



Beyond Bundeslaender: Greater Paris

NORD/LB Markets Strategy & Floor Research

February 2023

Marketing communication (see disclaimer on the last pages)

NORD/LB

Public Issuer Special

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

Author

Dr Norman Rudschuck, CIAA
Floor analyst, SSA/Public Issuers
Director
norman.rudschuck@nordlb.de

Assisted by
Paul Hildebrand, Wilhelm-Maximilian Wendel and Valentin Jansen

SSA/Public Issuers

Beyond Bundeslaender: Greater Paris (IDF and VDP)

Author: Dr Norman Rudschuck, CIIA

Introduction and structure of France

In this publication, we shall be taking another look at Greater Paris in France, which comprises the Île-de-France (IDF) region and local authority Ville de Paris (VDP), having most recently shone a spotlight on these issuers back in February 2022. Both IDF and VDP represent interesting investment alternatives, especially for ESG investors. But first, let's start with some basics: in administrative terms, the French Republic, as a decentralised unitary state, is divided into 18 regions (régions; including overseas territories), 101 departments (départements), 332 arrondissements, 2,290 cantons and 37,601 municipalities (communes) (data as at January 2023 in each case). However, the special status entity of VDP, which was created in 2019 from a merger of the municipality of Paris and the Paris department, and which forms one of the focus topics of this publication, does not fit into any of these above-mentioned categories. Through this "new" status, a single authority now exercises the powers of the city administration and the department. The regions are the most recent structure of French local government and were introduced in France following the decentralisation law of 1982. Various reforms have strengthened the role of the regions. Nevertheless, France is regarded as a unitary state, as, unlike German Laender or US states, the regions do not have the character of a state. Each region elects regional councils (Conseils Régionaux) for a term of six years, which appoint the president of the regional council. The regional councils primarily control economic aspects of the region. For example, the regional council determines the budget, the staff and various political decisions. Its responsibilities include regional planning, economic development, vocational training and rail passenger transport. The French department, which was first created during the revolution of 1789, is the equivalent of a German regional authority. The last territorial reform took place in 2016, following which the previous number of 22 French regions located in Europe was condensed to just 13. An administrative officer (Préfet), appointed by the government, manages the department. There is also the departmental council (Conseil Départemental), whose powers were strengthened by the last decentralisation law. Its tasks consist of administering the budget and managing staff. The departmental council is elected for six years by the cantons, which, as subdivisions of the departments, form the electoral districts. The departments are also divided into arrondissements, which in turn are made up of the municipalities.

Political system

Overall, the system of government in France is characterised by the principle of free administration through elected councils and the limitation of the competence of the local authority to its specific territory. In addition, the responsibilities and resources must comply with the legal requirements. The state plays a key role in this, particularly in organising the sectors and determining resources. At national level, France has a semi-presidential system of government. The executive is composed of the President, who performs the central role in French politics, and the government, which is headed by a Prime Minister that is appointed by the President. The legislature is characterised by a bicameral system, consisting of a directly elected National Assembly and a Senate elected by representatives of the regions, departments and municipalities.

Political and economic tensions

Emmanuel Macron has been President of France since 14 May 2017. Macron stands for liberal, progressive politics and is committed to deeper European integration. In the course of implementing extensive reforms, the French population reacted with strong resentment towards the political direction of the Macron administration. At the end of 2018, the “yellow vest” movement was born, which called for nationwide demonstrations. Protesters took to the streets to oppose various political initiatives. For example, protesters objected to higher taxation of fossil fuels, demanded an increase in the minimum wage and the introduction of a system of direct democracy. In the wake of the protests, which found support from right across the political spectrum, Macron’s approval ratings plummeted. Following concessions by the government, the situation calmed down somewhat, and the protests have since subsided. Nevertheless, the situation remains tense. The rural population in particular feels increasingly disconnected, while other complaints are centred on ailing municipal governance and an outdated social system. At the previous presidential election in April 2022, “La République En Marche!”, the party led by Macron (since renamed “Renaissance” in September 2022), claimed a vote share of just 27.9%. However, Macron made it through to the run-off against the far-right candidate Marine Le Pen, where he emerged victorious with 58.6% of the votes in this second round of voting. Despite a sharp decline in his approval ratings, Macron became the first French President to win a second term in office since Jacques Chirac 20 years previously. Last but not least, the ongoing impacts of the COVID-19 pandemic, which hit France particularly hard, and the energy crisis are providing political dynamite that populists such as Marine Le Pen are trying to exploit for their own ends. The legislative elections in June 2022 set the tone for Macron’s government. He was the first president in 30 years not to win an overall majority in the National Assembly and hence governs with a relative majority of seats. Policy implementation is therefore likely to be more difficult than before, since Macron will be forced to rely on the support of other political parties.

COVID-19 and the energy situation in France

At the start of the COVID-19 crisis, France was one of the hardest hit countries in Europe. In August 2022, President Macron finally declared the pandemic to be over. The state of emergency was lifted and all previously existing measures were revoked. As in many countries across Europe, the effects of Putin’s war of aggression in Ukraine are also leaving their mark on France, particularly in the form of increased energy costs. However, given that France’s energy mix largely comprises nuclear energy, the country is less dependent on imported Russian gas than other EU countries. In normal times, nuclear energy covers 70% of French energy consumption. Nuclear energy is set to remain a key pillar of French energy supply and will be expanded further moving forwards. Construction work on one of the six newly planned nuclear power plants could get underway before the end of Macron’s second term in office. The French government estimates the costs for four planned new reactors on the site of existing plants, which are to be connected to the grid by 2035, at around EUR 50bn. Last August, France was forced to stop operating 32 of its 56 nuclear reactors due to required maintenance work. Meeting the deadline of re-commissioning all nuclear power plants by February 2023 is considered to be tightly calculated. Whether or not seamless energy supply can be guaranteed throughout the winter remains to be seen. Not least because of this, France introduced an “electricity weather forecast” as part of the national energy saving plan. In order to avoid power outages, awareness of energy-saving measures by way of a traffic light system for utilisation of the power grid is being fostered among French citizens. Also, the government has frozen energy prices since 2021 at a cost to the state budget of around EUR 16bn in 2022. This policy will be continued in 2023.

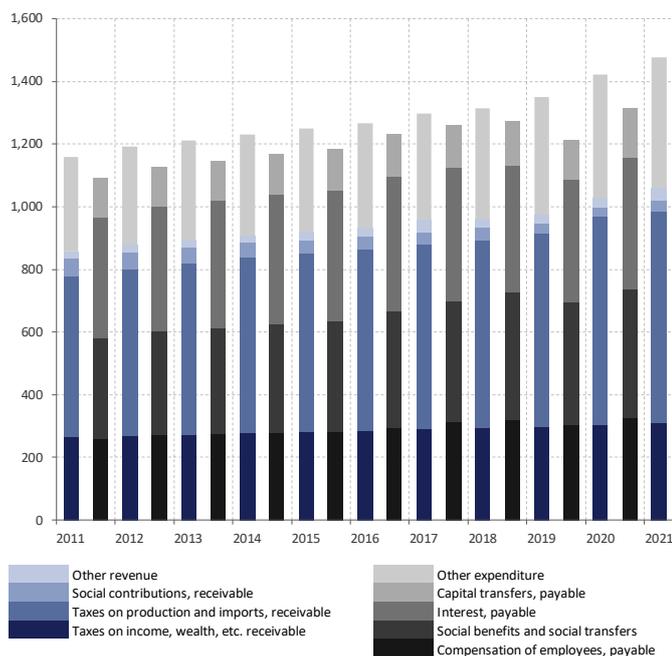
(2021 values; each in EUR)

- GDP 2021 (2020)**
2,501bn (2,310bn)
- GDP growth 2021 (2020)**
+8.2% (-5.2%)
- GDP per capita (vs. 2020)**
EUR 36,660 (EUR +2,680)
- Unemployment (2020)**
7.9% (8.0%)
- Budget balance 2021 (2020)**
-163.3bn (-207.7bn)
- Balance/GDP 2021 (2020)**
-6.5% (-9.0%)
- Debt/GDP (2020)**
112.8% (115.0%)

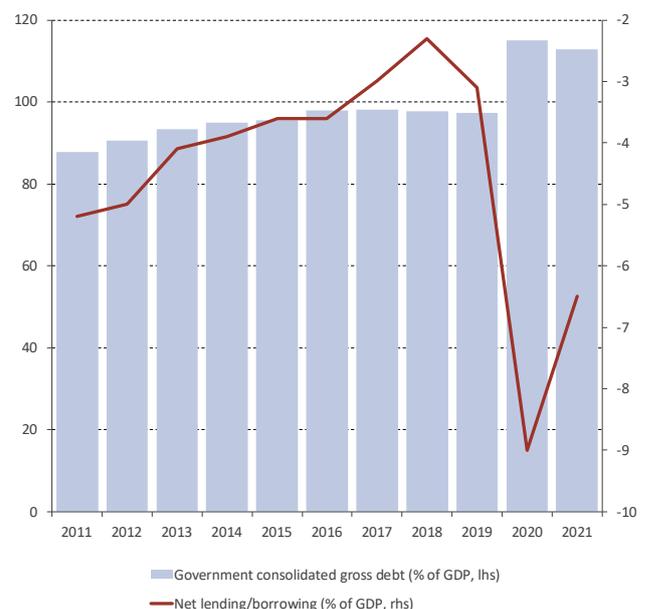
Development of the French economy

Public debt in France rose continually in the wake of the financial crisis before eventually stagnating prior to the pandemic years at a level of just below 100% of GDP. Following the COVID-19 crisis, French public debt increased to 115.0% of GDP in 2020, before falling again in the following year to 112.8% of GDP. As such, France is among the top five most heavily indebted EU member states. Moreover, its public debt ratio is nearly twice as high as the 60% ceiling set by the EU convergence criteria. While average GDP growth of +7.5% was recorded across the Eurozone in 2021, economic output in France rose by +8.2%. In order to support the country’s economic recovery in the wake of the coronavirus crisis, the French government announced that it would tolerate high deficits in 2020 and 2021. This is also reflected in the budget balance data: in 2020, a deficit of -9.0% of GDP was recorded in the French state budget, with the equivalent figure for 2021 coming in at -6.5%. In fact, France has not posted a balanced public budget since 1974. Since as early as 2021, the French economy has largely succeeded in cushioning the economic impacts related to the COVID-19 pandemic. The growth rates for nominal GDP in Q2 (+2.0% Q/Q), Q3 (+1.1%) and Q4 2021 (+5.4%) enabled France to return to a pre-crisis level in terms of economic output before the end of 2021. Accordingly, GDP per capita also showed a correspondingly positive development in 2021, which is reflected in the growth of +1.9% versus the pre-crisis year in 2019. The French labour market also benefited from this positive development. In 2021, unemployment fell slightly in comparison with the prior year to 7.9%. The trend towards falling unemployment since 2015 was therefore continued, although it should be stressed that unemployment in France remains above the average of EU member states (7.0%). In order to ease the strain on citizens as a result of increased inflation, Emmanuel Macron decided on a relief package as his government’s priority following his re-election as President. The “Purchasing Power Act” comes at a cost of EUR 20bn and includes state aid in the form of a purchasing power premium, a fuel allowance and an adjustment of pensions.

Total revenue vs. total expenditure (EURbn)



Government debt vs. budget balance (%)



Source: Eurostat, IMF, Insee, NORD/LB Markets Strategy & Floor Research

Île-de-France (IDF) and Ville de Paris (VDP) – the conurbation around the capital

The Ville de Paris, which forms the heart of the Île-de-France region, is one of the major cities in Europe, with a population of 2.2 million people. The Île-de-France region comprises the conurbation surrounding the capital city of Paris. Accounting for only 2% of the total area of France, IDF is the second-smallest region in terms of area, but with roughly 18% of the total population it is by far the most populous. The 12.4 million inhabitants are spread over eight departments. The regional council consisting of 209 members was last elected in June 2021 after the elections were postponed in March due to the COVID-19 pandemic. As a global city, young people are in particular drawn to Paris: over 50% of the population is aged under 40. Thanks to a multitude of sightseeing attractions, a culture steeped in history and two large nature reserves, both Paris and the Île-de-France region as a whole can be regarded as a tourist magnet. In 2019, a total of 38 million tourists visited the French capital. The pandemic-related slump in 2020 was already largely overcome in the following year with around 22.6 million tourists.

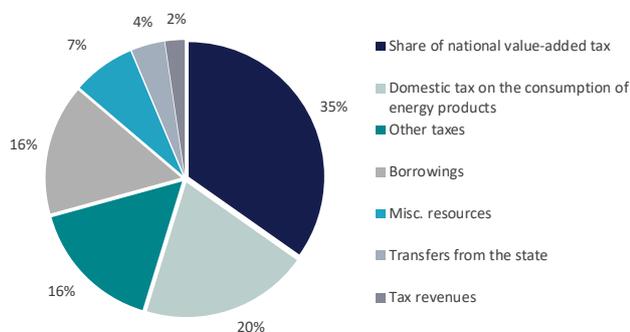
Economic situation in the Paris region

In addition to its cultural and political importance, Île-de-France, with Paris as the capital, also forms the economic heart of France. In 2019, the final full-year prior to the onset of the COVID-19 crisis, the GDP of IDF stood at EUR 759bn, which was equivalent to roughly 31% of French GDP. In the wake of the pandemic, this value fell to EUR 710bn in 2020. Nevertheless, the GDP of Île-de-France alone is higher, for example, than that of Poland, Belgium and even Austria, and corresponds to around 5.3% of the GDP of the European Union. With GDP per capita of EUR 57,400 (2020), IDF is the most prosperous region in France, almost twice the average figure for the European Union of EUR 29,900. GDP data for Île-de-France is not yet available for 2021. With around one million enterprises having opted to base themselves in Île-de-France, the region is extremely attractive to both national and international companies. With around 53 million square metres of commercial space, the region also has the largest volume in this category in Europe. As many as 29 of the world's 500 largest companies listed in the Fortune Global 500 Index have their headquarters in the Greater Paris area, making the region one of the largest economic clusters in Europe as a result. Île-de-France's economy is highly diversified. Important sectors include banking and insurance (e.g. BPCE, AXA), the automotive industry (Renault, Groupe PSA), the energy sector (TotalEnergies), and the production of luxury goods (LVMH, Kering). With more than 8,000 start-ups, Paris is a stronghold in Europe for young companies due to its strategic location and government initiatives. Tourism, as mentioned previously, also plays a major role. Until the beginning of 2020 – i.e. pre-COVID-19 – the sector still employed roughly 500,000 people in Île-de-France. With investment in excess of EUR 60bn, the “Grand Paris” project – the largest infrastructure project in Europe – is currently being realised in the French capital. The “Grand Paris Express” project involves the extension and modernisation of the Paris metro network and is also designed to promote sustainable mobility solutions. The project is being managed by the state-backed infrastructure financier Société du Grand Paris (SGP), which reports to two other ministries in addition to the Ministry of Economy and Finance, and the authority responsible for public transport, Île-de-France Mobilités (IdFM), which until 2017 was still operating as the Syndicat des transports d'Île-de-France (STIF). Completion of the project is scheduled for 2030, with the first part set to be operational in time for Paris to host the 2024 Olympic Games. Regional companies active in the construction industry and the railway equipment sector are primarily involved in the expansion of the metro network. Of the 4,524 companies involved, more than half (2,408) are based in the Île-de-France region.

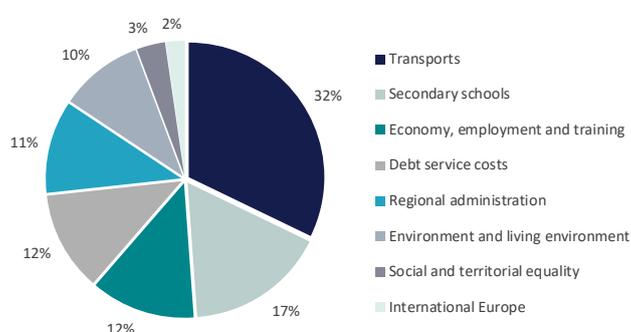
IDF: 2023 budget plan as a continuation of the economic upswing

Since 2016, Île-de-France has sought to cut administrative costs and invest a larger portion of the budget. As a result of consistent implementation, the region is able to absorb additional costs of EUR 350m without the need for tax increases in 2023. In this way, it should be possible to navigate the effects of inflation and impacts of the Russian war of aggression in Ukraine without additional tax revenue. The primary objective of the [2023 budget](#) is to support the continuation of the economic upswing in order to consolidate the economic recovery against a backdrop of high inflation and increased energy costs. In 2023, the budget of the IDF region will amount to around EUR 5.0bn, with the largest items relating to the areas of transport (EUR 2.0bn), secondary schools (EUR 1.2bn) and vocational training and apprenticeship programmes (EUR 0.5bn). The budget also makes it clear that Île-de-France sees investments in young people and students in particular as a driving force for the future success of the region. A total of EUR 2.0bn will be made available for this purpose in 2023, most of which will go towards an emergency plan for high schools. In addition to the EUR 500m for vocational training and apprenticeships, additional funding of EUR 255m will be made available specifically for training in health and social services. Sustainability also plays an important role in the regional budget. For example, in 2023, one in every two euros spent should generate a positive environmental impact. The focus here is primarily on accelerating the region’s adaptation to climate change. In relative terms, this equates to a +41% budget increase in this area versus 2015. Sectors such as research and innovation, culture, sport and tourism also stand to benefit from the 2023 budget. In addition, public safety is to be increased by improving police equipment and increased video surveillance of public spaces. At EUR 5.5bn, income streams for 2023 are expected to be made up of tax revenues (73%), borrowing (16%), other income (7%) and government grants (4%). The tax revenues consist of the excise duties on energy products (TICPE, Taxe intérieure de consommation sur les produits énergétiques) and the tax revenues without TICPE. Funding is primarily sourced through bond issues (84.7%). In addition, capital is raised on the back of private placements and Schuldschein deals. There is a long-term partnership with the European Investment Bank (EIB) to finance sustainable investment projects.

IDF: Budgeted revenues (2023)



IDF: Budgeted expenditure (2023)

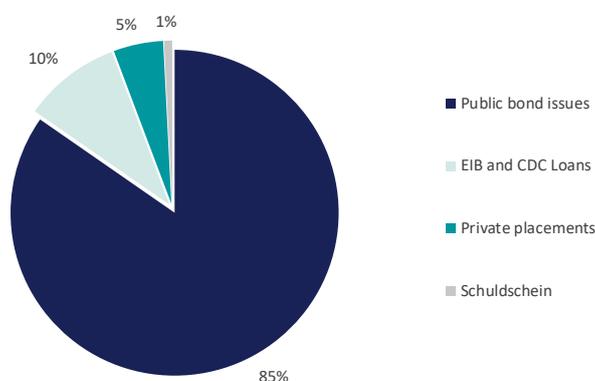


Source: Île-de-France, NORD/LB Markets Strategy & Floor Research

Île-de-France – funding

Île-de-France is regularly active on the capital market. The issuance of public bonds is the main funding method, followed by private placements. The region is also open to Schuldschein deals. Overall, the proportion of ESG bonds in the regional debt level grew to 78% in 2021 (EUR 4.7bn). The region's total debt amounted to EUR 6.3bn at the end of 2022. Alongside IDF, VDP has also set itself the goal of increasing its sustainability-related refinancing activities. For example, the funding mix has been selectively supplemented with ESG bonds since as early as 2015. VDP was again active in this segment in 2022 and the two previous years.

Île-de-France: refinancing mix (2022)



Source: Île-de-France, NORD/LB Markets Strategy & Floor Research

Sustainability as a fundamental principle

With its historical monuments and extensive natural environment, the region of Île-de-France is an active proponent of sustainable development. As such, ESG bonds have formed an integral part of the region's funding strategy for several years already. Looking back, the region has launched green and sustainable bonds with a total nominal value of EUR 4.5bn since 2012, meaning that these account for around 85% of regional debt as at year-end 2022. The sustainability rating by Vigeo Eiris (which has been part of Moody's Investor Services since 2019) ranks Île-de-France as the third most sustainable region in its sector (as at December 2021). The Green and Sustainable Bond Framework, which IDF is guided by, includes the areas of sustainable mobility and renewable energies, among others, in addition to a new sub-category focused on improving medical infrastructure that was added in the most recent update from [March 2021](#).

Rating and planned funding for the coming years

Île-de-France is rated by Moody's (Sept. 2022: Aa2 [stable]) and Fitch (Nov. 2022: AA [negative]). S&P revoked its rating back in 2012. Both Moody's and Fitch highlight IDF's sound debt management policy. As at year-end 2021, the regular funding mix consisted of bonds (89.6%) and loans (10.4%). IDF bonds qualify as Level 2A assets under the LCR and are subject to a risk weighting of 20%. Over the next few years, further benchmark deals in the ESG formats (green and sustainable) are planned. VDP is rated by Fitch (Jan. 2023: AA [negative]) and S&P (Oct. 2022: AA [stable]). In April 2021, Fitch downgraded VDP by a single notch from AA. The rating agency was reacting to the negative impacts of the pandemic on revenues and the increased funding requirement. Nevertheless, Fitch highlighted the conservative debt management and several years of strict expenditure discipline.

General information: IDF

Outstanding bond volume

EUR 6.3bn

Of which EUR bonds

EUR 6.3bn

Bloomberg ticker

IDF

General information: VDP

Outstanding bond volume

EUR 6.7bn

Of which EUR bonds

EUR 6.7bn

Bloomberg ticker

VDP

Outstanding bonds of French issuers (IDF and VDP)



NB: Foreign currencies are converted into EUR at rates as at 14 Feb. 2023.

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

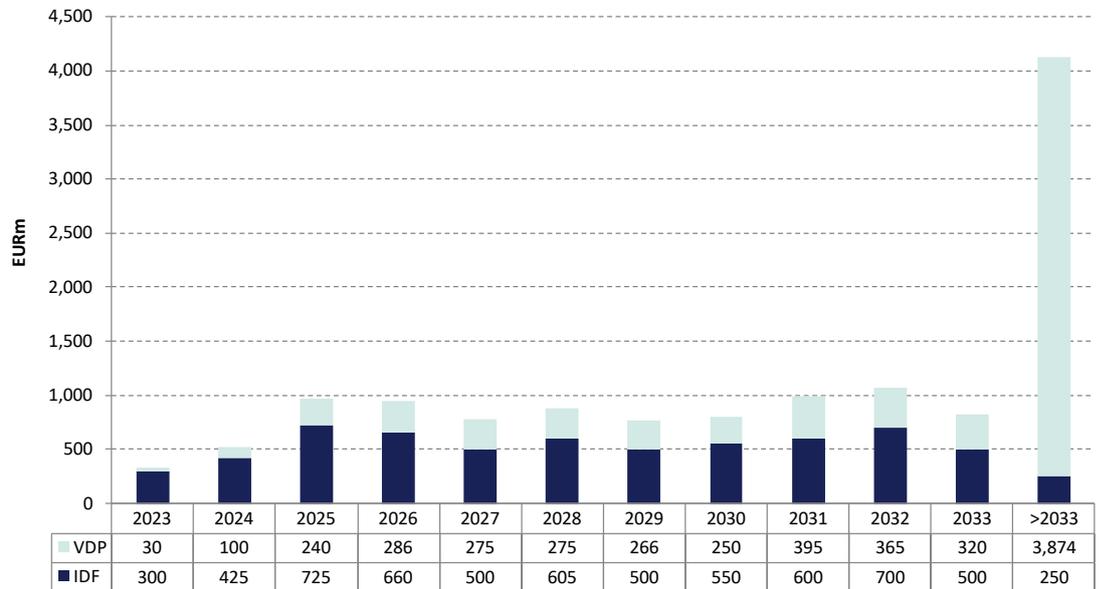
Outstanding volume

Of course, the two tickers that form the focus of our attention here – IDF and VDP – do not represent the entirety of French regions. Various other local authorities and regional vehicles/agencies are also active on the capital market (e.g. [Auvergne-Rhône-Alpes \(ARA\)](#), [Pays de la Loire \(PDL\)](#), MARSE (City of Marseilles) and CUDM (Communauté urbaine Marseille Provence Métropole). Nevertheless, based on our narrow definition of the relevant universe, a total of 82 bonds are now outstanding (2022: 73). This already indicates a certain granularity when it comes to Parisian regional bonds. A total of EUR 13.0bn is outstanding. In terms of foreign currency deals from these two issuers, we have identified just a single transaction (IDF) denominated in JPY. The FX segment accordingly accounts for just a fraction of the liabilities breakdown. At the end of 2020, IDF still had other FX bonds outstanding (denominated in AUD). As a result, around 99% of the outstanding volume is diversified across maturities rather than currencies. Around EUR 4.1bn will not fall due until 2033, which suggests that very long-term refinancing is the preference (largely attributable to VDP). There is also another twist: all nine benchmark bonds pertain to the IDF ticker, meaning that EUR 5.1bn of the overall outstanding volume of EUR 6.3bn can be described as large-volume and liquid. VDP, on the other hand, has 64 ISINs outstanding, which are spread across a volume of EUR 6.7bn.

Fixed coupons dominate

Fixed coupons account for the dominant share of bonds from both issuers. Of the EUR bonds (81) we have identified, a total of 77 feature a fixed coupon. This equates to a share of around 95%. Bonds with the classification “floating” (5%) follow thereafter. The last remaining FX bond (JPY) also has a fixed coupon. Overall, the two issuers are quite open to niche products in terms of their refinancing profiles (sub-benchmarks in addition to private placements and Schuldschein deals). The share of fixed coupons, as measured against German Laender, for example, is on the high side. The refinancing strategies of both issuers are sufficiently varied, as explained above.

Outstanding bonds of French issuers (IDF and VDP)

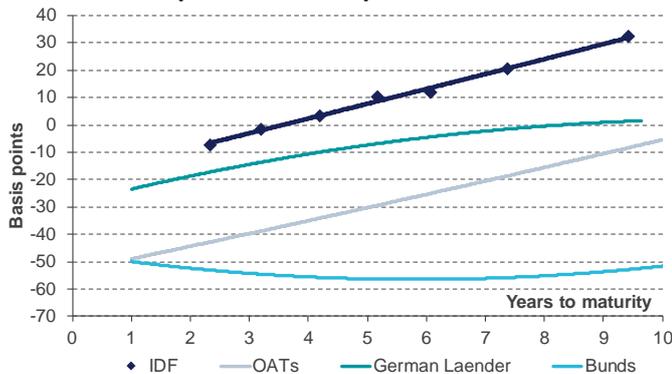


Source: Bloomberg, NORD/LB Markets Strategy & Floor Research

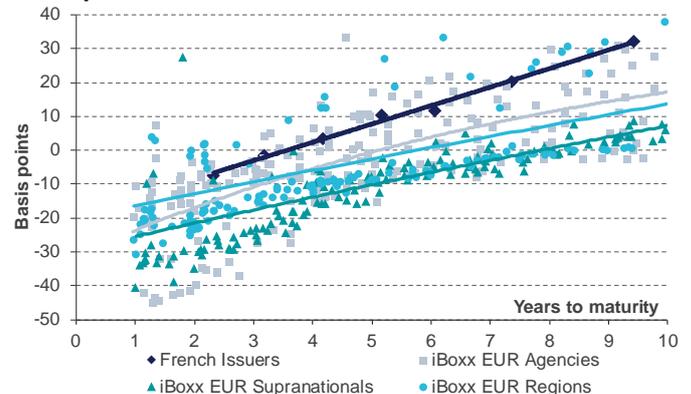
Paris regions vs. iBoxx € Regions and German Laender

Even compared with the iBoxx € Regions, both Paris regions trade with premiums. At the long end, the spread difference can reach up to 20 basis points or so. In the medium maturity segment – IDF has only one benchmark bond outstanding with terms of less than three years – the spread is lower. The differences versus Supras are greater. Compared with Supras, which boast even better average ratings, and the generally far higher liquidity of the bonds from these regular issuers, this is hardly surprising. This applies in comparison with both German and French sovereign bonds and in relation to the German Laender. Overall, as the sole benchmark issuer, IDF in particular features the widest spreads versus its peers and could therefore – with limited liquidity – generate a pick-up for investors. In addition, both issuers (IDF and VDP) may well be open to private placements and meeting certain yield expectations of institutional investors.

Generic ASW spreads – a comparison



ASW spreads of French issuers vs. iBoxx



Source: Bloomberg, NORD/LB Markets Strategy & Floor Research; data from 14 Feb. 2023

Regulatory overview for RGLAs* / ** (Examples)

Issuer	Risk weighting	LCR classification	NSFR classification	Solvency II classification
Belgian regions	0%	Level 1	0%	preferred (0%)
German Bundeslaender	0%	Level 1	0%	preferred (0%)
French regions	20%	Level 2A	15%	preferred (0%)
Italian regions	20%	Level 2A	15%	non-preferred (individual review)
Austrian Bundeslaender	0%	Level 1	0%	preferred (0%)
Spanish regions	0%	Level 1	0%	preferred (0%)

* Regional governments and local authorities

** NB: in the absence of an explicit guarantee from the respective nation state, the current LCR level is dependent on the relevant rating (see CQS classification and LCR classification of assets).

Source: NORD/LB Markets Strategy & Floor Research

Exceptions to scope of application of the Leverage Ratio (CRD IV Art. 2 Para. 5) (examples)

EU	Central banks of member states
Belgium	Former exceptions prior to the amended law of 29 Dec. 2020: Institut de Réescompte et de Garantie/- Herdisconteringen Waarborginstituut
Denmark	Eksport Kredit Fonden, Eksport Kredit Fonden A/S, Danmarks Skibskredit A/S and KommuneKredit
Germany	Kreditanstalt für Wiederaufbau (KfW), Rentenbank, regional promotional banks explicitly listed under No. 5, undertakings which are recognised under the "Wohnungsgemeinnützigkeitsgesetz" as bodies of state housing policy and are not mainly engaged in banking transactions, and undertakings recognised under this same law as non-profit housing undertakings
France	Caisse des Dépôts et Consignations (CDC)

Source: CRD IV, NORD/LB Markets Strategy & Floor Research

Regional governments and local authorities (solvency stress factor allocation of 0% possible; examples)

Country	Regional and local governments
Belgium	Communities (Communautés/Gemeenschappen), regions (Régions/Gewesten), Municipalities (Communes, Gemeenten) & provinces (Provinces, Provincies)
Germany	Bundeslaender, municipalities & municipal associations
France	Regions (régions), municipalities (communes), "Départements"

Source: (EU) 2015/2011, NORD/LB Markets Strategy & Floor Research

Summary of French regions

Risk weighting	20%
LCR classification	Level 2A
NSFR classification	15%
Solvency II classification	Preferred (0%)

Issuer (Ticker)	Inhabitants (2022)	Unemployment (2021)	GDP per capita (2020)	Outstanding volume	No. of bonds	Rating
IDF	12.4m	8.0%	EUR 57,400	EUR 6.3bn	18	(AA / Aa2 / -)
VDP	2.2m	6.0%	EUR 108,700	EUR 6.7bn	64	(AA / - / AA)
France	68.0m	7.9%	EUR 33,980	EUR 2,133bn	73	(AA / Aa2 / AA)

Source: Bloomberg, European Commission, Eurostat, Insee, NORD/LB Markets Strategy & Floor Research (Ratings: Fitch / Moody's / S&P)

Liability mechanism

There is no explicit guarantee on the part of the French state for the regions or local authorities. However, a system of financial equalisation (as regulated by Article 72-2 of the Constitution of France), which consists of payments between the regions (horizontal financial equalisation) as well as payments from the state to the regions (vertical financial equalisation), has been in place since 2003. Due to their stable financial situation, the French regions boast good credit ratings. Moreover, under the current legal framework, it is not possible for regions to become insolvent.

ECB purchase programme

It is interesting to look at the Eurosystem's purchasing activities. Of course, there are many French names listed among the European agencies, for example CADES, UNEDIC, AGRFRNC, OSEOFI, SFILFR, SOGRPR. Until mid-February 2023, a total of 220 different ISINs of French agencies had been acquired by the Eurosystem since the programme was first launched. By contrast, only eight bonds issued under the IDF and VDP tickers have found their way onto Eurosystem's shopping list over this time frame. This is fewer than in the case of both Spain and Belgium, for example. The number of ISINs also remains numerically small in comparison to German Laender. In fact, a total of 555 different German Laender bonds have already been purchased across the same period – compared with 131 from the rest of Europe, including the five from IDF and three from VDP.

Conclusion

The Île-de-France region has become increasingly well-established on the capital market in recent years. As a result of its activities in the ESG segment along with outstanding green and sustainable bonds, it offers an interesting investment option, especially for investors that are keen to support sustainability and social projects. In addition, IDF boasts comparatively strong economic framework conditions and qualifies for ratings of Aa2 and AA from Moody's and Fitch respectively. As a result of the rapid recovery of the French economy after the outbreak of the COVID-19 pandemic, France returned to a pre-crisis level as early as 2021. The (in part preliminary) economic data for 2022 also indicates that economic growth will continue, despite the impacts of the Russian war of aggression in Ukraine. For 2023, the European Commission is again forecasting positive GDP growth (+0.4%). We may see additional positive effects over the next few years if the national programme of reforms, which was thwarted by the crisis situation associated with the COVID-19 pandemic, regains momentum and, in so doing, lays the crucial foundations for potential future growth at a regional level. We would like to see VDP expand its investor relations activities. While the information available may be appropriate for a sub-benchmark issuer, there was greater transparency in relation to the data situation and provision of information on the part of IDF. Transparency in this regard is highly appreciated by investors and analysts alike.

Appendix

Contacts at NORD/LB

Markets Strategy & Floor Research



Dr Frederik Kunze

Covered Bonds/Banks

+49 172 354 8977

frederik.kunze@nordlb.de



Melanie Kiene

Covered Bonds/Banks

+49 172 169 2633

melanie.kiene@nordlb.de



Stefan Rahaus

Covered Bonds/Banks

+49 172 6086 438

stefan.rahaus@nordlb.de



Dr Norman Rudschuck

SSA/Public Issuers

+49 152 090 24094

norman.rudschuck@nordlb.de



Jan-Phillipp Hensing

SSA/Public Issuers

+49 172 425 2877

jan-phillipp.hensing@nordlb.de

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

Relationship Management

Institutionelle Kunden	rm-vs@nordlb.de
Öffentliche Kunden	rm-oek@nordlb.de

Disclaimer

The present report (hereinafter referred to as “information”) was drawn up by **NORDEUTSCHE LANDESBANK GIROZENTRALE (NORD/LB)**. The supervisory authorities responsible for NORD/LB are the European Central Bank (ECB), Sonnemannstraße 20, D-60314 Frankfurt am Main, and the Federal Financial Supervisory Authority in Germany (Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin), Graurheindorfer Str. 108, D-53117 Bonn and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main. The present report and the products and services described herein have not been reviewed or approved by the relevant supervisory authority.

The present information is addressed exclusively to Recipients in Austria, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Poland, Portugal, Singapore, Portugal, Spain, Sweden, Switzerland, the Republic of China (Taiwan), Thailand, the United Kingdom and Vietnam (hereinafter referred to as “Relevant Persons” or “Recipients”). The contents of the information are disclosed to the Recipients on a strictly confidential basis and, by accepting such information, the Recipients shall agree that they will not forward it to third parties, copy and/or reproduce this information without the prior written consent of NORD/LB. The present information is addressed solely to the Relevant Persons and any parties other than the Relevant Persons shall not rely on the information contained herein. In particular, neither this information nor any copy thereof shall be forwarded or transmitted to the United States of America or its territories or possessions, or distributed to any employees or affiliates of Recipients resident in these jurisdictions.

The present information does not constitute financial analysis within the meaning of Art. 36 (1) of the Delegate Regulation (EU) 2017/565, but rather represents a marketing communication for your general information within the meaning of Art. 36 (2) of this Regulation. Against this background, NORD/LB expressly points out that this information has not been prepared in accordance with legal provisions promoting the independence of investment research and is not subject to any prohibition of trading following the dissemination of investment research. Likewise, this information does not constitute an investment recommendation or investment strategy recommendation within the meaning of the Market Abuse Regulation (EU) No. 596/2014.

This report and the information contained herein have been compiled and are provided exclusively for information purposes. The present information is not intended as an investment incentive. It is provided for the Recipient’s personal information, subject to the express understanding, which shall be acknowledged by the Recipient, that it does not constitute any direct or indirect offer, recommendation, solicitation to purchase, hold or sell or to subscribe for or acquire any securities or other financial instruments nor any measure by which financial instruments might be offered or sold.

All actual details, information and statements contained herein were derived from sources considered reliable by NORD/LB. For the preparation of this information, NORD/LB uses issuer-specific financial data providers, own estimates, company information and public media. However, since these sources are not verified independently, NORD/LB cannot give any assurance as to or assume responsibility for the accuracy and completeness of the information contained herein. The opinions and prognoses given herein on the basis of these sources constitute a non-binding evaluation of the employees of the Markets Strategy & Floor Research division of NORD/ LB. Any changes in the underlying premises may have a material impact on the developments described herein. Neither NORD/LB nor its governing bodies or employees can give any assurances as to or assume any responsibility or liability for the accuracy, appropriateness and completeness of this information or for any loss of return, any indirect, insequential or other damage which may be suffered by persons relying on the information or any statements or opinions set forth in the present Report (irrespective of whether such losses are incurred due to any negligence on the part of these persons or otherwise).

Past performance is not a reliable indicator of future performance. Exchange rates, price fluctuations of the financial instruments and similar factors may have a negative impact on the value and price of and return on the financial instruments referred to herein or any instruments linked thereto. Fees and commissions apply in relation to securities (purchase, sell, custody), which reduce the return on investment. An evaluation made on the basis of the historical performance of any security does not necessarily provide an indication of its future performance.

The present information neither constitutes any investment, legal, accounting or tax advice nor any assurance that an investment or strategy is suitable or appropriate in the light of the Recipient’s individual circumstances, and nothing in this information constitutes a personal recommendation to the Recipient thereof. The securities or other financial instruments referred to herein may not be suitable for the Recipient’s personal investment strategies and objectives, financial situation or individual needs.

Moreover, the present report in whole or in part is not a sales or other prospectus. Accordingly, the information contained herein merely constitutes an overview and does not form the basis for any potential decision to buy or sell on the part of an investor. A full description of the details relating to the financial instruments or transactions which may relate to the subject matter of this report is given in the relevant (financing) documentation. To the extent that the financial instruments described herein are NORD/LB’s own issues and subject to the requirement to publish a prospectus, the conditions of issue applicable to any individual financial instrument and the relevant prospectus published with respect thereto as well NORD/LB’s relevant registration form, all of which are available for download at www.nordlb.de and may be obtained free of charge from NORD/LB, Georgsplatz 1, 30159 Hanover, shall be solely binding. Furthermore, any potential investment decision should be made exclusively on the basis of such (financing) documentation. The present information cannot replace personal advice. Before making an investment decision, each Recipient should consult an independent investment adviser for individual investment advice with respect to the appropriateness of an investment in financial instruments or investment strategies subject to this information as well as for other and more recent information on certain investment opportunities.

Each of the financial instruments referred to herein may involve substantial risks, including capital, interest, index, currency and credit risks in addition to political, fair value, commodity and market risks. The financial instruments could experience a sudden and substantial deterioration in value, including a total loss of the capital invested. Each transaction should only be entered into on the basis of the relevant investor’s assessment of his or her individual financial situation as well as of the suitability and risks of the investment.

NORD/LB and its affiliated companies may participate in transactions involving the financial instruments described in the present information or their underlying basis values for their own account or for the account of third parties, may issue other financial instruments with the same or similar features as those of the financial instruments presented in this information and may conduct hedging transactions to hedge positions. These measures may affect the price of the financial instruments described in the present information.

If the financial instruments presented in this information are derivatives, they may, depending on their structure, have an initial negative market value from the customer's perspective at the time the transaction is concluded. NORD/LB further reserves the right to transfer its economic risk from a derivative concluded with it to a third party on the market by means of a mirror-image counter transaction.

More detailed information on any commission payments which may be included in the selling price can be found in the "Customer Information on Securities Business" brochure, which is available to download at www.nordlb.de.

The information contained in the present report replaces all previous versions of corresponding information and refers exclusively to the time of preparation of the information. Future versions of this information will replace this version. NORD/LB is under no obligation to update and/or regularly review the data contained in such information. No guarantee can therefore be given that the information is up-to-date and continues to be correct.

By making use of this information, the Recipient shall accept the terms and conditions outlined above.

NORD/LB is a member of the protection scheme of Deutsche Sparkassen-Finanzgruppe. Further information for the Recipient is indicated in clause 28 of the General Terms and Conditions of NORD/LB or at www.dsgv.de/sicherungssystem.

Additional information for Recipients in Australia:

NORD/LB IS NOT A BANK OR DEPOSIT TAKING INSTITUTION AUTHORISED UNDER THE 1959 BANKING ACT OF AUSTRALIA. IT IS NOT SUPERVISED BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY. NORD/LB does not provide personal advice with this information and does not take into account the objectives, financial situation or needs of the Recipient (other than for the purpose of combating money laundering).

Additional information for Recipients in Austria:

None of the information contained herein constitutes a solicitation or offer by NORD/LB or its affiliates to buy or sell any securities, futures, options or other financial instruments or to participate in any other strategy. Only the published prospectus pursuant to the Austrian Capital Market Act should be the basis for any investment decision of the Recipient. For regulatory reasons, products mentioned herein may not be on offer in Austria and therefore not available to investors in Austria. Therefore, NORD/LB may not be able to sell or issue these products, nor shall it accept any request to sell or issue these products to investors located in Austria or to intermediaries acting on behalf of any such investors.

Additional information for Recipients in Belgium:

Evaluations of individual financial instruments on the basis of past performance are not necessarily indicative of future results. It should be noted that the reported figures relate to past years.

Additional information for Recipients in Canada:

This report has been prepared solely for information purposes in connection with the products it describes and should not, under any circumstances, be construed as a public offer or any other offer (direct or indirect) to buy or sell securities in any province or territory of Canada. No financial market authority or similar regulatory body in Canada has made any assessment of these securities or reviewed this information and any statement to the contrary constitutes an offence. Potential selling restrictions may be included in the prospectus or other documentation relating to the relevant product.

Additional information for Recipients in Cyprus:

This information constitutes an analysis within the meaning of the section on definitions of the Cyprus Directive D1444-2007-01 (No. 426/07). Furthermore, this information is provided for information and promotional purposes only and does not constitute an individual invitation or offer to sell, buy or subscribe to any investment product.

Additional information for Recipients in the Czech Republic:

There is no guarantee that the invested amount will be recouped. Past returns are no guarantee of future results. The value of the investments may rise or fall. The information contained herein is provided on a non-binding basis only and the author does not guarantee the accuracy of the content.

Additional information for Recipients in Denmark:

This Information does not constitute a prospectus under Danish securities law and consequently is not required to be, nor has been filed with or approved by the Danish Financial Supervisory Authority, as this Information either (i) has not been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market within the meaning of the Danish Securities Trading Act or any executive orders issued pursuant thereto, or (ii) has been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market in reliance on one or more of the exemptions from the requirement to prepare and publish a prospectus in the Danish Securities Trading Act or any executive orders issued pursuant thereto.

Additional information for Recipients in Estonia:

It is advisable to closely examine all the terms and conditions of the services provided by NORD/LB. If necessary, Recipients of this information should consult an expert.

Additional information for Recipients in Finland:

The financial products described herein may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, in the case of shares, such shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act (746/2012, as amended). The value of investments may go up or down. There is no guarantee of recouping the amount invested. Past performance is no guarantee of future results.

Additional information for Recipients in France:

NORD/LB is partially regulated by the “Autorité des Marchés Financiers” for the conduct of French business. Details concerning the extent of our regulation by the respective authorities are available from us on request. The present information does not constitute an analysis within the meaning of Article 24 (1) Directive 2006/73/EC, Article L.544-1 and R.621-30-1 of the French Monetary and Financial Code, but does represent a marketing communication and does qualify as a recommendation pursuant to Directive 2003/6/EC and Directive 2003/125/EC.

Additional information for Recipients in Greece:

The information contained herein gives the view of the author at the time of publication and may not be used by its Recipient without first having confirmed that it remains accurate and up to date at the time of its use. Past performance, simulations or forecasts are therefore not a reliable indicator of future results. Investment funds have no guaranteed performance and past returns do not guarantee future performance.

Additional information for Recipients in Indonesia:

This report contains generic information and has not been tailored to the circumstances of any individual or specific Recipient. This information is part of NORD/LB's marketing material.

Additional information for Recipients in the Republic of Ireland:

This information has not been prepared in accordance with Directive (EU) 2017/1129 (as amended) on prospectuses (the “Prospectus Directive”) or any measures made under the Prospectus Directive or the laws of any Member State or EEA treaty adherent state that implement the Prospectus Directive or such measures and therefore may not contain all the information required for a document prepared in accordance with the Prospectus Directive or the laws.

Additional information for Recipients in Japan:

This information is provided to you for information purposes only and does not constitute an offer or solicitation of an offer to enter into securities transactions or commodity futures transactions. Although the actual data and information contained herein has been obtained from sources which we believe to be reliable and trustworthy, we are unable to vouch for the accuracy and completeness of this actual data and information.

Additional information for Recipients in South Korea:

This information has been provided to you free of charge for information purposes only. The information contained herein is factual and does not reflect any opinion or judgement of NORD/LB. The information contained herein should not be construed as an offer, marketing, solicitation to submit an offer or investment advice with respect to the financial investment products described herein.

Additional information for Recipients in Luxembourg:

Under no circumstances shall the present information constitute an offer to purchase or issue or the solicitation to submit an offer to buy or subscribe for financial instruments and financial services in Luxembourg.

Additional information for Recipients in New Zealand:

NORD/LB is not a bank registered in New Zealand. This information is for general information only. It does not take into account the Recipient's financial situation or objectives and is not a personalised financial advisory service under the 2008 Financial Advisers Act.

Additional information for Recipients in the Netherlands:

The value of your investment may fluctuate. Past performance is no guarantee for the future.

Additional information for Recipients in Poland:

This information does not constitute a recommendation within the meaning of the Regulation of the Polish Minister of Finance Regarding Information Constituting Recommendations Concerning Financial Instruments or Issuers thereof dated 19 October 2005.

Additional information for Recipients in Portugal:

This information is intended only for institutional clients and may not be (i) used by, (ii) copied by any means or (iii) distributed to any other kind of investor, in particular not to retail clients. The present information does not constitute or form part of an offer to buy or sell any of the securities covered by the report, nor should it be understood as a request to buy or sell securities where that practice may be deemed unlawful. The information contained herein is based on information obtained from sources which we believe to be reliable, but is not guaranteed as to accuracy or completeness. Unless otherwise stated, all views contained herein relate solely to our research and analysis and are subject to change without notice.

Additional information for Recipients in Sweden:

This information does not constitute (or form part of) a prospectus, offering memorandum, any other offer or solicitation to acquire, sell, subscribe for or otherwise trade in shares, subscription rights or other securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The present information has not been approved by any regulatory authority. Any offer of securities will only be made pursuant to an applicable prospectus exemption under the EC Prospectus Directive (Directive (EU) 2017/1129), and no offer of securities is being directed to any person or investor in any jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, other offer documentation, registrations or other actions.

Additional information for Recipients in Switzerland:

This information has not been approved by the Federal Banking Commission (merged into the Swiss Financial Market Supervisory Authority (FINMA) on 1 January 2009). NORD/LB will comply with the Directives of the Swiss Bankers Association on the Independence of Financial Research (as amended). The present information does not constitute an issuing prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations. The information is published solely for the purpose of information on the products mentioned herein. The products do not qualify as units of a collective investment scheme pursuant to the Federal Act on Collective Investment Schemes (CISA) and are therefore not subject to supervision by FINMA.

Additional information for Recipients in the Republic of China (Taiwan):

This information is provided for general information only and does not take into account the individual interests or requirements, financial status and investment objectives of any specific investor. Nothing herein should be construed as a recommendation or advice for you to subscribe to a particular investment product. You should not rely solely on the information provided herein when making your investment decisions. When considering any investment, you should endeavour to make your own independent assessment and determination on whether the investment is suitable for your needs and seek your own professional financial and legal advice. NORD/LB has taken all reasonable care in producing this report and trusts that the information is reliable and suitable for your situation at the date of publication or delivery. However, no guarantee of accuracy or completeness is given. To the extent that NORD/LB has exercised the due care of a good administrator, we accept no responsibility for any errors, omissions, or misstatements in the information given. NORD/LB does not guarantee any investment results and does not guarantee that the strategies employed will improve investment performance or achieve your investment objectives.

Information for Recipients in the United Kingdom:

NORD/LB is subject to partial regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Details of the scope of regulation by the FCA and the PRA are available from NORD/LB on request. The present information is "financial promotion". Recipients in the United Kingdom should contact the London office of NORD/LB, Investment Banking Department, telephone: 0044 / 2079725400, in the event of any queries. An investment in financial instruments referred to herein may expose the investor to a significant risk of losing all the capital invested.

Time of going to press: 15 February 2023 (14:09h)