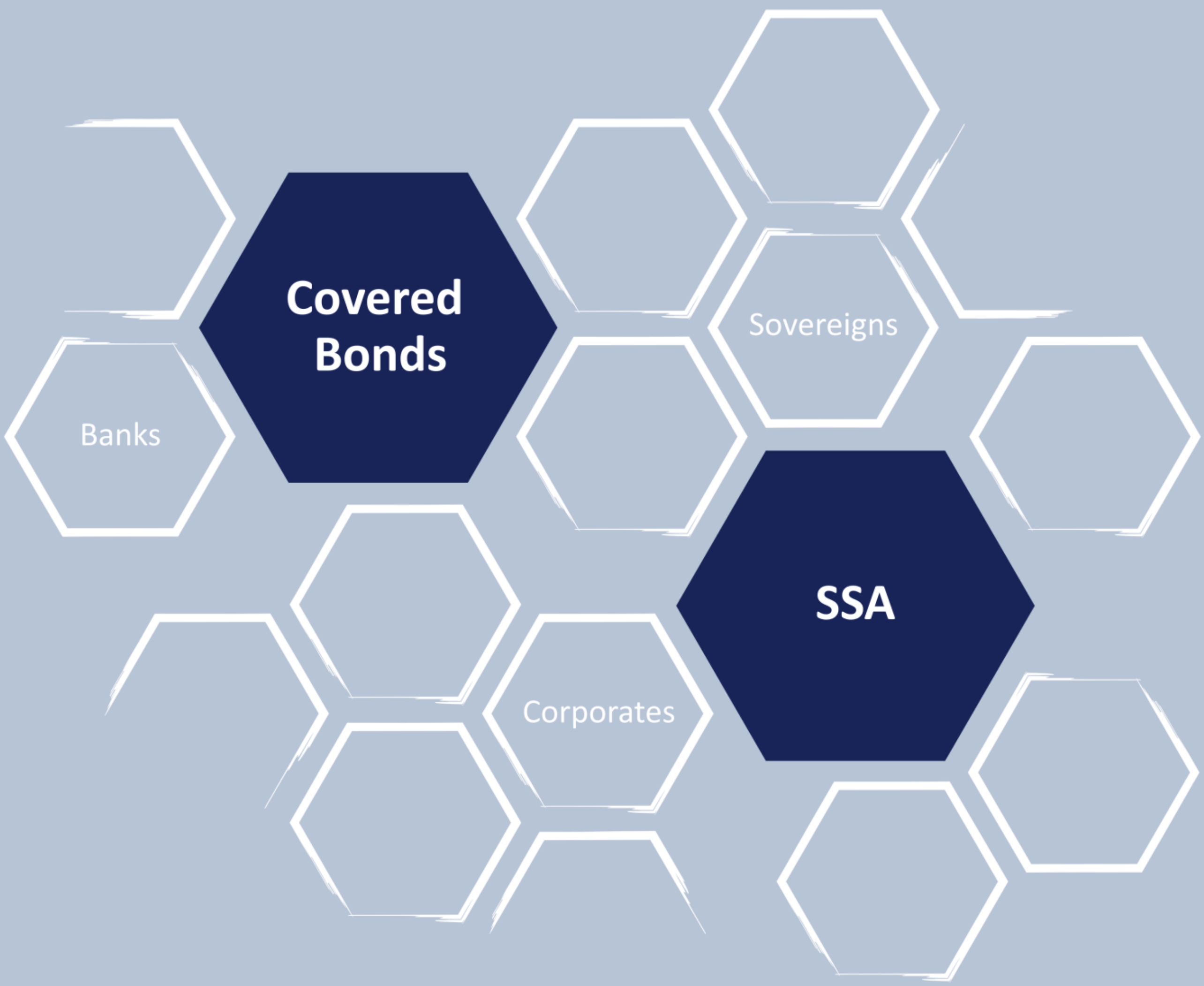

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

20 January 2021 ♦ 02/2021

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

Agenda

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Market overview
Covered Bonds

Authors: Henning Walten, CIIA // Dr Frederik Kunze

Primary market enters "start of year" mode, numerous markets return

After we reported only two new issues in the EUR benchmark segment in our issue one week ago, which marked a comparatively quiet start to the year, the market has picked up considerably since then. Twelve new issues with a volume of EUR 9.0bn have since been rolled out, with a total of four issuers approaching their investors last Wednesday alone. Remarkably, no less than three issues were the product of a long issuance break by their respective countries. The Mediobanca deal was the first EUR benchmark to be issued from Italy in about a year (at that time Credit Agricole with a dual tranche). The same goes for the transaction by the Danish bank Jyske Realkredit; the last recorded EUR benchmark was in November 2019 (Danmarks Skibskredit). The leader, however, in terms of ending an extended absence, remains the Czech Republic. The EUR benchmark debut of Komercni Banka also marks a revival of the market for EUR benchmarks which has been dormant since October 2014. The Czech Republic therefore takes the number of EUR benchmark jurisdictions to 28. UniCredit Bank rounded off last Wednesday's issuance activity with a 15y bond, followed by Münchener Hypothekenbank and DNB Boligkreditt, which each completed a transaction on the two remaining trading days of last week. Following the first green covered bond placed by DNB in June 2018, the second EUR benchmark in ESG format followed recently. At the start of the current trading week, BPCE placed a dual tranche for 8y and 15y, each with a volume of EUR 1.0bn, followed by another trading day featuring four new issues on Tuesday. In addition to Berlin Hyp (EUR 500m; 10y) and Bank of Canada (EUR 1.25bn; 10y), Norwegian Sparebanken Sør Boligkreditt also approached its investors and issued a EUR benchmark for the first time since October 2019. As with Komercni Bank, the Korean Hana Bank was also making its debut. Now the third institution from South Korea in the EUR benchmark market, it placed its first bond issue in the amount of EUR 500m with a term to maturity of five years.

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
Hana Bank	KR	19.01.	XS2282707178	5.0y	0.50bn	ms +27bp	- / Aaa / AAA
Sparebanken Sør	NO	19.01.	XS2291901994	7.0y	0.50bn	ms +7bp	- / Aaa / -
Royal Bank of Canada	CA	19.01.	XS2291788656	10.0y	1.25bn	ms +9bp	AAA / Aaa / -
Berlin Hyp	DE	19.01.	DE000BHY0C47	10.0y	0.50bn	ms flat	- / Aaa / -
BPCE	FR	18.01.	FR0014001MN0	15.0y	1.00bn	ms +5bp	- / Aaa / AAA
BPCE	FR	18.01.	FR0014001MO8	8.0y	1.00bn	ms +2bp	- / Aaa / AAA
MunHyp	DE	15.01.	DE000MHB27J7	18.8y	0.50bn	ms +1bp	- / Aaa / -
DNB Boligkreditt	NO	14.01.	XS2289593670	10.0y	1.50bn	ms +6bp	- / Aaa / AAA
Komercni Banka	CZ	13.01.	XS2289128162	5.0y	0.50bn	ms +12bp	AAA / - / -
Mediobanca	IT	13.01.	IT0005433757	10.0y	0.75bn	ms +13bp	AA- / - / -
Jyske Realkredit	DK	13.01.	DK0009404618	6.7y	0.50bn	ms +6bp	- / - / AAA
UniCredit Bank	DE	13.01.	DE000HV2AX54	15.0y	0.50bn	ms +3bp	- / Aaa / -

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

Start to the year also for USD benchmarks and EUR sub-benchmarks

In addition to the EUR benchmark market, which has started already, two other covered bond sub-markets also kicked off the new year. Deutsche Pfandbriefbank placed a USD 750m benchmark with a term to maturity of three years last Wednesday. The deal, which achieved a final order book of USD 1.0bn, came in three basis points tighter at ms +23bp compared with the guidance. This is the first issuer to enter the market with a USD benchmark in 2021, a segment that saw a total of seven issues in 2020 with a total volume of USD 7.9bn. At the beginning of the current trading week, Landesbank Berlin opened the market for EUR-denominated sub-benchmark bonds (EUR 250 ≤ X < EUR 500m). The bond with a volume of EUR 250m and a term to maturity of ten years initially entered the marketing phase at ms +1bp area and was also brought to market at this level. The issue yield amounted to -0.215%. Like the USD benchmark segment, this is a niche market in which eight bonds totalling EUR 2.05bn were placed last year.

ECB meeting this Thursday: Unspectacular?

The ECB's first regular meeting of 2021 is scheduled for tomorrow. We describe the monetary policy situation for the upcoming interest rate decision in more detail in the Market Overview SSA/Public Issuers and certainly see less expectancy as regards new adjustments at the present moment. Nevertheless, the influence of monetary policy on the EUR benchmark segment remains unabated and is evident on both the supply and demand side. In this context, TLTRO III tenders are dampening issuance activity – albeit perhaps less than in the past – while the Eurosystem remains active in both the primary and secondary markets. Lower demand on the market side, which could be triggered by tiering adjustments (in particular a factor increase would be conceivable), would not be particularly significant here in our estimation. It is interesting to note in this context the Bundesbank Monthly Report from January 2021. When analysing the impact of tiering on banks and financial markets, the Bundesbank puts the interest expense saved by EMU banks through tiering at no less than EUR 4.7bn (period: October 2019 to December 2020; total interest expense on excess liquidity: EUR 8.39bn). The authors conclude that the ECB Governing Council has achieved the objectives pursued with the introduction of tiering via interest rate savings for banks.

Spain I: Moody's examines potential extension of eviction restrictions

As the coronavirus crisis escalated in the first quarter of 2020, some governments introduced regulations and legislation to protect borrowers who had suffered financial difficulties through no fault of their own. In Spain, these measures included the Royal Decree-Law 11/2020, which was designed to protect tenants in the wake of the COVID-19 crisis. In light of the current pandemic situation, this measure has now been extended until May 2021. For Moody's risk experts, the extension of eviction restrictions is disadvantageous in terms of asset quality and investment incentives. The negative implications would also apply to covered bonds – for example, through higher refinancing risks. We share Moody's assessment in principle, but, based on current information, would not overestimate the long-term strain on Spanish covered bonds as the eviction restrictions are only for a limited period of time.

Spain II: Liberbank covered bonds set for possible rating upgrade by Moody's

The rating agency Moody's has indicated that an upgrade for the covered bond rating of Spain's Liberbank (currently: Aa2) could potentially be on the cards. This step follows the possible upgrade of the deposit rating of Liberbank and therefore an adjustment of the CR assessment, which is part of the derivation of the covered bond rating (see Moody's rating methodology in our Issuer Guide Covered Bonds from page 645). Both measures follow the takeover of Liberbank by Unicaja announced at the end of December, a deal that had already been under discussion for some time (see Covered Bond & SSA View from 14 October). Liberbank currently has one outstanding EUR benchmark (LBKSM 0 1/4 09/25/29). Since being placed in September 2019, the bond has been topped up by EUR 200m, taking the current volume to EUR 1.2bn. Unicaja also has a covered bond programme, but no outstanding bonds in the EUR benchmark segment.

Scope acknowledges trend in European property prices

In a recent sector report, Scope analysts have commented on the current and future developments and trends on the European property market. Accordingly, the corresponding growth rate is back on its long-term trend on the back of pandemic-related distortions. Scope links the observed house price trend to both the interest rate environment and the sharp increase in the savings ratio. In addition, the pandemic would have changed the preference structure of many households as regards the purchase of their own homes. In terms of the expected future development of property prices in Europe, analysts see more of an indirect long-term impact from the pandemic, meaning in particular economic development. In this respect, Scope highlights the development of the labour market and the unemployment rate. In addition, the pandemic could have a lasting effect on the banks, which would then lead to a corresponding dampening of lending activity. All these factors could well have a negative effect on property price development and lead to marked corrections, especially in markets that were already showing signs of overheating before the pandemic. At the same time, the risks of a continuation of relaxed macroeconomic and monetary policy should not be underestimated in terms of the formation of new bubbles. As a result, Scope expects higher risks of regional price corrections, especially if the pandemic situation lasts longer.

Market overview
SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

ECB: Stock-take and preview

At its last Governing Council meeting, the ECB made numerous targeted adjustments. As expected, the PEPP was expanded both in terms of volume and duration. The programme volume has increased by EUR 500bn to EUR 1,850bn, while the duration has been extended it by nine months until March 2022. In addition, reinvestments will now be carried out until at least the end of 2023, twelve months longer than previously communicated. The same applies to the TLTRO III tenders, which were also re-adjusted to meet the current situation in terms of maturity and conditions. Conversely, the ECB left interest rates at the previous levels of 0.00% (main refinancing operations) and -0.50% (deposit facility). The regular APP was equally unaffected. Here, the monthly net purchases in the amount of EUR 20bn will remain until shortly before an increase in the key rates. The same applies to the redemptions accruing under the programme, which are to continue to be reinvested in the market even until after a rate hike. Furthermore, in addition to the most targeted instruments, other measures to combat the effects of the pandemic were adopted or expanded. These include four more rounds of PELTROs and an extension of the relaxed central bank collateral requirements until June 2022. An adjustment to the tiering factor, which we had also discussed in advance, did not happen. We still think such a step is conceivable in 2021, although this Thursday is likely to be uneventful in terms of decisions taken.

Moody’s outlook: Laender

Moody's has published various outlooks for sub-sovereigns in 2021. For us, the most important report of course concerned the German Bundeslaender. Here, given the corona-induced decline in tax revenues and high countercyclical spending, they arrive at a fundamentally negative sector outlook, which is not (yet) reflected in the individual ratings. At Aaa, Baden-Wuerttemberg, Bavaria and Brandenburg remain unchanged. One notch lower at Aa1 are Berlin, North Rhine-Westphalia and Saxony-Anhalt. All six Bundeslaender have a stable outlook (as of 11 January). Moody's divides its rationale into five subject areas. The economic recovery will hardly bring tax revenues back to the level of 2019. Although economic growth will lead to an increase in Bundeslaender tax revenues in 2021, the trajectory will remain below the pre-pandemic trend. In addition, Laender spending will remain high in 2021. This will mainly be the case for the regional economy due to rising personnel costs and continued fiscal stimuli. Lower special transfers will partly offset the high levels of cost pressure. The federal government will also suspend the debt brake in 2021, allowing the Laender to take on additional debt. This borrowing requirement will remain high. The pressure on households caused by coronavirus will only gradually ease when the economy recovers. However, favourable market conditions will make it easier for the Laender to secure cheap financing and therefore refinance maturing debt.

Super election year

All the signs point towards 2021 being a "super election year": After a new party leader of the CDU was digitally elected at the weekend and with Markus Söder from the CSU vying to run as the chancellor candidate in the parliamentary elections in September to replace Angela Merkel after 16 years, as many as six Laender elections now also await us. Elections in Rhineland-Palatinate and Baden-Wuerttemberg will take place in mid-March, with Saxony-Anhalt due at the polls on 6 June and Berlin and Mecklenburg-Western Pomerania set to cast their votes in the autumn. Likewise, federal elections will take place in the autumn too, whereas those in Thuringia have been postponed from April to September. A total of 25 million people are eligible to vote in these Laender elections. Although the east of the country goes to the polls more frequently, two other Bundeslaender have been dominating the headlines so far, with Tagesspiegel recently asking "Will Winfried Kretschmann be toppled? Will Malu Dreyer lose?" Both elections will inevitably be seen as a test run for the federal parliamentary elections on 26 September. Here are the facts: There will be no street campaigning and cheering crowds at rallies. Changes could also be made to the set-up of polling stations, with health authorities closely collaborating on the organisation of polling day at the very least. It is already clear that polling stations will have to be well ventilated. Whether more people will vote by mail due to the pandemic cannot be predicted at this point. However, the number of postal voters is increasing from election to election anyway. In the 2016 state election in Mecklenburg-Western Pomerania, for example, one in five people already cast their vote by postal ballot. The authorities there also expect numbers to rise this year. At the beginning of the year, for example, the Schwerin state parliament wants to facilitate a change to electoral law. The draft bill provides that under pandemic conditions – i.e. if there are still contact restrictions and a lockdown – a state election might also be possible purely as a postal vote without polling stations. Special regulations are also provided for the party lists.

Provisional dates for the next Laender parliamentary elections (and cycle)

Baden-Wuerttemberg	**14 March 2021**	**5 years**
Bavaria	Autumn 2023	5 years
Berlin	**Autumn 2021 (alongside federal elections)**	**5 years**
Brandenburg	Autumn 2024	5 years
Bremen	Spring 2023	4 years
Federal election	**26 September 2021**	**4 years**
Hamburg	Spring 2025	5 years
Hesse	Autumn 2023	5 years
Mecklenburg-Western Pomerania	**Autumn 2021 (alongside federal elections)**	**5 years**
Lower Saxony	Autumn 2022	5 years
North Rhine-Westphalia	Spring 2022	5 years
Rhineland-Palatinate	**14 March 2021**	**5 years**
Saarland	Spring 2022	5 years
Saxony	Autumn 2024	5 years
Saxony-Anhalt	**06 June 2021**	**5 years**
Schleswig-Holstein	Spring 2022	5 years
Thuringia	***Postponed (alongside federal elections)***	***5 years***

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

Banque ouest-africaine de développement (BOAD)

We have seen a new EUR benchmark issuer in the market, but we are not able to include it in our coverage on a regular basis: the West African Development Bank (BOAD) was founded in 1973 and is the development bank of the West African Economic and Monetary Union (UEMOA), based in Lomé, Togo. BOAD's sponsors are the West African Central Bank (BCEAO) and the member states of the UEMOA (Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo). Other shareholders of BOAD include the states of France, Belgium and Morocco, the Chinese central bank, the Indian Eximbank as well as the Kreditanstalt für Wiederaufbau (KfW), the European Investment Bank (EIB) and the African Development Bank (AfDB). According to its statutes, BOAD's objective is to promote the balanced development of its member countries and to support economic integration within West Africa by financing development projects. The focus is also on combating poverty, which is still very widespread in the UEMOA countries. For this reason, BOAD finances, for example, various projects aimed at improving the supply of food in the region and facilitating the population's access to electricity. In addition, BOAD wants to contribute to the mitigation of climate change. In 2019, BOAD granted a total of XOF 498bn (EUR 755m) in loans, of which about 73% was provided to the public sector and 27% to the private sector. The bank finances projects in the areas of rural development, basic infrastructure, modern infrastructure, telecommunications, energy, industry, agricultural industry, transport and tourism. Two-thirds of the total loan amount went to infrastructure projects in 2019. In the context of the coronavirus crisis, the bank has implemented an emergency plan of XOF 200bn (EUR 303 million) to help SMEs and micro-enterprises in particular through the crisis and to preserve jobs. For refinancing, BOAD uses, among other things, CSR bonds, for which a Sustainability Bond Framework has been drawn up. These include green bonds and social bonds, which are used exclusively to finance ecological and social projects, and sustainability bonds, which are intended exclusively to finance projects that meet both criteria (ecological and social). The West African franc (XOF) is issued by the West African central bank with its headquarters in Dakar; 1 EUR is equivalent to approximately 660 XOF.

Rating of BOAD

BOAD has ratings from Moody's (Baa1 [negative]) and from Fitch (BBB [negative]). Moody's lowered the outlook from stable to negative in October 2020, citing pressure on the quality of BOAD's loan portfolio from the coronavirus crisis. In addition, the increasing political instability in Mali (Caa1 [negative]) after the military coup in August 2020 plays a role, as 11% of BOAD's loans are allocated to Mali. Fitch previously lowered the outlook from stable to negative in May 2020, citing possible weakening support from BOAD's shareholders. Fitch specifically cited the downgrade of France's rating (AA) from stable to negative as a trigger. This plays an important role as France offers a convertibility guarantee in terms of the XOF against the EUR.

Previous bonds and new BOAD issue

Banque ouest-africaine de développement has six bonds outstanding to date, three each in XOF and USD. The EUR bond (EUR 750m, 12y) came in at ms +300bp (IPT: ms +350bp; yield: 2.843%). The books grew to over EUR 2.8bn.

Primary market

In this way, BOAD provides an introduction to this week's primary market review: in a trading week that saw various record order books (Spain with more than EUR 130bn for a ten-year bond and France with more than EUR 59bn for a 50-year bond), Italy was not quite able to set a new record, raising "only" EUR 105bn from its activity. The French deal in particular was surprising, as this bond would not be eligible for purchase under the purchase programmes (nor PSPP or PEPP) for another 19 years. However, there was also a lot going on in the area of the Bundeslaender, supranationals and agencies: BERGER issued EUR 1.25bn at ms +4bp for 20 years. BERGER also directly issued another bond (11/2023) (EUR 500m at ms -7bp). BNG also showed up once again with a EUR benchmark deal: EUR 1bn for ten years at ms -3bp. The World Bank, in the form of the IBRD, chose a 40-year term in the form of a social development bond worth EUR 2bn with a spread of ms +23bp. The books amounted to more than EUR 3.6bn. In total, 42% of demand came from Germany and 22% from France. DEXGRP bonds are rare and usually have a certain pick-up; this time too for EUR 1.5bn for seven years at ms +11bp. The IPT were ms +15bp. LBANK, also welcome and seldom seen, opted for ten years and came in at ms -6bp, with guidance having been in the area of ms -6/-7bp. RHIPAL was also able to come up with a deal: EUR 600m for ten years at ms -5bp. No information on the order book was available. The French AFLBNK also showed up on the market once again. Like many others, it opted for a ten-year maturity and came in 31 basis points above the French benchmark. Rentenbank offered a tap – EUR 250m at ms -11bp for its 11/2029 bond. NIESA also brought a tap to its 09/2025 maturity. A value of EUR 500m came in at ms -8bp. No Dutch bank is inferior to another in regulatory terms, so NEDWBK did not need to be asked twice either: EUR 500m for 16 years was raised in the form of a social housing bond at ms +2bp. The guidance had actually been as high as ms +4bp area. Almost as soon as the mandate was issued, the EIB successfully brought a 30-year ECOOP deal at ms +4bp. The deal was at least three times oversubscribed, so the ms +7bp area guidance did not last long. However, its appetite for capital was still not satisfied: the EIB immediately followed up with a mandate for a seven-year floater (€STR). We expect pricing to be sorted out in the very near future. This also applies to the EU, which for its part had a RfP out and is now coming out of the starting blocks for 2021. We still expect EUR 60bn by Easter and over EUR 150bn by the end of the year. In addition, Japan's JFM is conducting a green investor call. NRW.BANK is also following suit – it has mandated a consortium for a EUR Green Bond Roadshow. BRABUR is also appearing on screens with a 25y bond soon and mandated yesterday.

Issuer	Country	Timing	ISIN	Maturity	Volume	Spread	Rating
EIB	SNAT	19.01.	XS2290963466	30.0y	1.00bn	ms +4bp	AAA / Aaa / AAA
NEDWBK	NL	19.01.	XS2291793813	16.1y	0.50bn	ms +2bp	- / Aaa / AAA
BOAD	SNAT	14.01.	XS2288824969	12.0y	0.75bn	ms +300bp	BBB / Baa1 / -
AFLBNK	FR	14.01.	FR0014001LQ5	10.2y	0.50bn	ms +19bp	- / Aa3 / AA-
RHIPAL	DE	14.01.	DE000RLP1254	10.0y	0.60bn	ms -5bp	AAA / - / -
BERGER	DE	14.01.	DE000A3H2Y16	2.8y	0.50bn	ms -7bp	AAA / - / -
LBANK	DE	13.01.	DE000A289CL2	10.0y	1.00bn	ms -6bp	- / - / AA+
DEXGRP	FR	13.01.	XS2289130226	7.0y	1.50bn	ms +11bp	AA- / Aa3 / AA
IBRD	SNAT	13.01.	XS2289410420	40.0y	2.00bn	ms +23bp	- / Aaa / AAA
BNG	NL	13.01.	XS2289404704	10.0y	1.00bn	ms -3bp	AAA / - / AAA
BERGER	DE	13.01.	DE000A3H2Y08	20.0y	1.25bn	ms +4bp	AAA / - / -

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

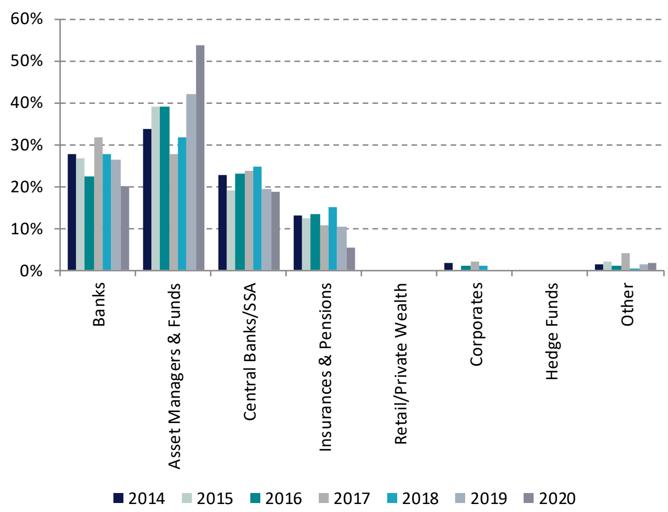
Covered Bonds
Spread considerations – APAC covered bonds riding the wave of ECB purchase programmes?

Author: Dr Frederik Kunze

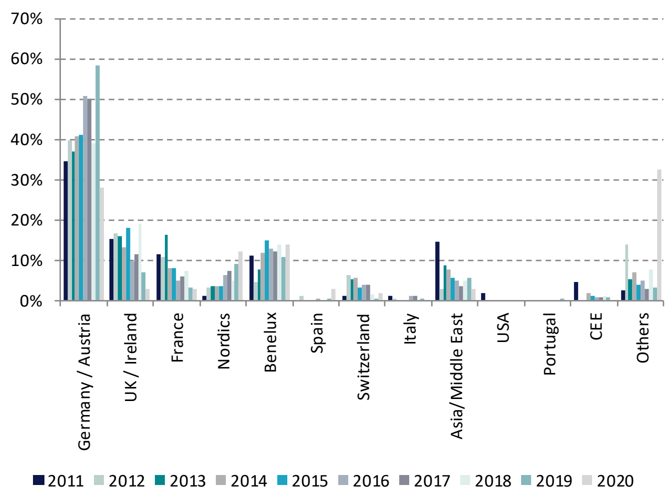
APAC covered bonds in 2021: New signs of life

With a volume outstanding of just over EUR 52bn, issuers in the APAC region certainly represent a share worth mentioning (almost 6%) of the outstanding EUR benchmark volume. However, the issuance volume of EUR 4.85bn in 2020 from Australia (AU), Japan (JP), New Zealand (NZ), Singapore (SG) and South Korea (KR) meant that placements in EUR benchmark format were significantly lower than the levels recorded in previous years (2019: EUR 7.0bn, 2018: EUR 9.75bn). This circumstance partly resulted from the distortions in the wake of the worsening coronavirus crisis, which by no means affected only the APAC region. At the same time and to a certain extent, it also reflects issuer-specific funding requirements, in our opinion. With regard to the spread trend, ASW spreads for APAC jurisdictions were the same as those for their counterparts in the other regions: dramatic widening at the start of the pandemic followed by the relevant tightening. For 2021, we actually expect issuing activities in the primary market to be livelier across the entire region. In relative terms, we would primarily attribute this development to the jurisdictions of Japan, Singapore and South Korea. With regard to the spread trend for APAC bond issues, we would assume that it will not generally be decoupled from that for EUR benchmark bond issues eligible for purchasing under the ECB programmes. In the following, we provide a brief overview of the market developments we expect for APAC covered bonds.

APAC primary market – investor structure



APAC primary market – geographical diversification



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

Primary market – 2020 saw high demand from asset managers & funds

In 2020, only issuers from South Korea (three issues totalling EUR 2bn), Japan (two bond issues worth a combined EUR 1.85bn) and Singapore (one bond issue worth EUR 1.0bn) were present with activities in the APAC region's primary market. With regard to the groups of investors, the high share in the category of asset managers & funds is striking. The increase in this category was mainly at the expense of banks and the category of insurances & pensions.

Primary market 2021 – fresh momentum expected

In our view, a more dynamic trend is to be expected in 2021 due to several factors. This should be reflected in an issuance volume of EUR 7.5bn. In addition to the relaxation of the issuing limit in Singapore, the expectation of imminent finalisation of covered bond legislation in Japan should also be mentioned as well, as the market entrance of new issuers in South Korea (cf. Hana Bank article in the last issue of this publication). Conversely, a less dynamic trend is evident in the mature markets of Australia and New Zealand in relation to the size of these markets. In fact, we are even expecting negative net supply in both jurisdictions (EUR -5.0bn in total), which means that based on our issuing forecast, the APAC market is likely to shrink, albeit only slightly.

Supply and maturities in 2021 (EUR bn)

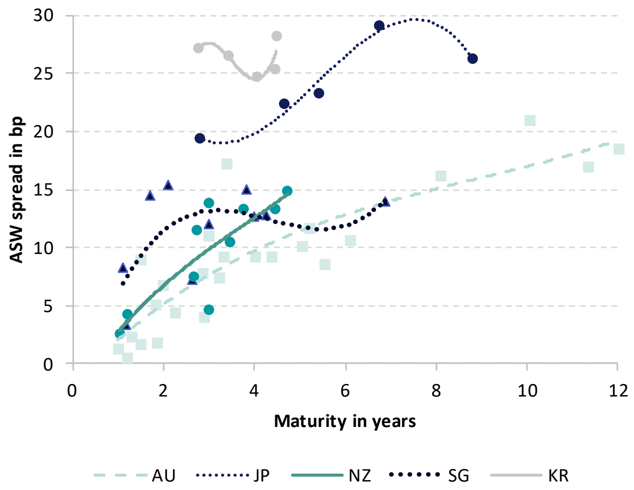
Jurisdiction	Outstanding volume	Maturities 2021	Issues 2021e	Outstanding 12/2021e	Net supply 2021e
AU	29.50	5.50	2.00	26.00	-3.50
JP	4.10	0.00	1.50	5.60	1.50
KR	3.00	0.00	2.00	5.00	2.00
NZ	9.00	2.00	0.50	7.50	-1.50
SG	6.25	0.50	1.50	7.25	1.00

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

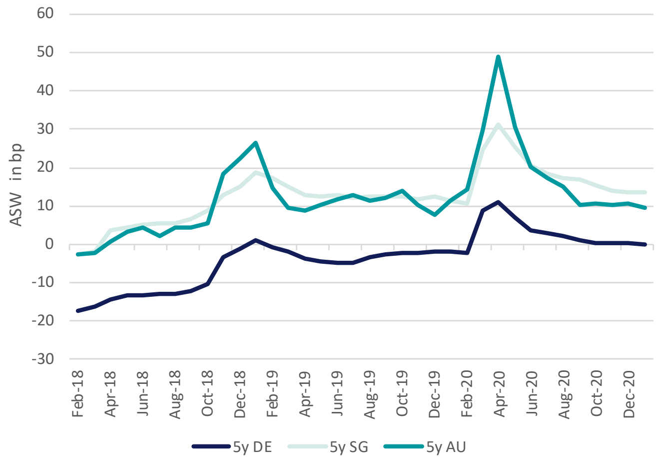
Spread landscape in the APAC region

With regard to the spread landscape in the APAC region, the depth of the market for Australian benchmark bond issues is remarkable and mainly reflected in a differentiated spread curve. In terms of spread levels, AU benchmark bonds have the lowest ASW spreads. With far fewer issues, EUR benchmark covered bonds from New Zealand and Singapore are trading at a slightly higher level. Further yield spread premiums were attributable to Japanese covered bonds. We would link this to the fact that no legal framework exists as yet for covered bond issues from Japan. The implementation in law of the relevant legal provisions would represent a trigger for lower spreads on any bond issues placed under the new Covered Bond Act. In view of the lack of relevant legislation, Japanese covered bonds currently do not meet the requirements for LCR eligible issues. This means that such bonds cannot achieve the best possible category for non-EEA jurisdictions of Level 2A assets. For benchmark bond issues from the other APAC countries, Level 2A applies, in our view. In contrast, a risk weighting of 20% applies to all current APAC benchmark bond issues.

Spread Overview: APAC*



Spread curve – DE, SG, AU (5y generic spreads)



Source: market data, NORD/LB Markets Strategy & Floor Research; * excluding recently placed Hana Bank bonds

Non-eligibility in the context of ECB collateral management and the ECB's CBPP3 and PEPP purchase programmes

None of the EUR benchmark bond issues from the five countries is currently eligible as collateral in terms of the ECB collateral framework. For AU, NZ, KR and SG, this assessment is based on the fact that these countries are not among the G10 (or EMU or EEA). With regard to Japan, we believe that the fact that Japanese covered bonds are not currently eligible results from the structure of the issues outstanding, with recourse to RMBS. For covered bonds from Japan – a G10 country – which would no longer have recourse to RMBS on the basis of the new legislation, utilisation as ECB collateral would therefore theoretically be possible. Conversely, with regard to eligibility for ECB purchase programmes, the same applies for all five countries and this is hardly surprising: their bonds are not eligible for purchasing. In actual fact, however, we do not believe this to be an inevitable reason for APAC benchmarks to remain unaffected, in terms of the spread trend, by the ECB's comprehensive purchases.

Spread expectations for 2021 – relatively constant gap to EMU covered bonds?

For 2021, we expect further subtle spread tightening for APAC covered bonds across all jurisdictions and available maturities. As part of these expectations, we also assume that the Eurosystem's purchasing activities will be felt here as second-round effects. Historical spread curves indicate this as well. They are illustrated in the chart above on the right for Germany as well as Australia and Singapore by way of example. Although covered bonds from Australia and Singapore are trading with a perceptible gap to Pfandbriefe, this spread difference has been relatively steady on average over time. Instances of more marked spread widening, for example in the wake of the announcement of the change in ECB monetary policy at the end of 2018 and the COVID-19 related ASW increases, have not disrupted the long-term correlation on a sustained basis, according to our assessment. In economic terms, the difference in ASW spreads is to be seen as a combination of the differing regulatory classification of EMU covered bonds and APAC covered bonds as well as the higher asset quality of Pfandbriefe.

NORD/LB

Riding the wave of ECB monetary policy?

With regard to the technical analysis, there is much to suggest that, in terms of spreads, APAC covered bonds may benefit from the ECB's monetary policy. For example, the TLTRO programmes have curbed EUR benchmarks from EMU countries on the supply side for some time. At the same time, as a buyer, the Eurosystem is siphoning off a high share of both the primary market and the secondary market supply of EMU covered bonds. In particular, investors whose motivations are less based on regulatory aspects but who appreciate characteristics such as the dual recourse of covered bonds may see APAC covered bonds as an alternative that offers a significant pick-up.

2021 APAC spread forecast

Current levels					as of 31/12/2021(e)					Expected spread change				
in bp	3y	5y	7y	10y	*in bp*	3y	5y	7y	10y	*in bp*	3y	5y	7y	10y
AU	7.0	9.6	12.2	16.3	AU	3.0	7.0	9.0	14.0	AU	-4.0	-2.6	-3.2	-2.3
JP	20.8	24.2	26.3	26.4	JP	17.0	21.0	23.0	24.0	JP	-3.8	-3.2	-3.3	-2.4
KR	26.6	26.2			KR	23.0	23.0			KR	-3.6	-3.2		
NZ	8.8	11.4			NZ	5.0	8.0			NZ	-3.8	-3.4		
SG	11.5	13.6	14.0		SG	8.0	11.0	11.0		SG	-3.5	-2.6	-3.0	

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

Conclusion

The EUR benchmark segment in relation to the APAC countries – Australia, New Zealand, Japan, Singapore and South Korea – should see a more dynamic trend in 2021 than in 2020, particularly on the back of bond issues from Asian countries. Admittedly, this is also partly, yet not only, the result of a trend towards normalisation in terms of the global economy in general. In this connection, we certainly welcome the fact that the expanding covered bond markets of the three Asian jurisdictions are becoming increasingly established in terms of a regulatory basis and increasing systemic importance. With regard to spreads, we see a certain level of indirect support from the ECB's monetary policy while the difference to core jurisdictions, such as Germany, is comparatively steady. In other words, we do not expect that ASW spreads for EMU covered bonds should be able to decouple from their APAC counterparts on a sustained basis in 2021.

APAC: EUR Benchmark Issues in 2021 (ytd), 2020 and 2019

Issuer	Country	Timing	ISIN	Volume	Bid to Cover	Current Spread	Change vs. Reoffer
KEBHNB	KR	19.01.21	XS2282707178	0.50	3.7	25.7	-1.3
UOBSP	SG	24.11.20	XS2264978623	1.00	2.1	14.3	-2.7
SUMITR	JP	07.10.20	XS2240511076	0.85	1.2	29.7	-0.3
SUMIBK	JP	03.09.20	XS2225211650	1.00	1.8	22.5	-1.5
CITNAT	KR	08.07.20	XS2199348231	0.50	4.4	27.4	-12.6
KHFC	KR	29.06.20	XS2191358667	0.50	1.2	24.9	-10.1
KHFC	KR	29.01.20	XS2100269088	1.00	1.4	25.2	1.2
SUMIBK	JP	28.10.19	XS2066652897	0.75	1.3	26.4	-8.6
SUMIBK	JP	11.06.19	XS2008801297	0.50	1.5	23.5	-1.5
KHFC	KR	11.06.19	XS1999730374	0.50	2.8	25.7	0.7
BQDAU	AU	23.05.19	XS2003420465	0.50	2.4	16.5	-8.5
WSTP	AU	01.04.19	XS1978200472	1.25	1.5	11.4	-6.6
CBAAU	AU	11.02.19	XS1952948104	1.00	1.4	16.4	-12.6
NAB	AU	22.01.19	XS1942618023	1.25	1.8	10	-23
WSTP	NZ	10.01.19	XS1936779245	0.50	1.9	4.8	-27.2
ANZNZ	NZ	08.01.19	XS1935204641	0.75	1.3	13.4	-19.6

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

Covered Bonds
Return of the Danish market for EUR benchmark bond issues

Author: Henning Walten, CIIA

Danish market for EUR benchmark bond issues revived after flat period

On Wednesday last week, Jyske Realkredit (the former BRFkredit) brought the Danish market for EUR benchmark bond issues out of hibernation (cf. Market overview – Covered Bonds). The bond issue worth EUR 500m with a long maturity of six years marked the end of a relatively long dry spell. With an order book of EUR 1.8bn, the deal was 3.6 times oversubscribed and close to the Danish record to date of March 2019, when another bond issue of Jyske Realkredit was four times oversubscribed. It is also worth taking a look at the issuing yield which, at -0.297%, was in the negative range, making the deal the first EUR benchmark bond issue from Denmark to be placed in the market with a negative yield. In view of this recent return of a Danish issuer to the market for EUR benchmarks, we briefly outline in the following the market for Danish EUR benchmark bond issues and the current status with regard to implementation of the Covered Bond Directive in Danish law.

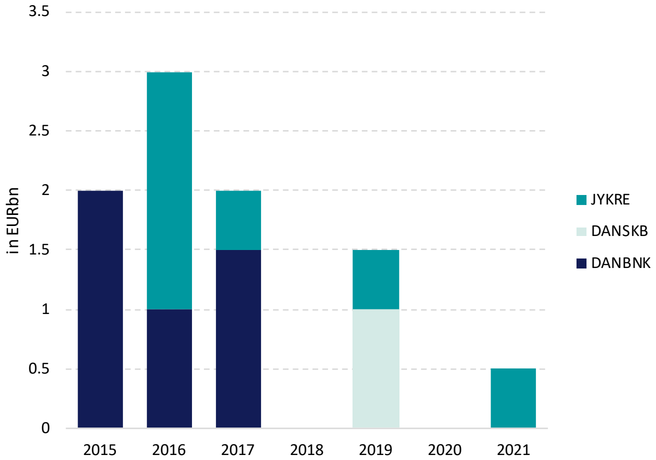
Comparatively small market for EUR benchmark bonds

The recently issued EUR benchmark bonds of Jyske Realkredit saw the return to activity of the market for Danish EUR benchmark bonds with a fixed coupon, following a longer hiatus. Previously, Danish Ship Finance (Danmarks Skibskredit) placed EUR benchmark bond issues worth EUR 500m each in the market in November and March 2019. Jyske Realkredit was also last present in the market in March 2019. In contrast, the most recent market presence of Danske Bank, the Danish issuer with the highest EUR benchmark volume outstanding, was more than three years ago. It is also worth noting that following the latest transaction, Jyske Realkredit now has six EUR benchmark bond issues, which is one more than Danske Bank. The EUR benchmark bonds outstanding are Saerligt Daekkede Obligationer (SDOs). Overall, the total volume of EUR benchmark bond issues outstanding in Denmark amounts to EUR 9.0bn. This puts the Scandinavian country at level pegging with New Zealand ranked in joint 14th place, after Belgium (EUR 19.5bn) but ahead of Singapore (EUR 6.25bn). Based on all issuing currencies, Denmark was (and remains) the largest jurisdiction according to the ECBC annual statistics at the end of 2019, with a share of 15.5% in the global market for covered bonds, although this is mainly attributable to the volume issued in DKK.

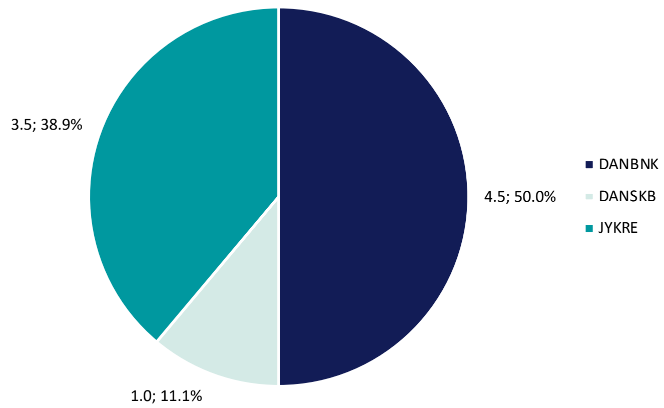
Exception – Nykredit EUR benchmark bond issues

Two bond issues of Nykredit represent an exception. As far as we are aware, both bond issues, one from 2018 and one from 2017 (NYKRE Float 01/01/24 & NYKRE Float 10/01/22), are the only publicly placed floating-rate EUR benchmarks outstanding in the market (cf. Issuer Guide Covered Bonds 2020, page 128 ff.). In view of this feature, the two deals are not included in the iBoxx EUR Covered, since this index requires a fixed coupon for bonds to be included. This special status of the two bond issues also means that they are generally excluded from our review of the EUR benchmark segment and not included in the charts below.

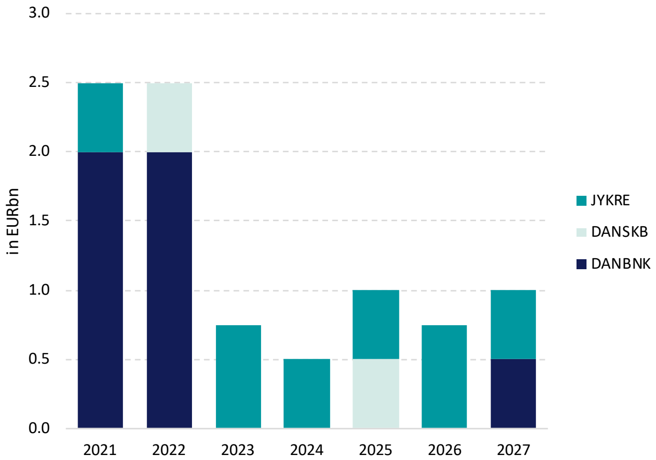
EUR benchmarks – issuance volume since 2015



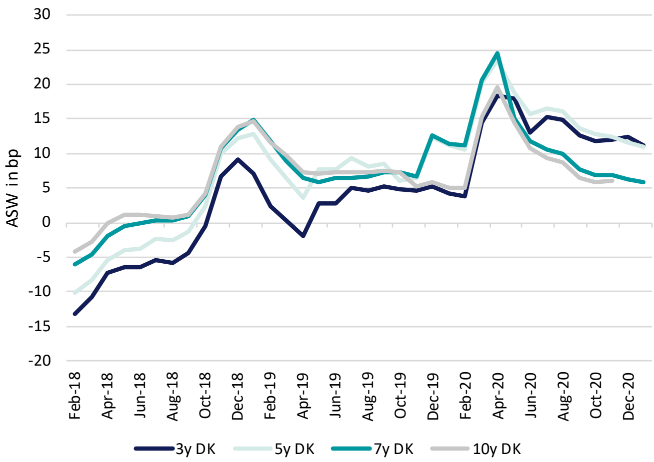
EUR benchmarks – DK market shares



EUR benchmarks – maturities up to 2026



EUR benchmarks – DK spread curve



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

Harmonisation imitative requires amendment of legal basis

Similar to all other EEA countries, the Danish legislator is also required to implement the requirements of the Covered Bond Directive in national law by 8 July 2021. Denmark is one of the few jurisdictions which have already submitted a draft for adapting the existing national legal provisions. Following an initial consultation phase, it is currently expected that the adaptations regarding covered bonds in Denmark will be presented and discussed in the Danish parliament at the start of next month, February. Both Fitch and S&P already released statements last year on the proposed changes from a risk perspective. In both cases, the proposed amendments were welcomed. Fitch noted in mid-December 2020 that the effects on covered bonds from commercial banks were to be assessed as credit-positive. The experts at S&P concluded at the end of November 2020 that the proposed regulations continued to provide support for their assessment of a strong legal basis for covered bonds in Denmark.

Adaptation required but much already in line

According to a statement by the Danish Financial Supervisory Authority (FSA), the current stipulations of the legal framework already provide considerable concordance with the requirements of the Covered Bond Directive. It stated that minor changes would be made, for example, with regard to the option to use intragroup pooled covered bond structures (Article 8 of the Covered Bond Directive), without the current form being adapted substantially. Article 8 relates to a requirement in the directive which may be implemented by national legislators, although it is not mandatory. Since this Article is particularly relevant to issuers from Denmark, in our opinion, it is unsurprising that harmonisation with the directive will, or rather must, be achieved on this point.

Maturity structure with possible extension

The Danish FSA also mentioned a certain requirement for adjustment with regard to the option of maturity extension of bond issues in the event of insolvency (Article 17). It is important to understand that the Danish legislator also differentiates between covered bond issuers in terms of the legal basis with specialised mortgage credit institutions, universal banks and specialised ship financing institutions. It is our understanding that Danske Bank is a universal bank, whereas Jyske Realkredit would be categorised as a specialised mortgage bank. Conversely, Danmarks Skibskredit, as the name suggests, is a specialised ship financing institution. With regard to the maturity extension of covered bonds which were issued by mortgage banks, the risk experts at S&P stated in a report that these comply with the requirements of the directive. However, the requirements for bonds issued by universal banks would need to be adjusted slightly. This required adjustment was also mentioned by the Danish FSA, specifying that it should be ensured that the trigger for extending maturity (by a maximum of 12 months) is not at the issuer's discretion. Fitch also sees the proposed adjustments as clarification in terms of the process applied to maturity extension. Accordingly, solely the cover pool administrator is in a position to trigger a maturity extension after all other options have been exhausted. Fitch considered these amendments to be credit-positive and suggested that the payment continuity uplift (PCU, cf. Covered Bond Issuer Guide 2020, page 642 ff.) may be increased from five to six notches for the relevant programmes, which would represent an increased buffer against issuer downgrades. Conversely, S&P sees a requirement for improving the proposed amendments regarding the sequence of bond maturities in connection with maturity extensions.

More extensive adjustments required for some points

The Danish FSA identified a slightly greater need for adjustments to a few points. For example, a minimum overcollateralisation ratio of a nominal 2% is proposed for both mortgage and universal banks, which corresponds to the lower limit specified in the directive. However, both S&P and Fitch require higher values as minimum OC or break-even OC (for AAA rated covered bonds). They do not therefore assume that this lower limit will be particularly relevant. The introduction of a 180-day liquidity buffer is another of these points, although this would not affect mortgage banks in view of existing requirements. In connection with the buffer calculation, Fitch pointed out that it is based on the maturity date after maturity extension and the buffer does not therefore include redemption payments of bonds, describing the buffer consequently as not effective.

Conclusion

The bonds issued last week by Jyske Realkredit marked the return of activities in the relatively small Danish market for EUR benchmark bond issues after a lengthy period of inactivity. For the year as a whole, we currently expect an issuance volume of EUR 1.0bn, which would mean that the market for EUR benchmarks in Denmark is likely to shrink by EUR 1.5bn. With regard to progress made on the implementation of the requirements of the Covered Bond Directive, the Danish legislator is spearheading these. Following a consultation phase from the end of October to the end of November 2020, the draft is currently still being processed at the ministry of justice, but according to statements by the Danish Financial Supervisory Authority, may already be presented in the Danish parliament at the beginning of February. Although there is a basic need for some adjustments, these are manageable, according to the Authority. Rating agencies Fitch and S&P welcomed the proposed amendments, although they also identified a requirement for improving on certain points.

SSA/Public Issuers
22nd meeting of the Stability Council (Dec. 2020)

Autor: Dr. Norman Rudschuck, CIIA

Foreword on the Stability Council and the economic situation

On 18 December 2020, the Stability Council convened via video conference for its 22nd meeting. The meeting was chaired by Doris Ahnen, Finance Minister of Rhineland-Palatinate, and Olaf Scholz, Federal Minister of Finance. The Stability Council is a joint body operated by the federal government (Bund) and federal states (Bundeslaender). The establishment of the Stability Council can be traced back to Federalism Reform II (Foederalismusreform II), since which time its existence has been governed by Art. 109a of the Basic Law (GG). The impacts of the coronavirus crisis are of course being clearly reflected in the financial situations of both Bund and Laender. Accordingly, the latest meeting of the Stability Council was also eventful. The Stability Council explained that the federal government is anticipating a decline in GDP of -5.5% for 2020. However, growth of +4.4% is forecast for 2021. A return to the level recorded in 2019 will therefore only be possible from 2022 onwards. Economic development will largely depend on the further course of the pandemic. According to Olaf Scholz, the financial situation at both Bund and Laender level remains solid despite the impact of the coronavirus crisis.

Higher deficit in 2021 than 2020

In terms of the overall public budget, the Stability Council is expecting a deficit of 5% of GDP in 2020, before rising to 7% of GDP in 2021. The forecast for 2021 has therefore deteriorated, which can be attributed to the continuation of business aid during the pandemic into the 2021 budget year. However, due to this, the forecast for 2020 has improved somewhat. The structural deficit ratio is expected to stand at 2.5% for 2020 and at 6% for 2021. In calculating the level of structural net lending/borrowing, the (unadjusted) budget balance is adjusted to take economic influences into consideration. As negative economic influences are likely to be higher in 2020 than 2021, the structural deficit for the new year will rise much more sharply than the unadjusted value. Compliance with the Maastricht criteria for budget balances (no deficits in excess of 0.5% of GDP) will presumably only be manageable again by 2024: in 2022 and 2023, the Stability Council is anticipating structural deficits of 1.75% and 0.75% respectively. In the opinion of the Stability Council, however, any violations of the deficit ceiling between 2020 and 2023 are permissible and would be in line with European fiscal regulations, given that the present crisis activates an exemption clause.

First debt brake compliance check

In its 22nd meeting, the Stability Council monitored compliance with the debt brake introduced last year pursuant to Article 109 (3) GG. Taking into account the exceptional situation, both Bund and Laender will comply with the debt brake in 2020 and 2021, as this has been suspended. The Stability Council is of the view that the Covid-19 pandemic will continue to constitute a natural disaster/unusual emergency situation as set out in Article 109 GG. No complaints were raised from the harmonized analysis system based on European requirements.

Stability Council review on the basis of individual stability reports

As part of its regular budgetary monitoring procedures, the Stability Council reviewed the budgetary situation of both Bund and Laender on the basis of their stability reports. The restructuring programmes agreed in December 2017 with the Laender of Bremen and Saarland expired at the end of 2020. Restructuring programmes are agreed with the relevant regional authority affected if a critical budgetary situation is identified for the corresponding Bundesland. According to the stability report, both Bremen and Saarland continue to constitute anomalies, with their respective budgetary situations facing significant challenges over the coming years, also due to the coronavirus pandemic. In spring 2021, an assessment is to be conducted – taking account of the exceptional pandemic situation – which will seek to determine whether the threat of a budgetary emergency is still present in both Laender. The Stability Council found no indications of impending budgetary emergencies in the case of the other Bundeslaender or at federal government level either. However, the Stability Council will also be forced to consider the significant differences between the Laender in their budgetary approaches aimed at managing the crisis as well as the fact that the respective metrics are therefore subject to varying degrees of topicality and depth of focus. Comparability and informative value is therefore limited.

Number of anomalies rises only marginally

The number of anomalies recorded increased by one year on year to stand at 17 in total. This value has therefore remained at a low level in spite of the coronavirus crisis. The peak value of 29 was registered in 2011. Last year, the number of anomalies had fallen to an historic low of 16. The Stability Council identifies an anomaly as soon as one of the relevant key metrics (net lending/borrowing, credit financing ratio, interest/tax ratio, debt level) in one of the analysis periods (1. Current situation = last two financial years and current financial year; 2. Planning = financial planning of the coming years) breaches the permitted limit several times. Since 2020, an updated system to assess the budgetary situations has been used. Details on the new version can be accessed here. Information on the function of the Stability Council, its key metrics and unchanged definitions is available in the current version of our NORD/LB Issuer Guide Deutsche Bundeslaender 2020.

Anomalies identified by the Stability Council

	Budget balance		Credit financing ratio		Interest-tax ratio		Debt level	
	Current	Planning	Current	Planning	Current	Planning	Current	Planning
Baden-Württemberg	No	No	No	No	No	No	No	No
Bavaria	No	No	No	No	No	No	No	No
Brandenburg	**Yes**	No	No	No	No	No	No	No
Hesse	No	No	No	No	No	No	No	No
Mecklenburg-Western Pomerania	No	No	No	No	No	No	No	No
Lower Saxony	No	No	No	No	No	No	No	No
North Rhine-Westphalia	No	No	No	No	No	No	No	No
Rhineland-Palatinate	No	No	No	No	No	No	No	No
Saarland	**Yes**	No	**Yes**	No	**Yes**	**Yes**	**Yes**	**Yes**
Saxony	No	No	No	No	No	No	No	No
Saxony-Anhalt	No	No	No	No	No	No	**Yes**	No
Schleswig-Holstein	No	No	No	No	No	No	**Yes**	**Yes**
Thuringia	No	No	No	No	No	No	No	No
Berlin	No	No	No	No	No	No	**Yes**	No
Bremen	**Yes**	No	**Yes**	No	**Yes**	**Yes**	**Yes**	**Yes**
Hamburg	No	No	No	No	No	No	No	No

Source: Stability Council, NORD/LB Markets Strategy & Floor Research

NORD/LB

Structural net lending/borrowing in EUR per capita

	Current		Target	Limit	Financial planning				Limit
	2018	2019	2020	Violations	2021	2022	2023	2024	Violations
Baden-Wuerttemberg	293	333	-316	No	-214	-229	-215	-264	No
Bavaria	339	18	**-1.644**	No	-101	-96	-86	-	No
Brandenburg	182	**-382**	**-1.147**	**Yes**	-693	-170	-146	-72	No
Hesse	239	283	**-1.134**	No	-408	-251	-148	21	No
Mecklenburg-Western Pom	140	82	-553	No	-198	8	-9	58	No
Lower Saxony	340	178	**-1.135**	No	-163	-130	-55	13	No
North Rhine-Westphalia	65	121	-26	No	-337	-241	-49	21	No
Rhineland-Palatinate	308	249	-831	No	-316	-206	-94	15	No
Saarland	**-185**	**-176**	**-1.040**	**Yes**	-399	-281	115	161	No
Saxony	414	220	-797	No	-459	-279	-159	-39	No
Saxony-Anhalt	127	97	-174	No	204	-375	-297	-	No
Schleswig-Holstein	224	43	-297	No	-86	-365	-258	-156	No
Thuringia	311	231	**-1.093**	No	-407	100	147	177	No
Berlin	281	304	-122	No	-865	-42	64	129	No
Bremen	**-220**	**-133**	**-2.648**	**Yes**	-24	-67	-1	-1	No
Hamburg	887	810	**-1.033**	No	180	144	30	-	No
Laender average*	248	163	-733		-268	-155	-73	5	
Threshold (universal)	48	-37	-933		-983	-983	-983	-983	

* The Laender average from 2021 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Markets Strategy & Floor Research

Credit financing ratio in %

	Current		Target	Limit	Financial planning				Limit
	2018	2019	2020	Violations	2021	2022	2023	2024	Violations
Baden-Wuerttemberg	**14,0**	-3,2	20,1	No	3,5	-1,4	-1,5	-0,8	No
Bavaria	0,0	-0,5	**39,6**	No	-0,4	-0,4	-0,4	-	No
Brandenburg	-0,1	**5,9**	13,2	No	13,6	1,4	0,9	0,1	No
Hesse	-2,7	-1,9	17,1	No	8,2	5,5	3,0	-2,0	No
Mecklenburg-Western Pom	-4,3	-1,4	6,0	No	-1,4	-1,4	-1,4	-1,4	No
Lower Saxony	-2,3	0,6	20,3	No	2,3	1,3	0,7	-0,3	No
North Rhine-Westphalia	-0,5	-0,3	-0,5	No	6,7	5,0	-0,1	-0,4	No
Rhineland-Palatinate	-3,8	-2,1	16,4	No	6,3	3,9	1,6	-0,5	No
Saarland	**5,8**	**6,4**	21,5	**Yes**	8,6	5,8	-1,0	-1,9	No
Saxony	-2,3	-4,9	8,4	No	5,5	2,2	-5,8	-7,3	No
Saxony-Anhalt	-1,3	0,7	2,3	No	-4,0	-2,5	-2,7	-	No
Schleswig-Holstein	-1,0	-0,3	6,6	No	2,1	1,4	0,8	-0,4	No
Thuringia	-3,0	-0,7	15,1	No	0,7	-2,9	-4,3	-4,3	No
Berlin	-3,9	-2,4	17,6	No	2,0	1,3	-0,2	-0,9	No
Bremen	**7,3**	**4,4**	**25,0**	**Yes**	-0,4	0,7	0,2	0,2	No
Hamburg	-5,9	-7,6	16,5	No	0,4	0,1	0,5	-	No
Laender average*	0,6	-1,2	20,2		3,4	1,3	-0,6	-1,5	
Threshold (universal)	3,6	1,8	23,2		25,2	25,2	25,2	25,2	

* The Laender average from 2021 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Markets Strategy & Floor Research

Interest/tax ratio in %

	Current		Target	Limit		Financial planning			Limit
	2018	2019	2020	Violations	2021	2022	2023	2024	Violations
Baden-Wuerttemberg	3,6	3,1	3,5	No	4,3	3,2	3,2	3,1	No
Bavaria	1,3	1,1	1,1	No	1,0	1,0	1,1	-	No
Brandenburg	3,1	2,8	2,8	No	2,9	2,0	1,9	1,8	No
Hesse	4,4	3,9	4,7	No	3,9	3,7	3,6	3,5	No
Mecklenburg-Western Pom	3,5	3,2	3,1	No	3,1	2,8	3,5	2,9	No
Lower Saxony	3,8	3,4	4,2	No	4,2	4,0	3,9	3,7	No
North Rhine-Westphalia	3,9	3,1	3,4	No	2,9	3,2	2,9	3,1	No
Rhineland-Palatinate	4,0	3,2	3,6	No	3,0	2,8	2,6	2,4	No
Saarland	**10,0**	**8,5**	**11,6**	**Yes**	**8,5**	**8,3**	**7,2**	**7,0**	**Yes**
Saxony	1,1	0,8	1,0	No	0,5	0,4	0,4	0,5	No
Saxony-Anhalt	4,5	4,1	3,8	No	3,7	4,0	3,9	-	No
Schleswig-Holstein	4,5	3,9	4,2	No	4,3	4,2	4,3	5,0	No
Thuringia	4,2	3,8	4,7	No	4,1	3,8	3,6	3,4	No
Berlin	5,4	**4,8**	4,8	No	5,0	4,5	4,2	4,1	No
Bremen	**13,4**	**13,4**	**13,5**	**Yes**	**12,7**	**11,6**	**10,8**	**10,8**	**Yes**
Hamburg	3,5	3,4	4,1	No	3,6	3,8	3,9	-	No
Laender average*	3,7	3,2	3,5		4,2	4,0	3,8	3,9	
Threshold (non-city states)	5,2	4,5	4,9		5,9	5,9	5,9	5,9	
Threshold (city states)	5,5	4,8	5,3		6,3	6,3	6,3	6,3	

* The Laender average from 2021 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Markets Strategy & Floor Research

Debt level in EUR per capita

	Current		Target	Limit		Financial planning			Limit
	2018	2019	2020	Violations	2021	2022	2023	2024	Violations
Baden-Wuerttemberg	4.022	4.063	5.052	No	5.278	5.278	5.278	5.252	No
Bavaria	2.069	2.056	5.106	No	5.102	5.098	5.095		No
Brandenburg	5.867	6.085	6.880	No	7.638	7.712	7.757	7.762	No
Hesse	6.344	6.395	7.302	No	7.755	8.069	8.265	8.217	No
Mecklenburg-Western Pom	5.831	5.833	6.268	No	7.604	7.604	7.604	7.604	No
Lower Saxony	7.603	7.581	8.681	No	8.788	8.849	8.883	8.871	No
North Rhine-Westphalia	7.606	7.959	8.024	No	8.361	8.618	8.618	8.607	No
Rhineland-Palatinate	7.331	7.400	8.363	No	8.672	8.867	8.950	8.925	No
Saarland	**13.659**	**14.125**	**15.234**	**Yes**	**15.633**	**15.894**	**15.829**	**15.728**	**Yes**
Saxony	2.675	2.658	3.291	No	3.767	4.069	3.964	3.779	No
Saxony-Anhalt	**8.692**	**9.071**	9.188	**Yes**	9.143	9.097	9.052	-	No
Schleswig-Holstein	**9.709**	**9.846**	**10.182**	**Yes**	**10.400**	**10.619**	**10.803**	**10.926**	**Yes**
Thuringia	6.721	6.801	7.653	No	7.622	7.417	7.209	6.998	No
Berlin	**15.037**	**14.812**	16.455	**Yes**	16.620	16.754	16.756	16.701	No
Bremen	**29.834**	**29.446**	**33.081**	**Yes**	**32.975**	**33.022**	**33.012**	**33.012**	**Yes**
Hamburg	13.041	12.624	14.101	No	14.014	13.985	13.985	-	No
Laender average*	6.598	6.689	7.786		10.586	10.685	10.691	10.952	
Threshold (non-city states)	8.578	8.696	10.122		10.222	10.322	10.422	10.522	
Threshold (city states)	14.516	14.715	17.129		17.229	17.329	17.429	17.529	

* The Laender average from 2021 was determined using estimates. **Red** = Violation of permitted threshold values; several times = value exceeded
Source: Stability Council, NORD/LB Markets Strategy & Floor Research

Saarland restructuring programme

Since 2011, Saarland has been undergoing a restructuring programme, which was renewed in 2017 up to and including 2020. This has therefore now expired (for the time being). In the current budgetary situation, anomalies were recorded for all four key metrics once again. In the financial planning for the coming years, this will only be the case for the interest/tax ratio and the debt level, both figures that are, generally speaking, slower to respond to budget adjustments. Compliance with the repayment requirement of at least EUR 50m for 2020 will not be possible in view of the coronavirus pandemic. However, taking into account the crisis situation, the Stability Council considers deviations from the requirements to be permissible within the meaning of the Basic Law. After negative net borrowing was recorded in both 2018 and 2019, the coronavirus pandemic saw net borrowing sky-rocket to a record value of around EUR 1.1bn. With the supplementary budget for 2020, Saarland set up a special fund to deal with the financial consequences of the crisis with a credit authorisation of EUR 1.4bn. Starting from 2025, this funding is to be repaid within 30 years. As was the case back in the spring, the Stability Council is calling for net borrowing to be limited to a strictly necessary level in order to combat the pandemic. The Stability Council has identified serious challenges for the budget of Saarland over the coming years and is urgently recommending that it returns to a policy of budgetary consolidation so as not to jeopardise the restructuring successes recorded over recent years.

Bremen restructuring programme

Just like Saarland, Bremen has also been undergoing a restructuring programme since 2011, which was extended in 2017 until 2020. The anomalies identified in the key figures were identical to those for Saarland, as had already been the case in recent years. Compared with 2010, each of the four key figures continuously improved for Bremen up to 2019, with the exception of per capita debt, although values for this metric have also been falling since 2016. Due to the Covid-19 pandemic, this positive trend could obviously not be continued. In Bremen, too, compliance with the minimum repayment requirement of EUR 50m for 2020 was not possible. After negative net borrowing was recorded for the first time in 2019, the coronavirus pandemic saw this figure rise again to around EUR 1.8bn for 2020. Increased expenditure for coping with the medical emergency are to be bundled in a “Bremen Fund” totalling EUR 1.27bn as a cross-departmental budget item. As is the case in Saarland, crisis-based loans are to be repaid within 30 years (although for Bremen this will begin from the 2024 budget year). The Stability Council has also deemed budgetary deviations to be permissible for Bremen due to the emergency situation. The Stability Council’s assessment of the restructuring measures and the budgetary situation in Bremen is largely congruent with that seen in Saarland. In its report on the restructuring process in Bremen, the Stability Council again calls for net borrowing to combat the pandemic to be limited to a strictly necessary level and is likewise recommending a rapid return to a policy of budgetary consolidation so as not to jeopardise the restructuring successes recorded over recent years.

Lower Saxony: balanced budget and stable debt level
And how is our majority shareholder faring? Lower Saxony has not exceeded the threshold value for any of the key figures taken into account by the Stability Council and is therefore again not required to undergo restructuring. Accordingly, no anomalies have again been recorded for Lower Saxony – even when taking account of the emergency pandemic situation. Due to solid budget management in recent years, Lower Saxony will be able to navigate the challenges presented by the coronavirus pandemic. The current situation proves that the Bundesland's ability to act remains unaffected by the introduction of the debt brake. In line with current budget and financial planning, Lower Saxony will post structural deficits between 2020 and 2023. From 2024, the structural financial deficit should again be balanced.

Latest progress report on the development of eastern Germany
Another topic discussed by the Stability Council is the development of eastern Germany (Aufbau Ost), for which the funds under Solidarity Pact II are used. In this context, the eastern German Laender received annual payments from the federal government between 2005 and 2019 from two separate "baskets", with the aim of offsetting below-average municipal financial strength (Basket I) and above-average financial commitments in certain political areas (Basket II). Over this time frame as a whole, the volume of the two baskets totalled EUR 161.7bn, of which EUR 105.3bn was transferred to Basket I and EUR 56.3bn went to Basket II. Based on the reports submitted, it was ascertained that the eastern German Laender had used the funds available under the Solidarity Pact for the prescribed purposes for the eighth successive occasion. In comparison with the financially weak non-city states in western Germany, the non-city states in eastern Germany were able to contribute an above-average investment sum of EUR 3.6bn aimed at closing the infrastructure gap. In conclusion, the Stability Council praised the Aufbau Ost project for making a substantial contribution to overcoming issues associated with lagging infrastructure, improving the quality of life in eastern Germany and driving forwards economic development in this part of the country.

Conclusion
The 22nd meeting of the Stability Council was dominated by the impacts of the coronavirus crisis. Since its first meeting in April 2010, the financial situation of the German Laender has steadily improved. This is evident from the decreasing number of anomalies and/or limits exceeded identified by the Stability Council – until Covid-19 started. The meeting in 2011 identified 29 anomalies, whereas the figure was down to only 17 in 2020 despite the onset of the coronavirus pandemic. This follows on from a record low of 16 anomalies recorded in the previous year. Although the exact impact of the coronavirus crisis on Laender budgets will only become clear when the current measures of the states are supported by actual figures, an overall positive development can be determined. Furthermore, restructuring programmes have helped to stabilise Laender where the budgetary situation was deemed to be critical. Up until the beginning of the pandemic, the positive metric trends in the last two Laender to follow restructuring programmes, namely Bremen and Saarland, indicated that progress had been made. A re-evaluation as to whether or not a budgetary emergency still exists in these Laender will not take place until spring 2021.

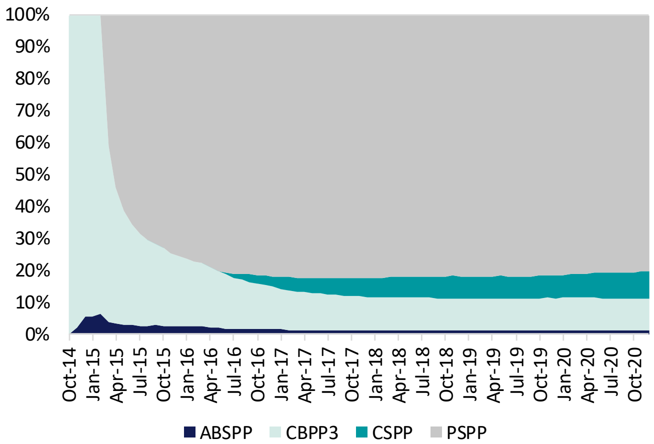
ECB tracker

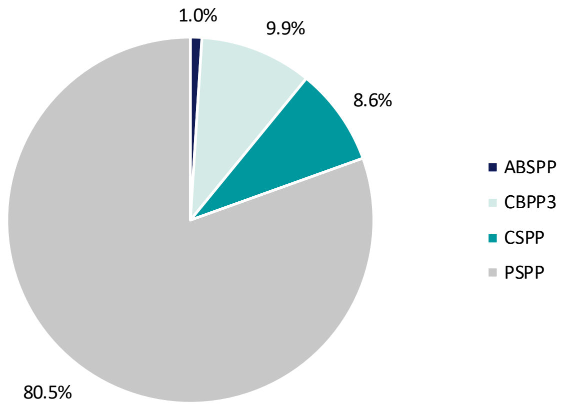
Asset Purchase Programme (APP)

Holdings (in EURm)

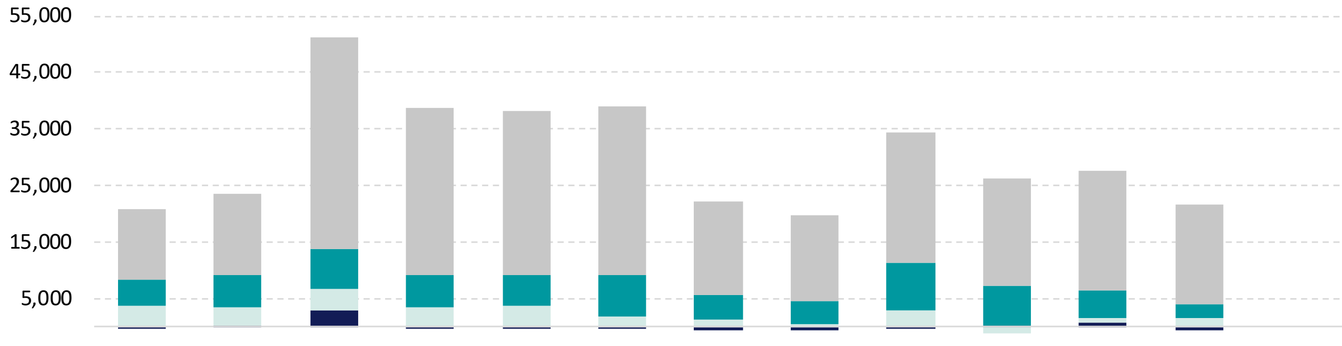
	ABSPP	CBPP3	CSPP	PSPP	APP
Nov-20	30,161	286,458	248,340	2,330,562	2,895,521
Dec-20	29,497	287,545	250,403	2,341,607	2,909,053
Δ	-664	+1,087	+2,063	+11,045	+13,532

Portfolio structure





Monthly net purchases (in EURm)

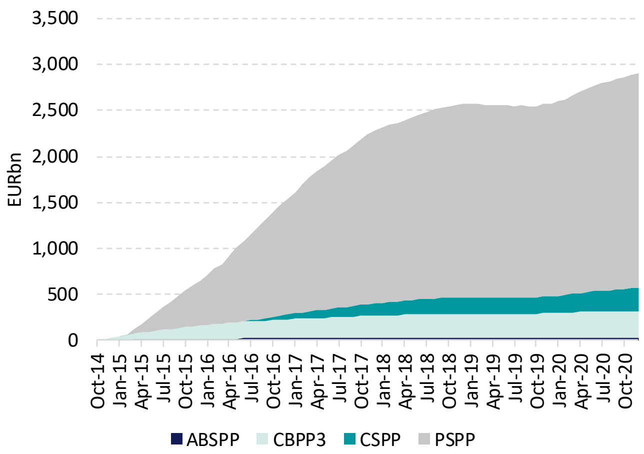


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
APP	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	21,073	359,159
PSPP	12,427	14,137	37,323	29,624	28,961	29,779	16,370	15,150	23,102	19,182	21,241	17,822	265,118
CSPP	4,611	5,738	6,965	5,560	5,438	7,515	4,502	4,004	8,496	6,983	5,009	2,378	67,199
CBPP3	3,684	3,334	3,931	3,582	3,785	1,731	1,198	500	2,839	-1,041	646	1,529	25,718
ABSPP	-328	221	2,923	-325	-14	-255	-541	-527	-423	225	824	-656	1,124

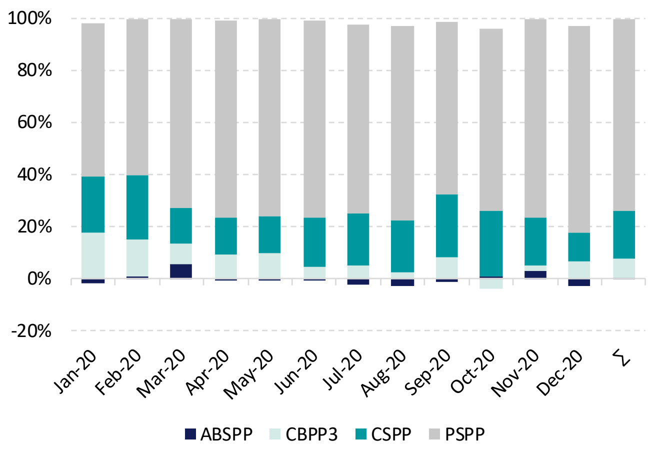
Source: ECB, NORD/LB Markets Strategy & Floor Research

NORD/LB

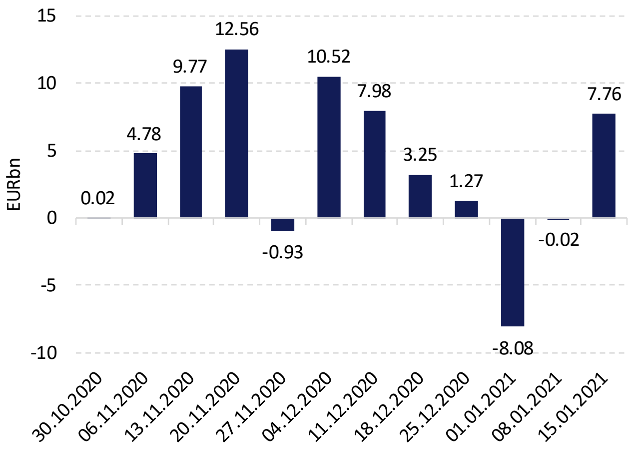
Portfolio development



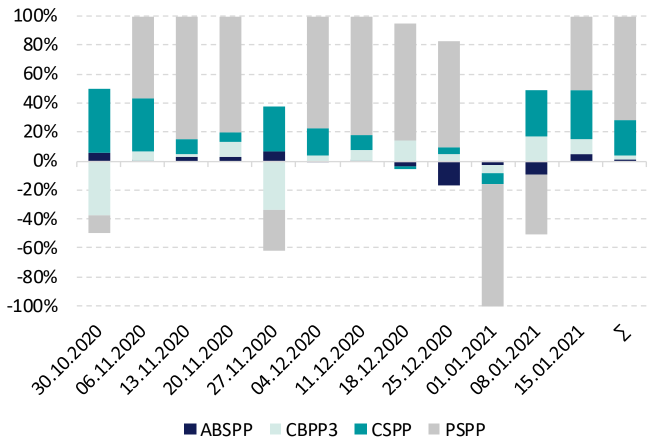
Distribution of monthly purchases



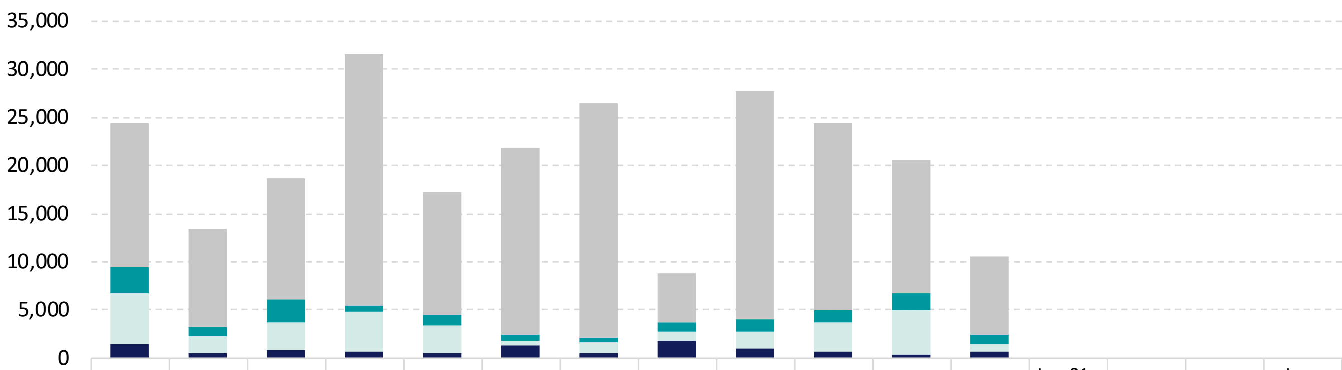
Weekly purchases



Distribution of weekly purchases



Expected monthly redemptions (in EURm)

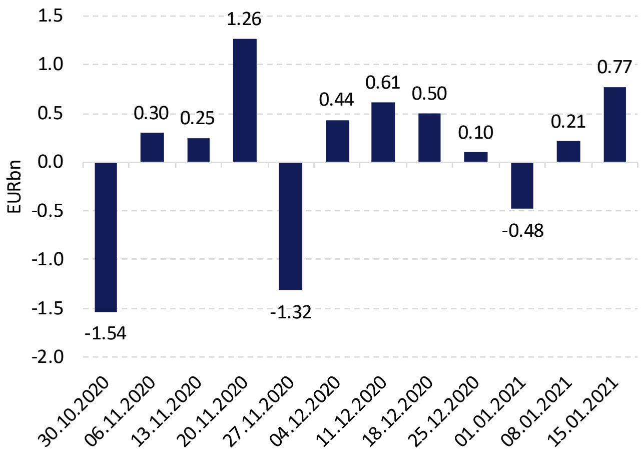


	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-21 - Dec-21	2019	2020	Jan - Dec-21
APP	24,426	13,437	18,687	31,635	17,169	21,940	26,564	8,871	27,713	24,399	20,656	10,547	246,044	204,542	262,109	246,044
PSPP	15,041	10,268	12,673	26,194	12,670	19,519	24,526	5,118	23,639	19,438	13,991	8,177	191,254	167,334	201,482	191,254
CSPP	2,722	846	2,323	578	1,144	686	334	966	1,272	1,309	1,673	826	14,679	7,070	18,267	14,679
CBPP3	5,148	1,824	2,818	4,224	2,894	367	1,132	1,002	1,847	3,037	4,597	937	29,827	21,948	33,236	29,827
ABSPP	1,515	499	873	639	461	1,368	572	1,785	955	615	395	607	10,284	8,190	9,124	10,284

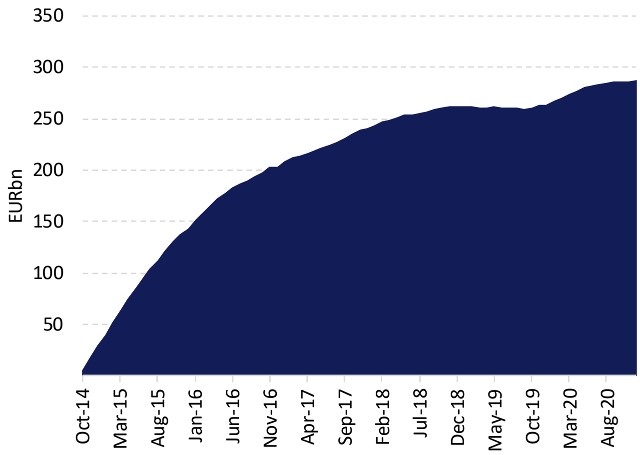
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

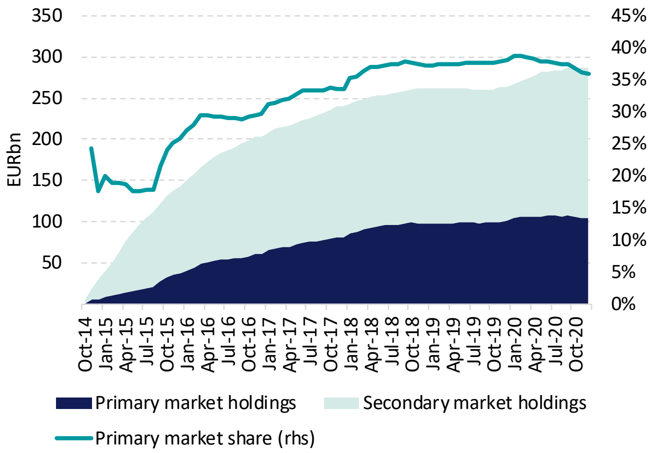
Weekly purchases



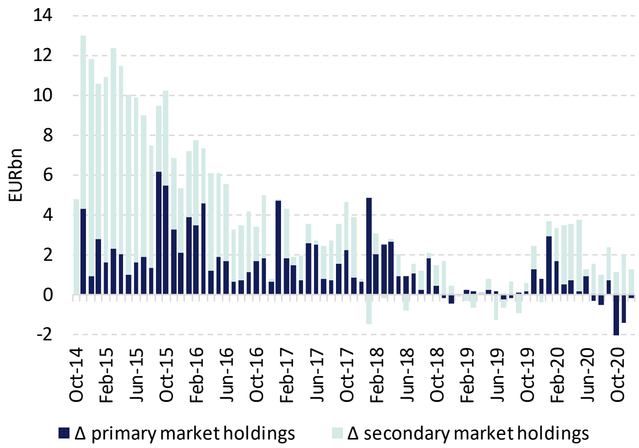
Development of CBPP3 volume



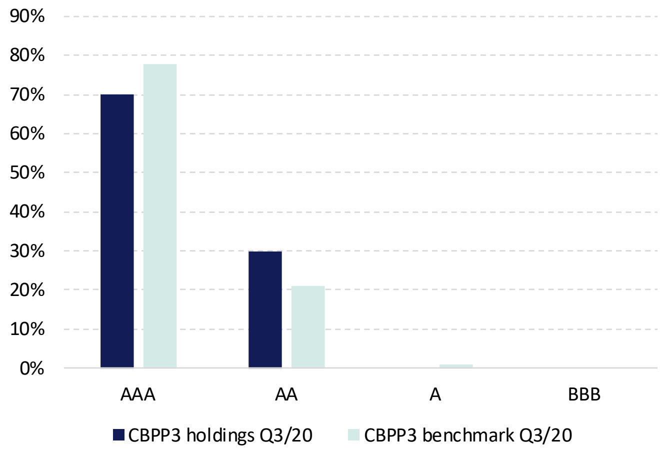
Primary and secondary market holdings



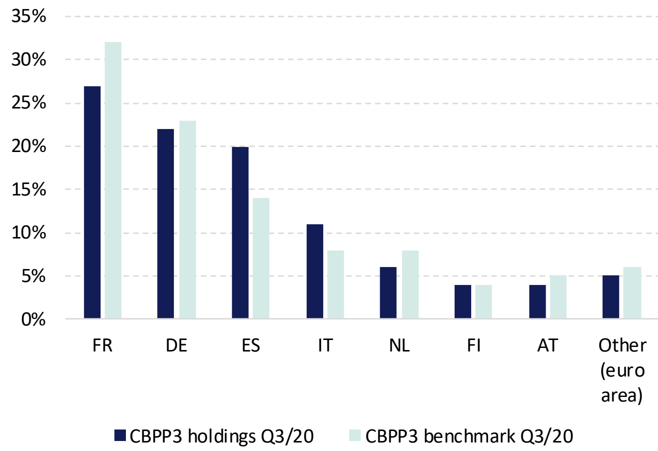
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating



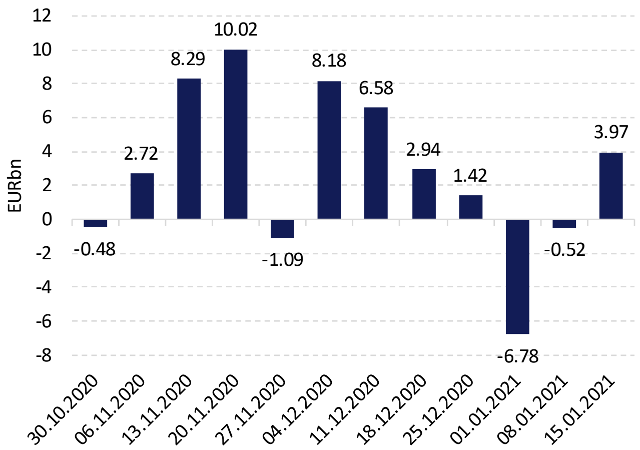
Distribution of CBPP3 by country of risk



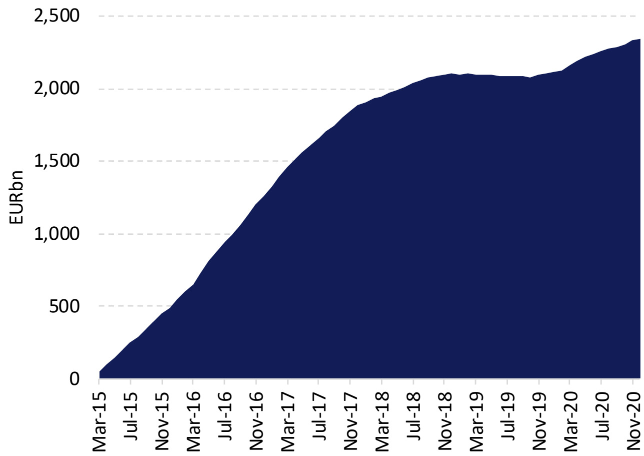
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



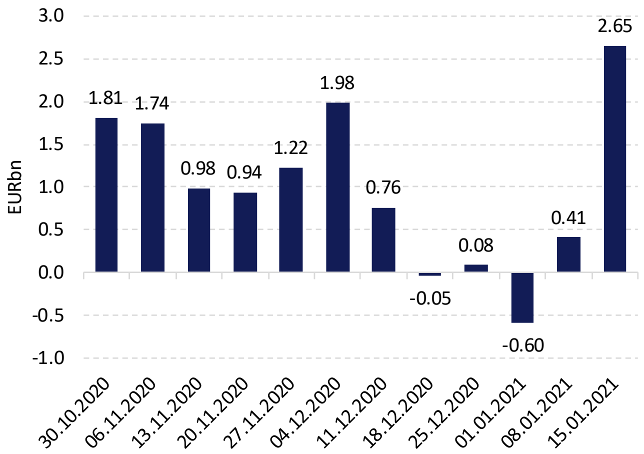
Overall distribution of PSPP buying at month-end

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

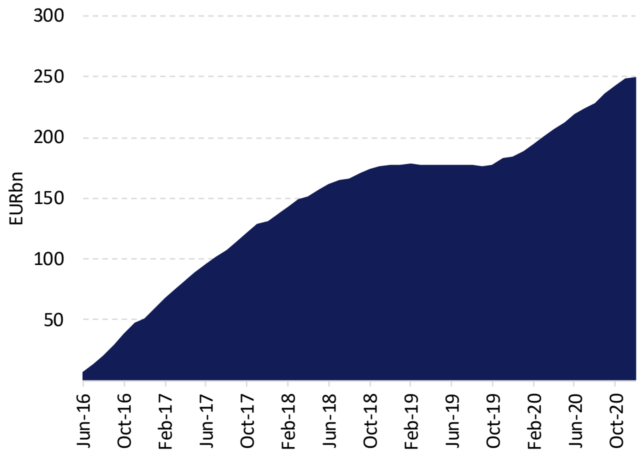
[1] Based on the ECB capital key, adjusted to include supras and the disqualification of Greece
[2] Based on the adjusted distribution key [3] Weighted average time to maturity of the bonds eligible for purchasing under the PSPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

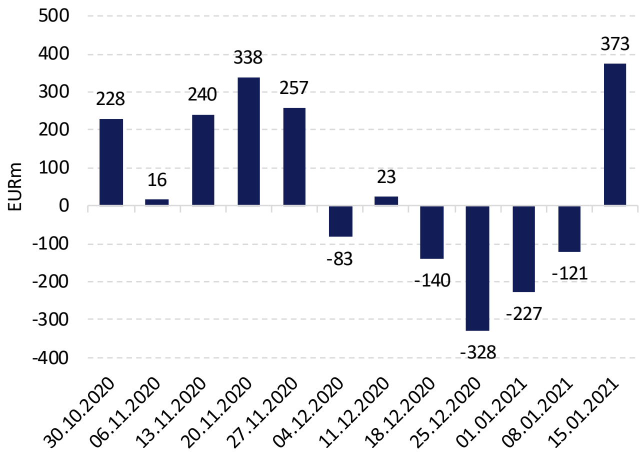


Development of CSPP volume

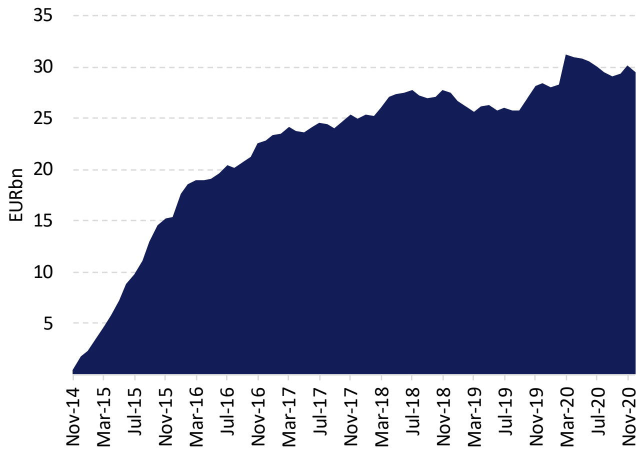


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



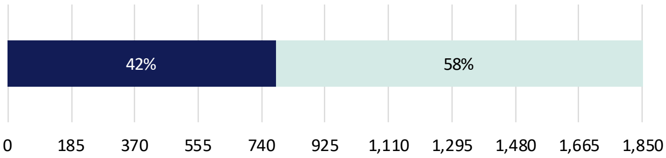
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

	PEPP
Nov-20	700,003
Dec-20	757,166
Δ	+57,163

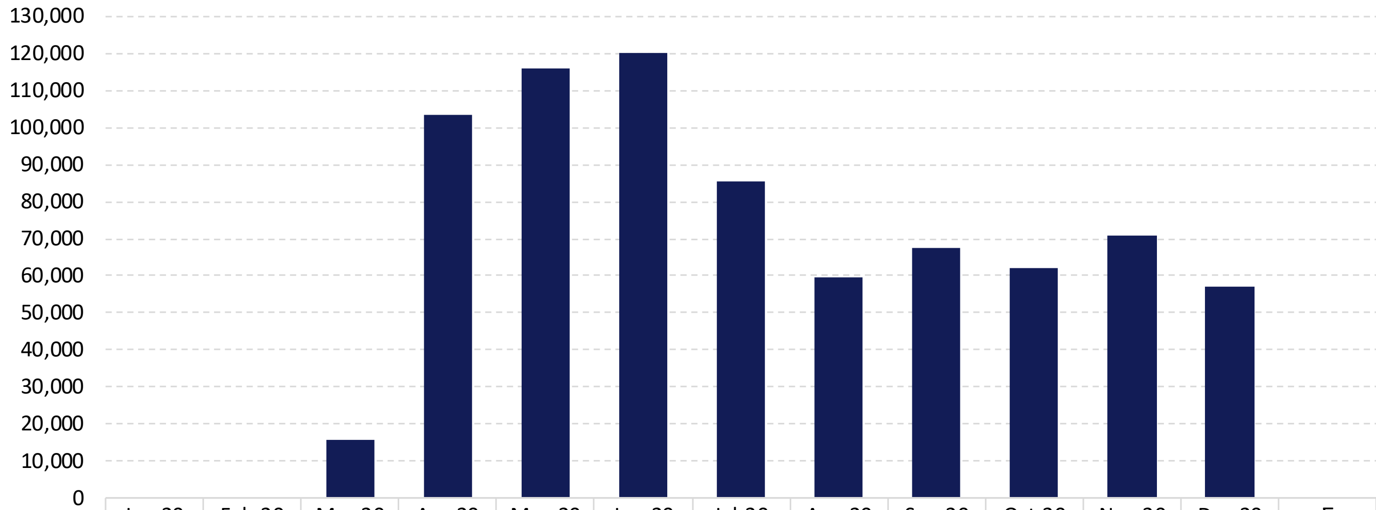
Volume already invested (in EURbn)



Estimated portfolio development

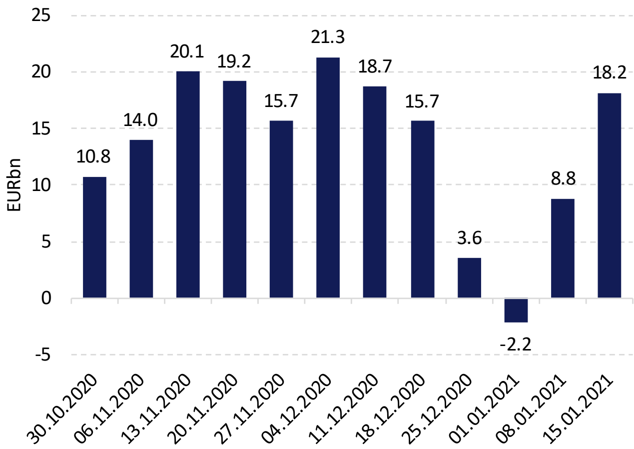
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 18.6bn	58 weeks (25.02.2022)

Monthly net purchases (in EURm)

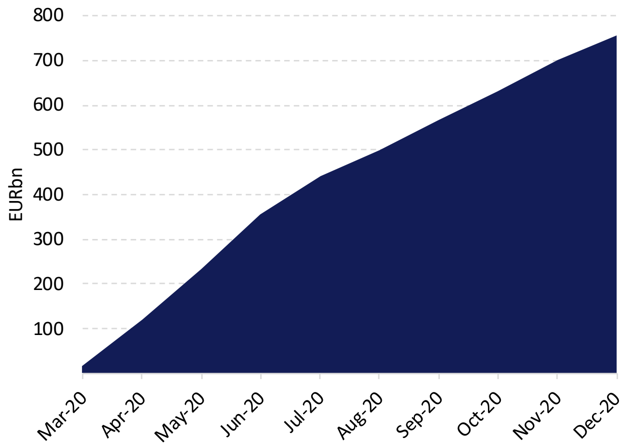


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
PEPP	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	757,166

Weekly purchases



Development of PEPP volume

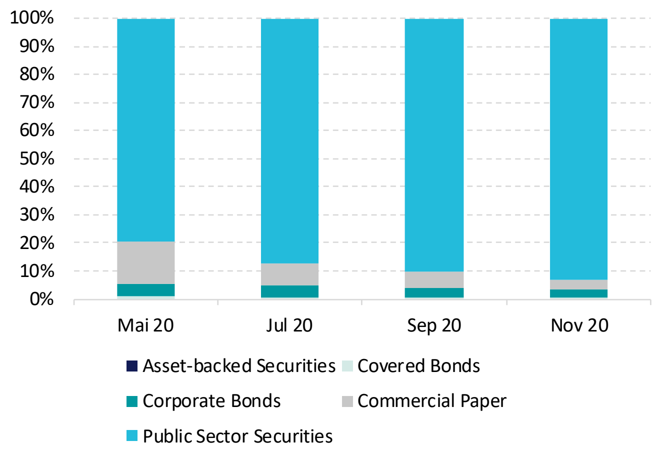


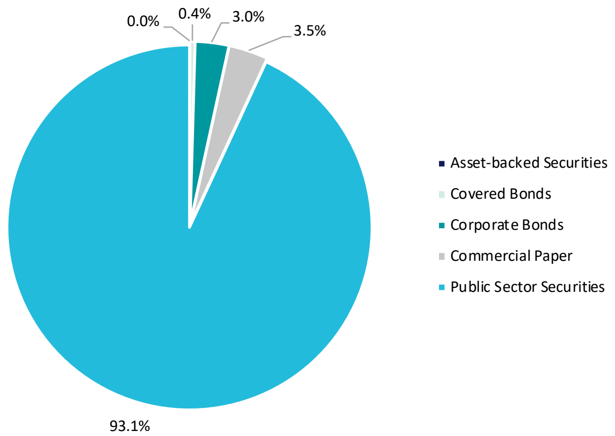
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Holdings under the PEPP (in EURm)

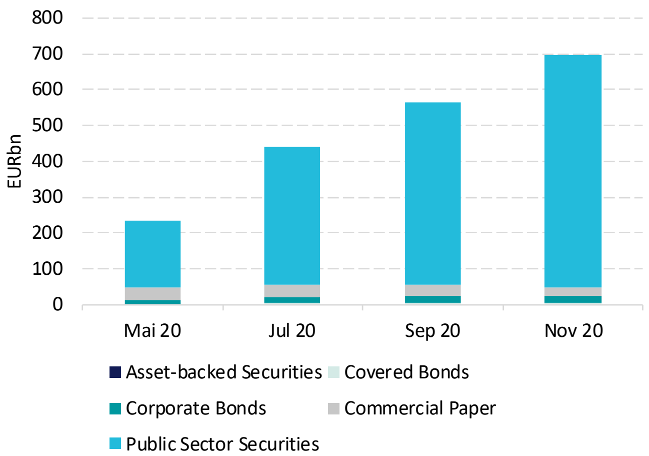
	Asset-backed securities	Covered bonds	Corporate bonds	Commercial paper	Public sector securities	PEPP
Sep-20	0	3,123	20,418	31,988	510,112	565,641
Nov-20	0	3,123	20,760	24,306	650,272	698,461
Δ	0	0	342	-7,682	140,160	132,820

Portfolio structure

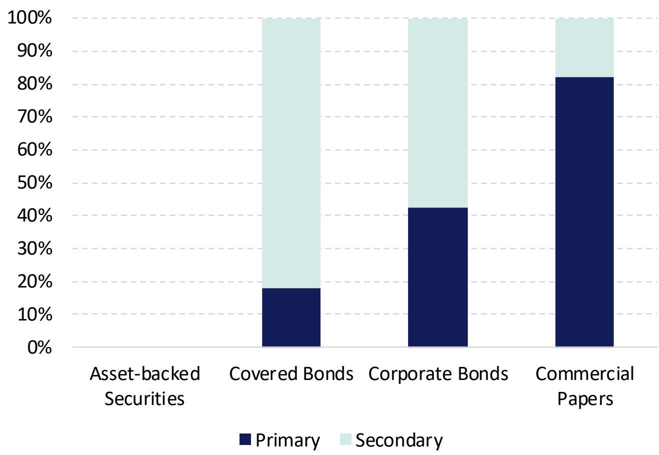




Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP as of July 2020

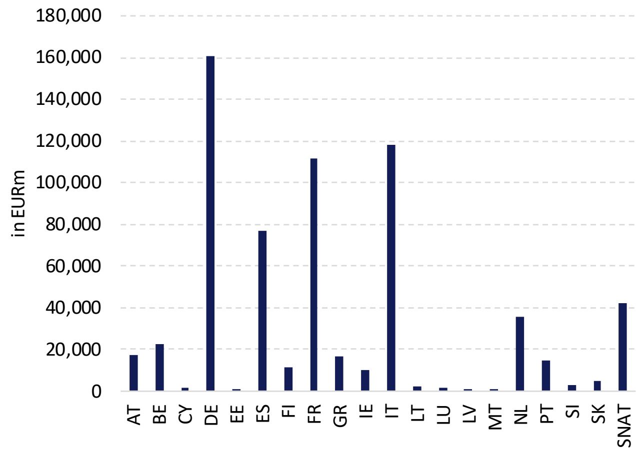
	Asset-backed securities		Covered bonds		Corporate bonds		Commercial papers	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Bestand in EURm	0	0	557	2,566	8,842	11,918	20,001	4,305
Anteil	0.0%	0.0%	17.8%	82.2%	42.6%	57.4%	82.3%	17.7%

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

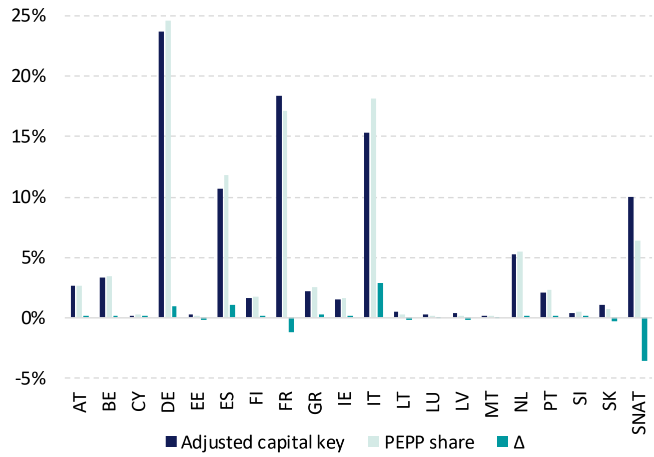
Breakdown of public sector securities under the PEPP

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	17,567	2.6%	2.7%	0.1%	10.9	7.1	3.9
BE	22,197	3.3%	3.4%	0.1%	6.3	9.4	-3.1
CY	1,484	0.2%	0.2%	0.0%	10.9	8.3	2.5
DE	160,619	23.7%	24.6%	0.9%	4.8	6.7	-1.9
EE	207	0.3%	0.0%	-0.2%	9.1	7.5	1.6
ES	77,128	10.7%	11.8%	1.1%	8.5	7.4	1.0
FI	11,169	1.7%	1.7%	0.1%	7.2	7.0	0.3
FR	111,810	18.4%	17.2%	-1.2%	8.6	7.3	1.4
GR	16,307	2.2%	2.5%	0.3%	8.4	9.4	-1.0
IE	10,317	1.5%	1.6%	0.1%	8.9	9.6	-0.7
IT	118,169	15.3%	18.1%	2.8%	6.8	6.9	0.0
LT	2,080	0.5%	0.3%	-0.2%	11.8	10.6	1.2
LU	1,244	0.3%	0.2%	-0.1%	7.1	6.4	0.8
LV	907	0.4%	0.1%	-0.2%	9.1	10.3	-1.2
MT	261	0.1%	0.0%	-0.1%	7.5	8.1	-0.7
NL	35,705	5.3%	5.5%	0.2%	4.1	7.3	-3.2
PT	14,809	2.1%	2.3%	0.2%	6.8	6.6	0.2
SI	3,131	0.4%	0.5%	0.0%	8.3	9.5	-1.2
SK	4,707	1.0%	0.7%	-0.3%	7.8	8.2	-0.4
SNAT	41,991	10.0%	6.4%	-3.6%	8.9	7.6	1.3
Total / Avg.	**651,810**	**100.0%**	**100.0%**	**-**	**7.0**	**7.2**	**-0.3**

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key



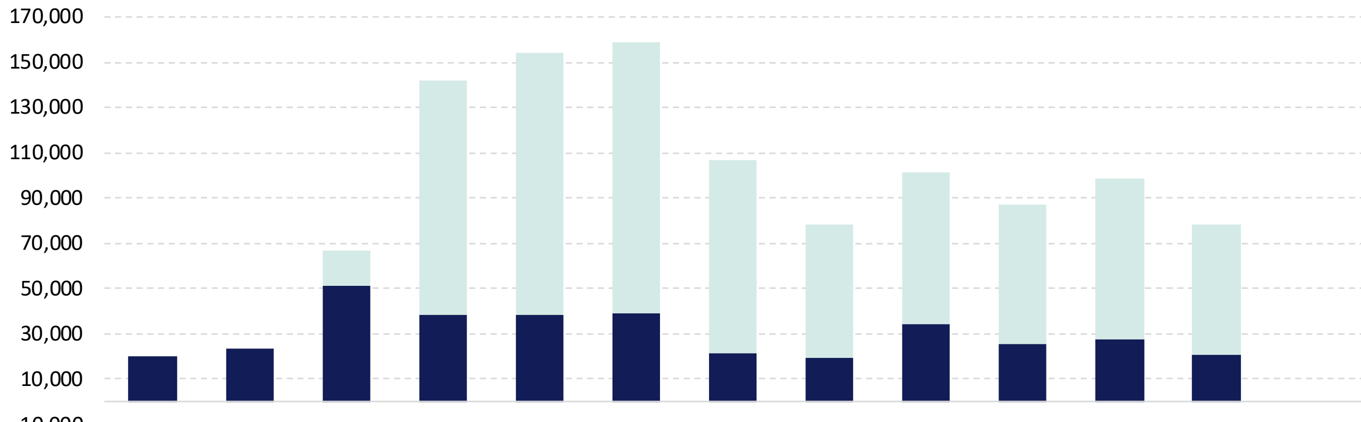
[1] Based on the ECB capital key, adjusted to include supras [2] Based on the adjusted distribution key
[3] Weighted average time to maturity of the bonds eligible for purchasing under the PEPP
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

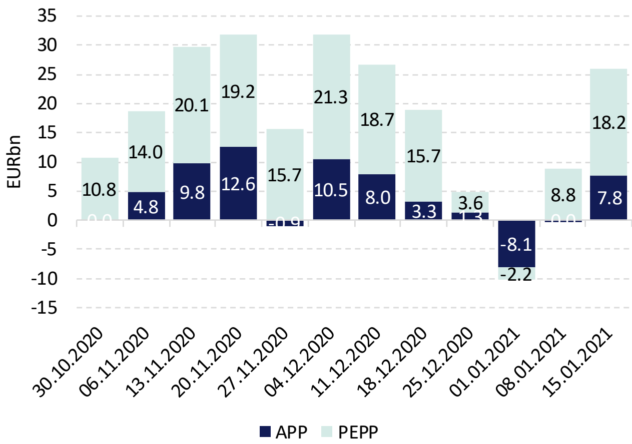
	APP	PEPP	APP & PEPP
Nov-20	2,895,521	700,003	3,595,524
Dec-20	2,909,053	757,166	3,666,219
Δ	+13,532	+57,163	+70,695

Monthly net purchases (in EURm)

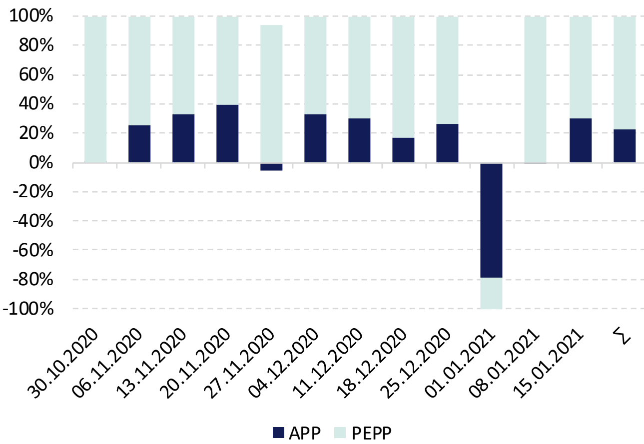


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	∑
∑	20,394	23,430	66,586	141,807	154,025	159,091	106,952	78,593	101,322	87,334	98,555	78,236	1,116,32
PEPP	0	0	15,444	103,366	115,855	120,321	85,423	59,466	67,308	61,985	70,835	57,163	757,166
APP	20,394	23,430	51,142	38,441	38,170	38,770	21,529	19,127	34,014	25,349	27,720	21,073	359,159

Weekly purchases



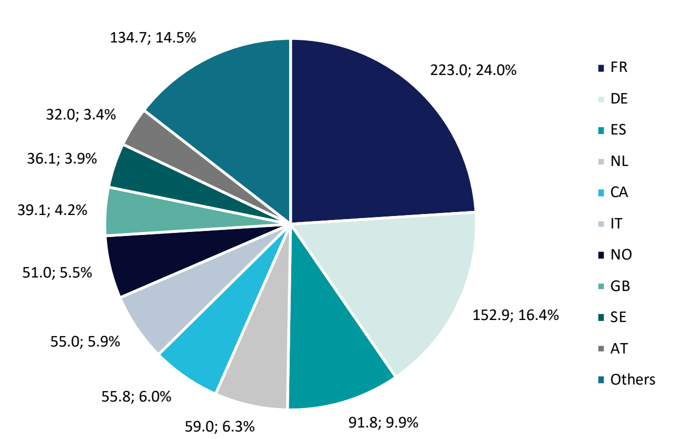
Distribution of weekly purchases



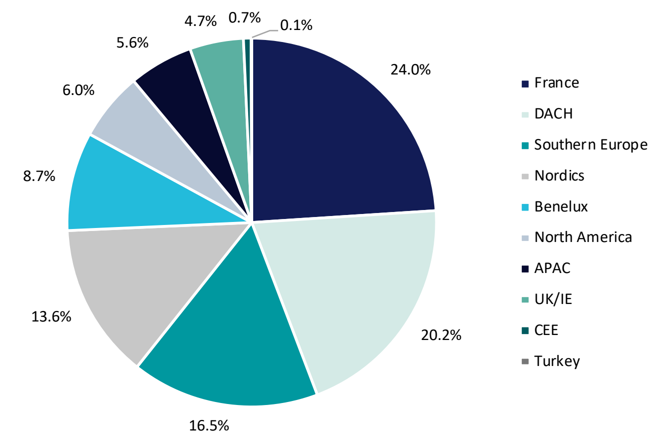
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



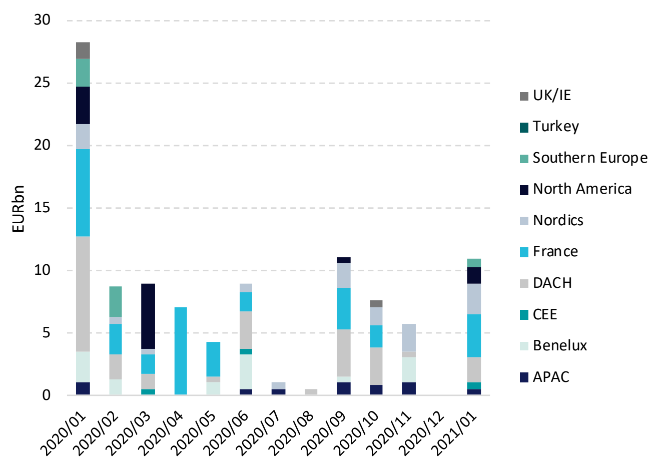
EUR benchmark volume by region (in EURbn)



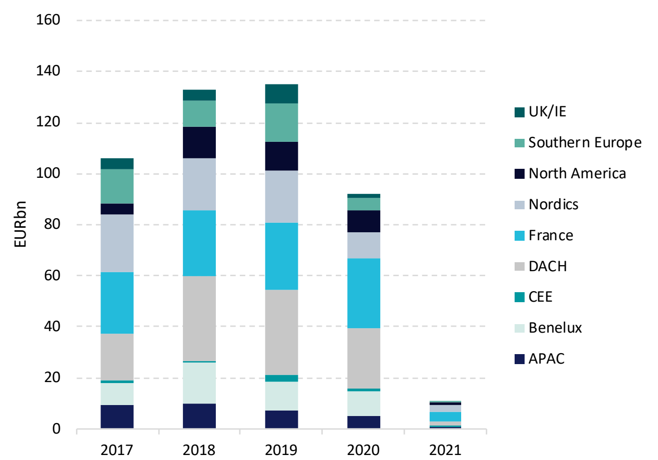
Top-10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	223.0	203	7	0.96	10.1	5.5	1.20
2	DE	152.9	229	12	0.60	8.2	4.7	0.49
3	ES	91.8	74	3	1.14	11.4	3.9	1.87
4	NL	59.0	58	0	0.97	11.1	7.3	0.98
5	CA	55.8	47	0	1.16	6.0	3.1	0.30
6	IT	55.0	63	0	0.84	9.0	4.2	1.57
7	NO	51.0	58	7	0.88	7.2	3.7	0.61
8	GB	39.1	43	0	0.92	8.3	3.2	1.18
9	SE	36.1	41	0	0.88	7.4	3.3	0.57
10	AT	32.0	58	0	0.55	9.3	5.8	0.75

EUR benchmark issue volume by month

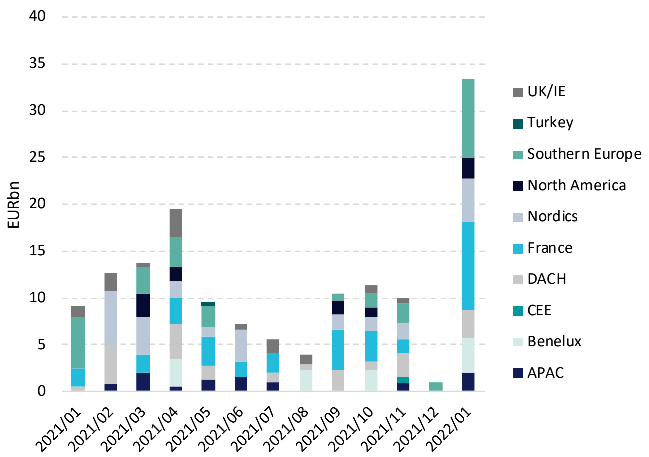


EUR benchmark issue volume by year

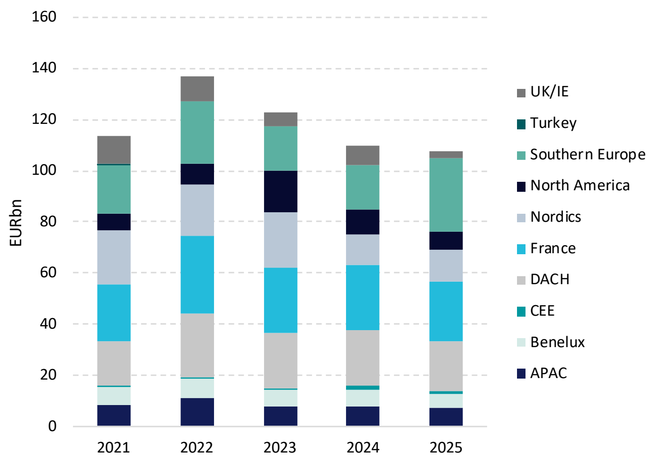


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

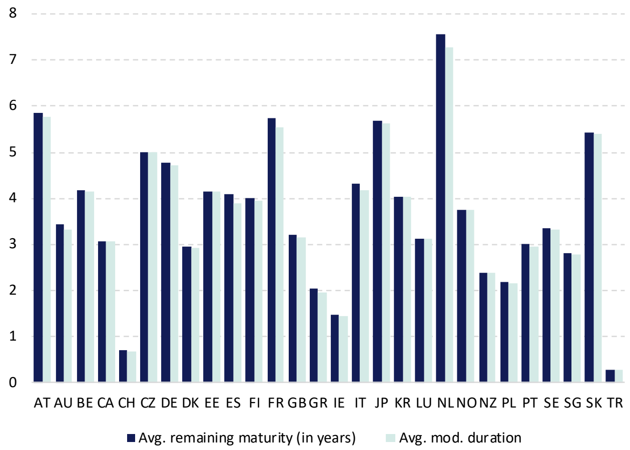
EUR benchmark maturities by month



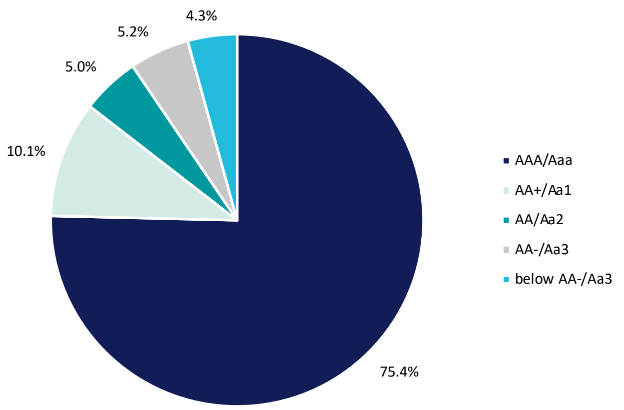
EUR benchmark maturities by year



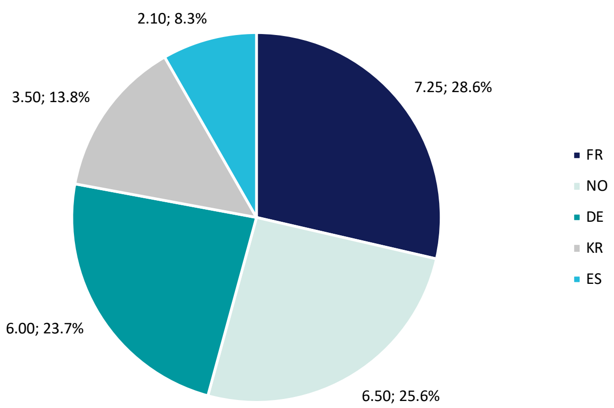
Modified duration and time to maturity by country



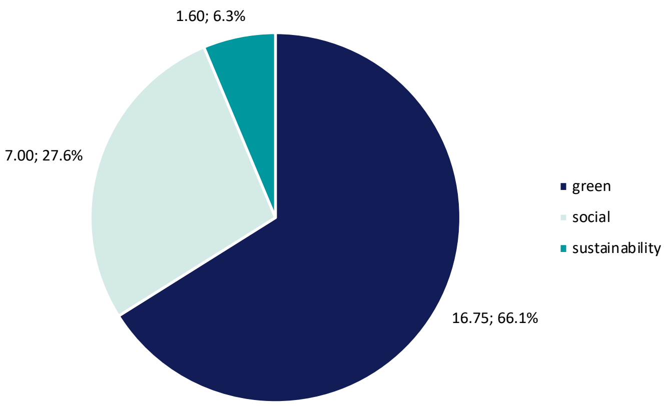
Rating distribution (volume weighted)



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

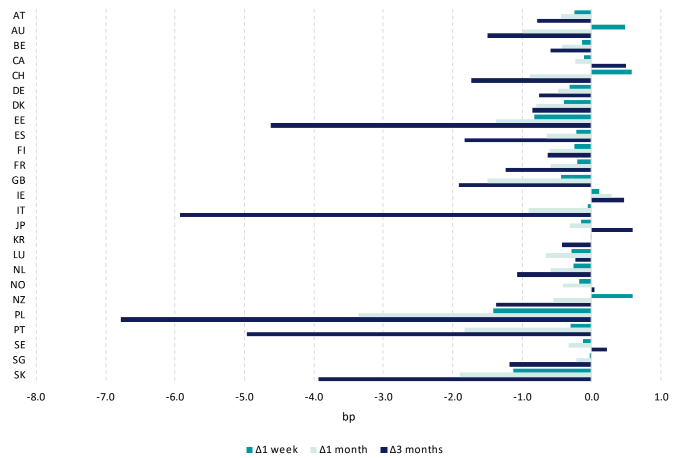


EUR benchmark volume (ESG) by type (in EURbn)

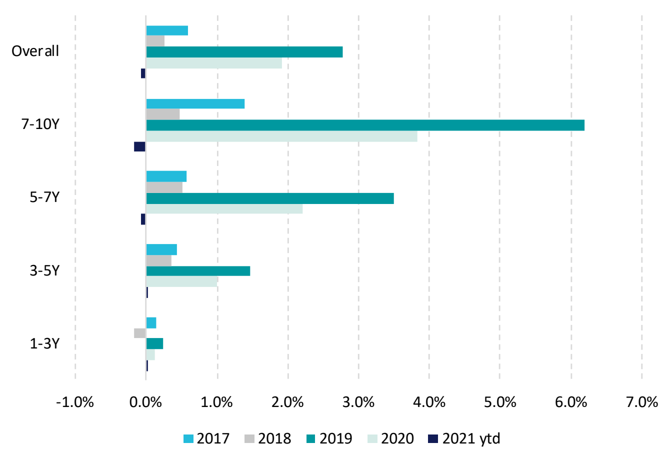


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

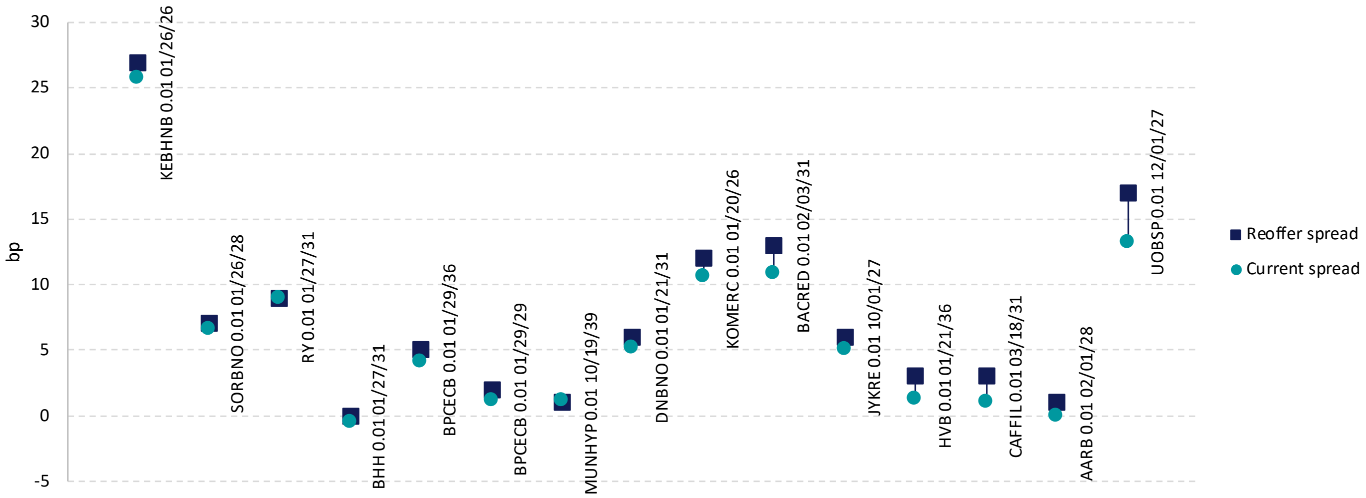
Spread development by country



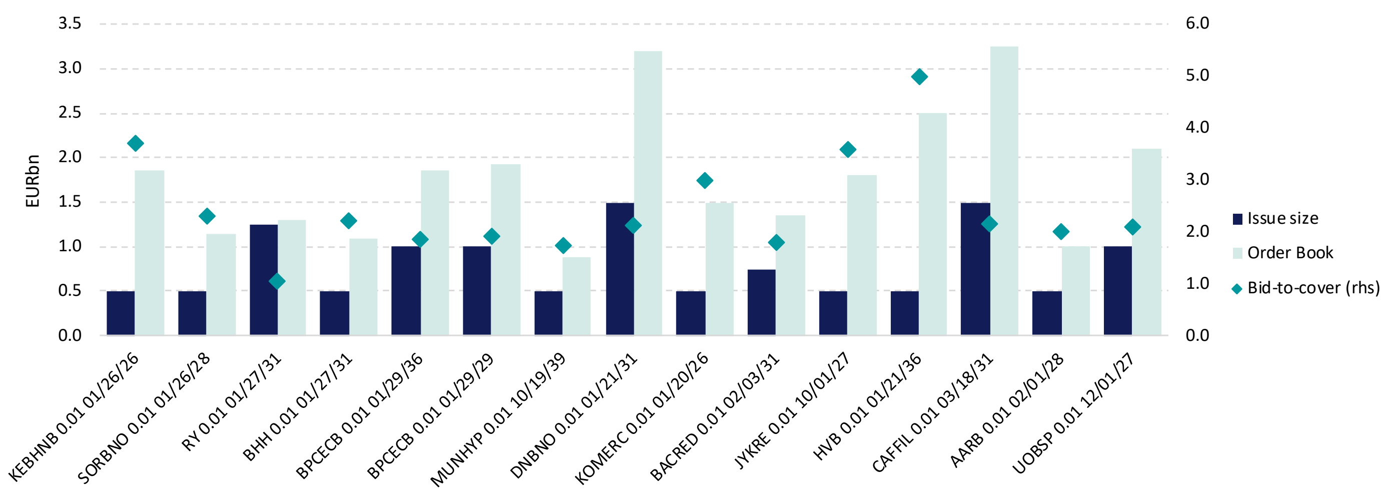
Covered bond performance (Total return)



Spread development (last 15 issues)



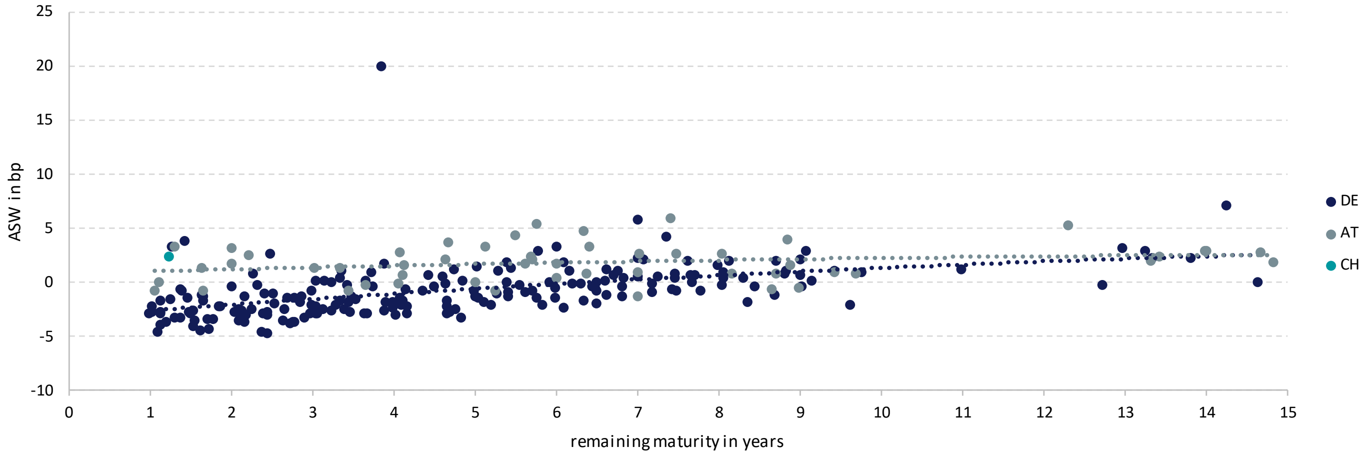
Order books (last 15 issues)



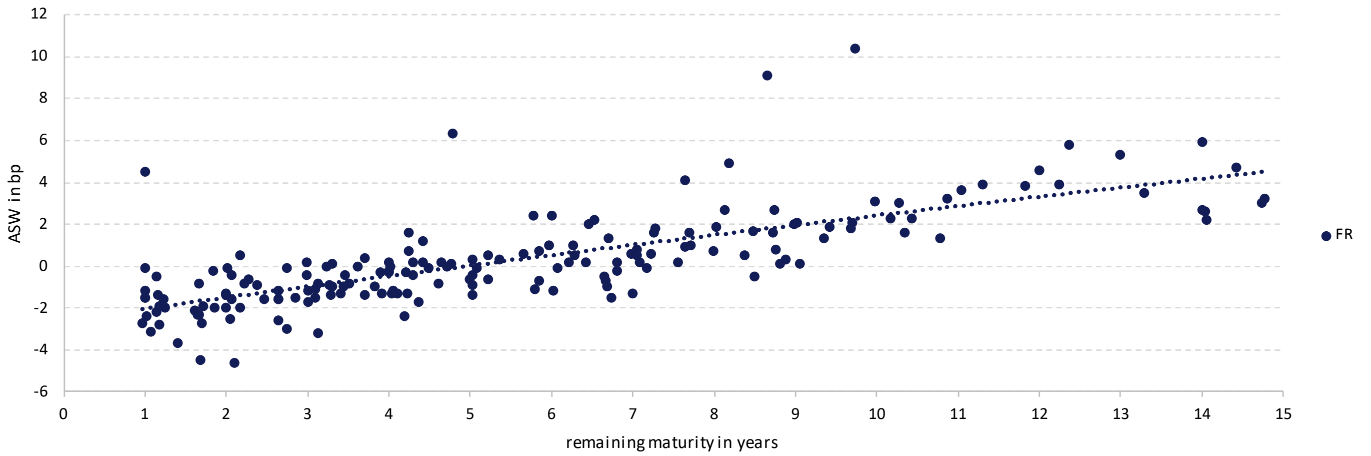
Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview[1]

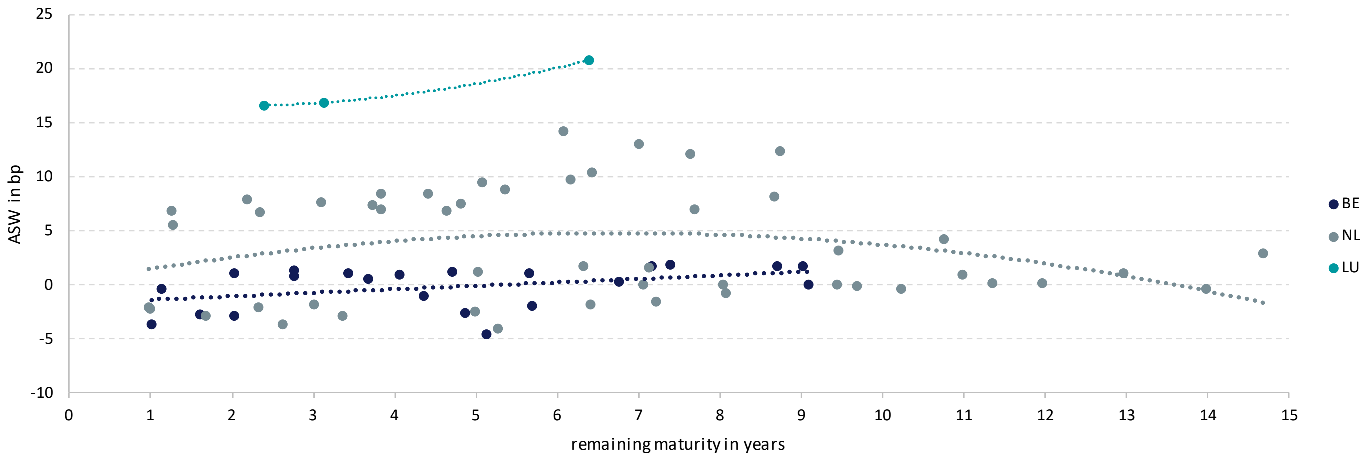
DACH



France

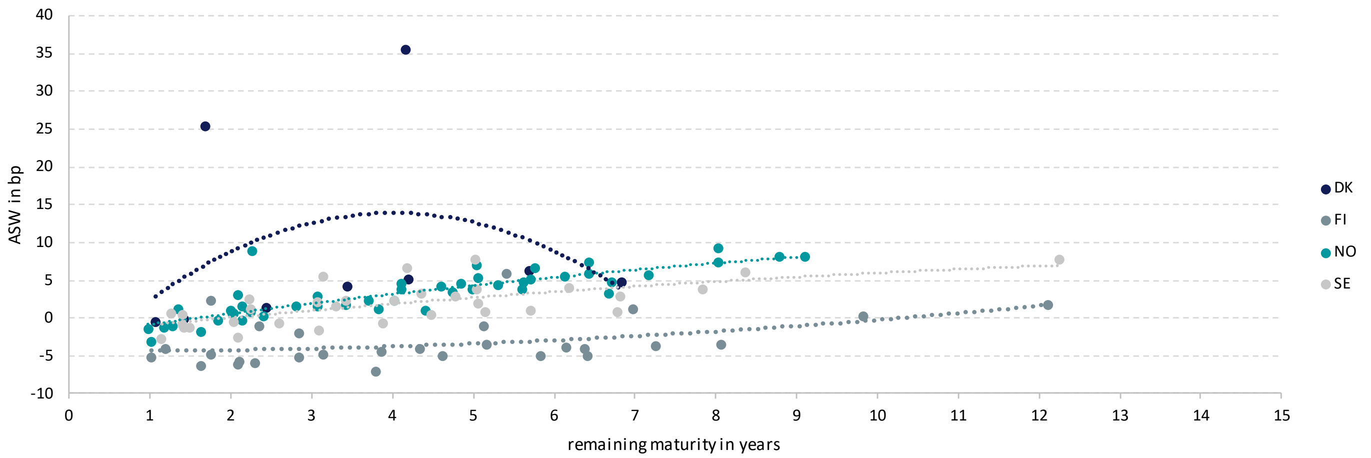


Benelux

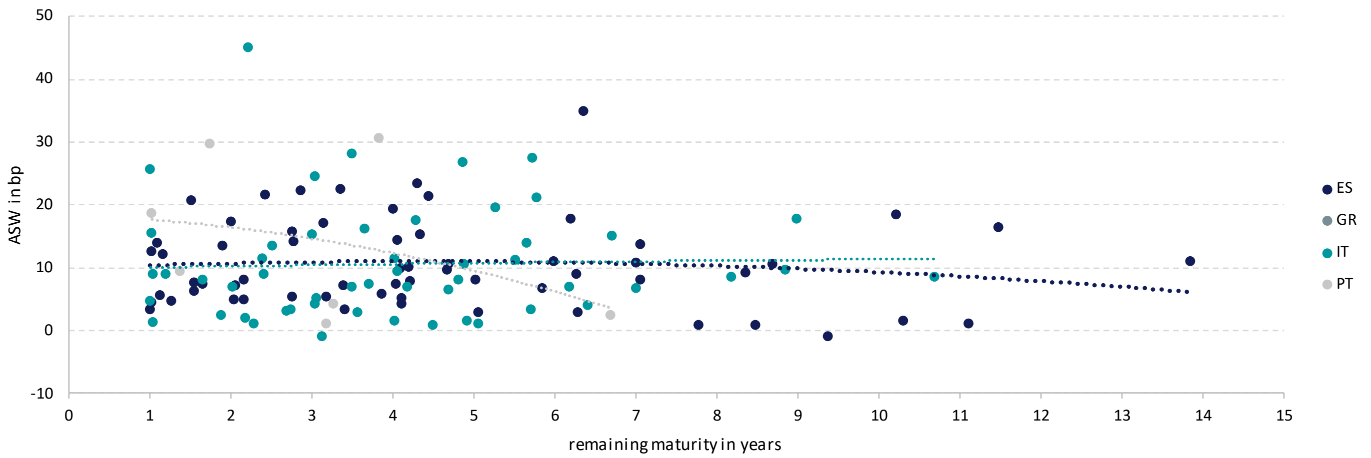


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research [1]Time to maturity 1 ≤ y ≤ 15

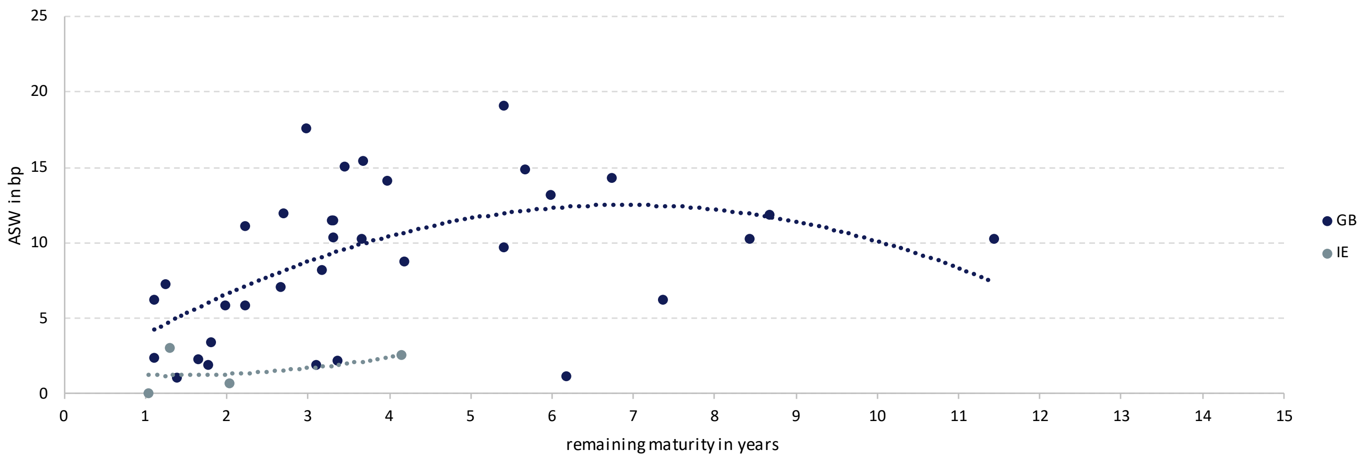
Nordics



Southern Europe

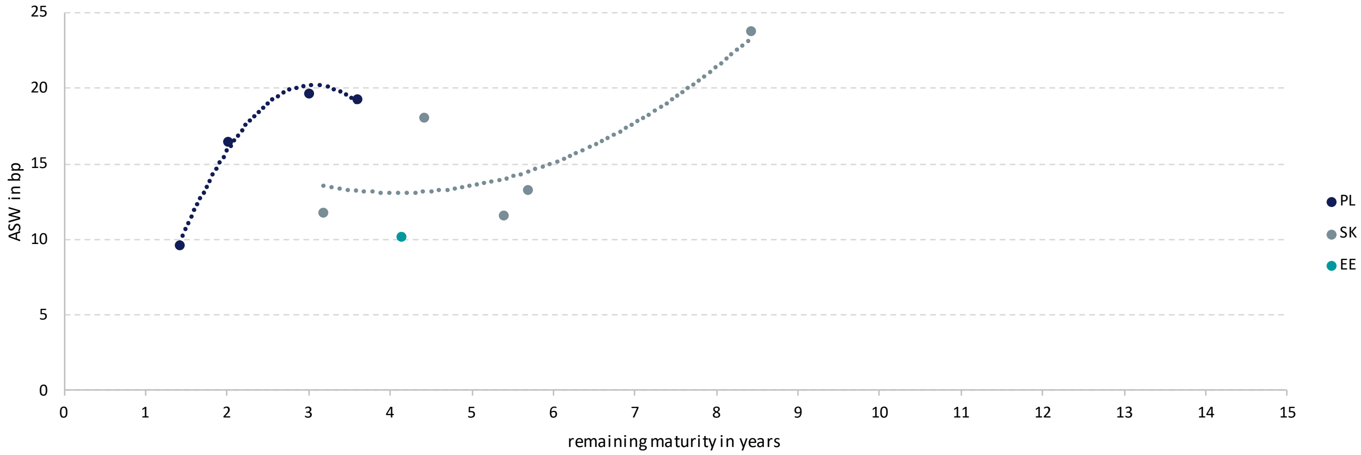


UK/IE

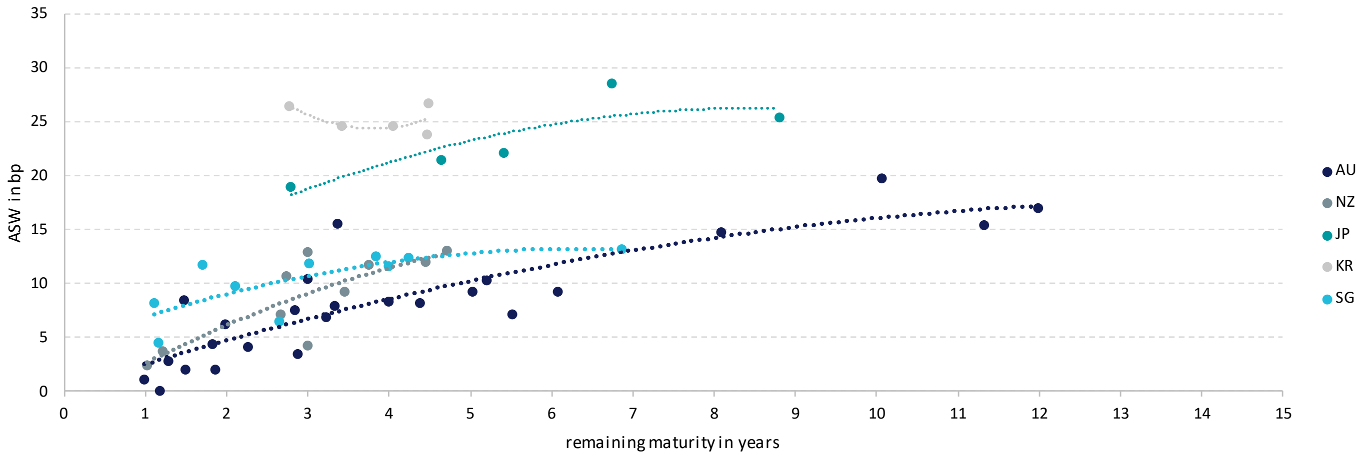


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

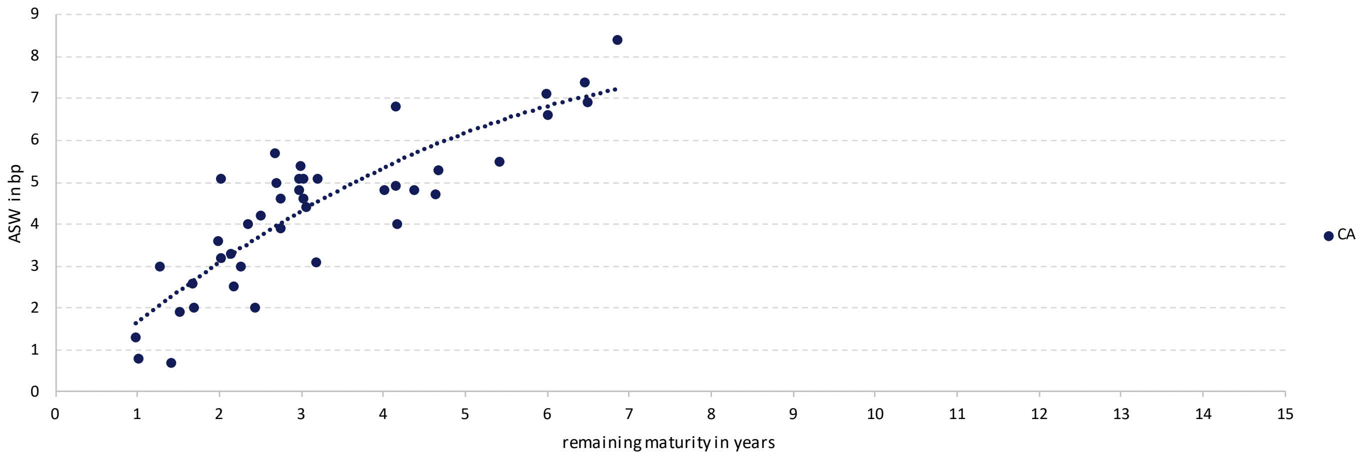
CEE



APAC



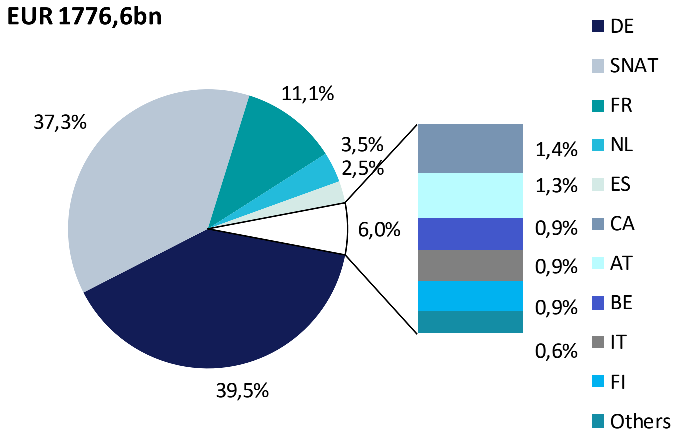
North America



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

Charts & Figures
SSA/Public Issuers

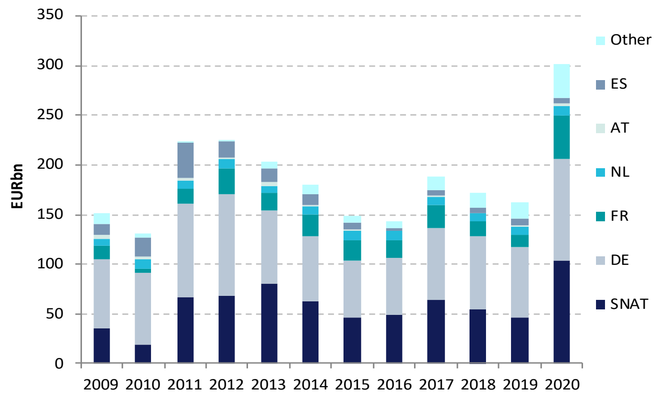
Outstanding volume (bmk)



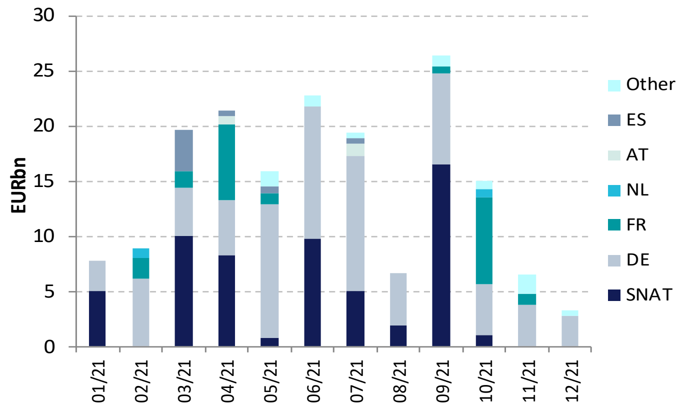
Top 10 countries (bmk)

Country	Vol. (€bn)	No. of bonds	ØVol. (€bn)	Vol. weight. ØMod. Dur.
DE	701,2	551	1,3	6,5
SNAT	663,6	175	3,8	7,8
FR	198,1	142	1,4	5,1
NL	62,4	64	1,0	6,5
ES	45,1	53	0,9	4,5
CA	25,0	18	1,4	5,6
AT	22,5	24	0,9	5,3
BE	16,3	19	0,9	14,1
IT	15,8	20	0,8	6,0
FI	15,5	20	0,8	5,9

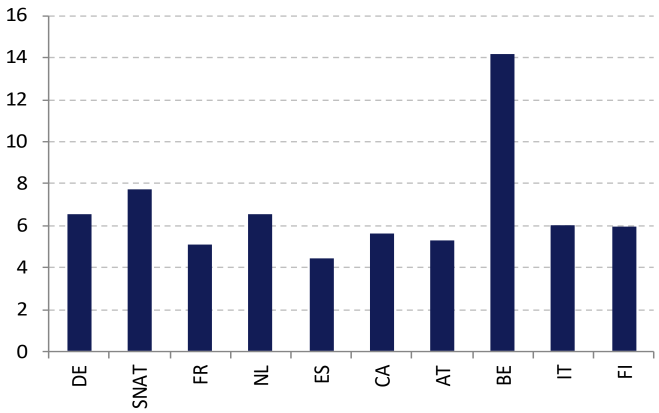
Issue volume by year (bmk)



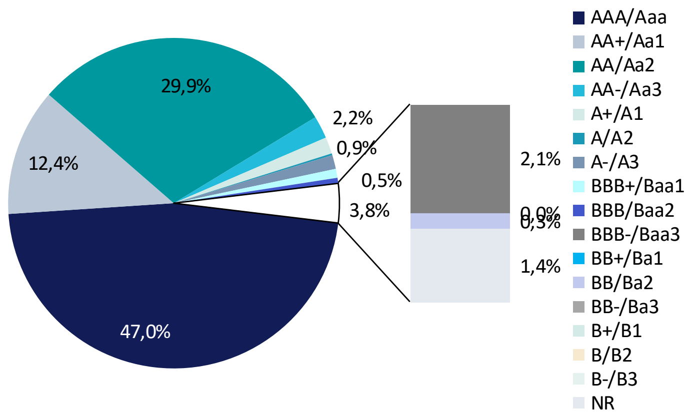
Maturities next 12 months (bmk)



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

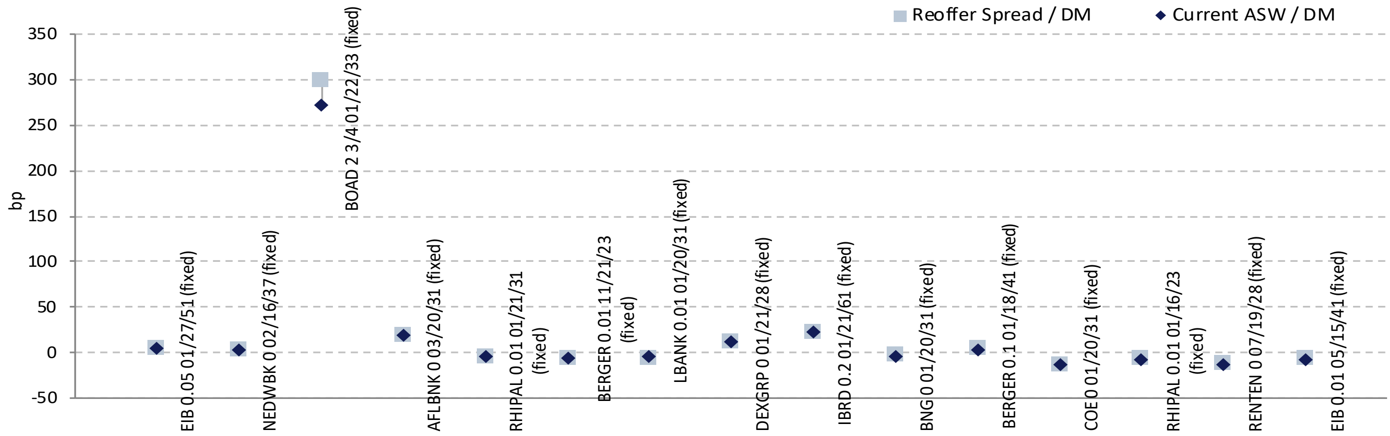


Rating distribution (vol. weighted)

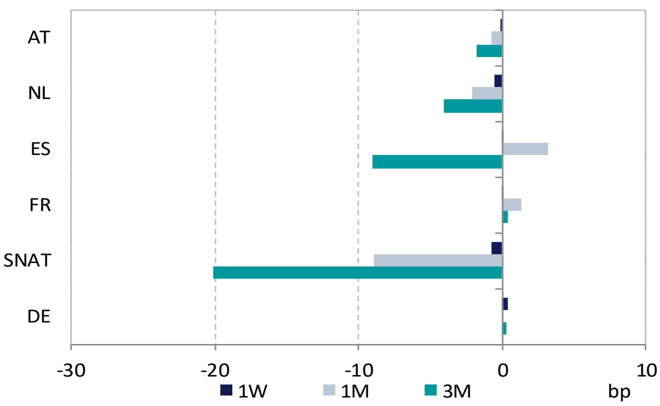


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

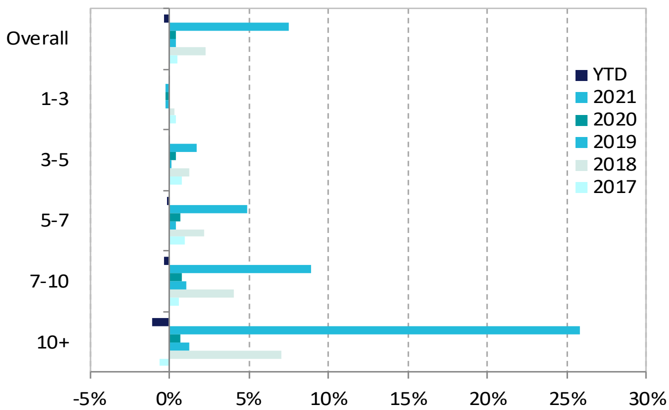
Spread development (last 15 issues)



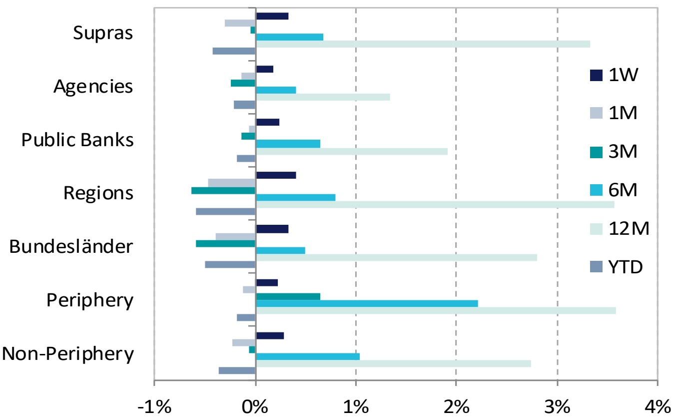
Spread development by country



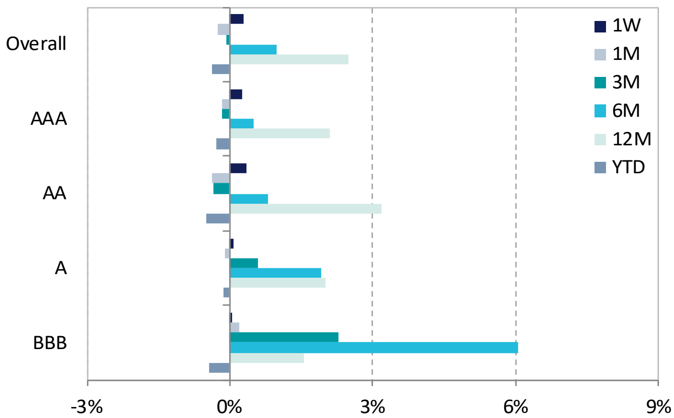
Performance (total return)



Performance (total return) by regions

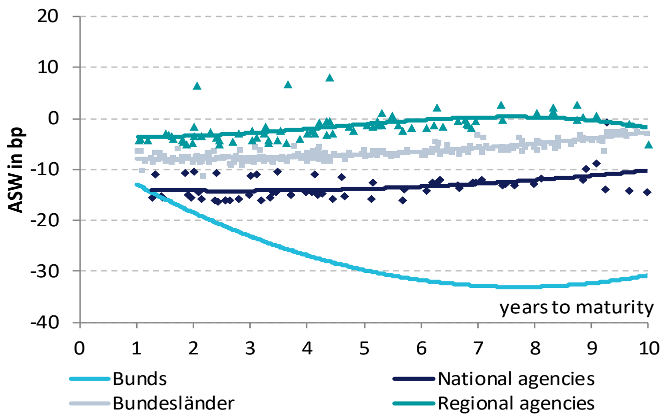


Performance (total return) by rating

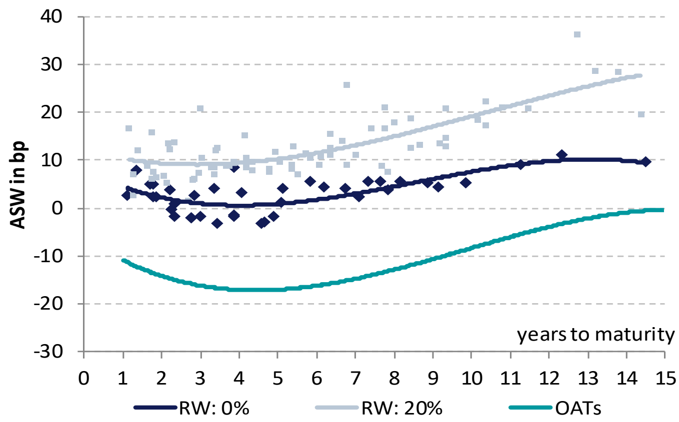


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

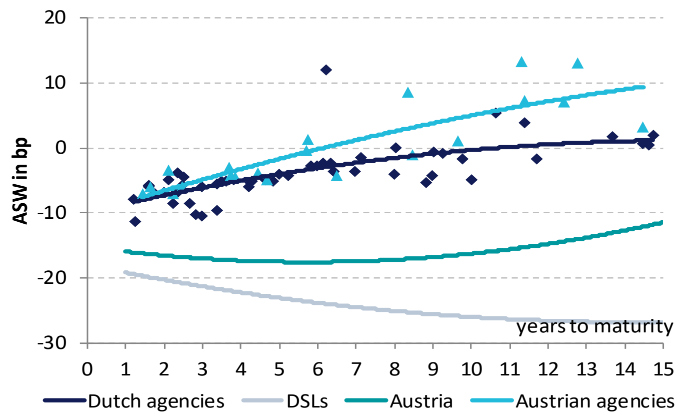
Germany (by segments)



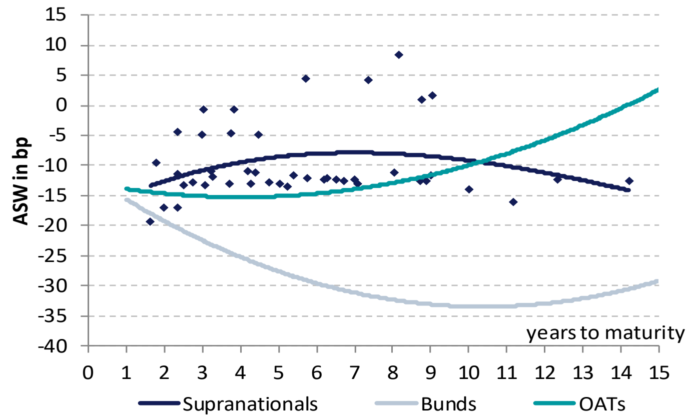
France (by risk weight)



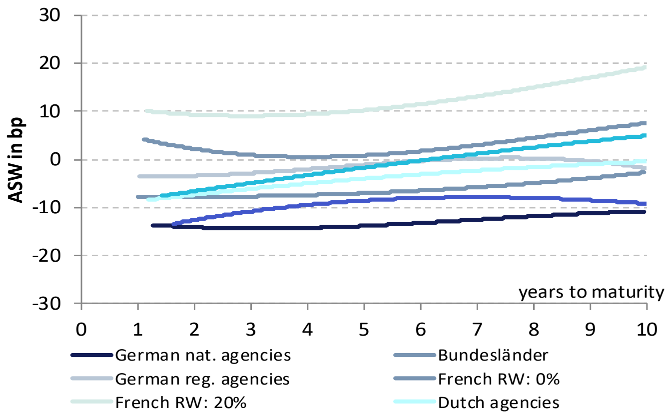
Netherlands & Austria



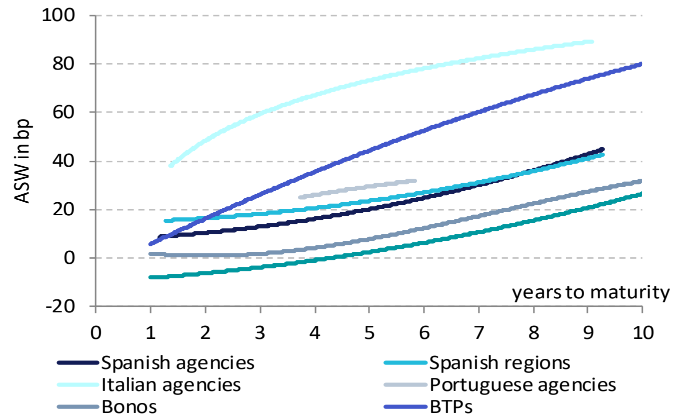
Supranationals



Core



Periphery



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

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
01/2021 ♦ 13 January	▪ EUR benchmark from the Czech Republic: Komerční Banka launches a new covered bond programme ▪ New covered bond programme from South Korea: Hana Bank ▪ Annual review of 2020 – covered bonds ▪ Annual review of 2020 – SSA
48/2020 ♦ 16 December	▪ TLTRO III: ECB extends tender and also raises the threshold
47/2020 ♦ 09 December	▪ Fourth and final round of PEPP reporting in 2020 ▪ Investment alternative: Paris metropolitan area (IDF and VDP)
46/2020 ♦ 02 December	▪ The ECB ahead of its course-setting meeting for 2021 ▪ Covered Bonds – Outlook 2021: Waiting for the game changer? ▪ SSA – Outlook 2021: Coronavirus and ECB dominate public-sector segment
45/2020 ♦ 25 November	▪ UOB ends the state of hibernation on Singapore's primary market ▪ The covered bond universe of Moody's: an overview ▪ Update: Belgium regions as investment alternatives
44/2020 ♦ 18 November	▪ Primary market 2021: real prospect of Hungarian EUR benchmarks? ▪ German Pfandbrief savings banks in Q3 2020 ▪ Development of the German property market
43/2020 ♦ 11 November	▪ Newcomer to the benchmark segment: HSBC Bank Canada sets sights on EUR debut ▪ OP Mortgage Bank: First green covered bond from Finland ▪ Transparency requirements §28 PfandBG Q3/2020
42/2020 ♦ 04 November	▪ Covered Bond Framework and Liquidity Coverage Ratio: European Commission presents draft version of amendments to LCR regulation ▪ An overview of the Fitch covered bond universe
41/2020 ♦ 28 October	▪ ECB: The year of the owl – review and outlook ▪ Yield developments on the covered bond market
40/2020 ♦ 21 October	▪ German building societies: EUR benchmark debuts and requirements for investing in soft bullet bonds ▪ NPLs in cover pools – lack of unified approach at national level
39/2020 ♦ 14 October	▪ Spain: Issuer consolidation ahead? ▪ PfandBG to include extendable maturity structures ▪ The EU has big plans – "SURE" and "Next Generation EU"
38/2020 ♦ 07 October	▪ New issuer from Japan – Sumitomo Mitsui Trust Bank places inaugural EUR benchmark bond ▪ PEPP – taking stock six months on
37/2020 ♦ 30 September	▪ Cover pool characteristics – international comparison
36/2020 ♦ 23 September	▪ Bausparkasse Schwäbisch Hall plans inaugural EUR benchmark ▪ Update: Auckland Council – Investment alternative in Down Under
35/2020 ♦ 16 September	▪ Moody's covered bond universe: an overview ▪ Update Down Under: Victoria (TCV)

Appendix
Publication overview

Covered Bonds:

- **Issuer Guide Covered Bonds 2020**
- **Risk weights and LCR levels of covered bonds**
- **Transparency requirements §28 PfandBG**
- **Transparenzvorschrift §28 PfandBG Sparkassen (German only)**

SSA/Public Issuers:

- **Issuer Guide – Supranationals & Agencies 2019**
- **Issuer Guide – Canadian Provinces & Territories 2020**
- **Issuer Guide – German Bundeslaender 2020**
- **Issuer Guide – Down Under 2019**

Fixed Income:

- **ESG update**
- **Analysis of ESG reporting**
- **ECB holds course, but ups the ante – PEPP running until 2022**
- **ECB launches corona pandemic emergency**
- **ECB responds to corona risks**

NORD/LB:	**NORD/LB:**	**NORD/LB:**	**Bloomberg:**
Markets Strategy & Floor Research	Covered Bond Research	SSA/Public Issuer Research	RESP NRDR <GO>

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Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales Europe	+352 452211-515

Origination & Syndicate

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

Treasury

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

Trading

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

Sales Wholesale Customers

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

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Additional information
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Issuer / security	Date	Recommendation	Bond type	Cause