

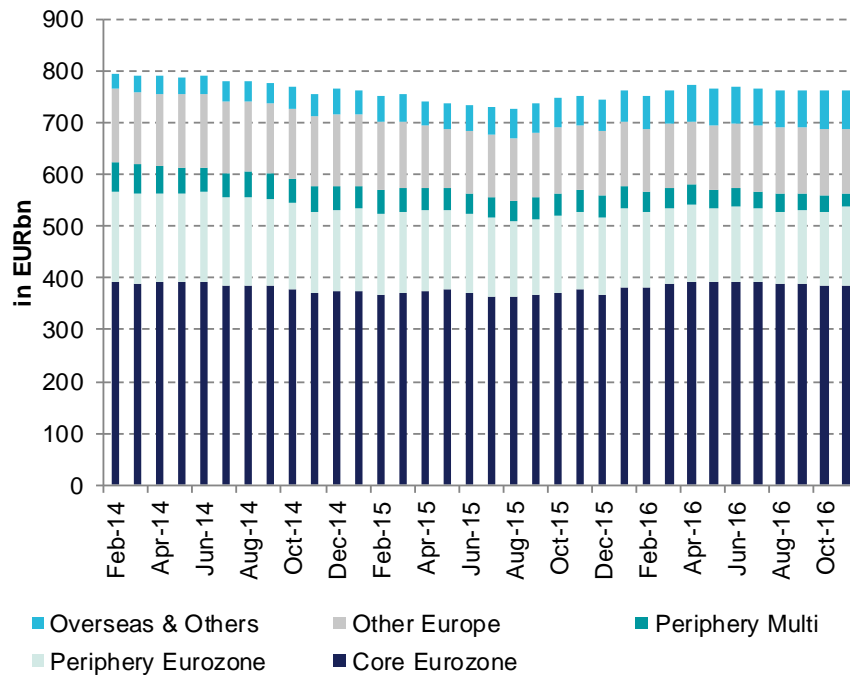


Economic outlook and issuers' perspectives on the covered bonds market

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Development of the outstanding volume

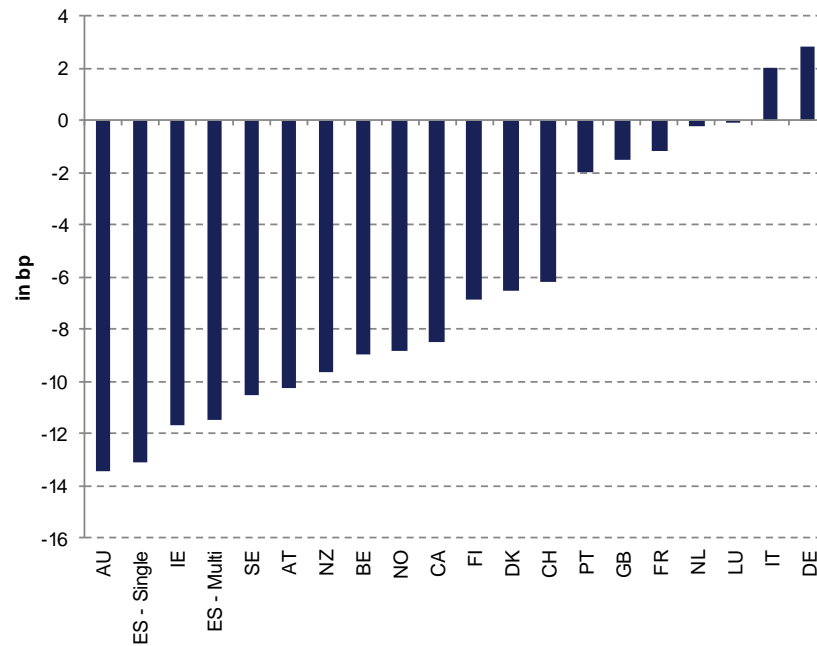
Outstanding volume – iBoxx EUR Covered



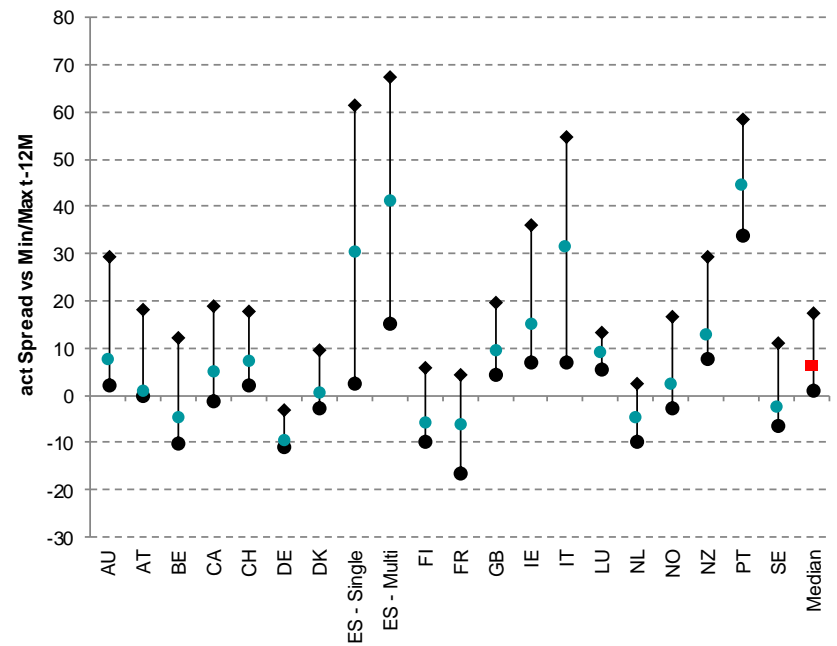
- Total volume of outstanding CBs is nearly unchanged by EUR 2.5tn (public sector: EUR - 37bn; mortgage: EUR +30bn)
- In January 2014, the total volume of the iBoxx Euro Covered was EUR 798bn. Up to now, the volume has shrunk to EUR 764bn by October 2016 (-4.6%)
- In the same period, the total volume of covered bonds qualifying for the programme fell from EUR 623.8bn (78.7%) to EUR 561.3bn (73.6%)
- After the summer break 2015, when total volume reached the lowest level at EUR 726bn, outstanding volume is now stable around EUR 770bn

Spread performance of 5y generic covered bonds

Spread developments t_{-12M}



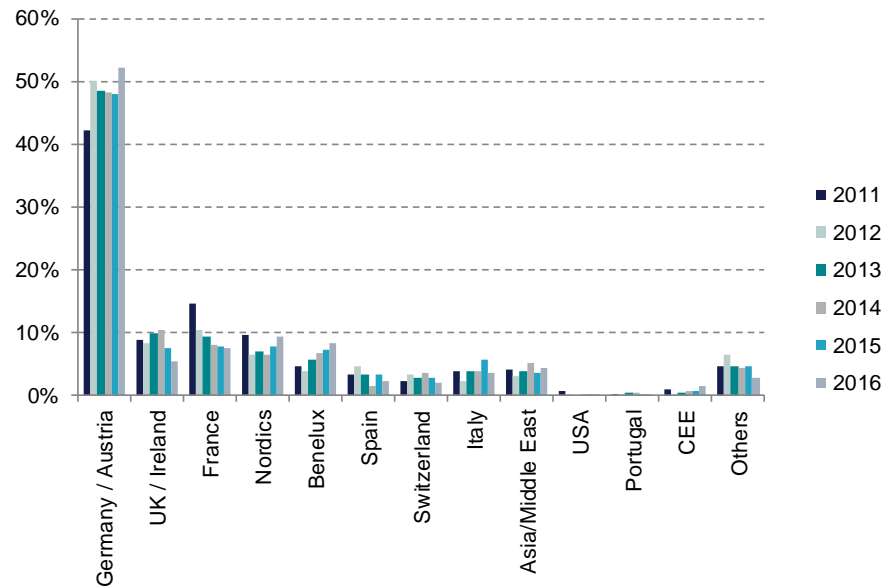
Spread volatility t_{-12M}



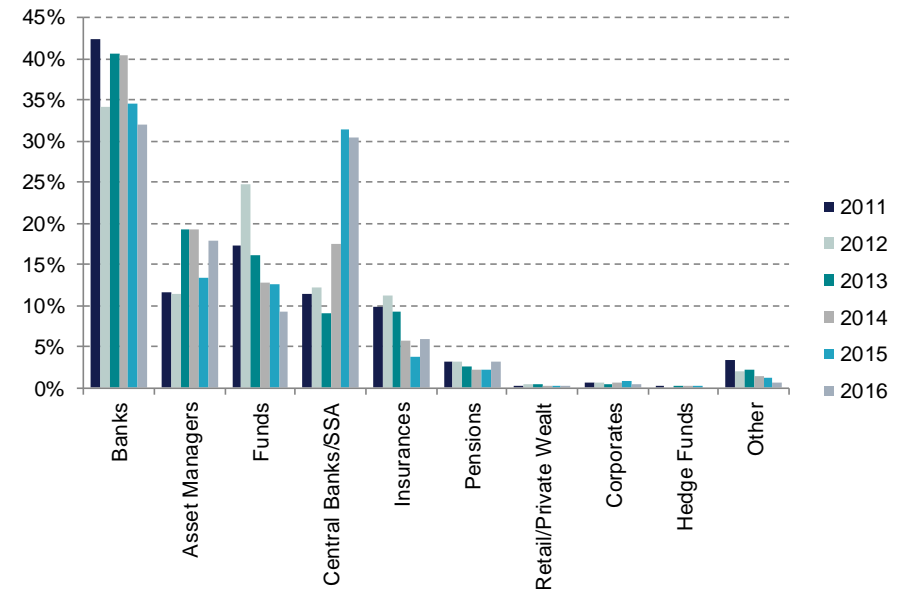
- During the last 12 months most of the markets have tightened; Widening in some jurisdictions because of specific reasons
- At the moment, Pfandbriefe are still trading near 12 months low; Covered Bond spreads from EUR periphery widened due to political uncertainties

Primary market by investor group

Distribution by geography



Distribution by investor type

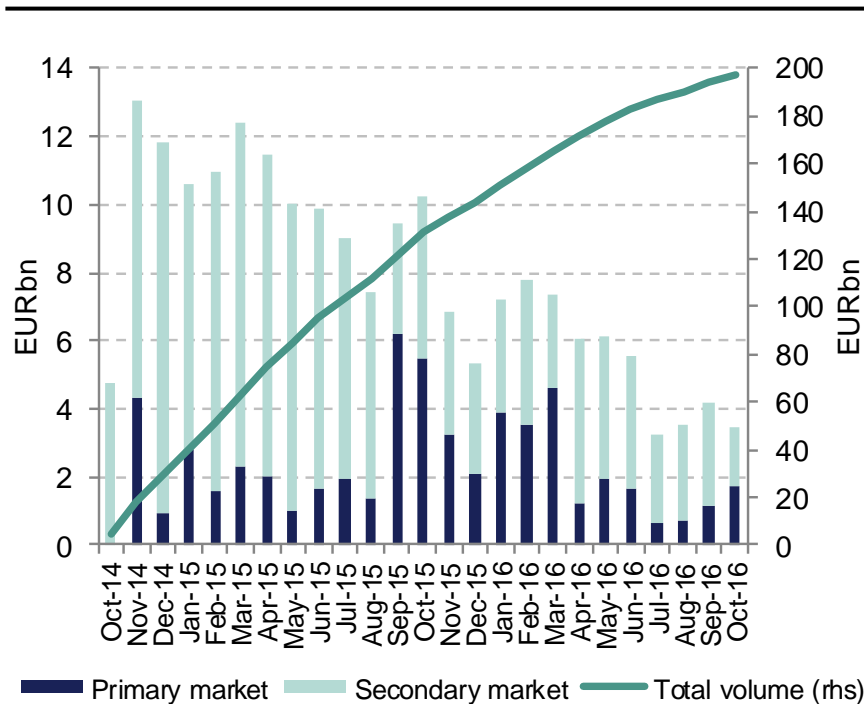


- German investors are the most important investor group with an allocation of 48.5% in all deals, followed by French (10.1%) and UK/Irish investors (8.8%). Other important investors are from the Nordics (7.6%) and Benelux (5.8%)
- The bulk of the issues are distributed to banks (39.1%), funds (16.6%) and asset managers (15.5%); in 2015, the share of central banks has risen to 30.5% and is on similar levels in 2016

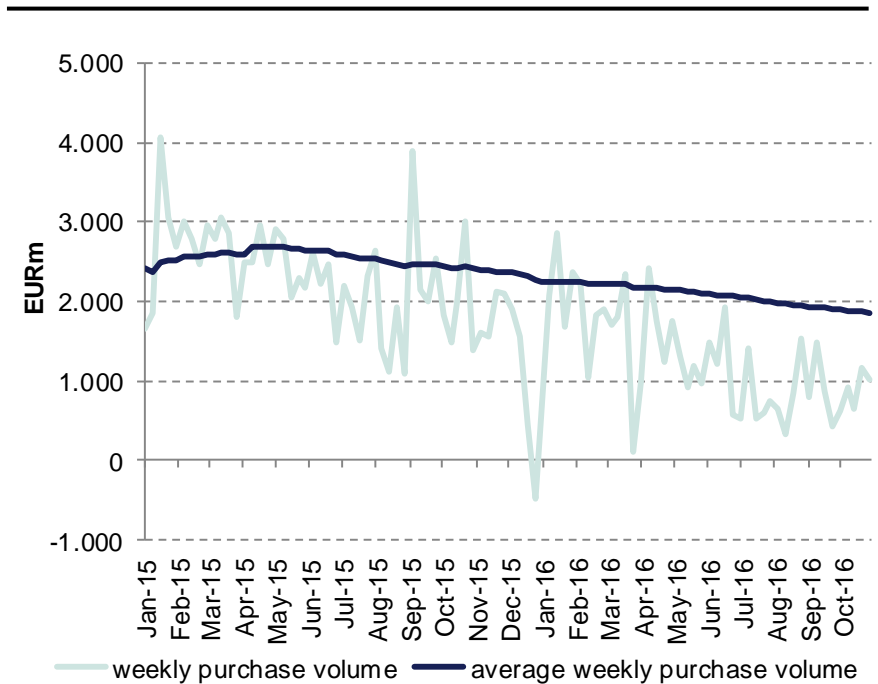
Source: Bloomberg, NORD/LB Fixed Income Research

Development of the purchase volume

Monthly purchases



Weekly purchases



- While the amount of purchases in primary market depends on the available supply and is not correlated with the willingness of investors to sell their bonds, the volume in secondary market is facing a negative trend since March 15.
- In July 2016 the purchased amount was the lowest under the current programme with EUR 3.3bn; the amount in August (EUR 3.5bn) and September (EUR 4.2bn) were slightly higher; October again disappointed with only EUR 3.4bn

Source: Bloomberg, NORD/LB Fixed Income Research

Panel discussion

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