We wish all our readers a cracking Easter break!

The next edition of the CSV will be published on **19 April 2023**

# Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Marketing communication (see disclaimer on the last pages)

# Agenda




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# Market overview
# Covered Bonds

Authors: Dr Frederik Kunze // Melanie Kiene, CIIA // Stefan Rahaus

**Primary market: new deals already top EUR 90bn in 2023**

The primary market for covered bonds in EUR benchmark format has continued to enjoy a sense of regained momentum. For example, another seven new deals were successfully placed on the market over the past five trading days. Last Wednesday, three issuers sought to take advantage of the impetus from the preceding days by approaching investors. The trio of banks, namely Swedbank (SE; EUR 1.0bn; 5.3y), Westpac (AU; EUR 1.25bn; 2.0y) and Sumitomo Mitsui Trust (JP; EUR 500m; 3.0y), all originate from outside of the euro area. On Thursday, issuers from the single currency area were again conspicuous by their absence, with only Korea Housing Finance (KR; EUR 500m; 4.0y) placing a social covered bond on the market. As we also discuss in our Covered Bond focus article in this present edition of our weekly publication, the first quarter of 2023 came to a close at a high level in terms of the volume of new deals. The move to the new quarter was also successful for the primary market and the euro area returned to the spotlight as well. Yesterday (04.04) saw the first new issues in April from DZ HYP (DE; EUR 500m; 4.5y; WNG), BPCE (FR; EUR 2.0bn; 5.0y) and VUB (SK; EUR 500m; 3.5y). For the current year, the volume of new issuances now amounts to EUR 90.4bn. As we also describe in our focus article, we see only a minor need to adjust our supply forecast and anticipate that spreads will only widen marginally up to the midpoint of the year. However, the fact that the covered bond market is still characterised by a significant degree of uncertainty is reflected, among other aspects, by the comparatively high spread indications that initially kicked off the marketing phases for the DZ HYP (ms +8bp area) and BPCE (ms +27bp area) deals. On balance, we take the successful placements as confirmation of our view that the sub-market for covered bond deals is still intact. The DZ HYP deal was eventually priced with a re-offer spread of ms +3bp and a small new issue premium of +2bp. The deal is likely to have been boosted by DZ HYP settling on an issuance volume of EUR 500m in advance, which given the public sector assets of the Pfandbrief does not really come as a surprise to us.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| VUB | SK | 04.04. | SK4000022828 | 3.5y | 0.50bn | ms +55bp | - / Aa1 / - | - |
| BPCE | FR | 04.04. | FR001400H8X1 | 5.0y | 2.00bn | ms +23bp | - / Aaa / AAA | - |
| DZ HYP | DE | 04.04. | DE000A3MQU11 | 4.5y | 0.50bn | ms +3bp | - / Aaa / AAA | - |
| Korea Housing Finance | KR | 30.03. | XS2545732484 | 4.0y | 0.50bn | ms +55bp | - / Aaa / AAA | X |
| Swedbank Hypotek | SE | 29.03. | XS2607781882 | 5.3y | 1.00bn | ms +18bp | - / Aaa / AAA | - |
| Sumitomo Mitsui Trust | JP | 29.03. | XS2603552014 | 3.0y | 0.50bn | ms +45bp | - / Aaa / - | - |
| Westpac Banking | AU | 29.03. | XS2606993694 | 2.0y | 1.25bn | ms +15bp | AAA / Aaa / - | - |

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

**Secondary market: handbrake still on**

Deals from the prior trading week in particular were quite appealing and have recently been quoted at or slightly below the corresponding re-offer spreads. The subject of bank stress is noticeably less important, although the secondary market is still operating with the handbrake on.

**vdp publishes data on the Pfandbrief market in 2022**

The Association of German Pfandbrief Banks (vdp) recently presented its figures for the Pfandbrief market in 2022. As part of a survey focused on the issuers themselves, the vdp collects data on new issuance activity and outstanding volume for the annual statistics of the ECBC. This represents a different data basis from the information based on §28 of the German Pfandbrief Act (PfandBG). At the same time, however, the implications derived from the annual statistics match up with those that we can infer from the transparency data published on a quarterly basis (cf. Transparency requirements §28 PfandBG Q4 2022). For example, the outstanding volume as at 31 December 2022 increased by EUR 2.2bn year on year to stand at EUR 393.6bn overall. The share of public Pfandbriefe declined from 32.0% to 28.0%, while the share of mortgage Pfandbriefe increased by 4.0% to 71.5% of the outstanding volume. Having accounted for half of all new issues in 2020 and 2021, the share of private placements fell to 35.6% in 2022. The dominance of short maturities on the primary market for EUR benchmarks, which has been evident for several months, is not yet reflected in this data: having stood at 5.9 years in 2021, the average term to maturity of the Pfandbriefe in circulation increased to 6.6 years in 2022. We expressly welcome the availability of the additional database, which goes beyond the legal requirements and additionally provides the basis for cross-jurisdiction comparability. We last discussed the developments on the German Pfandbrief market in greater detail as part of our weekly publication on 8 March 2023.

**Moody’s: Swedish covered bond legislation “relatively strong”**

At the start of the week, the risk experts at Moody’s commented on Sweden’s amended covered bond legislation in connection with the EU harmonisation efforts. The current regulations in Sweden, which came into force in July 2022, are evaluated as “relatively strong” by Moody’s. The rating agency sees aspects such as overcollateralisation (OC) requirements and the maturity deferral as weaker characteristics of the Swedish legislation. For example, OC of just 2% (nominal and net present value) is stipulated by law, although issuers maintain ratios of more like 5% as standard market practice. In addition, maturities cannot be deferred post-issuer bankruptcy, which could limit the benefit for covered bond investors. The risk experts at Moody’s put the strengths of the new covered bond legislation down to the limitation of the cover assets. For example, only traditional assets are authorised and the share of commercial mortgage financing is capped at 10% of the cover pool. Furthermore, Moody’s recognises the mandatory performance of asset coverage tests (ACT) – both on a present value and nominal basis. Similarly, the exclusion of claims more than 60 days in arrears is considered a strength in deriving the above tests.

**S&P: Covered Bond Directive helps to further strengthen the robust French framework**

In the opinion of the risk experts at Standard & Poor's (S&P), the implementation of the new legislation in France has further improved what was already a robust framework for the issuance of covered bonds. This applies to both Obligations de Financement de l’Habitat (OH) and Obligations Foncières (OF). Due to the previous design of the relevant legislation, the rating agency is of the opinion that there is also no need for adjustment with regard to the conclusions within the process of the rating preparation. S&P also highlights that the legislation implies a high level of protection for covered bond investors, although the rating agency also points out that issuers do enjoy a degree of flexibility in terms of the type of cover assets.

# Market overview
# SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Jan-Phillipp Hensing // Valentin Jansen

**BNG Bank: Annual Report 2022 – Increase in profits despite downturn in new business**

BNG Bank (Bank Nederlandse Gemeenten; ticker: BNG) from The Netherlands again supported the public sector in 2022 with funding at favourable terms. New business in the area of long-term loans amounted to around EUR 12.3bn (2021: EUR 12.8bn), as a result of which, the total portfolio amounted to EUR 88.0bn as per year end. Net profit stood at EUR 300m, as against EUR 236m in the previous year (+27% Y/Y). Total assets fell by EUR 37bn to EUR 112.1bn (2022) against the previous year. This sharp fall (-25% Y/Y) is primarily attributable to valuation effects in the loan portfolio and hedge accounting. BNG is the fourth largest bank in the Netherlands and one of the most important public-sector lenders. Its clients include municipalities, housing associations, healthcare and educational institutions as well as energy companies. As part of its public contract, the bank's main focus is on social impact. Last year, as part of its "Road to Impact" climate strategy, the bank presented its new "Going Green" climate plan, which mainly envisages cutting emissions extensively across many areas of the business. We previously outlined the strategy in our weekly publication dated 01 March. On the funding front, BNG was able to raise a total of EUR 16.3bn in 2022, partly in longer-dated bonds with an average duration of 7.7 years, which, according to the issuer, can also be explained in light of new business in the area of long-term loans. As regards currency diversification, benchmark bonds are also issued in USD. In the EUR benchmark segment that we cover, BNG was present in the market with a volume of EUR 4.3bn split across three issues (EUR 1.75bn was the largest individual issue volume). The bank has already issued two EUR benchmark bonds in 2023 – including a social bond – for EUR 1.5bn each. In addition, BNG's funding is enhanced by private placements. A separate analysis of BNG and an overview of the Dutch agency market can be found in our NORD/LB Issuer Guide 2022 – Dutch Agencies.

**KfW Green Bond Allocation Report 2022**

Last Tuesday, KfW (ticker: KFW) published its report on the use of funds from the "Green Bonds – Made by KfW" issued in 2022. A total of EUR 10.6bn was raised from 20 green bonds in ten different currencies. The funds were allocated in full in KfW's credit programmes which form the basis for the Green Bond Framework. In total, 71% of the funds were used for energy efficiency projects under the "federal funding for efficient buildings" programme, with 28% for "Renewable Energies – Standard". The remaining funds went to the Sustainable Mobility for Municipalities and Enterprises programme, which was included into the Green Bond Framework in 2022. A regional analysis showed that 93% of net proceeds benefited projects in Germany and the remaining 7% were used for funding in other OECD countries. According to Tim Armbruster, KfW Treasurer, the bank has been active on the international capital markets with its "Green Bonds – Made by KfW" programme since 2014, and it recently exceeded the EUR 60bn mark in funds issued so far. He added that the issue of transparent reporting had been of great importance from the outset.

**Funding in Q1 2023: ESM issues interim report**

On 27 March, the European Stability Mechanism (ticker: ESM, ESMTB) provided an interim analysis of the funding raised in Q1 2023. Short-term ESM bills represent one of the refinancing elements, with around EUR 6.4bn issued in six transactions of this kind. In the area of syndicated transactions, ESM kicked off 2023 with a EUR 3.0bn five-year bond. At the time of issue, the yield was already just over the 3% mark. This issue raised around 38% of the total planned funding volume of EUR 8.0bn for 2023, which is unchanged from the previous year. As was the case with this deal (4.5x), high oversubscription ratios are nothing unusual in the European supras segment. This has also been the case over the past few weeks, in spite of substantial imbalances in the market. The ESM is the successor institute to the European Financial Stability Facility (EFSF). The EFSF still issues bonds as part of the refinancing of existing loans, but cannot disburse any new loans. The ESM is based in Luxemburg and was set up on 08 October 2012; it represents a permanent rescue fund for euro area countries. After working for a time in tandem with the EFSF to ensure financial stability in Europe providing aid programmes, the ESM has been the sole rescue mechanism in the eurozone since July 2013. A separate analysis of the ESM and EFSF along with an extensive insight into the market for bonds of European supranational issuers can be found in our recently published NORD/LB Issuer Guide – European Supranationals 2023.

**Fitch cuts the outlook for Flanders to negative**

On 17 March, the rating agency Fitch affirmed the Flemish Community's AA rating (abbr.: Flanders; ticker: FLEMSH), but revised the outlook from stable to negative. According to Fitch's risk experts, the downward revision of the outlook reflects the adjusted rating for the Belgian state (rating: AA-/negative), whose outlook had itself been revised downwards a week earlier on 10 March 2023 to negative from stable. According to the rating agency, the main reason for the move is a deterioration in the state budget. The recent increase in the budget deficit – linked not least to the general rise in market interest rates – is expected to remain at a relatively high level in the medium term. The rating for Flanders (AA) is the highest rating of all the Belgian regions and communities; it is even one notch higher than that of the Belgian state – a fact which can be seen as a rarity among European subsovereigns. This, according to the agency, reflected not only the economic strength of the region in relation to the Belgian state and to the European Union, but also the extensive autonomy enjoyed by Flanders in setting its budget and tax legislation. Consequently, in the scenario of a marked deterioration in financial situation or even a (partial) default of the Belgian state, the Flemish Community would still be able to service its debt, which essentially accounts for the one notch difference in rating, according to the agency's report. In addition, the agency draws attention to a robust revenue front and financially sustainable budgeting. In our publication, NORD/LB Public Issuer Special – Beyond Bundeslaender: Belgium, which was updated at the beginning of the year, in addition to a separate analysis of individual issuers that are important for the capital market, we also carry out a classification of the Belgian market as a whole.

**Baden-Wuerttemberg publishes Green Bond Impact Report**

On 23 March, Baden-Wuerttemberg published an updated version of the Green Bond Impact Report. The Bundesland has been active in the market for ESG bonds on the basis of its Green Bond Framework, which was last updated in May of last year, since 2021 – back then only North Rhine-Westphalia (since 2015) and, later on in 2021, Hesse had placed deals in the same market. Baden-Wuerttemberg issued a second green bond (EUR 350m for ten years) in May 2022, relating to expenditure under the 2021 Bundesland budget (EUR 376.9m). In contrast, the inaugural green bond dates back to 05 March 2021: EUR 300m changed hands at this time for a term of ten years. The recently published Impact Report indicates that the second green bond includes a total of 58 projects which quality for funding. Alongside a wide range of the corresponding UN Sustainable Development Goals (SDGs), these projects even address all six EU taxonomy environmental objectives. Overall, 52 projects account for 96% of the total financing. The bulk of the financings assessed in the report can be classified under the EU taxonomy objectives of "climate change mitigation" (26 projects, EUR 226m) and "protection and restoration of biodiversity" (11 projects, EUR 60m). The "pollution prevention and control" category accounts for another big chunk, with EUR 23m of issue proceeds allocated to seven projects here. As regards the allocation of funds raised for specific SDGs, the bulk has gone to climate change mitigation, with a total of EUR 241m (60% of issue proceeds) allocated to this end. The second most important field of action involves biodiversity and ecosystems; EUR 60.2m (16%) has been allocated to this area (SDG 15). With Baden-Wuerttemberg having already integrated elements of sustainability to an advanced extent in comparison with other Laender, which applies not least to its state budget (in this context, please refer to our weekly publication dated 22 March), we expect further issues in ESG formats in future – and perhaps even a first EUR benchmark bond from BADWUR. The finance minister, Dr. Danyal Bayaz, has stated that Baden-Wuerttemberg is systematically pursuing a course of sustainable capital investment. This, he said, is no greenwashing; the bonds really do have a positive impact.

**Saarland presents it budgetary outcome for 2022: transformation fund a stress factor**

The finance minister of Saarland, Jakob von Weizsäcker, presented his budget statement for 2022 on 27 March. The statement for 2022 shows total spending of around EUR 8.1bn. This is as much as EUR 148m less than projected, reflecting the fact that investment was EUR 82m lower than originally planned. Moreover, interest spending was EUR 49m below the figure calculated in 2020 for the second year of the twin budget. Although personnel expenses were EUR 47m higher than in 2021, they were also EUR 50m below the corresponding projection. Tax revenue was once again EUR 155m higher even than in the supplementary budget for 2022. With the 2022 supplementary budget, Saarland's parliament had acknowledged the extraordinary budget emergency and approved the setting up of a transformation fund. The fund of EUR 2.8bn had a corresponding negative impact in the past budget year in view of new borrowing. The final analysis of the 2022 budget shows that requirements under the "debt brake" and the German restructuring act (SanG) were met. The finance minister concluded that Saarland's financial situation remains "challenging". Although the COVID-19 crisis had been overcome and the strength of the economy and tax revenues were currently slightly better than anticipated, he said, the impact of Russia's war of aggression against Ukraine, the transformation challenges, inflation and rising interest rates continued to call for a forward-looking budget policy with clear priority setting.

**Primary market**

Whereas we have seen relatively few new deals over the past few weeks due to turbulence in the markets, it has to some extent been a return to normality now – measured by the number of new issues at least. In the usual chronological order, we begin with Berlin (ticker: BERGER): EUR 1bn changed hands for six years at ms -7bp. There was no tightening in relation to the guidance; the issue generated an order book of EUR 1.2bn. In contrast, NRW.BANK (ticker: NRWBK) approached investors with a social bond. The EUR 1bn (WNG) ten-year bond was placed at ms +3bp (guidance: ms +3bp area). The order book also amounted to EUR 1.2bn. Staying in the ESG segment, Société du Grand Paris (ticker: SOGRPR) issued a 30-year green bond worth EUR 1bn at OAT +52bp. The order book amounted to EUR 1.8bn and there was tightening of one basis point during the marketing phase. Sub-sovereigns were also out in force last week: the Flemish Community (FLEMSH), whose rating outlook was recently revised downwards (see earlier paragraph on this subject), placed a EUR 1.25bn ten-year bond. Demand for the deal was lively: After an initial guidance of OLO +45bp area, this was revised to OLO +43bp area shortly thereafter. Final pricing for the bond was at OLO +41bp, with an order book of EUR 3.5bn. There was also an appearance from a more infrequent visitor to the EUR primary market: on Tuesday, the Development Bank of Japan (ticker: DBJJP) placed a EUR 1bn EUR benchmark (5y; WNG). Investor talks had already taken place on 30 March. Marketing began with an initial guidance of ms +26bp area. After a revision to ms +25bp area, pricing was fixed at ms +23bp with a corresponding order book of EUR 2.6bn. We can also comment on a tap: Rentenbank tapped its deal RENTEN 3 ¼ 09/06/30 by EUR 500m at ms -9bp. Svensk Exportkredit (ticker: SEK) made its appearance in the market with a senior preferred bond with the shortest maturity seen in this trading week. In total, EUR 1.25bn changed hands at ms +3bp for three years (guidance: ms +5bp area). The issue attracted orders amounting to EUR 2.1bn. There was also a supranational issuer during the trading week under consideration: on Tuesday, the Council of Europe Development Bank (Ticker: COE) issued a EUR 1bn seven-year social inclusion bond. This was issued at ms -3bp, with guidance having initially been at ms -1bp area. The bond produced an order book of EUR 1.9bn. Two mandates were also issued yesterday and we expect marketing to begin today: Hamburgische Investitions- und Förderbank (ticker: IFBHH) has mandated for a ten-year EUR 250m sub-benchmark bond (WNG), while IBRD has mandated for a sustainability bond. We will be taking a break from this publication next week and would therefore already like to flag up the next EU bond auction on 17 April.

| Issuer | Country | Timing | ISIN | Maturity | Size | Spread | Rating | ESG |
|---|---|---|---|---|---|---|---|---|
| COE | SNAT | 03.04. | XS2610236528 | 7.0y | 1.00bn | ms -3bp | AA+ / Aaa / AAA | X |
| SEK | Nordics | 03.04. | XS2610235801 | 3.0y | 1.25bn | ms +3bp | - / Aa1 / AA+ | - |
| DBJJP | Other | 30.03. | XS2608652934 | 5.0y | 1.00bn | ms +23bp | - / A1 / A+ | - |
| FLEMSH | BE | 28.03. | BE0002934157 | 10.0y | 1.25bn | ms +32bp | AA / - / - | - |
| SOGRPR | FR | 28.03. | FR001400H4K7 | 30.1y | 1.00bn | ms +121bp | AA / Aa2 / - | X |
| NRWBK | DE | 28.03. | DE000NWB0AT4 | 10.0y | 1.00bn | ms +3bp | AAA / Aa1 / AA | X |
| BERGER | DE | 28.03. | DE000A3MQYQ9 | 6.0y | 1.00bn | ms -7bp | AAA / Aa1 / - | - |

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

# Covered Bonds
# Supply forecast requires no great adjustment

Author: Dr Frederik Kunze

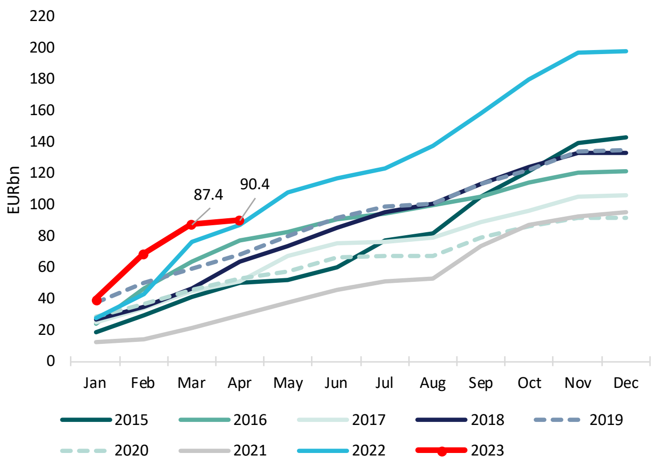
**What kind of quarter was that (again)?!**

The first three months of 2023 were (once again) characterised by periods of increased uncertainty. What sets the current year apart from the previous year in respect of the covered bond market – and especially the EUR benchmark segment – is the fact that the stress of the recent past is mainly down to developments in the banking market rather than the monetary policy or geopolitical environment. Nevertheless, it is important to keep in mind that this "bank stress" is in no small part down to the movements of central banks on both sides of the Atlantic. Rising interest rates, the roll back of the APP volume and the coordinated reduction of TLTRO III volumes are having varying effects on the covered bond segment. In the first quarter, 2 February proved to be a special date. On this day, the ECB communicated preliminary specific information on its roadmap for quantitative tightening (QT). Although it was admittedly not clear to us from the announcement, the Governing Council also laid the foundation for a very timely end to primary market purchases under the APP on the same day. For the covered bond market, the primary market order rate fell from 20% to 10% on 7 February. Since March 2023, the Eurosystem has after all no longer made purchases on the primary market and will for a limited period of time concentrate its own reinvestments from the CBPP3 on the secondary market for covered bonds. However, there were no large widenings in spreads, which we would also justify by the fact that the QT issue was already largely priced in. However, it is by no means possible to speak of a trouble-free first quarter. Thanks in part to the shockwaves that affected the banking market – initially from the USA and later from Switzerland – primary market activities were suspended for no fewer than eleven trading days. As a reminder: in the wake of Russia's attack on Ukraine, this was only the case for five trading days in 2022. Although the bank stress was not foreseeable, we are not surprised by how the reopening of the market transpired in the form of a Canadian issuer, namely CIBC.

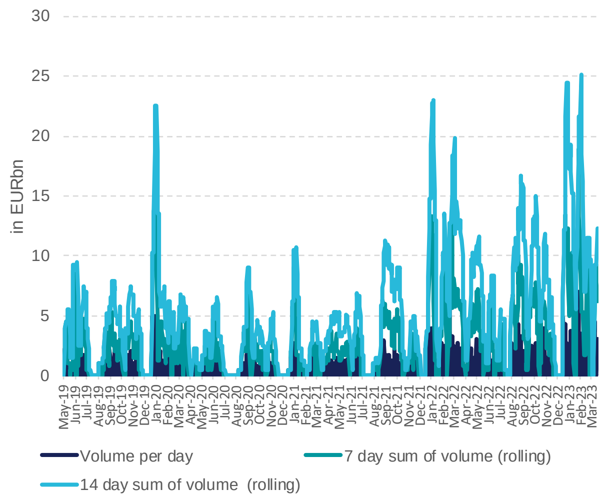
**EUR benchmark issue volume amounts to EUR 90.4bn in the current year**

There is another trend on the primary market that is as striking as it is understandable. Euro area issuers were obviously still trying to benefit from ECB orders, which led to an unusually high preponderance of EMU deals. However, as expected, it has been institutions outside the common currency area that have dominated primary market activity since March. In the future, we do expect the regional distribution to be more balanced again. In the current year, a total of EUR 90.4bn was placed on the market from 16 jurisdictions (spread between 91 bonds). At jurisdiction level, France (EUR 23.9bn) and Germany (EUR 15.0bn) dominated proceedings. Canadian issuers raised EUR 11.25bn, with the dual tranche from Toronto-Dominion (7.0y; EUR 1.5bn & 3.0y; EUR 3.5bn) totalling EUR 5.0bn standing out, in particular. With regard to seasonality on the primary market, the first three months of the year are characterised by high activity despite the uncertainties. A total of EUR 87.4bn was issued in the first quarter of 2023, which is again significantly more than in the first quarter of 2022 (EUR 76.1bn).

**Primary market: issue trend (EUR BMK)**




**Primary market: seasonal pattern (EUR BMK)**

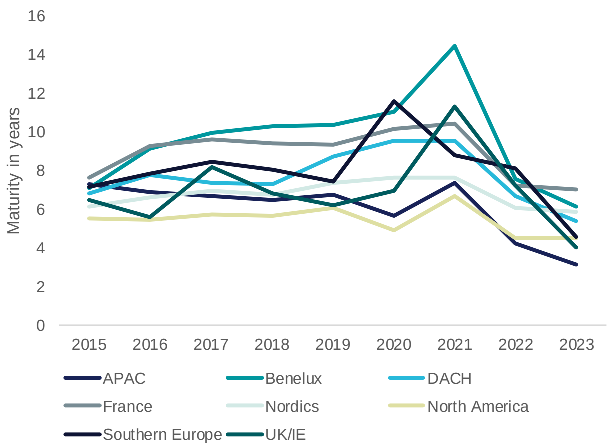



Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

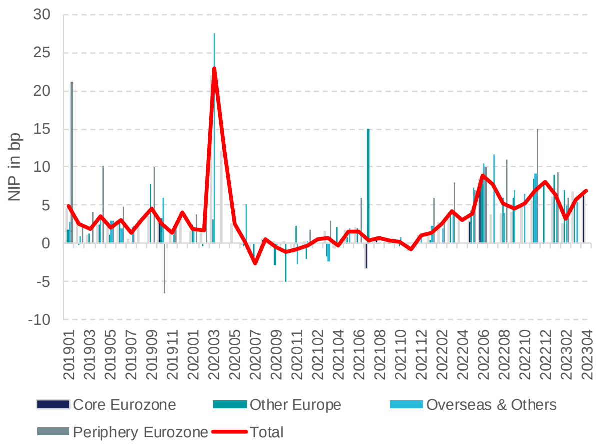
## Preponderance of short maturities continues

New issues with relatively short maturities are dominating in 2023. This persistent phenomenon can be observed across all regions. From the perspective of issuers, this is problematic since institutions would certainly be interested in the placement of deals with longer maturities or these would fit better with their liquidity management and refinancing plans. Even if investor demand for longer maturities cannot be ruled out, the unfavourable pricing that can be expected for longer-term deals (cf. Covered Bond & SSA View dated 15 February) is preventing the majority of issuers from venturing into these maturity segments. However, the development of new issue premiums for the placed bonds is certainly sound. Unsurprisingly, premiums versus fair value are necessary, although these have on average stayed within the region of low to middling single-digit NIPs for a number of weeks. We consider this level to be appropriate and do not currently expect a new, dramatic increase here, even though recent deals have been placed with comparatively high reoffer spreads.

**Primary market: maturities by region (EUR BMK)**




**Primary market: new issue premium (EUR BMK)**




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

**Primary market activities lead to moderate adjustment of our supply forecast**

The issue volume itself comes as no surprise for us. Nevertheless, the distribution of volumes across jurisdictions means our supply forecast requires some adjustment. Specifically, this applies to Australia and Spain. For 2023, we now expect a new bond volume amounting to EUR 6.25bn from Australia (previously: EUR 4.5bn) and EUR 12.0bn from Spain (previously: EUR 10.0bn). We have adjusted the issue volume for Japan in the current year (EUR 1.75bn). The new supply volume for the EUR benchmark segment consequently amounts to EUR 193.5bn (previously: EUR 189.5bn). With a maturing volume of EUR 115.5bn, this results in a net new supply of EUR 78.0bn. The main drivers remain the markets of France (net supply: EUR 19.85bn), Germany (EUR 15.25bn) and Austria (EUR 12.25bn). We do not currently see any need to further adjust our forecast for these and the other "big" jurisdictions (including Canada).

**NORD/LB forecast for 2023: issuances and net new supply by jurisdiction**

| Jurisdiction | Net Supply 2022 (EURbn) | Outstanding volume as at 04 April 2023 (EURbn) | Issues 2023ytd as at 04 April 2023 (EURbn) | Issues 2023e (EURbn) | Net supply 2023e (EURbn) |
|---|---|---|---|---|---|
| AT | 10.50 | 49.05 | 6.30 | 14.00 | 12.25 |
| AU | 1.50 | 35.05 | 4.25 | 6.25 | 2.50 |
| BE | -0.25 | 17.25 | 2.33 | 3.00 | 0.50 |
| CA | 22.50 | 87.45 | 11.25 | 17.00 | 2.00 |
| CH | -1.25 | 0.75 | - | 1.00 | 1.00 |
| CZ | 0.50 | 1.50 | 0.50 | 1.00 | 1.00 |
| DE | 22.50 | 189.01 | 15.00 | 33.00 | 15.25 |
| DK | -2.00 | 5.00 | - | 1.50 | 0.75 |
| EE | 0.50 | 1.00 | - | 0.50 | 0.50 |
| ES | -8.65 | 73.65 | 7.75 | 12.00 | 2.65 |
| FI | 1.25 | 32.85 | 2.00 | 8.00 | 2.25 |
| FR | 15.35 | 246.82 | 23.90 | 42.50 | 19.85 |
| GB | -4.00 | 27.11 | 2.00 | 4.00 | 0.00 |
| GR | 0.00 | 0.00 | - | 0.50 | 0.00 |
| HU | 0.50 | 0.00 | - | 0.50 | 0.50 |
| IE | -1.75 | 0.75 | - | 0.00 | -1.00 |
| IS | 0.00 | 0.50 | - | 0.50 | 0.50 |
| IT | -3.95 | 45.01 | - | 9.00 | 1.75 |
| JP | 1.50 | 6.10 | 1.85 | 1.75 | 0.75 |
| KR | 1.60 | 7.65 | 0.50 | 2.50 | 2.00 |
| LU | 0.00 | 1.50 | - | 0.00 | -0.50 |
| NL | 3.25 | 75.85 | 7.00 | 10.00 | 6.25 |
| NO | 0.50 | 46.25 | - | 9.00 | -1.25 |
| NZ | 1.25 | 10.70 | 0.75 | 4.00 | 2.50 |
| PL | 0.00 | 1.50 | - | 1.00 | 0.50 |
| PT | -2.75 | 3.00 | - | 0.00 | 0.00 |
| SE | 1.00 | 31.08 | 3.50 | 6.00 | 1.50 |
| SG | 1.50 | 7.50 | - | 3.00 | 2.00 |
| SK | 1.50 | 6.50 | 1.50 | 2.00 | 2.00 |
| **Total** | **62.60** | **1010.37** | **90.37** | **193.50** | **78.00** |

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

**Framework parameters for forecast unchanged – but with new pulses**

In preparing our supply forecast for the 2023 issue year, we relied on a number of key parameters at the end of 2022/beginning of 2023. This included not only the shift in monetary policy, but also the changed funding mix and relative increase in the price of alternative refinancing products (especially senior unsecured bonds). We also considered factors that had the potential to cause disruption to the deposit base of banks. This above all included the impact of the inflation rate and higher interest rate levels. Alternative investments are becoming more attractive in this context from the perspective of some households, and rising living costs can erode savings. The bank stress of the recent past has also provided new stimulus for the covered bond supply. In our estimation, covered bonds remain a significant and sought-after asset class, although the increased uncertainty is responsible for the continued preponderance of shorter maturities. Here, we would have currently expected a certain "correction" of this imbalance in our original forecast and after the initially successful attempts of some institutions to venture into the longer maturity range.

**Spread trend: market-related and fundamental perspectives largely unchanged**

Looking back, spreads have generally moved as expected in recent weeks and months. A high supply and especially the complex topic of QT are now largely reflected in the pricing. Since we do not expect any further significant stimulus on the market-technical side (supply and demand) or from the fundamental assessments of banks active in the EUR benchmark segment and the corresponding cover pools, we do not see any lasting stimulus for spread trends. Nevertheless, the covered bond market does not ignore the general mood, so that sentiment-driven widening cannot be ruled out. In our view, it is worth giving a regular reminder that the screen prices we present here become significantly less relevant in phases with low sales on the market, in particular.

## NORD/LB forecast: Spreads

| Current levels | | | | | as of 30/06/2023(e) | | | | | Expected spread change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *in bp* | 3y | 5y | 7y | 10y | *in bp* | 3y | 5y | 7y | 10y | *in bp* | 3y | 5y | 7y | 10y |
| AT | 15.6 | 22.1 | 25.4 | 30.7 | AT | 18.5 | 24.0 | 27.5 | 33.0 | AT | 2.9 | 1.9 | 2.1 | 2.3 |
| AU | 26.9 | 36.9 | 40.1 | 43.9 | AU | 30.5 | 39.0 | 41.5 | 46.0 | AU | 3.6 | 2.1 | 1.4 | 2.1 |
| BE | 7.1 | 13.4 | 23.5 | 34.1 | BE | 10.5 | 16.0 | 25.5 | 36.0 | BE | 3.4 | 2.6 | 2.0 | 1.9 |
| CA | 18.7 | 28.4 | 33.1 | 34.2 | CA | 21.5 | 31.0 | 34.5 | 37.0 | CA | 2.8 | 2.6 | 1.4 | 2.8 |
| CZ | 50.5 | 57.6 | | | CZ | 53.5 | 60.0 | | | CZ | 3.0 | 2.4 | | |
| DE | 0.3 | 5.8 | 8.6 | 13.6 | DE | 3.5 | 8.0 | 10.5 | 16.0 | DE | 3.2 | 2.2 | 1.9 | 2.4 |
| DK | 10.3 | 22.0 | 30.4 | | DK | 13.5 | 24.0 | 32.5 | | DK | 3.2 | 2.0 | 2.1 | |
| EE | 25.7 | 36.5 | | | EE | 28.5 | 39.0 | | | EE | 2.8 | 2.5 | | |
| ES_Multi | 35.5 | 37.7 | 37.9 | 37.9 | ES_Multi | 38.5 | 40.0 | 39.5 | 40.0 | ES_Multi | 3.0 | 2.3 | 1.6 | 2.1 |
| ES_Single | 21.8 | 32.0 | 37.0 | 45.5 | ES_Single | 24.5 | 34.0 | 40.5 | 49.0 | ES_Single | 2.7 | 2.0 | 3.5 | 3.5 |
| FI | 6.8 | 12.9 | 14.6 | 15.7 | FI | 9.5 | 15.0 | 16.5 | 18.0 | FI | 2.7 | 2.1 | 1.9 | 2.3 |
| FR | 6.9 | 16.0 | 21.7 | 28.7 | FR | 10.5 | 18.0 | 23.5 | 31.0 | FR | 3.6 | 2.0 | 1.8 | 2.3 |
| GB | 22.0 | 28.6 | 28.8 | 32.4 | GB | 25.5 | 31.0 | 30.5 | 35.0 | GB | 3.5 | 2.4 | 1.7 | 2.6 |
| IE | -1.4 | | | | IE | 1.5 | | | | IE | 2.9 | | | |
| IS | 33.3 | 25.0 | 33.2 | 43.2 | IS | 36.5 | 27.0 | 35.5 | 46.0 | IS | 3.2 | 2.0 | 2.3 | 2.8 |
| IT | 25.0 | 33.2 | 43.2 | 59.7 | IT | 28.5 | 35.0 | 48.0 | 65.5 | IT | 3.5 | 1.8 | 4.8 | 5.8 |
| JP | 41.8 | 49.0 | 49.9 | | JP | 44.5 | 51.0 | 51.5 | | JP | 2.7 | 2.0 | 1.6 | |
| KR | 39.9 | 44.8 | 45.1 | | KR | 43.5 | 47.0 | 47.5 | | KR | 3.6 | 2.2 | 2.4 | |
| LU | 25.3 | 25.3 | | | LU | 28.5 | 27.0 | | | LU | 3.2 | 1.7 | | |
| NL | 8.0 | 13.5 | 16.1 | 21.9 | NL | 11.5 | 16.0 | 17.5 | 24.0 | NL | 3.5 | 2.5 | 1.4 | 2.1 |
| NO | 9.9 | 18.0 | 23.3 | 25.5 | NO | 13.5 | 20.0 | 25.5 | 28.0 | NO | 3.6 | 2.0 | 2.2 | 2.5 |
| NZ | 28.4 | 36.2 | 38.7 | 36.8 | NZ | 31.5 | 38.0 | 40.5 | 39.0 | NZ | 3.1 | 1.8 | 1.8 | 2.2 |
| PL | 32.3 | | | | PL | 35.5 | | | | PL | 3.2 | | | |
| PT | 17.2 | 18.5 | | | PT | 20.5 | 21.0 | | | PT | 3.3 | 2.5 | | |
| SE | 8.3 | 15.2 | 21.0 | 25.5 | SE | 11.5 | 17.0 | 22.5 | 28.0 | SE | 3.2 | 1.8 | 1.5 | 2.5 |
| SG | 19.3 | 23.2 | 23.9 | | SG | 22.5 | 25.0 | 25.5 | | SG | 3.2 | 1.8 | 1.6 | |

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

**Conclusion**

We can look back on a very active first quarter in the covered bond primary market. When compared with the previous year, the current issue volume in the first three months of 2023 is even higher than that in the record year of 2022. Overall, the deals were well received on the market, although the preponderance of short maturities can certainly be described as unhealthy and will – in all likelihood – not revert particularly quickly either. Furthermore, something that can almost be described as a dichotomy can be observed with regard to the regional origin of issuers. For example, euro area institutions were obviously still taking advantage of the Eurosystem's presence on the primary market for their appearances. The reopening of the primary market was initially dominated by banks outside the common currency area. In principle, we do not see any major need to adjust our supply forecast and only expect slightly more supply from Australia and Spain. A downward adjustment does not seem appropriate for us at this point in time. Nevertheless, recent market developments must be monitored. Our expectations for spreads in the EUR benchmark segment are based on the premise that no revaluation will be required from a market-technical or fundamental perspective, with the disparity in the maturity segments especially making forecasting more difficult here. In our opinion, this is caused not least by the lower turnover in the longer maturities, which in turn reduces the informative value of the reference points for the spread forecast in the longer maturity bands.

# SSA/Public Issuers
# Current risk weight of supranationals & agencies

Authors: Dr Norman Rudschuck, CIIA // Jan-Phillipp Hensing

**Varying risk weights**

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

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

On the basis of the risk weights that were defined by Basel II, the EU initially specified the provisions in Directive 2006/48/EC. In mid-2013, the CRR (Regulation (EU) No 575/2013) then replaced the definitions for the risk weights. This was extended by Directive (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries. In the following, we look at the individual articles of the regulation that also affect supranationals and agencies. The following mapping table shows the risk weights of the different exposure classes, which are the basis for the further categorisation of the risk weight and other regulatory ratios such as the LCR.

**Mapping table (long term)**

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

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

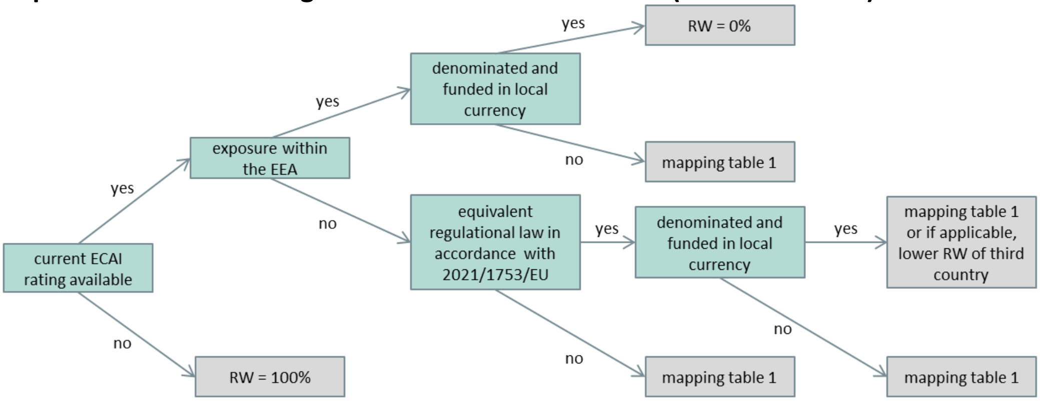
**Risk weight of EU countries pursuant to the standardised approach: 0%**

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

**Temporary treatment until 2025**

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

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




Mapping Table 1

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

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

**Risk weight of regional governments or local authorities**

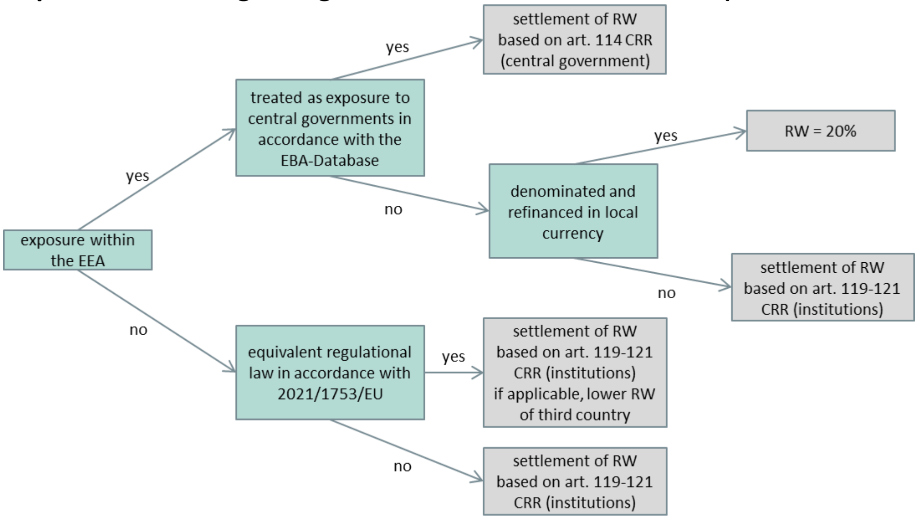
Pursuant to Art. 115(2) of the CRR, the risk weight of regional governments and local authorities is equated with that of the relevant state, provided rights to levy taxes are in place and, based on the existence of specific institutional arrangements to reduce their risk of default, there is no difference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

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

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

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

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



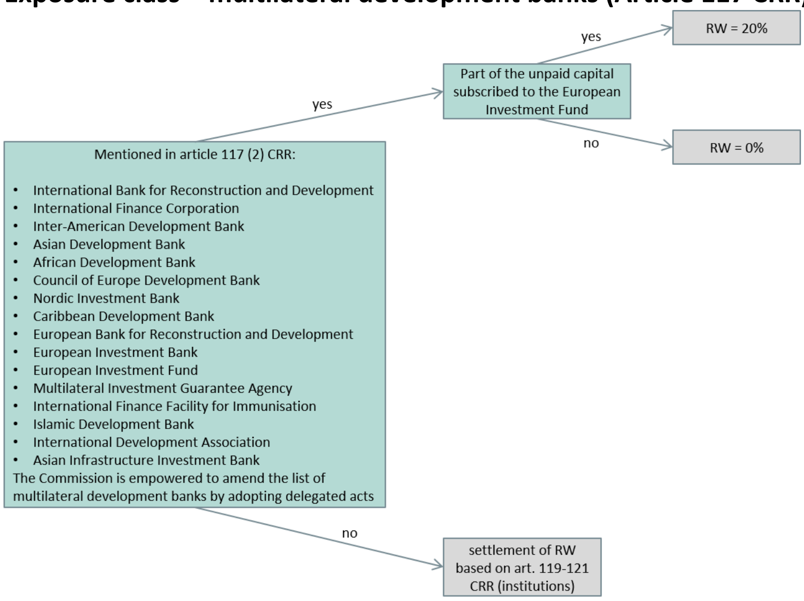

Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: churches and religious communities are also treated as regional governments and local authorities insofar as Art. 115 (3) CRR is fulfilled; no preferential treatment under application of Art. 119-121 CRR

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

## Risk weight of supranationals

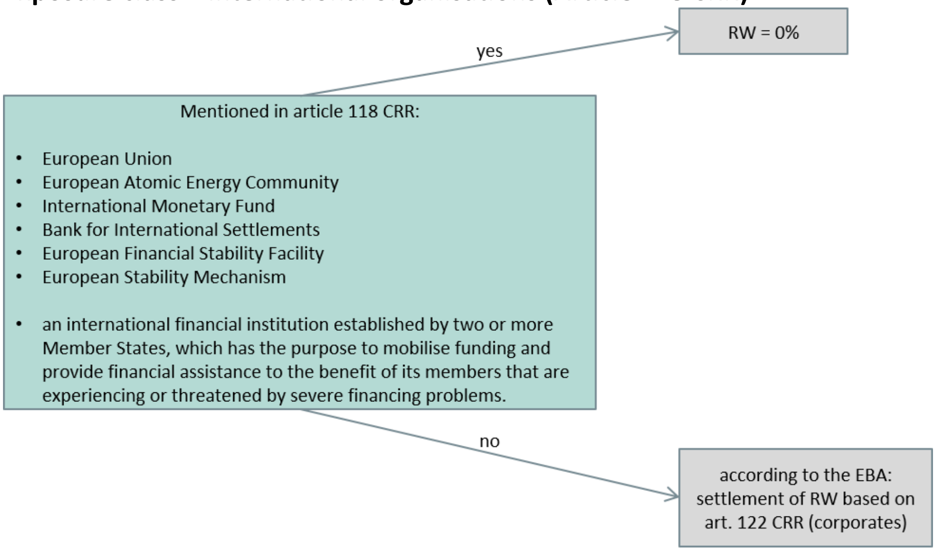
For supranationals, the risk weight is based on Articles 117 and 118 CRR. The two articles identify multilateral development banks and international organisations for which a risk weight of 0% is possible. For issuers not mentioned here (e.g. EUROFIMA), the risk weight results from the provisions on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

**Exposure class – multilateral development banks (Article 117 CRR)**




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

**Exposure class – international organisations (Article 118 CRR)**

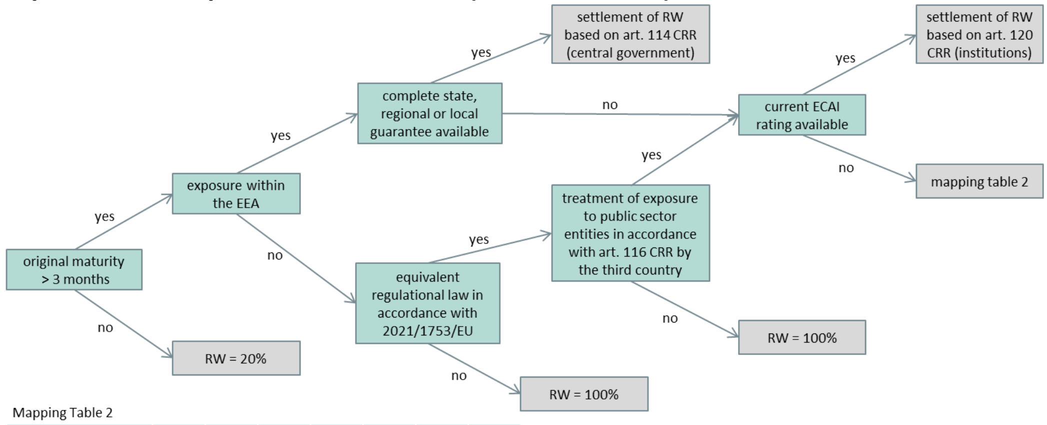



Source: CRR, NORD/LB Markets Strategy & Floor Research

**Risk weight of agencies**

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

**Exposure class – public sector entities (Article 116 CRR)**




Mapping Table 2

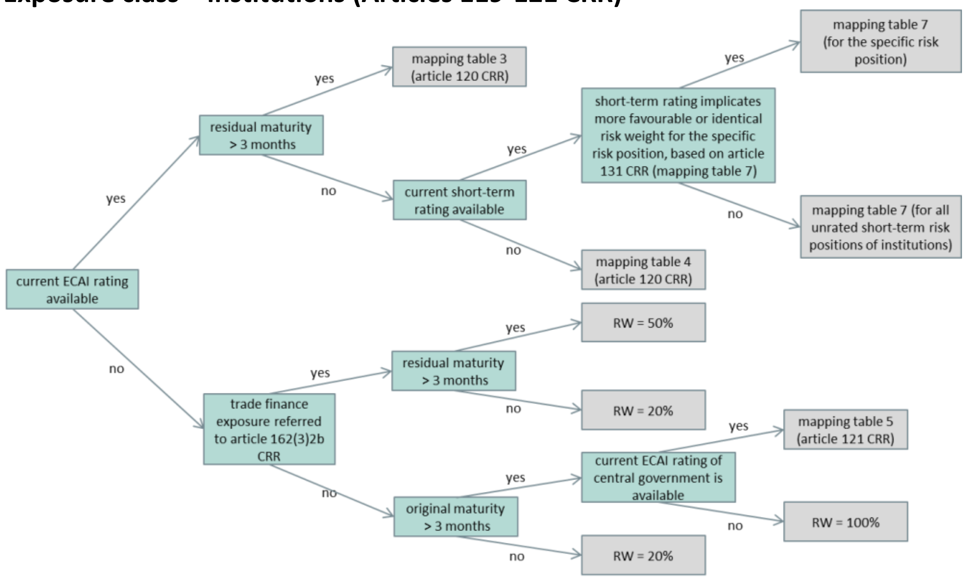
| Rating Class of central government | 1 | 2 | 3 | 4 | 5 | 6 | n.R. |
|---|---|---|---|---|---|---|---|
| Risk Weight (RW) | 20% | 50% | 100% | 100% | 100% | 150% | 100% |

Source: CRR, NORD/LB Markets Strategy & Floor Research
NB: no preferential treatment under application of Art. 120

**Risk weight of institutions**

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

**Exposure class – institutions (Articles 119-121 CRR)**




Mapping Table 3

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

Mapping Table 4

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

Mapping Table 5

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

Mapping Table 7

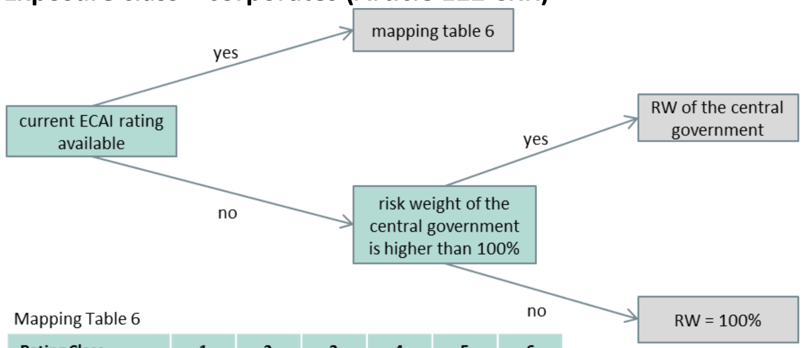
| Rating Class | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Risk Weight (RW) | 20% | 50% | 100% | 150% | 150% | 150% |

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

**Risk weight of corporates**

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

**Exposure class – corporates (Article 122 CRR)**




Mapping Table 6

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

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

**Our assessment of the risk weight of supranationals**

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

**Our assessment of risk weights of agencies**

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

NORD/LB

**Our assessment of the risk weights of supranationals and agencies**

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

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

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

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

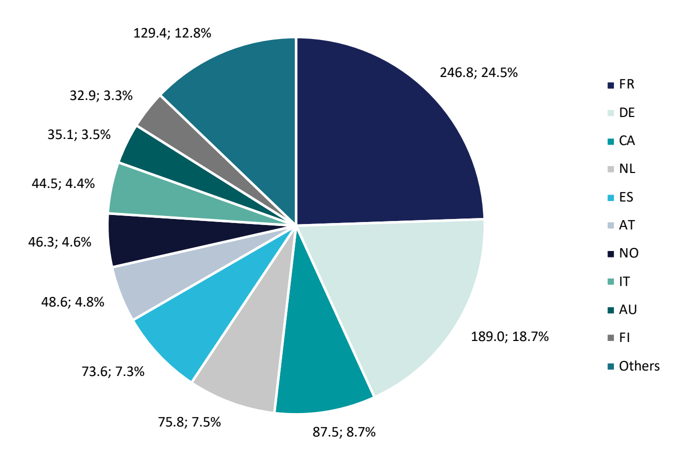
* No issuer ratings available; bonds are rated equivalent to the Spanish state

** Excluding temporary treatment under Art. 500A of the CRR

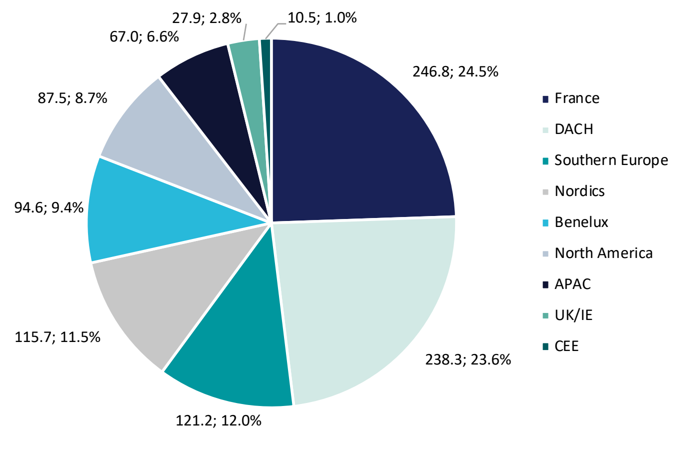
Source: Bloomberg, issuers, NORD/LB Markets Strategy & Floor Research

# Charts & Figures
# Covered Bonds

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



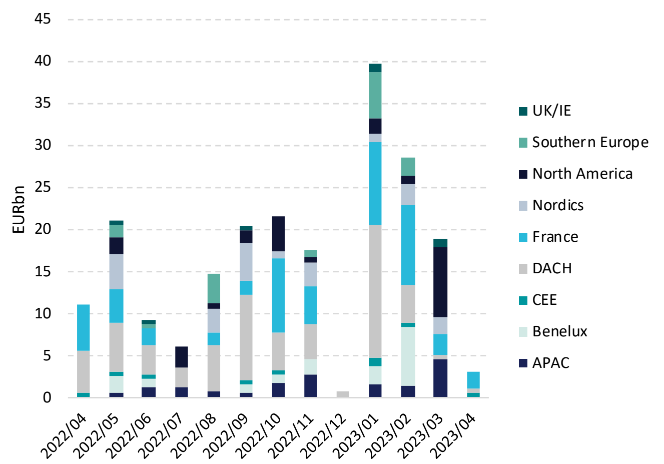

### EUR benchmark volume by region (in EURbn)



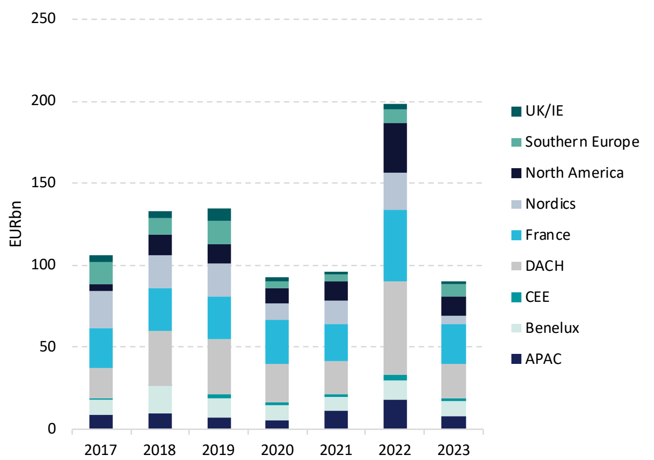

### Top-10 jurisdictions

| Rank | Country | Amount outst. (EURbn) | No. of BMKs | There of ESG BMKs | Avg. issue size (EURbn) | Avg. initial maturity (in years) | Avg. mod. Duration (in years) | Avg. coupon (in %) |
|---|---|---|---|---|---|---|---|---|
| 1 | FR | 246.8 | 237 | 16 | 0.97 | 9.6 | 5.2 | 1.13 |
| 2 | DE | 189.0 | 270 | 31 | 0.65 | 8.1 | 4.3 | 0.89 |
| 3 | CA | 87.5 | 65 | 0 | 1.32 | 5.5 | 2.9 | 0.83 |
| 4 | NL | 75.8 | 75 | 2 | 0.94 | 11.0 | 6.7 | 0.99 |
| 5 | ES | 73.6 | 59 | 6 | 1.14 | 11.1 | 3.7 | 1.93 |
| 6 | AT | 48.6 | 83 | 4 | 0.58 | 8.7 | 5.4 | 1.10 |
| 7 | NO | 46.3 | 55 | 11 | 0.84 | 7.3 | 3.8 | 0.51 |
| 8 | IT | 44.5 | 55 | 2 | 0.78 | 9.3 | 3.7 | 1.26 |
| 9 | AU | 35.1 | 34 | 0 | 1.03 | 7.3 | 3.6 | 1.32 |
| 10 | FI | 32.9 | 35 | 3 | 0.93 | 7.4 | 3.8 | 0.90 |

### EUR benchmark issue volume by month

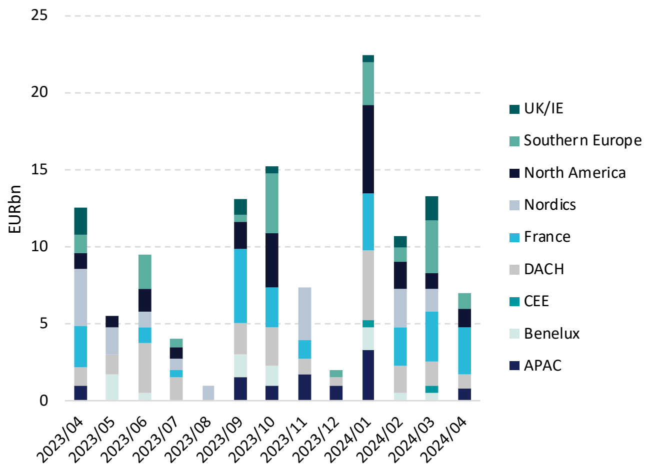



### EUR benchmark issue volume by year

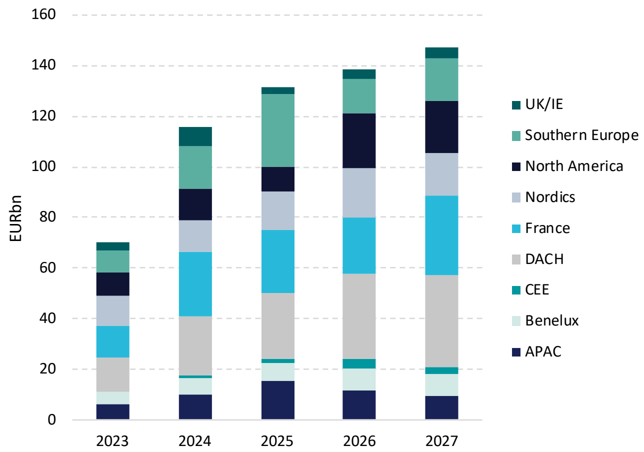



Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

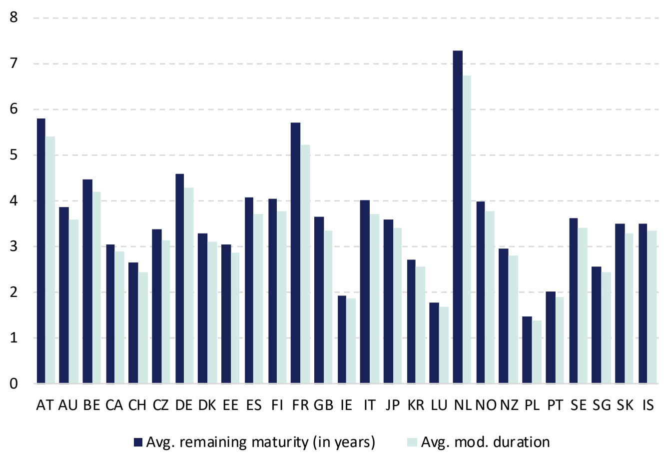
## EUR benchmark maturities by month



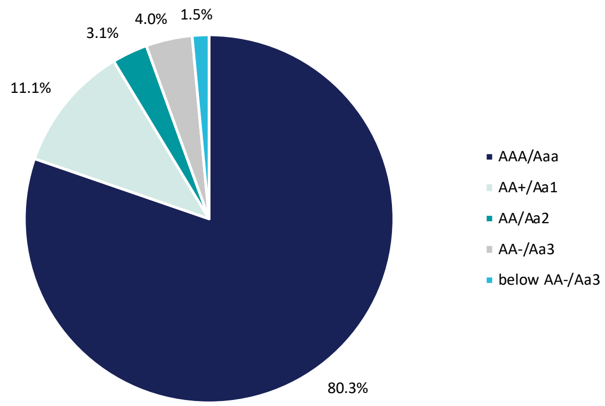

## EUR benchmark maturities by year



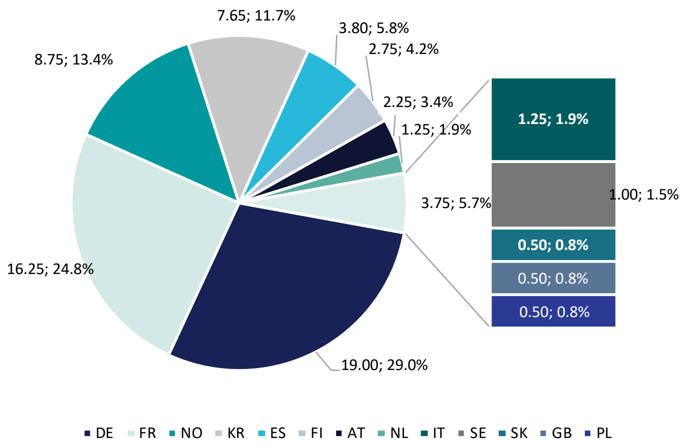

## Modified duration and time to maturity by country



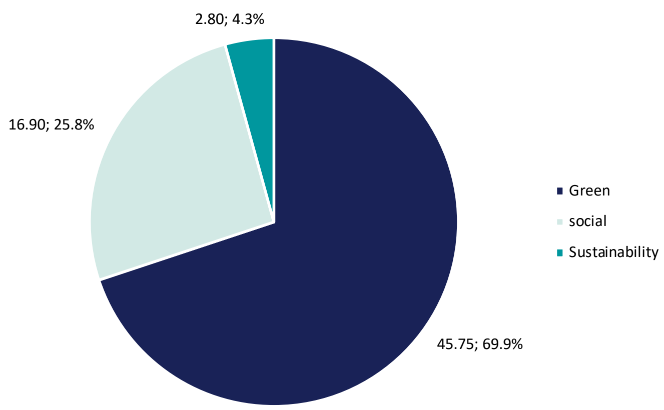

## Rating distribution (volume weighted)




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

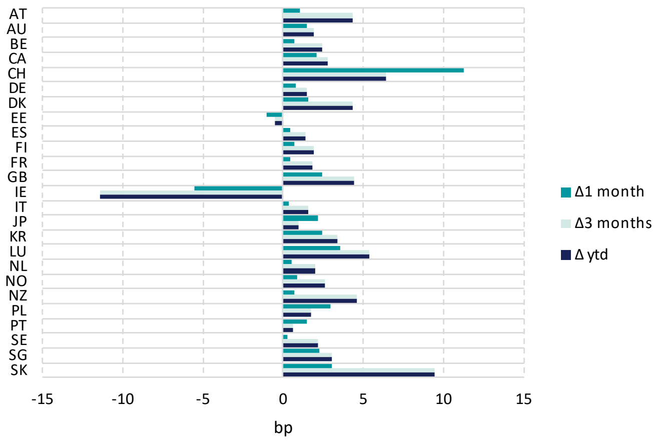



## EUR benchmark volume (ESG) by type (in EURbn)

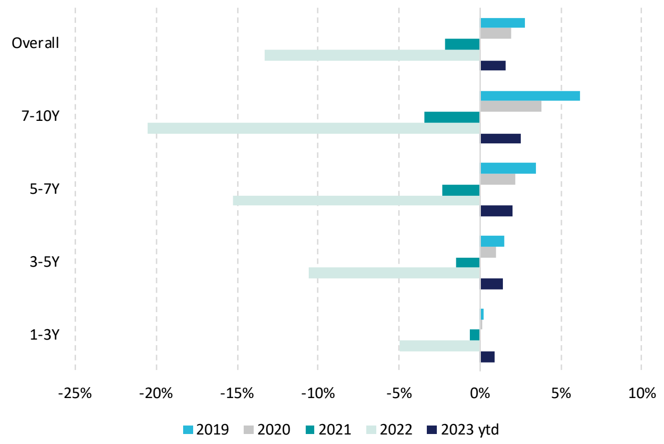



Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

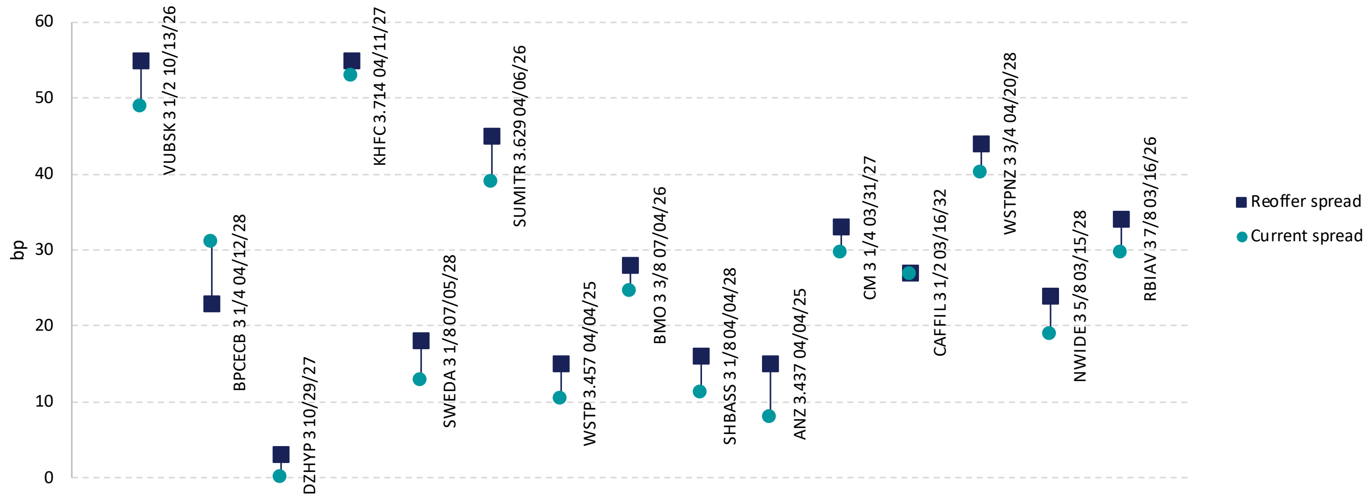
## Spread development by country



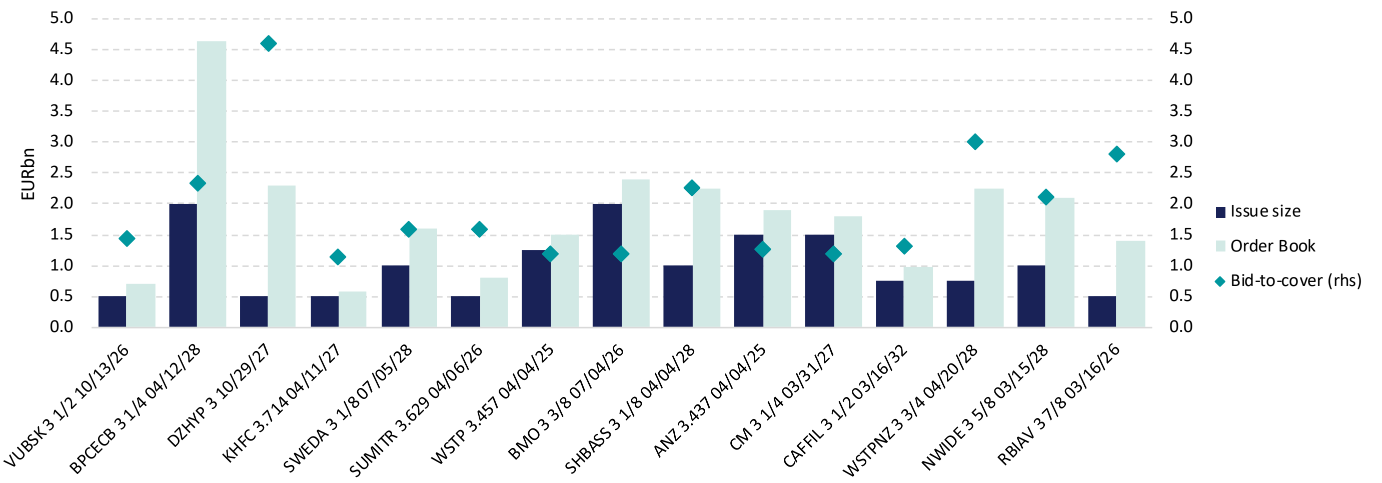

## Covered bond performance (Total return)




## Spread development (last 15 issues)




## Order books (last 15 issues)

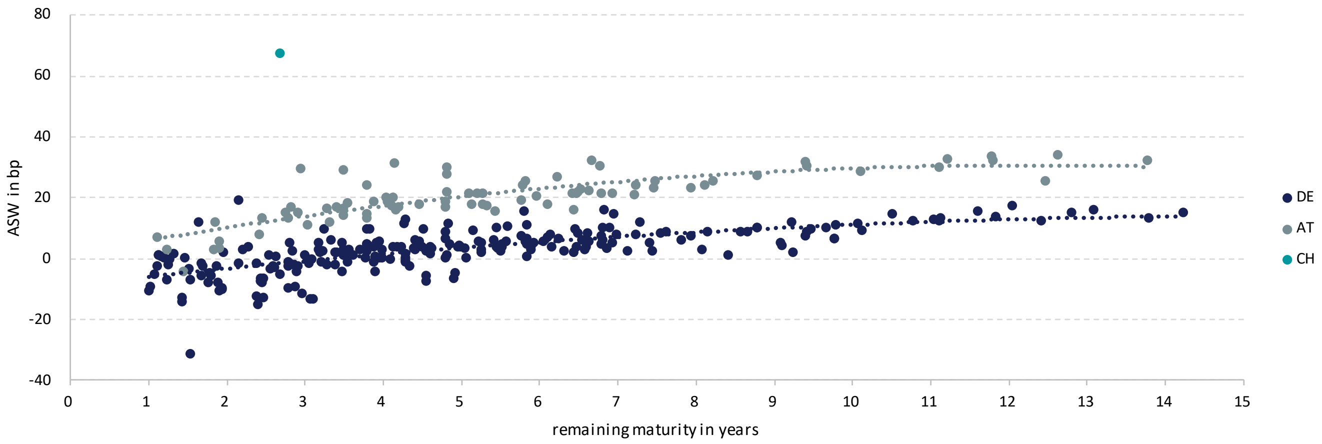



Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

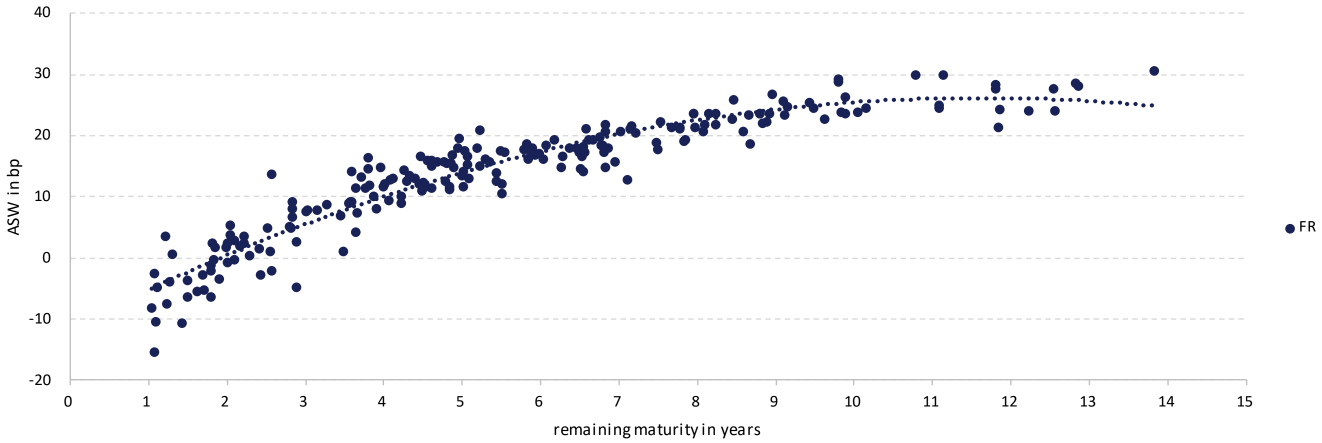
NORD/LB

**Spread overview**[1]

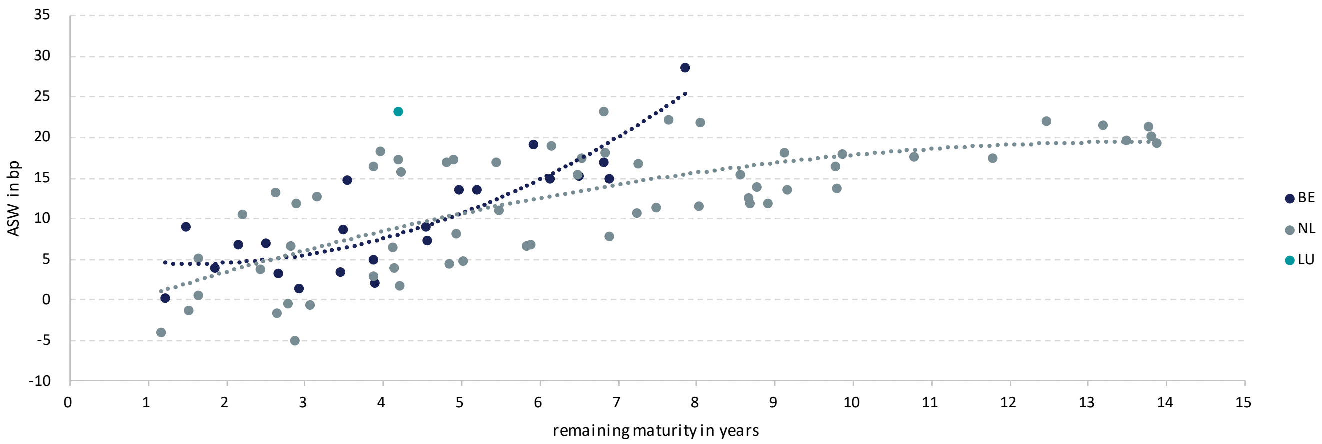
**DACH**




**France**



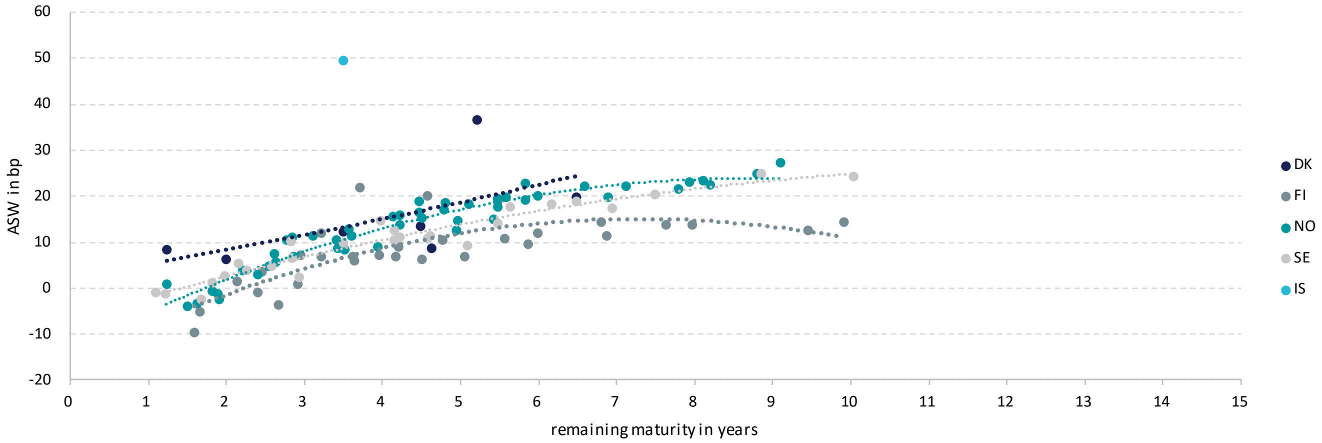

**Benelux**



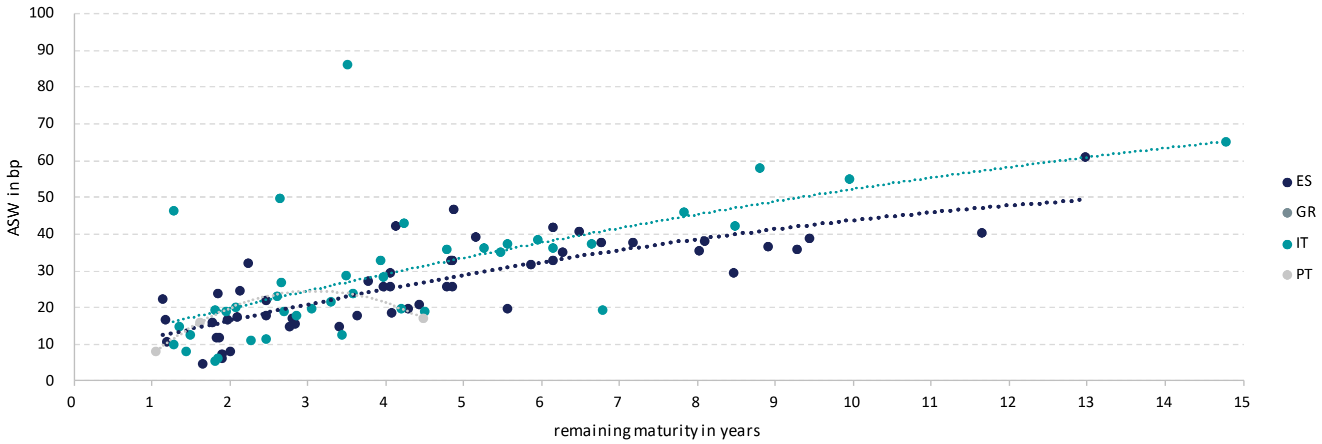

Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

NORD/LB

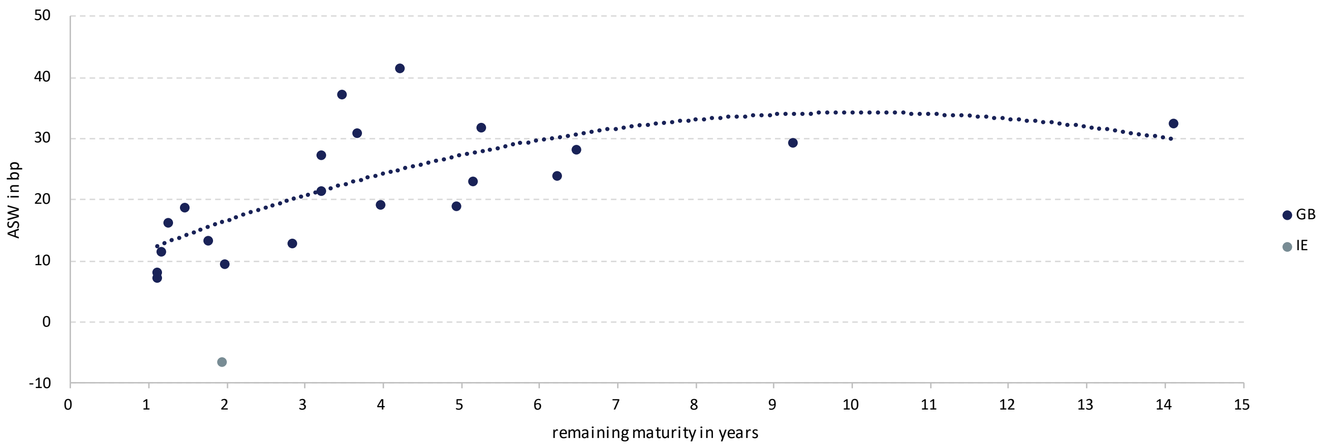
**Nordics**




**Southern Europe**

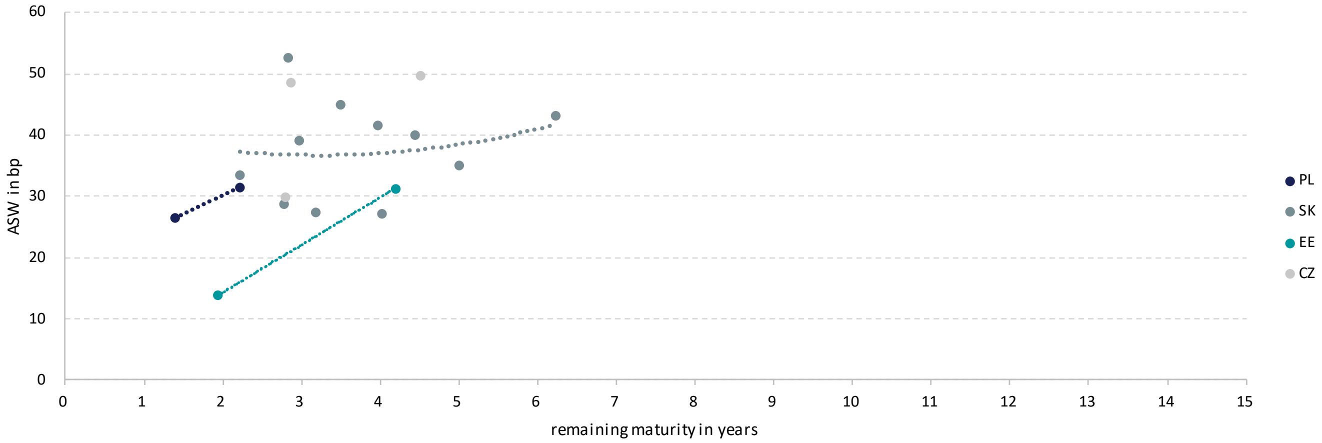



**UK/IE**

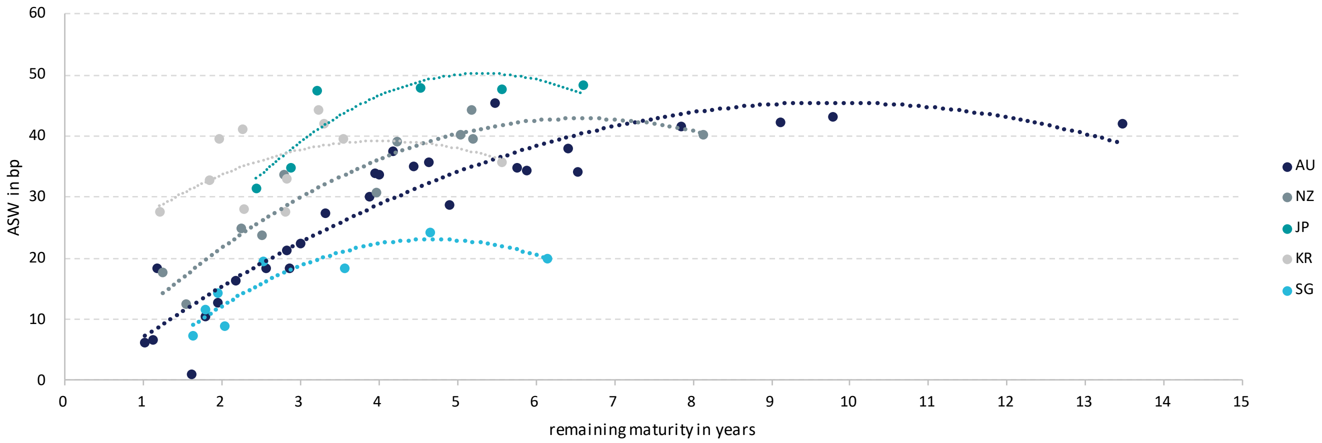



Source: market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

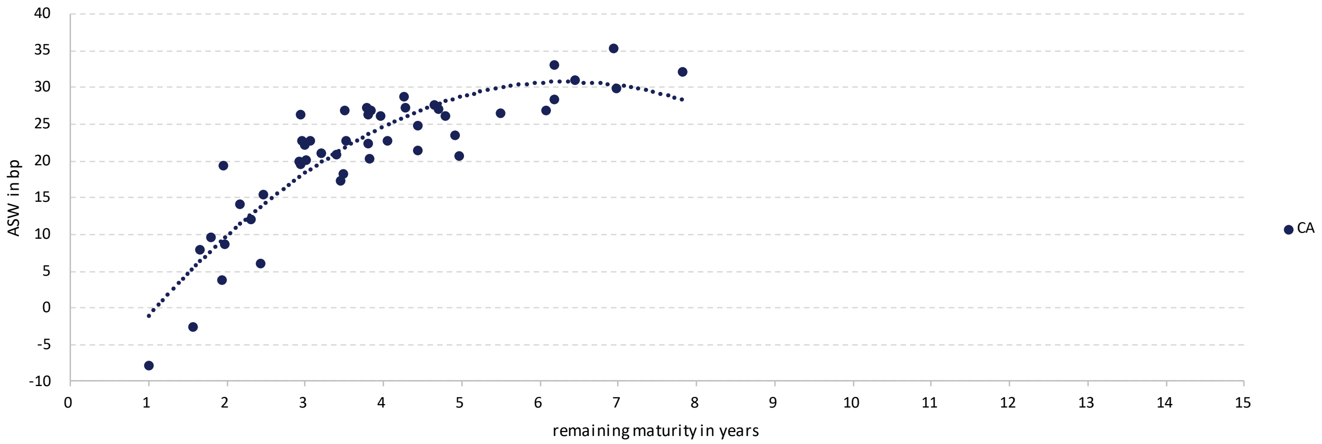
**CEE**




**APAC**



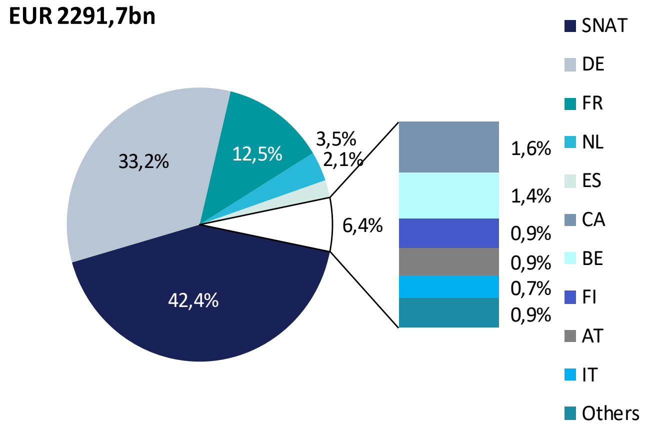

**North America**




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

# Charts & Figures
# SSA/Public Issuers

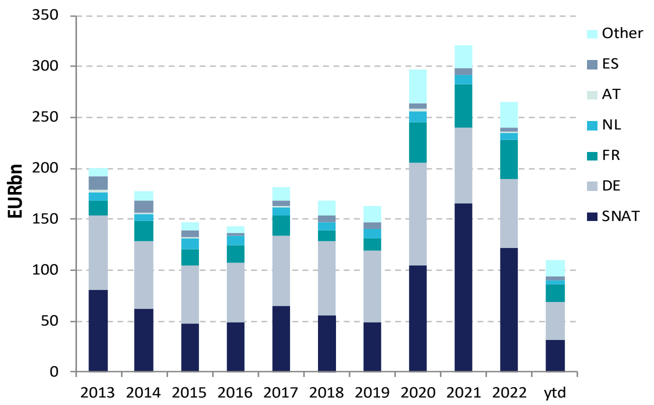
### Outstanding volume (bmk)



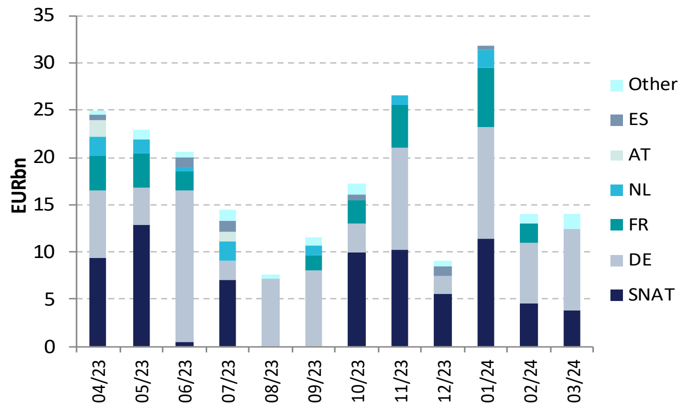

### Top 10 countries (bmk)

| Country | Vol. (€bn) | No. of bonds | ØVol. (€bn) | Vol. weight. ØMod. Dur. |
|---|---|---|---|---|
| SNAT | 971,1 | 225 | 4,3 | 8,1 |
| DE | 760,9 | 567 | 1,3 | 6,4 |
| FR | 286,9 | 189 | 1,5 | 6,2 |
| NL | 79,8 | 70 | 1,1 | 6,4 |
| ES | 47,4 | 64 | 0,7 | 4,7 |
| CA | 36,6 | 25 | 1,5 | 4,6 |
| BE | 31,5 | 35 | 0,9 | 11,3 |
| FI | 21,4 | 24 | 0,9 | 5,1 |
| AT | 19,6 | 22 | 0,9 | 4,3 |
| IT | 15,5 | 20 | 0,8 | 4,7 |

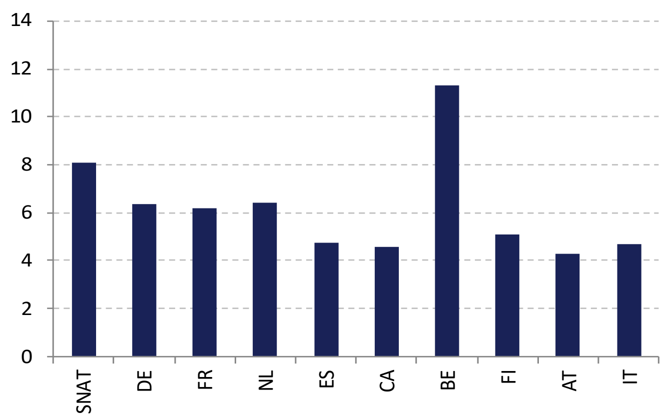
### Issue volume by year (bmk)



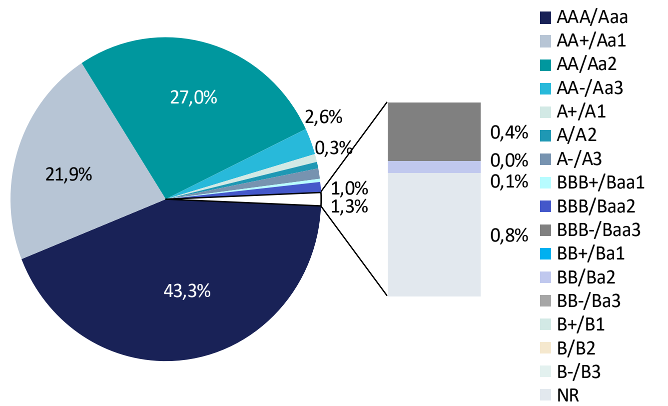

### Maturities next 12 months (bmk)




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

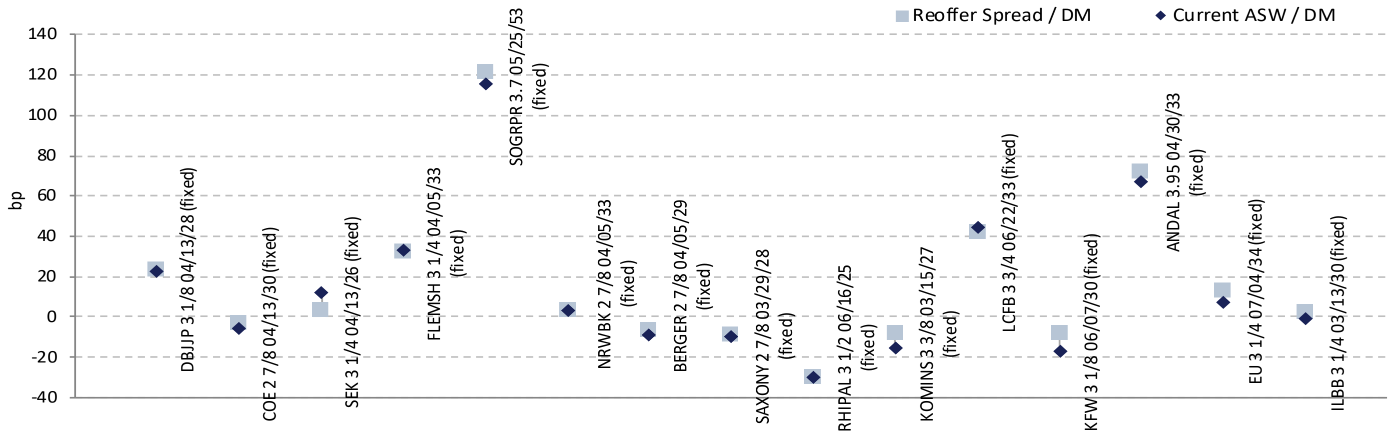



### Rating distribution (vol. weighted)

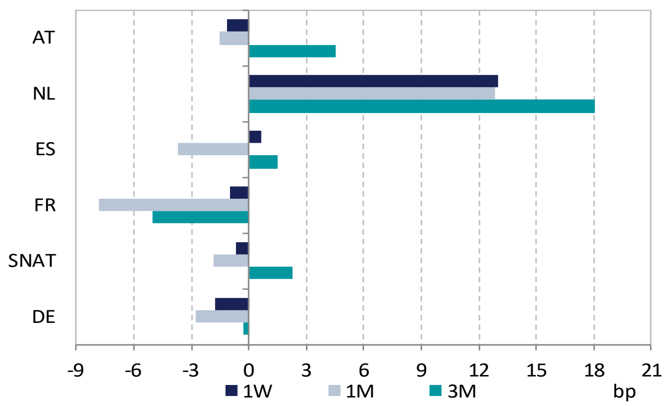



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

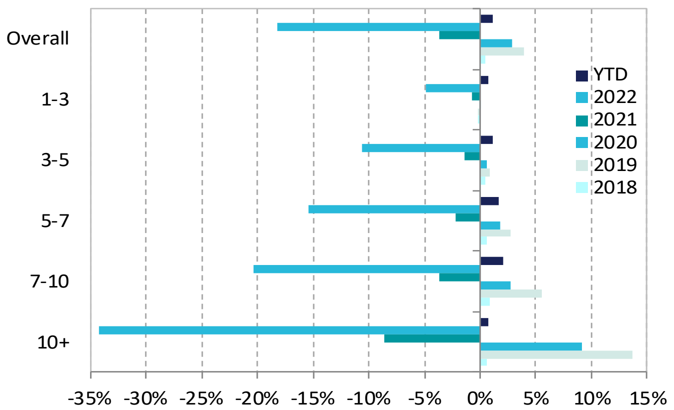
### Spread development (last 15 issues)



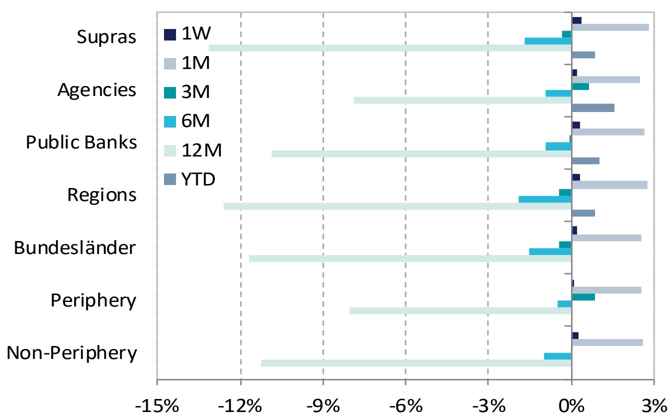

### Spread development by country



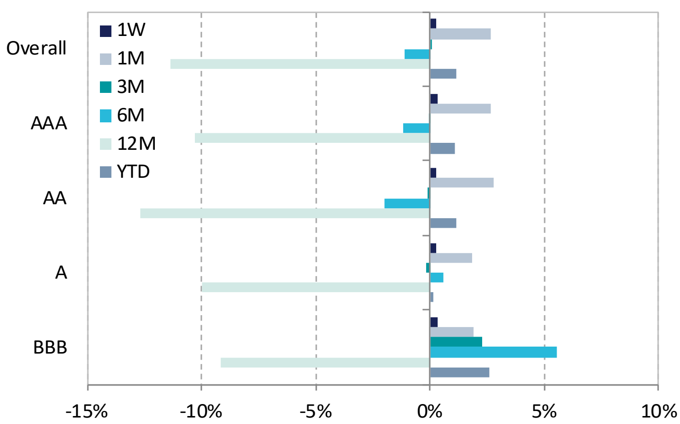

### Performance (total return)




### Performance (total return) by segments

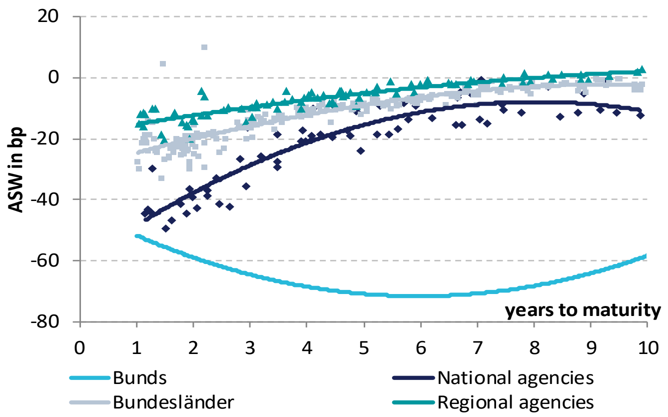



### Performance (total return) by rating

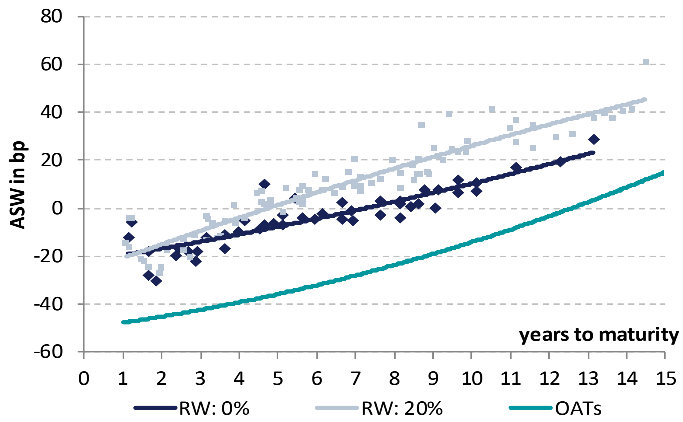



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

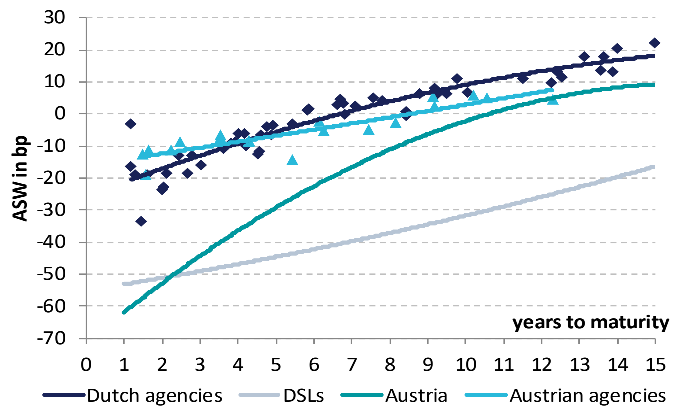
### Germany (by segments)



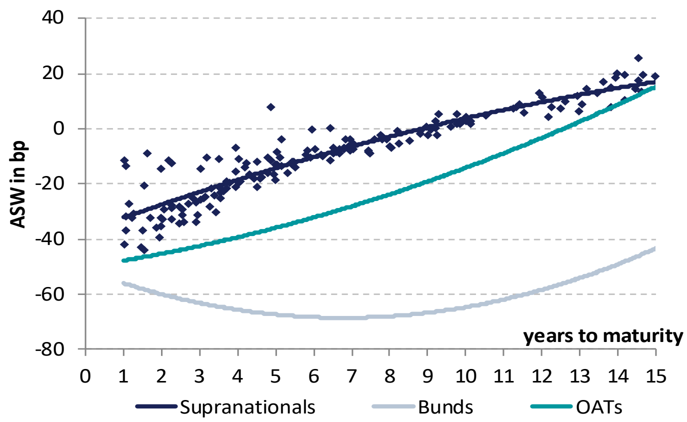

### France (by risk weight)



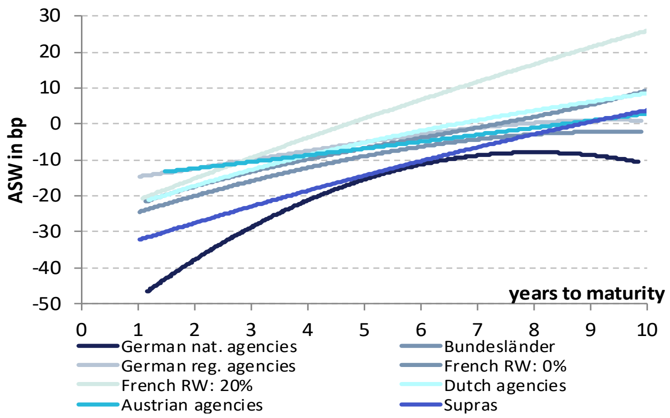

### Netherlands & Austria



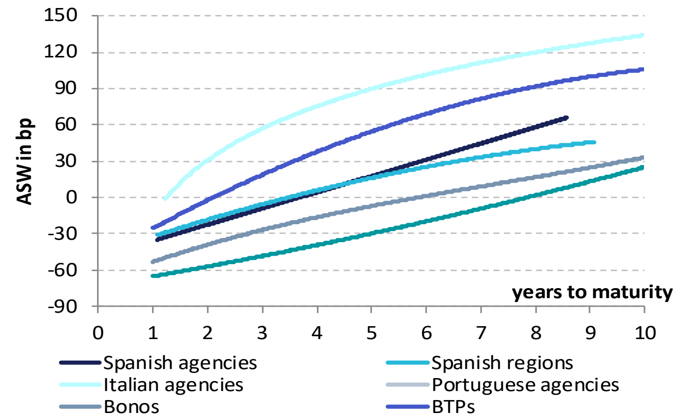

### Supranationals




### Core




### Periphery



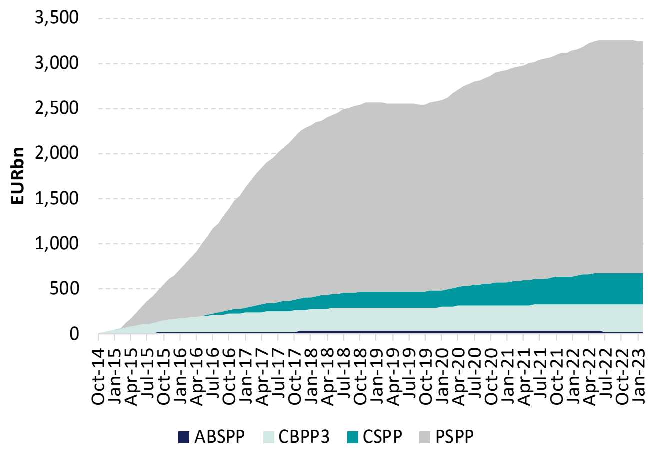

Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

# ECB tracker

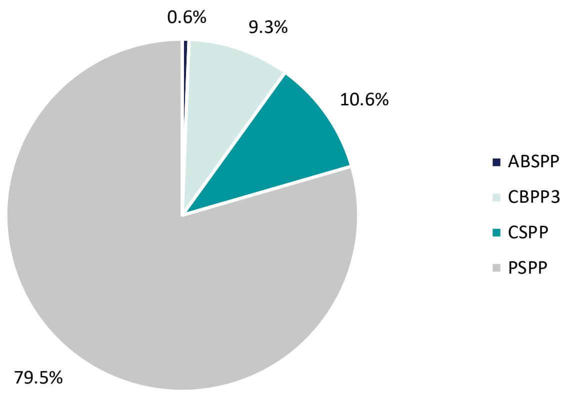
## Asset Purchase Programme (APP)

| | ABSPP | CBPP3 | CSPP | PSPP | APP |
|---|---|---|---|---|---|
| **Jan-23** | 20,829 | 303,269 | 344,010 | 2,584,798 | 3,252,906 |
| **Feb-23** | 20,191 | 302,677 | 344,102 | 2,584,935 | 3,251,905 |
| **Δ** | -638 | -592 | +92 | +137 | -1,001 |

### Portfolio development

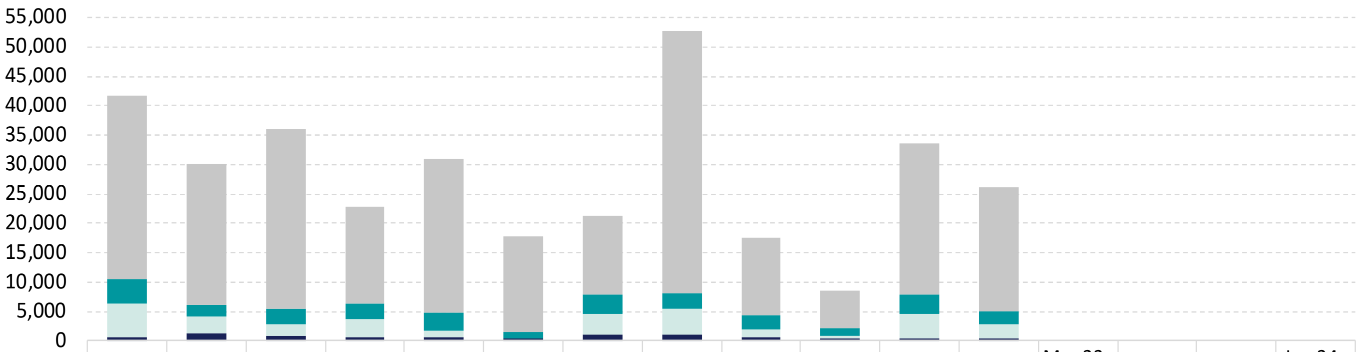



### Portfolio structure




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

### Expected monthly redemptions (in EURm)

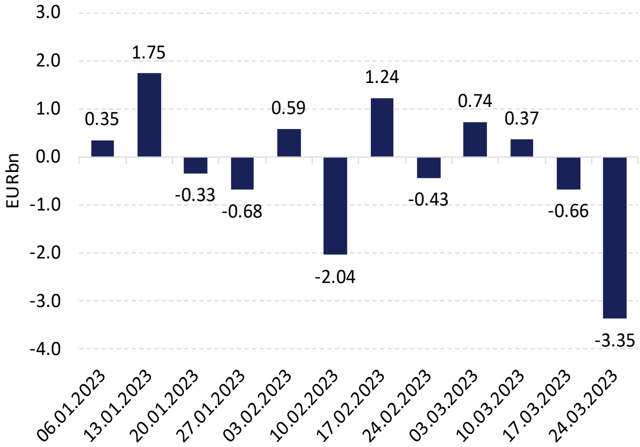



| | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-23 - Feb-24 | 2022 | 2023 | Jan-24 - Feb-24 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| APP | 41,620 | 29,968 | 35,912 | 22,863 | 30,887 | 17,856 | 21,217 | 52,596 | 17,507 | 8,556 | 33,467 | 26,100 | 338,549 | 299,142 | 331,104 | 331,104 |
| PSPP | 31,061 | 23,858 | 30,558 | 16,619 | 26,130 | 16,445 | 13,351 | 44,559 | 13,255 | 6,336 | 25,524 | 21,013 | 268,709 | 228,585 | 255,266 | 255,266 |
| CSPP | 4,219 | 1,965 | 2,579 | 2,557 | 3,038 | 986 | 3,377 | 2,616 | 2,393 | 1,336 | 3,357 | 2,282 | 30,705 | 17,670 | 30,428 | 30,428 |
| CBPP3 | 5,631 | 2,937 | 1,874 | 3,112 | 1,170 | 0 | 3,346 | 4,465 | 1,351 | 408 | 4,109 | 2,447 | 30,850 | 41,244 | 35,145 | 35,145 |
| ABSPP | 709 | 1,208 | 901 | 575 | 549 | 425 | 1,143 | 956 | 508 | 476 | 477 | 358 | 8,285 | 11,643 | 10,265 | 10,265 |

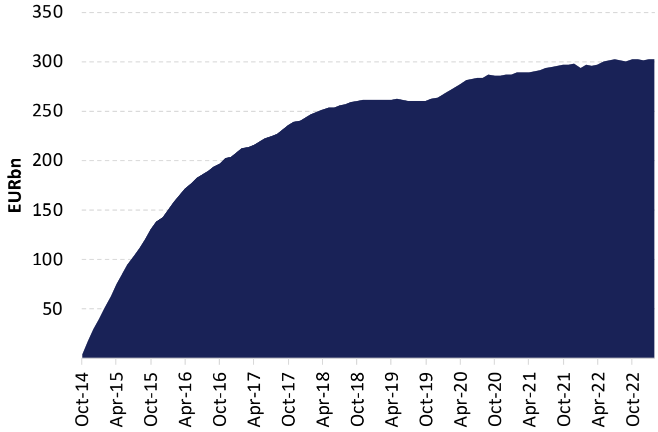
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

## Covered Bond Purchase Programme 3 (CBPP3)

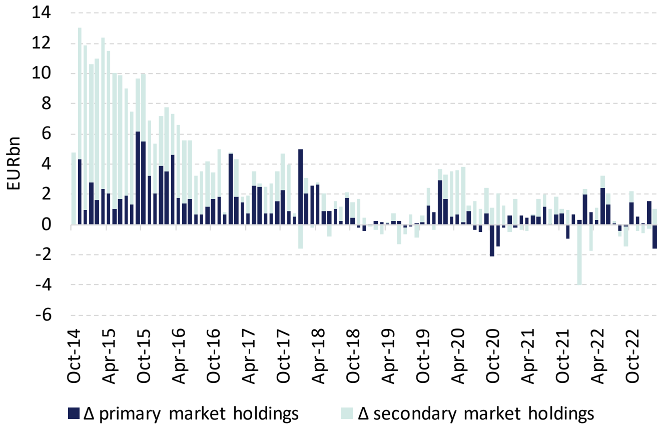
### Weekly purchases



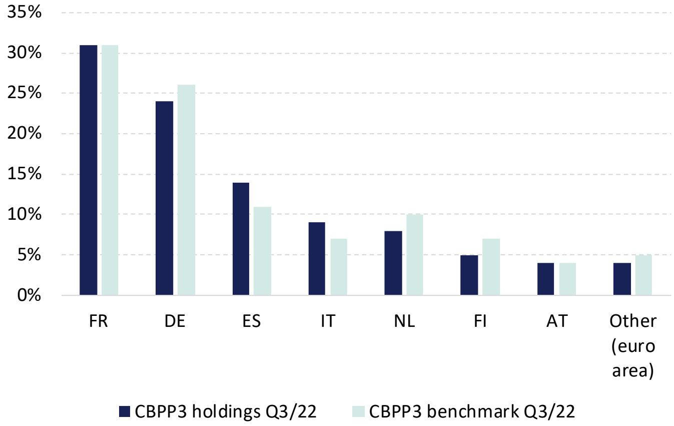

### Development of CBPP3 volume




### Change of primary and secondary market holdings

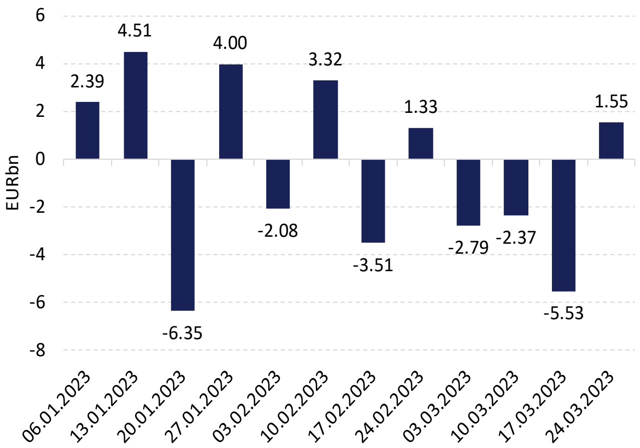



### Distribution of CBPP3 by country of risk

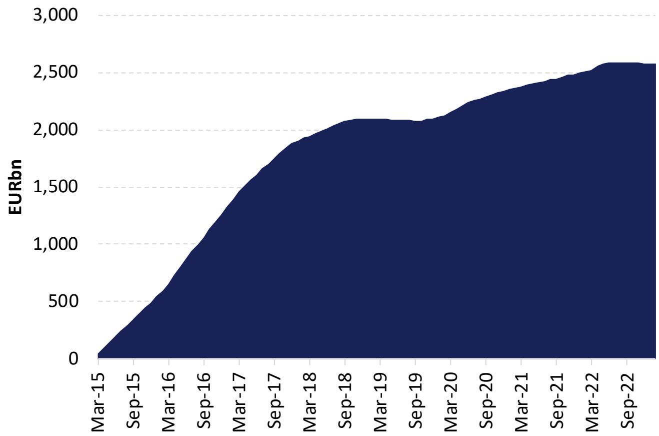



## Public Sector Purchase Programme (PSPP)

### Weekly purchases



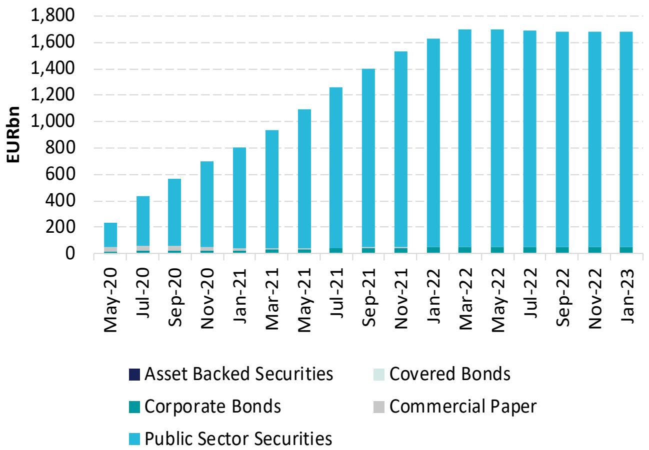

### Development of PSPP volume



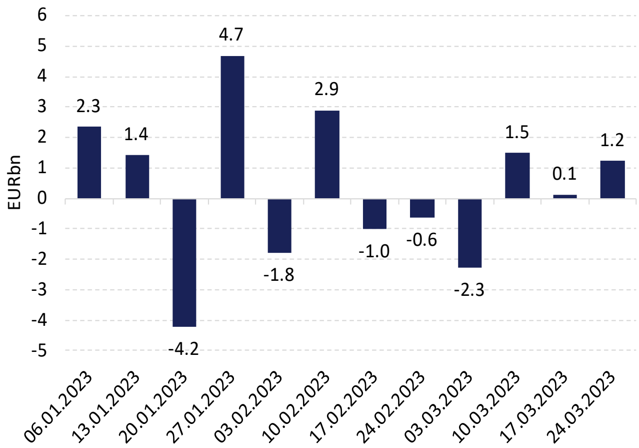

Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

## Pandemic Emergency Purchase Programme (PEPP)

### Portfolio development




### Weekly purchases




### Breakdown of public sector securities under the PEPP

| Jurisdiction | Holdings (in EURm) | Δ Holdings previous period | Adj. distribution key[1] | PEPP share | Deviations from the adj. distribution key[2] | Current WAM[3] (in years) | WAM of eligible universe[4] (in years) |
|---|---|---|---|---|---|---|---|
| AT | 44,037 | -671 | 2.6% | 2.7% | 0.0% | 7.5 | 7.4 |
| BE | 55,795 | -698 | 3.3% | 3.4% | 0.1% | 6.3 | 9.3 |
| CY | 2,493 | 4 | 0.2% | 0.2% | 0.0% | 8.3 | 8.1 |
| DE | 398,297 | 2,551 | 23.7% | 24.0% | 0.3% | 6.7 | 6.9 |
| EE | 256 | 0 | 0.3% | 0.0% | -0.2% | 7.4 | 8.0 |
| ES | 193,376 | -1,418 | 10.7% | 11.6% | 0.9% | 7.4 | 7.3 |
| FI | 26,953 | -173 | 1.7% | 1.6% | 0.0% | 7.4 | 7.5 |
| FR | 301,844 | 14 | 18.4% | 18.2% | -0.2% | 7.6 | 7.8 |
| GR | 37,760 | 729 | 2.2% | 2.3% | 0.0% | 8.5 | 9.4 |
| IE | 25,998 | -503 | 1.5% | 1.6% | 0.0% | 8.8 | 10.2 |
| IT | 287,658 | -794 | 15.3% | 17.3% | 2.0% | 7.2 | 6.9 |
| LT | 3,256 | 14 | 0.5% | 0.2% | -0.3% | 9.5 | 9.1 |
| LU | 1,922 | 19 | 0.3% | 0.1% | -0.2% | 5.9 | 6.5 |
| LV | 1,911 | 0 | 0.4% | 0.1% | -0.2% | 7.9 | 7.4 |
| MT | 607 | 1 | 0.1% | 0.0% | -0.1% | 10.4 | 8.6 |
| NL | 83,388 | 1,689 | 5.3% | 5.0% | -0.3% | 7.7 | 8.7 |
| PT | 33,909 | -1,068 | 2.1% | 2.0% | -0.1% | 6.8 | 7.3 |
| SI | 6,627 | 19 | 0.4% | 0.4% | 0.0% | 8.5 | 9.4 |
| SK | 8,031 | 0 | 1.0% | 0.5% | -0.5% | 8.1 | 8.2 |
| SNAT | 147,088 | 0 | 10.0% | 8.9% | -1.1% | 10.2 | 8.8 |
| **Total / Avg.** | **1,661,205** | **-281** | **100.0%** | **100.0%** | **0.0%** | **7.5** | **7.6** |

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

NORD/LB

# Appendix
# Overview of latest Covered Bond & SSA View editions

| Publication | Topics |
|---|---|
| 12/2023 ♦ 29 March | ▪ The Moody's covered bond universe – an overview<br>▪ NGEU: Green Bond Dashboard |
| 11/2023 ♦ 22 March | ▪ Covered Bonds: Under the spell of the banking crisis and ECB hawks?<br>▪ ESG: EUR-benchmarks 2023 in the SSA segment (ytd) |
| 10/2023 ♦ 15 March | ▪ Transparency requirements §28 PfandBG Q4/2022<br>▪ Credit authorisations of the German Laender for 2023 |
| 09/2023 ♦ 08 March | ▪ ECB preview: Soft landing lets ECB play hard ball with key rates<br>▪ Where does the Pfandbrief stand within the covered bond universe? |
| 08/2023 ♦ 01 March | ▪ The covered bond market and the ECB: a gradual farewell?<br>▪ Beyond Bundeslaender: Focus on Greater Paris (IDF and VDP) |
| 07/2023 ♦ 22 February | ▪ The Italian market for EUR benchmark covered bonds<br>▪ European supranationals – an overview |
| 06/2023 ♦ 15 February | ▪ Maturity premiums on covered bonds<br>▪ Development of the German property market<br>▪ Spotlight on the EU: a mega issuer spawned by the crisis |
| 05/2023 ♦ 08 February | ▪ January 2023: record start to the new covered bond year<br>▪ SSA monthly review: dynamic issuance activity to kick off the new year |
| 04/2023 ♦ 01 February | ▪ Focus on covered bond jurisdictions: Canada in the spotlight<br>▪ Focus on covered bond jurisdictions: Slovakia and Czech Republic in the spotlight<br>▪ 26th meeting of the Stability Council (December 2022) |
| 03/2023 ♦ 25 January | ▪ ECB preview: all eyes and ears on the press conference<br>▪ Successful start to the year for EUR sub-benchmarks as well<br>▪ ESG covered bonds from France: La Banque Postale SFH issues inaugural social covered bond |
| 02/2023 ♦ 18 January | ▪ Focus on covered bond jurisdictions: Belgium in the spotlight<br>▪ The Moody's covered bond universe: an overview<br>▪ Beyond Bundeslaender: focus on Belgian issuers |
| 01/2023 ♦ 11 January | ▪ ECB review: 2022 entailed all manner of monetary policy action<br>▪ Covered Bonds Annual Review 2022<br>▪ SSA: Annual review of 2022 |
| 39/2022 ♦ 14 December | ▪ Our view of the covered bond market heading into 2023<br>▪ SSA outlook 2023: ECB, NGEU and the debt brake in Germany |
| 38/2022 ♦ 07 December | ▪ ECB preview – next hike but total assets (finally) reduced?!<br>▪ Covered bond jurisdictions in the spotlight: a look at Spain |
| 37/2022 ♦ 30 November | ▪ Transparency requirements §28 PfandBG Q3 2022<br>▪ ECB repo collateral rules and their implications for Supranationals & Agencies |

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# Appendix
# Publication overview

**Covered Bonds:**

**Issuer Guide Covered Bonds 2022**

**Covered Bond Directive: Impact on risk weights and LCR levels**

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

**Transparency requirements §28 PfandBG Q4/2022** (quarterly update)

**Covered bonds as eligible collateral for central banks**

**SSA/Public Issuers:**

**Issuer Guide – German Laender 2022**

**Issuer Guide – German Agencies 2022**

**Issuer Guide – Dutch Agencies 2022**

**Beyond Bundeslaender: Belgium**

**Beyond Bundeslaender: Greater Paris (IDF/VDP)**

**Spotlight on Spanish regions** (Update planned in 2023)

**Fixed Income Specials:**

**ESG-Update 2022**

**ECB interest rate decision: Backbone in times of turmoil?!**

**ECB interest rate decision: Roadmap to QT**

**ECB: The Wishing-Table, the Gold-Ass, and the Cudgel in the Sack**

**ECB interest rate decision: delivered as expected?**

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| Sales Sparkassen & Regionalbanken | +49 511 9818-9400 |
| Sales MM/FX | +49 511 9818-9460 |
| Sales Europe | +352 452211-515 |

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| | |
|---|---|
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| Governments | +49 511 9818-9660 |
| Länder/Regionen | +49 511 9818-9550 |
| Frequent Issuers | +49 511 9818-9640 |

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