470
Δ	+1,658	+1,008	+5,481	+15,038	+23,185

Portfolio structure





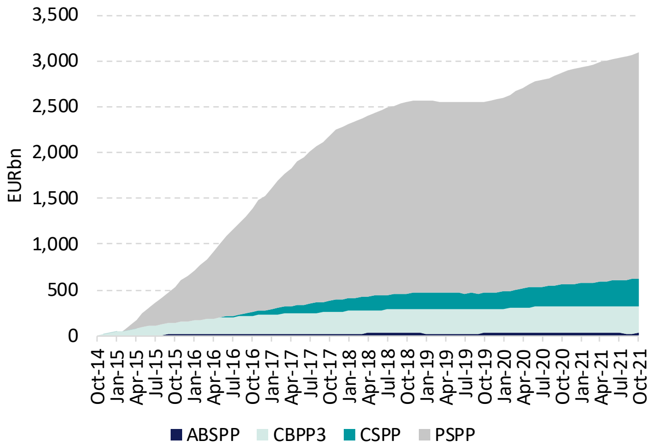
Monthly net purchases (in EURm)



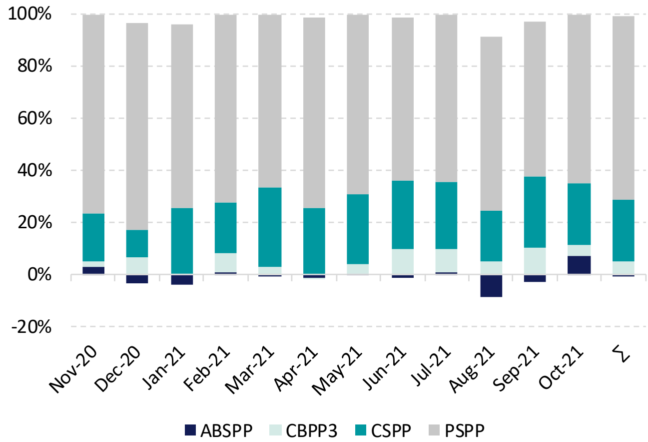
	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	∑
APP	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,185	250,860
PSPP	21,241	17,822	13,655	15,129	14,955	14,186	13,973	13,320	13,943	13,563	12,423	15,038	179,248
CSPP	5,009	2,378	4,924	4,064	6,929	5,015	5,394	5,602	5,502	3,936	5,590	5,481	59,824
CBPP3	646	1,529	74	1,539	684	-5	686	2,037	2,011	999	2,184	1,008	13,392
ABSPP	824	-800	-807	183	-7	-278	88	-319	141	-1,749	-538	1,658	-1,604

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

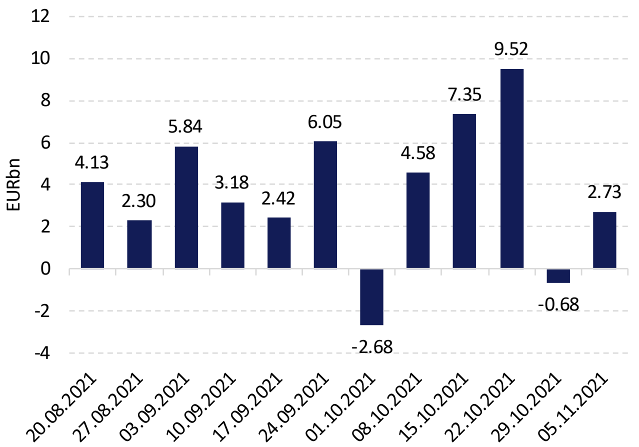
Portfolio development



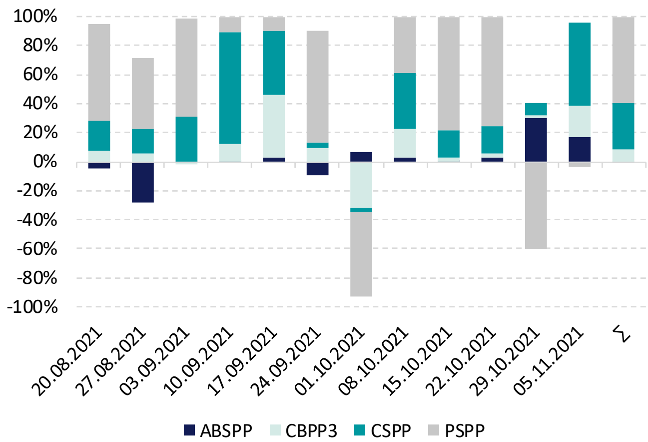
Distribution of monthly purchases



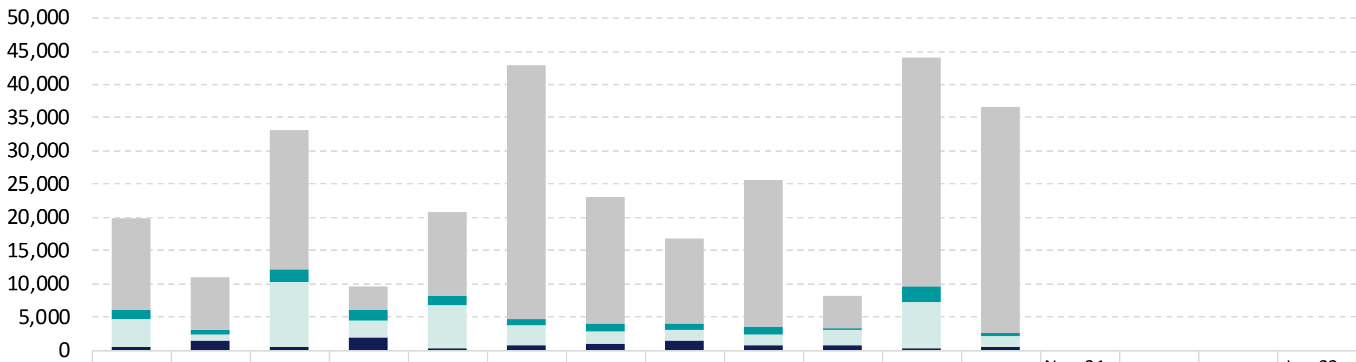
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

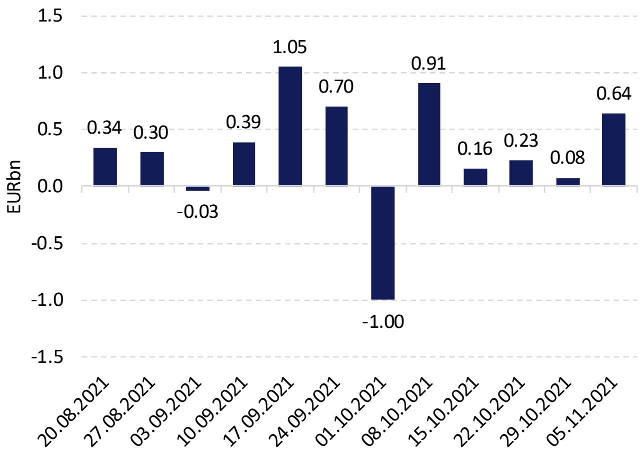


	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-21 - Oct-22	2020	2021	Jan-22 - Oct-22
APP	19,801	10,934	33,048	9,708	20,744	42,859	23,109	16,799	25,686	8,132	44,180	36,647	291,647	262,253	246,930	260,912
PSPP	13,806	7,811	20,906	3,625	12,603	38,032	18,998	12,714	22,135	4,841	34,554	34,003	224,028	201,482	188,487	202,411
CSPP	1,377	826	1,772	1,590	1,416	1,125	1,341	1,017	1,191	280	2,426	588	14,949	18,267	16,674	12,746
CBPP3	4,048	937	9,797	2,524	6,380	3,016	1,866	1,554	1,598	2,226	6,855	1,588	42,389	33,236	30,143	37,404
ABSPP	570	1,360	573	1,969	345	686	904	1,514	762	785	345	468	10,281	9,268	11,626	8,351

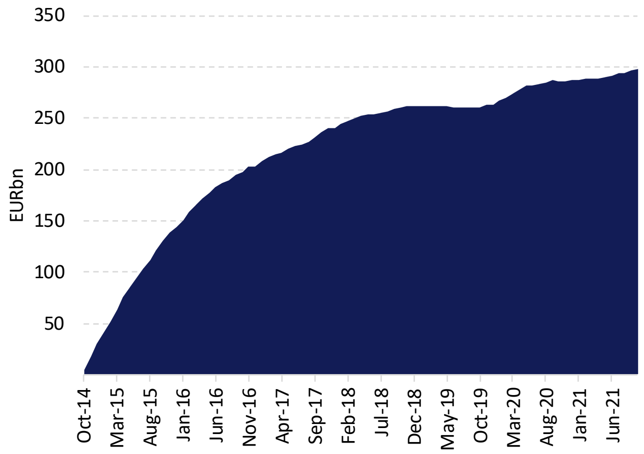
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

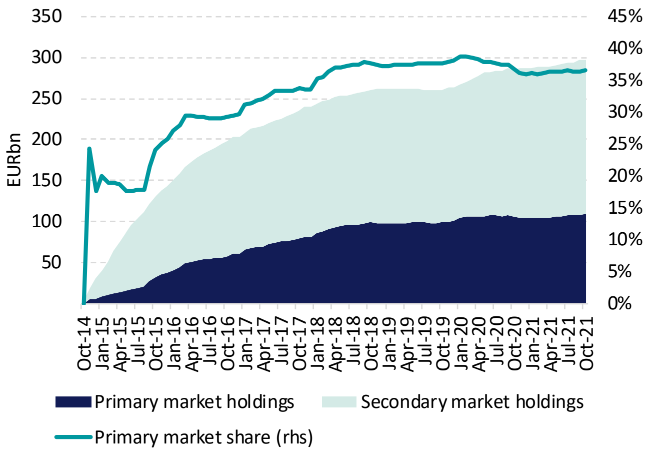
Weekly purchases



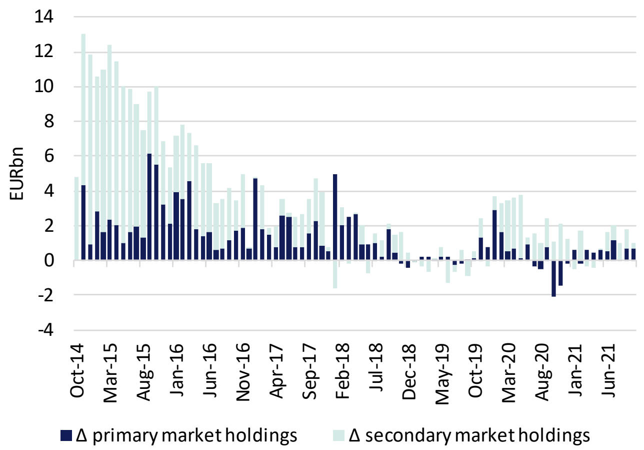
Development of CBPP3 volume



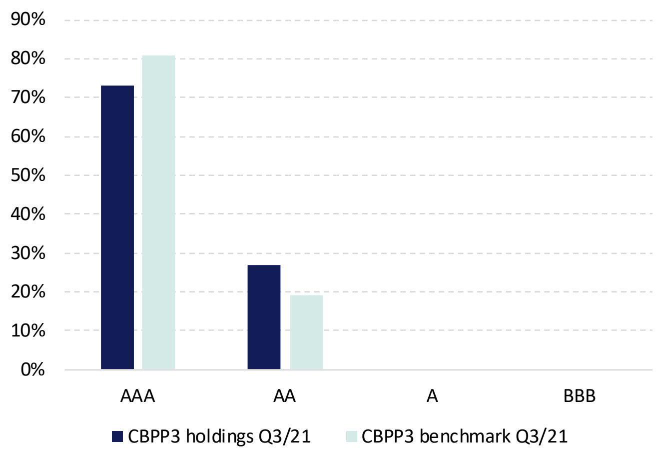
Primary and secondary market holdings



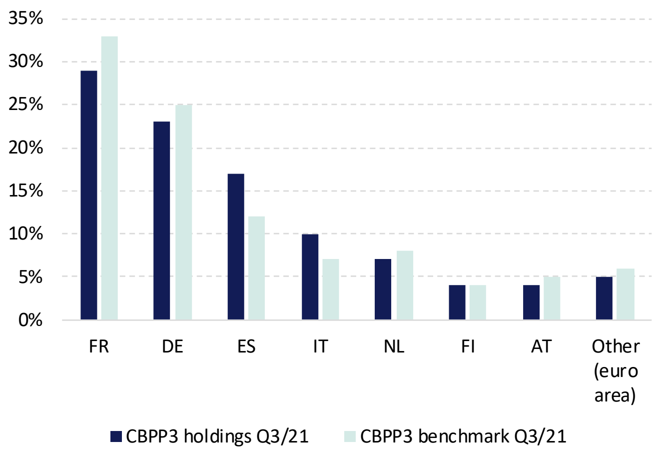
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



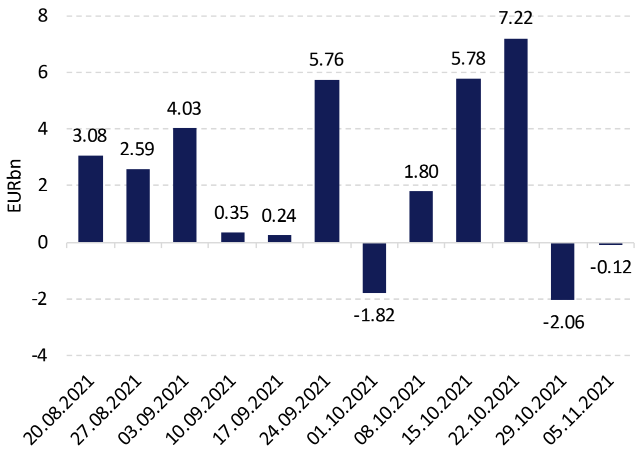
Distribution of CBPP3 by country of risk



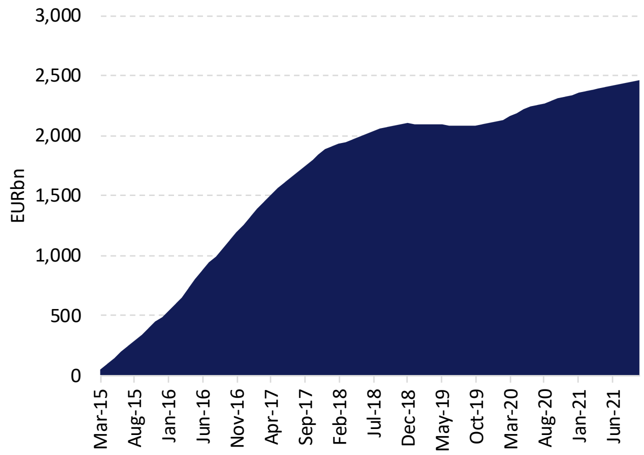
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



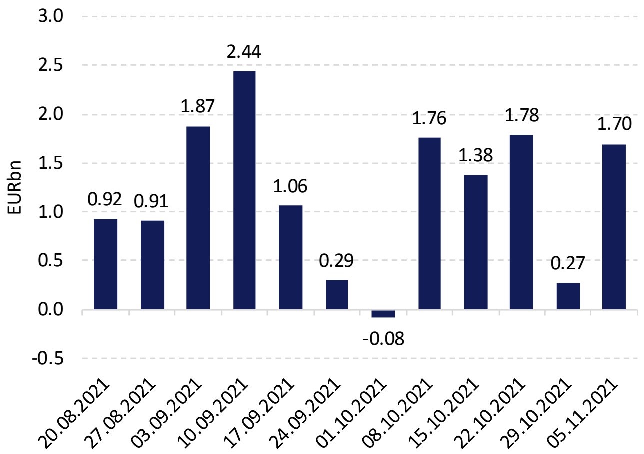
Overall distribution of PSPP buying at month-end

Jurisdiction	Adjusted distribution key[1]	Purchases (EURm)	Expected purchases (EURm)[2]	Difference (EURm)	Avg. time to maturity[3] (in years)	Market average[3] (in years)[3]	Difference (in years)
AT	2.7%	71,416	70,316	1,100	7.5	7.6	-0.1
BE	3.4%	89,945	87,525	2,420	8.0	10.2	-2.2
CY	0.2%	4,040	5,169	-1,129	9.9	8.8	1.1
DE	24.3%	623,378	633,307	-9,929	6.6	7.6	-1.0
EE	0.3%	406	6,767	-6,361	9.2	7.5	1.7
ES	11.0%	305,248	286,476	18,772	8.0	8.4	-0.4
FI	1.7%	40,185	44,129	-3,944	6.9	7.7	-0.8
FR	18.8%	507,890	490,673	17,217	7.2	8.1	-0.9
GR	0.0%	0	0	0	0.0	0.0	0.0
IE	1.6%	40,502	40,682	-180	8.5	10.1	-1.6
IT	15.7%	433,577	408,131	25,446	7.1	7.9	-0.8
LT	0.5%	5,345	13,904	-8,559	10.2	10.6	-0.4
LU	0.3%	3,777	7,914	-4,137	5.6	7.2	-1.7
LV	0.4%	3,191	9,361	-6,170	11.3	10.4	0.9
MT	0.1%	1,268	2,520	-1,252	9.5	9.2	0.3
NL	5.4%	124,615	140,791	-16,176	7.7	9.0	-1.4
PT	2.2%	49,790	56,228	-6,438	7.0	7.2	-0.2
SI	0.4%	10,091	11,568	-1,477	9.9	10.2	-0.3
SK	1.1%	16,781	27,513	-10,732	8.2	8.3	-0.1
SNAT	10.0%	271,856	260,330	11,526	7.7	8.9	-1.2
Total / Avg.	**100.0%**	**2,603,303**	**2,603,303**	**0**	**7.3**	**8.2**	**-0.9**

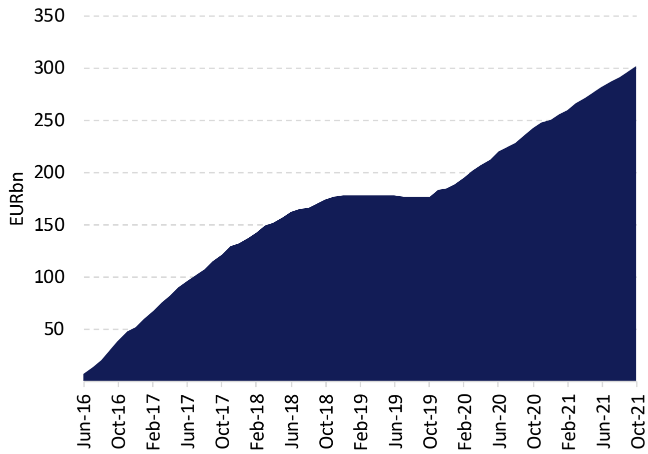
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

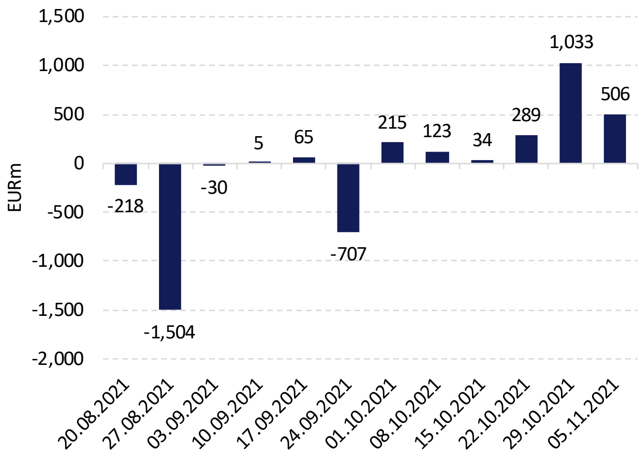


Development of CSPP volume

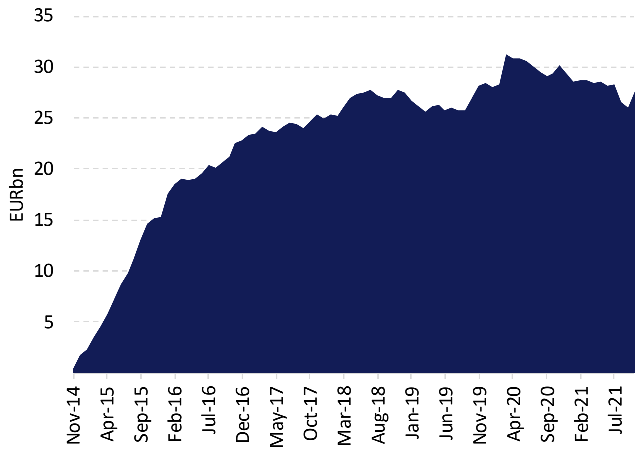


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



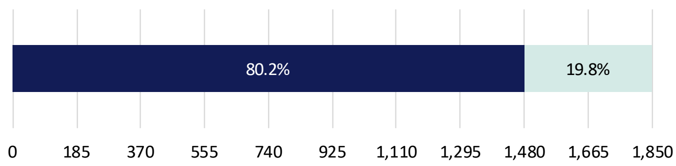
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Sep-21	1,412,291
Oct-21	1,480,146
Δ	+67,855

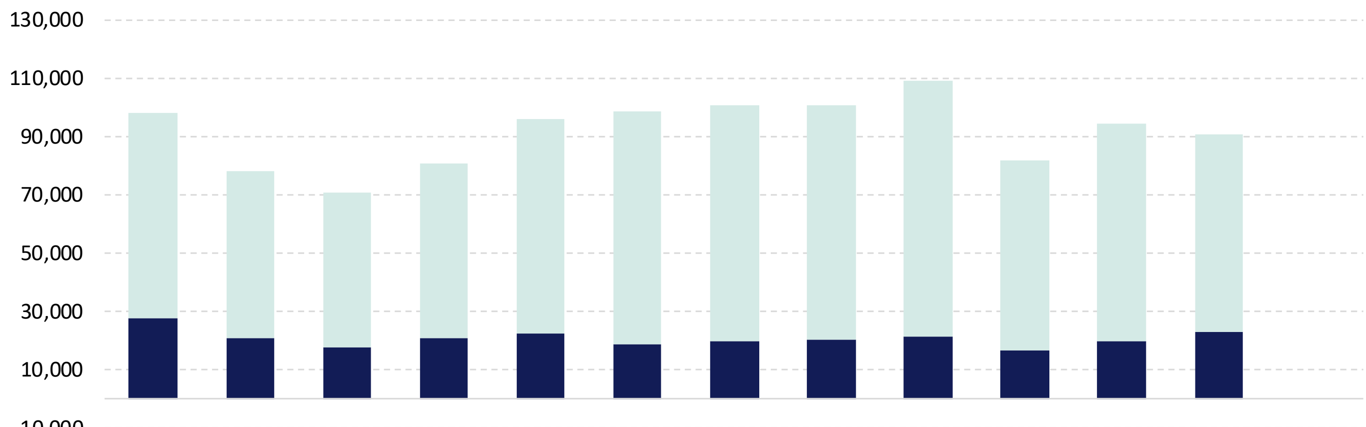
Volume already invested (in EURbn)



Estimated portfolio development

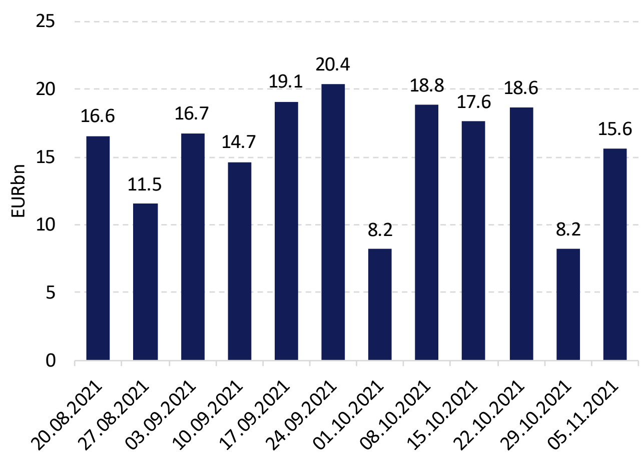
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in …
Average weekly net purchase volume so far	EUR 17.7bn	21 weeks (01.04.2022)

Monthly net purchases (in EURm)

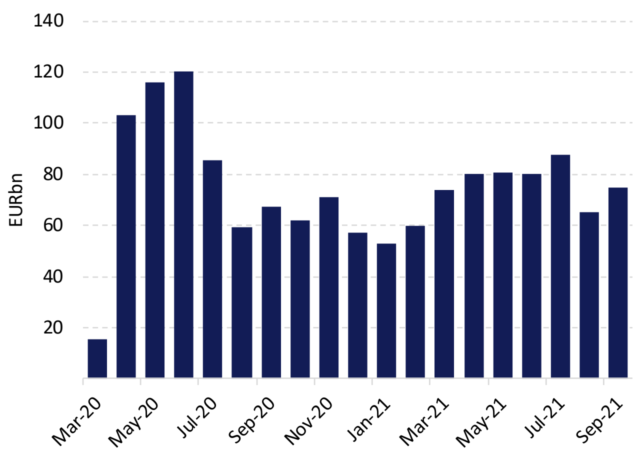


	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	∑
∑	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	91,040	1,101,83
PEPP	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	850,978
APP	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,185	250,860

Weekly purchases



Development of PEPP volume

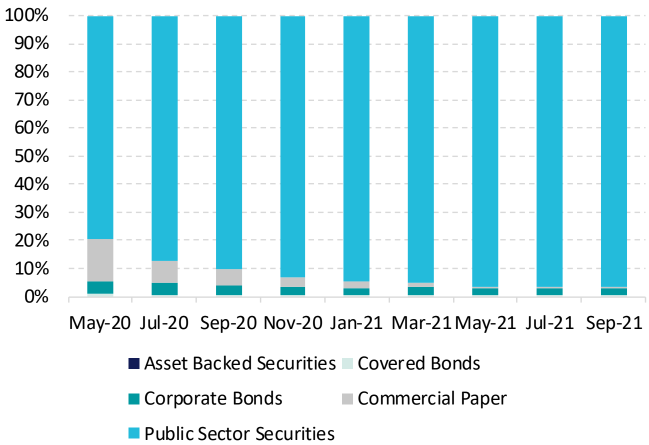


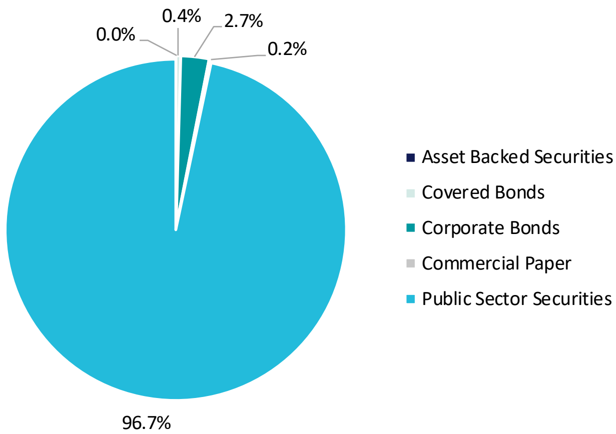
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

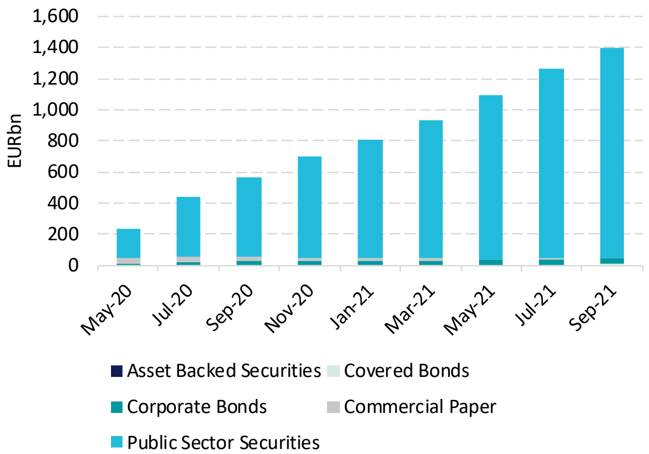
	Asset-backed Securities	Covered Bonds	Corporate Bonds	Commercial Paper	Public Sector Securities	PEPP
Jul-21	0	5,379	33,684	3,861	1,220,424	1,263,348
Sep-21	0	6,079	37,139	3,314	1,353,076	1,399,609
Δ	0	+707	+3,489	-545	+136,451	+140,101

Portfolio structure

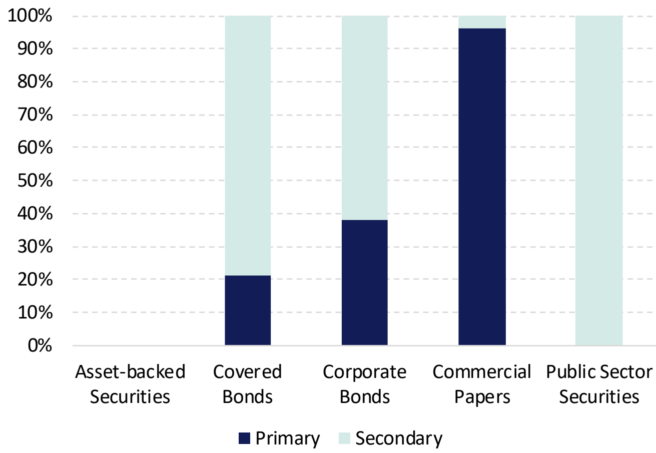




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

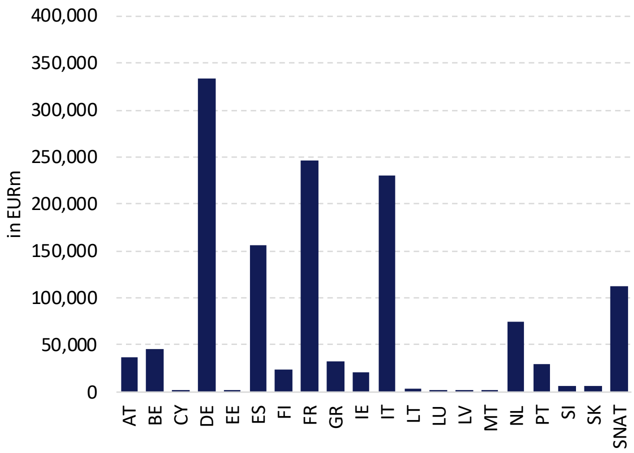
Sep-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**	**Primary**	**Secondary**
Holdings in EURm	0	0	1,298	4,781	14,113	23,026	3,191	123
Share	0.0%	0.0%	21.4%	78.7%	38.0%	62.0%	96.3%	3.7%

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

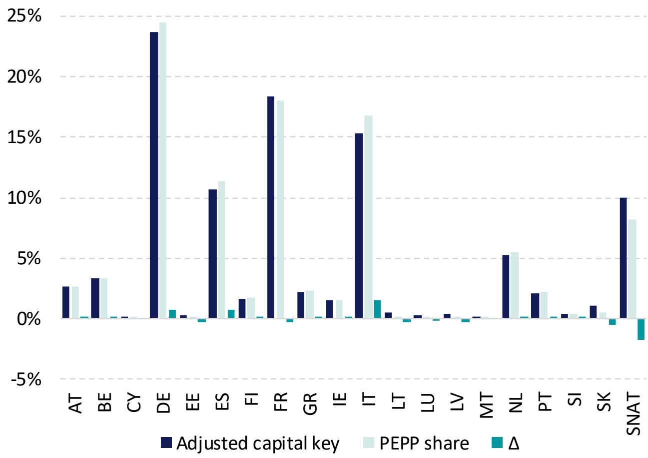
Breakdown of public sector securities under the PEPP

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	36,922	2.6%	2.7%	0.1%	8.5	7.2	1.4
BE	46,226	3.3%	3.4%	0.1%	6.7	9.1	-2.4
CY	2,308	0.2%	0.2%	0.0%	9.0	8.0	1.0
DE	334,500	23.7%	24.5%	0.8%	6.2	6.8	-0.6
EE	256	0.3%	0.0%	-0.2%	8.7	7.0	1.7
ES	155,773	10.7%	11.4%	0.7%	8.1	7.5	0.6
FI	23,292	1.7%	1.7%	0.1%	7.4	7.6	-0.2
FR	246,513	18.4%	18.1%	-0.3%	8.4	7.6	0.8
GR	32,185	2.2%	2.4%	0.1%	9.2	9.7	-0.5
IE	21,486	1.5%	1.6%	0.0%	8.8	9.2	-0.4
IT	230,234	15.3%	16.9%	1.6%	7.0	6.9	0.0
LT	2,767	0.5%	0.2%	-0.3%	11.5	10.4	1.1
LU	1,854	0.3%	0.1%	-0.2%	6.8	6.2	0.5
LV	1,532	0.4%	0.1%	-0.2%	9.3	9.3	0.0
MT	383	0.1%	0.0%	-0.1%	9.7	9.0	0.7
NL	74,352	5.3%	5.4%	0.2%	7.2	8.2	-1.1
PT	30,245	2.1%	2.2%	0.1%	7.0	7.2	-0.3
SI	6,003	0.4%	0.4%	0.0%	9.5	9.3	0.2
SK	6,892	1.0%	0.5%	-0.5%	9.1	8.2	0.9
SNAT	111,925	10.0%	8.2%	-1.8%	10.9	8.5	2.4
Total / Avg.	**1,365,650**	**100.0%**	**100.0%**	**0.0%**	**7.7**	**7.5**	**0.2**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



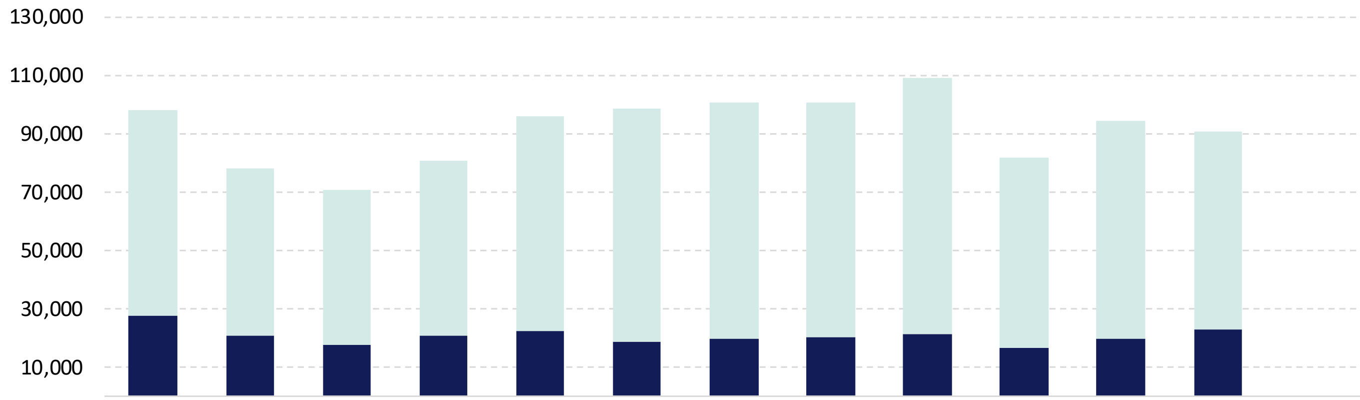
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

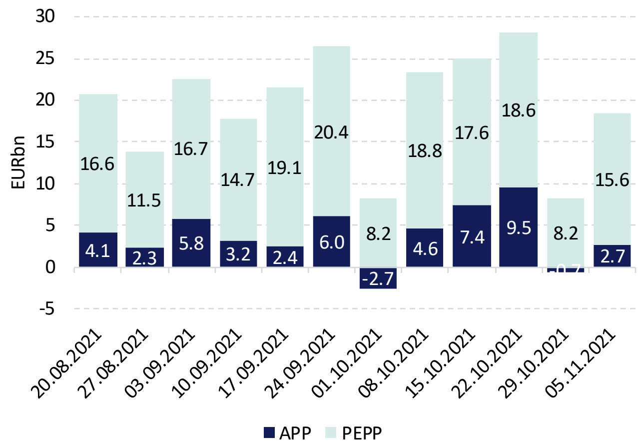
	APP	PEPP	APP & PEPP
Sep-21	3,068,284	1,412,291	4,480,575
Oct-21	3,091,470	1,480,146	4,571,616
Δ	+23,185	+67,855	+91,040

Monthly net purchases (in EURm)

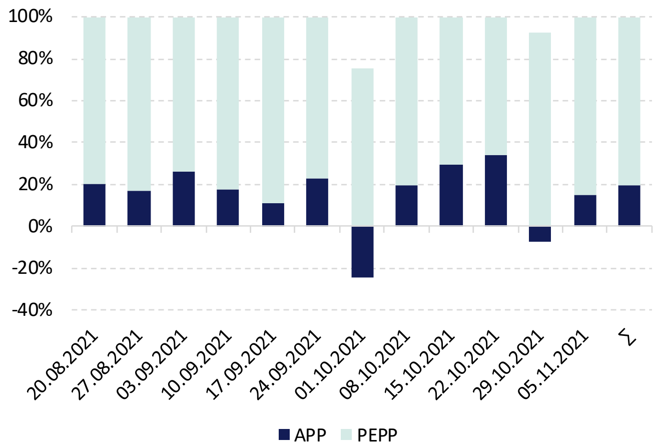


	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	∑
∑	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	91,040	1,101,83
PEPP	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	850,978
APP	27,720	20,929	17,846	20,915	22,561	18,918	20,141	20,640	21,597	16,749	19,659	23,185	250,860

Weekly purchases



Distribution of weekly purchases

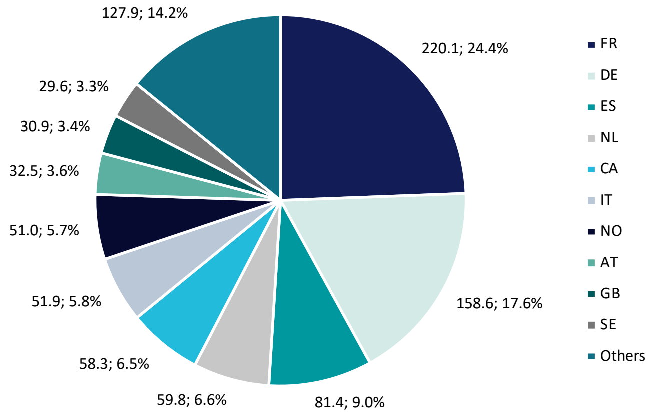


Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

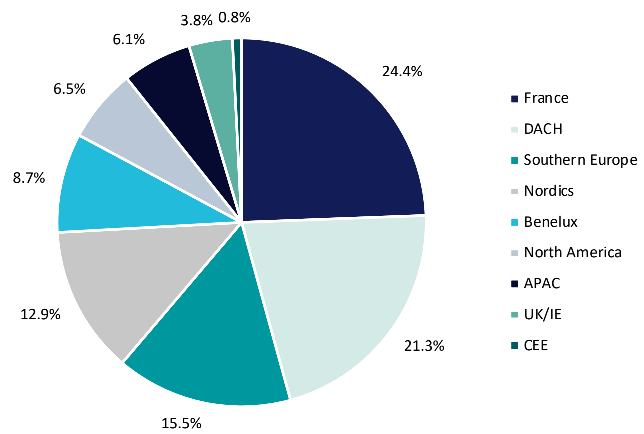
NORD/LB

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



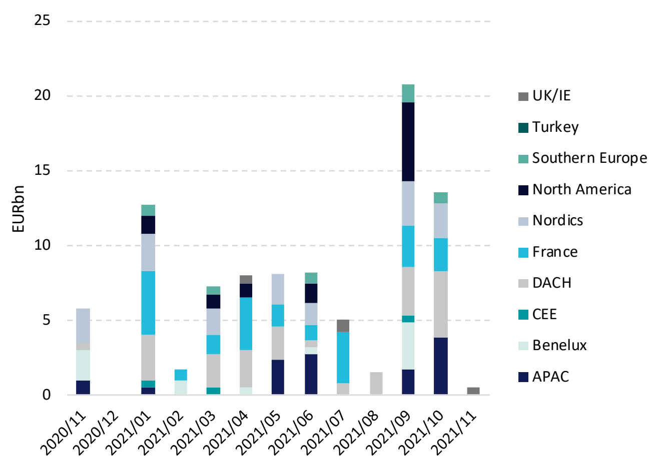
EUR benchmark volume by region (in EURbn)



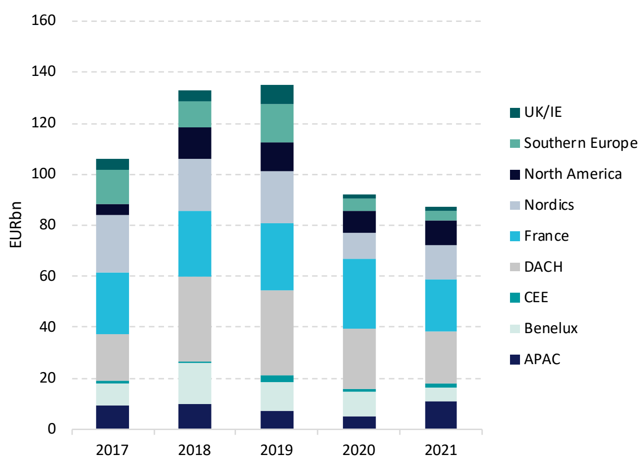
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	220.1	209	10	0.94	10.1	5.6	0.94
2	DE	158.6	235	16	0.61	8.4	4.6	0.41
3	ES	81.4	66	4	1.14	11.5	3.7	1.79
4	NL	59.8	62	0	0.91	11.7	7.6	0.82
5	CA	58.3	51	0	1.11	6.1	3.2	0.22
6	IT	51.9	61	1	0.82	9.0	4.1	1.30
7	NO	51.0	58	9	0.88	7.3	4.0	0.37
8	AT	32.5	60	2	0.54	9.9	6.3	0.60
9	GB	30.9	37	1	0.86	8.5	3.7	0.91
10	SE	29.6	36	0	0.82	7.6	3.6	0.41

EUR benchmark issue volume by month



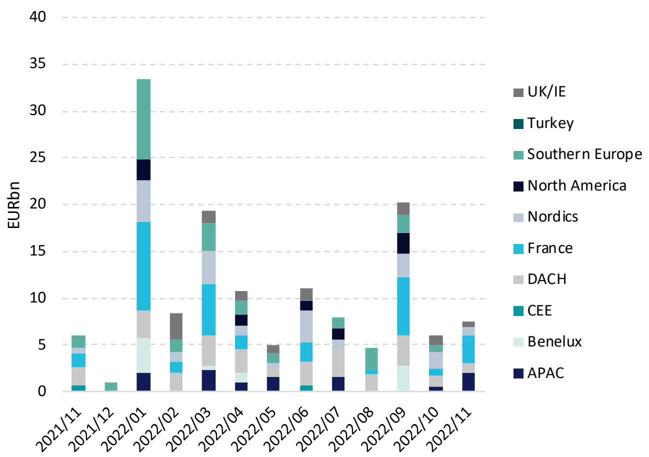
EUR benchmark issue volume by year



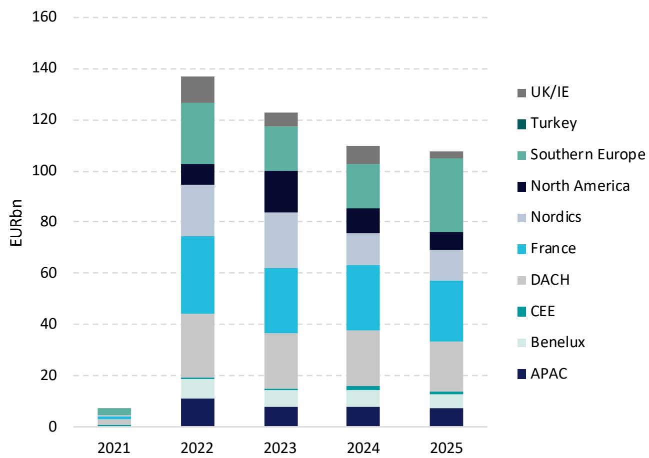
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

NORD/LB

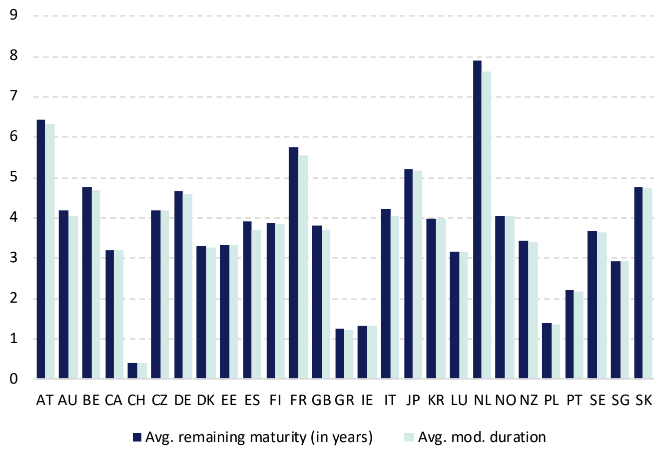
EUR benchmark maturities by month



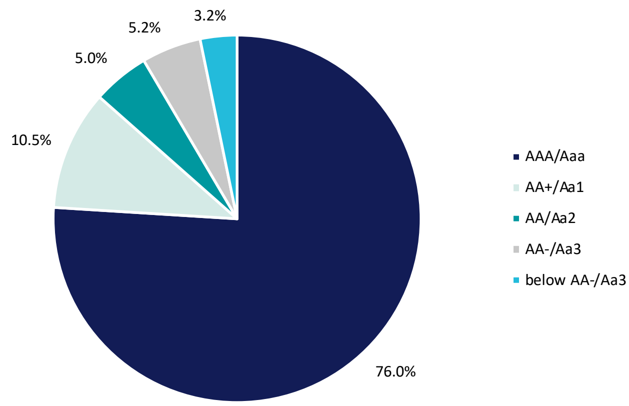
EUR benchmark maturities by year



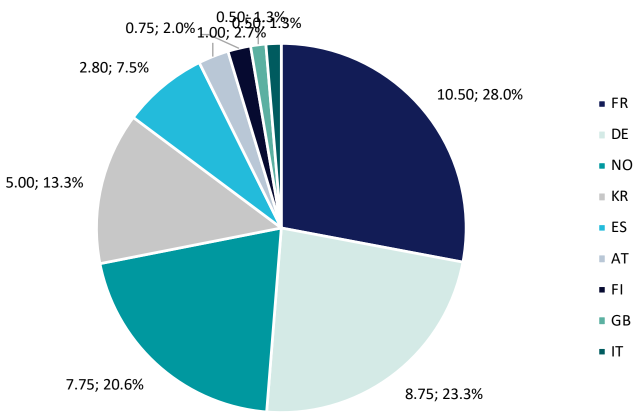
Modified duration and time to maturity by country



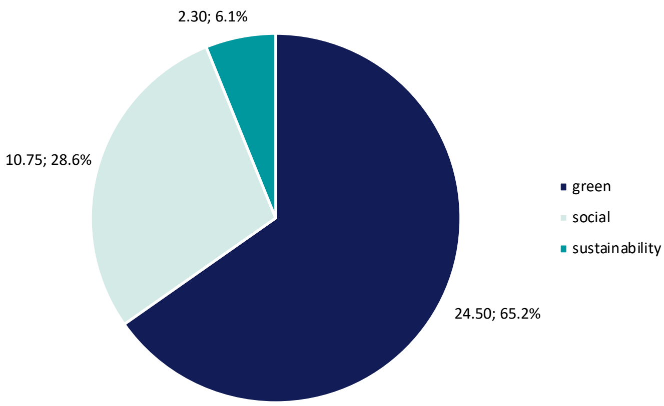
Rating distribution (volume weighted)



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

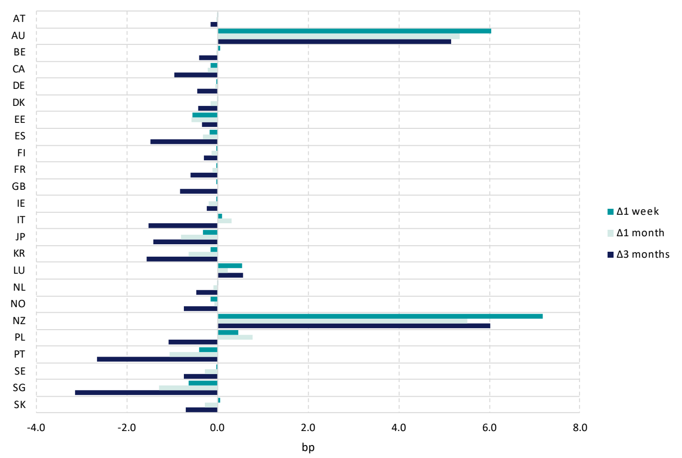


EUR benchmark volume (ESG) by type (in EURbn)

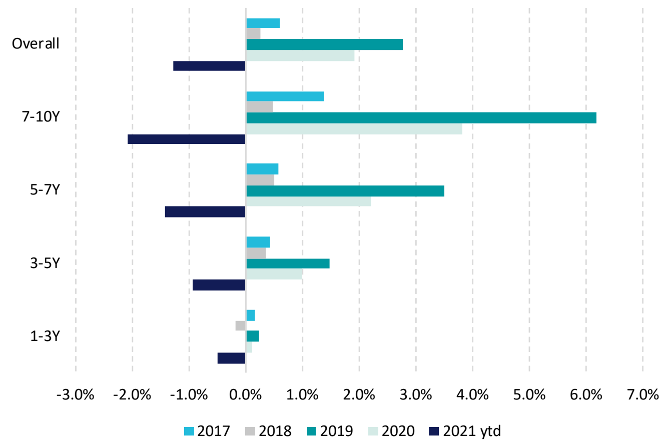


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

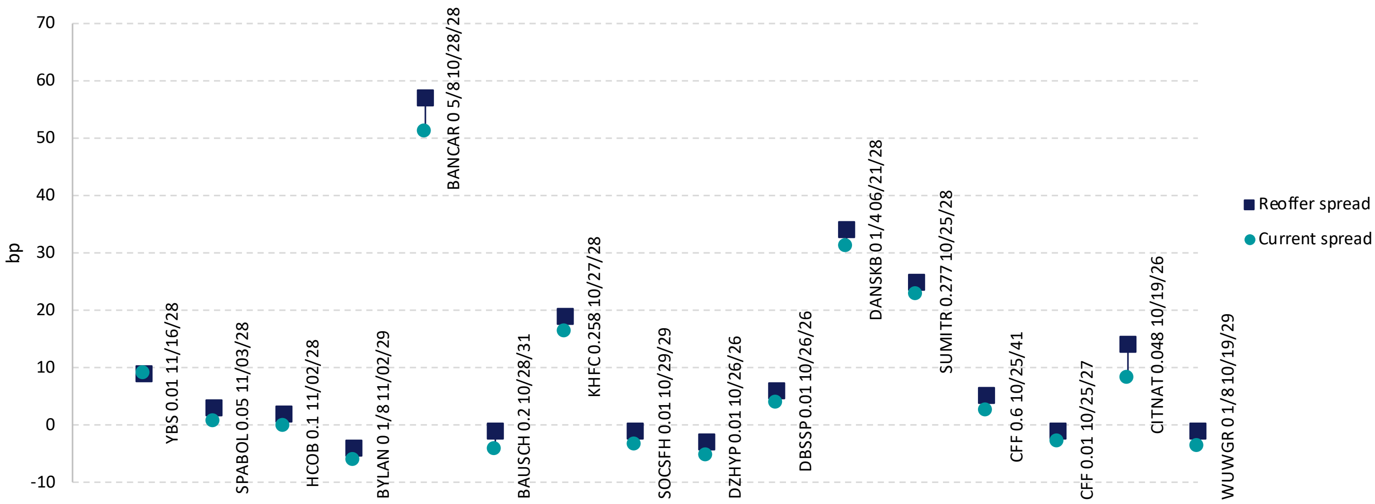
Spread development by country



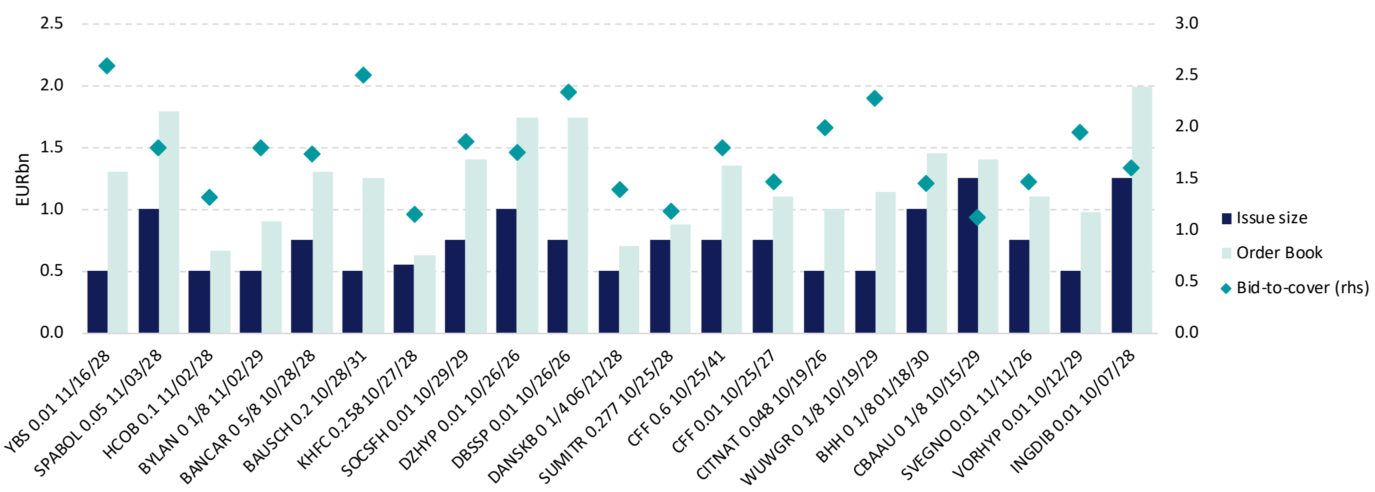
Covered bond performance (Total return)



Spread development (last 15 issues)



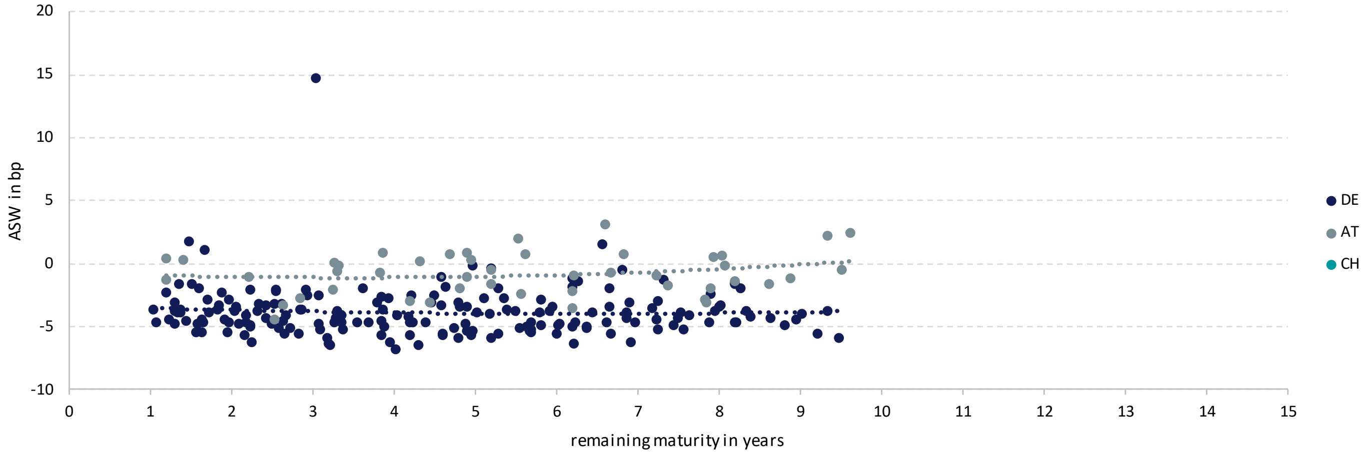
Order books (last 15 issues)



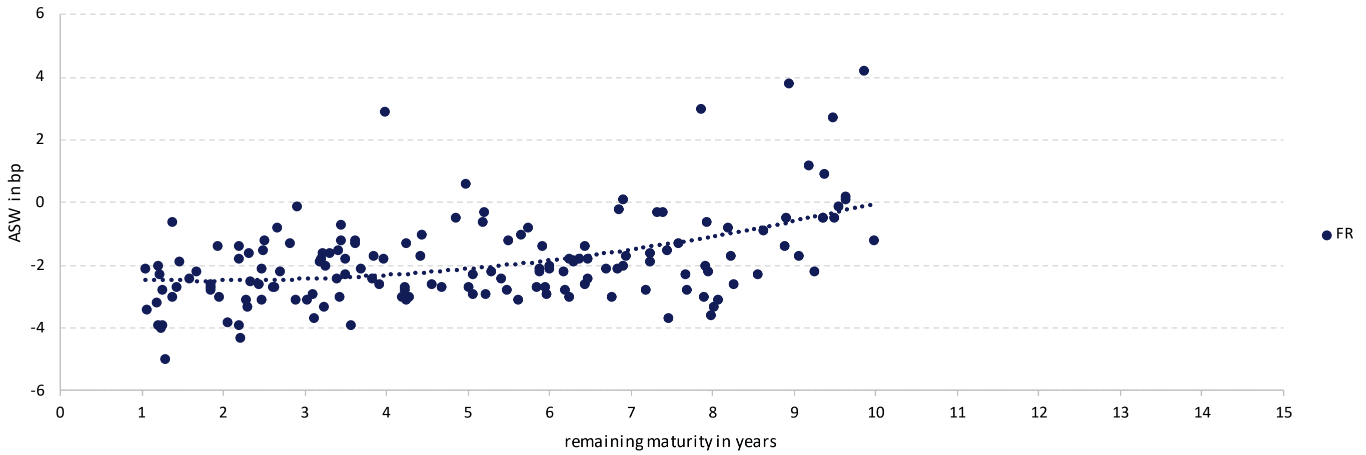
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

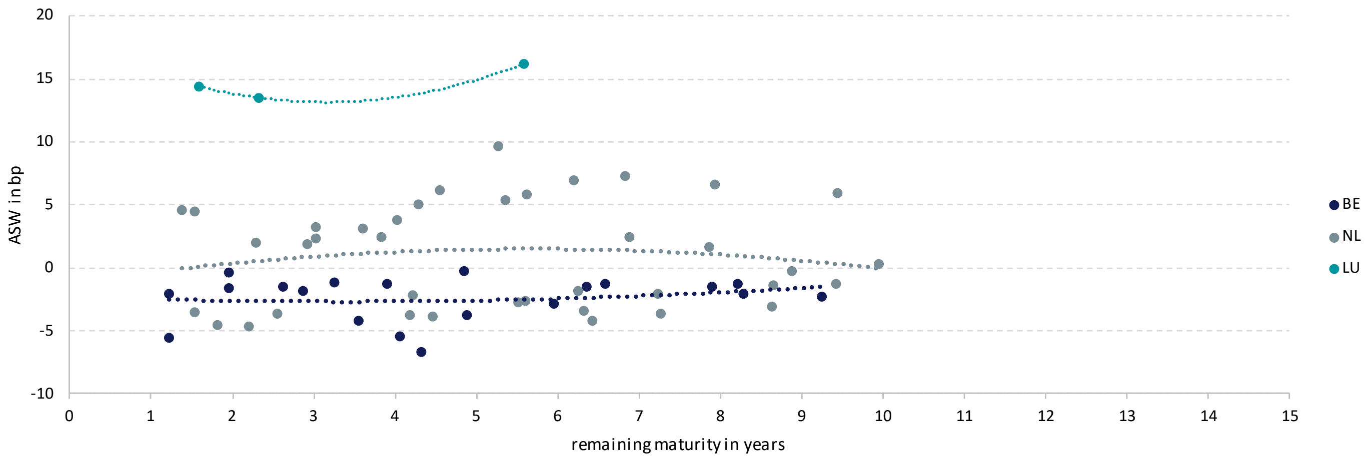
DACH



France

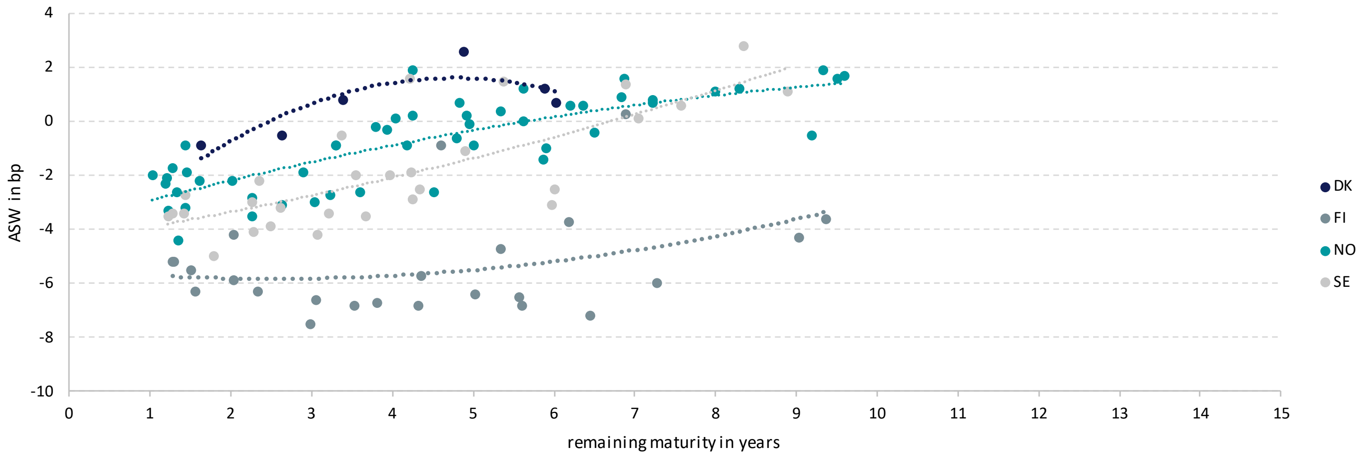


Benelux

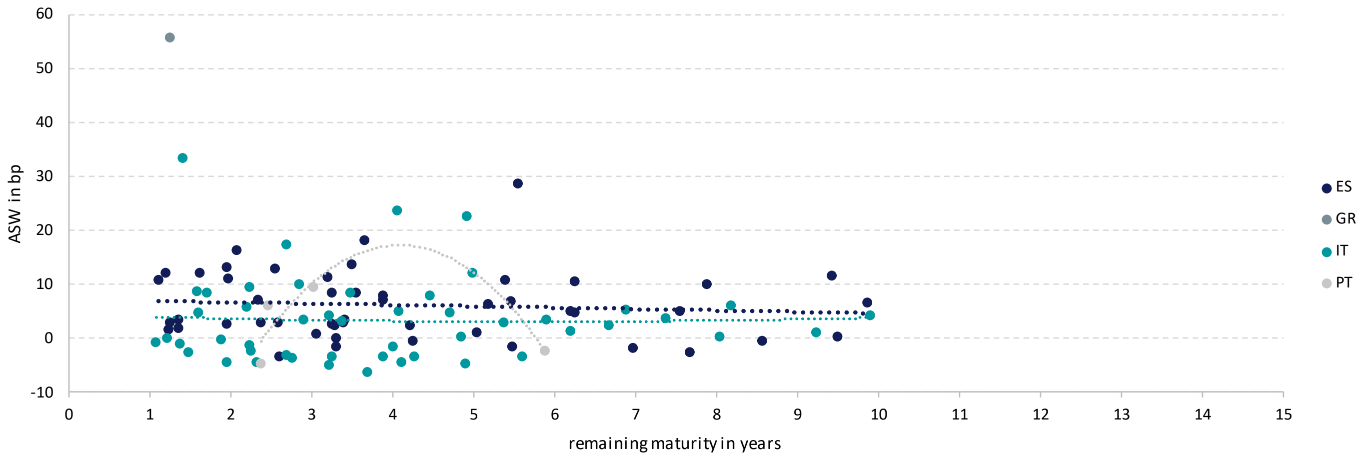


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

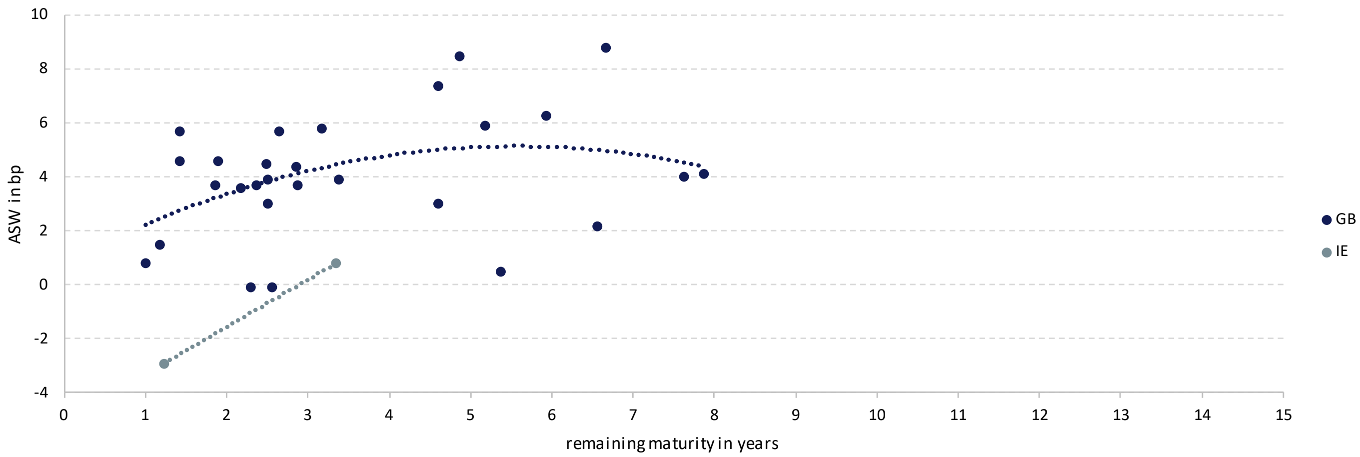
Nordics



Southern Europe

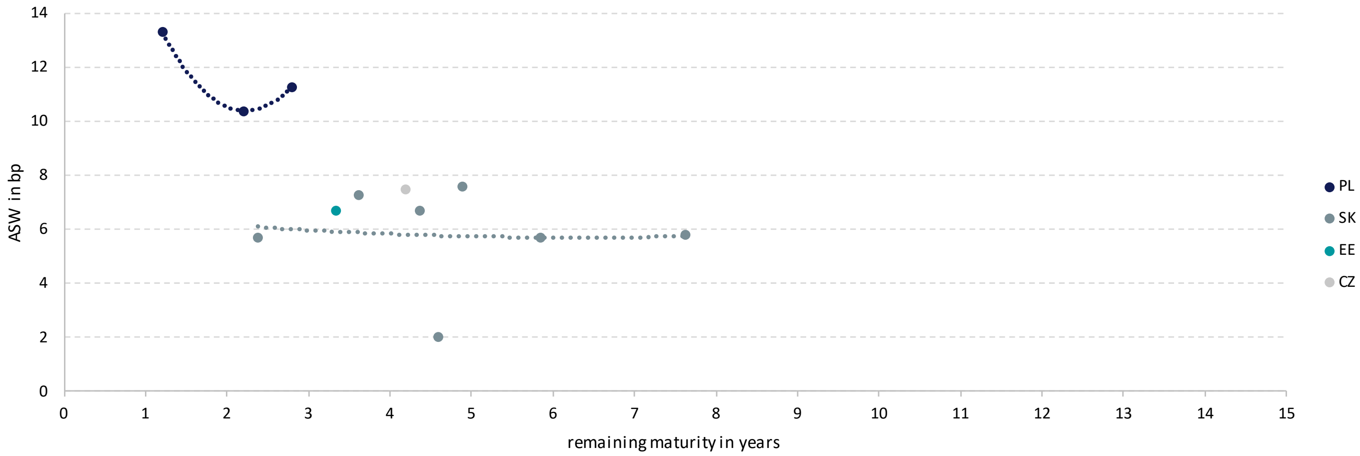


UK/IE

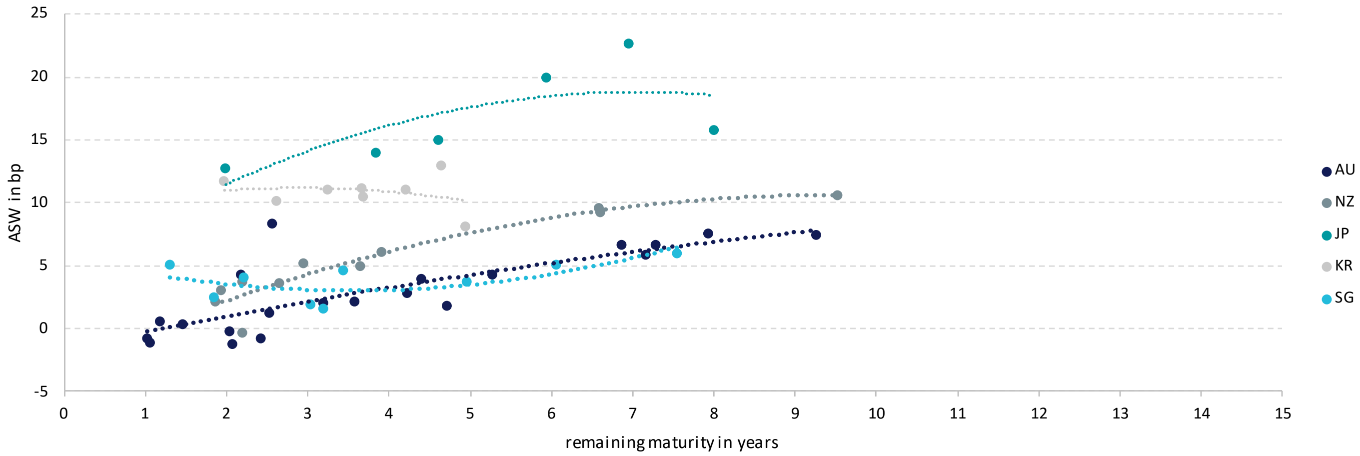


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

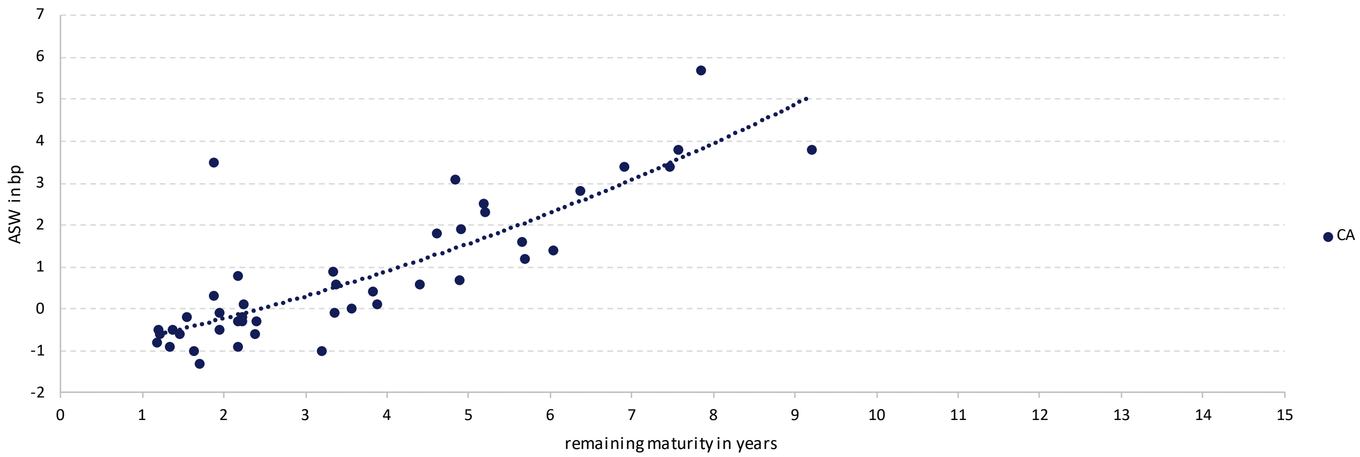
CEE



APAC



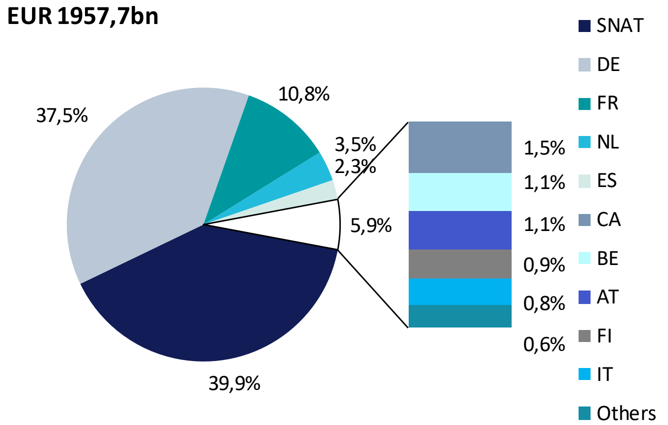
North America



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

Charts & Figures
SSA/Public Issuers

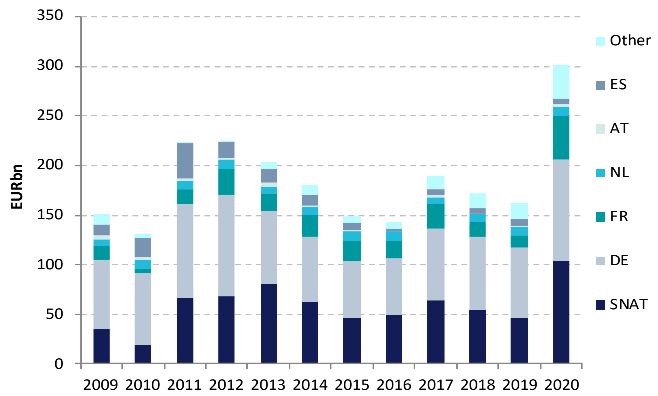
Outstanding volume (bmk)



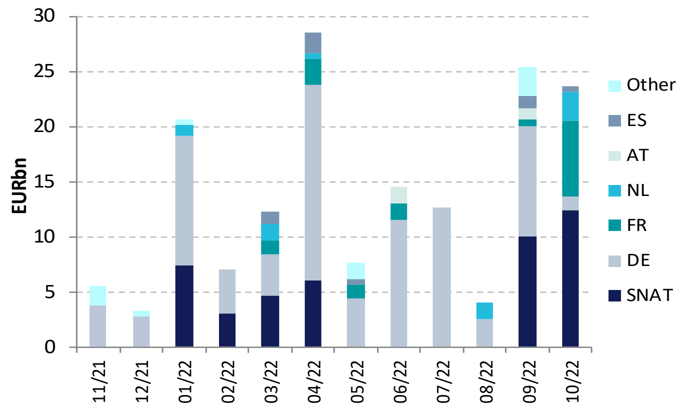
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
SNAT	781,5	193	4,0	8,7
DE	734,5	572	1,3	6,8
FR	211,4	147	1,4	5,9
NL	69,4	67	1,0	6,5
ES	45,3	56	0,8	5,2
CA	28,5	20	1,4	5,4
BE	21,7	25	0,9	14,0
AT	21,2	23	0,9	5,1
FI	16,8	21	0,8	5,9
IT	15,0	19	0,8	5,8

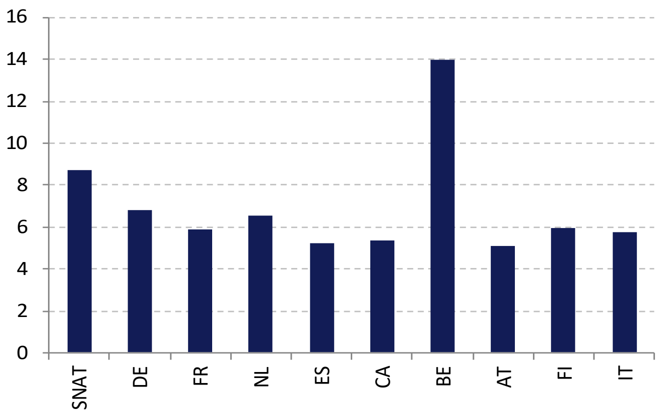
Issue volume by year (bmk)



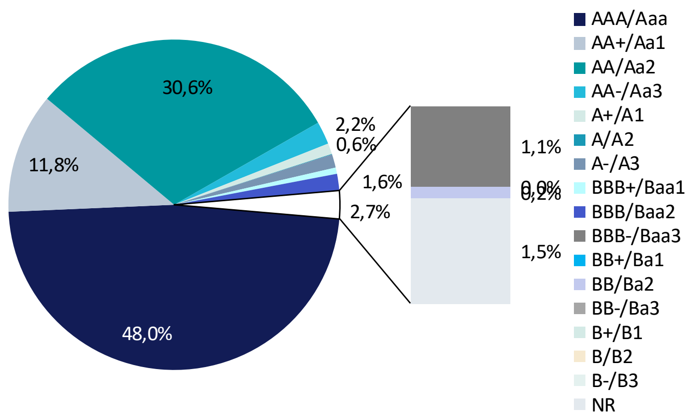
Maturities next 12 months (bmk)



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

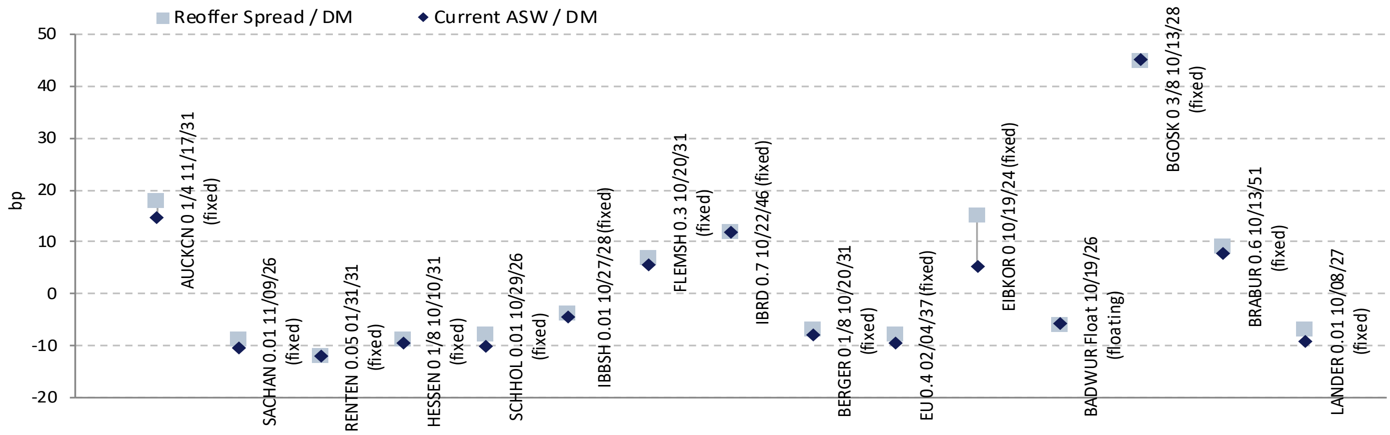


Rating distribution (vol. weighted)

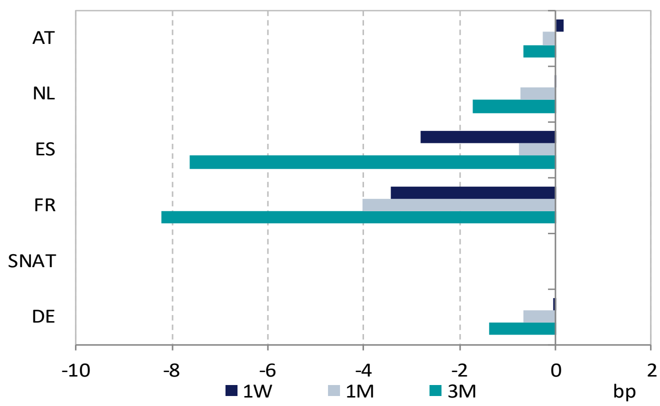


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

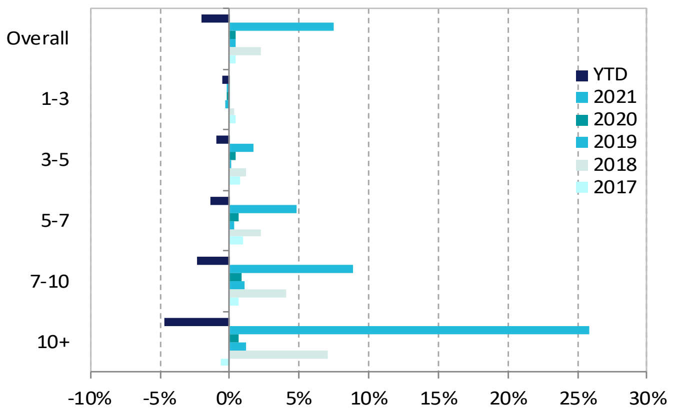
Spread development (last 15 issues)



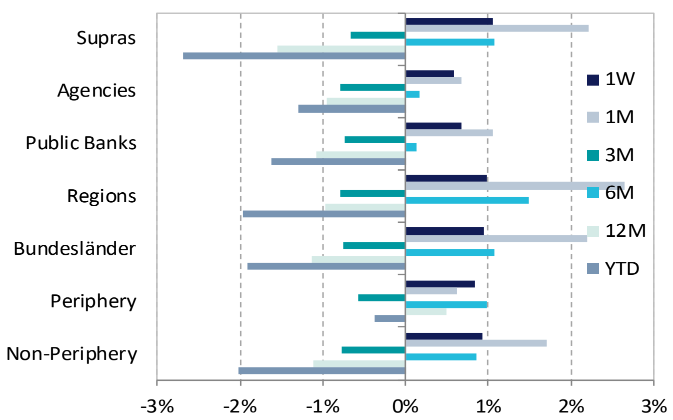
Spread development by country



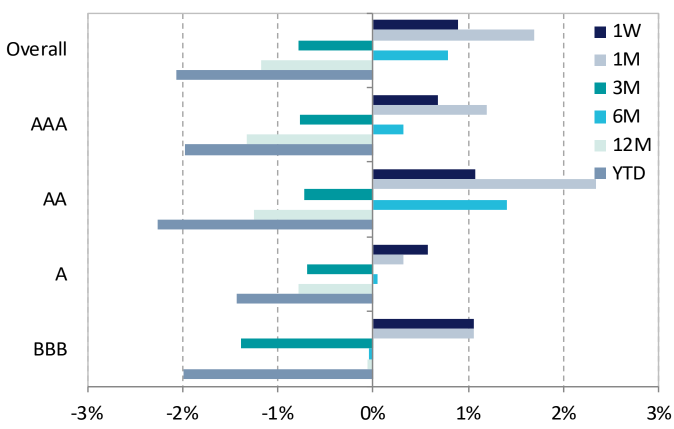
Performance (total return)



Performance (total return) by regions

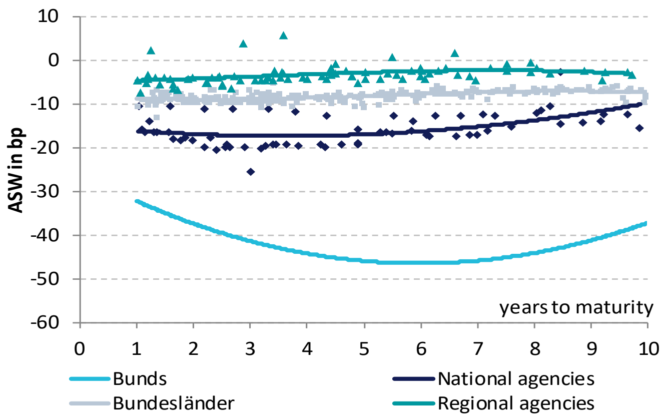


Performance (total return) by rating

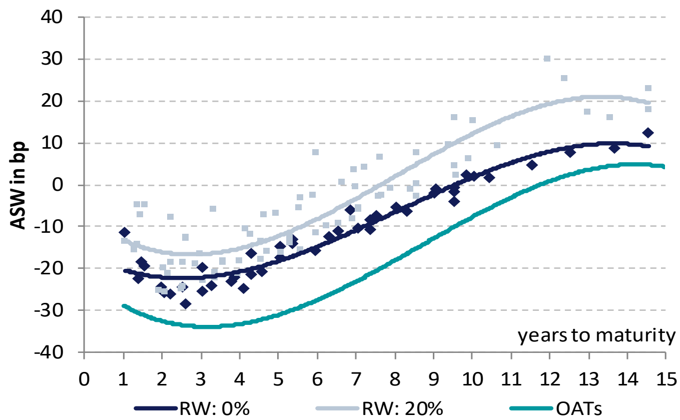


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

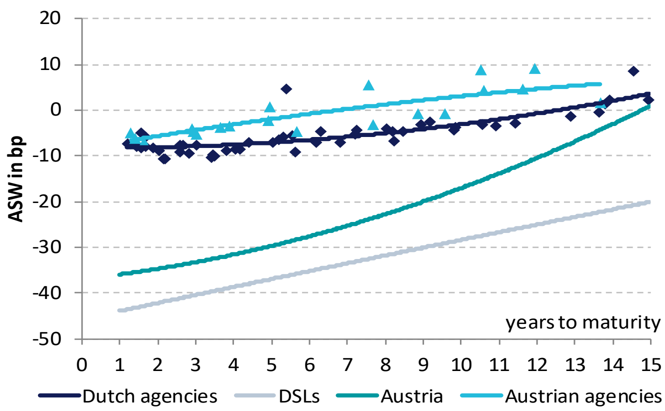
Germany (by segments)



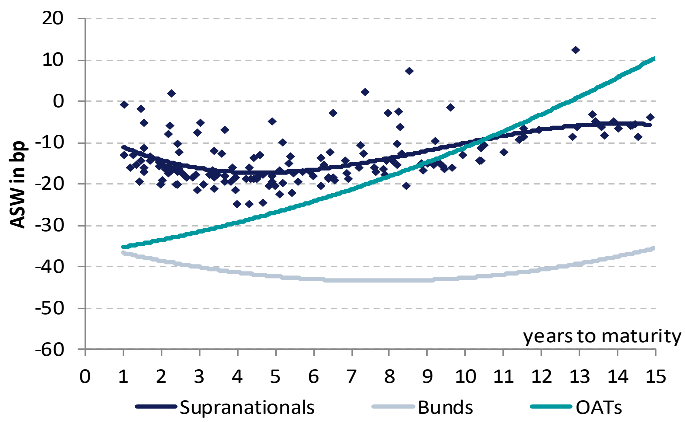
France (by risk weight)



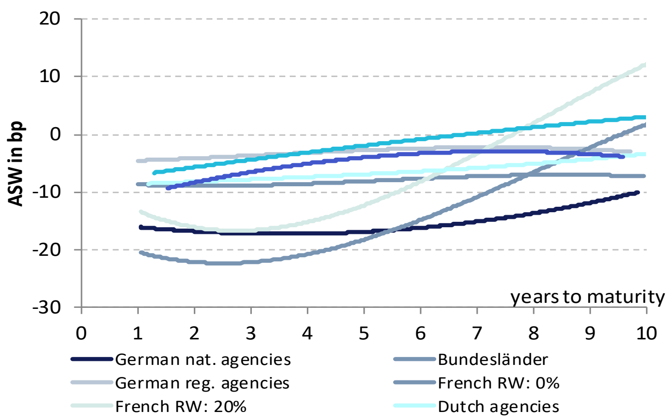
Netherlands & Austria



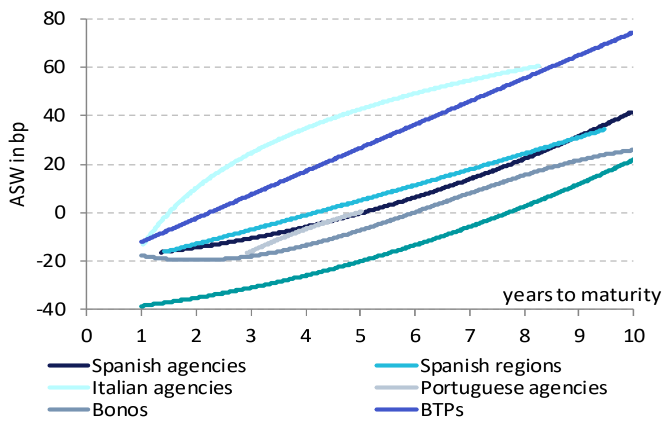
Supranationals



Core



Periphery



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

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
34/2021 ♦ 03 November	▪ Repayment structures on the covered bond market: EU harmonisation is already leaving its mark ▪ Beyond Bundeslaender: Spanish regions in the spotlight
33/2021 ♦ 27 October	▪ Insurance firms as covered bond investors: A look at Solvency II and EIOPA statistics ▪ The Scope rating approach
32/2021 ♦ 20 October	▪ ECB preview: interim step before a landmark December? ▪ ECBC publishes annual statistics for 2020 ▪ Covered bonds in the context of the ECB collateral framework
31/2021 ♦ 22 September	▪ Covered bond primary market: a September to remember ▪ Announcement: Issuer Guide German Bundeslaender 2021
30/2021 ♦ 15 September	▪ Transparency requirements § 28 PfandBG Q2 2021 ▪ Fitch: rating approach covered bonds ▪ Update: Joint Laender (Ticker: LANDER)
29/2021 ♦ 08 September	▪ New dynamic on the Canadian covered bond market: Two debut EUR issuers ▪ Development of the German property market ▪ NGEU in the starting blocks: 3, 2, 1 … EU auctions!
28/2021 ♦ 01 September	▪ ECB preview: focus on the pace of PEPP purchases? ▪ France – largest jurisdiction in EUR benchmark bond segment: a covered bond overview of the “Grande Nation”
27/2021 ♦ 28 July	▪ NORD/LB Issuer Guide Covered Bonds 2021: A constant during turbulent times ▪ Beyond Bundeslaender: Madeira and the Azores
26/2021 ♦ 21 July	▪ Summer break just around the corner – a glance at covered bonds in USD and GBP
25/2021 ♦ 14 July	▪ New ECB strategy – communication remains the be-all and end-all ▪ ECB preview: the first meeting under the “new” regime
24/2021 ♦ 07 July	▪ Covered Bonds: Review of H1 and outlook for H2 2021 ▪ Half-time report 2021 – how will the SSA segment fare in the second half?
23/2021 ♦ 30 June	▪ Return of the Australian covered bond market: National Australia Bank issues first EUR benchmark since 201)
22/2021 ♦ 23 June	▪ TLTRO III.8 neither really strong nor extraordinarily weak: implications for the covered bond market ▪ Realignment of the German real property tax
21/2021 ♦ 16 June	▪ ICMA Green and Social Bond Principles: 2021 update ▪ The covered bond universe of Moody’s: an overview Covered bonds vs. senior unsecured bonds
20/2021 ♦ 09 June	▪ PEPP reporting: increased pace of purchases in Q2 ▪ Covered bonds vs. senior unsecured bonds
19/2021 ♦ 02 June	▪ ECB preview: Spectre of inflation fuelling tapering thoughts ▪ FX covered bonds: Same symptomatology as EUR benchmarks?
18/2021 ♦ 19 May	▪ United Overseas Bank reinvigorates the market in Singapore ▪ Transparency requirements §28 PfandBG Q1 2021

Appendix
Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2021

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 2021

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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