

Covered Bond & SSA View

NORD/LB Markets Strategy & Floor Research

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Market overview

Covered Bonds

Author: Dr Frederik Kunze

Primary market: November issuance volume stands at EUR 5bn

Over the past five trading days, one further deal was placed in the EUR benchmark segment in the form of the public covered bond issued by Crédit Agricole. The bond of EUR 500m (WNG) was the first transaction carried out by the special issuance vehicle CA Public Sector SCF since September 2019 (ACASCF 0.01 09/13/28; EUR 750m). Following initial guidance of ms +7bp area, the re-offer spread for this 10y covered bond tightened to ms +2bp. The final order book came in at a sizeable EUR 1.5bn, bringing the total issuance volume placed during the month of November to EUR 5bn in the process. This is more or less on par with the level recorded in November 2020 (EUR 5.75bn), albeit well below the issuance volume seen in November 2019 (EUR 11.75bn). The increased uncertainty which set in on the financial and capital markets at the end of the previous trading week as a result of reports concerning the Omicron coronavirus variant is, in the context of the covered bond market, not likely to have been significantly responsible for the low level of issuance activity recorded over subsequent trading days. We take the view that it is more a case of gradually moving towards the end of the year and into a phase with less pronounced issuance activity in line with seasonal patterns. However, we do still expect the odd market appearance from issuers over the first couple of weeks in December although it is likely, to a certain extent, that they will keep their distance ahead of the ECB meeting on 16 December.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CA Public Sector SCF	FR	25.11.	FR0014006WB3	10.0y	0.50bn	ms +2bp	- / Aaa / AAA	-

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

NORD/LB Capital Markets Spotlight: UK Building Societies

We are delighted to invite you to attend another session as part of our series of “NORD/LB Capital Markets Spotlight” events. On 06 December 2021, the latest Capital Market Spotlight event will hone in on the covered bond market in the UK. The session will be held in English and run from 15:00 to 16:00 (CET). The focus of this compact event will be on UK building societies, for which brisk issuance activity has been observed recently on the EUR benchmark segment. In fact, UK building societies are also expected to approach investors active in this important sub-segment in the future. Accordingly, we are pleased to have the opportunity to invite you to interesting keynote speeches held by issuers such as the Coventry Building Society and Skipton Building Society. The event will then be rounded off by an assessment from the Moody's Covered Bond team. In the subsequent round of discussions, you will also have the chance to pose questions of your own to the speakers. We look forward to seeing you there. Please register via the following [link](#). If you have any questions or suggestions, please do not hesitate to get in touch with your sales contact or simply send us an email at: markets@nordlb.de. A current overview of the UK covered bond market is outlined as part of a dedicated article included in today's edition of the CB&SSA View: [United Kingdom: Spotlight on the EUR benchmark segment](#).

Fitch issues outlook for 2022: positive influence expected from EU covered bond directive

The rating agency Fitch recently published its covered bond outlook for 2022. Fitch's commentary, which on balance implies a neutral outlook with regard to ratings, refers in particular to the beneficial effects of the implementation of the Covered Bond Directive in national legislation. In specific terms, Fitch highlights the jurisdictions of Portugal, Spain, Denmark, and France, with the two Iberian countries expected to benefit to the greatest extent. In the case of Spain, the rating agency points to the introduction of both, the 180-day liquidity buffer and soft-bullet structures. Fitch expects to see the corresponding impact on credit ratings for Denmark and France from July 2022 onwards, when the legislative framework takes full effect. We share the view that the implementation of the requirements of the EU Covered Bond Directive will strengthen the national legal framework. Significant changes to the German Pfandbrief Act (PfandBG) – such as the introduction of maturity extensions – are already taking effect and, in our opinion, do not therefore form part of the Fitch outlook for 2022. Fitch's assessment with regard to the influence of the COVID-19 crisis on the cover pools evaluated is also plausible. Accordingly, in Fitch's view, the expiration of moratoriums/payment holidays did not result in a deterioration in the asset quality of the covered pools of the rated programmes. Nevertheless, Fitch does not rule out impacts on the breakeven OC. Among other factors, the rating agency cites in this context potential negative effects on the excess spread, which can arise as a result of increased funding costs for new covered bond issuances. In actual fact, we are not expecting marked, sustained spread rises in the covered bond universe over the course of 2022. We primarily base this assessment on generally unchanged technical market conditions (negative net supply) in addition to the fact that our basis scenario does not assume any significant deterioration in fundamental data of covered bond jurisdictions.

HSBC SFH (France): plans drawn up for covered bond transfer to My Money Group

As part of our weekly publication, we reported back in June of this year on the Memorandum of Understanding (MoU) between My Money Group and HSBC Continental Europe (HBCE) with regard to My Money Group's takeover of HBCE's retail business ([cf. NORD/LB Covered Bond & SSA View from 23 June](#)). HBCE is now seeking the approval of investors in the bonds HSBC 2 10/16/23 worth EUR 1.25bn and HSBC 0 1/2 04/17/25 in the amount of EUR 1bn for a transfer to My Money Group and for the relevant amendments to be made to the programme documentation. The first ballot is scheduled for 10 December 2021, with a second round penciled in for 21 December if needed. HBCE is aiming to have completed this transfer by 31 December 2023. A more detailed description of the voting process, the expected timeline and potential fee payments can be found in the corresponding [Investor Presentation from 25 November 2021](#).

Market overview

SSA/Public Issuers

Author: Dr Norman Rudschuck, CIIA

French regions – introducing the Pays de la Loire region

Following our introduction of the Auvergne-Rhône-Alpes (ARA) region last week (cf. [NORD/LB Covered Bond & SSA View of 24 November 2021](#)), in the current issue of our weekly publication, we turn our attention to another French region, namely Pays de la Loire (PDLL). The relevant [article](#) on PDLL in today's edition of the NORD/LB Covered Bond & SSA View examines the impacts of the coronavirus pandemic on the region's financial situation, as well as taking a look at the current government and economic conditions in addition to the region's capital market presence.

Selected weekly publications from the last few months

In 2021, we launched the series “Beyond Bundesländer” to shed light on different regions and held an online conference in a “spotlight format”.

- [Belgian regions](#)
- [Spanish regions](#)
- [Portuguese regions](#)
- [Greater Paris Area](#)

Other publications from our coverage

Here, we are proud of our annual publication of the Issuer Guide series, which is affectionately referred to as the “Bible” by some institutional investors:

- [German Länder 2021](#)
- [Covered Bonds 2021](#)

Primary market

Due to absences, this section remains uncommented. Our weekly publication will return in the usual form again on 15 December and then again in the New Year.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
-	-	-	-	-	-	-	-	-

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

Covered Bonds

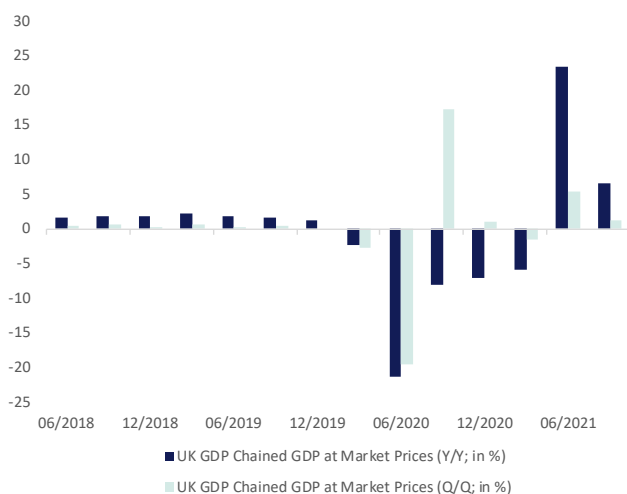
United Kingdom: Spotlight on the EUR benchmark segment

Author: Dr Frederik Kunze

United Kingdom: covered bond jurisdiction impacted by Brexit and coronavirus?

As is the case with other established or developing jurisdictions, the outbreak of the coronavirus crisis and the further course of the pandemic are factors impacting the UK covered bond market. Aspects that set the UK apart from the European Economic Area and the European Union include differing monetary policy from the Eurosystem as well as the economic and regulatory side-effects of Brexit. In today's edition of our weekly publication, we intend to focus on the UK covered bond market and, in this regard, also set out our expectations for 2022.

UK: GDP trend



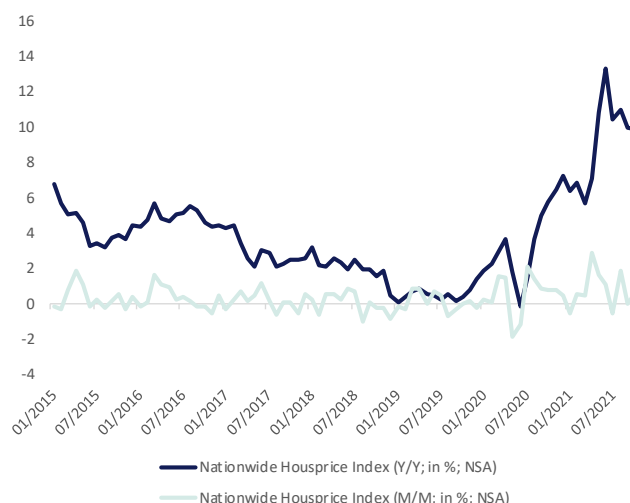
UK: purchasing manager surveys



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

Economic development in recent quarters: Brexit and COVID-19 leave their mark

The recovery observed in other developed economies after the negative consequences associated with the outbreak of the COVID-19 pandemic can also be clearly seen in the real economic activity in the UK. However, it is important to bear in mind that economic output in the UK is still 2.1% lower than it was at the end of 2019, according to the Office for National Statistics. This means the shortfall is greater than in the three European countries of Germany, Italy, and France. A significant additional factor that is impacting economic activity in the UK is Brexit; this is affecting both foreign trade and the labour market. These and other Brexit implications are leading to an exacerbation of the “bottleneck” impediments to growth that other developed economies in Europe are also facing at present.

UK: price development and BoE rate**UK: property price development**

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

Challenging monetary policy outlook – house prices surging

Pronounced inflationary tendencies in consumer prices are also increasingly posing problems for members of the Monetary Policy Committee at the Bank of England (BoE). In fact, the BoE is about to end its securities purchase programme – which is narrower than that of the Eurosystem – with several interest rate hikes expected in 2022. These expected rate hikes could in theory also impact the property market, which has also recently seen dynamic price increases. Limited supply as well as persistently high demand, supported at least in part by government support measures to mitigate the implications of the Covid-19 pandemic are responsible for this trend in addition to low interest rates. The outlook for the UK housing market is characterised by an unequivocal amount of uncertainty, which is linked to both monetary policy and the support measures. Having said that, the effects of a rise in interest rates should initially remain limited due to the high levels of fixed-rate mortgages, among other aspects.

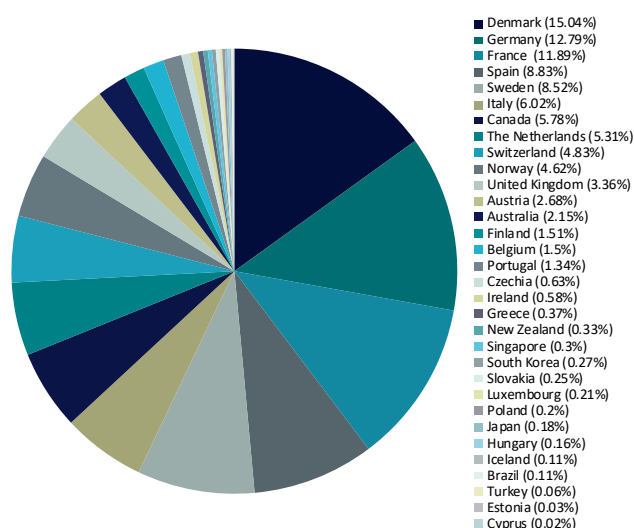
Discontinued model: low-cost central bank funding via TFS and TFSME

Like other central banks around the globe, the Bank of England has also provided refinancing access to commercial banks through special central bank facilities. Through the Term Funding Scheme (TFS) or the SME-focused Term Funding Scheme with additional incentives for SMEs (TFSME) in particular, UK banks have now raised more than GBP 100bn from the BoE since the summer of 2020. With favourable funding conditions having initially curtailed the placement of covered bank bonds, the expiration of these special central bank facilities (with particular reference to the deadline of [31 October 2021](#)) should lead to an increase in covered bond issuance activity in the future. Nevertheless, the outlined countermovement will probably be subject to a noticeable time lag, above all due to the rather long term of the TFSME (also compared to TLTRO III) of at least four years. Below, we now turn our attention to the UK covered bond market, first tackling the market as a whole before specifically focusing on the EUR benchmark segment.

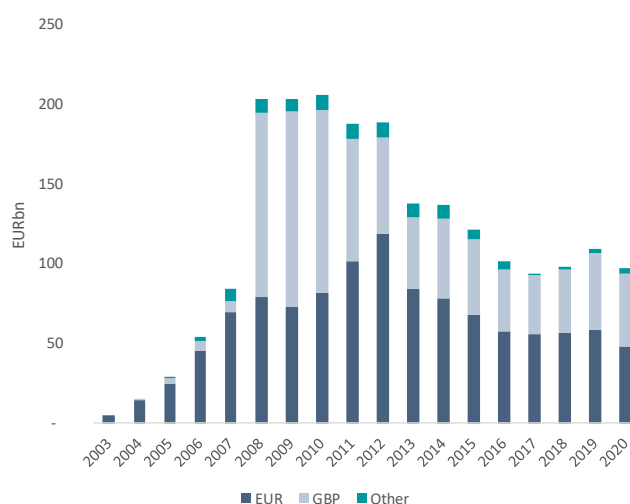
ECBC annual statistics: UK ranks 11th for covered bond volume

Based on the annual statistics of the European Covered Bond Council (ECBC) covering all covered bond jurisdictions, the global volume of outstanding covered bonds amounts to EUR 2,909bn (reporting date: 31 December 2020). The UK accounted for EUR 98bn of this volume, which puts this jurisdiction in 11th place. In terms of issuance volume in 2020, the ECBC reports a figure of EUR 61.2bn, with the UK ranking 14th behind Finland and ahead of the Czech Republic with a volume of EUR 10.2bn. The UK covered bond market is dominated by soft bullets (97%), whereas in terms of the issue currency, there is a balanced relationship between placements in EUR and GBP. Nevertheless, in the issuance year 2020, greater importance was attached to GBP issues (65% of total placements from the UK in 2020). The ECBC counts a total of 16 issuers from the UK, eleven of which are active in the EUR benchmark segment.

Global covered bond volume (EUR bn)



Covered bond volume UK (EUR bn)

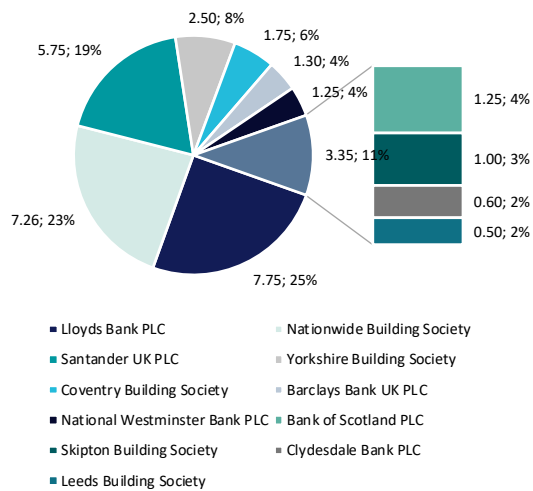


Source: ECBC, NORD/LB Markets Strategy & Floor Research

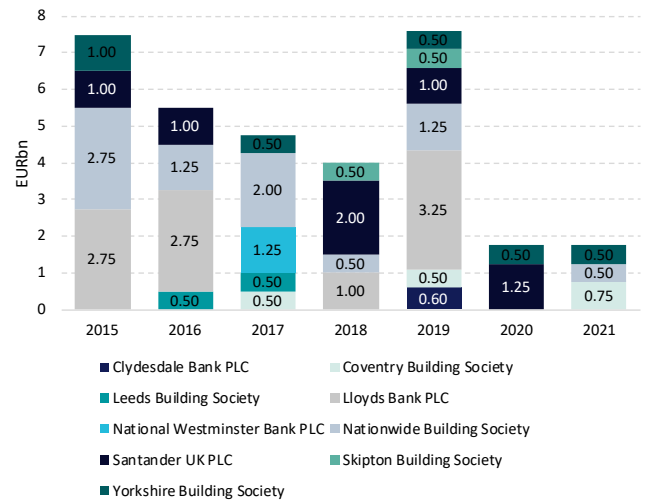
EUR benchmark segment in the UK: Outstanding volume totals EUR 30.91bn

In its current form, the EUR benchmark segment in the UK comprises eleven covered bond issuers. The total volume amounts to EUR 30.91bn spreading across 37 outstanding bonds. The largest volumes are attributable to Lloyds Bank (EUR 7.75bn; 7 bonds), Nationwide Building Society (EUR 7.26bn; 9 bonds), and Santander UK (EUR 5.75bn; 6 bonds). In the current year, only the building societies (BS) were active in the market. In April, Nationwide BS placed a EUR 500m benchmark with an unusually long maturity of 20.0y on the market. The deal was nearly five times oversubscribed with an order book of EUR 2.3bn. Coventry BS approached investors in July with a covered bond (EUR 750m; 7.0y), which was then followed in November by the ESG debut of Yorkshire BS in the form of a EUR 500m social bond. The UK's first ESG covered bond still enjoyed a bid-to-cover ratio of 2.6x. It is noticeable that, for the three issues from the UK, on average the largest share of allocations of the bond volumes (52.7%) went to investors in Germany and Austria. While accounts from Germany and Austria were responsible for the largest share of the covered bonds of Yorkshire BS and Coventry BS (44% in each case), the ratio for the placement of Nationwide BS was even higher at 70%.

EUR benchmarks UK (outstanding, EUR bn)



EUR benchmarks UK (issues, EUR bn)



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

EUR benchmarks: exclusively soft bullet programmes

The size of the covered bond programmes and cover pools also indicates a considerable degree of heterogeneity in the UK covered bond landscape. As we will see below, cover assets underlying UK covered bond programmes consist exclusively of residential mortgages. In this context, we think it should also be noted that a very high proportion of EUR benchmark issuers refer to the use type “Owner Occupied” in their reporting. In light of the developments on the UK property market cited above, we would also highlight the reported over-collateralisation ratios. These reveal a wide distribution, but are all above the minimum requirements stipulated by national legislation. In terms of ratings, the respective top ratings are exclusively awarded to EUR benchmark programmes in the UK. In the following, we provide a brief overview of the UK legal framework for covered bonds.

Overview: UK EUR benchmark issuers (all data retrieved on 24 November 2021)

Issuer (Link)	Cover pool volume (in mEUR)	Total amount outstanding (in mEUR)	OC	Programme size	Maturity type (BMK)	CB-Rating (Fitch / Moody's/ S&P)	Main region	Owner occupied
Bank of Scotland	2,691	1,002	172.7%	EUR 60bn	Soft Bullet	AAA / Aaa / AAA	London 18.6%	99.5%
Barclays Bank	10,832	6,097	77.7%	EUR 35bn	Soft Bullet	AAA / Aaa / AAA	South East 26.1%	100.0%
Coventry BS	7,373	5,262	40.1%	EUR 7bn	Soft Bullet	AAA / Aaa / -	London 35.0%	100.0%
Leeds BS	2,282	1,641	39.1%	EUR 7bn	Soft Bullet	AAA / Aaa / -	South East 15.0%	87.0%
Lloyds Bank	35,415	22,792	55.4%	EUR 60bn	Soft Bullet	AAA / Aaa / -	South East 18.7%	96.7%
National Westminster	8,976	2,804	213.7%	EUR 25bn	Soft Bullet	AAA / Aaa / -	Greater London 20.5%	88.2%
Nationwide BS	21,463	14,779	45.2%	EUR 45bn	Soft Bullet	AAA / Aaa / AAA	Outer Metro 15.9%	100.0%
Santander UK	19,738	12,805	54.1%	EUR 35bn	Soft Bullet	AAA / Aaa / AAA	South East 22.1%	100.0%
Skipton BS	2,710	1,892	43.3%	EUR 7.5bn	Soft Bullet	AAA / Aaa / -	South East 18.6%	90.3%
Virgin Money	3,960	1,133	249.6%	EUR 7bn	Soft Bullet	AAA / Aaa / -	South East 26.1%	89.2%
Yorkshire BS	4,920	2,921	68.4%	EUR 7.5bn	Soft Bullet	AAA / Aaa / -	South East 17.9%	100.0%

Source: Issuers, rating agencies, NORD/LB Markets Strategy & Floor Research

Legal framework for UK covered bonds

The currently applicable legal framework for UK covered bonds dates back to the Regulated Covered Bonds (RCB) Regulations 2008. This regulation has been adapted several times in the meantime. As a result of the UK's withdrawal from the EU in January 2021, the Covered Bond Directive will not be implemented in national legislation. Issuers of covered bonds must be headquartered in the United Kingdom and engage in regulated banking activities (particularly the collection of deposits). As UK covered bonds are guaranteed by special purpose vehicles (SPVs), to which the cover assets are also transferred, the SPVs must also be domiciled in the UK. In principle, assets pursuant to Article 129 CRR are permitted as cover assets, whereby receivables from credit institutions with ratings below credit quality step 1 (CQS 1 or AA-) are not permitted. Securitisations cannot be used as cover assets either. In addition to the CRR-compliant cover assets, loans to registered social landlords and loans to public-private partnerships are also permitted as cover assets. The substitute cover limit is generally 10%, with substitute cover assets being narrowly defined in that they consist of government bonds (UK government bonds or government bonds meeting the requirements under 129 CRR paragraph 1 a) or b)) or deposits in sterling or other eligible currencies (Article 129 CRR paragraph 1 c)). With regard to the regulatory treatment of the UK EUR benchmarks, we consider a best possible risk weight of 20% and a best possible Level 2A classification in the context of LCR management. The EUR benchmarks can also be used as collateral in ECB collateral management (for a detailed analysis at issuer or ISIN level, please refer to our [covered bond special on LCR classification and risk weights](#)).

United Kingdom: Legislation overview

Designation / short form	Regulated Covered Bonds / RCB
Special law	Yes
Cover assets (incl. substitute cover assets)	Mortgage loans, public-sector receivables, receivables from CIs ¹ , PPP loans ² , social housing ²
Owner of the assets / Special bank principle	SPV / No
Geographical restriction	UK, EEA, CH, US, CA, JP, NZ, AU, Channel Islands, Isle of Man
LTV limit	Private: 80% ³
Legal priority in bankruptcy	No
Cover register	Yes
Derivatives in the cover pool	Yes
Substitute cover / Substitute cover limit	Yes / 10%
Minimum overcollateralisation	8% nominal
Asset encumbrance	No
Complies with Art. 52.4 UCITS Directive	Yes
Complies with CRD	Depends on the programme
ECB eligibility	Yes ⁴

Source: National legislation, ECBC, NORD/LB Markets Strategy & Floor Research ¹Exposures to CIs with rating grades below CQS1 (AA-) are not permitted ²not CRR-compliant ³All currently issued RCBs have an LTV limit of 75% ⁴denominated in EUR

UK covered bond programmes exclusively designated as “Single Asset Type”

Covered bond issuers must generally choose between cover pools with only one category of cover assets (“single asset type”) or with different types of cover assets (“mixed asset type”). For all programmes registered to date, the cover assets of the regulated UK Covered Bonds consist solely of residential mortgages and the substitute cover assets described above up to the prescribed limit. As a result, they are de facto exclusively single asset type programmes. In addition, the cover assets must be located in the UK, EEA, Switzerland, USA, Canada, Japan, Australia, New Zealand, the Channel Islands, or the Isle of Man.

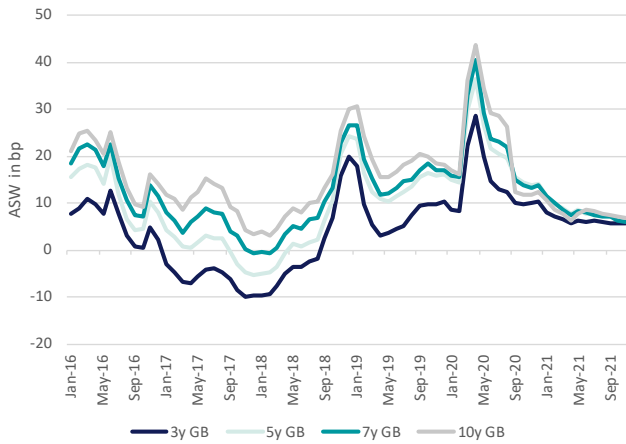
LTV limit and overcollateralisation requirements

The specifications for regulated covered bonds stipulate a lending limit of 80% for residential cover assets. In fact, covered bond issuers define stricter upper limits (LTV caps) for their programmes, some of which are significantly below the legal requirements. All regulated covered bonds currently issued have an LTV limit of 75%. The regulatory lower limit of 8% must be complied with for the overcollateralisation ratio, whereby this value is also to be understood as a minimum (among other aspects due to upwardly deviating contractual regulations). With regard to the strengths of the legal framework for UK covered bonds, it is important to note that the United Kingdom is one of the countries for which the contractual regulations are of significant importance. In addition, regulated UK covered bonds benefit from extremely detailed investor reporting conventions. The issuer is responsible for the monthly monitoring of the cover pool.

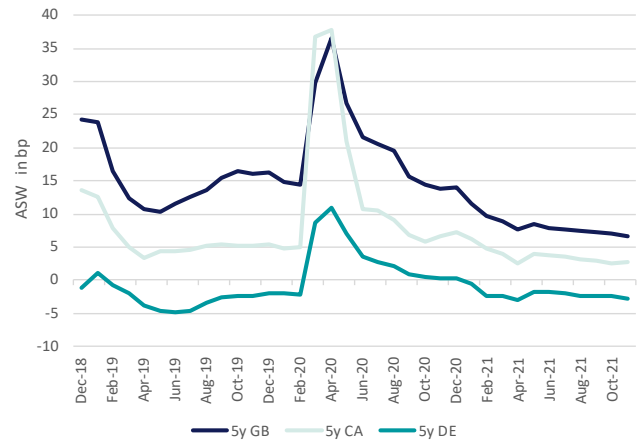
Outlook: supply of UK covered bonds in 2022 and spread implications

The UK EUR benchmark segment is one of the submarkets characterised by a pronounced negative net supply in 2021. In this context, the volume of EUR 1.75bn placed so far (our forecast for the 2021 full year: EUR 2bn) is offset by pending maturities of EUR 13.1bn for 2021 as a whole. We also expect the benchmark segment in the UK to shrink again in 2022. As such, maturities amounting to EUR 8.3bn are due across 2022 as a whole, while we expect new issuances in the order of EUR 4bn. However, this would be the double issuance volume compared to the previous year. In addition to the expiry of the favourable central bank funding outlined above, enabling factors here would be a gradual return to normality with regard to the level of commercial bank deposits. Nevertheless, the figure of EUR 4bn – also bearing in mind the maturities – should not be confused with a genuine recovery. On the spread side, we expect UK covered bonds to narrow slightly at best as a result of negative net supply. From a relative value perspective, we do not consider UK covered bonds to be genuinely cheap compared with Pfandbriefe, a situation which is in fact by no means unique to the UK. However, we do see a higher mean spread gap compared to Canadian covered bonds in the medium to long term as fundamentally unjustified, which again suggests a relative narrowing. In this context, however, it will also depend on the extent to which covered bonds might be avoided by some investors due to market sentiment as a result of Brexit. This is contradicted – at least anecdotally – by the high allocation of UK covered bonds to investors in Germany and Austria.

Covered bonds: UK spreads (generic)



Covered bonds: ASW UK vs. CA vs. DE (5y, generic)



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

Conclusion

For the EUR benchmark segment in the UK, too, it was particularly the monetary policy funding alternatives that stood in the way of the public placement of covered bonds. Nevertheless, the year produced some significant developments with an ESG debut and notable oversubscription rates overall. On balance, however, issuance activities have been too weak to counter the high volume of maturities. The heating up of the property market is reminiscent of developments in other European countries, although the turnaround on interest rates is likely to come much sooner in the UK. Even if the property market cools down noticeably, as a result, covered bonds from the UK are not likely to come under pressure. One reason for this is the high overcollateralisation rates, although the high proportion of fixed-rate loans and the high ratios with regard to owner-occupied housing also do not suggest that there will be a sustainable burden on cover pools or covered bonds.

SSA/Public Issuers

Beyond Bundeslaender: Region Pays de la Loire (PDLL)

Author: Dr Norman Rudschuck, CIAA

Overview of the Pays de la Loire region

The Pays de la Loire (hereinafter referred to as PDLL) region was established in the 1950s in an effort to expand the area of influence surrounding the regional capital, Nantes. It is one of the 13 regions of France. This north-western region boasts an Atlantic coastline and shares its borders exclusively with other French regions. The region comprises five *départements* (regional authorities) and three major cities: Nantes, Angers, and Le Mans. With 3.8 million inhabitants, PDLL accounts for approximately 6% of the total French population.

Financial impact of the coronavirus pandemic: tangible but manageable

The region has made available support packages during the coronavirus pandemic to support the economy and individuals/households. The implementation of this aid was based on lending schemes, guarantees, and immediate aid, among other aspects. The total volume of coronavirus-related support amounted to just shy of EUR 500m as at July 2020. The French central government also provided support, as it did for all other regions. This eased the financial strain on the region's budget planning. Nevertheless, original budget targets could not be met and therefore were adjusted. The PDLL region was also hit by the recession and, unsurprisingly, will be posting lower tax receipts for 2020/21 according to an analysis carried out by rating agency S&P. The trend in the region's receipts is illustrated in the chart below, which highlights the sharp fall. It goes hand in hand with the regional administration's conservative assumptions regarding growth and recovery and will impact directly on receipts in the coming years, as well as the debt level expected up to 2023.

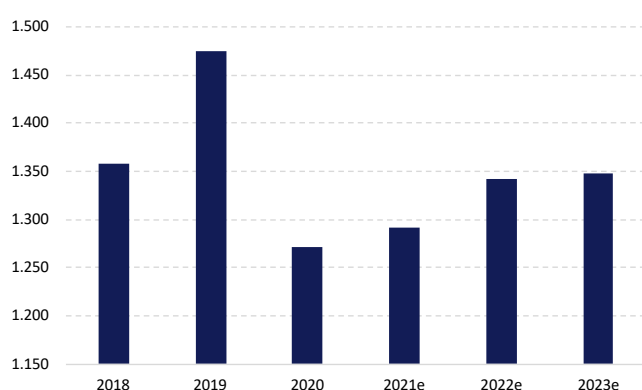
Re-election of Regional Council President Christelle Morançais in turbulent election

The 2021 election confirmed the position of Christelle Morançais (Les Républicains) as Regional Council President. However, the regional elections in 2021 did not proceed smoothly. They were marred by alleged vote rigging. The allegations were not confirmed by the Council and the election was therefore declared as lawfully conducted and counted. At less than 40%, voter turnout was historically low and was seen as a sign of distrust on the part of the electorate in state institutions. The results were unremarkable in terms of the extreme right-wing and left-wing political parties. At national level, the central government and national parliament, consisting of two chambers, are the overarching institutions. The two chambers, the National Assembly and Senate, work similarly to the bicameral system of the UK. On a local level, the structure is similar to the German system and comprises *départements* and *communes*, which are comparable to Germany's districts (Landkreise) and municipalities (Kommunen).

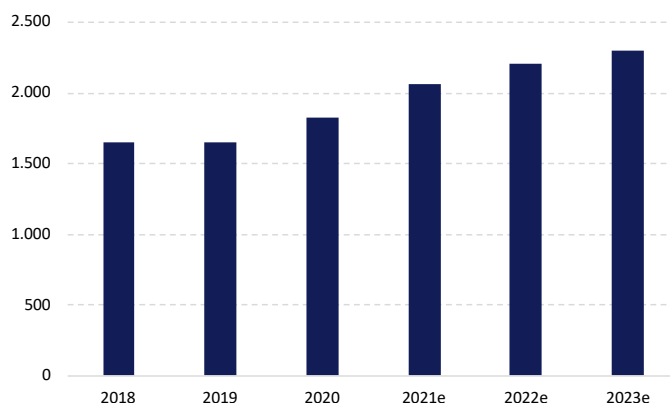
Economy predominantly industry based – per capita GDP below national average

The PDLL region has many small and medium-sized businesses in various specialised industries, including textile processing, shipping, aerospace technology, agriculture, and food processing. The region's biggest companies are Groupe Lactalis (dairy company), AS24 (fuel), and Terrena (agriculture). A strong concentration of larger companies can be observed in and around the capital, Nantes, while most companies are still based in small cities. Nantes, the region's capital city, has an international airport, which is the biggest of its kind in western France. The region is connected to the French highway network and the rail network including high speed trains. In addition, the region boasts many ports, which are vital for trade. PDLL contributes approximately 5% to national GDP and is ranked in 8th place for GDP among all regions. This ties in neatly with its ranking by population (8th place in terms of number of inhabitants). GDP per capita adjusted on the basis of purchasing power parity amounted to EUR 28,000 in 2018 (last available data point). It was lower than the national average of EUR 31,500 and also below the EU average of EUR 30,400. At 7.5%, the rate of unemployment pre-pandemic was one percentage point lower than the French national average, with youth unemployment of 15.9%, in particular, significantly below the national average of 19.7% – although still above the EU average. A clear majority of those in gainful employment work in the services sector. The region can be described as highly industrialised with 25.7% of all jobs based in the secondary sector. Agriculture also provides more jobs in the region than the national average. Many companies in the segment of agricultural technology and food processing are based in the region. The official budget amounted to EUR 2,001.9m in 2021. There are regional development programs for start-ups and innovation. However, they are not standardised across the entire region. In a national comparison, the region's foreign trade is at a very low level, partly due to its geographical location. An export value of EUR 21.9bn and import value of EUR 27.6bn mean that PDLL has recorded a foreign trade deficit. The region contributes 4.4% and 4.8% respectively to the total export and import values for France as a whole.

Regional income 2018-2023e (EUR m)



Debt level 2018-2023e (EUR m)



Source: Eurostat, NORD/LB Markets Strategy & Floor Research; e = estimate

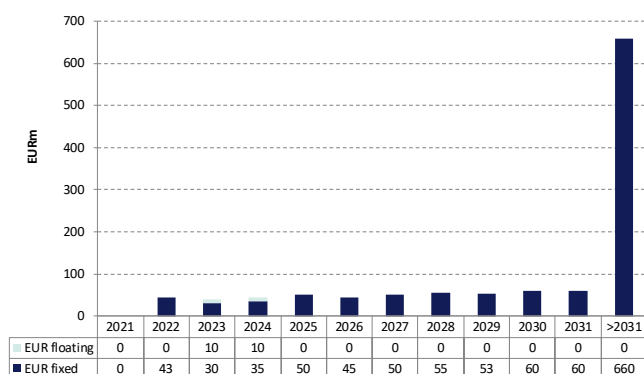
Regional strategy for maintaining the region's biodiversity

The landscape is largely defined by the Loire Valley, which also gives the region its name. Access to the Atlantic is another of the region's defining features, both in terms of nature and the economy. According to information provided by the region, it is home to 69% of all marine animals and land mammals native to France, as well as 50% of all native amphibians. In 2018, the region published a regional biodiversity strategy with targets for the period up to 2023: La Stratégie Régionale pour la Biodiversité. This framework is aimed at increasingly drawing the attention of the population and politicians to the protection of the environment. The region issued a green bond in 2018 with a volume of EUR 75m. As part of the Green Bond Framework, the bond is used to finance projects in energy, housing, and transport.

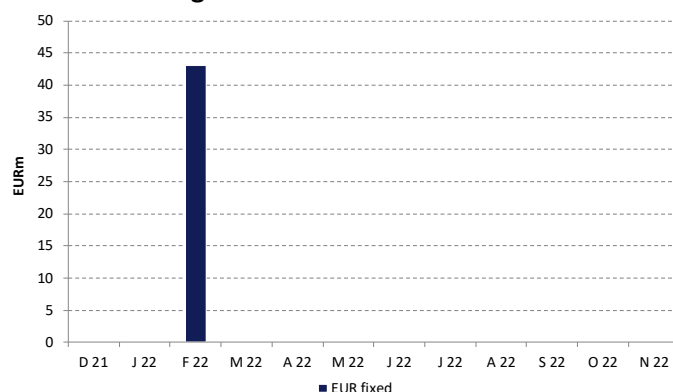
Stable rating in line with that of the French Republic

Rating reports on the region are published infrequently. The last publication dates back to 2019 when S&P rated the PDLL region AA (stable), which matches the sovereign rating of France.

Bonds by currency and type



Bonds maturing in the next 12 months



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research; Data as of 18.11.2021 eod

Bonds

The volume outstanding under the RLOIRE ticker totals EUR 1.2bn across 44 bond issues. Bonds worth EUR 660m will not mature until after 2031. The share of EUR 20m in the floating rate segment is almost negligible. No foreign currency diversification is evident. The above-mentioned ESG projects and the relevant framework are intriguing. The biggest bond issue outstanding relates to sustainability bonds which were recently launched in October 2021 (EUR 100m, 20y, OAT +22bp). The order book totaled in excess of EUR 145m at the time.

Conclusion

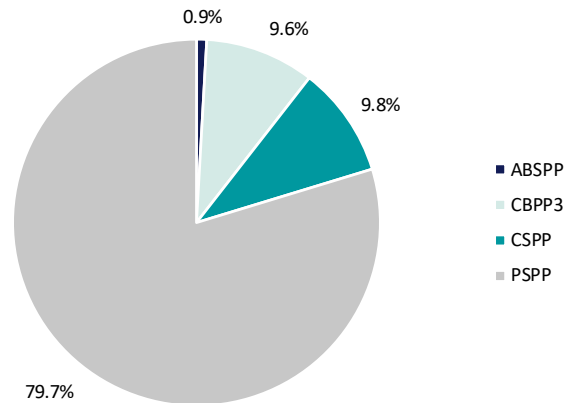
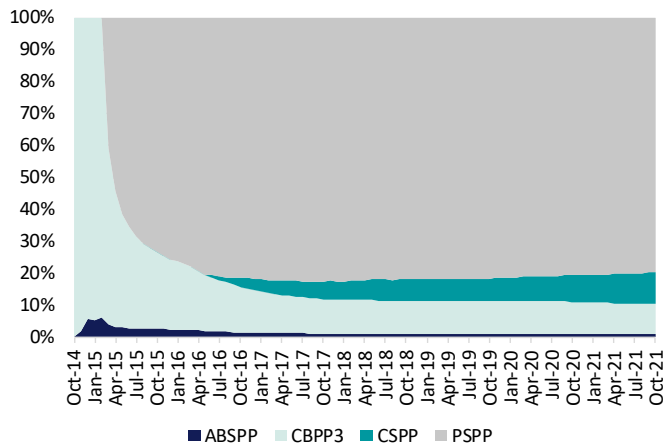
In summary, the PDLL region – similar to most regions in France – has a steady economy and regional policy. GDP per capita is relatively low and economic activity is largely focused on SMEs. The rate of unemployment is rather low in a national comparison. The region managed the impacts of the pandemic comparatively well, although it did face financial losses.

ECB tracker

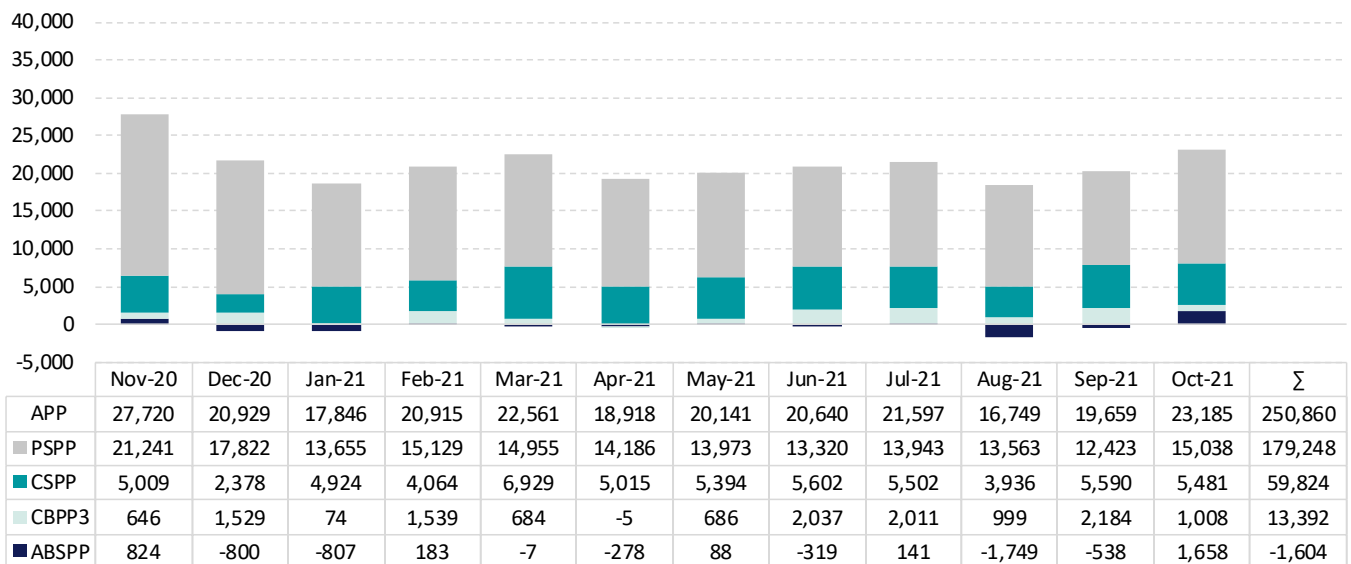
Asset Purchase Programme (APP)

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

Portfolio structure

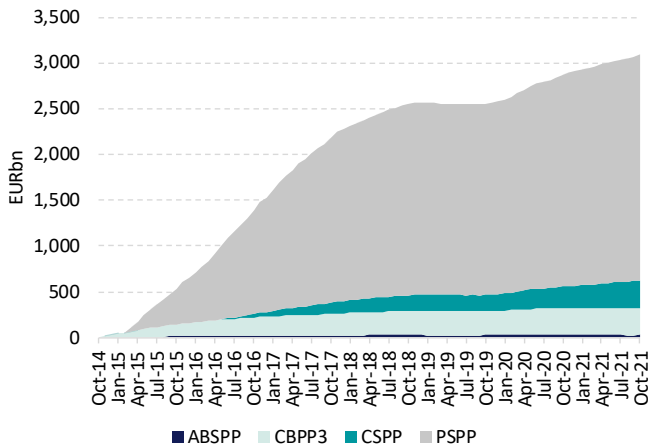


Monthly net purchases (in EURm)

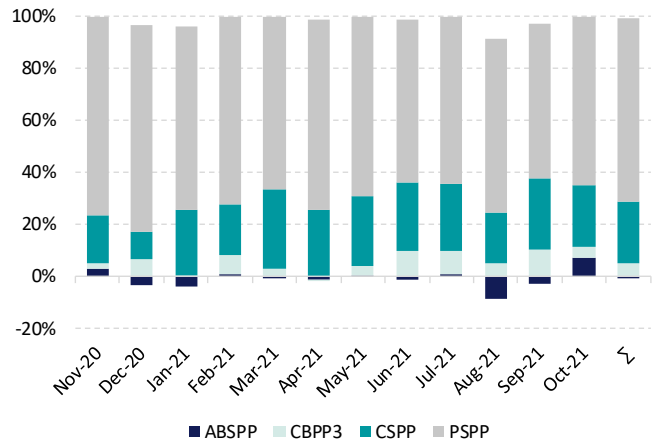


Source: ECB, NORD/LB Markets Strategy & Floor Research

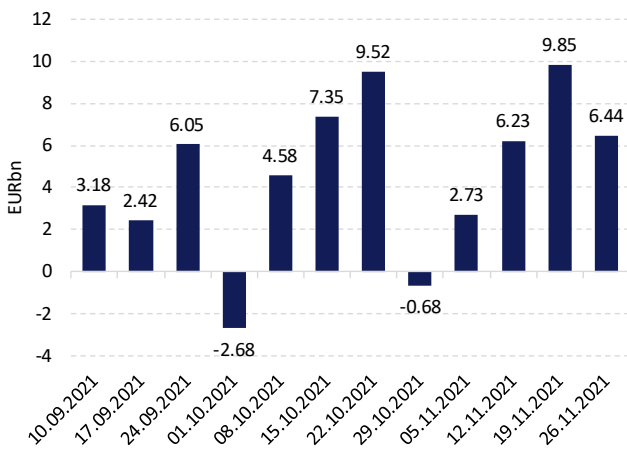
Portfolio development



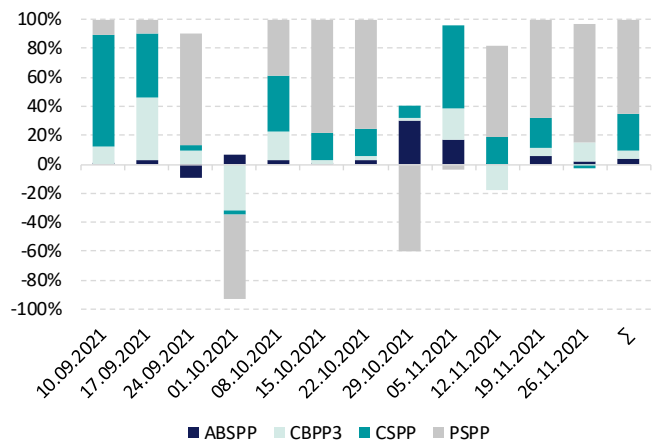
Distribution of monthly purchases



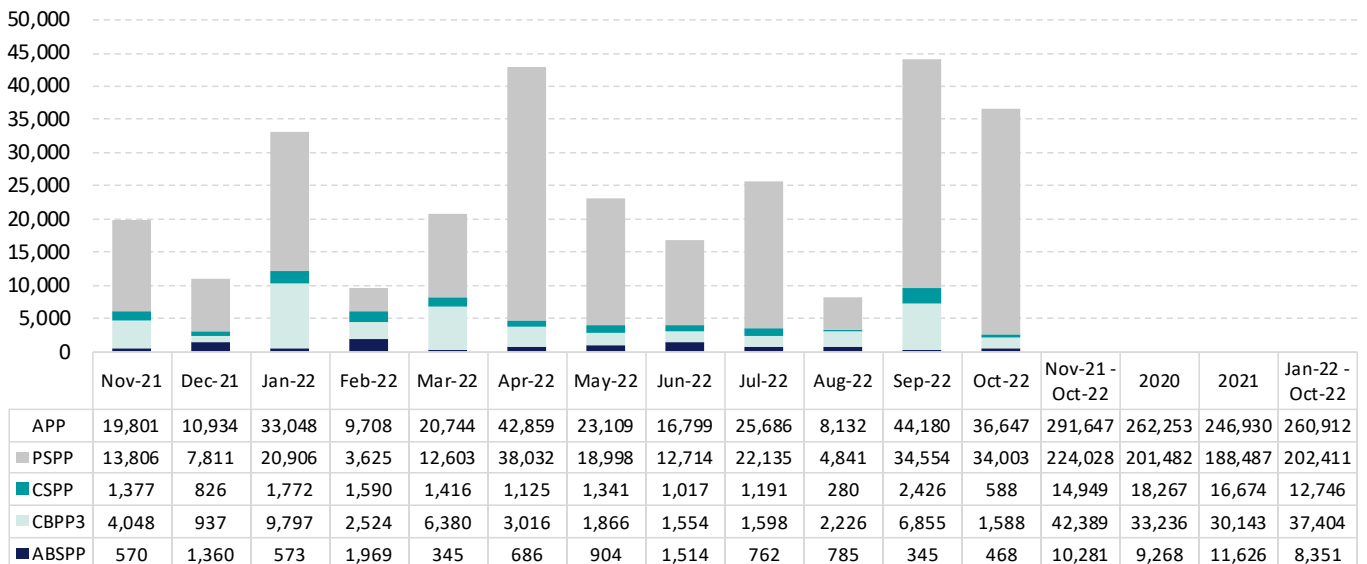
Weekly purchases



Distribution of weekly purchases



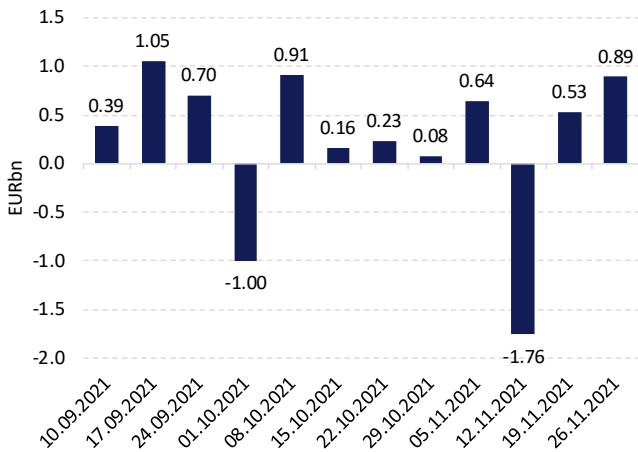
Expected monthly redemptions (in EURm)



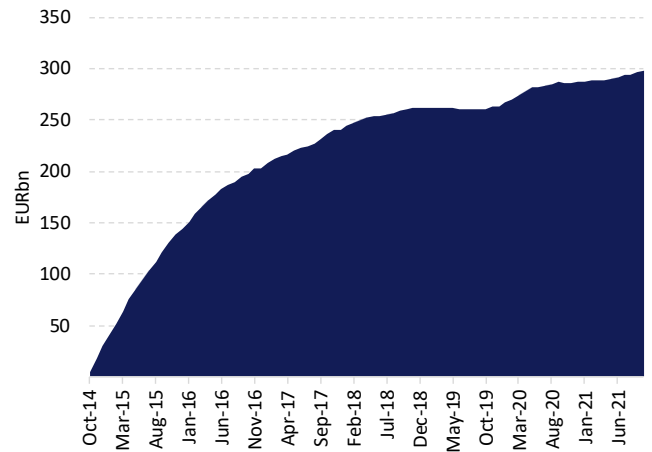
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Covered Bond Purchase Programme 3 (CBPP3)

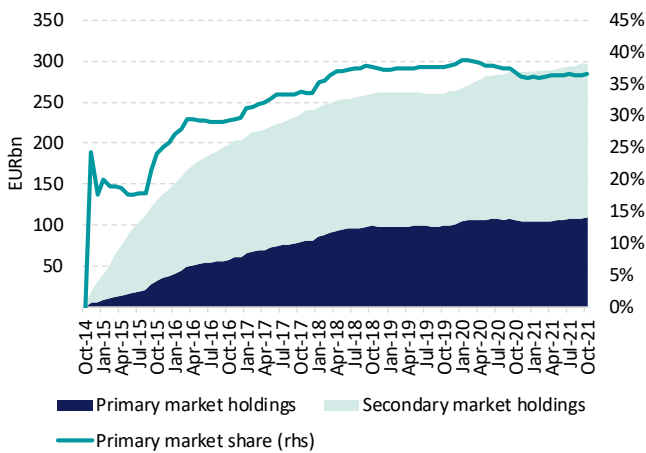
Weekly purchases



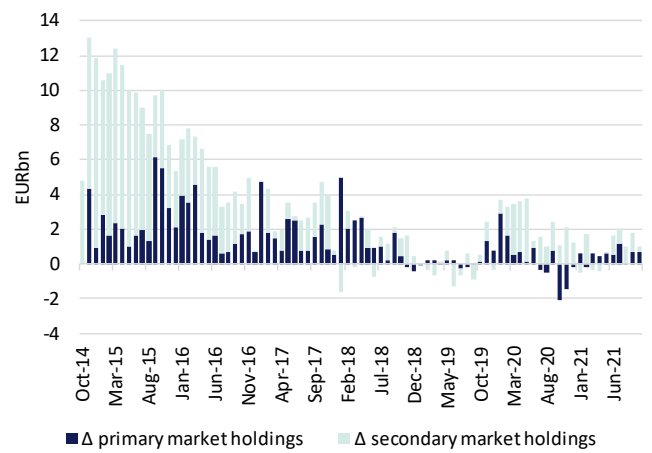
Development of CBPP3 volume



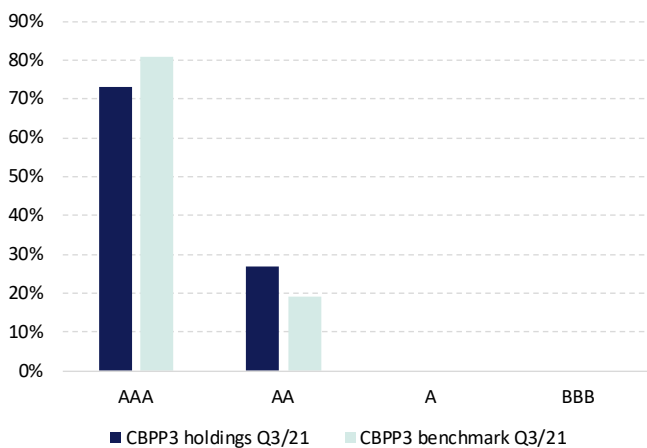
Primary and secondary market holdings



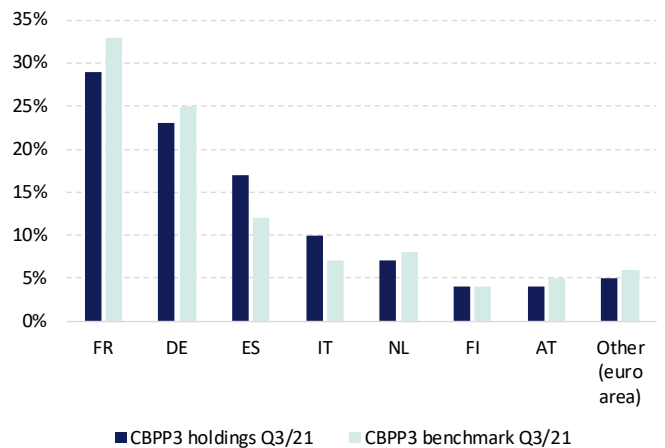
Change of primary and secondary market holdings



Distribution of CBPP3 by credit rating

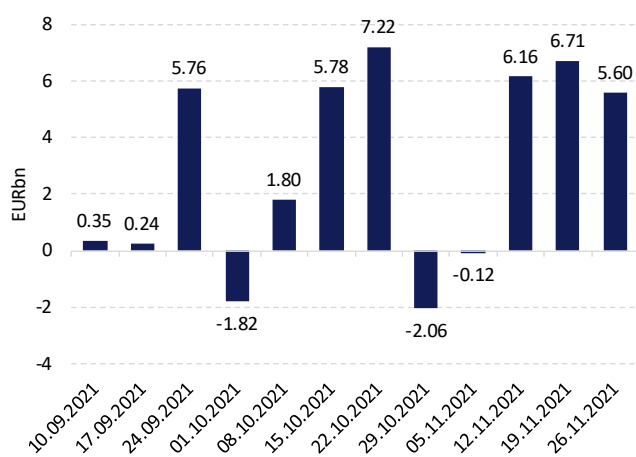


Distribution of CBPP3 by country of risk

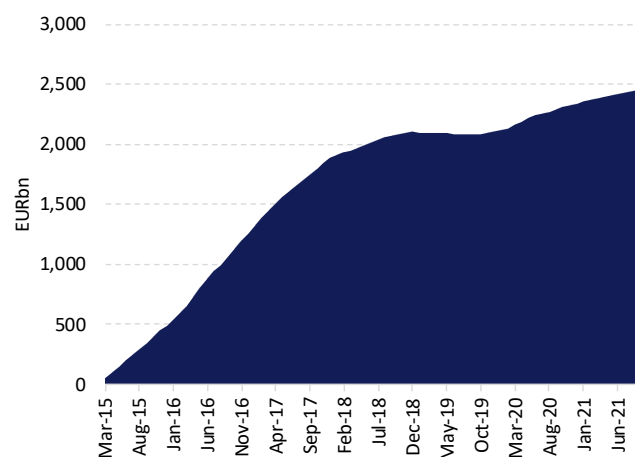


Public Sector Purchase Programme (PSPP)

Weekly purchases



Development of PSPP volume



Overall distribution of PSPP buying at month-end

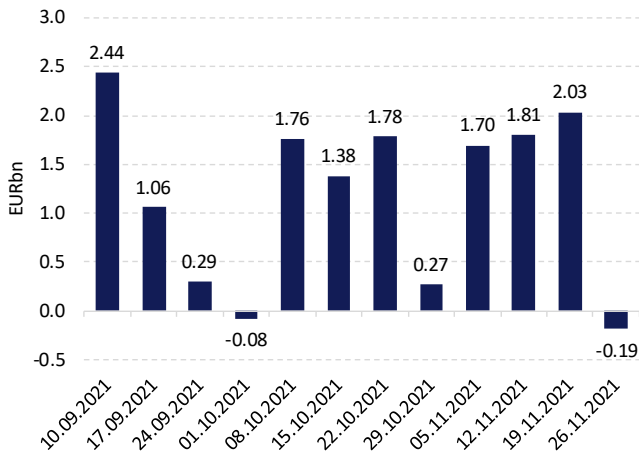
Jurisdiction	Adjusted distribution key ¹	Purchases (EURm)	Expected purchases (EURm) ²	Difference (EURm)	Avg. time to maturity ³ (in years)	Market average ³ (in years) ³	Difference (in years)
AT	2.7%	71,416	70,316	1,100	7.5	7.6	-0.1
BE	3.4%	89,945	87,525	2,420	8.0	10.2	-2.2
CY	0.2%	4,040	5,169	-1,129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

¹ Based on the ECB capital key, adjusted to include supras and the disqualification of Greece² Based on the adjusted distribution key³ Weighted average time to maturity of the bonds eligible for purchasing under the PSPP (semi-annual data, Q1/2021)

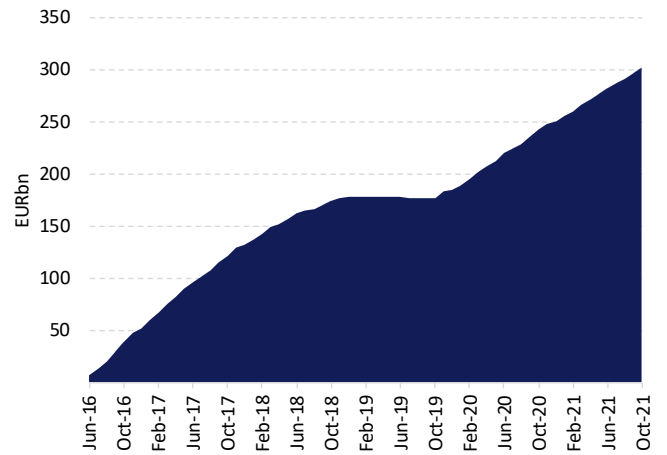
Source: ECB, NORD/LB Markets Strategy & Floor Research

Corporate Sector Purchase Programme (CSPP)

Weekly purchases

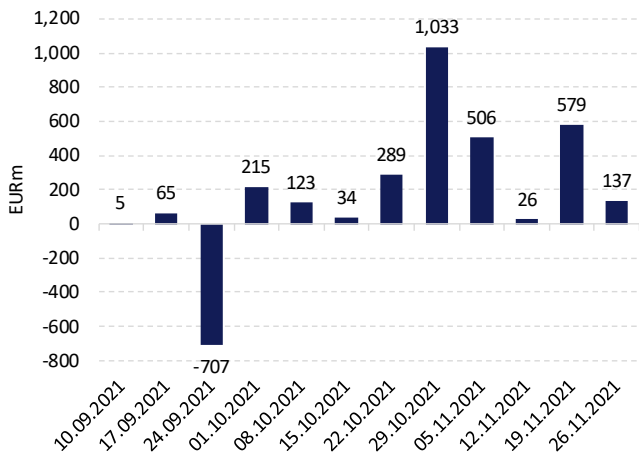


Development of CSPP volume

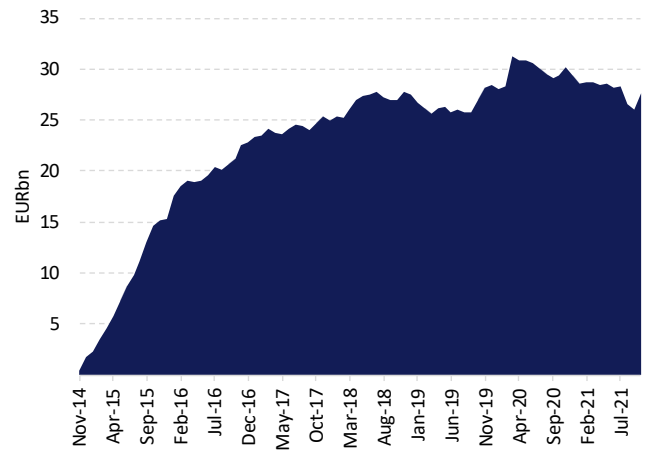


Asset-Backed Securities Purchase Programme (ABSPP)

Weekly purchases



Development of ABSPP volume



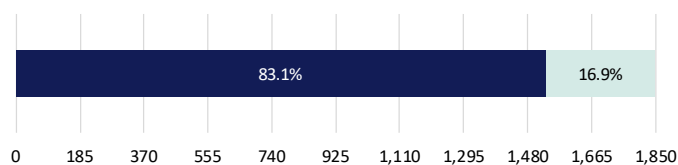
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Pandemic Emergency Purchase Programme (PEPP)

Holdings (in EURm)

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

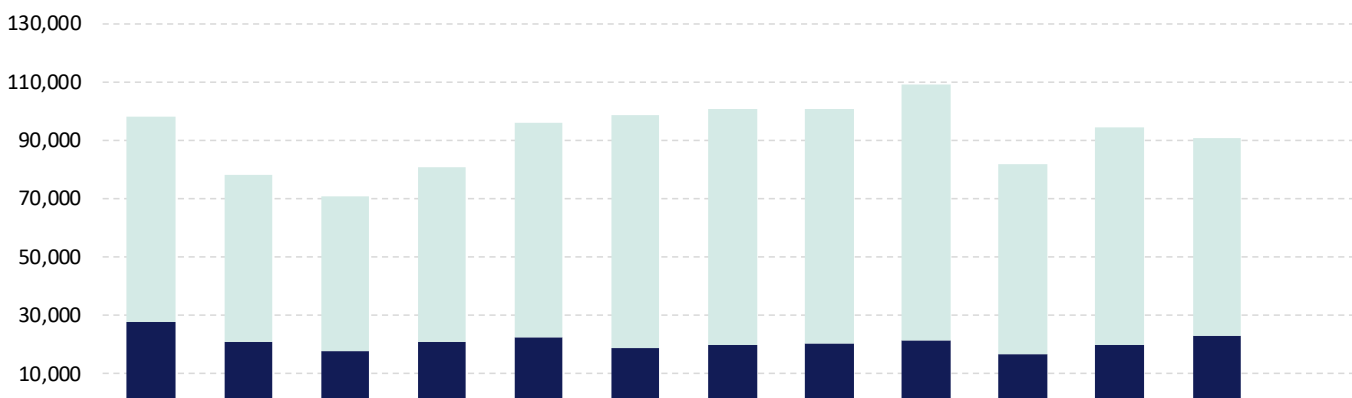
Volume already invested (in EURbn)



Estimated portfolio development

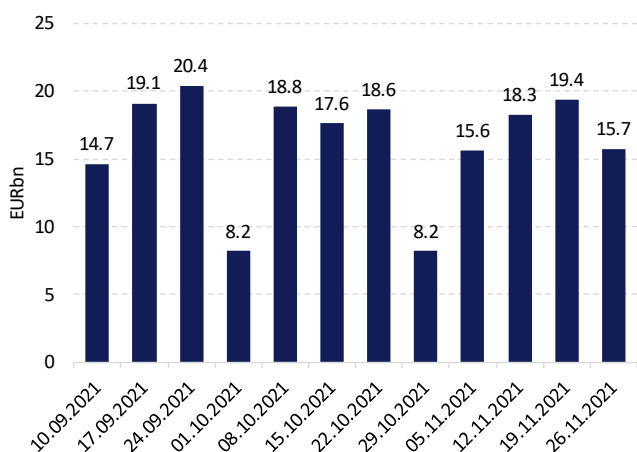
Assumed pace of purchases	Weekly net purchase volume	PEPP limit hit in ...
Average weekly net purchase volume so far	EUR 17.7bn	18 weeks (01.04.2022)

Monthly net purchases (in EURm)

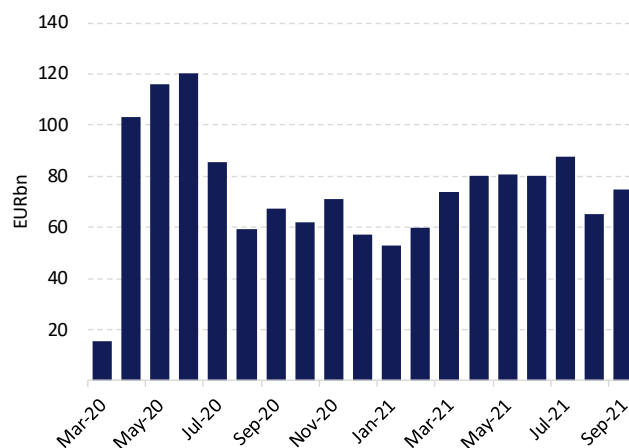


	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Σ
Σ	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	91,040	1,101,83
PEPP	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	850,978
APP	27,720	20,929	17,846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

Weekly purchases



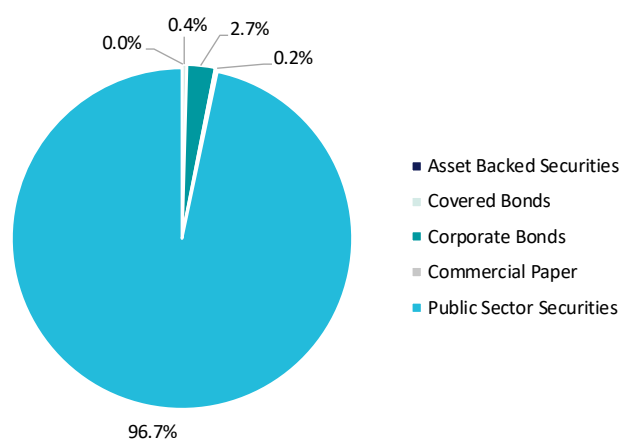
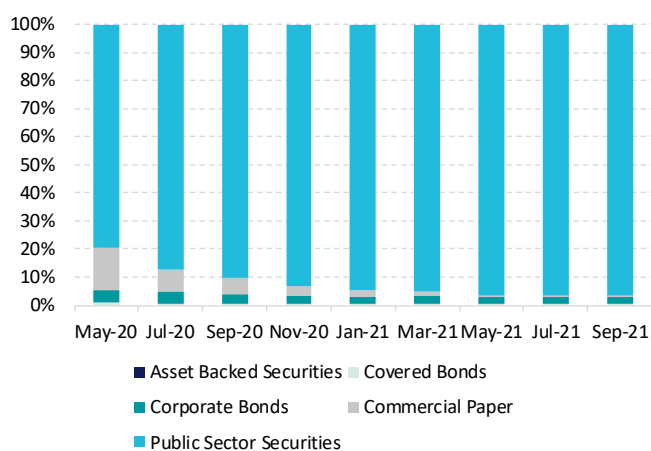
Development of PEPP volume



Holdings under the PEPP (in EURm)

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

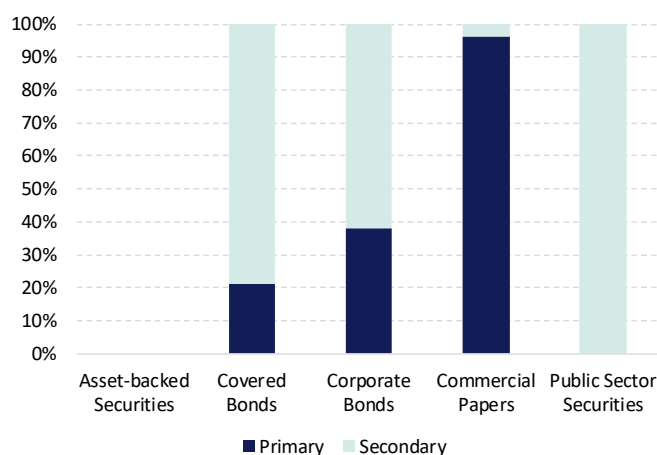
Portfolio structure



Portfolio development



Share of primary and secondary market holdings



Breakdown of private sector securities under the PEPP

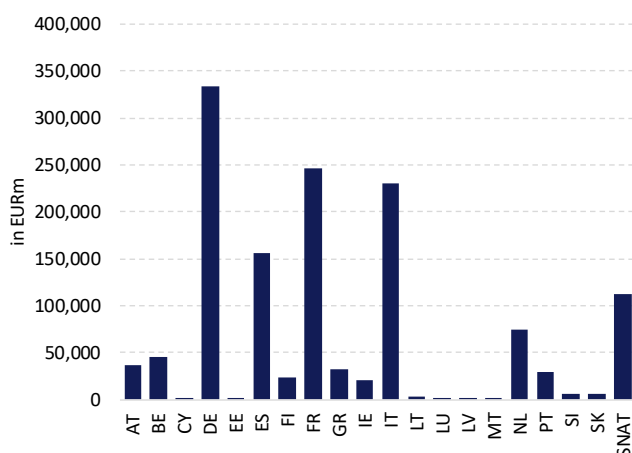
Sep-21	Asset-backed securities		Covered bonds		Corporate bonds		Commercial paper	
	Primary	Secondary	Primary	Secondary	Primary	Secondary	Primary	Secondary
Holdings in EURm	0	0	1,298	4,781	14,113	23,026	3,191	123
Share	0.0%	0.0%	21.4%	78.7%	38.0%	62.0%	96.3%	3.7%

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

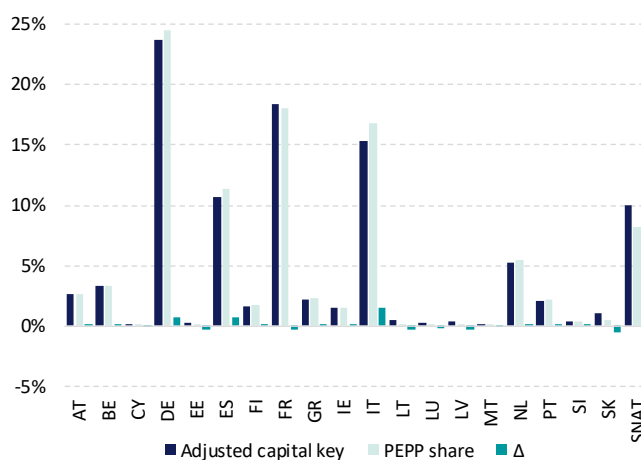
Breakdown of public sector securities under the PEPP

Jurisdiction	Holdings (in EURm)	Adj. distribution key ¹	PEPP share	Deviations from the adj. distribution key ²	Ø time to maturity (in years)	Market average ³ (in years)	Difference (in years)
AT	36,922	2.6%	2.7%	0.1%	8.5	7.2	1.4
BE	46,226	3.3%	3.4%	0.1%	6.7	9.1	-2.4
CY	2,308	0.2%	0.2%	0.0%	9.0	8.0	1.0
DE	334,500	23.7%	24.5%	0.8%	6.2	6.8	-0.6
EE	256	0.3%	0.0%	-0.2%	8.7	7.0	1.7
ES	155,773	10.7%	11.4%	0.7%	8.1	7.5	0.6
FI	23,292	1.7%	1.7%	0.1%	7.4	7.6	-0.2
FR	246,513	18.4%	18.1%	-0.3%	8.4	7.6	0.8
GR	32,185	2.2%	2.4%	0.1%	9.2	9.7	-0.5
IE	21,486	1.5%	1.6%	0.0%	8.8	9.2	-0.4
IT	230,234	15.3%	16.9%	1.6%	7.0	6.9	0.0
LT	2,767	0.5%	0.2%	-0.3%	11.5	10.4	1.1
LU	1,854	0.3%	0.1%	-0.2%	6.8	6.2	0.5
LV	1,532	0.4%	0.1%	-0.2%	9.3	9.3	0.0
MT	383	0.1%	0.0%	-0.1%	9.7	9.0	0.7
NL	74,352	5.3%	5.4%	0.2%	7.2	8.2	-1.1
PT	30,245	2.1%	2.2%	0.1%	7.0	7.2	-0.3
SI	6,003	0.4%	0.4%	0.0%	9.5	9.3	0.2
SK	6,892	1.0%	0.5%	-0.5%	9.1	8.2	0.9
SNAT	111,925	10.0%	8.2%	-1.8%	10.9	8.5	2.4
Total / Avg.	1,365,650	100.0%	100.0%	0.0%	7.7	7.5	0.2

Distribution of public sector assets by jurisdiction



Deviations from the adjusted distribution key

¹ Based on the ECB capital key, adjusted to include supras ² Based on the adjusted distribution key³ Weighted average time to maturity of the bonds eligible for purchasing under the PEPP

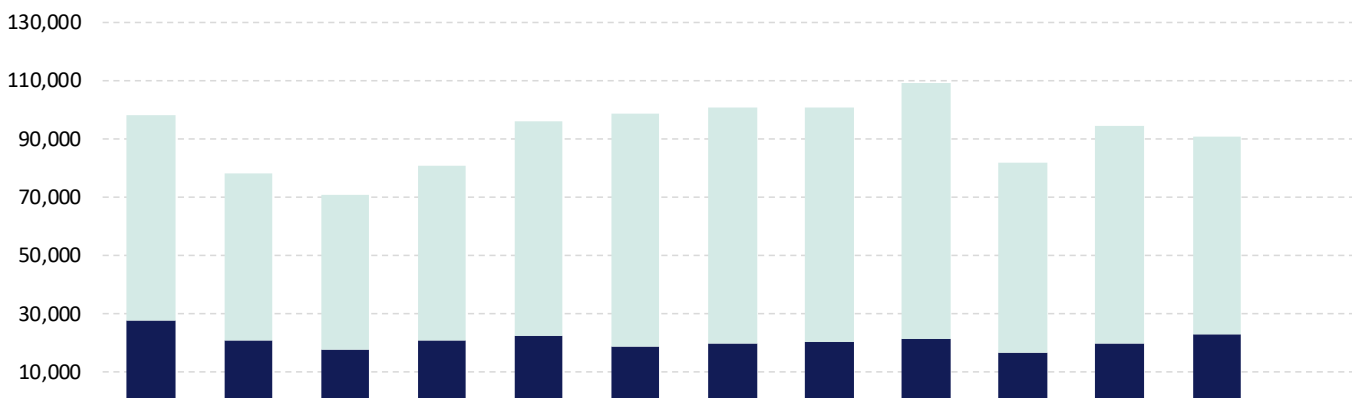
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Aggregated purchase activity under APP and PEPP

Holdings (in EURm)

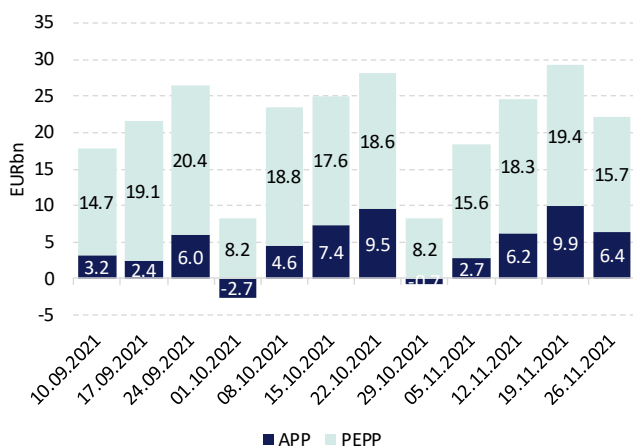
	APP	PEPP	APP & PEPP
Sep-21	3,068,284	1,412,291	4,480,575
Oct-21	3,091,470	1,480,146	4,571,616
Δ	+23,185	+67,855	+91,040

Monthly net purchases (in EURm)

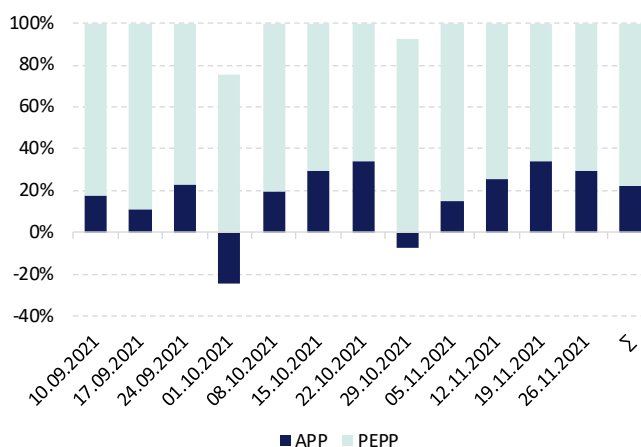


	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Σ
Σ	98,555	78,092	70,892	80,829	96,082	99,036	100,841	100,808	109,154	81,799	94,710	91,040	1,101,83
PEPP	70,835	57,163	53,046	59,914	73,521	80,118	80,700	80,168	87,557	65,050	75,051	67,855	850,978
APP	27,720	20,929	17,846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

Weekly purchases



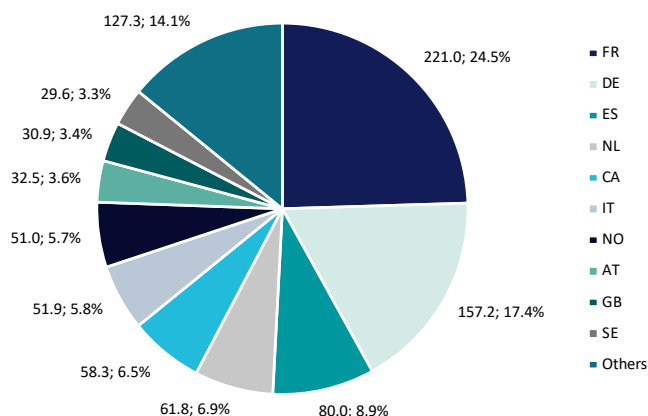
Distribution of weekly purchases



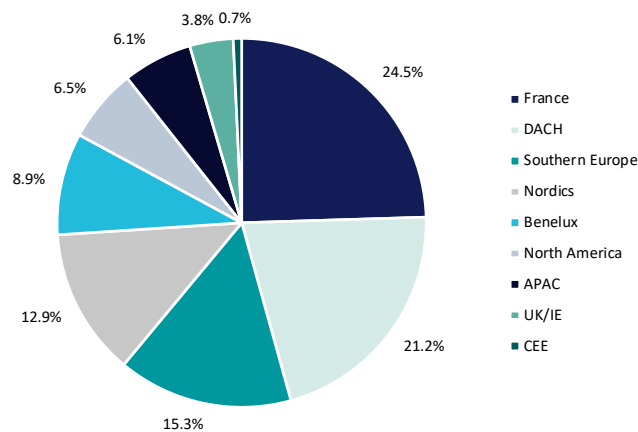
Source: ECB, Bloomberg, NORD/LB Markets Strategy & Floor Research

Charts & Figures Covered Bonds

EUR benchmark volume by country (in EURbn)



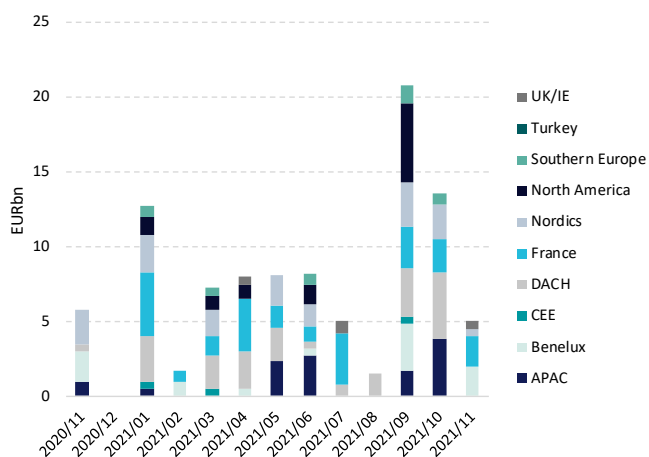
EUR benchmark volume by region (in EURbn)



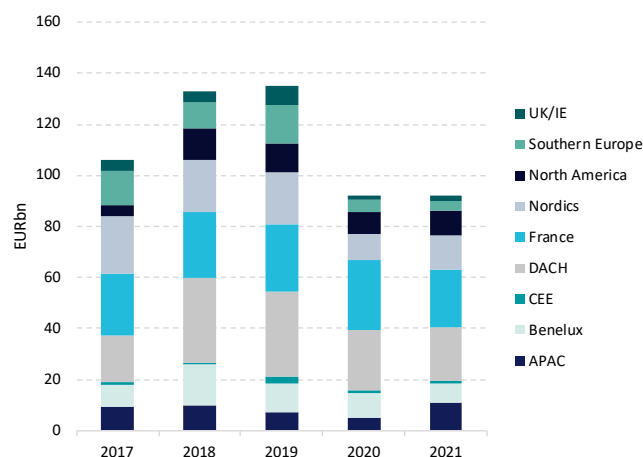
Top-10 jurisdictions

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	221.0	210	11	0.94	10.1	5.5	0.94
2	DE	157.2	232	16	0.61	8.4	4.6	0.42
3	ES	80.0	65	4	1.13	11.6	3.7	1.80
4	NL	61.8	64	0	0.91	11.6	7.6	0.80
5	CA	58.3	51	0	1.11	6.1	3.1	0.22
6	IT	51.9	61	1	0.82	9.0	4.0	1.30
7	NO	51.0	58	9	0.88	7.3	4.0	0.37
8	AT	32.5	60	2	0.54	9.9	6.3	0.60
9	GB	30.9	37	1	0.86	8.5	3.7	0.91
10	SE	29.6	36	0	0.82	7.6	3.6	0.41

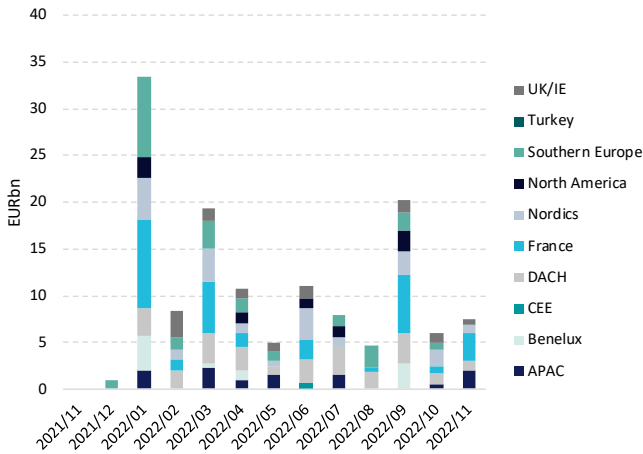
EUR benchmark issue volume by month



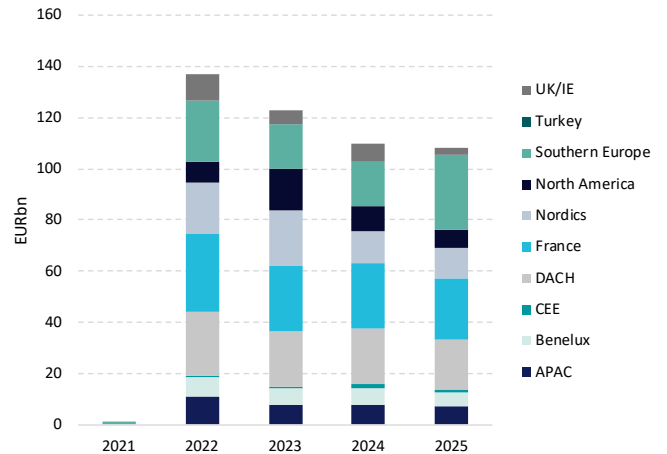
EUR benchmark issue volume by year



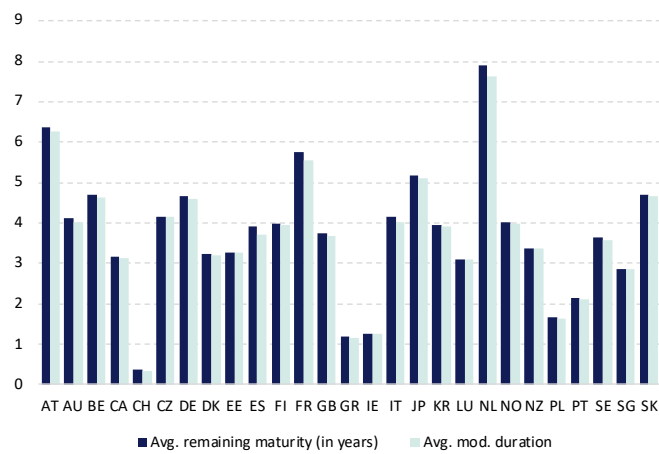
EUR benchmark maturities by month



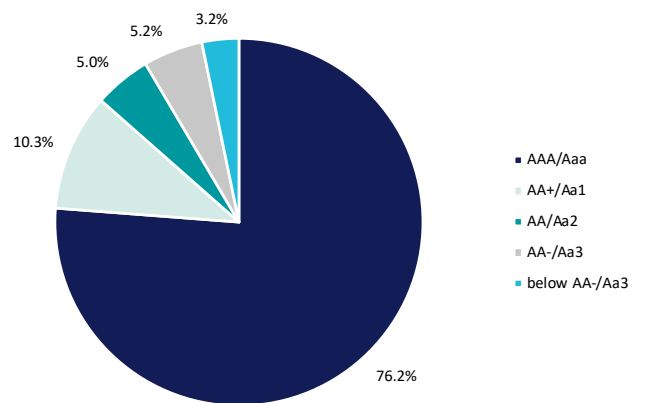
EUR benchmark maturities by year



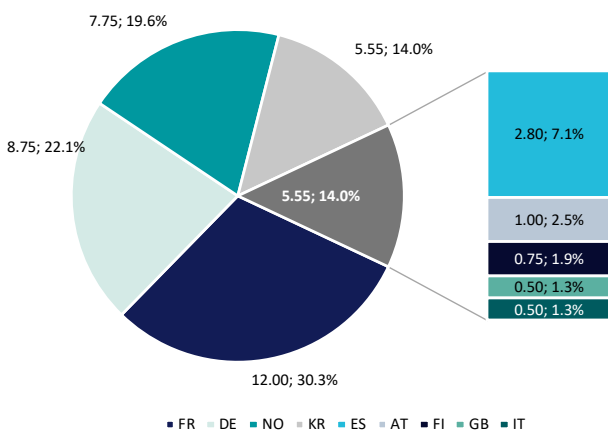
Modified duration and time to maturity by country



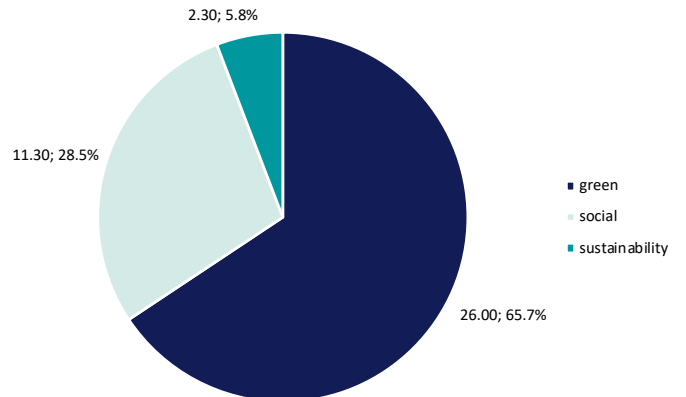
Rating distribution (volume weighted)



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

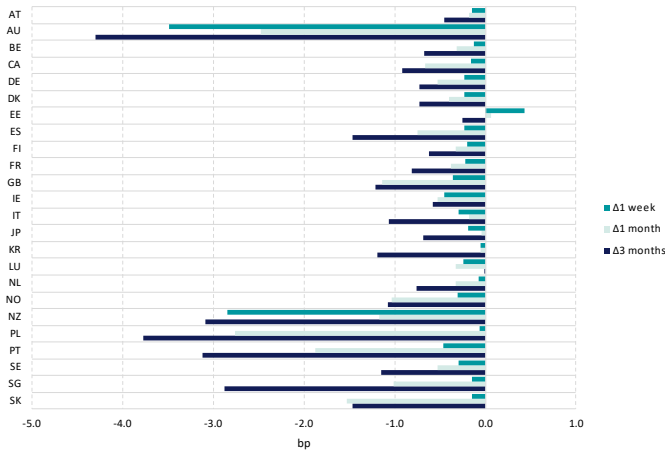


EUR benchmark volume (ESG) by type (in EURbn)

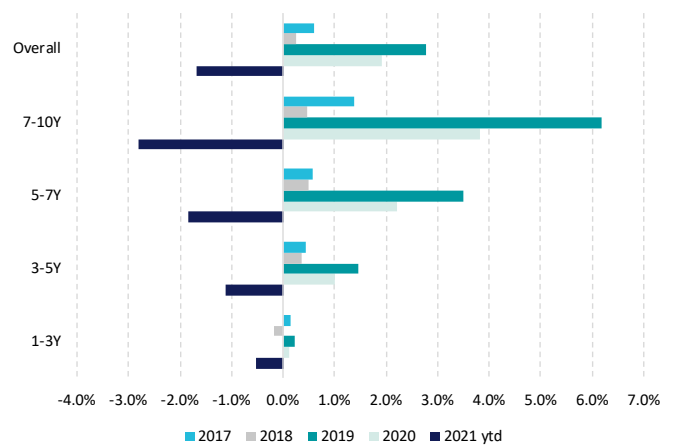


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research

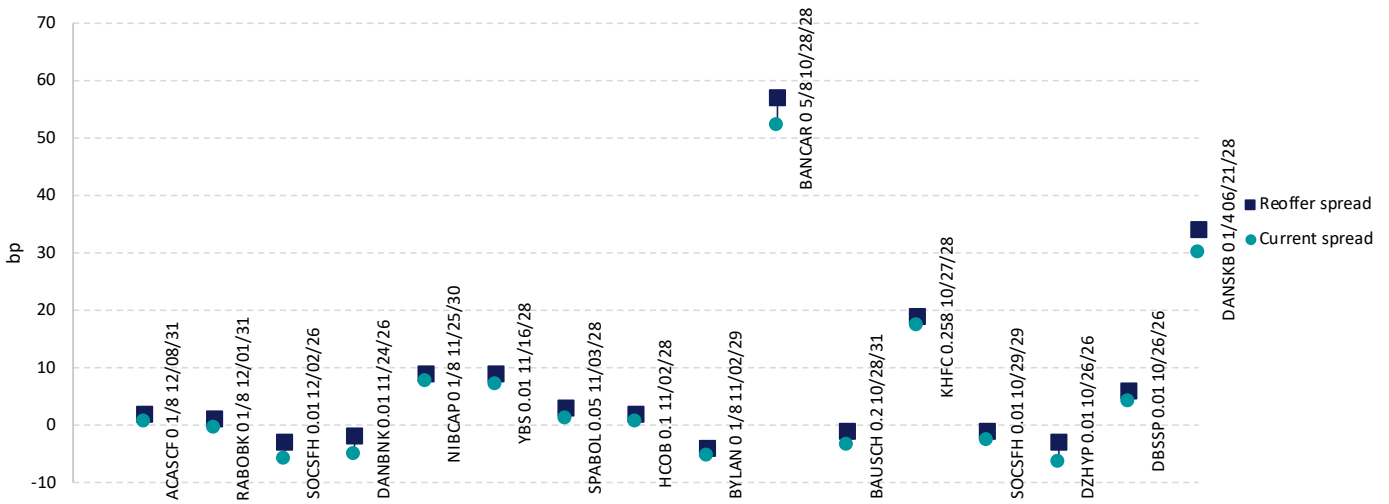
Spread development by country



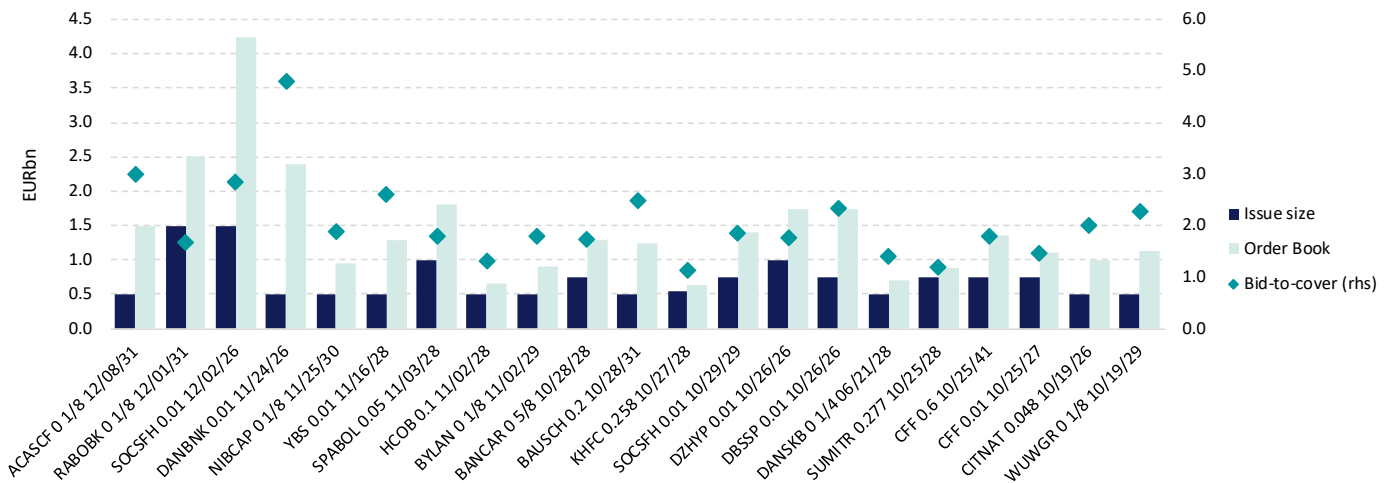
Covered bond performance (Total return)



Spread development (last 15 issues)

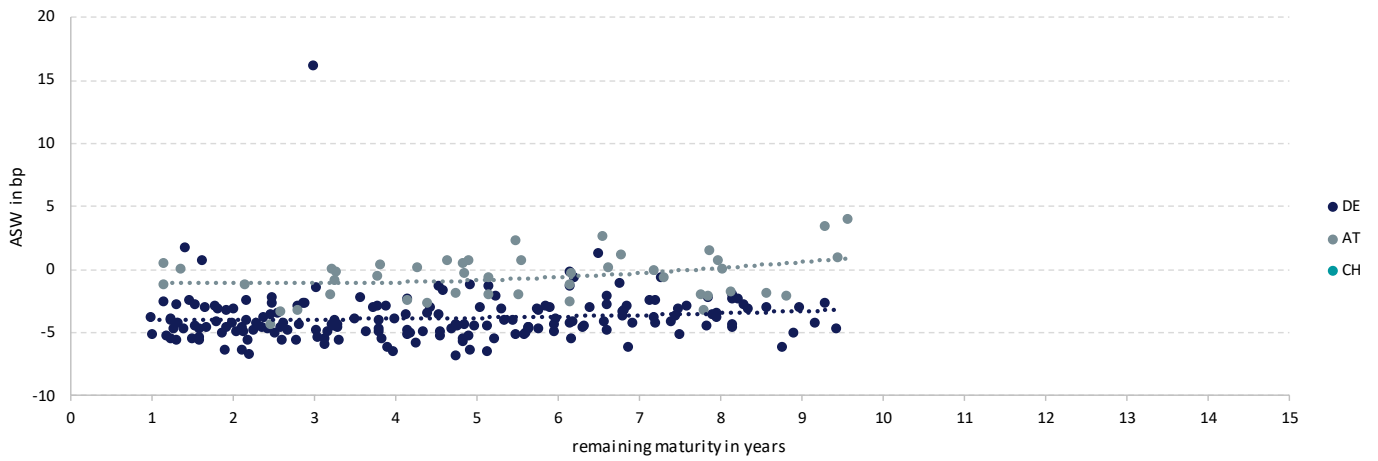


Order books (last 15 issues)

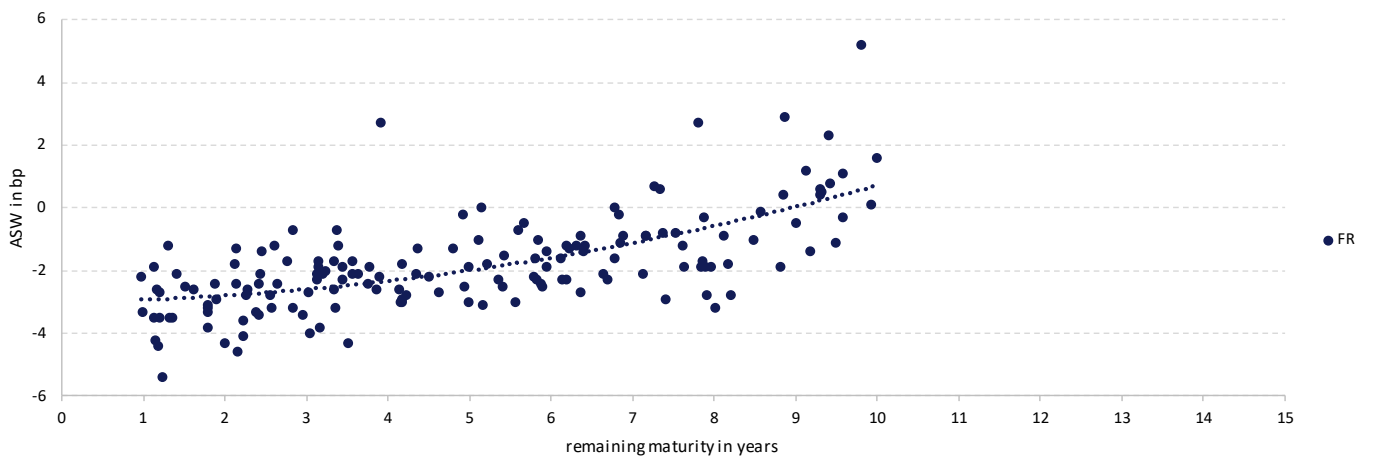


Spread overview¹

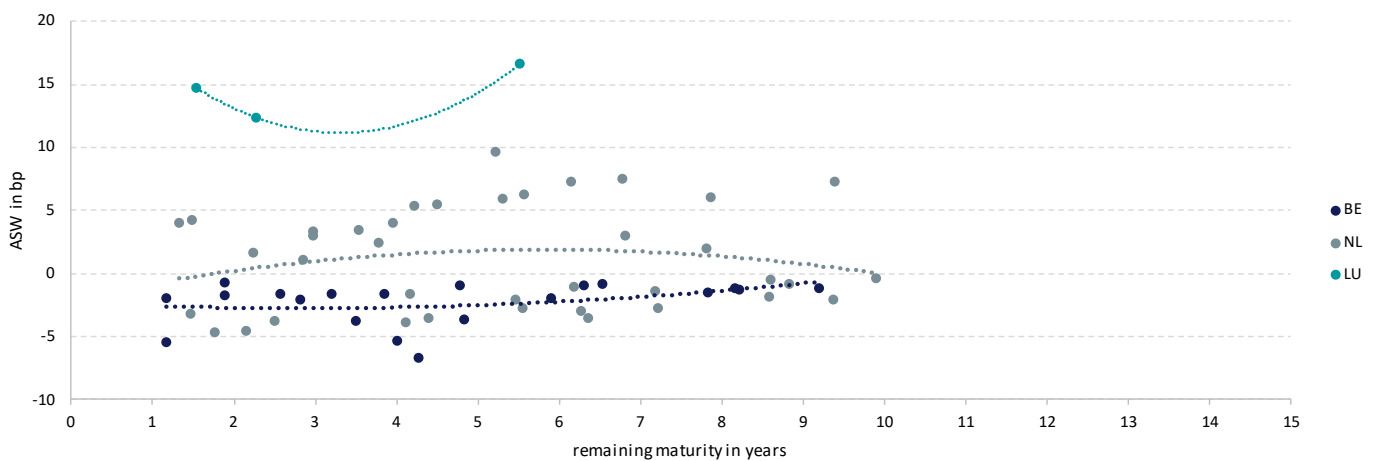
DACH 



France 

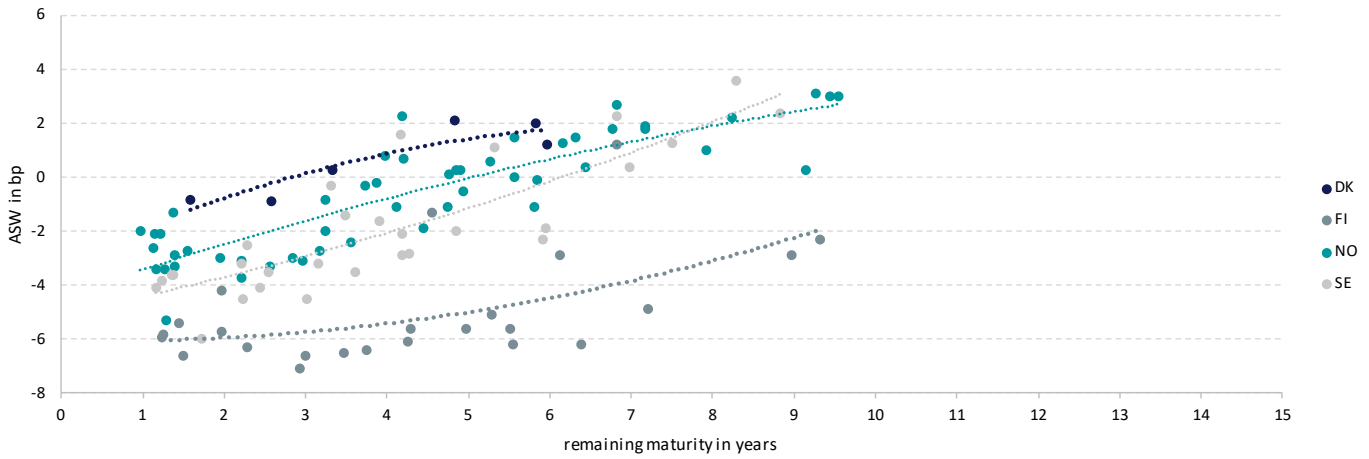


Benelux 

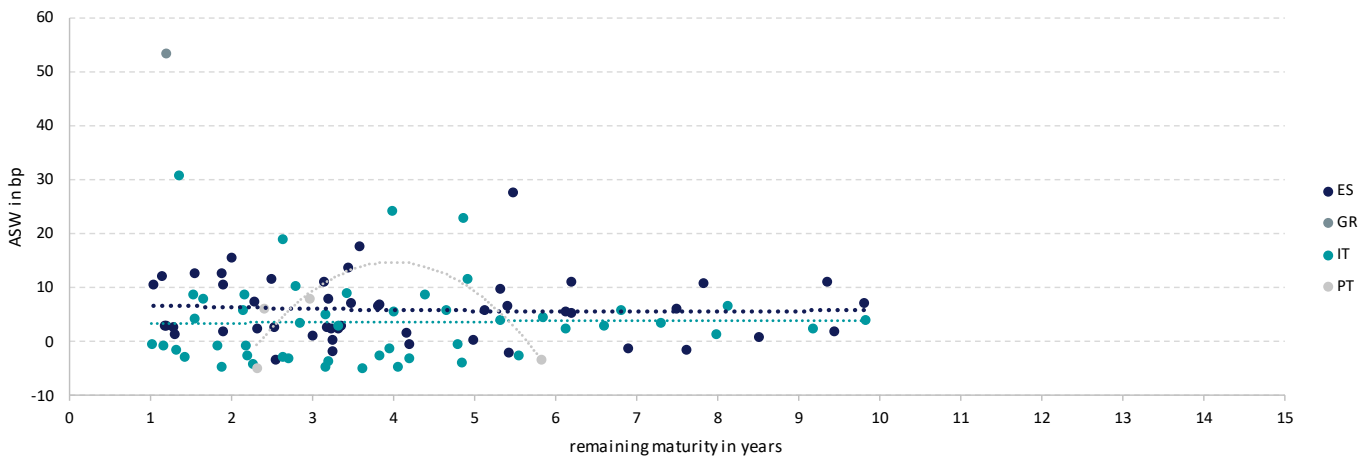


Source: Market data, Bloomberg, NORD/LB Markets Strategy & Floor Research ¹Time to maturity 1 ≤ y ≤ 15

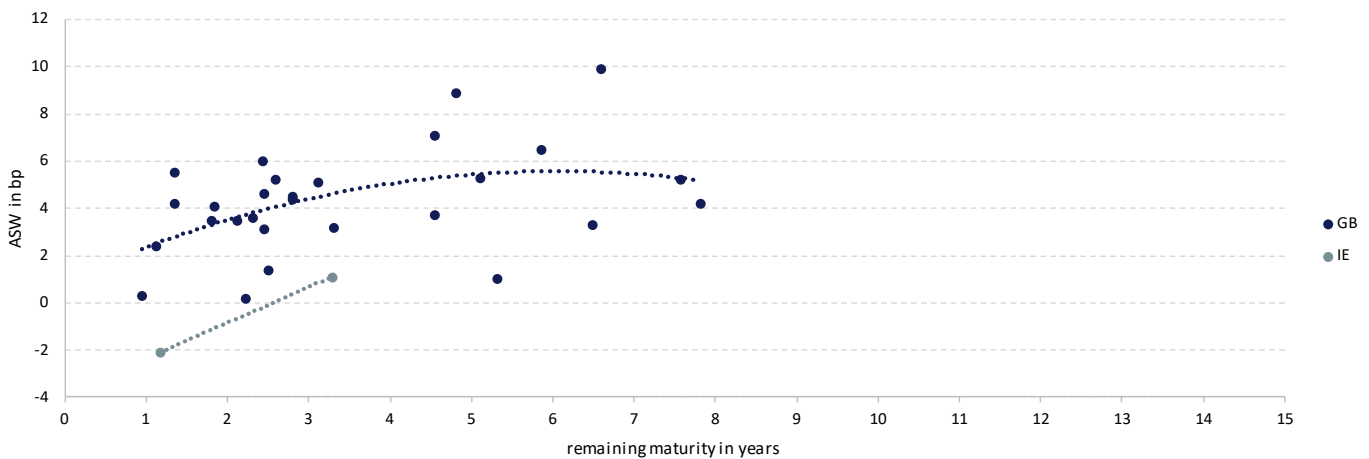
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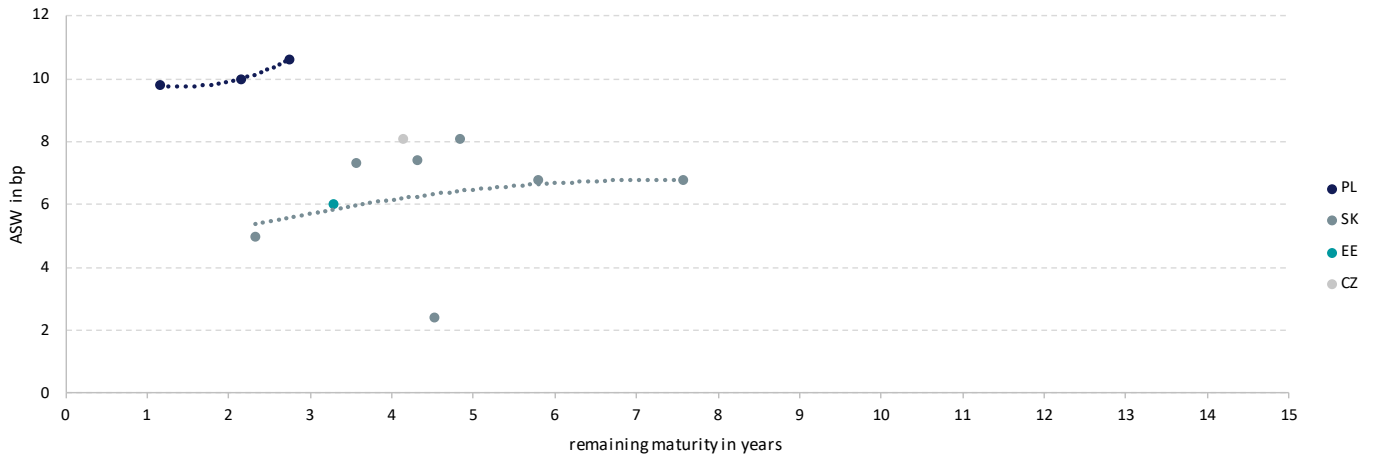
Southern Europe 🇪🇸 🇬🇷 🇮🇹 🇵🇹



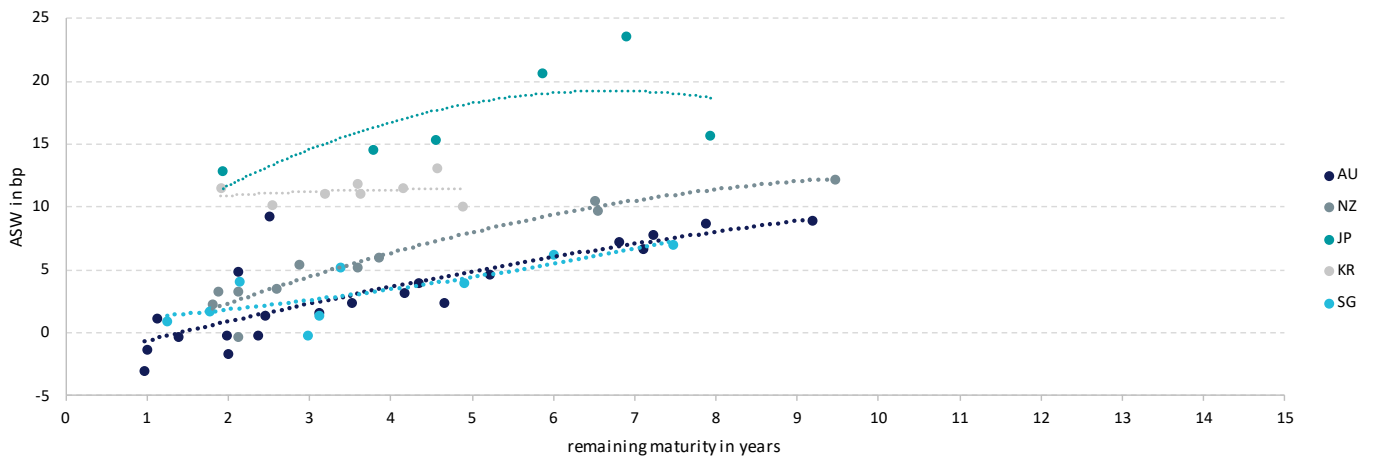
UK/IE 🇬🇧 🇮🇪



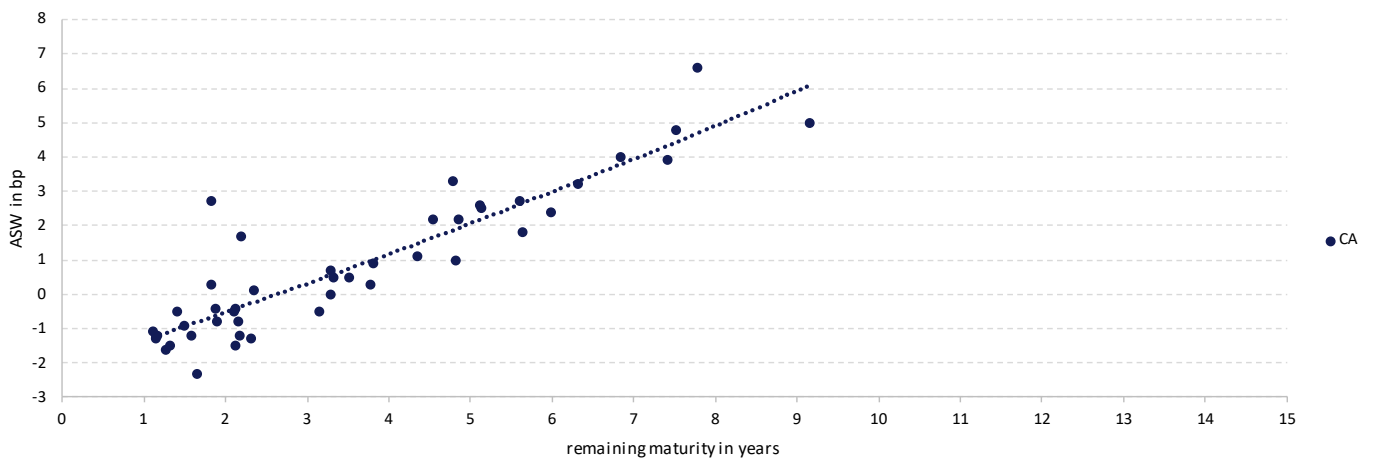
CEE 



APAC 



North America 



Appendix

Overview of latest Covered Bond & SSA View editions

Publication	Topics
37/2021 ♦ 24 November	<ul style="list-style-type: none"> Benchmark deals outside the euro: momentum has returned! Transparency regulations under Section 28 of the Pfandbriefgesetz (PfandBG - German Pfandbrief Act) Q3 2021 Beyond Bundeslaender: Auvergne-Rhône-Alpes Region (ARA)
36/2021 ♦ 17 November	<ul style="list-style-type: none"> Primary market forecast 2022: time for a comeback? Development of the German property market Beyond Bundeslaender: Spotlight on Belgian regions
35/2021 ♦ 10 November	<ul style="list-style-type: none"> PEPP approaching notional end – will the APP be pepped up? Spain’s major move – will the amended covered bond legislation breathe new life into the market?
34/2021 ♦ 03 November	<ul style="list-style-type: none"> Repayment structures on the covered bond market: EU harmonisation is already leaving its mark Beyond Bundeslaender: Spanish regions in the spotlight
33/2021 ♦ 27 October	<ul style="list-style-type: none"> Insurance firms as covered bond investors: A look at Solvency II and EIOPA statistics The Scope rating approach
32/2021 ♦ 20 October	<ul style="list-style-type: none"> ECB preview: interim step before a landmark December? ECBC publishes annual statistics for 2020 Covered bonds in the context of the ECB collateral framework
31/2021 ♦ 22 September	<ul style="list-style-type: none"> Covered bond primary market: a September to remember Announcement: Issuer Guide German Laender 2021
30/2021 ♦ 15 September	<ul style="list-style-type: none"> Transparency requirements § 28 PfandBG Q2 2021 Fitch: rating approach covered bonds Update: Joint Laender (Ticker: LANDER)
29/2021 ♦ 08 September	<ul style="list-style-type: none"> New dynamic on the Canadian covered bond market: Two debut EUR issuers Development of the German property market NGEU in the starting blocks: 3, 2, 1 ... EU auctions!
28/2021 ♦ 01 September	<ul style="list-style-type: none"> ECB preview: focus on the pace of PEPP purchases? France – largest jurisdiction in EUR benchmark bond segment: a covered bond overview of the “Grande Nation”
27/2021 ♦ 28 July	<ul style="list-style-type: none"> NORD/LB Issuer Guide Covered Bonds 2021: A constant during turbulent times Beyond Bundeslaender: Madeira and the Azores
26/2021 ♦ 21 July	<ul style="list-style-type: none"> Summer break just around the corner – a glance at covered bonds in USD and GBP
25/2021 ♦ 14 July	<ul style="list-style-type: none"> New ECB strategy – communication remains the be-all and end-all ECB preview: the first meeting under the “new” regime
24/2021 ♦ 07 July	<ul style="list-style-type: none"> Covered Bonds: Review of H1 and outlook for H2 2021 Half-time report 2021 – how will the SSA segment fare in the second half?
23/2021 ♦ 30 June	<ul style="list-style-type: none"> Return of the Australian covered bond market: National Australia Bank issues first EUR benchmark since 201)
22/2021 ♦ 23 June	<ul style="list-style-type: none"> TLTRO III.8 neither really strong nor extraordinarily weak: implications for the covered bond market Realignment of the German real property tax

Appendix

Publication overview

Covered Bonds:

Issuer Guide Covered Bonds 2021

Risk weights and LCR levels of covered bonds

Transparency requirements §28 PfandBG

Transparenzvorschrift §28 PfandBG Sparkassen (German only)

SSA/Public Issuers:

Issuer Guide – Supranationals & Agencies 2019

Issuer Guide – Canadian Provinces & Territories 2020

Issuer Guide – German Bundeslaender 2021

Issuer Guide – Down Under 2019

Fixed Income:

ESG update

Analysis of ESG reporting

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

ECB launches corona pandemic emergency

ECB responds to corona risks

Appendix

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

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Origination Corporates	+49 511 361-2911

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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
Laender/Regionen	+49 511 9818-9550
Frequent Issuers	+49 511 9818-9640

Sales Wholesale Customers

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Asset Finance	+49 511 361-8150

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Time of going to press: 01 December 2021 08:45h (CET)

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None

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Relative Value (RV): Relative recommendation to a market segment, an individual issuer or a range of maturities.

Breakdown of recommendations (12 months)

Positive: 37%

Neutral: 55%

Negative: 8%

Recommendation record (12 months)

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Issuer / security	Date	Recommendation	Bond type	Cause
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