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Issuer Guide 2025 – German Laender

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Marketing communication (see disclaimer on the last pages)

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ISSUER GUIDE 2025
German Laender

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Foreword

With an outstanding volume amounting to approx. EUR 441bn distributed over a total of 846 bonds, the 16 German Laender continue to represent by far the largest sub-sovereign market in Europe. The outstanding volume and annual issuance activities of the German Laender outweigh all other sub-national levels. Traditionally characterised by a steady supply of new bonds and (high) relative attractiveness versus Bunds, the Laender segment has always represented an interesting alternative to sovereign bonds. As a result, it ranks among the most liquid, albeit not necessarily the most complex, markets in the European universe for supranationals, sub-sovereigns and agencies (SSA). Anchored in the constitution, the debt brake is one of the more recent regulatory developments and has defined the budgetary frameworks of the Laender since 2020. Up to March 2025, the debt brake essentially prohibited any net borrowing (for the Laender) not related to an emergency situation that is beyond the control of the public sector. As with the revised system of federal financial equalisation, the implementation of the debt brake represented one of the most important changes regarding Laender finances for quite some time. Shortly after coming into force, the debt brake was suspended on a federal basis – due to the COVID-19 pandemic – for the period 2020 through to 2022 inclusive, after the emergency paragraphs contained in the legislation were invoked. In March 2025, the Bundestag, the German federal parliament, adopted a reformed debt brake at the level of both Bund and Laender. For the sub-sovereigns, this means that annual net new borrowing of 0.35% of GDP will be permitted in the future. This provision had previously only applied to the Bund and is expected to influence the financial framework conditions of the Laender from now on.

Issuer Guide – German Laender now in its 12th edition

The *Issuer Guide – German Laender*, which is now published on a yearly basis again, is part of a series of NORD/LB Floor Research products covering individual issuers and market segments in the global bond market. Following the first issue in 2013 − and an unplanned break in 2019 − this publication is the 12th edition in this format, which has consistently provided an extensive overview of the largest EUR market for sub-sovereigns. The focus of this Issuer Guide has always been to provide a relative comparison of this group of issuers and to highlight their respective idiosyncrasies. With the 16 Laender and the Joint Laender issuance vehicle, we are once again firmly of the view that the present publication will offer our readers extensive insights into the German Laender segment.

Laender versus Bundeslaender: a grammatical-legal alignment

According to Germany's federal constitutional framework, a "Land" (as per official legal terminology; often referred to as a Bundesland in common German parlance; plural version: Laender/Bundeslaender), or federal state, is a partially sovereign member state of the Federal Republic of Germany. Since 1990, the Federal Republic of Germany has consisted of 16 federal states. According to the Basic Law (Grundgesetz [GG]; effectively the constitution of the Federal Republic of Germany), the Laender together do not merely represent some loose confederation of states, but rather form a sovereign federal nation. For this reason, having previously opted to accordingly adjust the headings in earlier editions of this publication, we will once again still occasionally refer to Bundeslaender in the main body text this year, since we also receive international recognition for greater returns and pick-ups with our "Beyond Bundeslaender" publication series.

Print version discontinued

A few years ago, we decided to make the *Issuer Guide – German Laender* exclusively available as a PDF document (soft copy) due to sustainability considerations and to produce printed copies only on subsequent order. Sustainable action always requires a trade-off: The effort and costs are currently disproportionate to further support the haptic reading experience. Therefore, we have discontinued the print version for 2025.

Extended chapter: German Laender and ESG

Staying on the topic of sustainability, this year we will again be dealing with ESG (Environmental, Social, Governance) aspects in connection with our analysis of the German Laender. Unchanged against last year, five Laender in total have developed frameworks of their own, under which they have already placed benchmark bonds: North Rhine-Westphalia leads the way (sustainability), followed by Baden-Wuerttemberg and Hesse (both green), as well as Berlin (sustainability) and Saxony-Anhalt (social).

Overarching changes in the segment

The principle of federal loyalty and the old federal financial equalisation system resulted in a clear convergence of the credit profiles of the individual Laender, both with respect to each other and versus the federal government. The introduction and preparatory phase of the debt brake and the monitoring of German Laender finances by the Stability Council represent additional factors that have served to heighten this effect in recent years. At the same time, Laender finances continue to face huge challenges. Growing municipal debt and high implicit pension liabilities are just two factors that have already made budget management significantly more difficult, and which will come into focus again in the coming years in the wake of COVID-19 and the energy (price) crisis. The reform of the federal financial equalisation system agreed at the end of 2016 helps to reduce the tensions that had built up in the past in terms of the relationships between the Laender themselves. These and other major challenges (geopolitical crises, trade conflicts, climate change, influxes of refugees, etc.) are impeding the significant progress that the Laender have made in connection with required budget consolidation efforts. Nevertheless, fundamental and significant differences continue to exist between the individual sub-sovereigns, a situation that, in our opinion, necessitates a relative analysis.

Scope ratings included for the first time

To present the creditworthiness of the German Laender, we have always relied on the credit ratings of the three major rating agencies Fitch, Moody's, and S&P. This year, for the first time, we have decided to also include the ratings of the European risk experts at the Berlin-based Scope Ratings GmbH in our individual issuer profiles. We came to this decision primarily due to the ECAF (Eurosystem Credit Assessment Framework) approval from the ECB and Scope's significantly expanded coverage in the German Laender segment. In fundamental terms, the rating agency issues ratings for all 16 German sub-sovereigns. However, there is a distinction to be made as to whether the issuer has officially mandated Scope, thereby consenting to making the credit assessment publicly available. At the time of preparing this study, a total of six Laender, namely Baden-Wuerttemberg, Bavaria, Berlin, Hesse, North Rhine-Westphalia and Saxony-Anhalt, mandated Scope to issue a rating. As such, nearly 62% of the outstanding bond volume pertaining to the Laender (excl. LANDER) can be assigned a mandated rating by Scope. In this way, the credit assessments for the remaining ten German sub-sovereigns are not publicly available. Scope awards all mandated Laender a rating of "AAA" with a stable outlook, which is primarily justified by the federal financial equalisation system and principle of federal loyalty.

NORD/LB publications complementing our Issuer Guides

To complement this Issuer Guide, which aims to provide a comprehensive market overview, our publication spectrum also looks at specific market developments and fundamental changes in framework conditions across the entire SSA segment and covered bond market. These regular (in some cases weekly) publications, analyses and commentaries can be found in the usual manner on our website (https://www.nordlb.com/nordlb/floor-research) as well as at Bloomberg via the following function: DS NDB <GO>. Should any of our readers not yet have access to these platforms, then please contact your account manager, send an email to markets@nordlb.de or register here to sign up for our newsletter.

Conclusion

The aim of the present *NORD/LB Issuer Guide – German Laender 2025* is to facilitate the relative comparison of German sub-sovereigns against the backdrop of the constitutional and regulatory framework conditions. In particular, we highlight the differences relating to spreads and issuance volumes in light of the fundamental development of finances and the economy in the German Laender. In addition, for the purpose of a differentiated analysis, we will also cover the Joint Laender (Ticker: LANDER) issuance vehicle, which places Laender jumbos starting at minimum values of EUR 1bn on the market.

Constitutional framework
Principle of federal loyalty

Federal loyalty as unwritten constitutional law

Art. 20 of the Basic Law (Grundgesetz; GG) defines Germany as a federal republic. A structure of this type is classified under constitutional law on the basis that the federal government (Bund) and federal states (German Laender), as members of the federal republic, must collaborate with the aim of forging mutually beneficial ties. In his essay entitled "Unwritten Constitutional Law in a Monarchic Federal State" (Ungeschriebenes Verfassungsrecht im monarchischen Bundesstaat) published in 1916, Rudolf Smend shaped our understanding of the German principle of a federal state. As an unwritten facet of constitutional law, the relationship between the federal government and Laender, Smend writes, is based on a spirit of cooperation instead of one of pure subordination. In its decision of 21 May 1952, the German Federal Constitutional Court (Bundesverfassungsgericht) referred to Smend's interpretation and came to the view that the principle of federalism includes a legal obligation on the federation (Bund) and all its members to "conduct themselves in a way that is favourable towards the federation" (Federal Constitutional Court Decision [BVerfGE 1, 299]). As such, the ruling gave rise to our contemporary understanding of the principle of "federal loyalty", as it is also known.

Implementation and definition of federal loyalty: Bremen and Saarland 1992

In 1992 an "extreme" budgetary crisis was identified in the Laender of Bremen and Saarland, which was subsequently confirmed by the Federal Constitutional Court for both sub-sovereigns. The Court also defined the principle of federal loyalty: "If a member of the German federal community, whether it be the federal government or one of the federal states, is in the grip of an extreme budgetary crisis, the federal principle is defined by the duty of all the other members of the German federal community to render assistance to the affected member. The objective shall be to stabilise the budget based on concerted measures"(BVerfGE 86, 148). As a result, both Bremen and Saarland received payments to help restructure their budgets in the wake of the extreme budgetary crisis in these Laender. For example, between 1999 and 2004, Bremen received the equivalent of EUR 3.9bn (DEM 7.7bn) in staggered special-need federal supplementary grants (SoBez) of decreasing amounts in order to restructure the budget, while Saarland received the equivalent of EUR 2.6bn (DEM 5.0bn) across the same time frame.

"Extreme" budgetary crisis as a prerequisite for federal loyalty to apply

The decision handed down by the Federal Constitutional Court created a prerequisite for federal loyalty to apply or for assistance to be provided by the Bund and Laender: an "extreme" budgetary crisis. The Federal Constitutional Court used a total of three indicators to assess the Laender budgets and to determine whether an "extreme" budget crisis existed. The credit financing ratio, as the ratio of net borrowing to the budgetary revenue and expenditure; the interest-tax ratio, as the ratio of payable interest to taxes received; and the primary balance, as the difference between the primary or core expenditure and the primary revenue, in which the net borrowing and other items are excluded. In the case of both the Free Hanseatic City of Bremen and Saarland, the budgetary crisis was assessed as "extreme" on the basis of these indicators in comparison with the other German Laender.

The case of Berlin in 2002

In 2002, Berlin tested the concept of federal loyalty. Berlin's Senate identified an extreme budget crisis, whereby it was concluded that federal restructuring aid would be an unavoidable measure required to help consolidate the city state's budget. The budgetary situation was regarded by the Berlin Senate as fulfilling the requirements for entitlement to restructuring aid under constitutional law. Berlin's application for a judicial review submitted to the Federal Constitutional Court was, however, rejected. The Court regarded restructuring obligations on the part of the federal government and claims by a federal state in distress "as alien to the federal financial equalisation system, based on the purpose and spirit of Art. 107(2) Sentence 3 of the Basic Law. They are in conflict with the principle implying that autonomous budgetary policy must be dealt with by the Laender independently and on their own responsibility" (press release issued by the Federal Constitutional Court, No. 96/2006 of 19 October 2006). Although the Federal Constitutional Court assessed the existence of a budget emergency as being the result of insufficient financial resources, it actually saw more of a need to reform the federal financial equalisation system instead of providing additional federal grants. Nevertheless, the Federal Constitutional Court emphasised that federal aid provided through restructuring payments was admissible as a last resort.

Federal aid only in extreme budget crisis

The Court added that this was only permitted and necessary if a budgetary crisis was considered extreme in relation to the budgets of the other Laender. However, this was not the case in Berlin, it concluded. Nevertheless, the Court did identify potential for additional consolidation measures. In this context, it expressly pointed to the significantly higher expenditure by Berlin in comparison with Hamburg, e.g. in relation to "cultural affairs", among other aspects.

Comment

The principle of federal loyalty as unwritten constitutional law is a basic element of the principle of German federalism. The aforementioned judgement of the Federal Constitutional Court once again increased the pressure on the federal government (Bund) and Laender to reform the financial equalisation system should budgetary emergencies become increasingly apparent or actually arise. However, in our view, the likelihood of support from Bund and Laender in extreme emergency situations has not decreased as a result of judgement cited above. On the contrary, the increased pressure on both Bund and Laender led to an informed debate on revisions to the financial equalisation system and ultimately to a proposal to reform it in October 2016. As a result of this, the tensions between the contributor and recipient Laender (as they were known at this time) were significantly eased, providing the Laender with budgetary certainty in connection with the debt brake applicable from 2020. From our point of view, this is certainly to be assessed positively. Since then, a new and reformed system has been in force, in which no money is directly redistributed horizontally between the Laender. Instead, VAT is distributed from the outset in such a way that financially weaker Laender receive more financial resources – in this way, the aim, among other aspects, is to avoid any debate between contributors and recipients. Moreover, the federal government is to ease the burden on the Laender to the tune of EUR 10bn per annum. At the same time, the tasks assigned to the Laender were modernised in key areas and the competencies of the federal government strengthened. In the following chapter, we shall look in detail at the federal financial equalisation system adopted by Germany.

Constitutional framework
The federal financial equalisation system

Federal financial relationships in Germany

With the federal financial equalisation system, Germany has at its disposal a system – similar to other federal nations – aimed at harmonising the financial power of the individual Laender, so that these are able to fulfil the tasks incumbent upon them. Furthermore, the federal financial equalisation system is intended to provide a platform for the creation and maintenance of equal living conditions across the whole of Germany. The special feature of the German system up to and including 2019 was a pronounced horizontal component of equalisation, by which money was distributed directly between the individual Laender. After the old regulations, namely the Financial Equalisation Act (Finanzausgleichsgesetz) and the Standards Act (Maßstäbegesetz, MaßstG) expired at the end of 2019, a revised version of the federal financial equalisation system within the meaning of Art. 107 GG has been in force since the beginning of 2020, in which the horizontal distribution level no longer plays such a key role. In the form applicable up to the end of 2019, the federal financial equalisation system comprised a vertical distribution component of all tax revenues at the level of federal government, Laender and municipalities, a horizontal VAT distribution component, the financial equalisation of the Laender in the actual sense of the phrase and federal supplementary grants (Bundesergänzungszuweisungen; BEZ).

Summary of the old federal financial equalisation system

The public perception of the old system of federal financial equalisation was shaped by debates about net payers and net recipients, above all among the Laender themselves. In this context, the former group tended to hold a more negative opinion of the system than the latter. Overall, it was clear that the East German Laender and Berlin received the highest payments across the period under review since 1995, the costs of which were overwhelmingly borne by southern and western Laender. On the net payer side, Bavaria contributed the largest sum in the period under review, with Baden-Wuerttemberg taking the silver medal in this context. East German non-city states were always net recipients across every level of the federal financial equalisation system since its inception.

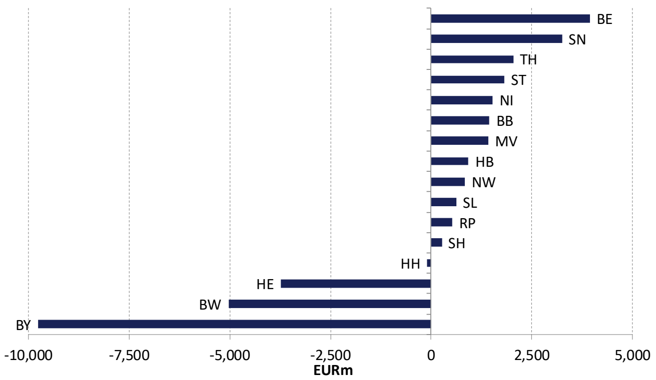
Reform of the financial equalisation system from 2020

The previous mechanism of direct horizontal equalization payments was effectively abolished in 2020. At its core, the reform centered on the abolition of the previous advance VAT equalisation and the direct, horizontal financial equalisation between the Laender – as a result of which the concept of the Laender being categorised as either “payers” or “recipients” has been rendered obsolete. Instead, the Financial Power Equalisation (Finanzkraftausgleich; FKA) is now handled by way of surcharges or deductions in relation to VAT distribution, as well as through additional federal supplementary grants (BEZ) from the federal budget. As a community tax, VAT continues to be distributed vertically according to the key specified in the Financial Equalisation Act. However, one new feature is that the respective financial power is also considered when allocating revenue at the level of the individual Laender (pursuant to Art. 107(2) of the Basic Law). This represents a departure from a purely population-based distribution. Within the framework of the FKA, the varying levels of fiscal capacity of the Laender plays a central role. Sub-sovereigns with below-average financial strength will receive equalisation payments to achieve at least 99.75% of the Laender average, a slight increase from the previous threshold of 99.5%. In the event that an individual federal state’s financial strength remains below the Laender average, this gap will then be closed through general federal supplementary grants (BEZ payments).

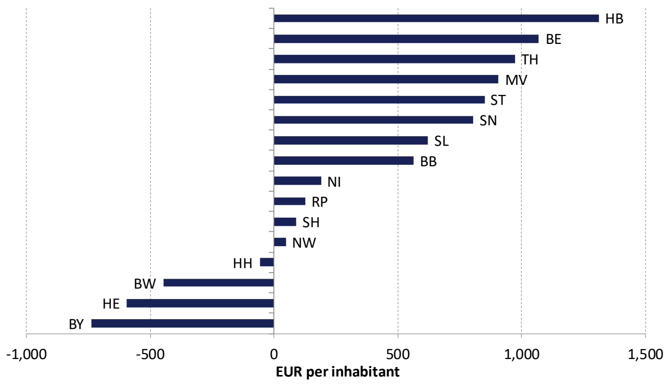
Bavaria, Baden-Wuerttemberg and Hesse remain by far the largest payers in the financial equalisation among the Laender (LFA)…

The distributed volume of financial equalisation payments between the Laender themselves in the actual sense of the phrase (LFA) increased significantly from EUR 1.5bn to EUR 5.7bn following the integration of the East German Laender in the system in 1995. In 2024, the distributed volume reached its latest peak value of EUR 18.7bn (2023: EUR 18.3bn). The main payers across the period under review from 1995 to 2024 were Bavaria (aggregated total of EUR 123.8bn), Baden-Wuerttemberg (EUR 89.9bn) and Hesse (EUR 76.7bn). Moreover, these three sub-sovereigns were the only ones to always be net payers during this time frame. Under the LFA, the East German Laender in particular are the largest beneficiaries, with Berlin taking top spot here at EUR 94.0bn, followed at some distance behind by the Free State of Saxony (EUR 41.8bn). Moreover, it is noteworthy here that the difference between the contributions made by the largest payers and the allocation to the main recipients increased substantially over time, as was the case under the UStA, which signalled a rising economic disparity that holds true in both absolute and relative per capita terms. In 2024, Bavaria paid a total of EUR 738 per capita, while Bremen received EUR 1,312 per capita, which equated to a difference of EUR 2,050. In 2010, this value totalled EUR 1,127 (payer Hesse: EUR 289 per capita; recipient Berlin: EUR 838 per capita), while back in 1995 when the East German Laender were first integrated in the LFA, the equivalent figure stood at EUR 805.

LFA 2024 (absolute)



LFA 2024 (per capita)

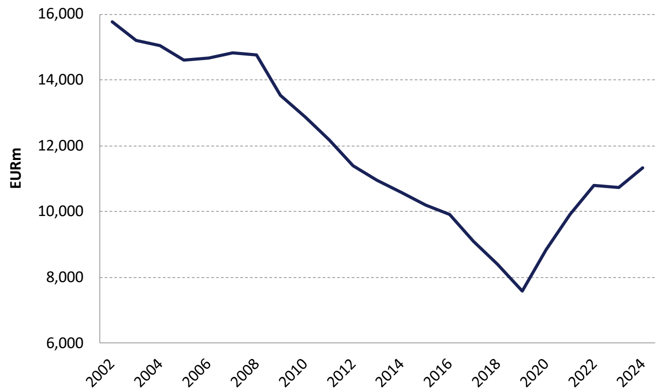


Source: German Federal Ministry of Finance, NORD/LB Floor Research

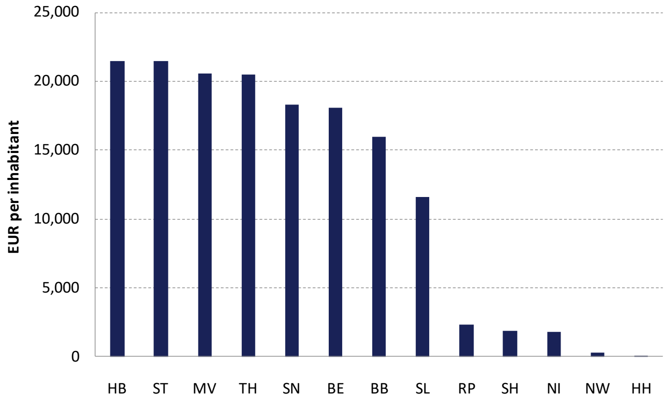
...and do not qualify for federal supplementary grants

As federal supplementary grants (BEZ) are intended for Laender with below-average financial strength in the reformed system, it should come as little surprise that the economically powerful sub-sovereigns – i.e. Bavaria, Baden-Wuerttemberg and Hesse – have to date received no resources from this pot. In contrast, the East German Laender and Berlin have primarily benefited to the greatest extent from the payments made under Solidarity Pact II, which are contained within BEZ. Of the total volume of EUR 364.3bn paid out since 1995, these sub-sovereigns account for around two thirds. In the overall calculation, Saxony is the largest recipient, banking a volume of EUR 74.1bn. In West Germany, Bremen and Lower Saxony have benefited to the greatest extent from BEZ payments (EUR 15.1bn and EUR 14.4bn respectively). In relation to population, Bremen is the largest beneficiary at EUR 21,441 per capita, followed by the East German Laender and Berlin, as well as Saarland. Since 2009, the annual volume of BEZ payments had been on the slide, although the volume then rose sharply again in 2020 on account of the new federal financial equalisation system. In view of the greater role now incumbent upon the Bund, our view is that this trend is likely to continue in the years to come.

Annual BEZ volume



BEZ received per capita 1995–2024



Source: German Federal Ministry of Finance, NORD/LB Floor Research

Consolidation and restructuring aid

Apart from the above-mentioned mechanisms, the instrument of consolidation aid also existed up to 2019. Through this, the Laender of Berlin, Bremen, Saarland, Saxony-Anhalt and Schleswig-Holstein received additional funds from the federal budget to enable them to comply with the stipulations of Art. 109(3) of the Basic Law (Schuldenbremse; referred to as the debt brake in English), which was applicable from the start of 2020 onwards. Overall, Bremen received EUR 300m per annum, while Saarland was entitled to a sum of EUR 260m on an annual basis. Berlin, Saxony-Anhalt and Schleswig-Holstein each received EUR 80m annually, with two-thirds of the payments being made in the budget year in question and the remaining third following 12 months later. The Stability Council was responsible for monitoring compliance with consolidation obligations, including the complete dismantling of the structural financing deficit by 2020. Bremen and Saarland continue to receive additional payments of EUR 400m each from the Bund since 2020. This is known as restructuring aid and is linked to certain conditions with regard to debt reduction and budget consolidation as well as measures to be implemented to increase the economic and financial strength (§1 Law on Restructuring Aid). In contrast to the consolidation aid, it is the Federal Ministry of Finance that is responsible for the assessment in this instance.

Restructuring aid payments case study: Bremen

In this short case study, we shall take Bremen as an example to explain how the Free Hanseatic City must comply with the restructuring obligations set out in the Law on Restructuring Aid (SanG) and defined in the administrative agreement in order to qualify for restructuring aid from the federal government. The administrative agreement predominantly specifies the concept of budgetary repayments as well as regulating the reporting and disclosure obligations for Bremen towards the Federal Ministry of Finance (BMF). Bremen must submit a yearly report by 30 April of each year (first deadline: 30 April 2021). This allows the budgetary repayments for the respective reporting year to be determined, while the report also comments on the measures implemented with the aim of reducing excessive debt and strengthening the economic and financial position. The BMF then assesses whether the conditions for awarding restructuring aid have been met. As such, the BMF can, at the request of Bremen, permit deviations from the ordinarily prescribed budgetary repayments in justified exceptional cases. As we set out in the previous paragraph, this should not be confused with the consolidation procedures that expired at the end of 2020 for the previously cited Laender. A structurally balanced budget was planned for 2020. Due to the exceptionally high strain on Laender finances caused by the COVID-19 pandemic, the Stability Council identified that a specific emergency situation had occurred and therefore deemed the lack of a balanced budget in Bremen to be permissible.

Criticism of financial equalisation and reform

Criticism has been directed at the federal financial equalisation system since its inception: for example, one argument cited was that by seeking to strongly align the financial strength of the Laender, there would be insufficient incentives for all parties involved to improve their respective economic situation, but especially for the recipient Laender. In 2013, Bavaria and Hesse initiated legal proceedings with the Federal Constitutional Court to verify the constitutional conformity of the LFA. However, these Laender subsequently withdrew their claim in 2017 when the revised form of the federal financial equalisation system began to take shape. Since 2020, new rules have been in force governing federal financial relationships that provide additional capital to the Laender but simultaneously award greater powers to the federal government. Implementation required the Basic Law to be amended in 13 sections. For this, a two-thirds majority in both chambers of the German parliament was required. The agreement on the sections to be reformed and the need to restructure the financial equalisation system made it highly likely in advance that the required majority would be comfortably achieved. In principle, the revised version has been conceived in such a way that it should apply for an unlimited period, unless at least three Laender and the Bund request a further reform after 2030. This gives the federal government a vetoing minority. The reform of the financial equalisation system was finally approved on 01 June 2017. The convergence of financial strength is now handled by way of VAT distribution payments, with the scope of federal supplementary grants expanded too. Under the reformed system, the advance VAT equalisation component and LFA have been merged into what is now known as the Financial Power Equalisation (FKA). As the financially strong Laender now give up a portion of VAT revenues but, in return, no longer make direct payments out from their own budgets, the concept of the Laender being either "payers" or "recipients" has in effect been rendered obsolete. Another result of merging the UStA and LFA components was a short-term new role for North Rhine-Westphalia, which was ranked as an economically strong federal state in 2020 for one year only. Under the former arrangements, NRW received payments from the LFA between 2010 and 2019, while it posted payment outflows within the framework of the UStA. The VAT distribution is conducted based on number of inhabitants and financial power, with the share of municipal revenues considered upped to 75% and a larger portion of VAT going to the Laender overall. The notional population increases, the aim of which is to take into consideration the "structurally induced increased needs" of certain Laender, have been retained. Furthermore, federal government grants to the municipalities have been introduced to address differences in financial power. Still, criticism has continued to be directed at the revised system: in 2023, Bavaria filed another lawsuit with the Federal Constitutional Court against the LFA mechanism. It is, however, unclear when the judges will eventually come to a final decision. Conversely, a litigation group comprising a dozen Laender has joined forces to advocate in favour of keeping the current system in place.

The result

During the process of reworking the federal financial equalisation system, the top priority was to ensure that none of the Laender should be worse off than under the old framework. Under the revised version of the federal financial equalisation system, the Laender receive an additional sum of around EUR 10bn per year overall. If we take into consideration the fact that the Solidarity Pact II also expired at the end of 2019 and that no more disbursements will be made under that framework, the increase in payments to the Laender amounts to just EUR 4bn. However, their request to dynamically link this sum pro rata to increasing VAT receipts has not been fully met. Instead, a compromise was agreed in which a partial amount (EUR 1.42bn) is to be dynamically linked. In return for the additional financing for Laender and municipalities, the federal government has had additional powers at its disposal since 2020.

Additional powers for the federal government

The additional powers for the Bund essentially involve:

1. *Management of motorways*

   In future, the Bund shall be solely responsible for the construction of motorways through the formation of an infrastructure company under private law (motorway administration).

2. *Digitisation through a central citizen portal set up by the Bund*

   A new citizen portal will lead to more uniform standards for online administration applications. The aim here is to make administrative procedures more efficient.

3. *Investment assistance from the Bund "in areas of importance for the overall interest of the state"*

   In future, it is to become easier for the federal government to participate in financing for local authority projects. In particular, extended co-financing capabilities in relation to the education infrastructure of financially weak local authorities are planned.

4. *Monitoring and control rights for the Stability Council and Federal Court of Auditors*

   Additional powers to monitor the use of financial resources at Laender level.

5. *Strengthening tax administration powers*

   Strengthening the tax administration powers of the Bund, particularly in the area of information technology.

New "municipal financial power allocation" for local authorities

In the case of general BEZ, the thresholds and tariffs for the equalisation payments have been raised. For local authorities, the implementation of a "municipal financial power allocation", which is to be used to cover gaps in financial power at municipal level, is likely to be of primary interest. The current special-need BEZ grants, from which the East German Laender have mainly benefited, were discontinued at the end of 2019. The previous horizontal equalisation between financially strong and financially weak Laender is therefore being scaled back further. At the same time, the Bund will assume greater financial responsibility for the Laender by way of increased verticality in the system, while the dependency of the Laender on the federal government will also rise as a result of this.

Local authorities better off…

From a purely financial viewpoint, the impact of reorganising Bund-Laender finances on municipalities is certainly to be welcomed. The higher weighting of the financial situation of a federal state's municipalities within the scope of VAT allocation, as well as the structuring of BEZ based on the financial strength of the municipalities, will lead to greater account being taken of municipalities in the federal financial equalisation system and will lead – at least in theory – to the conclusion that the municipalities will have more solid finances following the new system taking effect. In practice, however, they only stand to benefit if the Laender forward the higher revenues on to the municipalities. This is assured in the Laender in which a combined rate or a uniformity principle has been established. There is, however, no generally applicable statutory allocation practice at municipality-Laender level. There is therefore a risk that only some of the extra funds will be forwarded to the municipalities and instead will end up in the general budget of the respective federal state. In addition, the municipalities stand to directly benefit from the additional federal funds for educational infrastructure. This is where the dependency on the federal government also increases. Added to this is the fact that linking the federal investment to the financial weakness of the municipalities acts as a disincentive for the Laender to provide their municipalities with sufficient financial resources off their own back.

…at the expense of increased dependency on the federal government

This support in the field of education means that the Laender bear less responsibility in one of their core areas: cultural policy. This results in the municipalities not only being more directly dependent on the Bund, but also to a greater extent as well. With the introduction of a nationwide citizen portal, critics also pointed to the potential risk of interference in the administrative sovereignty of the municipalities (principle of subsidiarity).

Greater convergence again fails to materialise

The Laender will benefit from the reorganisation of Bund-Laender finances and the resultant additional revenue to be provided by the federal government. For example, general BEZ payments of EUR 8.2bn in 2024 remained at a high level compared with the EUR 8.1bn recorded in 2023. Added to this was a sum of EUR 1.4bn (2023: EUR 1.7bn) from the BEZ in connection with efforts to compensate for low municipal fiscal capacity and EUR 300m (2023: EUR 210m) related to average-oriented research promotion equalisation payments. However, there was no evidence of greater convergence between the Laender in 2024. The gap between the highest and lowest levels of financial strength as measured by FKA has widened compared to 2023, while the gap in terms of financial strength as per BEZ has increased as well. Accordingly, those Laender deemed to be particularly weak in terms of financial strength have continued to benefit to an above-average extent, although the new system has also led to savings for financially strong Laender at times as well.

All change for the federal financial equalisation system?

The first two years of the new federal financial equalisation system were impacted by a series of special effects linked to COVID-19. However, as these left their mark on all Laender, certain insights can already be gained and conclusions drawn from these skewed years. As already outlined, the changes made to the federal financial equalisation system will primarily lead to the Bund assuming a more prominent role as well as to an improved economic status of the Laender. With NRW again switching back to the group of financially weaker Laender from 2021 onwards, this group once again constitutes most of the German population. As such, a minority of the German population is now once again responsible for equalisation payments granted to the financially weaker majority. While the concept of Laender being either "net recipients" or "net payers" has been abolished, it retains political and media substance. Under the FKA system, Bavaria and Baden-Wuerttemberg are facing an aggregated payment burden of EUR 14.8bn. As calculated in advance, expenditures at the federal government level has been far higher than was the case under the old system. For example, at EUR 8.2bn in 2024, general BEZ payments were at the same level as 2022 – and therefore again in excess of the value from 2019 (EUR 4.5bn). At this juncture, it is worth covering the new BEZ payments again: the equalisation payments for low municipal fiscal capacity are responsible for some unorthodox configurations. In 2024, Saarland received an additional sum of just under EUR 77m, even though after FKA and general BEZ payments are considered, it boasts greater financial strength than Bremen, which came away empty handed. Moreover, the supplements have the potential to alter the order of financial strength among the Laender. For example, after factoring in FKA payments, although before BEZ payments are considered, the relative financial strength of Thuringia stood at a score of 89.8 points (Berlin: 91.6). However, this value rose up to 100.9 points following BEZ payments of EUR 1,482m – of which EUR 357m was intended to offset particularly weak municipal fiscal capacity. In contrast, Berlin received BEZ payments of EUR 1,915m but no equalisation payments to offset the fiscal power of its municipalities, ultimately scoring 98.1 points for its financial strength. With Thuringia having received equalisation payments to offset low municipal fiscal capacity, it was able to rank higher in the financial power league table than Berlin.

Comment

The federal financial equalisation system pursues the aim of providing a platform for the creation and maintenance of equal living conditions across the whole of Germany. Even though the distributed volumes of UStA and LFA have risen steadily in the past, there are still significant financial discrepancies, especially between West and East German Laender, even more than 30 years after reunification. However, disparities among the West German Laender are now also starting to emerge. It certainly remains open to debate as to whether the reforms implemented in the form of the FKA will lead to greater incentives for the Laender to pursue sound financial policies. In particular, the higher top-up rate for the final tier of the equalisation system, the BEZ payments, would appear to offer greater incentives to the richer Laender to enhance their revenues than is the case for their financially weaker counterparts. If there is a risk of an even greater fiscal drift between the "net recipients" and "net payers", the Bund would, as a result, be likely to intervene with even greater regularity by imposing regulations to even out the differences. However, criticism of the reformed system remains persistently high. In particular, the financially strong Laender, and above all Bavaria, were and continue to be the most outspoken critics. This hostility is underpinned by another lawsuit filed by the Free State of Bavaria with the Federal Constitutional Court. Although "net recipients" and "net payers" have, on paper at least, been abolished following the most recent reform, these terms – which are used to highlight the respective federal states' own strengths while at the same time morally denigrating the recipient Laender – continue to hold significant weight in media and political circles. However, the LFA, as the system of horizontal financial equalisation payments between the Laender themselves, plays a significant role in enabling German sub-sovereigns to conduct refinancing activities on the capital market at significantly more favourable terms than is the case for the Spanish, Belgian and French regions, for example. The principle of federal loyalty provides the institutional framework with additional degree of robustness, which ultimately results in the credit profile of the German Laender being of unparalleled quality when measured against European and international standards.

Challenges for Laender finances
Debt brake and monitoring by the Stability Council

Reform of the debt brake resolved in March 2025

As far back as the signing of the Treaty of Rome in 1957, officially known as the "Treaty establishing the European Economic Community" and referred to in updated form as the "Treaty on the Functioning of the European Union", the signatory sovereigns agreed to limit public deficits. This requirement was implemented in German law in the form of Art. 109 of the Basic Law in 2009. The Bund is therefore barred from generating any structural deficits that exceed 0.35% of nominal GDP, which it also adhered to between 2012 and 2019. In March 2025, the Bundestag resolved that spending on defence, civil protection and intelligence services above 1% of nominal GDP would no longer be subject to the debt brake regulations. Furthermore, it was stipulated that a special fund of EUR 500bn would be officially codified in the Basic Law for additional infrastructure investments and with the aim of achieving climate neutrality by 2045. Since 2009, the debt brake has obligated the German Laender to manage without any structural deficits and the associated net borrowing. However, with the 2025 reform the Laender will in future be permitted to incur debts amounting to 0.35% of GDP per year. As such, scope for new borrowing, which had previously only been an option for the Bund, is now also available for the Laender. To this end, in addition to cyclical additional expenditures, exceptions are only permitted for natural disasters and exceptional emergency situations. An emergency situation arose with the onset of COVID-19, giving the Bund cause to adopt supplementary budgets in both March and June 2020. For the first time since the outbreak of the pandemic, thanks to a reduction in inflation and an easing of the situation on the energy markets, the Bund was able to comply with the requirements of the debt brake again in 2024.

Precise wording

The debt brake is enshrined in Art. 109(3) of the Basic Law as follows: "The budgets of the Federation and the Laender shall in principle be balanced without revenue from credits. The Federation and Laender may introduce rules intended to take into account, symmetrically in times of upswing and downswing, the effects of market developments that deviate from normal conditions, as well as exceptions for natural disasters or unusual emergency situations beyond governmental control and substantially harmful to the state's financial capacity. For such exceptional regimes, a corresponding amortisation plan must be adopted. Details for the budget of the Federation shall be governed by Art. 115 with the proviso that the first sentence shall be deemed to be satisfied if revenue from credits does not exceed 0.35 per cent in relation to the nominal gross domestic product. From the revenue from credits taken into account, the amount shall be deducted by which defence expenditures and the expenditures of the Federation on civil defence and civil protection as well as on the intelligence services, on protection of information technology systems and on assistance for states under attack in breach of international law exceed 1 per cent in relation to the nominal gross domestic product. The first sentence shall be deemed to be satisfied by the totality of the Laender if the revenue from credits obtained by them does not exceed 0.35 per cent in relation to the nominal gross domestic product. The distribution of the borrowing by the totality of the Laender which is admissible under the sixth sentence among the individual Laender shall be regulated by a federal law requiring the consent of the Bundesrat. The Laender themselves shall regulate details for their budgets within the framework of their constitutional powers. Existing provisions of Land law in which the credit limit falls below that defined in the seventh sentence shall cease to have effect."

31st meeting of the Stability Council: monetary policy trapped between new national leeway...

Since 2010, the Stability Council has been monitoring the financial situations of the Bund and Laender. The committee meets every six months and has the power, for example, to prescribe restructuring programmes should any anomalies be determined in respect of the budgetary situations of Bund or Laender. In recent years, the Laender had already been taking into account the application of the debt brake in their respective budgetary planning processes. At present, Germany finds itself in a challenging situation in terms of the economy and monetary policy, which in the view of the Stability Council cannot be solely explained by weak economic development. Rather, it is said to also be structural in nature, at least in part. At its 31st meeting, the Stability Council concluded that the economic outlook for Germany has deteriorated further: accordingly, the growth forecast for 2025 was reduced from +0.3% to 0.0%. At 2.7% of GDP, Germany's general government deficit last year was only slightly below the Maastricht limit of 3%. National debt amounted to 62.5% of GDP, which is 2.5 percentage points above the limit defined in the European Treaty. Nevertheless, it should also be stated that the debt of Germany is actually below average compared with other EU Member States. In mid-May, the "Tax Estimates" Working Group revised its forecast for tax revenues at the level of Bund, Laender and municipalities compared with October: in 2025, tax receipts will be EUR 2.7bn down on the original forecast.

...and European fiscal rules

Following the reform of the stability and growth pact (SGP), the common fiscal framework was fundamentally altered last year. The EU Regulation 2024/1263 no longer contains an annual target for the general government structural deficit, but rather a multi-year ceiling on the development of expenditure (known as the "net expenditure path"). This is intended to safeguard the current Maastricht criteria for annual new borrowing and the debt level over the long term. The Regulation on the reformed SGP requires Member States to submit a fiscal-structural plan (FSP) in addition to reporting on the progress related to the implementation of the net expenditure path each year. The German government expects a general government deficit of 2.5% of GDP in 2025. However, this does not yet take into account the effects of the amendments to the Basic Law adopted in March – including the exemption from the debt brake for defence-related expenditures, the special fund for infrastructure and climate neutrality with a volume of up to EUR 500bn, and the new structural borrowing leeway for the Laender of 0.35% of GDP. These measures are likely to increase the discrepancy with European fiscal rules. As a result, the increased leeway resulting from this collides with the provisions of the European standards, compliance with which, according to the Stability Council, requires considerable efforts across all levels of government.

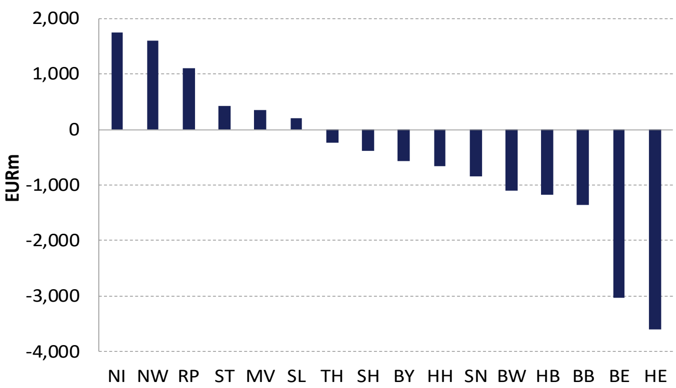
Statement from the Stability Council

The Stability Council expressly recommends that the Bund and Laender consistently align their fiscal and economic policies with the aim of increasing economic dynamism and make spending on sustainability a priority. Furthermore, the Stability Council is of the view that the newly established special fund for infrastructure could provide key impetus in relation to stimulating growth, while also recognising the fiscal necessity of activating the escape clause for defence spending. In addition to calling for targeted fiscal and economic policy and a review of the spending structure, the Stability Council has advocated for prompt domestic implementation of the reformed rules of the SGP in the Stability Council and Budgetary Principles Act. This creates the legal basis that enables the Stability Council to continue monitoring compliance with European fiscal rules in the future.

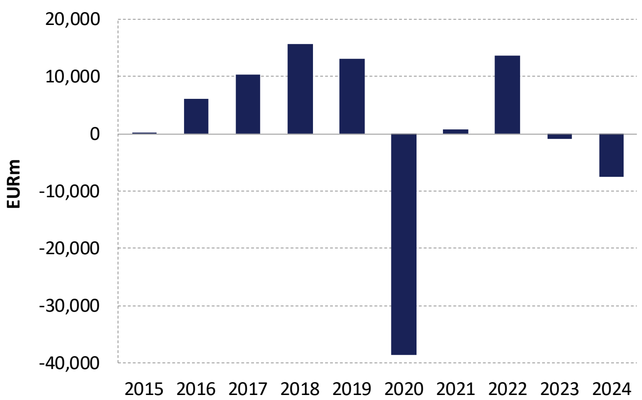
Economic framework conditions

The German economy remains mired in a prolonged period of economic weakness. According to the Federal Statistical Office, in 2024 economic output declined by -0.2% Y/Y. In this context, the key structural challenges included increasingly fierce competition in key sales markets for the German export industry, elevated energy costs, high interest rates and a subdued economic outlook. At the same time, the labour market cooled, while employment stagnated slightly or even declined in certain sectors. These developments made the consolidation of public budgets far more challenging, with the result that the government deficit was significantly higher than in the previous year. A real sense of uncertainty continued to linger over the economic environment in 2024. In fact, even the cycle of interest rate cuts launched by the ECB in June 2024 was unable to counteract this development. In particular, fluctuating domestic and foreign demand hampered investment and production. According to the Spring Report from the Council of Economic Experts, Germany has been in the grip of economic stagnation for the past three years. The Council of Economic Experts is forecasting that price-adjusted GDP will stagnate this year, before projecting growth in economic output of +1.0% for 2026. Regarding consumer price developments, the experts forecast an inflation rate of +2.1%, while a further increase of +2.0% is projected for the following year. Downside risks to the economic forecast for Germany include a potential escalation of the trade conflict between the US and the EU. Moreover, the financial package could trigger unexpectedly high price pressure owing to increases in defence spending and the special fund for infrastructure and climate protection, thereby causing inflation to rise to unexpectedly high levels.

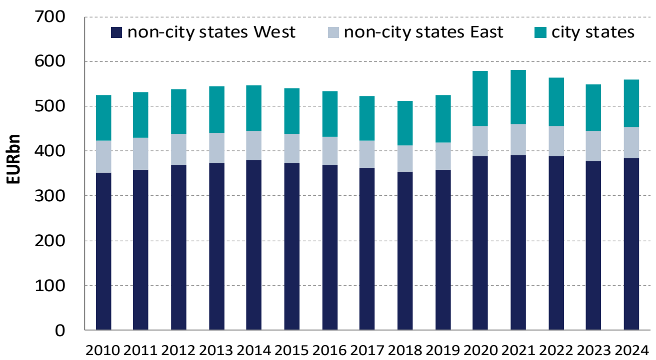
Budget balances of individual Laender



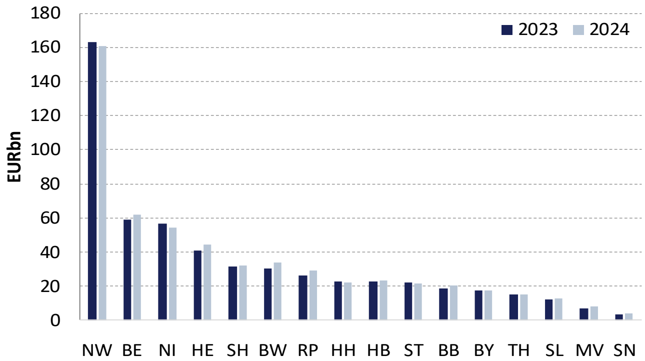
Budget balances of the Laender as a whole



Trend in overall debt level of the Laender



Debt level of individual Laender



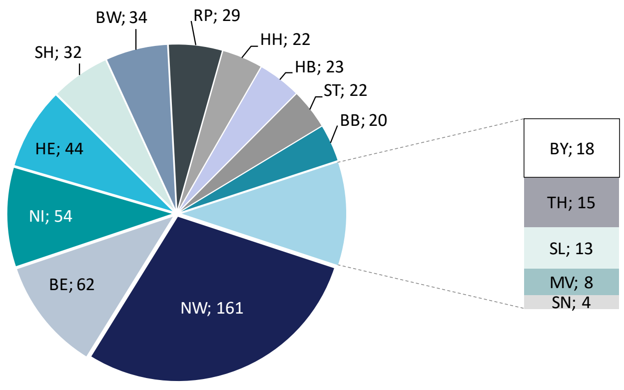
BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.

Source: German Federal Ministry of Finance, NORD/LB Floor Research

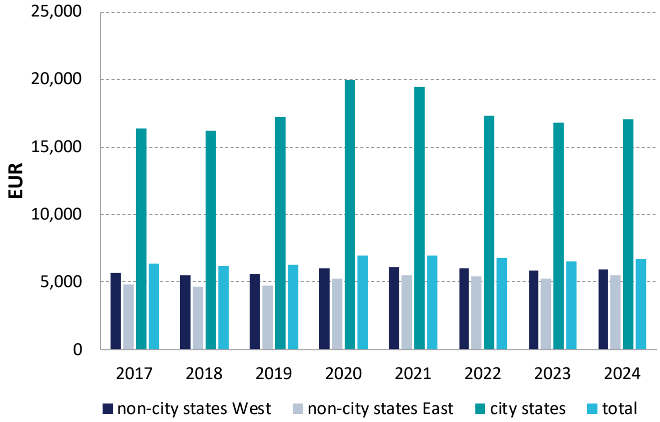
Trend in Laender debt levels – an overview

A look at the trend in Laender debt levels over the past decades reveals three strong increases: the first was at the start of the current millennium (at which point Germany was regarded as the "sick man of Europe"), with the second coming in connection with the global financial crisis in 2008/09. In the wake of the COVID-19 pandemic in 2020, a third significant rise in the debt level was added to the previous two. In 2023, the question arose as to whether Germany could again be considered the "sick man of Europe" in view of the stagnant economy. In 2024, the aggregated debt level of the Laender rose by +2.1% to EUR 559.6bn. This came on the back of declines in each of the two previous years (2023: EUR 548.4bn; 2022: EUR 563.0bn). Despite the fact that its liabilities declined by -1.3% to EUR 160.9bn, North Rhine-Westphalia, the most populous German sub-sovereign, accounts for the largest share of the debt level, at 28.8%. In relative terms, the Free State of Saxony recorded the highest level of new debt at +20.0%, followed by Mecklenburg-Western Pomerania (+11.1%) and Baden-Wuerttemberg (+10.3%). Compared with 2023, only five sub-sovereigns successfully reduced their debt levels. Leading this group is our owner state of Lower Saxony, which posted a decline of -3.9%, followed by the Free and Hanseatic City of Hamburg (-3.0%), Thuringia (-1.6%), NRW (-1.3%) and Saxony-Anhalt (-0.8%). In 2024, the per capita debt level also rose on a national level, reaching a value of EUR 6,696 (+1.9%) in the process. In relation to population, the city states traditionally stand out with hugely above-average debt levels. In the recent past, the national average for per capita debt has remained fairly constant at between EUR 6,000 and EUR 7,000. Last year, the Free Hanseatic City of Bremen registered by far the highest per capita debt among all German sub-sovereigns, with a debt level of EUR 33,016 (+2.6%), followed by the federal capital Berlin at EUR 16,715 (+3.9%). Meanwhile, per capita debt in Hamburg totalled EUR 11,490, reflecting a decline of -3.0% compared with 2023. Only Lower Saxony was able to reduce its relative debt burden more sharply versus the prior year (EUR 6,646; -3.9%). In a geographical analysis, East German non-city states present lower debt levels in both absolute and per capita terms than is the case for their West German counterparts.

The Laender and overall debt level (EURbn)



Development of debt per capita



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Source: German Federal Ministry of Finance, NORD/LB Floor Research

Comment

Only a few months after entering into force, the debt brake had to be suspended after the onset of the COVID-19 crisis activated an emergency situation clause. In this context, resolutions were prepared in NRW, Bavaria, Baden-Wuerttemberg, Lower Saxony and Mecklenburg-Western Pomerania, among other Laender, to adopt a second supplementary budget in 2020, following the example of the Bund. Nevertheless, the Laender had to some extent already demonstrated braking power in the past, with the result that certain sub-sovereigns had already started to repay their debts in advance, helping to curb the rise in the Laender debt level in the process. This was also supported by the economic conditions, which have clearly improved after a difficult start to the current millennium. Ensuring the sustainability of public-sector budgets, as is the overarching aim of the debt brake, is fundamentally to be regarded as a positive, especially during stress situations as is currently being faced. However, up until the reforms adopted in March 2025, criticism had been directed at the fact that, due to the ban on net borrowing, the leeway in monetary policy operations, for example regarding investments, was (severely) restricted for the Laender. The ECB, for example, repeatedly called for higher investments from public budgets before the economic stimulus packages in the context of the COVID-19 pandemic. The recently adopted reformed debt brake now permits sub-sovereigns to incur new debt of 0.35% of their economic output on an annual basis. Previously, this regulation applied only at the level of the Bund, and, in our view, is likely to have a decisive impact on the future financial framework of the Laender. Nevertheless, the Laender continue to benefit from strong institutional foundations and a high-quality credit profile. The solvency of the Bund and its sub-sovereigns is likely to remain the best among European issuers. Even in the context of the reformed debt brake, this status is unlikely to be called into question in any meaningful way. However, it should be pointed out that any supplementary budgets adopted as a result of the relaxed debt rules could lead to increased liabilities.

Challenges for Laender finances
The Stability Council

The Stability Council – monitoring body for the federal government and Laender
The Stability Council was created in 2010 to meet the challenge of complying with the debt brake and to prevent budgetary crises, as had occurred in Bremen and Saarland in 1992. It is a joint body operated by the federal government and the Laender. The establishment of the Stability Council can be traced back to Federalism Reform II (Föderalismusreform II), which regulates its existence through Art. 109a of the Basic Law. The purpose of the Stability Council is to regularly monitor the budgets of the Bund and Laender, with the aim of identifying and/or preventing any impending budgetary crises ahead of time and to ensure the compliance with debt limits. The body is managed by the federal government. Its members are the Federal Minister of Finance, the finance ministers of the Laender and the Federal Minister for Economic Affairs and Climate Action. The Stability Council meets twice a year (usually in June and December). The first session was held on 28 April 2010. Since the beginning of 2020, its remit has included monitoring compliance with the debt brake, which is based on European requirements and procedures.

The "Aufbau Ost" project
In order to offset disproportionately low municipal financial strength and ease infrastructural backlog needs, the Laender of Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony and Saxony-Anhalt received annual payments from 2005 to 2019 as part of the Solidarity Pact II. The aim here was to empower these Laender to counteract their special charges. The funds earmarked for this purpose came to EUR 156.7bn as planned and were split into two separate "baskets". Basket1 contained special-need federal supplementary grants (SoBEZ) amounting to EUR 105.3bn, which were put directly towards improving financial strength and infrastructure. Basket2 totalled EUR 51.4bn and could be invested in broader policy fields, including the economy, promotion of innovation, research and development, education, transport, housing and urban development, EU structural funds, the elimination of ecological contaminations/site restoration and sport. Regarding progress made in the relevant areas, a final report was presented for the last time on 15 September 2020 and discussed in the statement covering the 22nd meeting of the Stability Council. The East German Laender bore responsibility for ensuring that the funds received were used for the prescribed purposes. In order to verify this, three criteria were defined in collaboration with the Bund, via which the appropriate use of funds was to be achieved with the aim of then closing the gap between the Laender. The first criterion focused on the SoBEZ share intended to be used to finance infrastructure investments and to offset disproportionately low financial strength. The second criterion related to the SoBEZ share intended to be used to rectify the situation regarding infrastructure investments self-financed to a disproportionate extent compared with the reference Laender. The third criterion concerned closing the infrastructure gap through disproportionate total investment expenditure compared with the reference Laender. The sub-sovereigns of Lower Saxony, Rhineland-Palatinate, Saarland and Schleswig-Holstein were taken as a reference for the east German non-city states, while Hamburg was selected as the reference point for Berlin.

Balance sheet data

As planned, the Solidarity Pact II programme expired at the end of 2019. When the programme was first launched, a volume of EUR 105.3bn was planned for Basket1. Thereafter, payments were supposed to fall over time so that a final instalment of EUR 2.1bn would be paid in 2019 before the programme came to an end. At this point, we should point out that the payments were not evenly distributed among the Laender. For example, Saxony received the largest share of the cumulative payments, at EUR 26.1bn (27%), followed by Berlin (EUR 19.0bn; 20%) and Saxony-Anhalt (EUR 15.7bn; 16.6%). After this trio came Brandenburg with EUR 14.3bn (15.1%) and Mecklenburg-Western Pomerania with EUR 10.5bn (11.1%). While the payments from Basket1 came in on budget, the payments of EUR 56.3bn made under Basket2 were well above the original target value of EUR 51.4bn. Since the volume of payments from Basket2 ended up nearly 10% over the original budget, the total volume of grants under the programme as a whole amounted to EUR 161.6bn. The promotion of innovation as well as research and development accounted for the largest shares of this additional expenditure, followed by the categories of economy and housing and urban development. With this support, the federal government laid the foundations for overcoming infrastructure deficits caused by the former division of Germany, increasing the quality of life for German citizens and improving the country's economic situation. However, the Laender have not simply been left to their own devices after Solidarity Pact II expired. In this context, grants continue to be made via the revised federal financial equalisation system as well as from the national German support system for structurally weak regions.

Restructuring programmes

If a critical budgetary situation is identified in the case of either the federal government or one of the Laender, the Stability Council agrees restructuring programmes with the impacted political authority. The implementation of the restructuring programme is intended to ensure that the analysis system of the ongoing budget monitoring for the affected body, i.e. federal government or regional government, no longer shows any anomalies regarding an imminent budget emergency in the foreseeable future. The duration of the restructuring programme is agreed on a case-by-case basis but extends over at least two years. The programme contains guidelines for the targeted reduction in annual new debt as well as other consolidation measures. If the Bund or federal state in question deviates from the guidelines or fails to present satisfactory proposals for restructuring concepts, a request is made for increased budgetary consolidation. If an impending budgetary crisis is still identified even after complete implementation of the restructuring measures, an agreement is reached on a further consolidation programme. Impending budgetary crises were identified for the Laender of Berlin, Bremen, Saarland and Schleswig-Holstein at the second meeting held on 15 October 2010. As a result, restructuring programmes were agreed, for which compliance and progress was reviewed at each half-yearly meeting of the Stability Council. The supervisory body also monitored compliance with the requirements incumbent on the affected Laender for them to receive consolidation aid up to 2019. At the end of 2016, it was announced that Berlin and Schleswig-Holstein had completed their respective recovery plans. In contrast, however, Bremen and Saarland were unable to achieve the requirements placed upon them regarding the requisite key metric values in this period. Moreover, since 2020 both Bremen and Saarland have each been receiving restructuring aid to the tune of EUR 400m per year. Based on the continued anomalies, the Stability Council agreed a restructuring programme for Bremen at its 30th meeting on 05 December 2024, through which it is hoped that the federal state will be able to consolidate its budget by 2028 at the latest.

Monitoring of four key budget indicators over two assessment periods

The Stability Council uses four key indicators to assess whether a budgetary crisis is impending. The development of these indicators is monitored in the current budgetary situation and financial planning. The current situation includes the actual figures for the last two budget years as well as the target figure for the current year. In the second assessment period the key financial indicators in the budgetary and financial planning for subsequent years are analysed.

Structural financial deficit per capita

The structural financial deficit is defined by the Stability Council as the financial deficit adjusted to allow for financial transactions and economic influences. It is calculated in EUR per inhabitant. If the threshold value is not reached, this is reported as an anomaly (non-compliance). For the term of the current budgetary situation of the Laender, the critical value is calculated as the Laender average minus EUR 200 per inhabitant, whereas for financial planning, the threshold value defined for the current financial year is used as the tolerance threshold. In order to factor in economic slowdowns, a surcharge of EUR 50 per inhabitant is generally included.

Credit financing ratio

The Stability Council also examines the credit financing ratio, which reflects the relation of new debt to adjusted expenditure. For the current budgetary situation, the body defines a threshold value comprising the Laender average plus three percentage points. In the financial planning, an unacceptable deviation from the critical value is identified if the threshold value for the current budgetary year is exceeded by two percentage points.

Interest-tax ratio

As a third key indicator, the Stability Council analyses the interest-tax ratio, defined as the ratio of interest expenditure to tax revenue. In the case of tax revenues, an adjustment is made for payment flows related to the financial equalisation among the Laender, general purpose federal supplementary grants, promotional levies and vehicle tax compensation The limit for this key indicator during the period of the current budgetary situation is also based on a relative comparison of the Laender. The critical value for non-city states is defined as 140% (150% for the city states) of the Laender average. For the duration of the financial planning, the tolerance value of the current budgetary year plus one percentage point applies as the limit.

Debt per capita

The last key indicator reflects the debt level on the credit market as of 31 December of each year in relation to the number of inhabitants. For the current budgetary situation, a limit violation is determined in cases where the key indicator exceeds 130% of the Laender average for non-city states (220% in the case of city states). For the duration of the financial planning, a limit amounting to the threshold value for the current budgetary year plus EUR 100 per citizen and year is used as a basis. A key indicator is generally regarded as non-compliant for a specific period if at least two critical values have been exceeded. By contrast, a time period is regarded as non-compliant if at least three out of four key indicators exceed their specified limits. If a time period is identified as non-compliant, an evaluation of the authority in question is carried out by the Stability Council.

Monitoring system of the Stability Council

	Actual		Target	Limit violations	Financial planning				Limit violations
	2022	2023	2024		2025	2026	2027	2028	
Financial balance in EUR per capita									
Threshold value	-71	-155	-283	**Yes (5)**	-333	-333	-333	-333	**Yes (1)**
Laender average	129	45	-83						
Credit financing ratio in %									
Threshold value	3.6	1.5	3.1	**Yes (2)**	5.1	5.1	5.1	5.1	**Yes (1)**
Laender average	0.6	-1.5	0.1						
Interest/tax ratio in %									
Threshold value (non-city states)	3.1	3.5	4.5	**Yes (3)**	5.5	5.5	5.5	5.5	**Yes (2)**
Threshold value (city states)	3.3	3.7	4.8		5.8	5.8	5.8	5.8	
Laender average	2.2	2.5	3.2						
Total debt in EUR per capita									
Threshold value (non-city states)	9,787	9,698	9,741	**Yes (4)**	9,841	9,941	10,041	10,141	**Yes (4)**
Threshold value (city states)	16,563	16,411	16,485		16,585	16,685	16,785	16,885	
Laender average	7,529	7,460	7,493						
Violations in the period		**Yes (2)**					**No**		

Source: Stability Council, NORD/LB Floor Research

Stability Council offers many advantages…

The transparent method of working and presentation of the results enables the situation regarding all Laender budgets to be easily assessed. The credit financing ratio and interest-tax ratio provide two additional indicators for the Stability Council. They were also used by the Federal Constitutional Court when assessing the budgetary situation for Bremen and Saarland in 1992 and Berlin in 2002. The mechanistic definition of critical values avoids any political interpretation of the respective budgetary situation, providing a clear advantage in the process. The agreement of recovery plans and the transparent monitoring of compliance with them should also be interpreted as positive aspects, since this applies constant pressure to those sub-sovereigns obliged to follow a restructuring programme. Aligning the threshold values to the Laender average also allows special circumstances such as economic downturns to be taken into account dynamically. The review of financial planning enables negative trends or even budgetary crises to be identified at an early stage.

...and some disadvantages

However, in contrast, it should be noted that the financial planning of a federal state does not constitute any definitive or specific plan and consequently there is no binding obligation in terms of compliance. As such, the informative value of the figures for financial planning is on the low side to a certain extent. Aligning the threshold value to the Laender average entails the risk that negative trends or potential budgetary crises are not identified if a majority of the sub-sovereigns generate poorer budget figures and the federal state average consequently falls. We also consider the choice of indicators to be worthy of discussion. Although the four indicators provide an insight into Laender budgets, major structural budgetary problems such as significantly above-average personnel expenses or pension commitments, for example, are not registered. The definition of the critical values and the calculation of key indicators are also subject to (adjustment) methods that are not especially transparent. In our view, however, the biggest disadvantage of the Stability Council in its current legal framework is the absence of a mechanism for imposing sanctions. For example, if a federal state does not comply with the restructuring plans, it is only requested to comply with them. In extreme cases, a new restructuring programme is defined. However, no effective means for sanctions are in place, such as cutting BEZ grants.

Comment

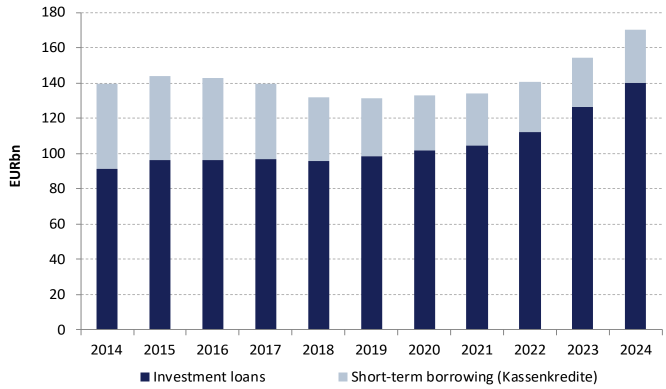
Despite a handful of disadvantages, we do believe that the Stability Council is a valuable committee for monitoring budgets at the level of both Bund and Laender. Due to the introduction of the debt brake, which we see as a major challenge especially for financially weaker Laender, we regard the supervisory body as a suitable method of budget control. From an investor viewpoint, too, we regard the Stability Council and especially its half-yearly reports to be important, since they provide up-to-date and transparent information on the budgetary situation of all Laender. While from our perspective it remains a significant disadvantage that the Stability Council still lacks serious mechanisms for imposing sanctions, this did not pose any major problems given the positive budget performance up to the end of 2019. In recent times, the budgetary situation of the Laender has deteriorated against the backdrop of weak economic framework conditions and a significant relaxation of self-imposed financial guidelines. In this context, we are of the view that the Stability Council needs effective leverage in order to ensure compliance with national and European fiscal rules.

Challenges for Laender finances
Municipal budget situation as stress factor

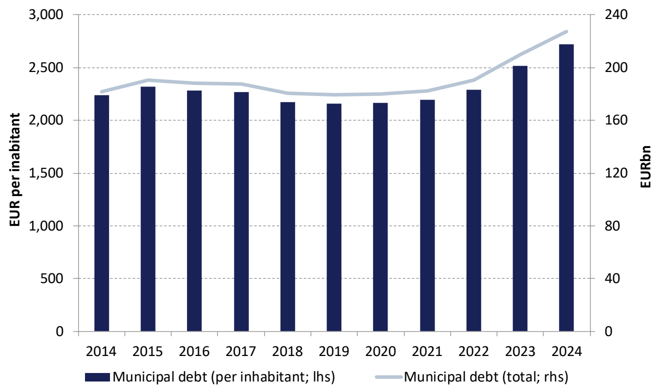
Latest data set: municipalities post record deficit in 2024

Having generated surpluses between 2011 and 2022, German municipalities and municipal associations recorded a funding deficit in 2023, which amounted to EUR -6.6bn (core and extra budgets). According to official data from the Federal Statistical Office, the deficit last year amounted to EUR -24.8bn. This represents the highest municipal financing deficit since German reunification in 1990. Adjusted expenses in the core budget rose sharply again in 2024 by +8.8% Y/Y to EUR 362.7bn. Social expenses were the primary driving force on the expenditure side and rose by +11.7% Y/Y to EUR 84.5bn. The reason behind this growth was the increased standard rates for citizen's income (Bürgergeld) and social assistance. The core budgets were also burdened by personnel expenses, which rose by +8.9% Y/Y to EUR 88.1bn mainly on account of collective bargaining agreements and staffing increases. Current non-personnel expenses also rose by +7.7% Y/Y, while investments in tangible assets grew by +6.4% Y/Y. The additional rise in interest expenditure of +32.1% Y/Y (2023: +37.4% Y/Y) can be explained by higher interest rates, although it should be noted in this context that the ECB has been significantly cutting key rates since June 2024. At EUR 376.1bn, adjusted revenues of municipal budgets in 2024 were up by +7.6% on the previous year. However, this was not sufficient to offset the increase in expenditures. In 2024, tax receipts amounted to EUR 132.1bn, reflecting growth of just +1.5% versus 2023, with local business tax revenues also rising by +0.3% Y/Y. Regarding the municipal debt level, 2024 saw the fifth increase in succession: liabilities rose by +8.4% to EUR 277.7bn overall, which accounted for 60.5% of adjusted revenues. This value was therefore well below the average debt level of the Laender, which amounts to 110.0% of adjusted revenues. The sharpest growth in debt levels versus 2023 in percentage terms was recorded by the municipalities and municipal associations in Lower Saxony and Mecklenburg-Western Pomerania (+14.2% in each case), followed by North Rhine-Westphalia (+12.3%) and Bavaria (+12.2%). In terms of the sharpest percentage declines in debt, Rhineland-Palatinate (-22.2%) and Thuringia (-2.8%) lead the way.

Debt level in the non-public sector



Municipal debt level



Source: Federal Statistical Office, NORD/LB Floor Research

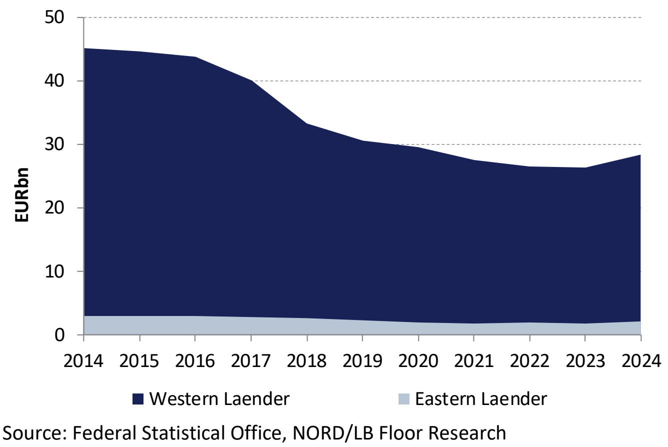
Significant rise in Laender investment loan volumes

Investment loans traditionally account for a significant portion of municipal debt. These are backed by direct assets, whereby in an ideal world the interest expenses are covered by the return on investments. In 2024, investment loans ultimately rose by +10.8% year on year to EUR 140.2bn (2023: EUR 126.5bn). The respective shares of investment loans in total municipal debt differed significantly between the individual Laender. At 77.8%, the highest share of investment loans in overall municipal debt is attributable to municipalities in Schleswig-Holstein, while Baden-Wuerttemberg has the lowest value in this regard at 47.4%. In our view, one positive aspect to highlight is that the share of investment loans in total debt has risen in nine of 13 non-city states. The sharpest growth was recorded by Rhineland-Palatinate, whose share increased by +20.9 percentage points. Meanwhile, the Laender average amounts to 61.6%.

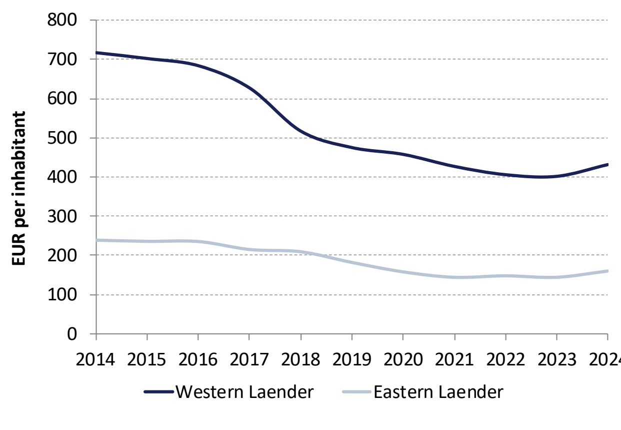
Kassenkredite debt rises for the first time since 2014

Kassenkredite were originally intended to cover short-term cash flow straits that can arise from timing mismatches in revenue and expenditure. For instance, if higher personnel costs are incurred at the start of a calendar year, while regular tax revenue has not yet been received, Kassenkredite can be used to bridge this time gap. Since the turn of the millennium, however, the volume of Kassenkredite has increased sevenfold across Germany. At the highpoint as at year-end 2014, for example, around 26% (roughly EUR 48bn) of total municipal debt was attributable to Kassenkredite. We can therefore say that these loans were no longer being (exclusively) used for bridging short-term liquidity difficulties. Back in 1995, this figure came in at just 3.1%. A higher proportion of Kassenkredite liabilities brings with it an increased risk of changes to the interest rate environment. As a result, we take a negative view of a high level of Kassenkredite debt. Last year, the volume of Kassenkredite debt attributable to municipalities and municipal associations amounted to EUR 30.3bn, corresponding to 13.3% of total debt. This came on the back of nine consecutive years in which the aggregated Kassenkredite debt amount had been reduced. A geographical analysis also reveals that the West German Laender have significantly higher Kassenkredite debts than their eastern German counterparts. North Rhine-Westphalia, Germany's most populous federal state, is primarily responsible for this situation, accounting for Kassenkredite in the amount of EUR 20.8bn in 2024.

Municipal cash boosting loans (absolute)



Municipal cash boosting loans



Source: Federal Statistical Office, NORD/LB Floor Research

2024: Kassenkredite volumes on the rise in nine of 13 non-city states

A breakdown by federal state of the Kassenkredite burden on municipalities and municipal associations reveals a highly varied picture: the share of Kassenkredite in the total debt level of municipalities ranges from 1.3% in Hesse to 30.9% in Saxony-Anhalt. In nine Laender, the share was below 10% in the previous year. In comparison with 2023, just four sub-sovereigns were able to reduce their Kassenkredite debt levels (Brandenburg, Rhineland-Palatinate, Saarland and Saxony). In 2023, nine of the non-city states actually managed to achieve a reduction. The extent of the increase in Kassenkredite also varied across the individual sub-sovereigns to a significant extent. The strongest growth in Kassenkredite debt versus 2023 in percentage terms was recorded by the municipalities and municipal associations in Hesse (+232.2%), followed by Schleswig-Holstein (+212.2%) and Bavaria (+84.5%). Although these are exceptionally high values, it should be noted that the absolute level of Kassenkredite liabilities is under EUR 1bn in each of these three Laender. The sharpest percentage declines were recorded by municipalities in Rhineland-Palatinate (-50.6%) and Saarland (-17.0%). Overall, the share of Kassenkredite in total municipal debt stood at 13.3% last year. While the absolute level did rise, at least the relative share in aggregated liabilities declined again (2023: 13.4%; 2022: 14.9%).

Growing challenges, growing debt?

Municipal budgets are also confronted by a variety of challenges at present: with interest rates having been at a high level in both of the previous two calendar years, refinancing costs also became more expensive, which in turn placed budgets under strain. Although the ECB did start to successively reduce interest rates from June 2024 onwards, interest expenses have remained persistently high. Although the interest rate peak is now firmly in the rear-view mirror, municipalities must continue to pay increased attention to credit costs in relation to their financial planning. In addition, impacts from regulatory changes have in the past been felt in relation to municipal financing. In the context of Basel III introducing the leverage ratio, municipal financing became increasingly unattractive for privately organised credit institutions. The key indicator stipulates a minimum ratio of regulatory capital to the exposure of a bank, in which the risk of the exposure is irrelevant. Low-margin segments, and this includes municipal financing, have already experienced a decline in credit offerings from private banks. Moreover, the banking crisis already precipitated a shift within the market for municipal finance: specifically, regional promotional banks have for years been experiencing significant growth in this respect. In North Rhine-Westphalia, the municipal lending business of NRW.BANK has posted strong growth over recent years. After a new peak value of EUR 7.6bn was registered in 2020 (EUR 3.7bn for municipal financing), NRW.BANK generated a volume of new financing commitments of EUR 4.4bn (-42%) in the business area of Municipalities/Infrastructure in 2021. The reason for this was falling demand for COVID-19 aid. In 2024, the volume of new commitments fell by around -12% Y/Y to EUR 4.3bn. The reason for this restrained take-up was the high EU reference interest rate. This led to a situation in which aid-free conditions, for example under the NRW.BANK.Infrastruktur funding program, were less attractive than alternative financing terms available on the market. The promotional funding programme for educational infrastructure in NRW developed positively in 2024: the funding volume increased by +21.3% Y/Y to approx. EUR 487.3m (2023: EUR 401.8m). In the area of local public transport, a total of EUR 489.4m was paid out, more than double the level recorded in the previous year (2023: EUR 171.3m).

Laender support local authorities with bailout funds

In recent years, several Laender have implemented consolidation aid or debt relief funds with the aim of supporting municipalities. With reference to the self-governance of municipalities, these programmes are usually voluntary and highly different in their structure. In general, these programmes were set up in response to the challenging municipal budget situation: in 2024, the municipal financing deficit of core budgets came to EUR -24.3bn overall (2023: EUR -6.3bn); meanwhile, the trend in relation to expenditures continues to rise (2024: EUR 400.9bn; 2023: EUR 356.0bn). This circumstance suggests de facto insolvency, although no insolvency proceedings can be initiated against municipalities pursuant to §12 of the Insolvency Code. To support the municipalities most affected by high Kassenkredite debt levels, the former Chancellor Olaf Scholz, in his then role as Minister of Finance, called for a full haircut, whereby the Bund (federal government) would assume liability for all municipal debt. However, this plan was highly controversial even within the Grand Coalition (cabinet Merkel IV). Nevertheless, the fact that the Laender support municipalities through various debt relief programmes can be justified, among other aspects, in that, in the event of a payment default, clarification would be required as to whether the respective federal state followed the *Konnexitätsprinzip*. It would then be necessary to verify whether the federal state had made the necessary funding available to the municipality for the tasks transferred to it. The Laender constitutions also include corresponding articles that require the respective federal state to comply with a maintenance obligation, i.e. to ensure financial backing for performance of the tasks (e.g. Art. 58 of the Constitution of Lower Saxony).

Bailout funds reveal significant differences

The consolidation aid and debt relief funds already deal with this and, depending on the federal state, reveal some significant differences. In most cases, the repayment of loans or direct deficit coverage is the focal point. The corresponding cash inflows are often linked to the financial equalisation at municipal level. In 2012, for example, Rhineland-Palatinate set up a municipal debt relief fund totalling EUR 3.8bn, in which more than 700 local authorities currently participate. The objective of the fund is to repay two-thirds of the municipal cash boosting loans (Kassenverstärkungskredite) that were taken out up to 2009. Given that the programme ultimately did not significantly relieve municipal finances in Rhineland-Palatinate, another bailout fund was announced in September 2022 in the form of the “Partnership for Municipal Debt Relief in Rhineland-Palatinate” (PEK-RP). A sum of EUR 3.0bn was made available in the state budget for this purpose. The plan envisages debt relief across three stages: up to the basic amount of EUR 500 per inhabitant, Kassenkredite loans remain with the respective municipality; from EUR 500 per inhabitant up to a maximum amount of EUR 2,500 per inhabitant, half of the liquidity loans are transferred to Rhineland-Palatinate; above this maximum amount, the federal state assumes the liquidity loans in full. For districts, these amounts are divided by three (two thirds of the full amount for independent municipalities). Mecklenburg-Western Pomerania has adopted a different approach: in this case, a consolidation fund was set up as long ago as 2012 to provide financial assistance for unavoidable deficits. A debt relief fund was subsequently added to the mix in 2018. Both programmes, which are reported as special funds, ran in parallel until the consolidation fund expired in 2019. In contrast, Hesse set up a programme known as “Hessenkasse”, the objective of which is to take over the Kassenkredite of municipalities and to arrange debt relief through the federal state’s promotional bank (WIBank). Overall, a repayment amount of EUR 4.9bn was achieved, which equated to roughly 95% of the municipal Kassenkredite debt level in 2020. Agreement on both consolidation plans and, in some cases, the merging of existing municipalities with the aim of stabilising the budgets on a sustainable basis, represent aspects that all programmes share.

Clear differences in programme ratios

There are also differences in the scope of the programmes in relation to the total debt of the municipalities (at the time that the programmes were first launched in each case). The Hessenkasse programme set up in 2018, which envisages a form of debt relief for municipal Kassenkredite, whereby the municipalities in Hesse make a repayment contribution of EUR 25 per inhabitant per year, takes top spot here. Some way behind follows the latest debt relief programme implemented in Rhineland-Palatinate: a fund in the amount of EUR 3.0bn was established here, whereby 50% of the municipal Kassenkredite debt was to be assumed by the federal state itself. The first debt relief fund was designed to reduce municipal debt (from 2012) by approx. 28% up to 2026. The scope of the programmes in Saxony-Anhalt (16.2%), Hesse (first programme 12.8%), Lower Saxony (11.8%) and Schleswig-Holstein (10.7%) is far smaller. However, the situation in Saarland is remarkable: even though the Saarland regularly occupies one of the top spots (in a negative sense) in a comparison of the Laender for per capita municipal debt, the original programme volume in Saarland actually came to just 4.3%. The Saarland Pact, which was agreed at the end of 2019 before coming into force at the start of 2020, is designed to counteract this situation. An annual amount of EUR 30m up to 2065 should gradually remove the burden of nearly half the outstanding Kassenkredite from the municipalities, while an extra EUR 20m is set to be put towards municipal investment projects. Although municipalities in NRW have the highest absolute and per capita debt levels, the programme volume there currently amounts to just 9.9%. In reaction to this, on 13 May 2025 the cabinet of the state government passed a bill for municipal debt relief on a pro rata basis. NRW envisages assuming 50% of the excess liquidity loans. In Brandenburg (5.9%) and Mecklenburg-Western Pomerania (5.4%; or 9.5% once special aid is factored into the equation), the absolute programme volumes are also below average, albeit the low per capita debt level is taken into consideration here as well.

Overview of consolidation aid programmes (excl. COVID-19 bailout funds)

	Term	Volume (EURm)	Comment	Repayment of		Interest relief	Deficit coverage
				Kassen-kredite	Credit market liabilities		
BY	2007-2012	10	Annual				X
	2012 - today	140	Annual				X
BB	2020-2022	40	Annual				X
HE	2013-2019	3,200	Terminated with retroactive effect as at 31 December 2019 due to COVID-19	X	X	X	
	Reference date in 2018	4,900	One-off; less repayment contributions	X			
MV	2018-2020	25*	Annual; plus one-off sum of EUR 100m				X
NI	2012-2041	70**	Annual	X		X	
NW	2011-2020	5,850**	Overall			X	X
	2025 - today	9,850	Overall		X		
RP	2012-2026	255	Annual	X		X	
	Reference date in 2023	3,000	One-off	X			
SL	2013-2024	17**	Annual	X	X		
	2020-2065	50	Overall				
ST	2011-2027	736	Overall	X	X	X	
	2013-2025	400	Overall	X			
SH	2012-2018	60	Annual				X

* Excluding special aid for budgetary consolidation and debt reduction in the amount of EUR 40m per annum in the period 2014-2017 outside the Financial Equalisation Act Mecklenburg-Western Pomerania (FAG-MV).
** Figures include participation of local authorities.
*** Gradually lower since 2020
Source: Relevant federal state legislation, NORD/LB Floor Research

Bailout packages in the context of COVID-19

Municipalities were also impacted by the COVID-19 crisis to a certain extent. While the economic impacts of the pandemic years from 2020 to 2022 continue to gradually fade away, municipalities have been exposed to new budgetary strains and, in part, collapsing revenues. The German Association of Cities and Municipalities estimates that municipalities have had to cope with a tax shortfall of around EUR 20bn for the years 2021 to 2024 – as measured against expectations prior to the onset of COVID-19. Since allocations to municipalities are also calculated from tax revenues, these funds were thus significantly lower. For this reason, it was clear as early as March 2020 that many municipalities would have to face long-term negative consequences arising from the COVID-19 crisis. The Laender reacted by offering short-term financial assistance, which was subsequently followed by bailout and rescue packages. For the most part, these were designed to supplement the economic measures implemented by the federal government, ultimately doubling the financial relief provided to the municipalities. Each federal state has supported its municipalities, in part with further relief measures. While some sub-sovereigns such as Mecklenburg-Western Pomerania initially pledged financial assistance only for 2020/21, others went much further: for example, Rhineland-Palatinate and Hesse both guaranteed support through 2022 and 2023 respectively. The aid packages often included an element to compensate for the loss of income from local public transport as well.

Comment

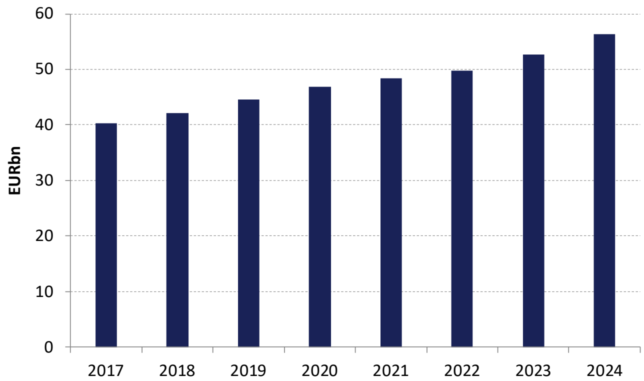
We regard the performance of municipal finances as one of the major challenges for Laender finances. In our view, a significantly more difficult budgetary situation at municipal level indirectly impacts the budgetary situation of the respective Laender, the foundations of which have been shaken in recent years. From our perspective, the fact that numerous sub-sovereigns have sought to counteract this situation with defined programmes can only be evaluated as a definite positive. However, there are some negative aspects to highlight in terms of the individual configuration of the municipal programmes at Laender level. In Rhineland-Palatinate, for example, we believe that the programme volume in relation to municipal debt is appropriate, while we would take a more critical view in the case of Saarland. The programme volume here is much lower in relation to the municipal debt level of other German Laender, although in this regard, the newly implemented Saarland Pact could provide an element of support to some extent. Added to this is the fact that many municipalities continue to pin their hopes on the Bund clearing their debts. The recent positive development in terms of municipal revenues after direct COVID-19 restrictions were lifted gained further momentum in 2022. However, in connection with the sharp rise in interest charges and sustained expenditure pressure, this will not help to stabilize municipal finances in our view. The lowering of the income tax rate implemented by the Bund to mitigate “cold progression” was resolved in parallel with elevated inflation rates in 2022, although the actual fiscal effect only started to become clear from 2024 onwards. A similar situation will apply to the public sector collective bargaining agreement settled in April 2025. While the programmes presented by the Laender are a commendable attempt at fighting fires, they are too short-lived to properly eliminate structural deficits. In this context, municipalities will not have any additional scope to assume new responsibilities in the foreseeable future, although there is an urgent need for them to address transformation challenges in their local area. Looking to the future, there are still numerous crucial, unresolved question marks. In this sense, it can be expected that municipal debt levels will continue to rise for the foreseeable future and that some municipalities may occasionally encounter financial difficulties.

Challenges for Laender finances
Pension obligations as a strain on Laender finances

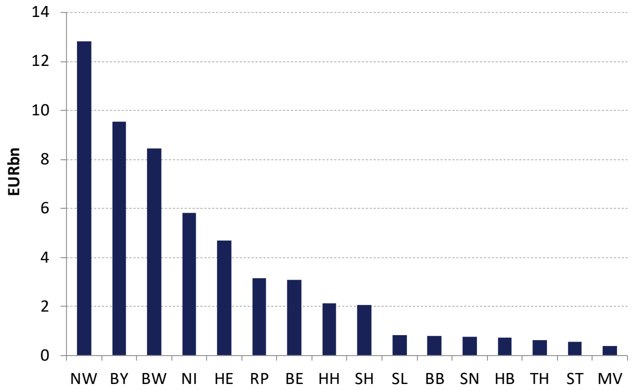
Pension obligations represent an increasing challenge for the German Laender
In view of demographic change and longer life expectancy, pension expenditure is an increasingly prominent element of the budgetary planning at Laender level. In contrast to the pay-as-you-go-financed pension system, which applies in the case of salaried employees, pension expenditure for government employees forms part of personnel costs and is paid from the ongoing budget. In this context, the situation can be described as more than tight across all levels: according to the (preliminary) 8th Remuneration Report of the German federal government, pension expenditures related to the direct federal domain is set to increase from EUR 6.8bn in 2023 to a projected value of EUR 25.4bn by 2060. This development will see the federal budget come under considerable strain. The main reasons for this are increasing life expectancy, the growing proportion of the population in retirement and steadily rising average pension payments. It is only since 1999 that the federal government and the Laender started to create pension reserves as stipulated in §14a(1) of the Federal Civil Service Remuneration Act (BBesG). As part of a process starting in 2017, these reserves are now being dissolved (in line with §7 of the Pension Reserves Act [VersRücklG]) across a time frame of 15 years in order to manage the highest expected level of charges (commonly referred to as the "pension avalanche"). These reserves may differ regarding the investment types for the assets and in relation to the reserve policy. For example, some Laender have already been setting aside payments to a pension reserve since 2003, while others use their pension funds concurrently as lenders for their own budgetary purposes. While we consider these to be examples of a lack of pension provision, or a form of precaution that is only sustainable to a limited extent, other Laender rely on the additional creation of reserves through the federal state's own pension or retirement funds, extending above and beyond the reserves required by law.

Pension and allowance expenses represent major items of expenditure for many Laender
In comparison with 2015, the aggregated pension and allowance expenses of the Laender have grown by +54.7% up to 2024. In the past budget year alone, a rise of +6.9% year on year (previous year: +5.9% Y/Y) was posted. In total, the Laender spent a cumulative amount of EUR 56.4bn on this budget item (2023: EUR 52.7bn) across the full year 2024, corresponding to 10.7% of total expenditure. Accordingly, pension payments accounted for practically an identical proportion of Laender budgets as investment expenditures (10.9%). This budgetary strain is likely to continue to rise in the future, with the majority of the boomer generation (born 1955-69) now starting to gradually draw their pensions.

Development of pension and allowance expenses



Pension and allowance expenses in 2024



Source: Federal Ministry of Finance, NORD/LB Floor Research

Low(er) level of pension provisions in East Germany

At 14.1%, the share of pension provisions in relation to total expenditures was highest in the Saarland. However, Rhineland-Palatinate, Lower Saxony, and Baden-Wuerttemberg also register values of at least 13% for this item. In addition, it is striking that, over time, pension obligations in the East German Laender are accounting for a steadily rising proportion of the total expenses of these sub-sovereigns. Having stood at just 1.3% in 2010, this share has now risen to 3.9% in 2024 (2023: 3.5%). Nevertheless, expenditure in this regard remains well below the equivalent values that the West German Laender must cover. In western non-city states, the share of pension payments in relation to total expenditures has consistently fluctuated between 12% and 13%, although this ratio has increased in each of the previous two years. Looking at pension provisions in relation to the number of inhabitants, the city states of Hamburg and Bremen have traditionally posted the highest expenses in this regard. At EUR 1,139 per capita, the value in Hamburg, for example, was nearly six times higher than that of Saxony (EUR 190). This relatively high amount is justified by the function and structure of city states, which is reflected both in above-average personnel costs and an elevated assumed number of inhabitants in the calculation used under the current system of financial equalisation among the Laender.

Comment

For years, the pension liabilities of the Laender have represented substantial items of expenditure. Especially in the west of Germany, this budget item significantly impairs budget flexibility. Moving forwards, these charges are likely to continue rising. From our perspective, the eastern German Laender have a clear advantage in this respect, because the resulting challenges are less severe, although it should be noted that this advantage is expected to fade slightly over the years, with further convergence of the proportion of pension payments in the budget to the West German level being anticipated. In the coming years, we expect these payments to rise further. Consequently, we are of the opinion that revenues will either need to be further increased, or expenditures cut, so that at least there is no deterioration in budget balances. Given in particular that interest expenses have also risen in the past few years, it seems likely that Laender budgets will continue to feel the strain.

Regulatory framework
Risk weighting of outstanding claims against German Laender

Relevant regulatory framework: Regulation (EU) No. 575/2013 (CRR)
On the basis of the risk weights that were defined by Basel II, the EU initially specified the provisions in Directive 2006/48/EC, before these definitions for risk weights were subsequently replaced by the CRR (Regulation (EU) No. 575/2013) in mid-2013. In 2019, this was expanded by the inclusion of elements under Basel III by Regulation (EU) 2019/876 (CRR II). This was then followed in June 2020 by an amending regulation (referred to as the "CRR quick fix") to help with operating capital relief at banks in order to safeguard lending to the real economy and to mitigate the effects of the COVID-19 pandemic.

Risk weight of EU sovereigns using standard approach: 0%
The risk weight for exposures to central governments or central banks is derived from Art. 114 of the CRR. In accordance with Paragraphs 3 and 4, this means a risk weight of 0% for risk positions held against EU Member States or the ECB. If the exposure is denominated in the domestic currency of the respective country, this shall apply without any time limit. For exposures in a currency which is not the respective country's domestic currency, but nevertheless the currency of another Member State, a risk weight of 0% is applied only until 31 December 2017. This was revised yet again in the wake of the COVID-19 pandemic: pursuant to Art. 500a(1), a total of 0% of the determined risk position was applied until 31 December 2022. This has been gradually increased in 2023, until in 2025 the risk weight to be applied is based fully on Art. 114(2).

Risk weight of regional governments or local authorities
The risk weight of regional governments and local authorities (RGLA) is equated with that of the relevant sovereign in accordance with Art. 115(2) CRR, subject to two provisos: rights to levy taxes must be in place and, based on the existence of specific institutional precautions aimed at reducing the default risk, there is no risk-related difference to risk positions held against the central government of the state in question. The risk weight for other sub-sovereigns of Member States is 20%, assuming the exposure is denominated in the respective country's domestic currency. For other sub-sovereigns, the risk weight is the same as in the case of institutions, provided that the sub-sovereign is from a country on the list of third countries that are equivalent from a legal and supervisory viewpoint.

EBA maintains database of RGLA risk weights
As this definition is open to interpretation, the EBA maintains a public database, which contains all RGLA in the EU where competent authorities treat risk positions as exposures to their respective central government. Accordingly, outstanding claims against the following levels are assigned a risk weight of 0% in Germany:

- German Laender and their legally dependent special funds
- Municipalities and municipal associations

German Laender assigned 0% risk weight
It follows from this that exposure to German Laender can be assigned a risk weight of 0%, i.e., exposures of this kind benefit from the same regulatory advantages as, for example, German government bonds (Bunds).

Regulatory framework
Implications of the Liquidity Coverage Ratio (LCR)

Implementation of the LCR with major implications for SSA
During the financial crisis, the liquidity position of credit institutions increasingly became the focus of attention. Consequently, in December 2010 the Basel Committee on Banking Supervision (BCBS) announced a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR). Following a transitional phase since 2015, full compliance with the LCR has been mandated since 2018. In the EU, the corresponding regulations were defined in European law in Regulation (EU) No. 575/2013 and Directive 2013/36/EU (CRD IV), as well as through the LCR Regulation. The definition of the means used to calculate the LCR presents major implications for SSA issuers.

Objective of the LCR: reduction in liquidity risks for credit institutions
The objective of the LCR is to control the liquidity risk of a credit institution in such a way that sufficient High-Quality Liquid Assets (HQLA) are available at all times to survive a significant stress scenario lasting 30 days. It comprises the minimum liquidity buffer that is required in order to bridge liquidity mismatches of one month in crisis situations. Specifically, the LCR is calculated from the ratio of HQLA to the net payment outflows in the 30-day stress scenario, whereby this ratio must be at least 100%.

10 October 2014: European Commission publishes LCR Regulation
After there had been a lack of clarity for a long time about the precise definition of HQLA, as well as the EBA recommendation published at the end of 2013 only leading to further uncertainty in particular, the Liquidity Coverage Requirement Delegated Act was finally published on 10 October 2014. This LCR legal act specified which assets are to be treated as HQLA in the future. A revised version of the LCR Regulation finalised in July 2018 took effect from 30 April 2020. This relates to the regulation of assets from third countries, repo transactions, CIU shares and stocks. Moreover, another revision was published on 08 July 2022 that resolves overlaps between the specific liquidity requirements for covered bonds and the existing general liquidity requirements of the CRR.

Categorisation in different liquidity levels
Under the HQLA definition, the legislation, as proposed by the BCBS, divides HQLA into different liquidity levels. Depending on the assigned level, this results in upper and lower limits for certain levels and the application of possible haircuts. On the following two pages, we provide a brief overview of asset classification and allocation, before analysing the implications for the German Laender. Brief note from our side: in market practice, however, a distinction is occasionally made within Level 1 between “Level 1A” and so-called “Level 1B” assets (Level 1 covered bonds due to obligatory haircut), even if such a linguistic distinction appears neither in the CRR nor the LCR Regulation.

Liquidity levels – an overview

Level 1 assets (Art. 10 LCR)

- ≥60% of the liquidity buffer; no haircut

So-called “Level 1B” assets (Art. 10(1)(f) LCR; certain covered bonds)

- <70% of the liquidity buffer; haircut of at least 7%

Level 2A assets (Art. 11 LCR)

- <40% of the liquidity buffer; haircut of at least 15%

Level 2B assets (Art. 12 & 13 LCR)

- ≤15% of the liquidity buffer; haircut of at least 25-50%

Source: LCR-R, NORD/LB Floor Research

Classification overview

	Level 1 assets (minimum of 60% of liquidity buffer; min. 30% excluding (f) – covered bonds)		**Minimum haircut (for shares or units in CIUs)**
(a)	Coins and bank notes		- (-)
(b)	Following exposures to central banks:		- (-)
	(i)	Assets representing claims on or guaranteed by the ECB or an EEA Member State’s central bank	
	(ii)	Assets representing claims on or guaranteed by central banks of third countries (CQS 1)	
	(iii)	Reserves held by the credit institution in a central bank referred to in (i) and (ii) provided that the credit institution is permitted to withdraw such reserves at any time during stress periods and the conditions for such withdrawals have been specified in an agreement between the relevant competent authority and the ECB or the central bank	
(c)	Assets representing claims on or guaranteed by the following central or regional governments, local authorities or public sector entities (PSE):		- (5%)
	(i)	Central government of an EEA Member State	
	(ii)	Central government of a third country (CQS 1)	
	(iii)	Regional governments, local authorities or public sector entities (PSE) in an EEA Member State, provided that they are treated as exposures to the central government of the respective EEA Member State (i.e., risk weight of 0%)	
	(iv)	Regional governments or local authorities in a third country of the type referred to in (ii), provided that they are treated as exposures to the central government of the third country (i.e., same risk weight as central government [0%])	
	(v)	PSE provided that they are treated as exposures to the central government of an EEA Member State or to one of the regional governments or local authorities referred to in (iii) (i.e., same risk weighting of 0%).	
(d)	Assets representing claims on or guaranteed by the central government or the central bank of a third country, which has not been allocated a rating of CQS 1 (i.e. rating below AA-), and certain reserves		- (5%)
(e)	Assets issued by credit institutions which meet at least one of the following requirements:		- (5%)
	(i)	Incorporated in, or established by the central government of, an EEA Member State or a regional government or local authority in an EEA Member State, subject to the legal requirement that the government or local authority is obliged to protect the economic basis of the credit institution and maintain its financial viability throughout its lifetime and that any exposure to the regional government or local authority in question, if applicable, is treated as an exposure to the central government of the EEA Member State (i.e., risk weight of 0%);	
	(ii)	The credit institution is a promotional lender as defined in Art. 10(1)(e)(ii)	
(f)	Qualifying EEA covered bonds that fulfil all of the requirements under Art. 10(f). These include, among others: issuance volume of at least EUR 500m or equivalent in the domestic currency, rating of at least CQS 1 or in the absence of this rating a risk weight of 10% pursuant to Art. 129(5) CRR.		7% (12%)
(g)	Assets representing claims on or guaranteed by multilateral development banks and international organisations as defined in Art. 117(2) and Art. 118 CRR		- (5%)

NB: CQS = Credit Quality Step (rating class) as defined in CSA
Please note: The “Classification overview” section is not a verbatim reproduction of the original legal text, but merely serves as a condensed and simplified version of the contents.
Source: LCR-R, NORD/LB Floor Research

Classification overview (continued)

	Level 2A assets (maximum of 40% of liquidity buffer)	**Minimum haircut (for shares or units in CIUs)**
(a)	Assets representing claims on or guaranteed by regional governments, local authorities or PSE in an EEA Member State, where exposures to them are assigned a risk weight of 20% pursuant to Art. 115(1)(5) and Art. 116(1)(2)(3) CRR	15% (20%)
(b)	Assets representing claims on or guaranteed by the central government or the central bank of a third country, or by a regional government, local authority or PSE in a third country, where exposures to them are assigned a risk weight of 20% pursuant to Art. 114(2) and Art. 115 or Art. 116 CRR	15% (20%)
(c)	Qualifying EEA covered bonds that comply with all requirements under Art. 11(c). These include, among others: issuance volume of at least EUR 250m or equivalent in the domestic currency, rating of at least CQS 2 or in the absence of this rating a risk weight of 20% pursuant to Art. 129(5) CRR.	15% (20%)
(d)	Qualifying covered bonds from third countries that comply with all requirements under Art. 11(d) These include, among others: issued by a credit institution or a wholly-owned subsidiary of a credit institution guaranteeing the issue; issuance volume of at least EUR 500m or equivalent in domestic currency, rating of at least CQS 1 or in the absence of this rating a risk weight of 10% pursuant to Art. 129(5) CRR	15% (20%)
(e)	Corporate debt securities which meet all of the following requirements: (i) CQS1 (minimum rating of at least AA- or equivalent in event of a short-term credit assessment) (ii) issuance volume of at least EUR 250m or equivalent in domestic currency (iii) maximum time to maturity of the securities at the time of issuance is 10 years	15% (20%)
	Level 2B assets (maximum of 15% of liquidity buffer)	**Minimum haircut (for shares or units in CIUs)**
(a)	Exposures in the form of ABS under certain conditions (pursuant Art. 13 of the LCR-R)	25-35% (30-40%)
(b)	Corporate debt securities which meet all of the following requirements: (i) CQS ≤3 (ii) issuance volume of at least EUR 250m or equivalent in domestic currency (iii) maximum time to maturity of the securities at the time of issuance is 10 years	50% (55%)
(c)	Shares or units that meet certain conditions (Art. 12(1)(c) LCR-R)	50% (55%)
(d)	Restricted-use committed liquidity facilities provided by the ECB, the central bank of an EEA Member State or a third country, under certain conditions (Art. 14 LCR-R)	-
(e)	Qualifying EEA covered bonds which meet the requirements of Art. 12(1)(e) LCR-R	30% (35%)
(f)	Exception for religiously observant credit institutions: certain non-interest-bearing assets	50% (55%)

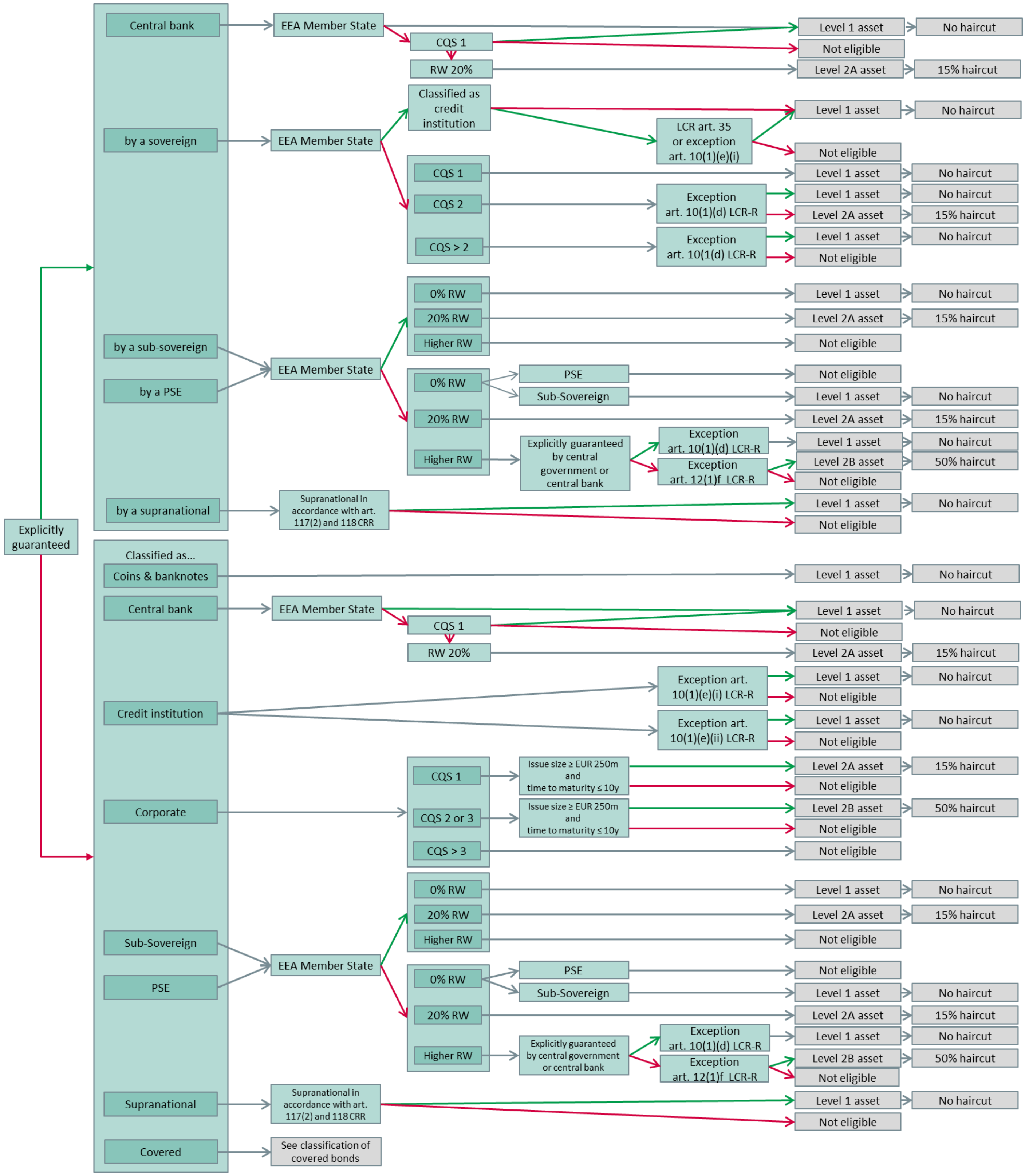
NB: CQS = Credit Quality Step (rating class) as defined in CSA
Please note: The "Classification overview" section is not a verbatim reproduction of the original legal text, but merely serves as a condensed and simplified version of the contents.
Source: LCR-R, NORD/LB Floor Research

Mapping table (long-term)

Rating class	Fitch	Moody's	S&P	Scope
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B+ to B-
6	CCC+ and lower	Caa1 and lower	CCC+ and lower	CCC and lower

NB: Other rating agencies indicated in Regulation EU/2016/1799
Source: CRR, NORD/LB Floor Research

LCR classification of assets (Articles 10 – 12 LCR-R)



Comments: stated haircuts do not apply to shares or units in CIUs; PSE = Public Sector Entity; CQS = Credit Quality Step (rating class) as defined in CSA; green = condition met; red = condition not met; grey = tbc

Source: LCR-R, NORD/LB Floor Research

Classification of PSE and sub-sovereigns

The classification of PSE and RGLA is almost identical. If an explicit guarantee is given for a bond or an issuer by a central government, classification is the same as for sovereigns. If no explicit guarantee is given, classification is carried out primarily on the basis of the issuer's risk weight. If, in regulatory terms, PSE and sub-sovereign bonds may be treated as exposures to the respective central government and a risk weight of 0% can be applied, these issuers can accordingly be classified as Level 1. Theoretically, exceptions to this are issuers from outside the EEA where a risk weight of 0% can be applied but there is no explicit guarantee in place. If it involves a PSE, classification is not possible. Sub-sovereigns can be classified as a Level 1 asset. Institutions where a risk weight of 20% can be applied are classified as Level 2A issuers. Institutions with higher risk weights that are based outside the EEA and have an explicit guarantee from a central bank or government can be classified as Level 1 issuers using the conditions of Exemption (d) (see classification of sovereigns). If an explicit guarantee is not specified, a Level 2B classification as defined in Art. 12(1)(f) LCR-R remains an option. This refers to institutions which, due to their religious beliefs, are not permitted to hold interest-bearing assets. Bonds of other PSEs and sub-sovereigns for which the risk weight is higher than 20% under the standardised credit risk approach cannot be classified as liquid assets.

0% risk weight facilitates Level 1 classification for German Laender bonds

Since exposure to German Laender can be assigned a risk weight of 0% under the CRR standard approach (see previous chapter), this consequently results in Level 1 classification for German Laender bonds. In the case of the LCR, too, from a regulatory perspective this results in equal treatment of exposures to both the Bund (German federal government) and the Laender.

Regulatory framework
Impacts of the Net Stable Funding Ratio (NSFR)

Introduction of the NSFR targets reduction in funding risks
In December 2010, the BCBS announced the introduction of a net stable funding ratio (NSFR) which, similar to the LCR, is aimed at increasing the stability of financial institutions. The objective of the LCR is to prevent liquidity bottlenecks in a 30-day stress scenario, whereas the NSFR focuses on reducing funding risks across a 12-month time frame. The aim here is to reduce the susceptibility of banks to disruptions in the usual funding channels, to counteract potential liquidity disruptions and thereby prevent a systemic stress scenario. In particular, the NSFR is designed to limit over-reliance on short-term funding. In October 2014, the BCBS published the final NSFR framework.

EU implementation of the NSFR
In Art. 413(1), the CRR already includes an initial requirement for institutions to structure their long-term liabilities in such a way that they can be adequately funded under both normal and stressed conditions. Moreover, institutions are already subject to requirements to report to the competent authorities. However, detailed criteria and weighting factors for the NSFR were only included in Art. 428a et seq. of the CRR with the banking package of 20 May 2019. The new rules came into force on 28 June 2021. In future, simplified NSFR calculations will apply to “small and non-complex institutions” (in accordance with Art. 4(1) No. 145 of the CRR). However, the regulator has also introduced some deviations from the Basel framework in its implementation into European law. For example, the definition and the weighting of liquid assets have been taken from the LCR. There are also differences in relation to calibration and individual instruments. The aim of these differences and subsequent introduction at a later date (currently only the reporting obligation applies) is to make it easier for institutions at European level to introduce the Basel framework, which is regarded as quite conservative. The simplified requirements for small and non-complex institutions are also a European feature.

Definition of the NSFR
The NSFR is defined as the available amount of stable funding (ASF) relative to the required amount of stable funding (RSF). A value of 100% should be maintained as a minimum level here.

Stable funding considerations
The idea behind the NSFR is to ensure that the available stable funding (ASF) fully covers the required stable funding (RSF) for a time horizon of one year. The maturity, quality and liquidity of an asset are the main factors used to calculate how much stable funding the respective asset requires. The stability of the liabilities is mainly defined by their maturity and their availability in relation to the probability of outflows.

Calculation of the NSFR
The NSFR is calculated as shown below and expressed as a percentage (Art. 428b and 428c CRR):

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} \geq 100\%$$

The calculation is carried out in the reporting currency. Institutions are required to apply the appropriate factors to the book value of assets, liabilities and off-balance-sheet items, as outlined in the following.

Calculation of the RSF
The RSF is calculated by multiplying the totality of all assets and off-balance-sheet exposures in accordance with Art. 428r-428ah of the CRR by the appropriate weighting factors (Required Stable Funding Factor, RSFF). As a rule, in the context of the calculation of the RSF, it can be assumed that assets with a longer residual maturity will be assigned a higher RSF weight factor. At the same time, better quality and liquidity make for a lower RSF weight. If funding routes should be disrupted, the expectation is that HQLA would be easy to sell and therefore could help to counteract any liquidity bottleneck. The funding risk of assets with longer residual maturities tends to be higher. Consequently, such assets call for larger amounts of stable funding.

Calculation of the ASF
Ideally, an institution should have ASF to cover at least 100% of the RSF amount calculated in the first instance. ASF is derived from the totality of all liabilities pursuant to Art. 428k to 428o of the CRR, multiplied by the respective risk weight factors (Available Stable Funding Factor, ASFF). The allocation of ASF weight factors to the respective liabilities is initially based on the maturity of the liability. Accordingly, a longer residual maturity results in a higher allocation of the instrument to the ASF. Consequently, all liabilities with a residual maturity of at least one year (in other words, a maturity date outside the period assessed by the NSFR) are given a weight factor of 100%. These liabilities are regarded as stable funding in full, as there is no funding risk within a year. Alongside maturity, the respective counterparty of the liabilities plays a role. For example, liabilities against retail customers or small and medium-sized enterprises (SMEs) are deemed to be more stable.

Weighting factors could change again
As previously mentioned, the NSFR entered into force on 28 June 2021, although the EBA has already been tasked with reviewing this by way of Art. 510 CRR after the CRR came into force in June 2019. The particular focus is on derivative contracts (Art. 428s[2] and Art. 428at[2]). In this regard, netting sets of derivative contracts are therefore taken into account in both the NSFR and the simplified calculation of the NSFR at 5% of the required stable funding.

German Laender enjoy preferential regulatory treatment pursuant to CRR
From our perspective, the effect of the NSFR on the German Laender is proving to be positive. Given that LCR-eligible assets have to be backed by less stable funding due to their lower RSF factor, they are given preferential treatment. The Level 1 classification of German Laender bonds under the LCR therefore produces an NSFR classification of 0% pursuant to Art. 428r CRR.

Regulatory framework
Classification of SSAs under Solvency II

Solvency capital requirements arise from various risk modules
On 10 October 2014, the European Commission published the Delegated Regulation implementing Solvency II. To calculate the solvency capital requirements for insurance companies, the regulation calls for a variety of risk modules to be taken into account, with the market risk module entailing significant implications. In turn, this can be broken down into the sub-modules of interest rate, equity, real estate, currency, market concentration and spread risk. Regarding the determination of spread risk in particular, there are exceptions in relation to banking regulations that significantly increase the relative attractiveness of selected issuer groups, as is the case with the risk weight. When calculating capital requirements using the standard formula, EEA government bonds, for example, are included in the interest rate and foreign exchange risk modules, but not in the spread and concentration risk.

Art. 180(2) gives preferred status to selected issuers
The criteria for the preferred regulatory treatment of risk positions arise, in particular, from Art. 180(2). Exposures that meet certain criteria (see below) may be assigned a stress factor of 0%, whereby no capital backing is required for these items to support spread risk. According to Art. 180(9), a stress factor of 0% also applies in the case of credit derivatives where the underlying financial assets are bonds or loans as defined in Art. 180(2). Furthermore, according to Art. 199(8), a probability of default of 0% can be assumed for exposures to counterparties referred to in points (a) to (d) of Art. 180(2), while, in addition, according to Art. 187(3), a risk factor of 0% is assigned for market risk concentration. Overall, highly positive implications therefore arise from this preferred treatment, which, in our opinion, applies to a large number of SSA.

Art. 180(2) regulates RGLA exposures for the first time
The Delegated Regulation (EU) 2019/981 amends Art. 180(2) to include, for the first time, risk exposures in the form of bonds and loans guaranteed by RGLA. Exposures to RGLA have now also been defined. Fundamentally, guarantee recipients must have preferred status in terms of the guarantees from RGLA and exposure to these. However, two restrictions must be taken into account: first, risk positions against RGLA must be equated with those against the respective central government [(EU) 2015/2011; Art. 115(2) CRR], and second, the guarantees must meet the conditions laid down in Art. 215 of the Solvency II Act. RGLA that do not benefit from equal treatment as per Art. 115 CRR are automatically assigned a $stress_i$ risk factor in line with CQS 2 pursuant to Art. 180 of (EU) 2019/981. This also applies to bonds/issuers guaranteed by these RGLA. According to our understanding, this means that international regions of non-Member States can never benefit from preferred status.

Criteria for preferred status within the scope of Solvency II

Art. 180(2): Specific exposures

Exposures in the form of bonds and loans to the following shall be assigned a *stress*$_i$ risk factor of 0%:

a) The European Central Bank
b) Member States' central governments and central banks denominated and funded in the domestic currency of that central government and the central bank
c) Multilateral development banks referred to in Art. 117(2) of Regulation (EU) No 575/2013 (CRR)
d) International organisations referred to in Art. 118 (CRR).

Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Art. 215, shall also be assigned a risk factor *stress*$_i$ of 0%. For the purposes of sub-paragraph 1 b, risk exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the RGLA mentioned in Art. 1 of the European Commission Implementing Regulation (EU) 2015/2011 are to be regarded as risk exposures against the central government, provided that the guarantee satisfies the requirements laid down in Art. 215.

Art. 215: Guarantees

In the calculation of the Basic Solvency Capital Requirement, guarantees shall only be recognised where explicitly referred to in this chapter, and where in addition to the qualitative criteria in Art. 209 and 210, all of the following criteria are met:

a) the credit protection provided by the guarantee is direct;
b) the extent of the credit protection is clearly defined and incontrovertible;
c) the guarantee does not contain any clause, the fulfilment of which is outside the direct control of the lender, that
    i) would allow the protection provider to cancel the protection unilaterally;
    ii) would increase the effective cost of protection as a result of a deterioration in the credit quality of the protected exposure;
    iii) could prevent the protection provider from being obliged to pay out in a timely manner in the event that the original obligor fails to make any payments due;
    iv) could allow the maturity of the credit protection to be reduced by the protection provider;
d) on the default, insolvency or bankruptcy or other credit event of the counterparty, the insurance or reinsurance undertaking has the right to pursue, in a timely manner, the guarantor for any monies due under the claim in respect of which the protection is provided and the payment by the guarantor shall not be subject to the insurance or reinsurance undertaking first having to pursue the obligor;
e) the guarantee is an explicitly documented obligation assumed by the guarantor;
f) the guarantee fully covers all types of regular payments the obligor is expected to make in respect of the claim.

Source: Solvency II, NORD/LB Floor Research

Equal treatment of sovereign exposure and exposure with an explicit state guarantee

Art. 180(2) provides for regulatory equivalence between exposures to central governments and those guaranteed by the state or by RGLA. Since this came into effect, promotional banks with a guarantee from an RGLA (e.g. the promotional banks of the German Laender) have also benefited from preferential treatment under Solvency II. However, unlike the rules under CRD IV for banks, in conjunction with Art. 215, this article defines minimum requirements for guarantees, which we understand are met by most explicit guarantees.

German Laender benefit from 0% stress factor

At the beginning of July 2015, the European Insurance and Occupational Pensions Authority (EIOPA) published a Final Report on the basis of a consultation paper, which defined a list of RGLA that meet the requirements of Art. 85 and can therefore be assigned a stress factor of 0%. The most important issuers to benefit from a 0% stress factor here are the German Laender. As with the risk weight under Basel III, under Solvency II, the Spanish regions are, for example, given preferential treatment as per the EIOPA list, while the absence of Italian regions, for instance, implies that a stress$_i$ risk factor of 0% cannot be assigned here. The table below summarises the RGLA that can be assigned a stress factor of 0%. In Directive (EU) 2015/2011 of 11 November 2015, this Final Report was approved with the result that the proposed classification became effective.

Regional government and local authorities (0% stress factor possible)

Country	Regional governments and local authorities (RGLA)
Austria	Bundeslaender & municipalities
Belgium	Municipalities (Communautés/Gemeenschappen), regions (Régions/Gewesten), towns (Communes, Gemeenten) & provinces (Provinces, Provincies)
Denmark	Regions (Regioner) & municipalities (Kommuner)
Finland	Municipalities (kunta/kommun), towns (kaupunki/stad), province of Åland
France	Regions (régions), municipalities (communes), “Départements”
Germany	Laender, municipalities & municipal associations
Liechtenstein	Municipalities
Luxembourg	Municipalities (communes)
Lithuania	Municipalities (Savivaldybės)
The Netherlands	Provinces (Provincies), municipalities (Gemeenten) & water associations (Waterschappen)
Poland	Districts (powiat), municipalities (gmina), regions (województwo), district and municipal associations (związki międzygminne i związki powiatów) & the capital Warsaw
Portugal	Autonomous regions of the Azores and Madeira
Spain	Autonomous regions (Comunidades autónomas) and local government (corporación local)
Sweden	Municipalities (Kommuner), councils (Landsting) & regions (Regioner)

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

Non-EEA regions not included on EIOPA list

Interestingly, EIOPA only cites RGLA from EEA sovereigns in its list, although there is no restriction to Member States under Art. 85. In contrast, the Final Report based on the consultation paper states that the scope shall initially be restricted to RGLA in EEA Member States, although a future expansion of the application area to RGLA of affected third countries is not ruled out. If Solvency II also follows the risk weight according to Basel III for international sub-sovereigns when applying preferred status, we are of the view that the Canadian regions, for example, would also benefit from a stress factor of 0%. If risk positions against Canadian sub-sovereigns were accordingly to be treated in the same way as exposures to their central government, our interpretation in line with Art. 180(3) based on the rating of Canada also results in a stress factor of 0%.

Conclusion

We are of the opinion that the Solvency II Directive highlights the importance of regulation within the SSA segment. The possibility of preferential regulatory treatment or regulatory equivalence with central governments significantly enhances the relative attractiveness of selected SSA issuers – including for the German Laender.

Regulatory framework
ECB repo collateral rules and their implications

General framework and Temporary framework define collateral rules

Within the scope of its statutes, access to ECB liquidity is only possible on a collateralised basis. The ECB defines the assets that are eligible as collateral in its *General framework* and *Temporary framework*. There are some significant differences in the criteria for acceptance as collateral, especially for quasi-government issuers. For this reason, and due to the fact that on 29 June 2023 (following the end of the pandemic-related, time-limited reduction in valuation haircuts) the ECB took the opportunity to adjust the details, in the following section we propose to take a more detailed look at the ECB repo rules

Overview of collateral regulations (in accordance with the General framework)

Eligibility criteria	Marketable assets	Non-marketable assets	
Type of asset	ECB debt certificates, other marketable debt instruments (Art. 60)	Credit claims and Schuldscheindarlehen (SSD) (Art. 89)	Retail mortgage-backed debt instruments (RMBD) (Art. 107)
Credit standards	The asset must meet high credit quality standards. These are assessed using ECAF (Eurosystem credit assessment framework) rules for marketable assets. (Art. 59)	The debtor/guarantor must satisfy high credit quality requirements. Creditworthiness is assessed on the basis of the ECAF rules for credit claims. (Art. 92)	The asset must meet high credit standards. The high credit standards are assessed using ECAF rules for RMBD.
Place of issue	Debt instruments must be issued with a central bank or an approved securities settlement system in the EEA (Art. 66)	-	-
Settlement/ handling procedures	Debt instruments shall be transferable in book entry form and shall be held and settled in Member States whose currency is the euro through an account with a national central bank (NCB) or with an eligible SSS, so that the provision and realisation of collateral is subject to the law of a Member State whose currency is the euro (Art. 67)	Credit claims must be settled in accordance with the processes of the Eurosystem, which are stipulated in the relevant national documentation of the NCB (Art. 98)	The procedures for commissioning, using and settling the RMDB are based on Eurosystem procedures as defined in the national documentation of the home NCB
Type of issuer/ debtor/guarantor	NCBs, public sector entities, private sector, multilateral development banks or international organisations (Art. 69)	Public sector entities, non-financial enterprises, multilateral development banks or international organisations (Art. 95)	Credit institutions that are counterparties and based in a Member State whose currency is the euro
Place of establishment of the issuer/debtor/ guarantor	Issuer: EEA or non-EEA G-10 sovereigns; Debtor: EEA; Guarantor: EEA (Art. 70)	Eurozone (Art. 96)	Eurozone
Acceptable markets	Regulated markets as defined in Directive 2014/65/EU, non-regulated markets approved by the ECB (Art. 68)	-	-
Currency	Euro (Art. 65)	Euro (Art. 94)	Euro

Source: ECB, Guideline (EU) 2015/510, NORD/LB Floor Research

Overview of collateral regulations (in accordance with the General framework) (continued)

Minimum amount	-	Minimum amount at the time of submitting the credit claim (Art. 93): - domestic use: TEUR 25 or any higher amount set by the home NCB; - cross-border use: minimum amount of EUR 0.5m	-
Legal basis	For asset-backed securities (ABS), the acquisition of the cash-flow generating assets by the SPV shall be governed by the law of a Member State. The law governing the cash-flow generating assets shall be the law of an EEA country (Art. 75)	Governing law for credit claim agreement and mobilisation: law of a Member State whose currency is the euro. There shall be no more than two governinglaws in total that apply to: a) the counterparty, b) the creditor, c) the debtor, d) the guarantor (if relevant), e) the credit claim agreement, f) and the mobilisation agreement	-
Cross-border use	Yes (Art. 148)	Yes (Art. 93)	Yes

Source: ECB, Guideline (EU) 2015/510, NORD/LB Floor Research

Precise definition of possible collateral

In accordance with Part 4, Title II, Chapter 1, Art. 62 of the *General framework*, the ECB accepts bonds with fixed, unconditional nominal volumes as collateral (in contrast to convertible bonds, for example) that carry a coupon that does not result in negative cash flows. In addition, bonds without a coupon payment (zero coupons), with fixed or variable interest payments based on a reference interest rate, are also eligible. Bonds designed so that the coupon payment changes in line with a rating upgrade or downgrade, or inflation-linked bonds, are also eligible for use as collateral. Special rules apply to ABS regarding the first condition (fixed, unconditional nominal volume). The ECB generally divides collateral into two groups: marketable and non-marketable assets, which differ primarily in terms of their acceptance criteria.

Temporary framework extends collateral rules

Apart from assets that meet these acceptance criteria, the Temporary framework extends the criteria to some extent. Under certain conditions and subject to valuation adjustments pursuant to Guideline (EU) 2014/528, certain bonds that are denominated in GBP, JPY or USD may be accepted for collateral purposes, while the credit threshold limits may be waived for debt securities that were issued or are guaranteed by IMF/EU programme states.

Valuation discount (haircut) for collateral is derived from allocation to a haircut category

ECB-compliant collateral (marketable) is divided into five haircut categories, which differ regarding issuer classification and type of collateral. The haircut category is the key factor in determining haircuts to which certain debt securities are subject. The haircuts also differ based on residual term to maturity and coupon structure. Since the revised version came into force, haircuts for bonds with variable coupons correspond to those of fixed-interest bonds (of the respective category). The haircut categories shown in the table are defined in Guideline (EU) 2016/65.

Haircut categories – an overview

Category I	Category II	Category III	Category IV	Category V
Debt instruments issued by central governments	**Debt instruments issued by RGLA**	Debt instruments issued by non-financial corporations, corporations in the government sector and agencies which are non-credit institutions that do not meet the quantitative criteria set out in Annex XIIa to Guideline (EU) 2015/510 (ECB/2014/60)	Unsecured debt instruments issued by credit institutions or institutions which are credit institutions that do not meet thequantitative criteria set out in Annex XIIa of Directive (EU)2015/510 (ECB/2014/60)	Asset-backed securities
Debt instruments issued by the European Union	Debt instruments issued by entities (credit institutions or non-credit institutions) classified by the Eurosystem as agencies and which meet the quantitative criteria set out in Annex XIIa to Directive (EU) 2015/510 (ECB/2014/60)		Unsecured debt instruments issued by financial corporations other than credit institutions	
Debt certificates issued by national central banks (NCBs) of the Member States, whose currency is not the euro	Debt instruments issued by multilateral development banks and international organisations other than the European Union			
	Legislative covered bonds			
	Multi-cédulas			

Source: ECB, NORD/LB Floor Research

Adjustment to haircuts within the ECB framework

Since the ECB Governing Council considers the risk profile of Pfandbrief jumbos to be similar to that of other statutory covered bonds and multi-cédulas (jointly placed covered bonds from Spain), it was decided at the end of June 2023 that the same Category II haircuts should apply to all of the aforementioned securities from now on. As a result, references to Pfandbrief jumbos have now been deleted. Furthermore, debt instruments issued by the EU are now assigned to Category I (previously Category II). Moreover, since May 2024, valuation haircuts are no longer applied to debt securities issued prior to the introduction of the euro by the ECB and national central banks of Member States whose currency is the euro. Another new feature is that instruments with the longest remaining maturity of more than ten years are classified into three new categories: 10-15 years, 15-30 years, and 30+ years. This move, alongside the decision to apply a maturity-dependent theoretical valuation adjustment, is intended to improve the granularity of the risk coverage of this theoretical valuation, which is of particular relevance for instruments with longer maturities.

Haircuts by haircut category and rating – an overview

Credit quality	Residual maturity (years)(*)	Haircut category								
		Category I		Category II		Category III		Category IV		Category V
		Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	Fixed/ floating coupon	Zero coupon	
AAA to A-	[0-1)	0.5%	0.5%	1.0%	1.0%	1.0%	1.0%	7.5%	7.5%	4.0%
	[1-3)	1.0%	2.0%	1.5%	2.5%	2.0%	3.0%	10.0%	11.5%	5.0%
	[3-5)	1.5%	2.5%	2.5%	3.5%	3.0%	4.5%	12.0%	13.0%	7.0%
	[5-7)	2.0%	3.0%	3.5%	4.5%	4.5%	6.0%	14.0%	15.0%	9.0%
	[7-10)	3.0%	4.0%	4.5%	6.5%	6.0%	8.0%	16.0%	17.5%	12.0%
	[10-15)	4.0%	5.0%	6.5%	8.5%	7.5%	10.0%	18.0%	22.5%	18.0%
	[15-30)	5.0%	6.0%	8.0%	11.5%	9.0%	13.0%	21.0%	25.0%	20.0%
	[30,∞)	6.0%	9.0%	10.0%	13.0%	11.0%	16.0%	24.0%	31.5%	22.0%
BBB+ to BBB-	[0-1)	5.0%	5.0%	5.5%	5.5%	6.5%	6.5%	11.5%	11.5%	**Not** permissible
	[1-3)	6.0%	7.0%	7.5%	10.5%	9.5%	12.0%	18.5%	20.0%	
	[3-5)	8.5%	10.0%	11.0%	16.0%	13.0%	18.0%	23.0%	27.0%	
	[5-7)	10.0%	11.5%	12.5%	17.0%	15.0%	21.5%	25.5%	29.5%	
	[7-10)	11.5%	13.0%	14.0%	21.0%	17.0%	23.5%	26.5%	31.5%	
	[10-15)	12.5%	14.0%	17.0%	25.5%	19.5%	28.0%	28.5%	35.0%	
	[15-30)	13.5%	15.0%	20.0%	28.5%	22.0%	31.0%	31.5%	39.0%	
	[30,∞)	14.0%	17.0%	22.0%	32.5%	25.0%	35.5%	34.5%	43.0%	

(*), i.e. [0-1) residual maturity less than 1 year, [1-3] residual maturity equal to or greater than 1 year and less than 3 years, etc.
Source: ECB, NORD/LB Floor Research

ECB categorises German Laender bonds in second-best haircut category

The listing of haircut categories illustrates that the German Laender as regional governments continue to be assigned to the same level as recognised agencies such as KfW. As such, German Laender bonds benefit from the second-best treatment under the repo rules, after bonds issued by central governments and central banks. The ECB's definitions of collateral therefore provide for further preferential treatment of German Laender from a regulatory viewpoint. At this point, it would make sense to briefly touch upon Schuldscheindarlehen (SSD) deals: in regulatory terms, the SSD issued by sub-sovereigns are regarded as credit claims and considered to be eligible collateral as well. However, they are classified as "non-marketable". Eligible debtors and guarantors in this context include non-financial corporations, public sector entities, multilateral development banks and international organizations. In this way, the circle of potentially eligible debtors is smaller than is the case for eligible issuers of marketable collateral. The valuation haircuts for SSD issued by the German Laender also result from the provisions laid down in Guideline (EU) 2016/65. However, in contrast to marketable collateral, there are no haircut categories, with the result that the haircut is determined solely on the basis of the credit quality of the issuer, the residual maturity and the coupon structure. Moreover, from our perspective it is worth mentioning in this regulatory context that German Agencies (which are above all national and regional promotional banks) do not constitute public sector entities, which means that any SSD placed by these issuers are consequently not considered to be non-marketable collateral and are therefore not accepted as collateral for ECB liquidity.

Performance and relative value
Benchmark indices for German Laender

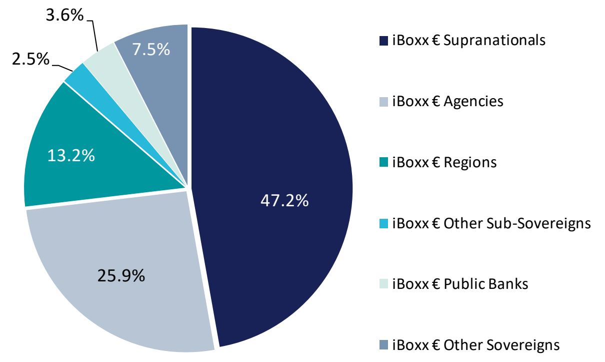
iBoxx € Regions as a benchmark for German Laender?
When it comes to identifying an appropriate benchmark index for bonds issued by the German Laender, the iBoxx € Regions from the data provider Markit always stands out. Containing a total of 232 bonds (composition: August 2025), the sub-index of the iBoxx € Sub-Sovereigns maps the universe of EUR-denominated bonds issued by regional governments and local authorities (RGLA). With volume-weighting of 70.8% (166 bonds), the German Laender dominate the index. For various reasons, however, we do not consider the index to be the ideal benchmark for Laender bonds.

Criteria for classifying issuers in the iBoxx € Sub-Sovereigns sub-indices

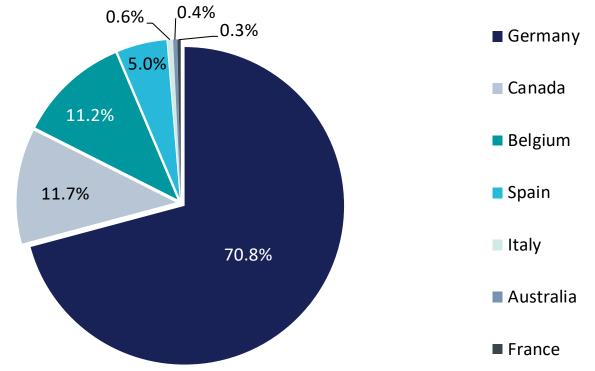
Agencies	Issuers whose main business activity is carrying out a task funded by a local authority and which operate on a neutral basis in relation to competition (e.g. KfW).
Supranationals	Issuers owned by more than one country (e.g. EIB).
Public banks	Issuers which are publicly owned and funded but which offer commercial bank services (e.g. BNG)
Regions	*Issuers that represent regional or local governments (e.g. German Laender) – with either an implicit or explicit guarantee and strong relationship to or ownership by the government.*
Other sub-sovereigns	All other bonds that are regarded as sub-national. A distinction is made between three groups: 1. Non-financials: State-funded issuers from a non-financial sector, e.g. state-owned railway companies. 2. Guaranteed financials: Private sector issuers with a guarantee from an RGLA. 3. State-guaranteed bonds placed by non-guaranteed institutions

Source: Markit, NORD/LB Floor Research

Sub-indices of the iBoxx € Sub-Sovereigns by outstanding volume



Volume-weighting within the iBoxx € Regions



Source: Markit, NORD/LB Floor Research

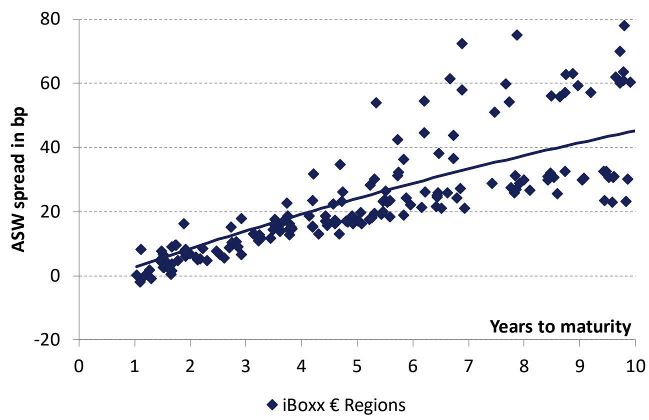
Criteria for bond selection in the iBoxx € Sub-Sovereigns sub-indices

Bond type	Only those bonds whose cash flows can always be determined in advance are taken into consideration in the Markit iBoxx € indices. T-bills and other money market instruments are not included; the only currency permitted is the euro. The origin of the issuer is irrelevant.
Rating	All bonds in the Markit iBoxx € indices must have an investment grade Markit iBoxx rating. The rating approach used by the Markit iBoxx indices is based on the average of the ratings awarded by the three rating agencies Fitch, Moody's and S&P.
Residual term to maturity	Each bond included in an iBoxx € Index must have a minimum residual term to maturity of one year on the day the composition of the Index is specified.
Outstanding volume	Minimum volume outstanding EUR 1.0bn

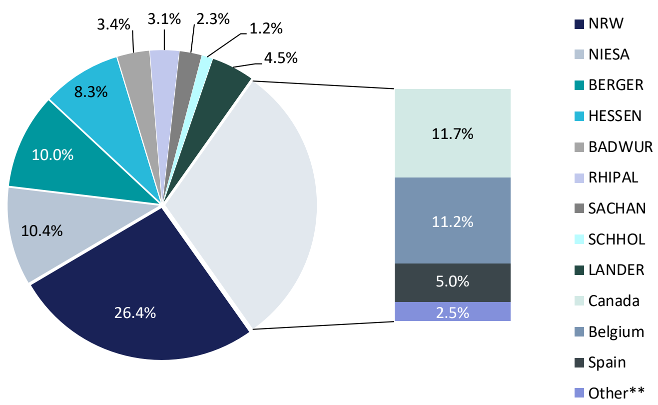
Source: Markit, NORD/LB Floor Research

Risk premiums vary due to periphery issuers
From our perspective, the inclusion of Canadian provinces, in addition to Belgian, Spanish and Italian regions does not ideally replicate the German Laender segment. In fact, due to issuers originating from European periphery countries in particular, the ASW spreads can, in part, differ significantly from those of the German Laender. As a result of divergent ratings and liability mechanisms as well as differences in fundamental analysis, the spread level of the German Laender is considerably lower than that of issuers from the periphery, which, from our point of view, reduces the comparability of the index.

ASW spreads of the iBoxx € Regions*



iBoxx € Regions by issuer



* Residual term to maturity ≥1 year and ≤10 years. ** BAYERN and HAMBRG, among others
Source: Bloomberg, Markit, NORD/LB Floor Research

Weighting of the German Laender does not reflect the actual Laender bond market
In our view, the weighting of the German Laender in the iBoxx € Regions does not truly depict the actual Laender market either. This is primarily due to the criteria for bond selection used by Markit for the iBoxx € Sub-Sovereigns indices. The criteria, in particular the specification of minimum issue volumes of EUR ≥1.0bn and fixed-interest bonds, cause a distorted weighting of the Laender in relation to each another. For example, there is a substantial supply of bonds with lower volumes, while Saarland, for example, was not rated until October 2016 and Bremen exclusively issued floaters up to 2014. In general, the specification of the iBoxx € Regions means there is no benchmark for the performance and risk premiums of Laender floaters. Nevertheless, after excluding the periphery issuers, the iBoxx € Regions almost exactly replicates the ASW spread levels of bonds issued by the German Laender.

Comment
Given the shortcomings of the iBoxx € Regions outlined above, we shall use the total number of Laender bonds in circulation to produce a relative view of each of the German Laender in the following analysis. For this reason, we analyse fixed-interest bonds in relation to all German Laender bonds in benchmark format with an outstanding volume of at least EUR ≥500m. Similarly, where no fixed-interest bonds are available for analysis, where necessary we look at the floaters issued by a federal state in relation to all Laender floaters with an outstanding volume of at least EUR ≥500m as well.

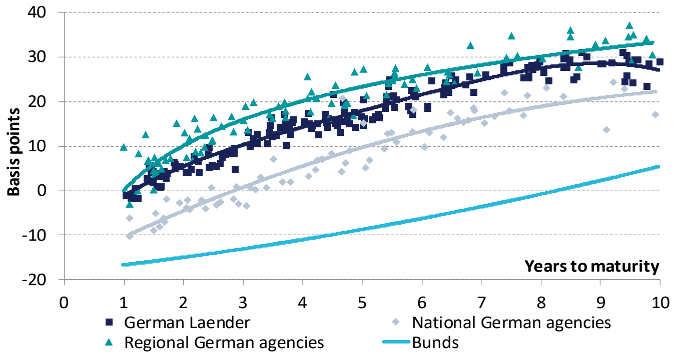
Performance und relative value
Total return and spread performance

Terminated ECB purchase programmes and increasing issuance activities
In the recent past, spread developments in the SSA segment were primarily shaped by the Eurosystem's purchasing activities under the APP and the PEPP. At the end of last year, reinvestments under the PEPP were also terminated, with the ECB's focus since this time being on continuously reducing the portfolio holdings. German Laender bonds were among the most popular SSA securities under the purchase programmes, with the lack of demand subsequently evident in the form of rising risk premiums. Furthermore, new issuance activities on the part of sub-sovereigns increased, which served to further fuel the repricing movement in this segment. In the current year, spread developments have predominantly trended sideways, although further growth in issuance activities was seen in the first half of the year in particular. The German Laender benefited in particular from the search for "safe haven" assets in the wake of geopolitical developments, as well as from a continuing shift out of the USD and towards EUR-denominated investments.

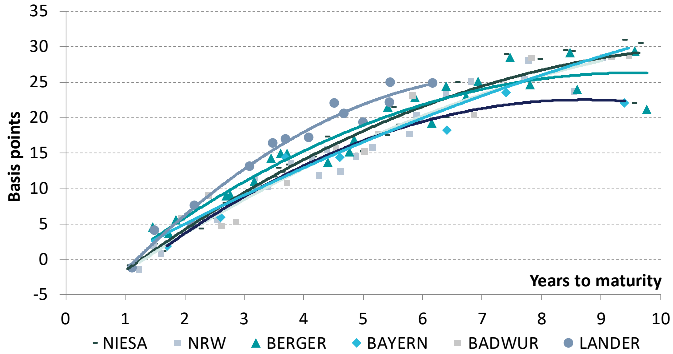
Performance and relative value
Laender bonds – a comparison

Relative attractiveness on the rise again
Before the Eurosystem launched its purchase programme in March 2015, German Laender bonds traditionally offered a high level of relative attractiveness compared with Bunds in the German SSA segment. Even though the PSPP already had a considerable impact on the Laender segment, there were still premiums to be found on occasion. Launched in 2020, the PEPP ensured further spread compression in this segment – although this was mainly among the Laender themselves, and less in comparison with German sovereign bonds. In comparison with last year's edition of our *Issuer Guide – German Laender*, we have observed another widening of spreads in connection with German Laender bonds, which are trading around 15bp wider in the ten-year segment. From a relative value perspective, the attractiveness of Laender bonds compared with those issued by national agencies has increased significantly again over time. While the pick-up in this constellation in the ten-year maturity segment was just under 2bp in October 2024, German Laender bonds currently offer a premium of around 11bp. Furthermore, there has been pronounced volatility over time in the risk premiums of regional promotional banks versus the Laender. While the agencies with a guarantee from a sub-sovereign offered a pick-up of around 5bp in the ten-year segment at the beginning of the year, this premium has fallen almost continuously in the following months. By June 2025, the according spread difference came in at only around 3bp. However. risk premiums have recently been rising again, reaching just under 6bp in August. This is a similar level to that recorded when we published last year's edition of this Issuer Guide. Meanwhile, a direct comparison of the sub-sovereigns reveals hardly any spread differences. Nevertheless, it can be stated that the refinancing costs of financially strong Laender (e.g. Bavaria, Hesse or Baden-Wuerttemberg) are slightly more favourable than is the case for sub-sovereigns confronted by fiscal challenges such as Bremen or Saarland.

German Laender vs. promotional banks and Bunds



ASW spreads – a comparison



NB: Residual term to maturity ≥1 year and ≤10 years; minimum outstanding volume of EUR 500m.
National agencies: KFW, RENTEN. Regional agencies: NRWBK, LBANK, BAYLAN, IBB, BYLABO, WIBANK, among others.
Source: Bloomberg, NORD/LB Floor Research

Impact of the "relaxed" debt rules

Even though economic and fiscal frameworks in Europe are currently deteriorating, there are likely to be some beneficiaries from this situation. In our view, these include the German Laender, which continue to benefit from a strong institutional framework and a high-quality credit profile. The solvency of the Bund and its sub-sovereigns is likely to remain the best among Eurozone public issuers, while the recently adopted changes to the debt brake are not likely to alter this status in any material way. Against this backdrop, the persistently high demand for new issues, which we have seen in the primary market this year in particular, indicates that the regulatory and economic advantages (liquidity, safety) offered by German Laender bonds remain attractive to a wide range of investors. Supply dynamics are likely to cool during the second half of 2025, as many Laender have already completed their funding activities for the current year either partially or in full. Nonetheless, a small turnaround on the supply side may come through possible supplementary budgets on account of the eased debt brake regulations.

ESG – market stirs into life after a deep sleep

Green light for ESG bonds from German Laender

ESG bonds have now become a firm fixture on the international capital markets as a commonly used refinancing instrument. We most recently published a study dealing with the global ESG bond market in June 2025 (cf. NORD/LB Fixed Income Special – ESG Update 2025). When it comes to the trend towards bonds with ESG aspects, the German Laender are refusing to be left behind. For example, North Rhine-Westphalia recognised the potential of this segment as early as 2015, when it issued an inaugural sustainability bond. Since then, NRW has been an annual issuer of sustainability bonds on the primary market. In 2021, Baden-Wuerttemberg and Hesse joined the ranks of ESG issuers, each opting to issue a green bond. In 2023, the German capital Berlin (sustainability) as well as Saxony-Anhalt (social) then became the fourth and fifth Laender respectively to join the list of issuers of ESG bonds. In the short to medium term, we expect further Laender to conduct refinancing activities on the capital market via ESG bonds due to the fact that sustainability considerations have become part and parcel of political initiatives and are becoming ever more important for institutional investors too. Hesse, for example, explicitly included this as an objective in its constitution in 2018: “The state, municipalities and associations of municipalities shall take into account the principle of sustainability in their actions in order to safeguard the interests of future generations” (Art. 26c of the Hessian Constitution). Conversely, the increased effort and associated costs in terms of the more extensive reporting requirements could well represent an obstacle for some German sub-sovereigns. The total volume of ESG bonds issued by the German Laender currently amounts to EUR 30.9bn, with the majority accounted for by the sustainability bonds from NRW.

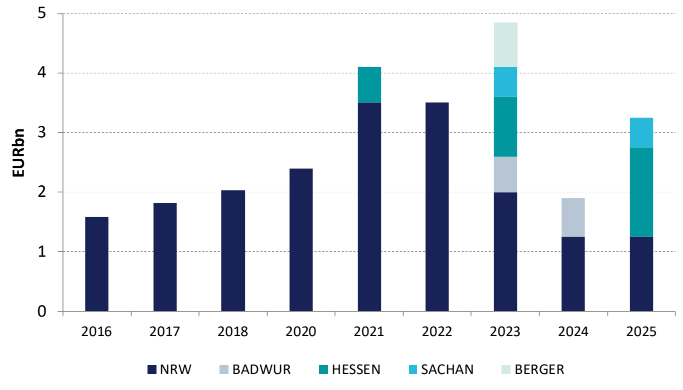
Green, Social and Sustainability – a classification

Three forms of ESG bonds have in particular become established on the capital markets: green bonds, social bonds and sustainability bonds. The respective designation indicates which sustainability target is primarily being pursued. Specifically, green bonds are centered upon goals that serve environmental protection. For example, this can take the form of promoting the use of renewable energy or the financing of regional and long-distance public transport projects through more environmentally friendly drive options. In contrast, social bonds are used (as you might expect) in connection with social projects. These are reflected, for example, in the promotion of social housing or in measures aimed at reducing unemployment. Sustainability bonds, on the other hand, are regarded as all-rounders and the projects supported can be of both an ecological and social nature. Projects that are fundamentally eligible for financing through sustainability bonds are to be found in the corresponding issuer frameworks: these tend to be closely linked to the respective Guidelines of the International Capital Market Association (ICMA). The goals of the respective frameworks are primarily based on the UN Sustainable Development Goals (SDGs) and the respective category of the Green Bond Principles (GBP), Social Bond Principles (SBP) or Sustainability Bond Guidelines (SBG). In addition to the corresponding use of proceeds, the respective ICMA guidelines also provide guidance on the process of project evaluation and selection, management of proceeds and reporting.

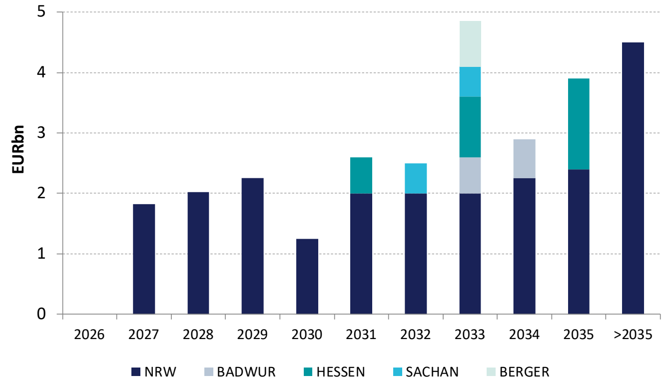
Significant growth in new issuances in 2025 following market decline in 2024

Since the first sustainability bond was issued by North Rhine-Westphalia in 2015, the popularity of this segment has grown on a continuous basis, with additional bonds being placed on the market each year. In 2021, the Laender of Hesse (EUR 600m) and Baden-Wuerttemberg (EUR 300m) each issued a green bond. In May 2022, it was once again Baden-Wuerttemberg that took centre stage by placing another green bond (EUR 350m) and offered the prospect of further green issues in the future. In late 2022 and mid-2023, Berlin (EUR 750m) and Saxony-Anhalt (EUR 500m) initially published their frameworks before then issuing fresh ESG bonds in benchmark format. In addition, after offering two sub-benchmark deals in the two preceding years, BADWUR then also succeeded in issuing its first green benchmark in June 2023. Last year, there was a notable decline in the volume of new ESG deals placed by the Laender, only marginally exceeding the level recorded in 2017 – when North Rhine-Westphalia was the only issuer in this segment. This is hardly surprising: each ESG bond must always be backed by a sufficient number of eligible projects. Most German Laender with an ESG focus, for example, only issue a benchmark bond every other year. An aggregated amount of just EUR 1.9bn was placed on the market in 2024, reflecting a sharp decline compared with 2023 (EUR 4.9bn). Fresh supply in the form of a green bond and a sustainability bond did eventually come from BADWUR and NRW, although for a long time there were serious doubts as to whether any ESG supply would be forthcoming from the Laender segment at all, as both new issues were only launched towards the end of October. This year, the Laender have already been far more active in this regard: in May 2025, SACHAN first approached investors with a social bond, with Hesse then following suit in June with a fresh green bond. BADWUR provided further replenishment in sustainable format in mid-July. In total, EUR 3.25bn has been issued in ESG bonds so far in 2025.

ESG volume issued over time



Maturity profile of ESG bonds



Source: Bloomberg, NORD/LB Floor Research

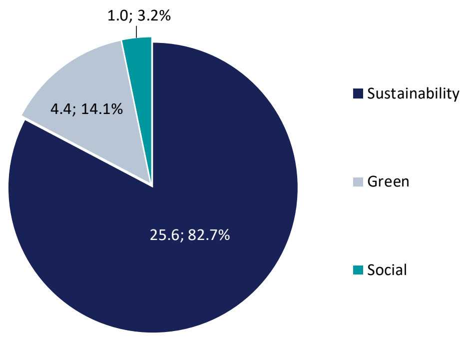
New ESG issues in a state of flux: focus on shorter maturities

In terms of the maturity profile of the ESG bonds issued by the German Laender, there already exists quite a wide range of different maturities. The maturities of the securities placed vary from five years (issued in 2024; maturity: 2029) to 30 years (issued in 2022; maturity: 2052). Nonetheless, most of the deals feature a term to maturity of ten years. Since 2024, however, shorter maturities have increasingly become more popular: for example, North Rhine-Westphalia issued an ESG bond with a five-year term for the first time in 2024, selecting an identical term to maturity for its new issue in July 2025 as well. This May, SACHAN placed its first seven-year bond in nine years. As such, the Laender are pursuing the goal of building a liquid ESG benchmark curve over the medium to long term.

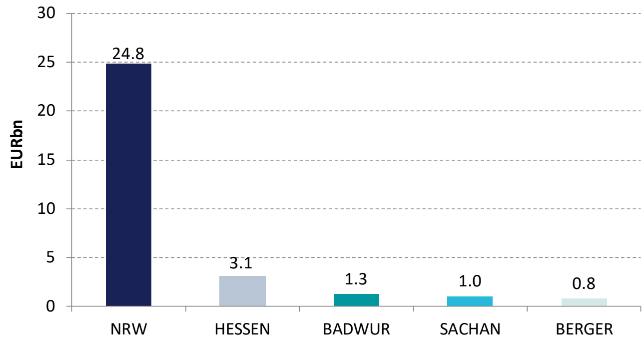
Data situation: sustainability leads the way from green

Due to the early participation of North Rhine-Westphalia in the ESG market in the form of sustainability bonds, it is hardly surprising that this form of ESG securities boasts by far the largest volume to date (EUR 25.6bn; 82.7%). However, the five green bonds issued by the Laender since 2021 (purely social bonds were only added by SACHAN in 2023) are likely merely the beginning of the story here. The volume of EUR 4.4bn issued so far represents only around 14.1% of the total volume. The remaining amount of just EUR 1.0bn or 3.2% is therefore attributable to SACHAN's social bonds. The initial lack of social bonds is perhaps slightly misleading. After all, given that NRW and Berlin issue sustainability bonds, social aspects are also included in the use of proceeds here. For example, the bond issued by North Rhine-Westphalia in 2022 covered aspects such as affordable local public transport and the promotion of affordable housing.

ESG volume by category (EURbn)



ESG volume by federal state (EURbn)



Source: Bloomberg, NORD/LB Floor Research

Frameworks – similarities and differences (I)

The issuers' frameworks all comply with the ICMA Principles. As already mentioned, the Laender of BADWUR and HESSEN (to use their tickers) have issued green bonds and published corresponding green bond frameworks in addition to having had them assessed by a second party opinion; NRW and BERGER have been through the same process with their Sustainable Bond Frameworks. The content is therefore geared towards the four ICMA pillars, namely use of proceeds, process of project evaluation and selection, management of proceeds and annual reporting. While HESSEN and BADWUR have a corresponding focus on green finance, NRW can act more flexibly between social and environmental aspects with regard to the use of proceeds. This is also reflected in the project selection to date: broken down into the categories of the ICMA's Green Bond Principles, for example, the majority of Hesse's first green bond proceeds went towards "clean transport" (46%), followed by "environmentally sustainable management of living natural resources and land use" (29%). Meanwhile, another 14% is attributable to the category of "energy efficiency". A similar distribution of the use of proceeds can also be seen in Baden-Wuerttemberg: the highest proportion (22%) is attributable to the category "energy efficiency", followed by "environmentally sustainable management of living natural resources and land use" (18%). In addition, "green buildings" account for a share of 17% and "clean transport" for 13%.

Frameworks – similarities and differences (II)

From mid-2023 onwards, Saxony-Anhalt became active in the field of social bonds via a corresponding Social Bond Framework. The federal state emphasises that the issuance proceeds will be used for social projects related to combating the effects of the COVID-19 pandemic and future pandemic resilience. This includes improved access to basic social services, job creation and unemployment prevention programmes, as well as the development of affordable basic infrastructure. Accordingly, a significant part of the expenditure underlying the framework comes from the special COVID-19 fund set up on 15 December 2021. The 60 individual projects already included – divided into individual years – trigger payment flows within five years until 2027. Reporting on payment outflows as well as the respective status of projects is the responsibility of the Landtag (regional parliament) of Saxony-Anhalt.

EUGBS: fresh impetus for the German Laender?

The entering into force of the European Green Bond Standard (EUGBS) represented a key milestone in the development of the ESG segment at international level. Since the end of 2024, it has been possible for issuers to place bonds in European Green Bond (EuGB) format. The use of proceeds is based on the requirements of the EU taxonomy, meaning that even stricter sustainability criteria and reporting requirements are defined than is the case under the familiar and established ICMA Principles. Nevertheless, three issuers from our SSA coverage have already made use of this option and approached investors with EuGBs, which are rather neatly spread across our three core markets: EIB (supranational), MADRID (sub-sovereign) and IDFMOB (agency). The transaction from the Spanish region in particular underlines that the new label is also likely to be of interest to regional governments and local authorities (RGLA). We would certainly welcome a pilot project in this area from the German Laender segment, although we believe this is unlikely to materialise – at least in the very near future. The requisite reporting obligations are likely to represent a real obstacle to issuance activities here. Moreover, the volume of conventional green securities placed by German sub-sovereigns continues to languish at a low level compared with European peers, so that the expectation in this regard is that the Laender will initially look to increase issuance activities here.

Comment

Despite the increasing ESG volume in recent years, which led to a record level in 2023, we continue to identify untapped growth potential in the German Laender segment. This situation is laid bare in particular owing to the weak level of primary market activities in 2024. In this way, what was once a niche product with bonds solely from NRW has now already developed into an established sub-market with many players. Increasingly high funding requirements, due, among other aspects, to amendments to the energy transition and climate protection laws of the individual Laender, have been crucial aspects in this development. The ICMA Principles provide solid guidelines containing core recommendations, while external audits also ensure the appropriate use of proceeds with constant monitoring processes in place. Furthermore, while the entering into force of the EU Green Bond Standard (cf. NORD/LB Fixed Income Special – ESG Update 2025) could potentially breathe fresh life into the segment, at this point in time we are not expecting any new issuances here for the foreseeable future. The simple fact alone that only five of the 16 German Laender have a corresponding framework in place unequivocally underlines the inherent catch-up potential for most of the sub-sovereigns.

An overview of the German Laender

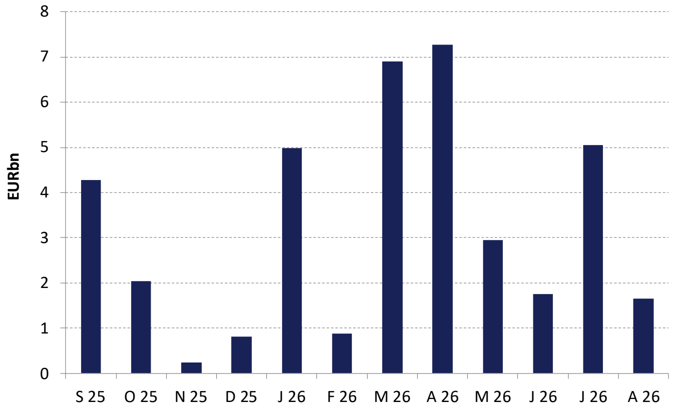
Laender segment characterised by a high degree of heterogeneity

The German Laender are characterised by a high degree of heterogeneity. Clear differences between the sub-sovereigns exist not only in terms of area, population and economic strength, they also differ significantly regarding factors such as their respective debt situation, export orientation as well as demographic trends. Additionally, the liquidity of German Laender bonds and their ratings result in divergences, although these are at most reflected marginally due to the very minor deviations in risk premiums. In the past, this spread convergence was intensified or perhaps even actually manifested by way of the ECB's focus on bonds issued by German Laender within the framework of its asset purchase programmes (e.g. under the APP and PEPP). Reinvestments in this regard came to an end in July 2023 (APP) and at year-end 2024 (PEPP), with net purchasing activities having been discontinued at an earlier date. Since then, the ECB has been focused on steadily winding down its portfolio holdings. In the context of this significant demand position having now dried up, the fundamental differences between the Laender are becoming gradually more important on the capital market again. In the discussion below, we will initially look at the overall development of the Laender, before turning our attention to the differences between them.

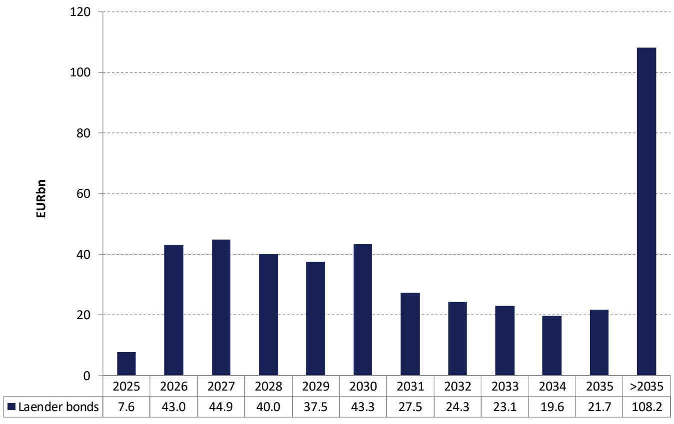
Broad range of products

The 16 German Laender offer a broad range of bonds as well as Schuldscheindarlehen (SSD). As at the reporting date, an outstanding volume of EUR 426.6bn is distributed over 832 separate bond deals. Only EUR 9.6bn (2.3%) of this amount is denominated in foreign currencies, which highlights the fact that FX bonds continue to be of minor importance when it comes to the Laender refinancing profiles. Fixed-coupon bonds (outstanding volume: EUR 382.8bn) and floating rate notes (EUR 30.8bn; FRN) dominate the Laender funding mixes. Overall, 381 EUR-denominated bonds feature an outstanding volume of EUR ≥500m and can therefore be classified as benchmark securities. In the non-public segment, loans and Kassenkredite together account for a volume of around EUR 143.3bn. The market data is supplemented by a total of 14 Laender jumbos (EUR 14.3bn), which are placed by the Joint Laender issuance vehicle on the primary market under the LANDER ticker.

Bond amounts maturing in the next 12 months



Outstanding bonds issued by the German Laender



Foreign currencies are converted into EUR at rates as at 25 August 2025.
Source: Bloomberg, NORD/LB Floor Research

General information

Total debt*

EUR 559.6bn

Of which bonds**

EUR 426.6bn

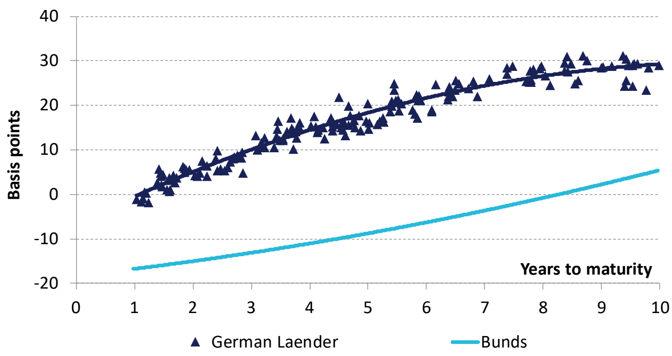
* As reported at year-end 2024

** Data retrieved on 25 August 2025

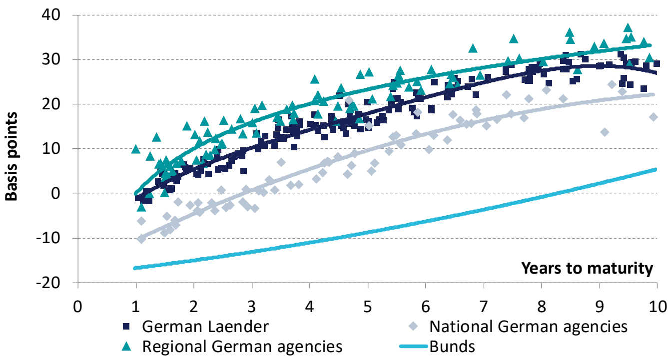
Ratings

The rating agencies Fitch, Moody's, S&P as well as Scope all link their ratings for each of the German Laender with the rating of the German federal government (for the most part). Fitch regards the federal financial equalisation system and principle of federal loyalty in general as the dominant factors in equating the ratings directly. Scope also assigns the top rating (AAA) to all Laender, even if it is not de facto equated with the credit assessment of the federal government. According to Scope's rating approach, the ratings of the German Laender can currently be a maximum of one notch below that of the Bund. Moody's also attributes significant influence to the strong institutional framework, although the agency does take other aspects into consideration, with the result that the ratings are not necessarily equated. The federal state of NRW, for example, is currently rated Aa1, which is one notch below the Aaa top rating held by Germany. S&P makes an even wider distinction. Although the rating experts do factor in the federal financial equalisation system and principle of federal loyalty to their rating decision, they occasionally diverge further from the AAA rating held by the Bund. In this context, for example, S&P continues to award NRW a rating of AA on the back of a rating upgrade in September 2019.

ASW spreads vs. Bunds



ASW spreads vs. agencies



NB: Residual term to maturity ≥1 year and ≤10 years; minimum outstanding volume of EUR 500m.
National agencies: KFW, RENTEN. Regional agencies: NRWBK, LBANK, BAYLAN, IBB, BYLABO, WIBANK, among others.
Source: Bloomberg, NORD/LB Floor Research

Relative value

Volume-weighting of the German Laender in the iBoxx € Regions

70.8%

No. of German bonds in iBoxx € Regions

166 (out of 232) [71.6%]

Pick-up versus swaps*

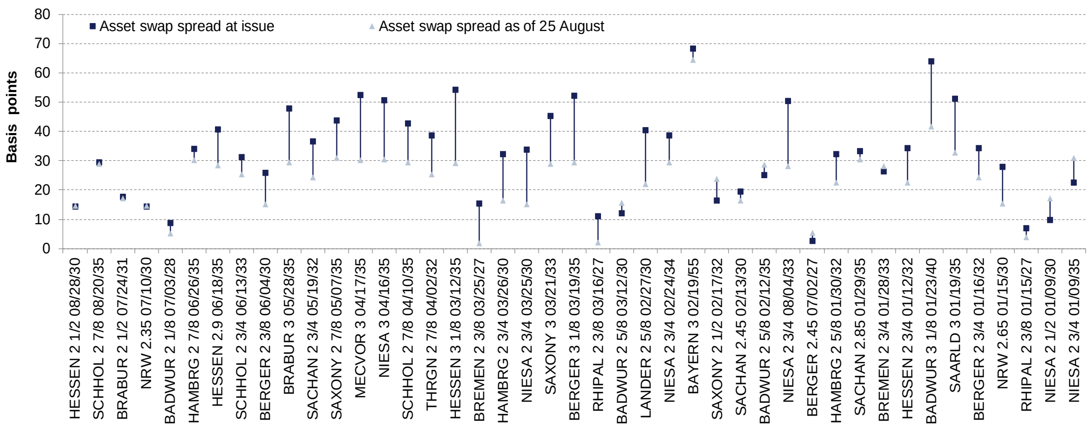
-1bp to +38bp (Median: +20bp)

Pick-up versus Bunds*

+16bp to +36bp (Median: +27bp)

* vs. interpolated figures;
years to maturity ≥1 year and ≤10 years;
outstanding volume EUR ≥0.5bn.

Performance of fixed income benchmark issues 2025**



** Issuance volume of at least EUR 0.5bn. Bonds are not necessarily liquid.
Source: Bloomberg, NORD/LB Floor Research

Refinancing

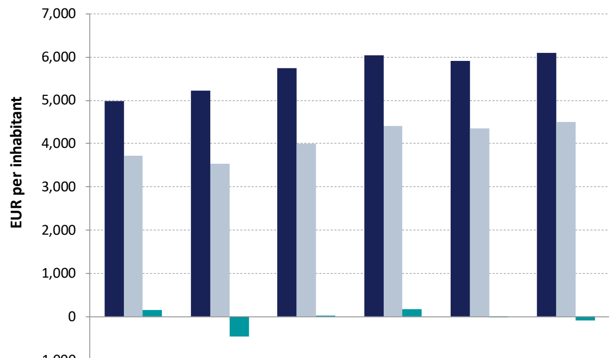
In the years prior to the outbreak of COVID-19, the new issuance activity of the German Laender was at a high level, albeit on a downward trend. Due to the pandemic, the funding requirement suddenly soared, although this was gradually reduced to the pre-pandemic level in the years that followed. At present, the Laender are confronted by a range of economic and structural challenges, meaning that the accumulation of debt via the capital market is likely to increase again. The most important funding instruments here are bonds and SSD deals, whereby public sector securities in benchmark format are used just as frequently as large-volume private placements. As a result, there is a fresh supply of large-volume bonds. For 2025, the German sub-sovereigns have announced gross credit authorisations in the amount of EUR 82.8bn. However, the relevant data was not yet available for all Laender at the time of preparing this study. Once all the data is at our disposal, we anticipate a value in excess of EUR 90bn.

Credit authorisations of German Laender in 2025 (EURbn)*

	2025*	
	Net	**Gross**
Baden-Wuerttemberg	1.02	30.10
Bavaria	-0.05	1.17
Berlin	1.79	7.23
Brandenburg		
Bremen	0.13	1.84
Hamburg	2.29	5.93
Hesse		
Mecklenburg-Western Pomerania	0.00	1.00
Lower Saxony	1.52	8.65
North Rhine-Westphalia	1.64	15.34
Rhineland-Palatinate		
Saarland	0.25	2.40
Saxony		
Saxony-Anhalt	0.00	3.20
Schleswig-Holstein	0.91	4.87
Thuringia	0.31	1.08
Total	**9.81**	**82.81**

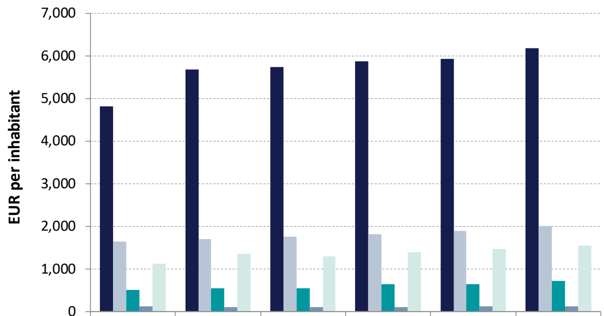
*Some figures are rounded and/or provisional; as at: 25 August 2025; unchanged values from 07 May 2025
Source: Bloomberg, NORD/LB Floor Research

Development of revenues



	2019	2020	2021	2022	2023	2024
Operating revenue	4,974	5,217	5,752	6,046	5,912	6,094
Tax revenue	3,720	3,540	4,003	4,409	4,348	4,497
Deficit/surplus	159	-465	10	165	-11	-90

Development of expenditures



	2019	2020	2021	2022	2023	2024
Operating expense	4,815	5,681	5,742	5,882	5,923	6,184
Staff expenditure	1,631	1,703	1,756	1,822	1,884	2,013
Capital expenditure	496	542	546	641	636	707
Interest expense	124	103	109	101	112	117
Grants to municipals	1,126	1,355	1,296	1,389	1,474	1,544

Source: Federal Ministry of Finance, NORD/LB Floor Research

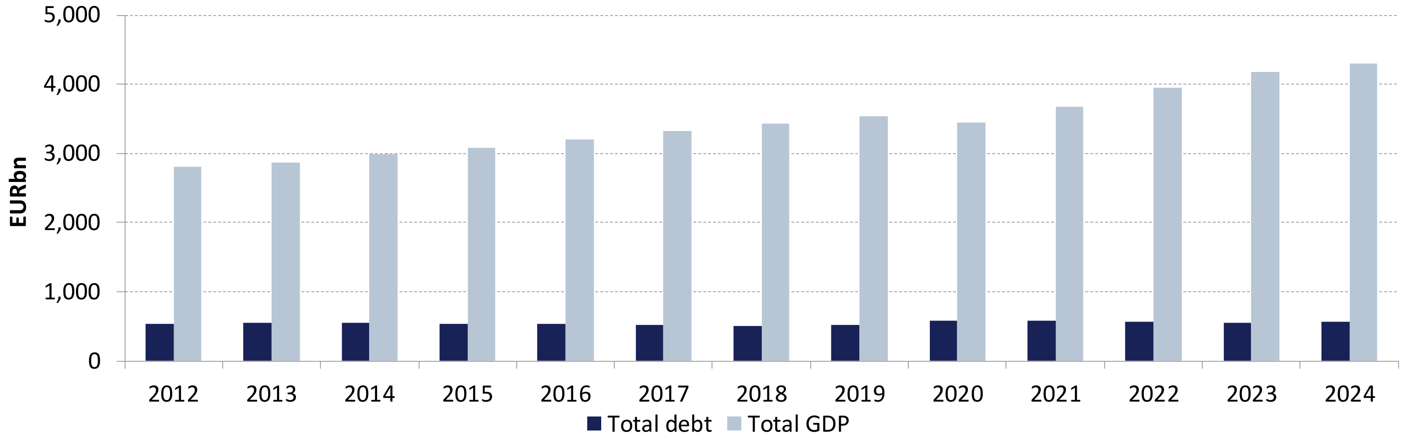
Budget figures 2024

Balance (vs. 2023)
EUR -7.5bn (EUR -6.6bn)
Balance / GDP (2023)
-0.18% (-0.02%)
Balance per capita (2023)
EUR -90 (EUR -11)
Tax revenue (vs. 2023)
EUR 375.8bn (EUR +13.0bn)
Taxes per capita (2023)
EUR 4,497 (EUR 4,348)
Taxes / interest paid (2023)
38.4x (38.9x)
Total revenue / interest paid (2023)
52.0x (52.9x)
Debt level (vs. 2023)
EUR 559.6bn (EUR -11.2bn)
Debt / GDP (2023)
13.0% (13.1%)
Debt / revenue (2023)
1.1x (1.1x)

Development of Laender budgets

Although the budgetary position of the Laender was highly positive in the years prior to COVID-19, the pandemic brought this trend to an abrupt halt in 2020. While the situation did recover in 2021 and 2022, another slump set in across 2023 and 2024. The cause of this development in the previous year was a sharp rise in overall expenditures (+4.6%) in comparison with total revenues (+3.2%). Growth was particularly marked in relation to interest expenses (+4.9%), capital expenditures (+11.3%) and personnel expenses (+7.0%). Consequently, overall expenditures rose by EUR +22.5bn in the aggregate to EUR 516.9bn, while revenues only increased by EUR +15.9bn to EUR 509.3bn. As a result, the existing budget deficit from 2023 deepened further in 2024. A longer-term perspective also reveals a clear picture: overall expenditures have increased by +29.1% in the past five years, while total revenues grew only by +23.1% during the same period. Grants to municipalities, which were already up in 2023, increased again by EUR +6.0bn to total EUR 129.0bn overall. Furthermore, personnel expenditures increased by EUR +11.0bn compared with 2023, reaching a total of EUR 168.2bn. Over the last five years, personnel costs have therefore risen by +24.0% overall. Based on the increased interest expenses combined with only a slight increase in revenues, the ratio of total revenue to interest paid was lower than that posted for 2023 (2024: 52.0x; 2023: 52.9x). In 2024, capital expenditures increased sharply in comparison with the prior year by EUR +6.0bn (+11.3%). The main driver of this development were the city states, where capital expenditures rose by around +25.0% year on year. While it was a mixed picture in terms of key credit metrics at the level of both Laender and Bund in 2020 due to the COVID-19 pandemic, a recovery started to set in during 2021. However, it was again not possible in 2024 to replicate the record value for interest coverage (as measured by the ratio of interest expenditure to overall revenues) that was registered in 2022. While this metric stood at 60.1x in 2022, this had fallen to a figure of 52.0x in 2024. Moreover, tax receipts grew less dynamically than the interest burden, meaning that the ratio of taxes to interest paid accordingly came in at 38.4x in 2024 (2023: 38.9x). In contrast, debt sustainability (expressed as the ratio of debt to total revenues) has continually improved since 2010 with the exception of 2020: after being as high as 1.92x in 2010, this had fallen to just 1.1x in 2024. Furthermore, the ratio of debt to GDP also developed in positive fashion. In this instance, the metric fell from 13.1% in 2023 to 13.0% in the previous year.

Overview of Laender total debt and economic output

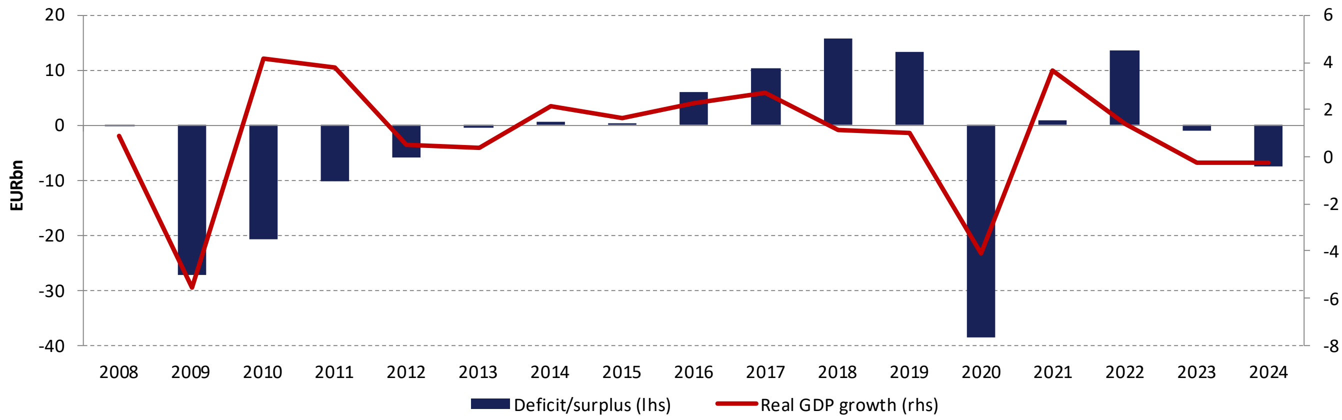


Source: Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Laender debt on the rise again

While the overall debt level of the German Laender has risen on a constant basis prior to 2014, from this point onwards the debt trend stabilised, before falling again in both 2017 and 2018. However, with the introduction of the debt brake at the start of 2020, the majority of German sub-sovereigns took the opportunity to assume fresh debt again in targeted fashion during the 2019 budget year. In 2020, growth in debt continued owing to the COVID-19 pandemic, eventually reaching a peak value of EUR 581.0bn in the 2021 budget year. In both of the following two years, liabilities then fell again. In 2024, the aggregated debt level totalled EUR 559.6bn, which equates to growth of +2.1% on the prior year.

Overview of Laender balances and real GDP growth



Source: Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Budgets remain in deficit

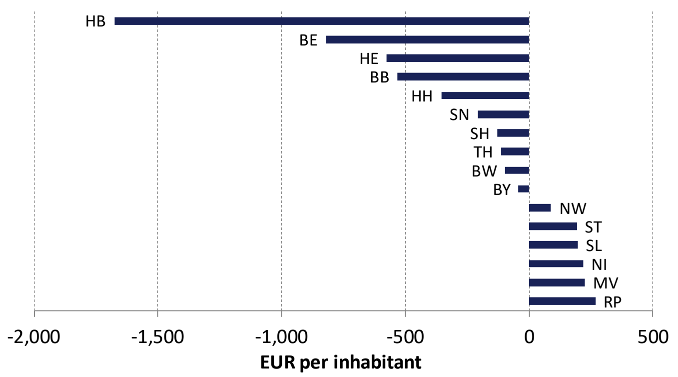
The aggregated budget balance of the German Laender has followed a significantly positive trend since 2010. Although a negative budget balance of EUR -20.8bn was posted in 2010, deficits have subsequently fallen on an almost constant basis. A marked change came about in 2014, before the largest surplus of the recent past was eventually recorded in 2018 (EUR +15.7bn) The COVID-19 pandemic brought this positive development to an abrupt end: at EUR -38.6bn, the largest deficit in recent times was recorded in 2020. The primary drivers of this development were, in particular, falling tax receipts (-4.9% on average across Germany) and a huge rise in expenditures (+18.9% on average across Germany). In 2021, a sharp rise in tax revenues (+13.2%) and only a marginal rise in expenditures (+1.2%) meant that a positive budget balance of EUR +1.0bn was recorded. The following year, a considerable surplus of EUR +13.7bn was registered. However, it was not possible to sustain this positive trend in 2023: the aggregated budget balance of the Laender fell by EUR -14.6bn to produce a deficit of EUR -0.9bn overall. In 2024, this decline was exacerbated, with the result that the deficit worsened by a further EUR -6.6bn to stand at EUR -7.5bn.

Overview of the German Laender 2024

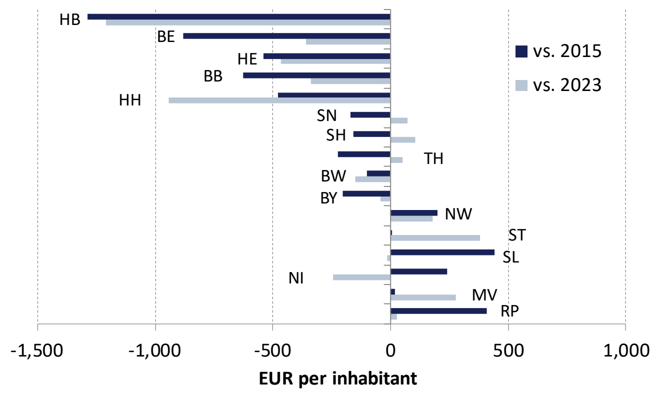
	Adjusted revenues (EURbn)	Adjusted expenditures (EURbn)	Balance (EURbn)	Debt level (EURbn)	Nominal GDP (EURbn)	Debt / GDP	Balance / GDP
BW	64.1	65.2	-1.1	33.7	650.2	5.2%	-0.2%
BY	74.2	74.8	-0.6	17.5	791.6	2.2%	-0.1%
BE	36.6	39.6	-3.0	61.6	207.1	29.8%	-1.5%
BB	15.7	17.0	-1.4	20.1	97.5	20.6%	-1.4%
HB	7.8	9.0	-1.2	23.3	41.4	56.3%	-2.9%
HH	20.4	21.0	-0.7	21.9	161.8	13.6%	-0.4%
HE	35.2	38.8	-3.6	44.4	368.3	12.0%	-1.0%
MV	11.5	11.2	0.4	8.0	61.2	13.0%	0.6%
NI	43.7	42.0	1.8	54.2	381.2	14.2%	0.5%
NW	102.5	100.9	1.6	160.9	871.8	18.5%	0.2%
RP	23.6	22.5	1.1	29.1	184.0	15.8%	0.6%
SL	5.9	5.7	0.2	12.5	42.5	29.4%	0.5%
SN	24.0	24.9	-0.8	3.9	161.9	2.4%	-0.5%
ST	14.3	13.8	0.4	21.8	79.4	27.4%	0.5%
SH	17.0	17.3	-0.4	31.9	126.8	25.2%	-0.3%
TH	12.8	13.0	-0.2	14.8	78.2	18.9%	-0.3%
Total	**509.3**	**516.8**	**-7.5**	**559.6**	**4,305.3**	**13.0**	**-0.2%**

BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.
Source: National accounts produced by the Laender, Federal Statistical Office, NORD/LB Floor Research

Budget balances 2024



Change in absolute budget balances



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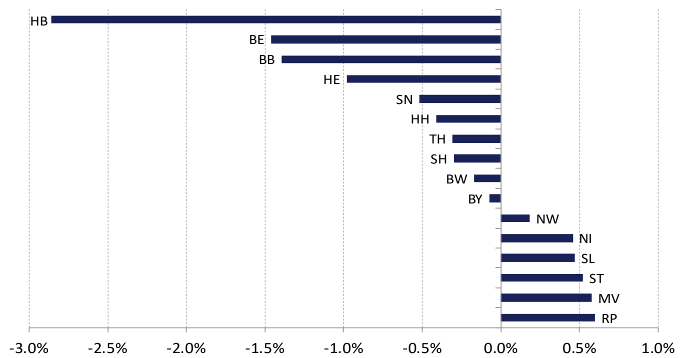
Source: Federal Ministry of Finance, NORD/LB Floor Research

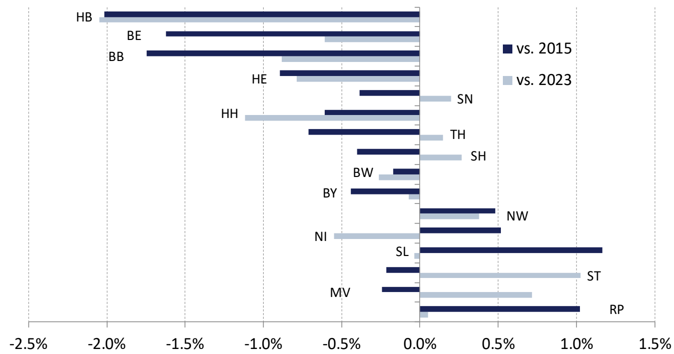
Laender balances again under pressure

The substantial deterioration in Laender budget balances in 2023 was continued in 2024: the average balance per capita declined to EUR -90 (2023: EUR -11). The decline was particularly sharp versus the previous year in Bremen. In the Free and Hanseatic City, the budget deficit amounted to EUR -1,677 per capita in 2024 and therefore deteriorated by EUR -1,211 in comparison with 2023. It is noteworthy that Hamburg recorded the highest budget surplus in 2022 but now, just two years later, ranks among the Laender with the highest per capita deficits. The German Laender that posted improved values year on year in this respect included Mecklenburg-Western Pomerania, North Rhine-Westphalia, Rhineland-Palatinate, Saxony, Saxony-Anhalt, Schleswig-Holstein and Thuringia. Against the backdrop of a significant decline in the average budget balance and a simultaneous improvement in individual Laender, an increasing degree of heterogeneity became apparent in budget developments last year. The highest absolute balance was once again achieved by one of our owner states, Lower Saxony, which generated a cash surplus of EUR +1.8bn (2023: EUR +3.7bn). When put in relation to the number of inhabitants, Lower Saxony ranks in third place across all German Laender.

Budget balances as a % of GDP



Change in budget balances as a % GDP



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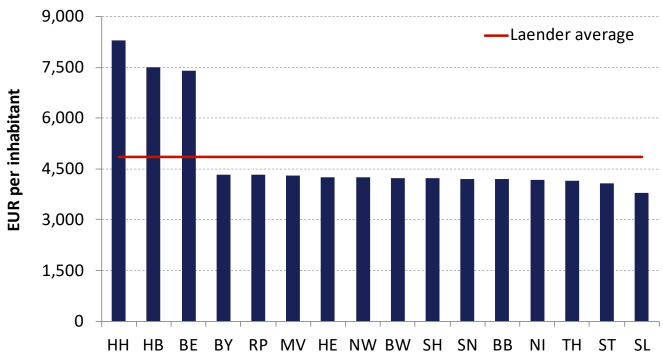
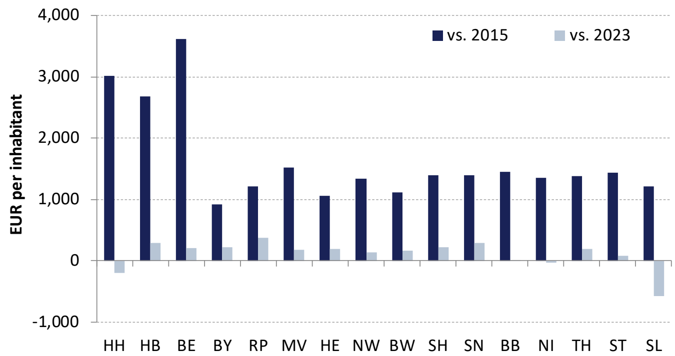
Source: Federal Ministry of Finance, NORD/LB Floor Research

Tax revenues 2024



Change in tax receipts



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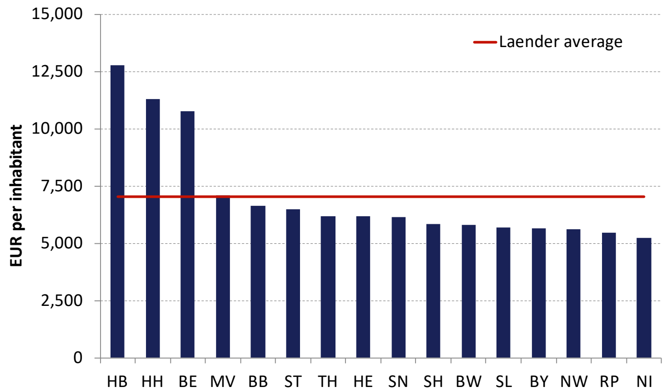
Source: Federal Ministry of Finance, NORD/LB Floor Research

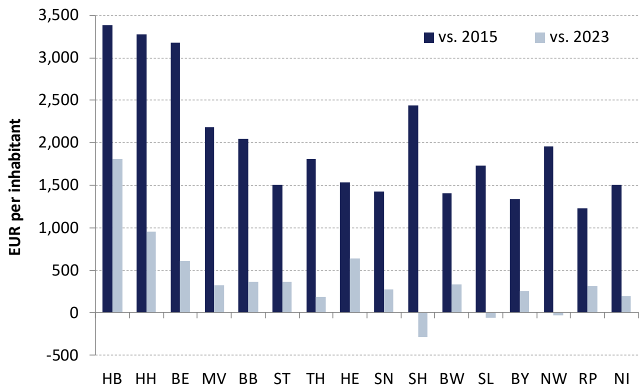
City states with highest tax revenues per capita

In terms of tax revenues per capita, the city states of Bremen, Berlin and above all Hamburg traditionally stand out, with all three generating above-average tax revenues in relation to their respective populations. This trend was also in evidence in the prior year, with Hamburg defending its position at the top of the table despite actually recording declining relative tax revenues in comparison with 2023. The strongest percentage growth in tax revenues per capita was achieved by Rhineland-Palatinate (+9.4%), followed by Saxony (+7.4%) and Schleswig-Holstein (+5.5%). Among the Laender that were unable to increase tax revenues per capita were Saarland, Lower Saxony and Hamburg.

Expenditures 2024



Change in expenditures



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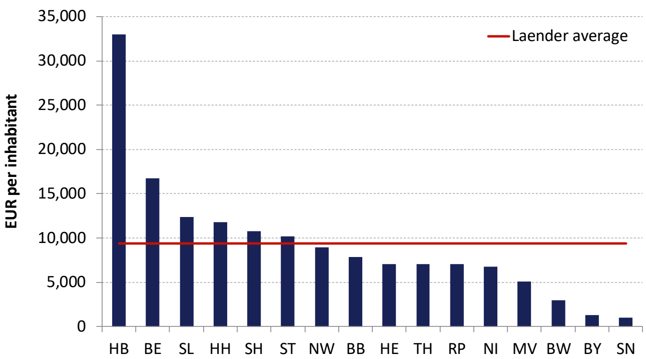
Source: Federal Ministry of Finance, NORD/LB Floor Research

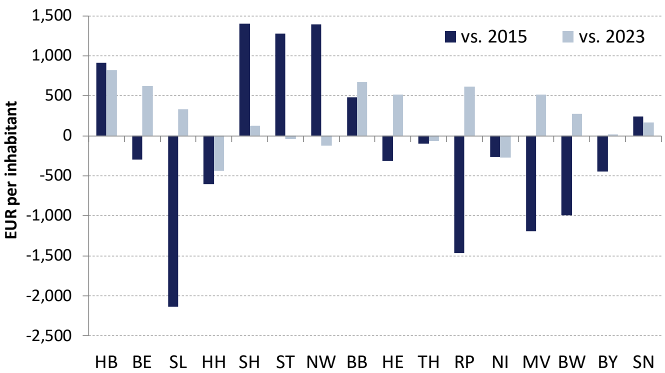
Lower Saxony again records lowest expenditures per capita

The city states also traditionally post the largest outflows in the context of per capita expenditure levels. As a result, Bremen tops the table for this category, with the Free Hanseatic City spending a sum of EUR 12,795 per inhabitant in 2024. At the other end of the scale, Lower Saxony has registered the lowest values for expenditures per capita since 2021. The largest rise in per capita expenditures was recorded by Bremen at EUR +16.5%. In this regard, the East German non-city states (average: EUR 6,439) again have higher expenditure levels per inhabitant than their West German counterparts (average: EUR 5,657), whereby the trend towards convergence in expenditure values has been interrupted for the time being.

Debt levels 2024



Change in debt levels



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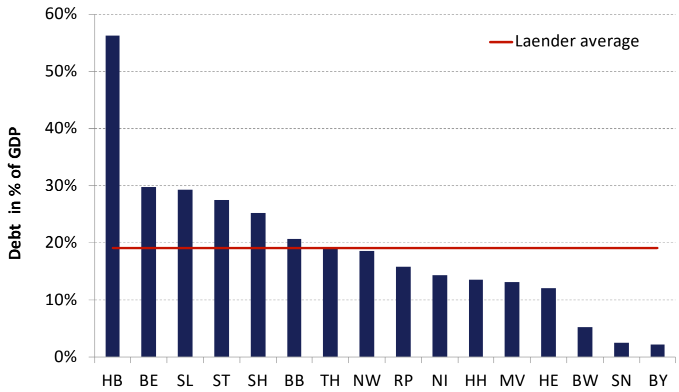
Source: Federal Ministry of Finance, NORD/LB Floor Research

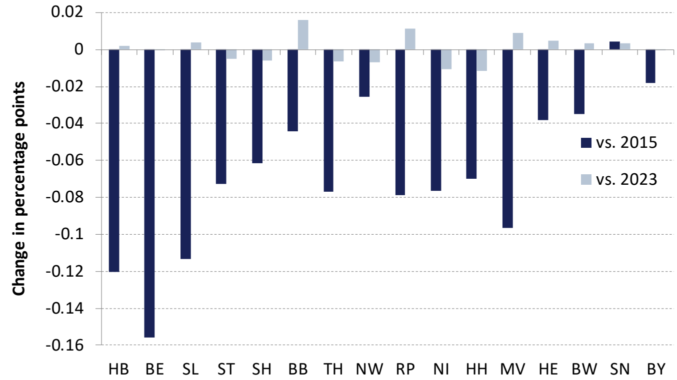
Highest debt per capita in city states and Saarland

The city states and the Saarland have had the highest level of per capita debt for several years. Bremen's historically weak budgetary positions have further exacerbated this development. Having previously recorded substantial growth in debt per inhabitant in 2019 and 2020, the subsequent decline posted by the Free Hanseatic City for this metric was unprecedented in a German Laender comparison. In this context, Bremen reduced its debt per capita by EUR -20,984 in 2022 alone. However, in the following years liabilities were on the rise again (2023: EUR 32,189; 2024: EUR 33,016). Taking the 16 German Laender as a whole, only Lower Saxony, Hamburg, Thuringia, North Rhine-Westphalia and Saxony-Anhalt were able to successfully reduce their debt levels in per capita terms in 2024. With a reduction of EUR -441 per capita, Hamburg recorded the most significant decline in absolute terms. Conversely, Lower Saxony registered the highest relative decline per capita of -3.8%. On the other hand, Mecklenburg-Western Pomerania posted the sharpest growth in liabilities, with an increase of +11.4% (EUR 517 per capita), followed by Baden-Wuerttemberg with growth of +10.1% (EUR 276 per capita).

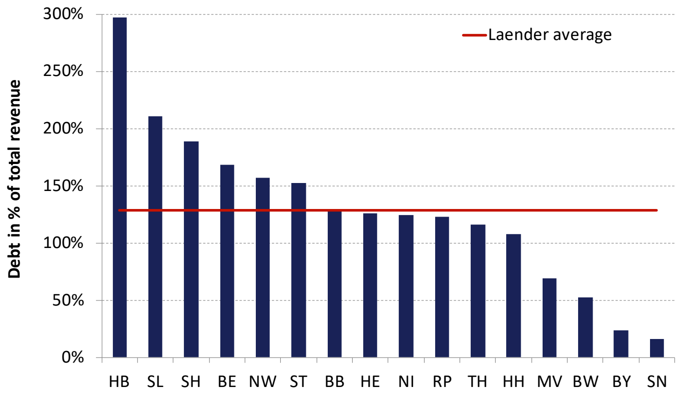
Debt / GDP ratios 2024



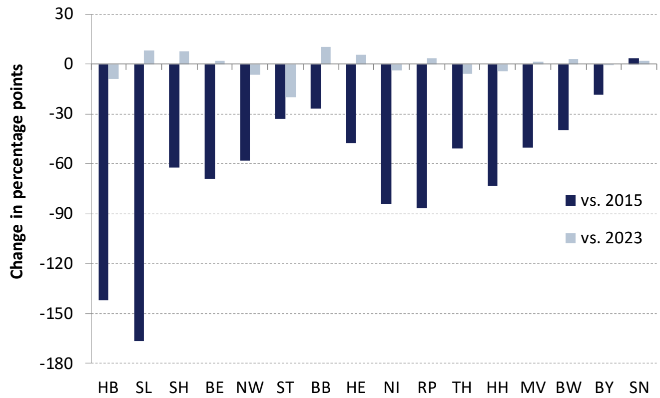
Change in debt / GDP ratios



Debt / revenue ratios 2024



Change in debt / revenue ratios



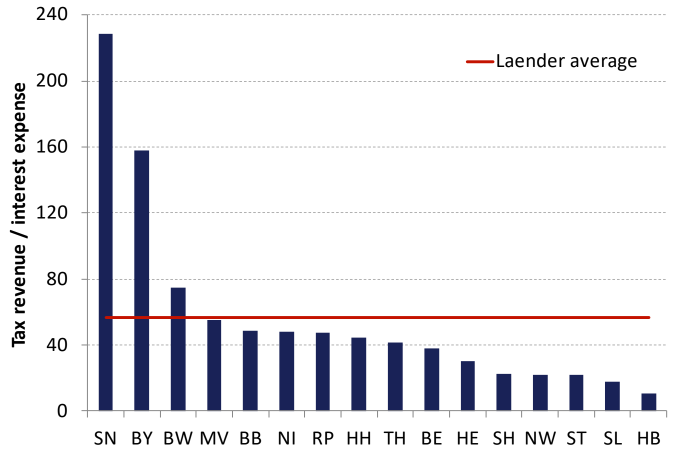
BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.

Source: Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

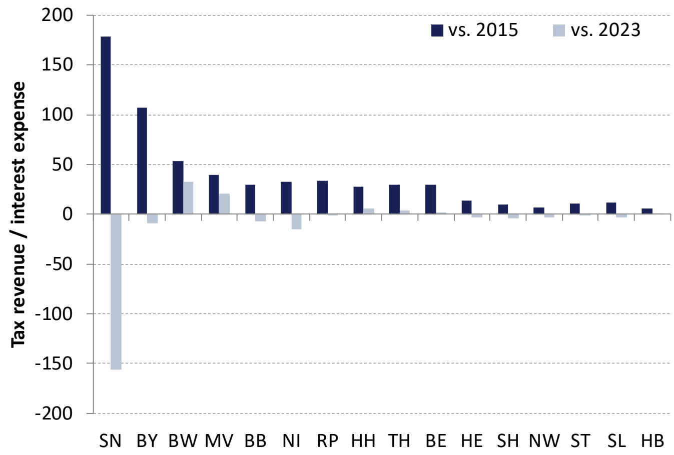
Constant debt to revenue ratios
The ratio of debt to revenue also reveals major differences between the German sub-sovereigns. In the wake of a strained budget situation in 2024, this metric deteriorated in a majority of the sub-sovereigns and therefore rose versus the prior year. Following a slight decline in 2023, tax revenues increased again in 2024, which helped to partially offset the rise in debt. Overall, only Bavaria, Bremen, Lower Saxony, Hamburg, NRW, Thuringia and Saxony-Anhalt managed to reduce their ratios in 2024.

Interest coverage deteriorates on average
In 2024, higher interest expenses on the part of the German Laender (+4.9%) paired with a slight rise in tax receipts (+3.6%) led to a situation in which the ratio of taxes to interest paid deteriorated in most of the German sub-sovereigns. On average, this figure now stands at 38.4% (2023: 39.9%). Nonetheless, Baden-Wuerttemberg, Berlin, Hamburg, Mecklenburg-Western Pomerania, Bremen and Thuringia were all successful in improving their interest coverage metric. The decline in the average interest coverage value is essentially down to Saxony. Despite posting an eye-catching decline of -155%, it continues, as with Bavaria, to rank among the Laender with the best interest coverage capacity.

Ratio of taxes to interest paid (2024)



Change in the ratio of taxes to interest paid



BW = Baden-Wuerttemberg, BY = Bavaria, BE = Berlin, BB = Brandenburg, HB = Bremen, HH = Hamburg, HE = Hesse, MV = Mecklenburg-Western Pomerania, NI = Lower Saxony, NW = North Rhine-Westphalia, RP = Rhineland-Palatinate, SL = Saarland, SN = Saxony, ST = Saxony-Anhalt, SH = Schleswig-Holstein, TH = Thuringia.
Source: Federal Ministry of Finance, NORD/LB Floor Research

Comment
The German Laender segment continues to represent the most important market for sub-sovereign issuers in Europe and even the world. A steady supply of fresh bonds ensures that the market offers a broad selection. Budget balances, tax revenues, debt and several key credit metrics reveal differences between the sub-sovereigns, which are quite significant in some cases. Despite making considerable progress, Bremen and Saarland remain under pressure on account of their high per capita debt levels. However, the former market environment concealed fundamental differences. In this context, the ECB's purchase programmes (PSPP and PEPP) suppressed both spreads and yields. The major economic breakdown experienced in 2020 led to a decline in revenue streams and growth in new debt. Rising energy prices due to the Russia-Ukraine war posed a huge challenge in 2022, which was then exacerbated by additional geopolitical tensions and rising interest rates over the course of 2023. This development initially continued into 2024, before the ECB gradually ushered in an interest rate turnaround with the first of a series of cuts to its key rates in June. With the impact of increased debt servicing costs starting to be keenly felt in the previous year, this led to a tangible strain being placed on Laender budgets.

Baden-Wuerttemberg

Covering a total area of 35,748km^2 and with a population of 11.2m inhabitants, Baden-Wuerttemberg is the third largest German sub-sovereign in terms of both area and population. Historically, the federal state was formed in 1951 from the former regions of Wuerttemberg-Baden, Wuerttemberg-Hohenzollern and Baden by the Allied Powers in the wake of the Second World War, with Stuttgart designated as the state capital. As the sixth-largest city in Germany, the latter is also the most important economic hub in Baden-Wuerttemberg. Germany owes much of its reputation as a world-renowned, innovative export nation to Baden-Wuerttemberg. For example, major industrial firms such as the Mercedes-Benz Group, Porsche and Bosch are located in and around the Stuttgart area. In order to retain and continue attracting internationally renowned and established companies in the future, the sub-sovereign has been supporting entrepreneurs and start-ups via the startup bw programme since 2017. In this regard, the promotional instrument THE Start-up LÄND offers financial backing in addition to consulting, support, networking events and international competitions. Patent applications constitute one indicator for the success of this initiative: in 2024, just under 39% of all German patent applications originated in Baden-Wuerttemberg, more than in any other German sub-sovereign. The economic innovation of the region is further emphasized by a total of 76,900 business registrations last year. Compared with 2023, the number of sideline businesses in particular grew by +10.2% to around 32,800. Furthermore, four of Germany's eleven elite-level universities are located in Baden-Wuerttemberg (Heidelberg, Karlsruhe, Konstanz and Tübingen), which highlights the region's research strength even more. In addition to high-tech industries, the federal state is also a popular destination for holidays and travel enthusiasts, with tourists flocking in their droves to visit the Black Forest, Lake Constance and the Allgäu region, in addition to enjoying the produce of the region's celebrated vineyards. Since 2021, Baden-Wuerttemberg has been active on the capital market as an issuer of green bonds and is gradually building up a liquid ESG curve.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
11,245,898

State capital
Stuttgart

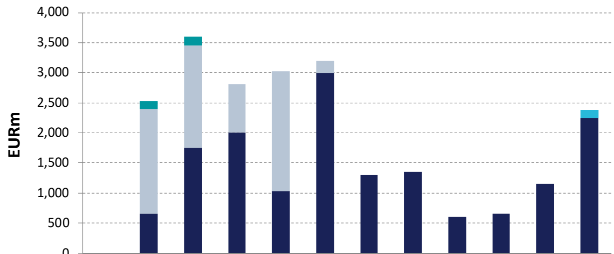
Government
Greens/CDU

Minister-President
Winfried Kretschmann (Greens)

Expected next election date
08 March 2026

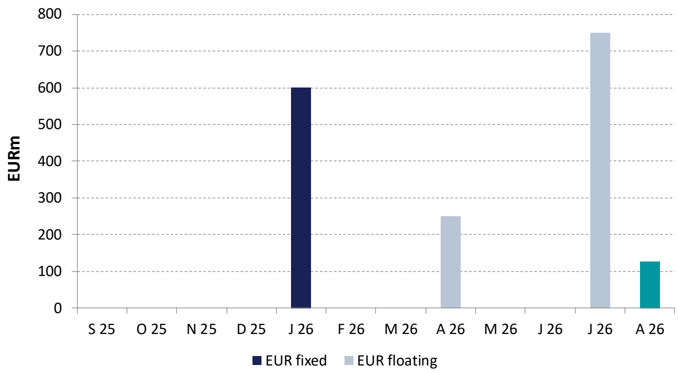
Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AA+	stab
Scope	AAA	stab

Overall maturity profile

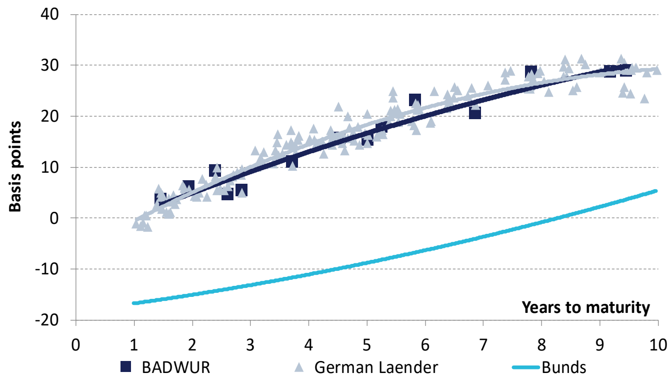


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	139
EUR other	0	128	153	0	0	0	0	0	0	0	0	0
EUR floating	0	1,750	1,700	800	2,000	200	0	0	0	0	0	0
EUR fixed	0	651	1,750	2,011	1,025	3,000	1,300	1,350	600	650	1,150	2,250

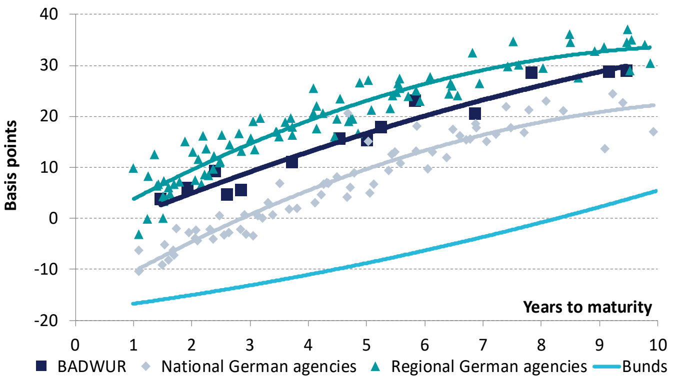
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 33.7bn (12th)

Outstanding bonds
EUR 22.6bn

ESG volume
EUR 1.3bn

Bloomberg ticker
BADWUR

Economy 2024

GDP (ranking)
EUR 650.2bn (3rd)

GDP per capita (ranking)
EUR 57,819 (5th)

Real GDP growth (ranking)
-0.4% (7th)

Unemployment (ranking)
4.2% (2nd)

Key figures 2024

Tax-interest coverage (ranking)
74.6x (3rd)

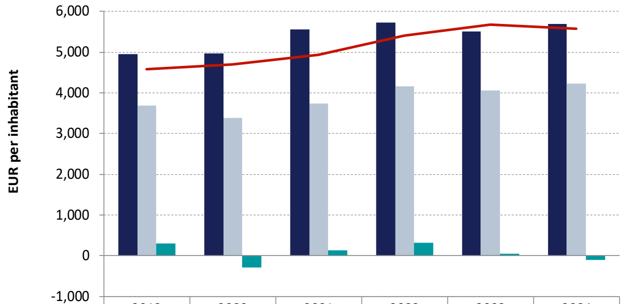
Total revenue/interest paid (ranking)
100.5x (3rd)

Debt/GDP (ranking)
5.1% (3rd)

Debt/revenue (ranking)
0.53x (3rd)

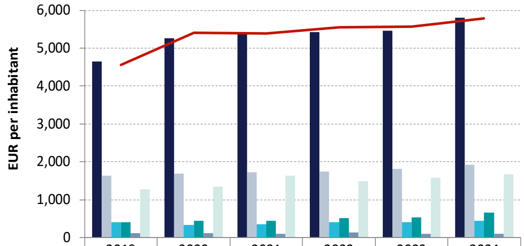
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



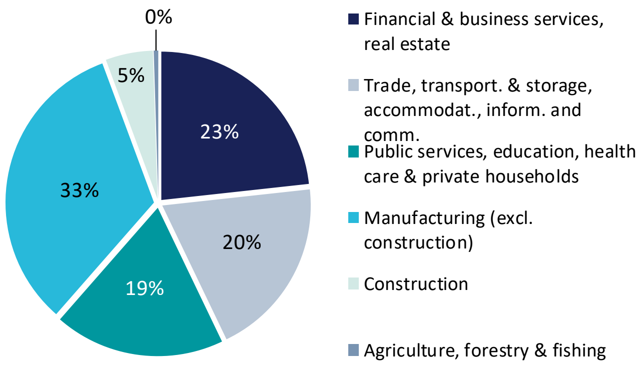
	2019	2020	2021	2022	2023	2024
Operating revenue	4,955	4,966	5,557	5,734	5,510	5,698
Tax revenue	3,686	3,389	3,739	4,156	4,062	4,229
Deficit/surplus	305	-296	130	311	51	-99
Ø of operating revenues (non-city states)	4,572	4,699	4,940	5,401	5,680	5,571

Development of expenditure

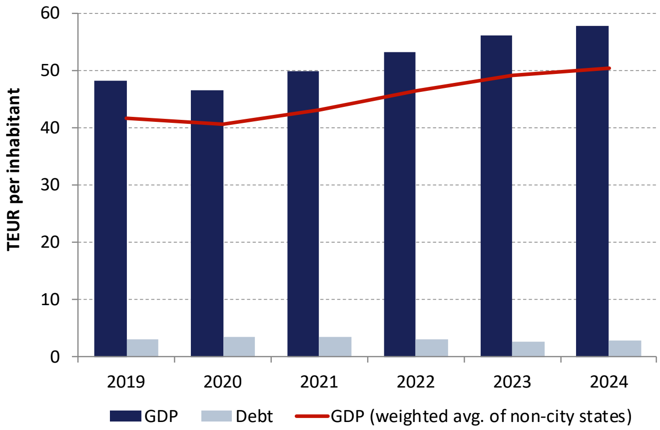


	2019	2020	2021	2022	2023	2024
Operating expense	4,649	5,262	5,427	5,423	5,459	5,797
Staff expenditure	1,637	1,688	1,720	1,750	1,822	1,920
Equalisation mechanism (net)	407	331	361	401	400	448
Capital expenditure	412	452	446	512	537	663
Interest expense	126	111	105	141	107	97
Grants to municipals	1,283	1,339	1,632	1,493	1,589	1,677
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



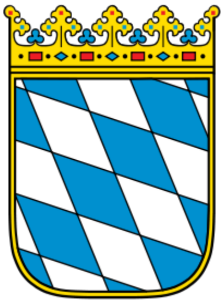
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Debt sustainability and interest coverage
+ Strong, innovative and diversified economy
+ Low unemployment rate
+ High level of exports

Weaknesses/Risks

– Dependency on the manufacturing sector
– Resource bottlenecks being felt particularly keenly
– International competitive pressure



Bundesland & politics

Link to the Ministry of Finance

Homepage

Population (2024)

13,248,928

State capital

Munich

Government

CSU/Free Voters of Bavaria

Minister-President

Markus Söder (CSU)

Expected next election date

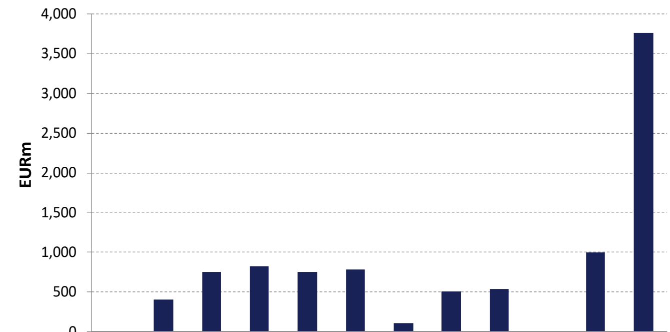
Autumn 2028

Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	AAA	stab
Scope	AAA	stab

Bavaria

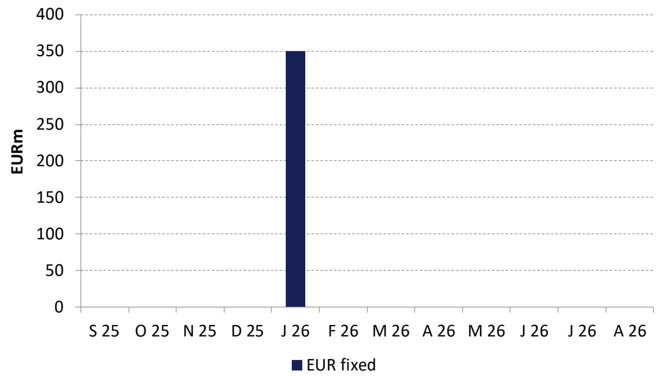
With an area covering 70,542km^2, the Free State of Bavaria is the largest German sub-sovereign. With a population of around 13.2m inhabitants, only North Rhine-Westphalia (NRW) exceeds this figure in Germany. The Free State has existed in its present form since 01 September 1955, when Lindau was re-integrated into Bavaria. Only a handful of other German sub-sovereigns can boast a similarly broad industrial base. Aside from a focus on industry (mechanical and electrical engineering in addition to information and communication technology), the automotive sector is of particular importance. Moreover, 29.5% of all patents registered in Germany came from Bavaria in 2024, underlining the innovative capacity of the economy. In this respect, the car manufacturer BMW takes second place in a national comparison with 2,297 patent applications across 2024 as a whole. In addition, agriculture and tourism are major sectors of the economy as well. No other German federal state has a greater area of agricultural land. Regarding tourism, Bavaria is a global brand, with its international renown reflected in strong visitor numbers. In fact, approx. 21% of all overnight stays in hotels and guest houses in Germany per year are attributable to Bavaria. Since 2019, the Free State has registered a negative external trade balance. In 2024, imports exceeded exports by a value of EUR 1.8bn, which is a significant improvement on the prior year, when the trade deficit was as high as EUR -12.7bn. The sub-sovereign has always accounted for a significant share of nationwide economic output. In 2024, Bavarian GDP amounted to EUR 791.6bn, which corresponds to 18.4% of German economic output as a whole. At 3.7%, the unemployment rate in the Free State is the lowest across Germany. The Bavarian budget has also been solid for many years now. In this context, Bavaria can claim one of the top spots for all key credit metric rankings in a comparison of the German Laender. The exemplary budgetary situation and strong economic basis mean that Bavaria has been the most important contributor within the federal financial equalisation system for many years. This situation continues to harbour political conflict potential and for this reason the Free State is calling for another reform to the system.

Overall maturity profile

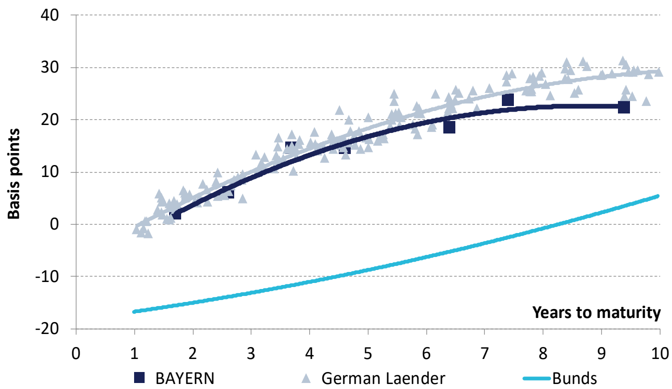


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR fixed	0	401	750	827	750	780	100	500	530	0	1,000	3,760

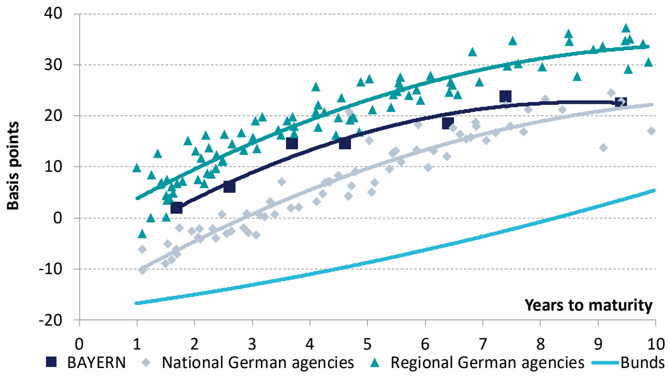
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 17.5bn (5th)

Outstanding bonds
EUR 9.4bn

ESG volume
EUR 0.0bn

Bloomberg ticker
BAYERN

Economy 2024

GDP (ranking)
EUR 791.6bn (2nd)

GDP per capita (ranking)
EUR 59,749 (2nd)

Real GDP growth (ranking)
-1.0% (12th)

Unemployment (ranking)
3.7% (1st)

Key figures 2024

Tax-interest coverage (ranking)
157.8x (2nd)

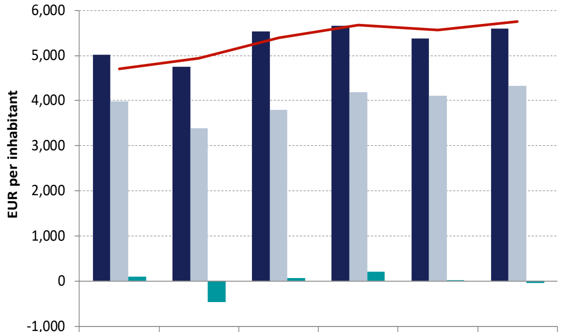
Total revenue/interest paid (ranking)
204.2x (2nd)

Debt/GDP (ranking)
2.2% (1st)

Debt/revenue (ranking)
0.24x (2nd)

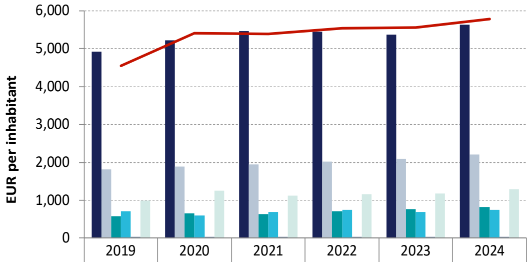
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



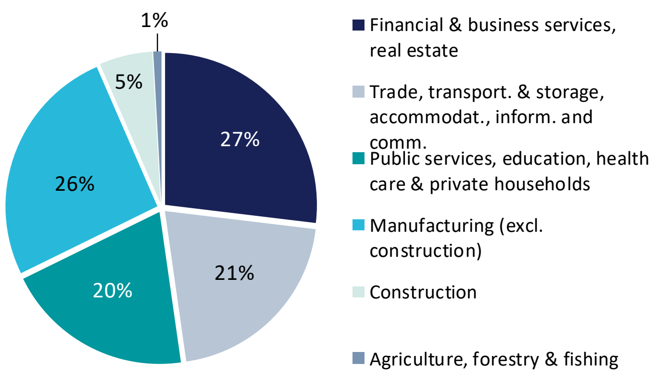
	2019	2020	2021	2022	2023	2024
Operating revenue	5,025	4,754	5,528	5,668	5,382	5,599
Tax revenue	3,982	3,384	3,801	4,193	4,113	4,328
Deficit/surplus	97	-467	67	209	0	-43
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

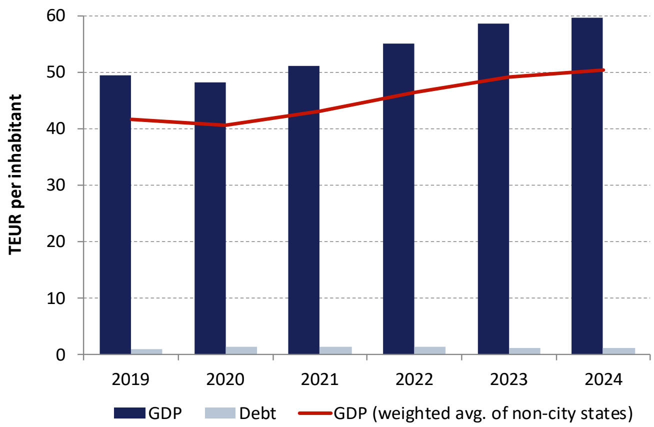


	2019	2020	2021	2022	2023	2024
Operating expense	4,928	5,221	5,461	5,458	5,382	5,642
Staff expenditure	1,804	1,883	1,937	2,023	2,091	2,206
Capital expenditure	581	648	628	711	758	821
Equalisation mechanism (net)	698	591	686	753	693	738
Interest expense	40	36	30	28	25	27
Grants to municipals	983	1,242	1,113	1,152	1,184	1,283
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Debt sustainability and interest coverage
+ Strong, innovative and diversified economy
+ Internationally competitive
+ Lowest unemployment rate

Weaknesses/Risks

– High level of pension payments and personnel expenses
– Dependency on foreign trade

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2024)

3,685,265

State capital

-

Government

CDU/SPD

Mayor

Kai Wegner

Expected next election date

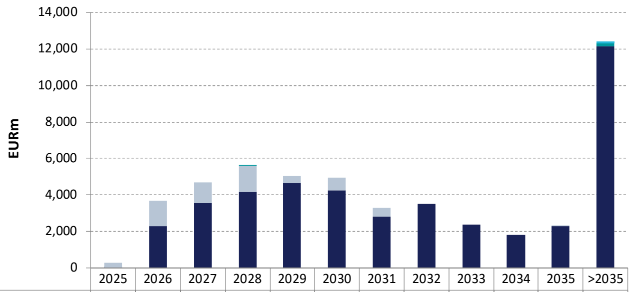
20 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	Aa1	stab
S&P	-	-
Scope	AAA	stab

Berlin

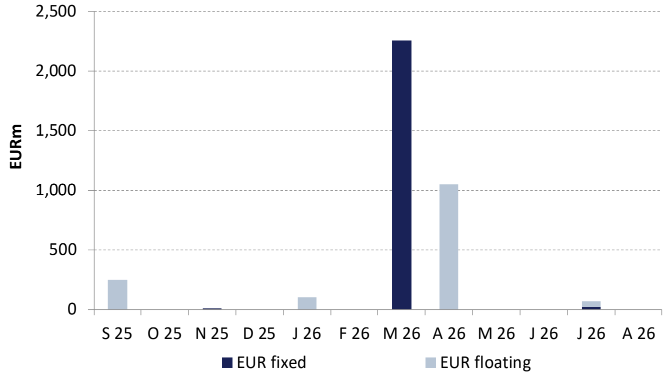
With a population of around 3.7m people and covering an area of approx. 891km², the German federal capital Berlin is the sovereign's most densely populated federal state and the most populous city in the European Union. Following reunification in 1990, Berlin was reinstated as the federal capital of unified Germany. The most important institutions of the federal government were then gradually relocated to Berlin from the city of Bonn, creating many new jobs in the process. One in every four "Berliner" is a foreign national, with one in three coming from an immigrant background. In total, Berlin is home to people from nearly 190 different nations. The federal capital is characterised by particularly youthful demographics, whereby the proportion of 45 to 65-year-olds in the total population is the lowest across Germany. Woodland and forests, farms, waterways, allotments, parklands and sports facilities account for roughly 44% of the area of Berlin, making it one of the greenest capitals in Europe. The proximity to universities and research institutions promotes the influx and investment of companies from sectors including information and communication technology, multimedia, transport technology and environmental engineering, in addition to medtech and biotech firms. Tourism, retail and the creative economy all stand to benefit from this. However, the majority of Berlin's value added is derived from the service sector, which accounted for 85% of the gross value added generated by the local economy last year. At the same time, Berlin (alongside London) is also regarded as the start-up powerhouse of Europe. The infrastructure required by start-ups is more extensively developed in these two cities than anywhere else in Europe. In the wake of Brexit, Berlin is expected to enjoy additional growth in this key economic segment for the EU. Overall, Berlin generated nearly 4.8% of Germany's total economic output last year. However, there remains room for improvement in the federal capital's budgetary situation. This is reflected in the fact that Berlin was the largest recipient under the terms of the federal financial equalisation system in 2024. In order to promote the financing of the sustainable transformation, Berlin issued its inaugural [sustainability bond] in February 2023.

Overall maturity profile

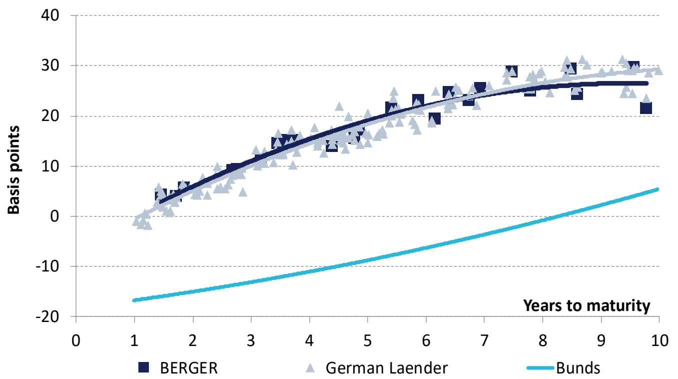


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	0	0	0	0	0	0	0	0	0	0	0	92
EUR other	0	0	0	51	0	0	0	0	0	0	0	200
EUR floating	250	1,400	1,150	1,450	400	700	500	0	0	0	50	0
EUR fixed	10	2,280	3,555	4,146	4,652	4,250	2,801	3,525	2,350	1,800	2,275	12,140

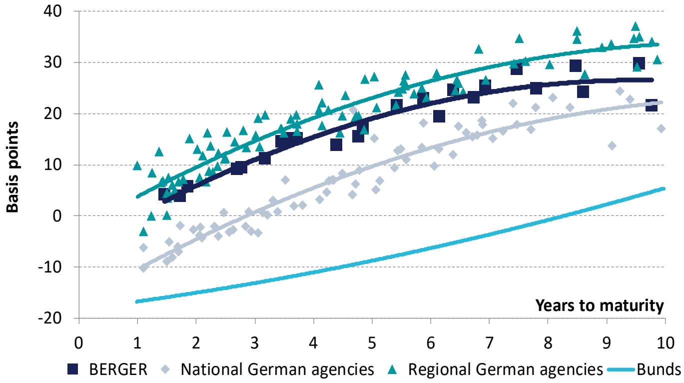
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 61.6bn (15th)

Outstanding bonds
EUR 50.0bn

ESG volume
EUR 0.8bn

Bloomberg ticker
BERGER

Economy 2024

GDP (ranking)
EUR 207.1bn (6th)

GDP per capita (ranking)
EUR 56,185 (6th)

Real GDP growth (ranking)
0.8% (4th)

Unemployment (ranking)
9.7% (15th)

Key figures 2024

Tax-interest coverage (ranking)
37.8x (10th)

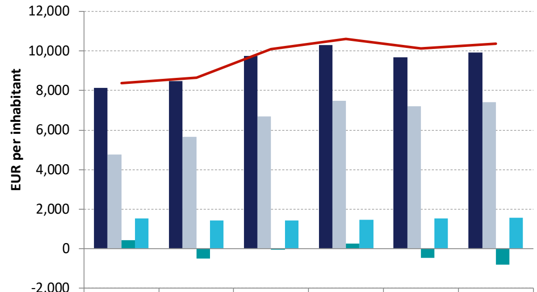
Total revenue/interest paid (ranking)
50.7x (10th)

Debt/GDP (ranking)
29.8% (15th)

Debt/revenue (ranking)
1.68x (13th)

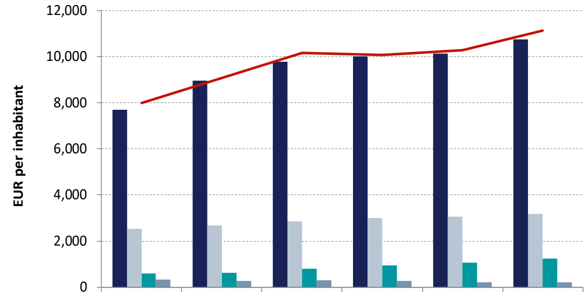
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



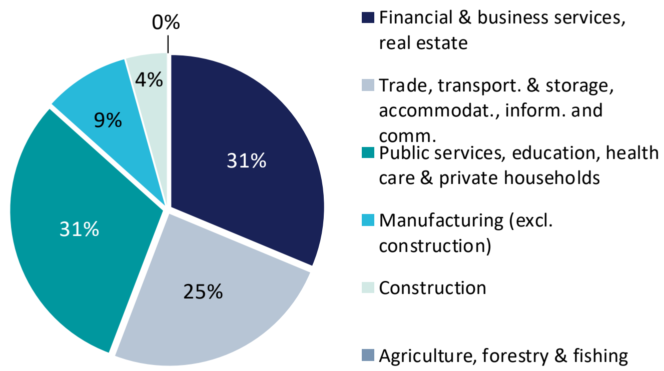
	2019	2020	2021	2022	2023	2024
Operating revenue	8,124	8,492	9,743	10,289	9,681	9,932
Tax revenue	4,778	5,658	6,704	7,493	7,199	7,409
Deficit/surplus	433	-484	-51	261	-461	-822
Equalisation mechanism (net)	1,514	1,411	1,442	1,462	1,528	1,574
Ø of operating revenues (city states)	8,386	8,652	10,106	10,619	10,147	10,365

Development of expenditure

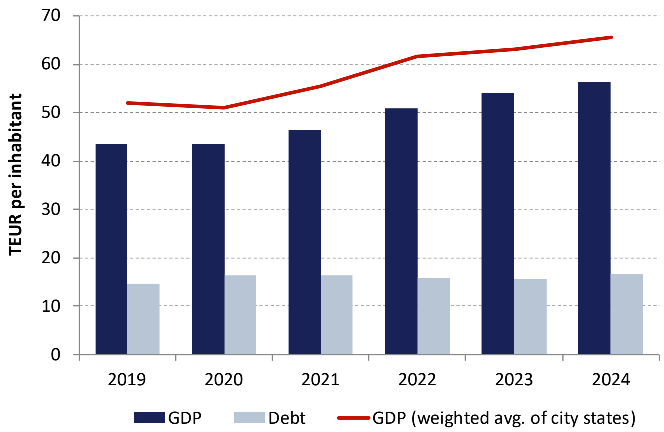


	2019	2020	2021	2022	2023	2024
Operating expense	7,691	8,976	9,794	10,028	10,142	10,753
Staff expenditure	2,537	2,690	2,857	3,012	3,050	3,165
Capital expenditure	590	605	793	933	1,068	1,232
Interest expense	316	265	295	266	201	196
Ø of operating expenses (city states)	8,002	9,094	10,167	10,091	10,296	11,144

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budgetary development with constant debt level
+ Above-average economic growth
+ High-density start-up network

Weaknesses/Risks

– High level of personnel expenses in a Laender comparison
– High unemployment
– Dependency on the federal financial equalisation system

Brandenburg

Covering a total area of 29,654km^2, the federal state of Brandenburg is one of the largest Laender in Germany by this metric and the largest of the sub-sovereigns that made up the former East Germany. At the same time, with a population of just under 2.6m people, only Mecklenburg-Western Pomerania has a lower population density. Following the establishment of Brandenburg in its present form on 03 October 1990, a large number of companies settled around the federal state's capital of Potsdam, as well as the federal capital of Berlin. These businesses benefit from the well-developed infrastructure on offer in the metropolitan region. Moreover, Brandenburg is one of Europe's research hotspots, with natural sciences and engineering being of key importance in this respect. The US automotive manufacturer Tesla has long since commenced operations at its "Gigafactory", with the number of jobs there having initially grown to 12,500. In the future, this is set to rise further to 22,500 jobs overall. Brandenburg is pursuing an innovative economic policy approach with a regional and sectoral focus. For example, synergy potentials are being unlocked in partnership with Berlin on the basis of the "innoBB 2025" joint innovation strategy. While attempts to merge Brandenburg and Berlin into a single, joint sub-sovereign may ultimately have failed in 1996, their close cooperation in the context of the "Berlin/Brandenburg Metropolitan Region" continues to sustain the close links between the two German Laender. Despite the creation of jobs for skilled workers, demographic development remains a core challenge for Brandenburg. No other federal state exhibits a lower proportion of 15 to 25-year-olds in the overall population. For many years, unemployment in Brandenburg has been particularly high in comparison with the rest of Germany. However, targeted support programmes, financed in particular by the European Social Fund (ESF), have succeeded in counteracting this situation. In 2024, economic output of EUR 97.5bn, equivalent to around 2.3% of total GDP in Germany, was generated in Brandenburg. Regarding economic growth in real terms, the largest East German federal state ranks in tenth place overall.

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2024)

2,556,747

State capital

Potsdam

Government

SPD/BSW

Minister-President

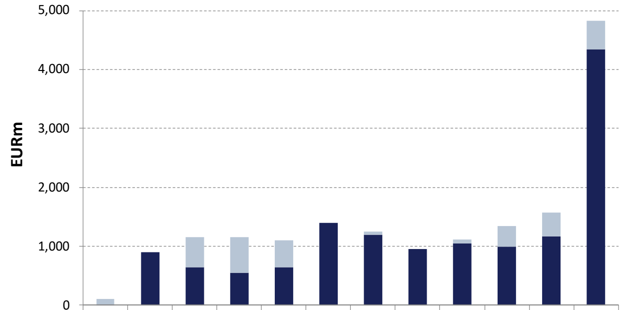
Dietmar Woidke (SPD)

Expected next election date

Autumn 2029

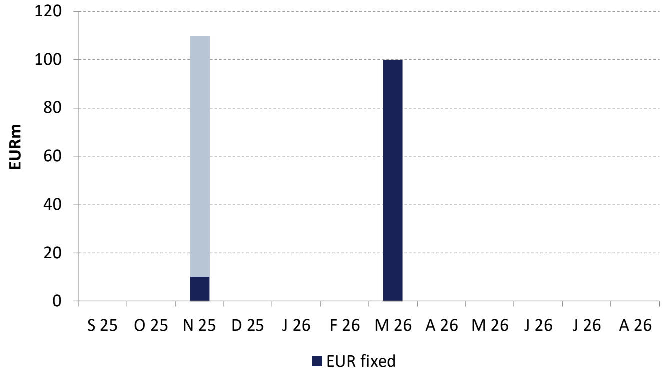
Ratings	Long-term	Outlook
Fitch	-	-
Moody's	Aaa	stab
S&P	-	-
Scope	-	-

Overall maturity profile

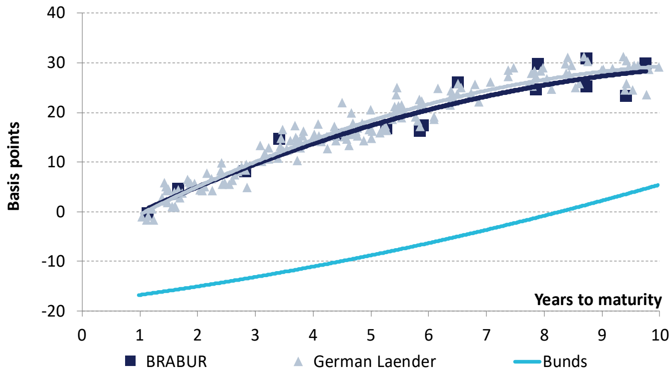


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	100	0	500	600	450	0	50	0	60	350	400	475
EUR fixed	10	900	650	550	650	1,400	1,200	950	1,050	1,000	1,170	4,350

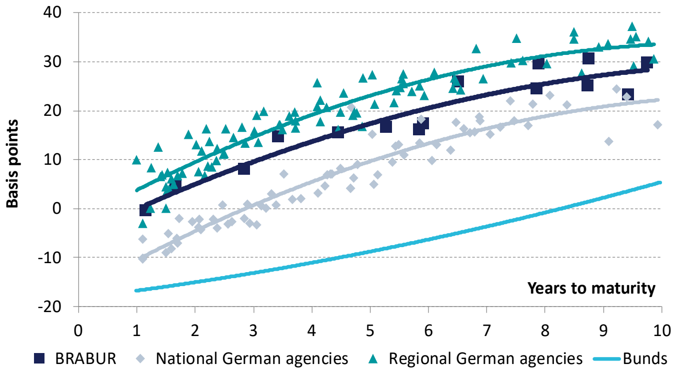
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 20.1bn (6th)

Outstanding bonds
EUR 16.9bn

ESG volume
EUR 0.0bn

Bloomberg ticker
BRABUR

Economy 2024

GDP (ranking)
EUR 97.5bn (11th)

GDP per capita (ranking)
EUR 38,150 (14th)

Real GDP growth (ranking)
-0.7% (10th)

Unemployment (ranking)
6.1% (7th)

Key figures 2024

Tax-interest coverage (ranking)
48.6x (5th)

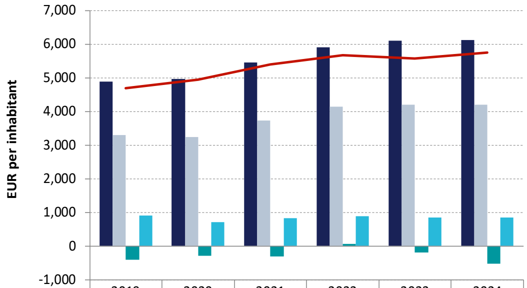
Total revenue/interest paid (ranking)
71.0x (5th)

Debt/GDP (ranking)
20.6% (11th)

Debt/revenue (ranking)
1.28x (10th)

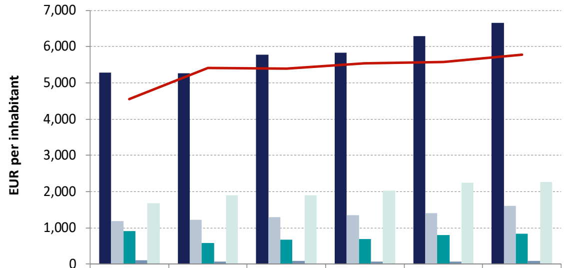
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



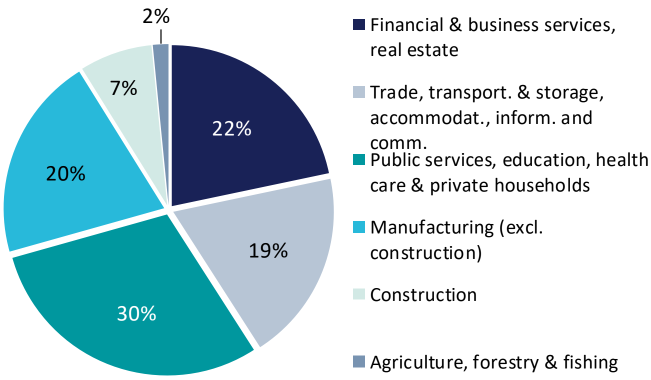
	2019	2020	2021	2022	2023	2024
Operating revenue	4,891	4,967	5,461	5,899	6,095	6,123
Tax revenue	3,303	3,238	3,730	4,144	4,192	4,195
Deficit/surplus	-403	-293	-318	73	-192	-531
Equalisation mechanism (net)	901	704	835	880	846	856
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

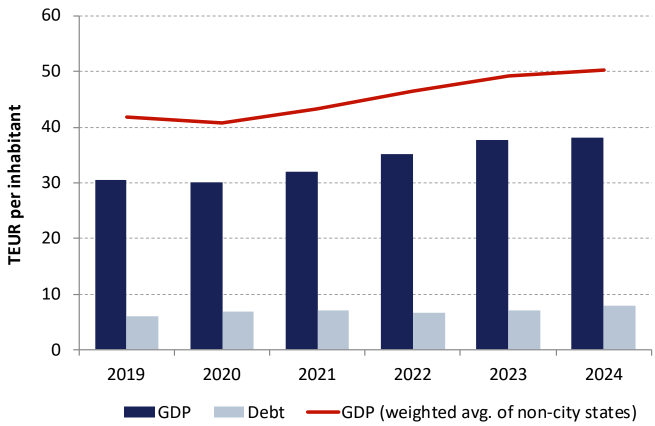


	2019	2020	2021	2022	2023	2024
Operating expense	5,294	5,260	5,779	5,826	6,287	6,654
Staff expenditure	1,181	1,231	1,290	1,346	1,409	1,601
Capital expenditure	907	585	673	697	802	837
Interest expense	107	79	98	79	75	86
Grants to municipals	1,672	1,902	1,899	2,032	2,253	2,274
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ High-level investment in economy and infrastructure
+ Solid budgetary position
+ Growing reputation as a location for innovation

Weaknesses/Risks

– Demographic trend
– Below-average economic output

Bremen

With a population of approx. 705,000 inhabitants and covering an area of only 420km², the city state of Bremen, which comprises the two cities of Bremen and Bremerhaven, is the smallest of the German Laender in terms of both population as well as size. Although the Free Hanseatic City has a long tradition of self-determination, ultimately it was due to the logistical interests of the USA that the actual Allied Power in this area, namely the United Kingdom, entrusted this part of the territory it occupied in the north of Germany in the immediate aftermath of the Second World War to the Americans. Today, Bremen's port remains the second most important in Germany in economic terms, after it's Hamburg counterpart. Bremen's special status paved the way to its recognition as an independent sub-sovereign in 1947. Trade, transport and the hospitality industry are the mainstays of Bremen's economy. The automotive industry, as well as the aviation and aerospace technology sector, are also major employers. Bremen Technology Park, one of the largest of its kind in Germany, offers a valuable environment for these sectors. The Free Hanseatic City plays a leading role within the food industry. By contrast, the ship and steel industry has been undergoing a structural transformation over recent decades and, as a result, now only plays a subordinate role. In 2024, the GDP of Bremen amounted to EUR 41.4bn, which equates to just under 1% of Germany's nationwide economic output, although the Free Hanseatic City does occupy one of the top spots when it comes to a per capita consideration of economic power in 2024. Unemployment continues to be a real thorn in the side of Bremen. At 11.1% in 2024, this metric remained the highest across Germany. Specifically, the exclave of Bremerhaven can be considered as structurally weak. After an impending budget emergency was identified for Bremen back in 2021, the Stability Council confirmed its evaluation once again in 2024. Accordingly, Bremen is obligated to implement a restructuring programme. This runs from 2025 to 2027 with the aim of consolidating the budget by achieving savings in relation to personnel and social expenses, as well as by cutting promotional funding programmes. Tax increases are also planned to this end.

Bundesland & politics

Link to the Ministry of Finance

Homepage

Population (2024)

704,881

State capital

-

Government

SPD/Greens/Die Linke (the Left Party)

Mayor

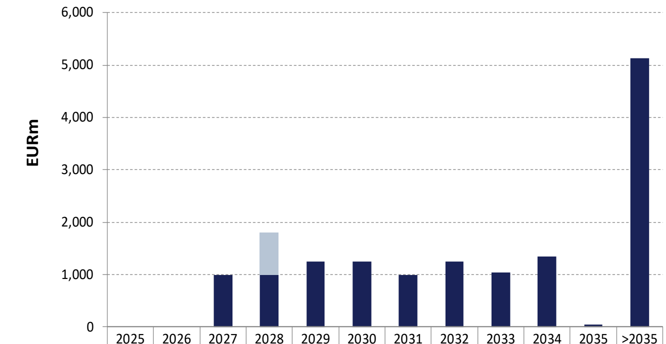
Andreas Bovenschulte (SPD)

Expected next election date

Spring 2027

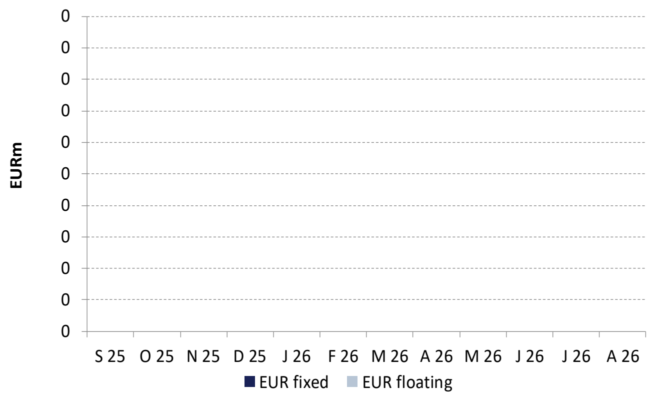
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

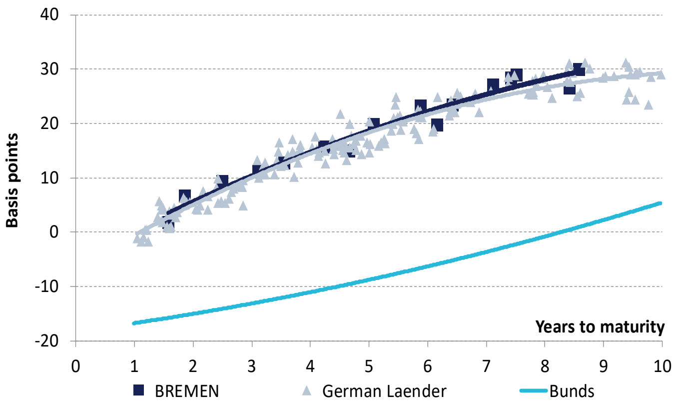


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	0	0	0	800	0	0	0	0	0	0	0	0
EUR fixed	0	0	1,000	1,000	1,250	1,250	1,000	1,250	1,050	1,350	50	5,125

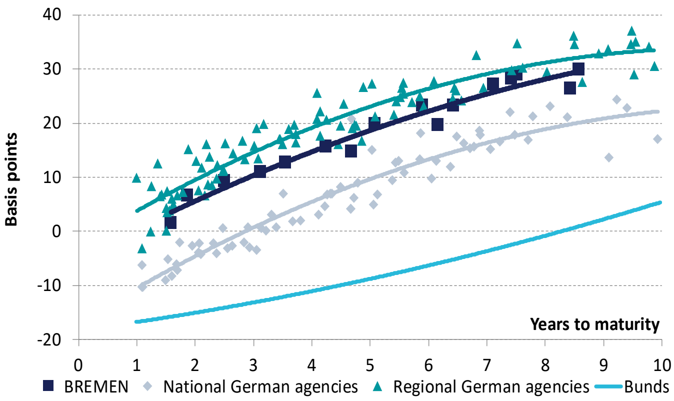
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 23.3bn (8th)

Outstanding bonds
EUR 15.1bn

ESG volume
EUR 0.0bn

Bloomberg ticker
BREMEN

Economy 2024

GDP (ranking)
EUR 41.4bn (16th)

GDP per capita (ranking)
EUR 58,672 (3rd)

Real GDP growth (ranking)
-1.0% (13th)

Unemployment (ranking)
11.1% (16th)

Key figures 2024

Tax-interest coverage (ranking)
10.5x (16th)

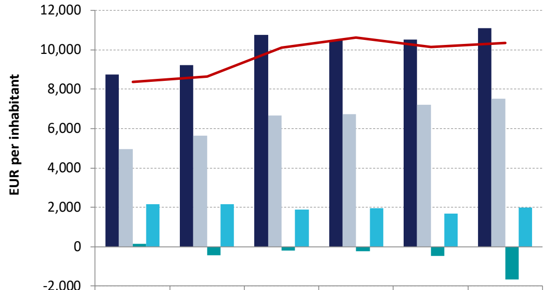
Total revenue/interest paid (ranking)
15.6x (16th)

Debt/GDP (ranking)
56.3% (16th)

Debt/revenue (ranking)
2.97x (16th)

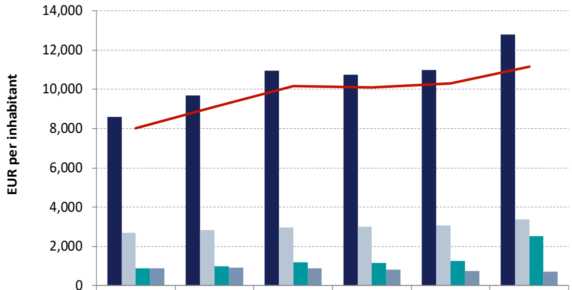
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



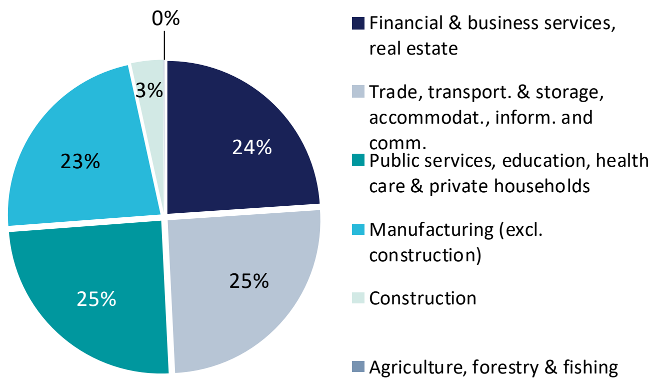
	2019	2020	2021	2022	2023	2024
Operating revenue	8,751	9,245	10,771	10,511	10,516	11,118
Tax revenue	4,950	5,654	6,654	6,721	7,220	7,512
Deficit/surplus	138	-456	-190	-229	-465	-1,677
Equalisation mechanism (net)	2,148	2,144	1,883	1,948	1,684	1,999
Ø of operating revenues (city states)	8,386	8,652	10,106	10,619	10,147	10,365

Development of expenditure

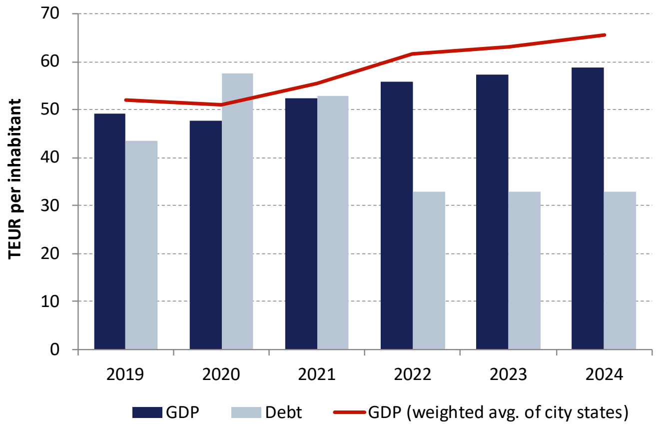


	2019	2020	2021	2022	2023	2024
Operating expense	8,613	9,701	10,961	10,739	10,981	12,795
Staff expenditure	2,686	2,836	2,956	2,985	3,078	3,370
Capital expenditure	887	985	1,204	1,148	1,248	2,521
Interest expense	882	900	880	822	744	714
Ø of operating expenses (city states)	8,002	9,094	10,167	10,091	10,296	11,144

Gross value added by economic sector



Trend in GDP and debt level



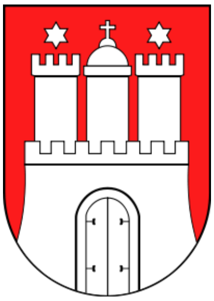
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Strong economic output per capita
+ Comparatively advantageous initial demographic position

Weaknesses/Risks

– Low values for debt sustainability and interest coverage
– High expenditures in relation to population
– Highest unemployment of all Laender



Hamburg

With residents of approx. 1.9m people, the Free and Hanseatic City of Hamburg is Germany's second most populous city after Berlin. Hamburg covers a total area of 755km², producing a population density of 2,467 inhabitants per square kilometre, meaning that it again ranks second only to Berlin in a Laender comparison for this metric. Hamburg has traditionally valued its political independence and owes its economic importance historically to the city's port, which is among the largest of its kind in Europe. Across the continent, only the harbours of Rotterdam and Antwerp handled a greater volume of container transshipments in 2024. The importance of the economic sectors involving logistics, the port and maritime trade is accordingly high. Approx. 156,000 jobs are directly dependent on the haven. As a commercial, transport and services hub within Germany, Hamburg represents one of the sovereign's most important conurbations and boasts excellent transport links. This is also reflected in the composition of Hamburg's GDP: the financial and commercial sector contribute more to the relative gross value added than is the case for any other of the German Laender. The demographic trend is also advantageous. The proportion of the overall population aged 25-45 is only higher in Berlin. Alongside the city's internal potential, for several years there has been an emphasis on promoting the international profile. However, it is not only the tourism sector that has benefited from this. As its reputation has grown, the Free and Hanseatic City has also become the preferred location for Chinese companies looking to establish a presence in continental Europe. In addition to the stunning Elbphilharmonie concert hall as a tourist attraction, Hamburg is also becoming more popular as a location for conferences and trade fairs. In terms of the relevant budget metrics, the city on the Elbe ranks in mid-table in a Laender comparison. In 2024, Hamburg's economy generated 3.7% of Germany's total economic output. For several years, it has produced the highest GDP per capita across all German Laender (2024: EUR 86,900; national average: EUR 51,512). Hence, there are many "first-class" aspects in the north – just as the city's two main football teams.

Bundesland & politics

Link to the Ministry of Finance
[Homepage]

Population (2024)
1,862,565

State capital
-

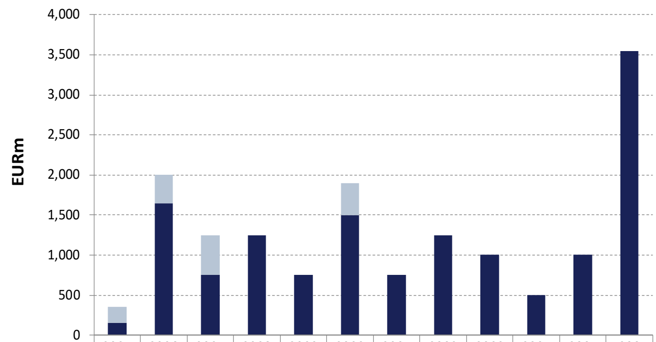
Government
SPD/Greens

Minister-President
Peter Tschentscher (SPD)

Expected next election date
Spring 2030

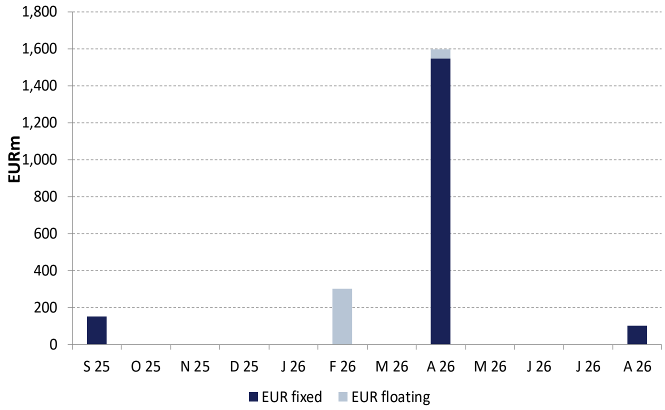
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

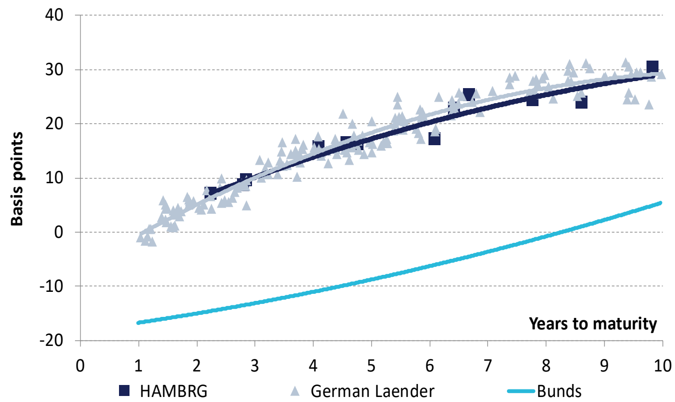


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	200	350	500	0	0	400	0	0	0	0	0	0
EUR fixed	150	1,650	750	1,250	750	1,500	750	1,250	1,000	500	1,000	3,550

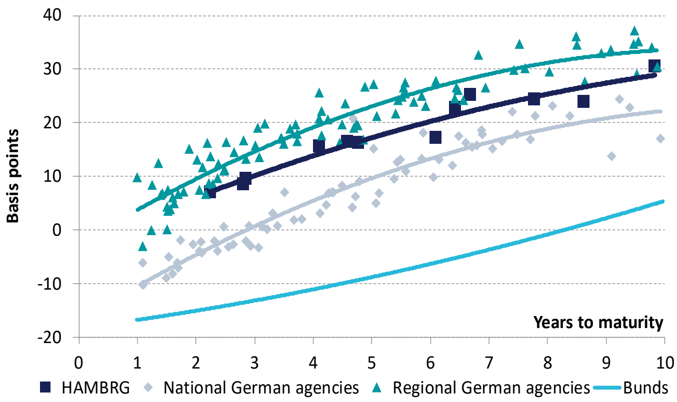
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 21.9bn (9th)

Outstanding bonds
EUR 15.6bn

ESG volume
EUR 0.0bn

Bloomberg ticker
HAMBRG

Economy 2024

GDP (ranking)
EUR 161.8bn (9th)

GDP per capita (ranking)
EUR 86,900 (1st)

Real GDP growth (ranking)
1.7% (1st)

Unemployment (ranking)
8.0% (14th)

Key figures 2024

Tax-interest coverage (ranking)
44.7x (8th)

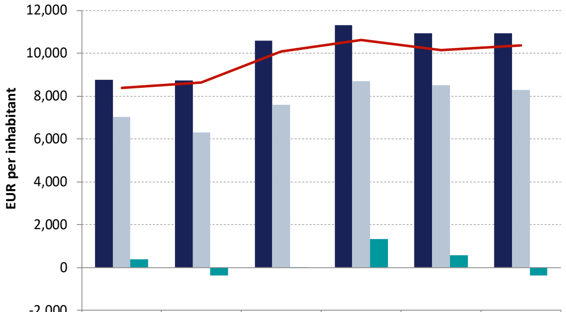
Total revenue/interest paid (ranking)
58.9x (9th)

Debt/GDP (ranking)
13.6% (6th)

Debt/revenue (ranking)
1.08x (5th)

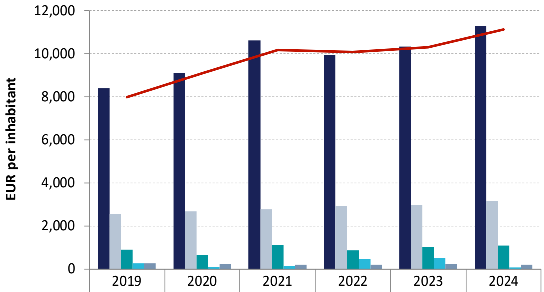
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



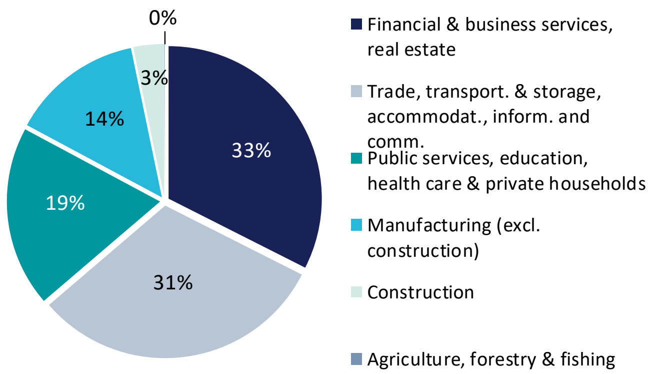
	2019	2020	2021	2022	2023	2024
Operating revenue	8,770	8,751	10,583	11,313	10,928	10,938
Tax revenue	7,039	6,307	7,587	8,702	8,503	8,305
Deficit/surplus	374	-354	-36	1,343	589	-355
Ø of operating revenues (city states)	8,386	8,652	10,106	10,619	10,147	10,365

Development of expenditure

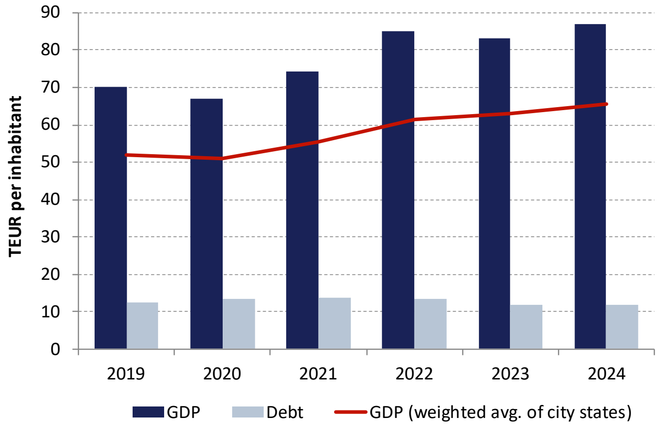


	2019	2020	2021	2022	2023	2024
Operating expense	8,395	9,106	10,618	9,970	10,340	11,294
Staff expenditure	2,557	2,668	2,771	2,940	2,958	3,166
Capital expenditure	888	647	1,116	855	1,021	1,075
Equalisation mechanism (net)	253	93	124	444	504	57
Interest expense	242	216	203	196	222	186
Ø of operating expenses (city states)	8,002	9,094	10,167	10,091	10,296	11,144

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Economic power in relation to population
+ Comparatively positive initial demographic position
+ High tax receipts in relation to population

Weaknesses/Risks

– Above-average unemployment
– Debt level in relation to population
– Dependency on the port and foreign trade

Hesse

With approx. 6.3m inhabitants, the federal state of Hesse is one of the most populous German Laender. Simultaneously, covering an area of 21,116km², only three other non-city states have a higher population density than Hesse. The Hessian economy is heavily diversified, with manufacturing industries (excl. construction), trade, hospitality and transport, in addition to both public and private service providers, all generating a similarly high level of gross value added. The chemicals, metal processing and automotive industries predominate in northern Hesse. Trading companies, in particular, benefit from Frankfurt Airport's role as one of the most important air traffic hubs in Europe (regarding freight as well as passengers) in conjunction with the highly developed transport infrastructure. The economy is nevertheless dominated by finance, leasing and corporate services. The major city of Frankfurt am Main is home to numerous credit institutions and enjoys a reputation as a global financial center. It is here that, among other internationally important organisations, the European Central Bank (ECB), the European Insurance and Occupational Pensions Authority (EIOPA) and the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) are headquartered. Moreover, both the German stock exchange (Deutsche Börse) and the German central bank (Deutsche Bundesbank) are located in Frankfurt. In order to confront global challenges such as global warming, scarcity of resources and the digital transformation, a new innovation programme has been launched to tie in with national and international initiatives such as the European Green Deal, the Sustainable Development Goals (SDGs) of the United Nations and the high-tech strategy of the German federal government. Last year, the Hessian economy contributed around 4.6% to the total economic output of Germany. With GDP per capita of EUR 58,639, Hesse is ranked in fourth place for this metric. As part of its sustainability strategy, the sub-sovereign has been active on the capital market as a regular issue of green bonds since 2021. According to information from Hesse, the federal state seeks to place a fresh green EUR benchmark bond every other year.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
6,280,793

State capital
Wiesbaden

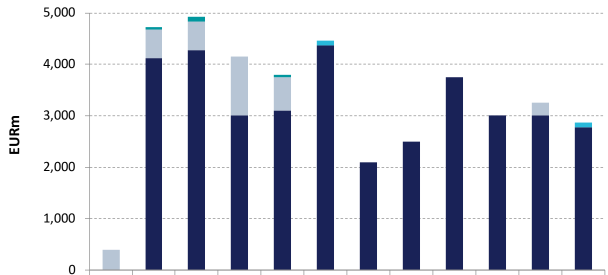
Government
CDU/SPD

Minister-President
Boris Rhein (CDU)

Expected next election date
Autumn 2028

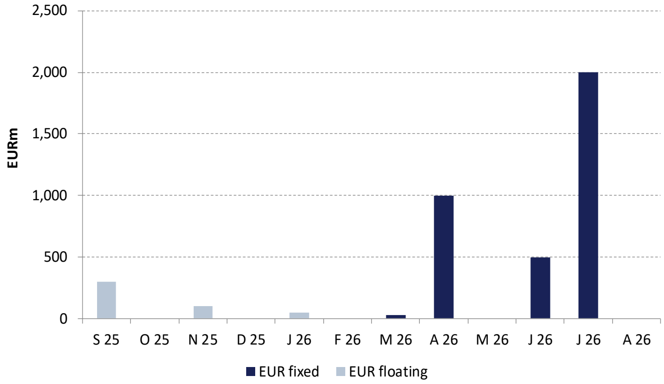
Ratings	Long-term	Outlook
Fitch	-	-
Moody's	-	-
S&P	AA+	stab
Scope	AAA	stab

Overall maturity profile

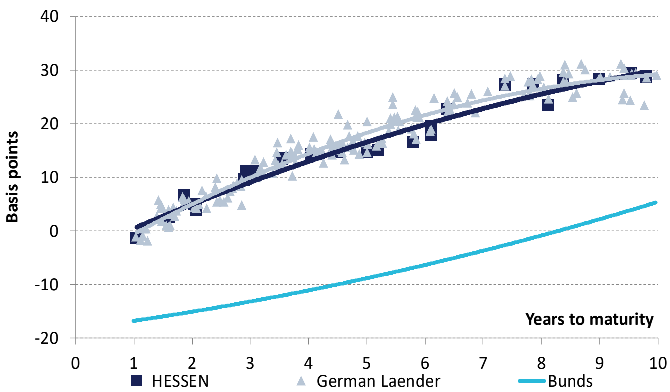


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	0	0	0	0	0	107	0	0	0	0	0	92
EUR other	0	51	102	0	51	0	0	0	0	0	0	0
EUR floating	400	550	550	1,150	650	0	0	0	0	0	250	0
EUR fixed	0	4,126	4,275	3,000	3,100	4,360	2,100	2,500	3,750	3,000	3,000	2,777

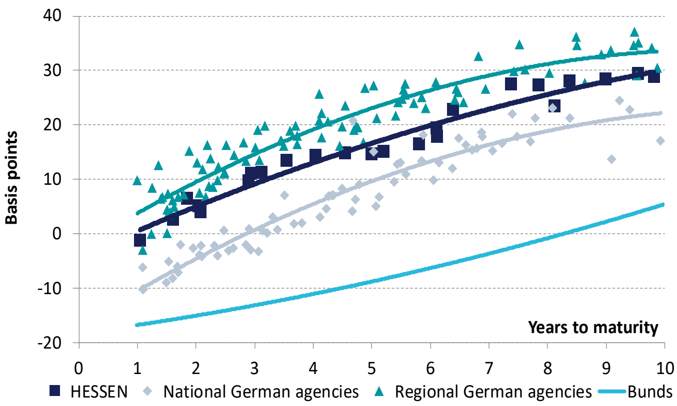
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 44.4bn (13th)

Outstanding bonds
EUR 39.9bn

ESG volume
EUR 3.1bn

Bloomberg ticker
HESSEN

Economy 2024

GDP (ranking)
EUR 368.3bn (5th)

GDP per capita (ranking)
EUR 58,639 (4th)

Real GDP growth (ranking)
0.6% (5th)

Unemployment (ranking)
5.5% (4th)

Key figures 2024

Tax-interest coverage (ranking)
30.1x (11th)

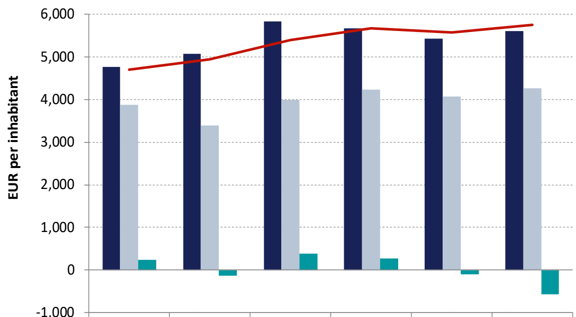
Total revenue/interest paid (ranking)
39.7x (11th)

Debt/GDP (ranking)
12.0% (4th)

Debt/revenue (ranking)
1.26x (9th)

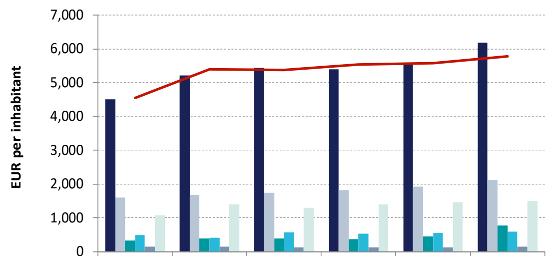
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



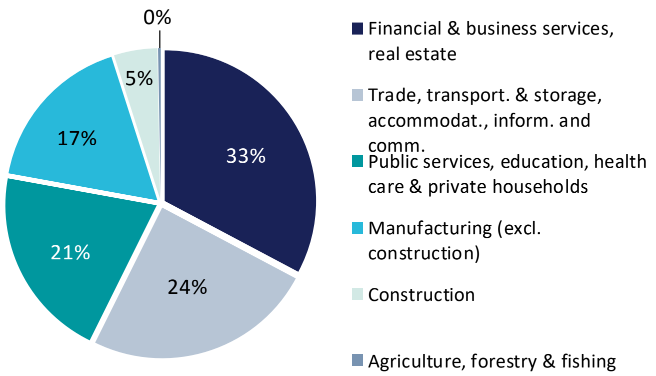
	2019	2020	2021	2022	2023	2024
Operating revenue	4,761	5,075	5,831	5,672	5,435	5,610
Tax revenue	3,881	3,387	3,991	4,237	4,072	4,265
Deficit/surplus	246	-133	384	268	-108	-575
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

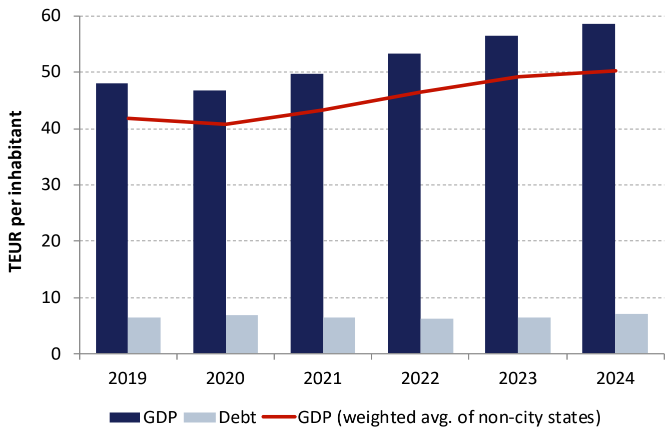


	2019	2020	2021	2022	2023	2024
Operating expense	4,515	5,208	5,447	5,404	5,544	6,185
Staff expenditure	1,596	1,672	1,738	1,819	1,915	2,123
Capital expenditure	320	391	390	373	443	772
Equalisation mechanism (net)	491	402	565	521	549	595
Interest expense	144	140	134	120	122	141
Grants to municipals	1,074	1,402	1,300	1,390	1,449	1,498
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Strong financial power
+ Low unemployment rate
+ High investment expenses

Weaknesses/Risks

– Low interest coverage
– High debt level in absolute terms
– Demographic change

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
1,573,597

State capital
Schwerin

Government
SPD/Die Linke (The Left Party)

Minister-President
Manuela Schwesig (SPD)

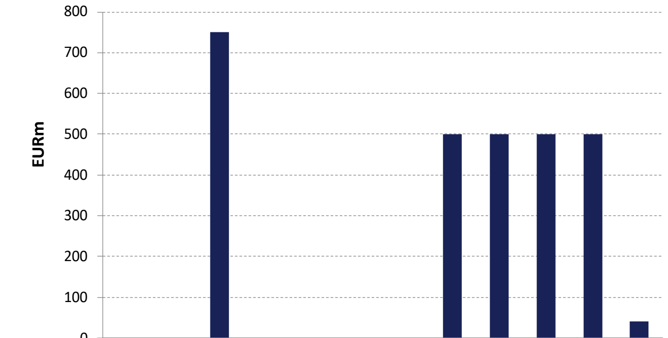
Expected next election date
20 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Mecklenburg-Western Pomerania

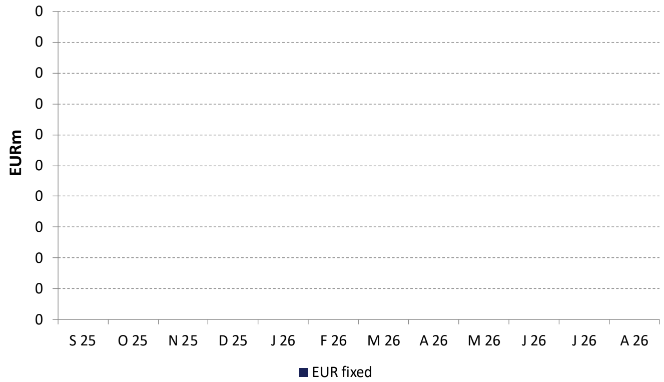
With approx. 1.6m inhabitants and covering an area of 23,295km^2, Mecklenburg-Western Pomerania is the most sparsely populated German federal state. It has existed in its present form since the German reunification (aside from the cession of Amt Neuhaus back to Lower Saxony in 1993) and is characterised by a large number of islands (794) and Bodden (briny lagoons) along the total length of its Baltic Sea coastline of 1,945km. As a result, tourism plays a vital role for the federal state's economy. With 20,377 overnight stays per 1,000 permanent residents in 2024, tourism intensity was once again higher in "MV" than in any other sub-sovereign. Agriculture, forestry and fisheries also play an essential role. These sectors contribute more as a percentage of economic output than in any other federal state. However, public services also provide more to gross value added in Mecklenburg-Western Pomerania than in any other of the Laender. Shipping and the wider maritime economy remain significant too. Mecklenburg-Western Pomerania is also increasingly seeking to gain a foothold in the field of future technologies. The main players in this regard are the two universities in Rostock and Greifswald. For example, the Wendelstein 7-X experimental facility, the largest of its kind in the world, has been located at the University of Greifswald since November 2015 for the purposes of conducting research into nuclear fusion technology. In addition, "MV" is traditionally well-represented in the aerospace sector. Owing to its extensive stretch of coastline, renewable energies are playing an increasingly important role too. In fact, more than 80% of all electricity generated in Mecklenburg-Western Pomerania is now obtained from renewable sources. For example, the Lüttow-Valluhn solar park, which was opened on 07 September 2022, is designed to save just under 6,000 tons of CO_2 per year. In 2024, Mecklenburg-Western Pomerania generated a GDP of EUR 61.2bn, which corresponds to 1.4% of total German economic output. Furthermore, it languishes towards the bottom of the table regarding GDP per capita. Nevertheless, the sub-sovereign fares very well in terms of budget metrics in a Laender comparison. For example, it registered the second-lowest debt level of all Laender last year.

Overall maturity profile

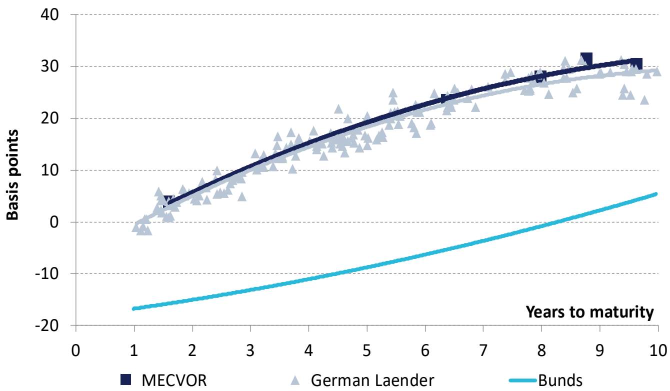


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR fixed	0	0	750	0	0	0	0	500	500	500	500	40

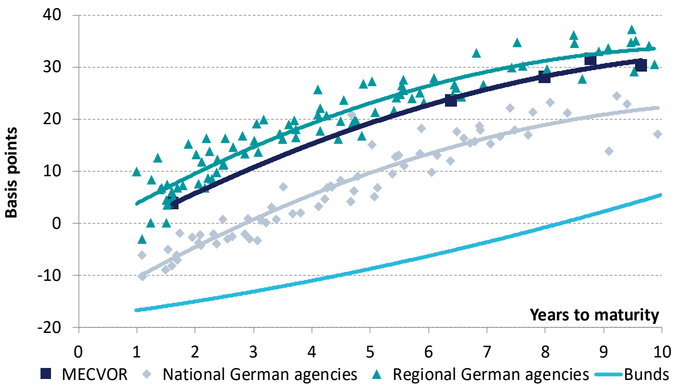
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 8.0bn (2nd)

Outstanding bonds
EUR 2.8bn

ESG volume
EUR 0.0bn

Bloomberg ticker
MECVOR

Economy 2024

GDP (ranking)
EUR 61.2bn (14th)

GDP per capita (ranking)
EUR 38,920 (13th)

Real GDP growth (ranking)
1.3% (2nd)

Unemployment (ranking)
7.9% (13th)

Key figures 2024

Tax-interest coverage (ranking)
55.1x (4th)

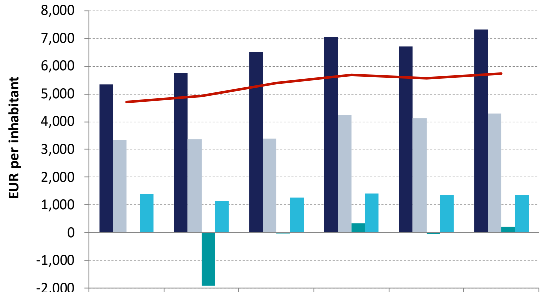
Total revenue/interest paid (ranking)
93.9x (4th)

Debt/GDP (ranking)
13.0% (5th)

Debt/revenue (ranking)
0.69x (4th)

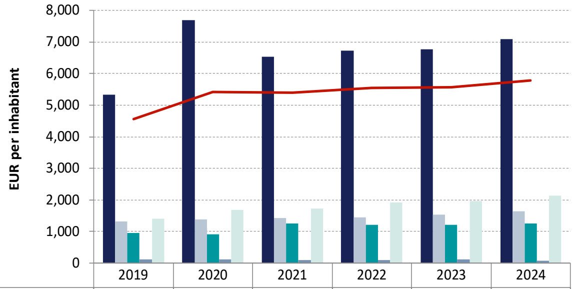
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



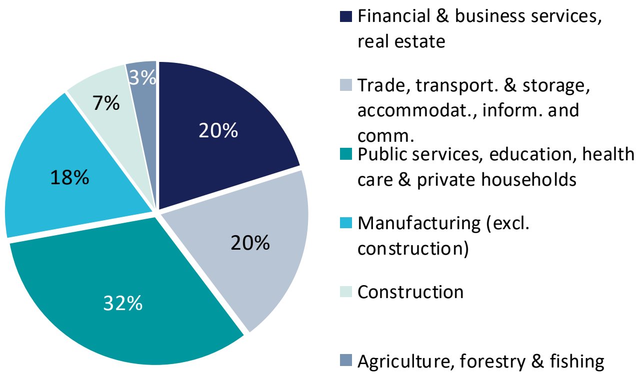
	2019	2020	2021	2022	2023	2024
Operating revenue	5,337	5,764	6,522	7,045	6,722	7,318
Tax revenue	3,333	3,369	3,402	4,254	4,128	4,297
Deficit/surplus	16	-1,923	-11	328	-52	225
Equalisation mechanism (net)	1,397	1,131	1,266	1,423	1,374	1,375
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

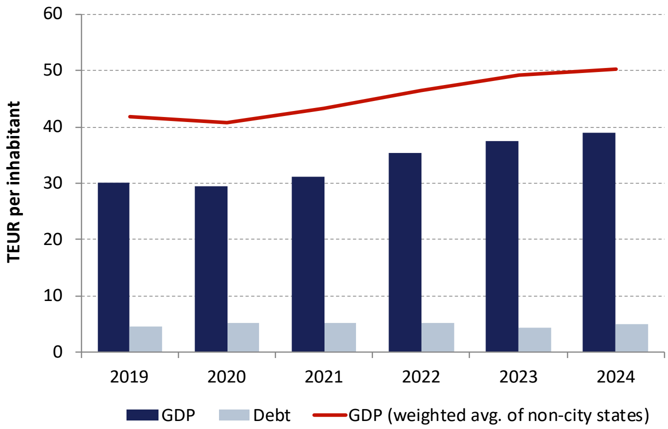


	2019	2020	2021	2022	2023	2024
Operating expense	5,321	7,687	6,533	6,718	6,773	7,093
Staff expenditure	1,312	1,386	1,431	1,446	1,535	1,642
Capital expenditure	959	909	1,246	1,215	1,204	1,251
Interest expense	123	120	103	102	120	78
Grants to municipals	1,394	1,686	1,729	1,919	1,952	2,132
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



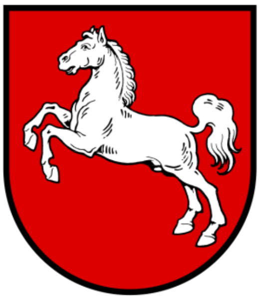
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Above-average revenues in relation to number of inhabitants
+ Highly solid debt sustainability and interest coverage metrics
+ Low debt level

Weaknesses/Risks

– Low economic output (both in absolute terms and per capita)
– Unemployment is above average



Lower Saxony

The federal state of Lower Saxony was created in 1946 from the former regions of Hanover, Oldenburg, Brunswick as well as Schaumburg-Lippe and is the second largest of the German Laender, covering an area of around 48,000km². Its population of approx. 8.0m inhabitants is exceeded by only three other German sub-sovereigns. The share of the population aged between six and 15 years old is disproportionately high, which must be rated as advantageous given the general demographic trend in evidence across Germany. The economy is dominated by the automotive industry and its suppliers, which are located across Lower Saxony with a focus on the areas around Hanover, Brunswick, Wolfsburg, Salzgitter and Emden. More than a quarter of the GDP of the sub-sovereign is generated by manufacturing industries. Lower Saxony's well-developed infrastructure is another feather in its cap: in fact, the rail network in Lower Saxony is among the longest of all Laender across Germany. Home to the largest exhibition site in the world, Hanover plays host to globally leading industrial trade fairs, including, for example, Hannover Messe, Agritechnica, EuroBlech and IAA Transportation. As the state capital, Hanover is therefore an important location for current and future technologies at international level. Moreover, agriculture has traditionally represented a key sector of the economy in Lower Saxony as well, while the sub-sovereign also ranks among the leading German Laender in terms of its use of renewable energies. As part of Germany's efforts to make itself independent of Russian gas, a liquefied natural gas (LNG) terminal was put into operation at the end of 2022. Located in Wilhelmshaven, this was the first LNG terminal in Germany, and has been supplemented by another in Brunsbüttel, which was opened in March 2024. Stade became the third German LNG site in the spring of 2024. In this way, Lower Saxony plays a leading role in a collective national task that entails implications for the whole of Germany. In 2024, Lower Saxony generated 8.9% of German GDP, which is the fourth highest contribution of all German Laender. While Lower Saxony was successful in reducing its debt level versus 2023, the liabilities remain high in absolute terms in a Laender comparison.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
8,004,489

State capital
Hanover

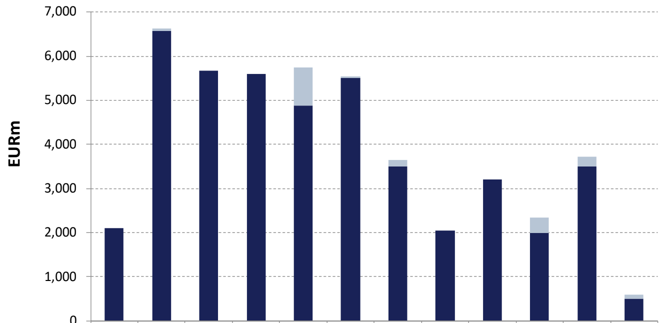
Government
SPD/Greens

Minister-President
Olaf Lies (SPD)

Expected next election date
Autumn 2027

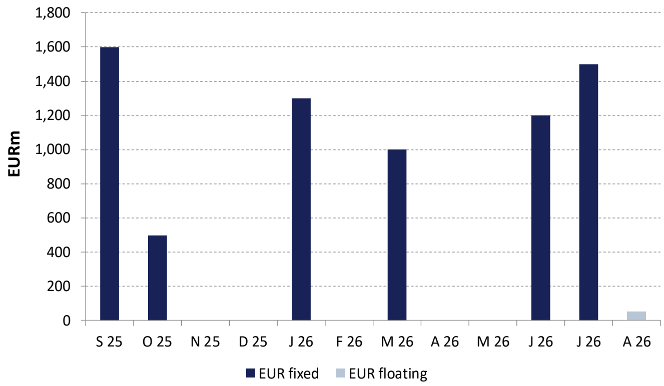
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

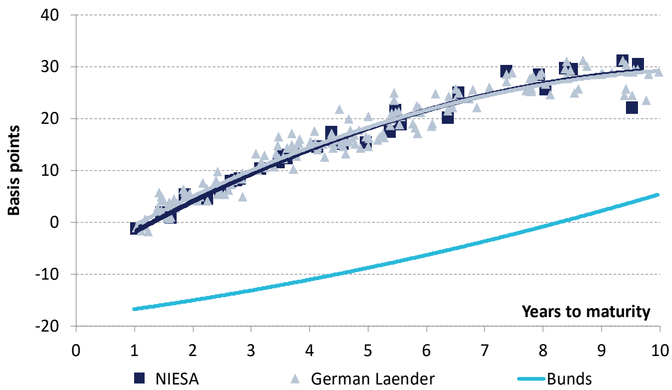


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	0	50	0	0	850	50	150	0	0	350	215	100
EUR fixed	2,100	6,575	5,675	5,600	4,890	5,500	3,500	2,050	3,200	2,000	3,500	500

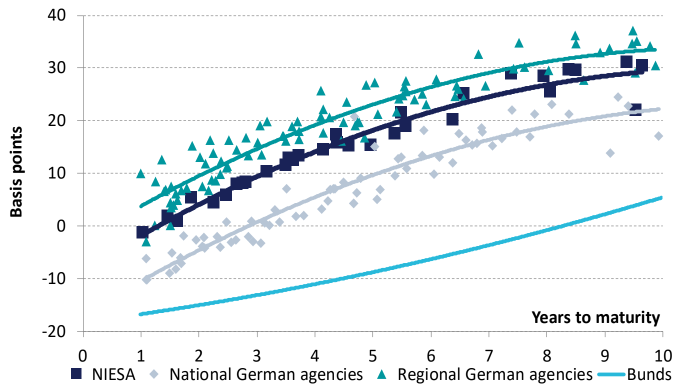
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 54.2bn (14th)

Outstanding bonds
EUR 46.9bn

ESG volume
EUR 0.0bn

Bloomberg ticker
NIESA

Economy 2024

GDP (ranking)
EUR 381.2bn (4th)

GDP per capita (ranking)
EUR 47,632 (8th)

Real GDP growth (ranking)
0.4% (6th)

Unemployment (ranking)
5.9% (6th)

Key figures 2024

Tax-interest coverage (ranking)
48.2x (6th)

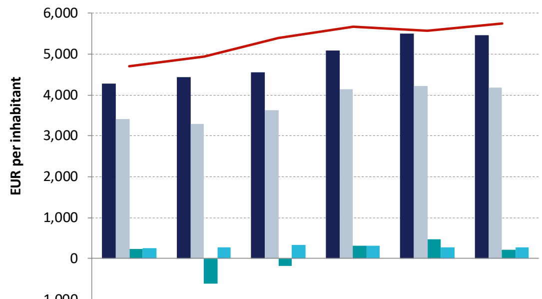
Total revenue/interest paid (ranking)
63.0x (6th)

Debt/GDP (ranking)
14.2% (7th)

Debt/revenue (ranking)
1.24x (8th)

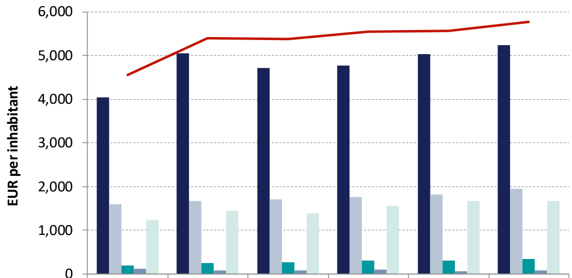
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



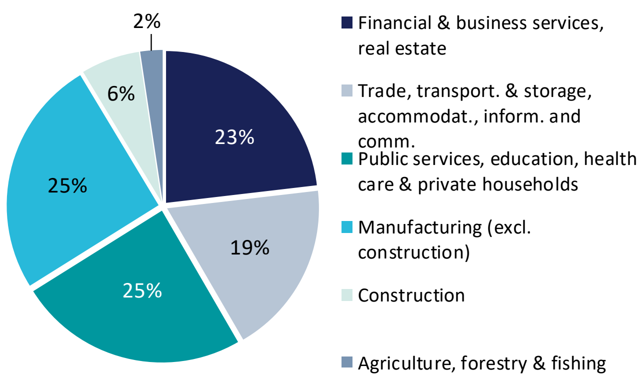
	2019	2020	2021	2022	2023	2024
Operating revenue	4,277	4,435	4,547	5,094	5,507	5,461
Tax revenue	3,403	3,301	3,630	4,135	4,219	4,177
Deficit/surplus	225	-614	-177	318	466	219
Equalisation mechanism (net)	247	261	340	319	277	271
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

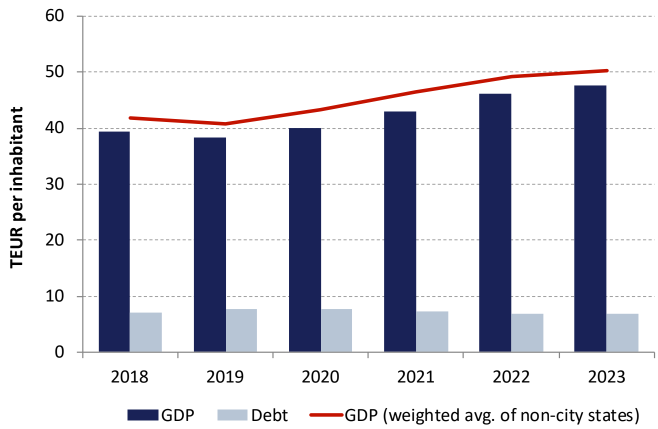


	2019	2020	2021	2022	2023	2024
Operating expense	4,052	5,049	4,724	4,776	5,041	5,241
Staff expenditure	1,602	1,671	1,708	1,770	1,814	1,953
Capital expenditure	192	251	267	312	297	339
Interest expense	123	75	72	103	66	87
Grants to municipals	1,239	1,453	1,381	1,563	1,664	1,665
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



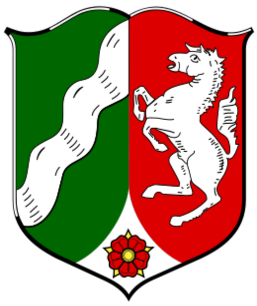
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budgetary development
+ Low expenditures relative to population
+ Advantageous demographic position

Weaknesses/Risks

– Below-average revenues in relation to population
– Relatively high debt level
– Imports outweigh exports



North Rhine-Westphalia

The federal state of North Rhine-Westphalia (NRW) came into existence in the year 1947. With a population of nearly 18.0m residents, it is Germany's most populous sub-sovereign. Covering a total area of 34,112km^2, NRW is also the most densely populated of all the non-city Laender. NRW has developed its strong economic position over the course of many decades. This is not a situation that should be taken for granted, as the federal state has been in the midst of a structural transformation since the beginning of the 1960s. Over this period, NRW has transitioned from a region shaped by mining and heavy industry – albeit the Ruhr Metropolis is still the most industrialised region in Europe – in the direction of an economy shaped by a modern service sector. In 2024, a total of 7.6m people were employed in this sector, with this number having doubled since 1970. At 7.5%, unemployment is in excess of the national average (6.0%). In response to future challenges, NRW has established an interdisciplinary working group in the form of the "Economy & Work 4.0" initiative, with the aim of stimulating digital development and innovation processes. For example, NRW is scheduled to be the first German sub-sovereign to have a comprehensive network of broadband and fibre-optic technology by 2026. The federal state has also defined ambitious goals in relation to climate protection. By 2030, the aim is to cut greenhouse gas emissions by 65% in comparison with 1990, and by 88% by 2040. Thereafter, from 2045, NRW expects to achieve greenhouse gas neutrality. NRW has always generated a large portion of Germany's overall economic output, although this contribution has been on the slide for several years. Nevertheless, with GDP of EUR 871.8bn, NRW secured the top spot for this metric in 2024. Furthermore, the budget situation improved considerably in the period under review, with the sub-sovereign generating a surplus of EUR +1.6bn. Since 2010, NRW has been a recipient under the financial equalisation system among the Laender almost each year except for 2020. Last year, it received roughly EUR 847m from this system. Since 2015, NRW has been active as a regular issuer of sustainability bonds and was actually the first German sub-sovereign to place bonds in the ESG segment.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
18,034,454

State capital
Düsseldorf

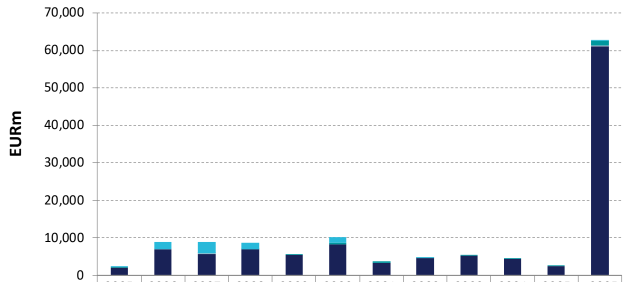
Government
CDU/Greens

Minister-President
Hendrik Wüst (CDU)

Expected next election date
Spring 2027

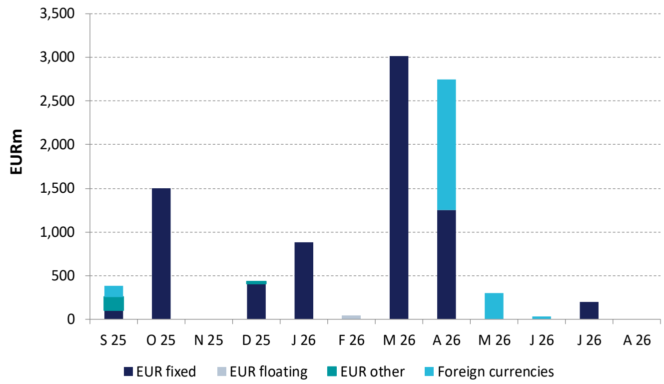
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	Aa1	stab
S&P	AA	neg
Scope	AAA	stab

Overall maturity profile

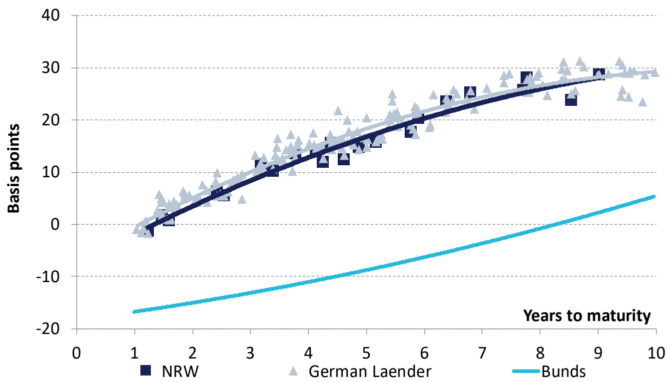


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	126	1,905	2,986	1,914	0	1,558	0	107	0	0	0	343
EUR other	175	0	10	10	71	305	315	80	60	125	10	1,165
EUR floating	0	40	300	0	0	100	100	0	0	0	0	272
EUR fixed	2,062	6,956	5,575	6,864	5,405	8,175	3,310	4,500	5,165	4,300	2,500	61,130

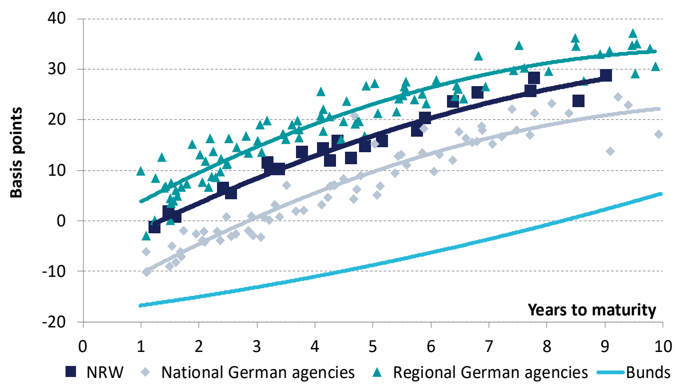
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 160.9bn (16th)

Outstanding bonds
EUR 128.0bn

ESG volume
EUR 24.8bn

Bloomberg ticker
NRW

Economy 2024

GDP (ranking)
EUR 871.8bn (1st)

GDP per capita (ranking)
EUR 48,344 (7th)

Real GDP growth (ranking)
-0.4% (9th)

Unemployment (ranking)
7.5% (11th)

Key figures 2024

Tax-interest coverage (ranking)
22.1x (13th)

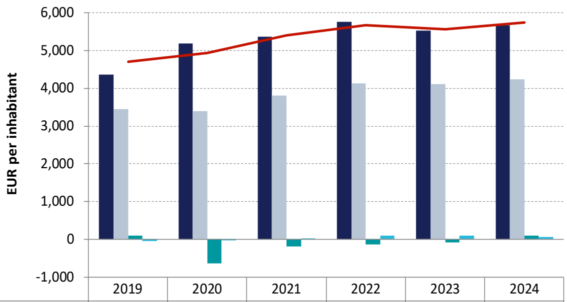
Total revenue/interest paid (ranking)
29.6x (14th)

Debt/GDP (ranking)
18.4% (9th)

Debt/revenue (ranking)
1.56x (12th)

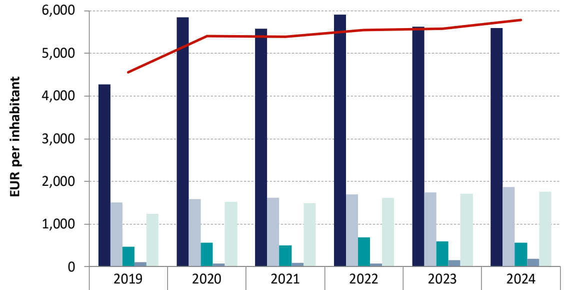
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



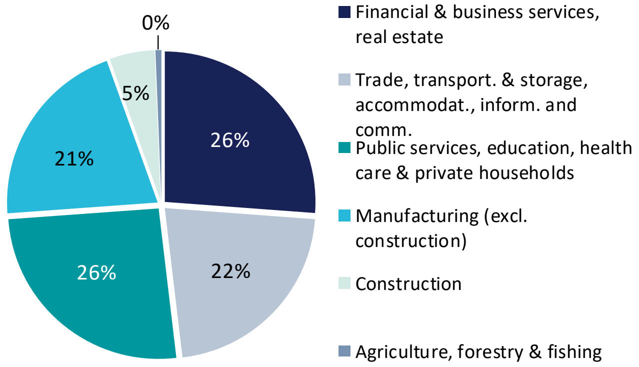
	2019	2020	2021	2022	2023	2024
Operating revenue	4,367	5,199	5,378	5,766	5,536	5,684
Tax revenue	3,455	3,405	3,806	4,125	4,106	4,246
Deficit/surplus	96	-648	-197	-135	-91	89
Equalisation mechanism (net)	-52	-35	11	91	88	58
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

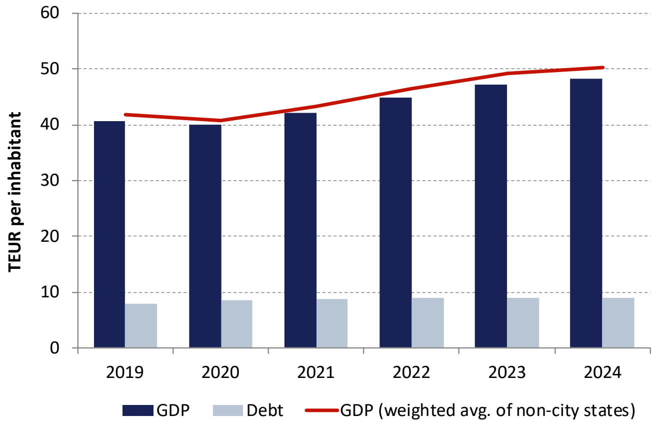


	2019	2020	2021	2022	2023	2024
Operating expense	4,271	5,847	5,575	5,900	5,627	5,595
Staff expenditure	1,513	1,579	1,618	1,691	1,750	1,864
Capital expenditure	468	566	500	685	595	566
Interest expense	112	77	88	80	162	192
Grants to municipals	1,246	1,531	1,494	1,619	1,710	1,762
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budget performance
+ Broadly diversified economy
+ Strong economic power

Weaknesses/Risks

– High pension liabilities
– Below-average debt sustainability
– High unemployment in structurally weak areas

Rhineland-Palatinate

On 18 May 1946, a total of seven regions were merged to form the federal state of Rhineland-Palatinate, which was initially in the US occupation zone following the Second World War, before passing into the control of the French. The sub-sovereign, which covers a total area of 19,858km², is now home to around 4.1m inhabitants. In the next few decades, Rhineland-Palatinate will be faced with the challenge of a projected decline in population. Industry plays a disproportionately important role in the economy of Rhineland-Palatinate in comparison with other German Laender. The chemicals sector is by far the most significant industry, accounting for more than 30% of total sales in the sub-sovereign's economy. Car manufacturing and mechanical engineering, in addition to the production of metal products as well as rubber and plastic goods, also play a significant role – although these pale in comparison to the chemicals industry. In 2024, however, economic output contracted by -1.1% year on year. Nevertheless, the low unemployment rate is a positive aspect to be highlighted. At 5.3% in 2024, this was the third lowest value across Germany. Looking to the future, Rhineland-Palatinate will primarily focus on promoting small and medium-sized enterprises (SMEs). In the past, targeted investments were regularly made in research infrastructure, with the aim of boosting the innovative capacity of the firms operating in this segment. With the help of a communal debt relief fund, the federal state's municipalities are also being supported in their efforts to reduce short-term municipal loans (Kassenkredite). In 2024, Rhineland-Palatinate's economic output amounted to EUR 184.0bn, which equated to just under 4.3% of Germany's national GDP. For the fourth year in succession, Rhineland-Palatinate posted a positive budget balance. This development can be primarily attributed to the reduced debt level and lower interest expenses. In this respect, the sub-sovereign's surplus of EUR +1.1bn was the third highest among the German Laender. After having been on the contributor side of the financial equalisation system among the Laender for the past three years Rhineland-Palatinate switched back to the beneficiary side and received payments in 2024 amounting to EUR 524m.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
4,129,569

State capital
Mainz

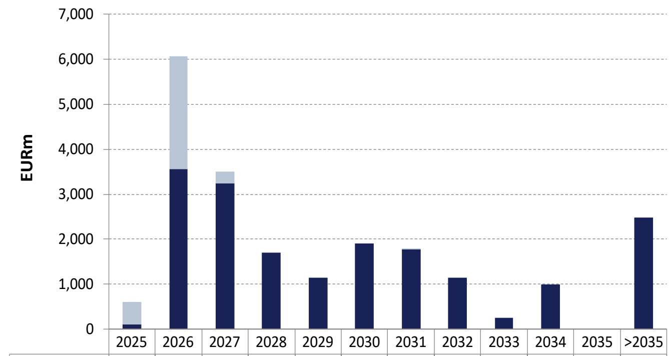
Government
SPD/Greens/FDP

Minister-President
Alexander Schweitzer (SPD)

Expected next election date
22 March 2026

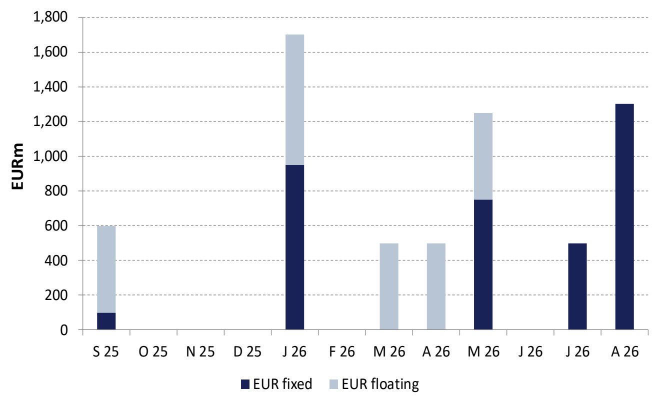
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

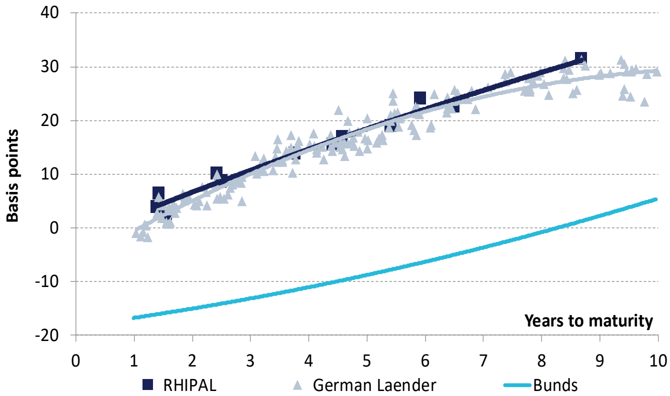


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	500	2,500	250	0	0	0	20	0	0	0	0	0
EUR fixed	100	3,561	3,250	1,700	1,150	1,905	1,775	1,150	250	1,000	0	2,492

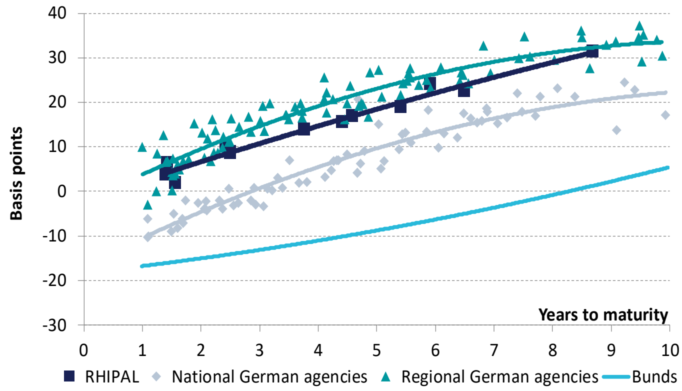
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 29.1bn (10th)

Outstanding bonds
EUR 21.6bn

ESG volume
EUR 0.0bn

Bloomberg ticker
RHIPAL

Economy 2024

GDP (ranking)
EUR 184.0bn (7th)

GDP per capita (ranking)
EUR 44,567 (9th)

Real GDP growth (ranking)
-1.1% (14th)

Unemployment (ranking)
5.3% (3rd)

Key figures 2024

Tax-interest coverage (ranking)
47.3x (7th)

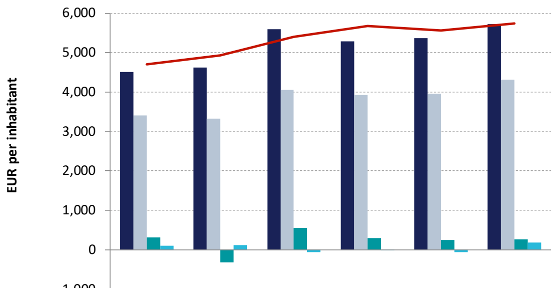
Total revenue/interest paid (ranking)
62.8x (7th)

Debt/GDP (ranking)
15.7% (8th)

Debt/revenue (ranking)
1.22x (7th)

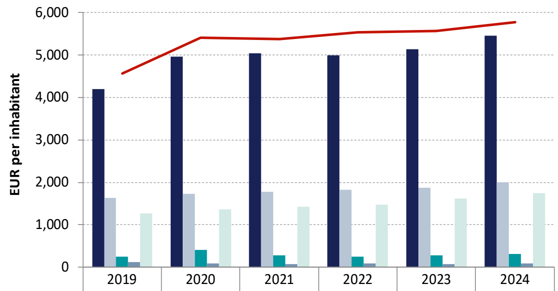
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



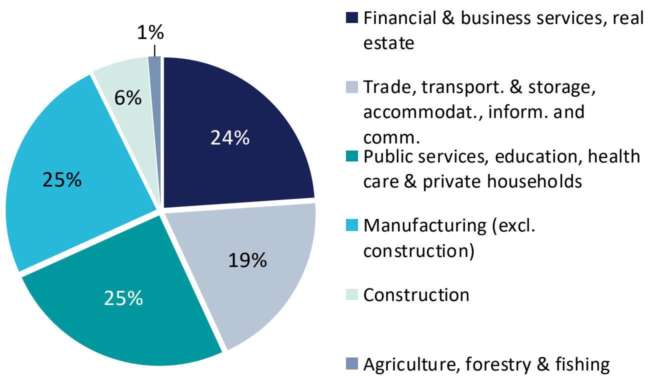
	2019	2020	2021	2022	2023	2024
Operating revenue	4,511	4,632	5,597	5,284	5,379	5,724
Tax revenue	3,404	3,327	4,051	3,923	3,953	4,321
Deficit/surplus	307	-328	559	289	240	268
Equalisation mechanism (net)	93	123	-58	-14	-66	187
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

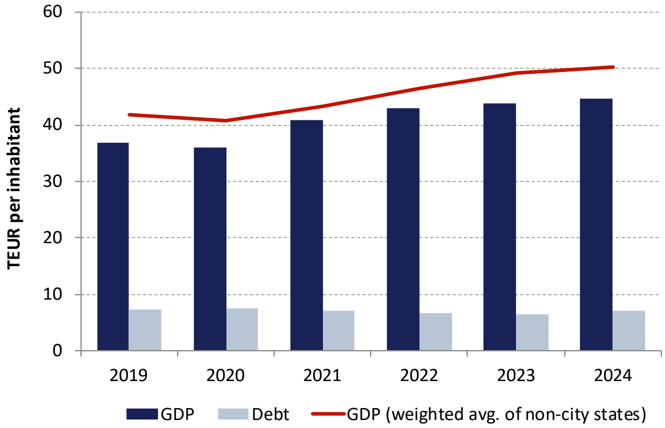


	2019	2020	2021	2022	2023	2024
Operating expense	4,204	4,960	5,038	4,995	5,138	5,456
Staff expenditure	1,638	1,723	1,778	1,830	1,867	2,004
Capital expenditure	245	403	279	254	273	306
Interest expense	116	91	81	90	81	91
Grants to municipals	1,269	1,363	1,421	1,480	1,613	1,745
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



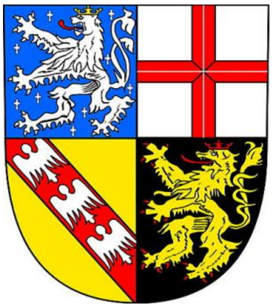
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Solid budget metrics
+ Diversified economic structure
+ Low unemployment rate

Weaknesses/Risks

– Highly dependent on the chemicals industry
– Below-average per capita revenues
– Structural transformation



Bundesland & politics

Link to the Ministry of Finance

Homepage

Population (2024)

1,012,141

State capital

Saarbrücken

Government

SPD

Minister-President

Anke Rehlinger (SPD)

Expected next election date

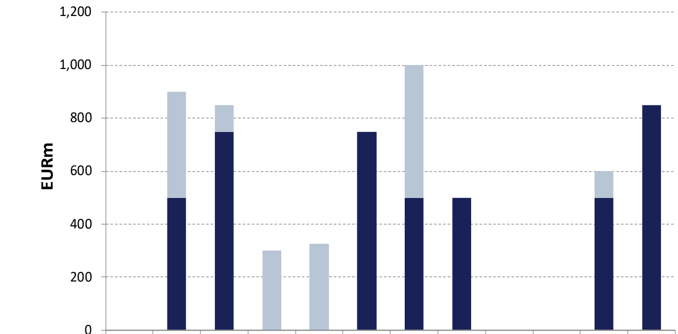
Spring 2027

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Saarland

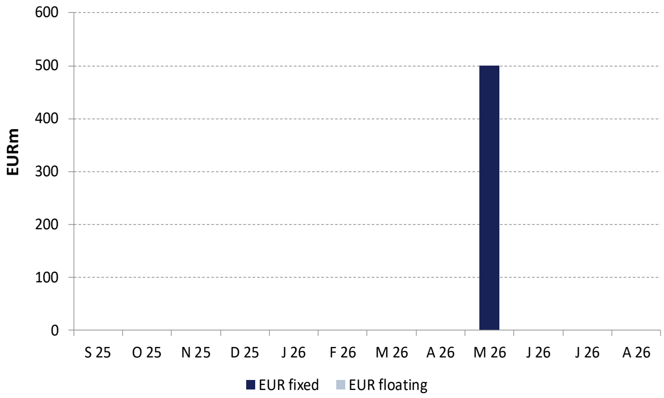
Covering an area of just 2,571km², the Saarland is the smallest sub-sovereign making up the Federal Republic of Germany (excluding the city states). At the same time, its overall population of approx. 1.0m people means that it is virtually twice as densely populated as the neighbouring federal state of Rhineland-Palatinate. The Saarland is the youngest of the western German Laender: after the Second World War, the territory was initially a French protectorate until 1949 and an autonomous region until 1957, before eventually being incorporated within the Federal Republic of Germany. Saarland has the highest property ownership rate and the most cars per thousand inhabitants. The most important industries in the federal state are the steel, mechanical engineering and car industries. In 2024, Saarland recorded the sharpest decline in real term GDP across Germany (-1.9%), whereby value added in manufacturing industries contracted particularly severely. While the steel industry had to contend with declining demand, the industry benefited from billions in state support for green steel towards the end of 2023, which aims to support the decarbonisation efforts of the sub-sovereign. Mechanical engineering also recorded a decline: annual sales fell by -6.4% to EUR 4.6bn. Moreover, there was a marked deterioration in incoming orders, which added further tension to an already troubled environment in the industry. Positive impetus was delivered only by the production of metal goods: in 2024, total sales in this area grew by +3.2% year on year. The budget balance of Saarland amounted to EUR 201m in 2024 (2023: EUR 214m), resulting in a per capita balance of EUR 198. Aside from the city states of Bremen and Hamburg, Saarland has the highest per capita debt level (EUR 12,351). In terms of key budget metrics such as tax-interest coverage and the ratio of total revenue to interest paid, Saarland again languishes towards the end of the Laender table. However, the Stability Council no longer identifies an imminent budgetary crisis for the sub-sovereign. At 7.0%, unemployment comes in above the national average of 6.0%.

Overall maturity profile

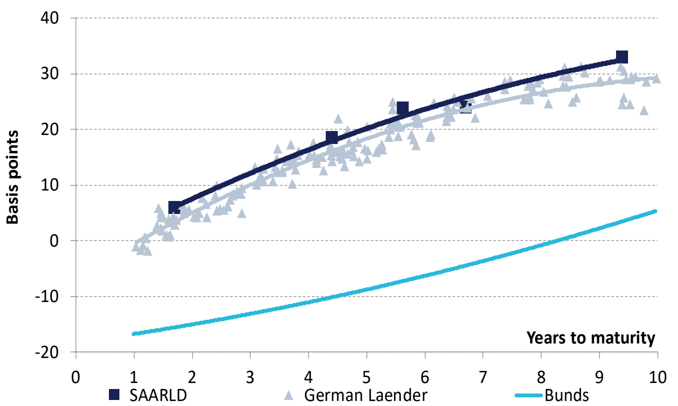


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR floating	0	400	100	300	325	0	500	0	0	0	100	0
EUR fixed	0	500	750	0	0	750	500	500	0	0	500	850

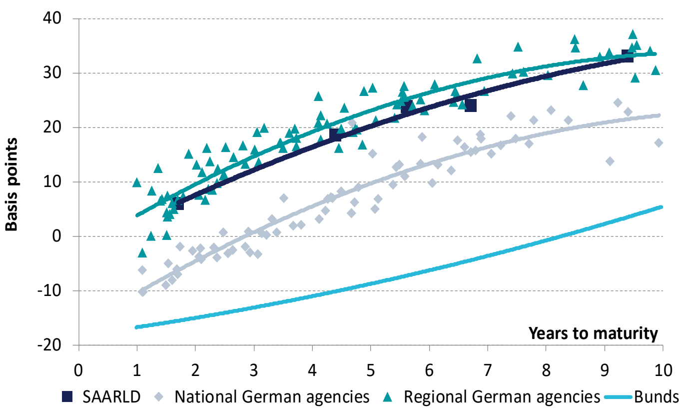
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 12.5bn (3rd)

Outstanding bonds
EUR 6.1bn

ESG volume
EUR 0.0bn

Bloomberg ticker
SAARLD

Economy 2024

GDP (ranking)
EUR 42.5bn (15th)

GDP per capita (ranking)
EUR 42,078 (11th)

Real GDP growth (ranking)
-1.9% (16th)

Unemployment (ranking)
7.0% (10th)

Key figures 2024

Tax-interest coverage (ranking)
17.9x (15th)

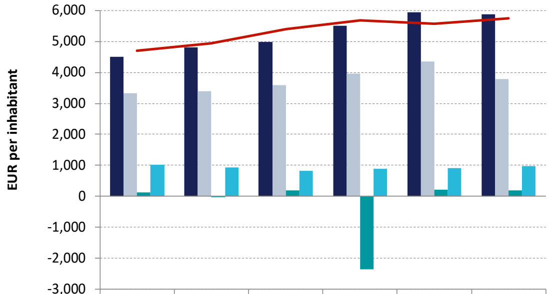
Total revenue/interest paid (ranking)
27.9x (15th)

Debt/GDP (ranking)
29.4% (14th)

Debt/revenue (ranking)
2.10x (15th)

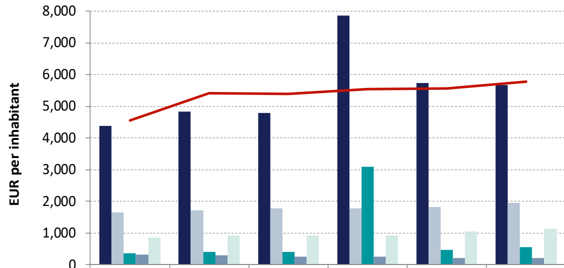
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



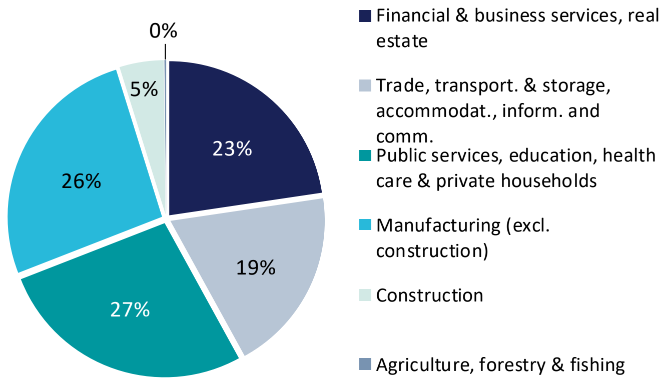
	2019	2020	2021	2022	2023	2024
Operating revenue	4,497	4,805	4,993	5,498	5,943	5,869
Tax revenue	3,331	3,395	3,598	3,969	4,358	3,783
Deficit/surplus	119	-24	193	-2,368	211	198
Equalisation mechanism (net)	1,014	936	827	893	905	969
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

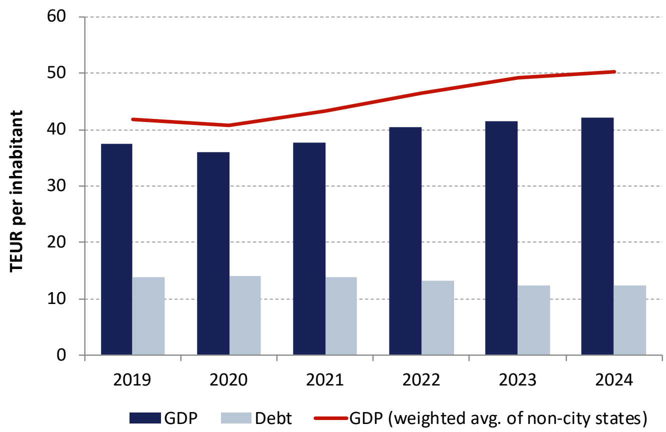


	2019	2020	2021	2022	2023	2024
Operating expense	4,378	4,829	4,800	7,866	5,732	5,671
Staff expenditure	1,656	1,726	1,778	1,775	1,829	1,944
Capital expenditure	356	404	397	3,091	467	567
Interest expense	320	292	256	246	212	210
Grants to municipals	850	926	915	919	1,055	1,139
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Low absolute debt level
+ Active promotion of more sustainable economy and industry
+ High export ratio

Weaknesses/Risks

– Long history of budget deficits
– Economic dependency on heavy industry
– Below-average debt sustainability and interest coverage

Saxony

Covering an area of 18,450km² and with a population of nearly 4.0m inhabitants, the Free State of Saxony is the most densely populated of the East German Laender apart from the city state of Berlin. Since being established on 03 October 1990, the Free State has also been the strongest of the new German Laender in an economic sense. Saxony's three most important economic sectors are public and private sector services (I), manufacturing industries (II) as well as finance, rental and corporate services (III). In this context, the latter sector has become increasingly important over recent decades. Since German reunification, numerous companies from a range of economic sectors have settled in Saxony. In particular, businesses from the microelectronics and electrical engineering sectors as well as mechanical engineering and the automotive industry have relocated to the Free State. In order to bolster this trend, Saxony is pursuing an innovation strategy aimed at transforming the sub-sovereign into one of Europe's leading scientific and economic regions by 2030. To achieve this goal, the sub-sovereign is in the process of implementing measures intended to improve the innovative capacity and competitive standing of SMEs in particular. Saxony also has one of the highest investment ratios among the 16 German Laender and additionally boasts a well-educated population. The conurbations of Leipzig-Halle and Chemnitz-Zwickau especially represent the driving force of Saxony's economy. In economic terms, the Greater Dresden area is the strongest region in Saxony as measured by GDP. In 2024, the economy in Saxony generated GDP of EUR 161.9bn, which equated to 3.7% of total economic output in Germany. Traditionally, the Free State has been and remains to this day one of the largest recipients within the federal financial equalisation system, although at the same time it has also had one of the best budgetary situations too. In this respect, Saxony can regularly be found topping the Laender tables for key budget metrics. Saxony enjoys a high degree of financial flexibility due to posting the lowest debt level of all German sub-sovereigns. However, in terms of unemployment and real GDP growth Saxony is ranked in mid-table, while GDP per capita is relatively low as well at EUR 40,053.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
4,042,422

State capital
Dresden

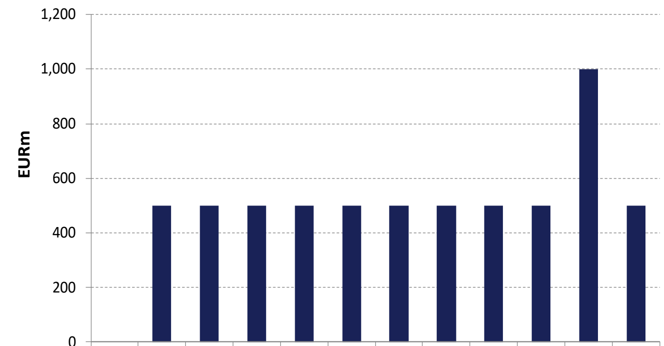
Government
CDU/Greens/SPD

Minister-President
Michael Kretschmer (CDU)

Expected next election date
Autumn 2029

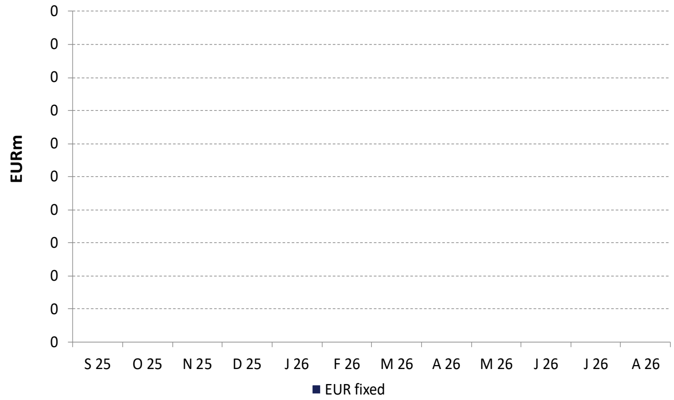
Ratings	Long-term	Outlook
Fitch	-	-
Moody's	-	-
S&P	AAA	neg
Scope	-	-

Overall maturity profile

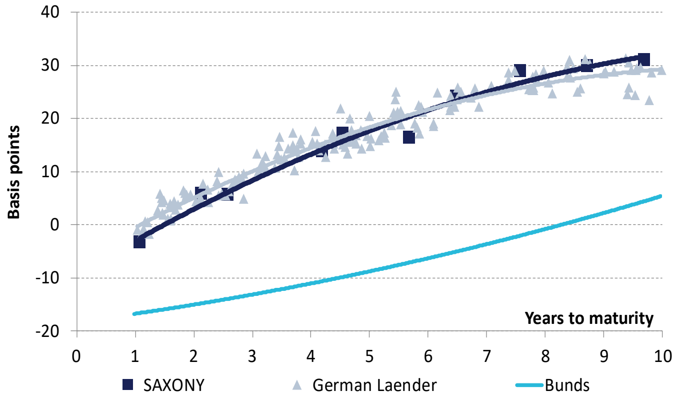


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR fixed	0	500	500	500	500	500	500	500	500	500	1,000	500

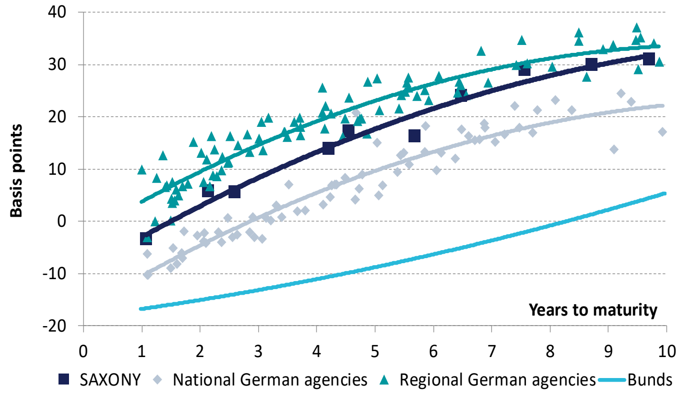
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 3.9bn (1st)

Outstanding bonds
EUR 6.0bn

ESG volume
EUR 0.0bn

Bloomberg ticker
SAXONY

Economy 2024

GDP (ranking)
EUR 161.9bn (8th)

GDP per capita (ranking)
EUR 40,053 (12th)

Real GDP growth (ranking)
-0.4% (8th)

Unemployment (ranking)
6.5% (9th)

Key figures 2024

Tax-interest coverage (ranking)
228.7x (1st)

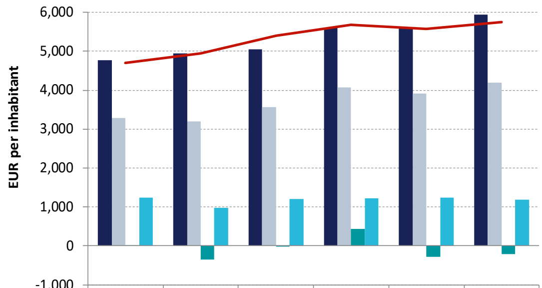
Total revenue/interest paid (ranking)
323.8x (1st)

Debt/GDP (ranking)
2.4% (2nd)

Debt/revenue (ranking)
0.16x (1st)

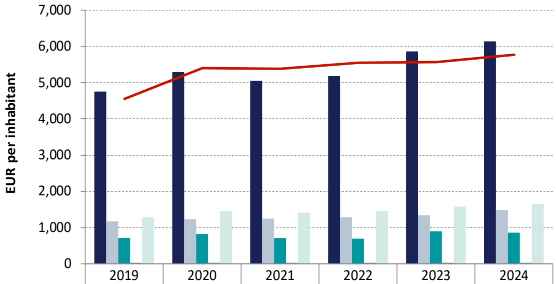
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



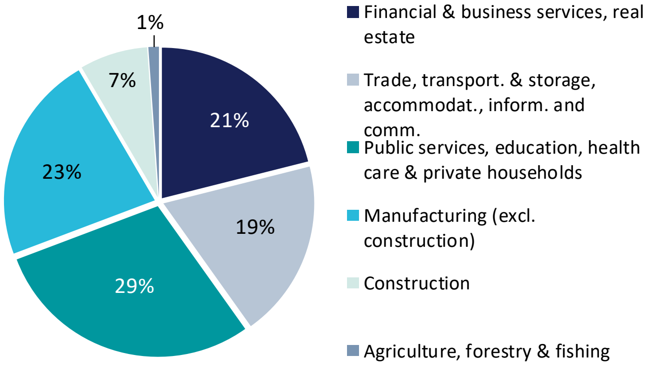
	2019	2020	2021	2022	2023	2024
Operating revenue	4,761	4,936	5,050	5,611	5,597	5,943
Tax revenue	3,282	3,199	3,567	4,076	3,908	4,198
Deficit/surplus	0	-351	-2	428	-279	-208
Equalisation mechanism (net)	1,236	984	1,195	1,221	1,239	1,189
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

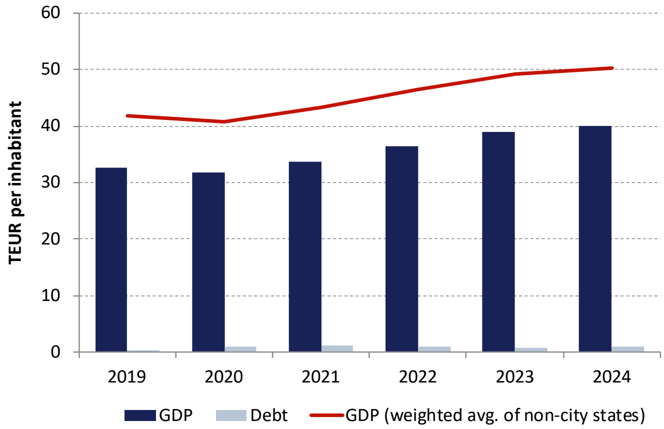


	2019	2020	2021	2022	2023	2024
Operating expense	4,760	5,287	5,052	5,183	5,876	6,151
Staff expenditure	1,169	1,220	1,250	1,289	1,334	1,479
Capital expenditure	709	811	711	695	891	860
Interest expense	30	19	19	12	10	18
Grants to municipals	1,289	1,452	1,407	1,439	1,575	1,644
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Healthy debt sustainability and interest coverage
+ Low absolute debt
+ Well-diversified economy
+ Highly attractive urban centres

Weaknesses/Risks

– Below-average economic output in per capita terms
– Demographic trend as a risk factor
– Significant regional disparities between growing cities and structurally weak regions

Bundesland & politics

Link to the Ministry of Finance

[Homepage]

Population (2024)

2,135,597

State capital

Magdeburg

Government

CDU/SPD/FDP

Minister-President

Reiner Haseloff (CDU)

Expected next election date

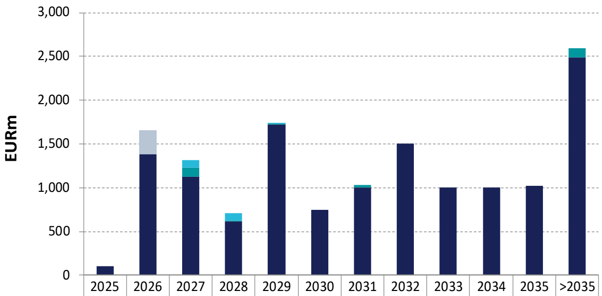
06 September 2026

Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody’s	Aa1	stab
S&P	-	-
Scope	AAA	stab

Saxony-Anhalt

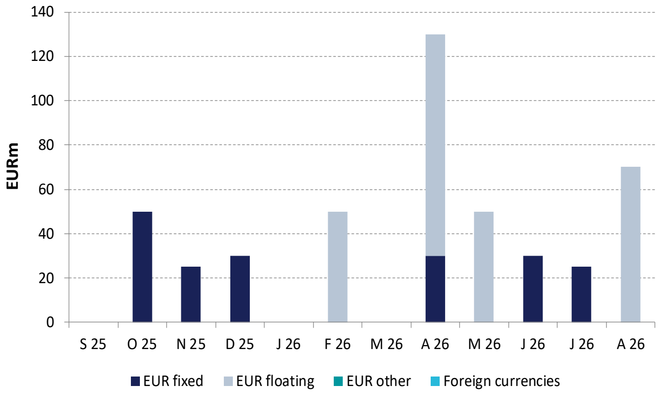
With a population of approx. 2.1m inhabitants living across an area of 20,459km^2, the federal state of Saxony-Anhalt has the third-lowest population density of all German Laender. As is the case with the other East German sub-sovereigns, Saxony-Anhalt came into existence on 03 October 1990 after German reunification. Key pillars of the economy include manufacturing industries, transport and the service sector in particular. According to the information presented in our NORD/LB Regional Economy report (German only), around 80% of employees at the 100 largest companies in Saxony-Anhalt are active in these three economic sectors. The manufacturing industries are dominated by the chemicals sector, the food industry, mechanical engineering and metalwork. Most of the 100 largest enterprises are based in the region between Wernigerode, Magdeburg and Halle. In addition to the economic sectors mentioned above, agriculture also plays an important role in the sub-sovereign. Moreover, the service sector and future-oriented industries such as biotechnology, information and communication technologies, wind energy and photovoltaics have become established as key economic pillars as well. The relative structural weakness of this sparsely populated sub-sovereign has been counteracted since the reunification through the massive expansion of infrastructure. For example, the industrial port at Magdeburg has been connected to the European waterway network at an overall cost of EUR 45m. Saxony-Anhalt is also committed to further developing its scientific infrastructure in the areas of engineering, environmental and life sciences. While a planned multi-billion-euro investment and construction project by the chip manufacturer Intel was ultimately not realized, the creation of a high-tech industrial area around the state capital is still to be pushed forward. With GDP of EUR 79.4bn in 2024, Saxony-Anhalt contributed 1.8% to nationwide economic output. Since its inception, Saxony-Anhalt has received payments under the federal financial equalisation system at all times. In terms of its refinancing activities, Saxony-Anhalt has been active as an issuer of social bonds since 2023. As such, the sub-sovereign is currently the only issuer of social bonds in the German Laender segment.

Overall maturity profile

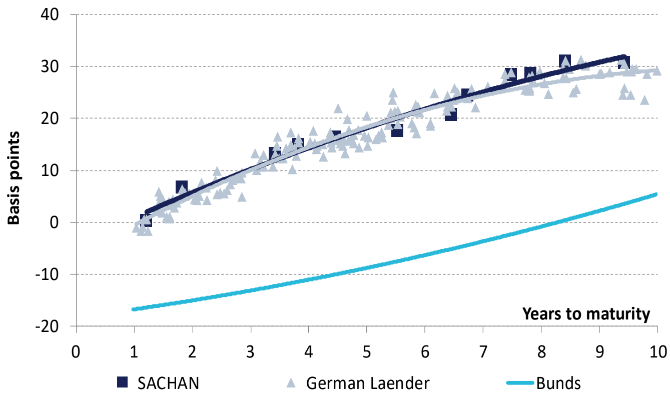


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	0	0	85	85	11	0	0	0	0	0	0	0
EUR other	0	0	102	10	10	0	30	0	0	0	0	100
EUR floating	0	270	0	0	0	0	0	0	0	0	0	0
EUR fixed	105	1,385	1,130	617	1,720	750	1,000	1,500	1,000	1,000	1,025	2,490

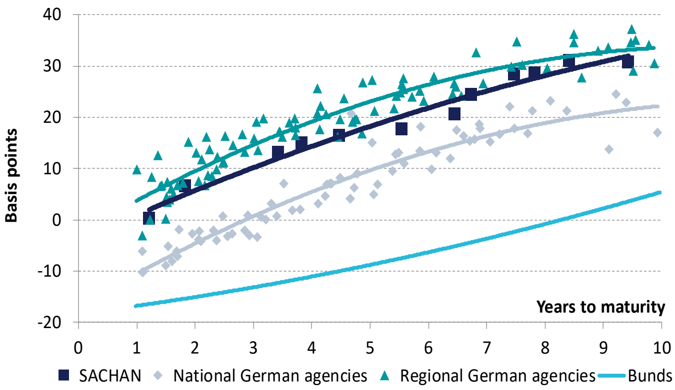
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 21.8bn (7th)

Outstanding bonds
EUR 14.4bn

ESG volume
EUR 1.0bn

Bloomberg ticker
SACHAN

Economy 2024

GDP (ranking)
EUR 79.4bn (12th)

GDP per capita (ranking)
EUR 37,189 (16th)

Real GDP growth (ranking)
-0.9% (11th)

Unemployment (ranking)
7.7% (12th)

Key figures 2024

Tax-interest coverage (ranking)
21.8x (14th)

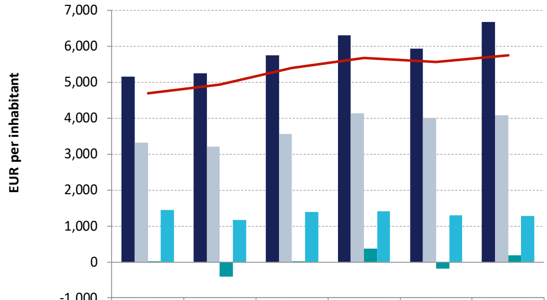
Total revenue/interest paid (ranking)
35.7x (12th)

Debt/GDP (ranking)
27.4% (13th)

Debt/revenue (ranking)
1.53x (11th)

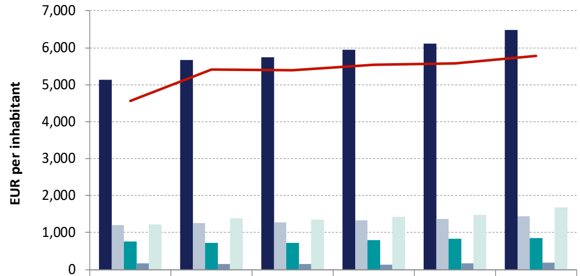
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



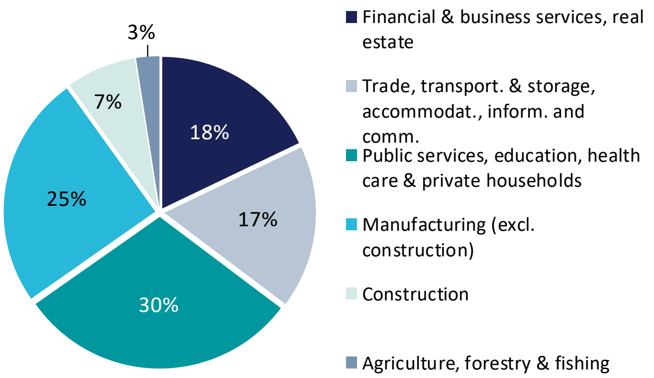
	2019	2020	2021	2022	2023	2024
Operating revenue	5,155	5,253	5,746	6,306	5,938	6,679
Tax revenue	3,318	3,217	3,563	4,132	3,997	4,077
Deficit/surplus	20	-411	2	365	-184	195
Equalisation mechanism (net)	1,442	1,175	1,386	1,403	1,290	1,279
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

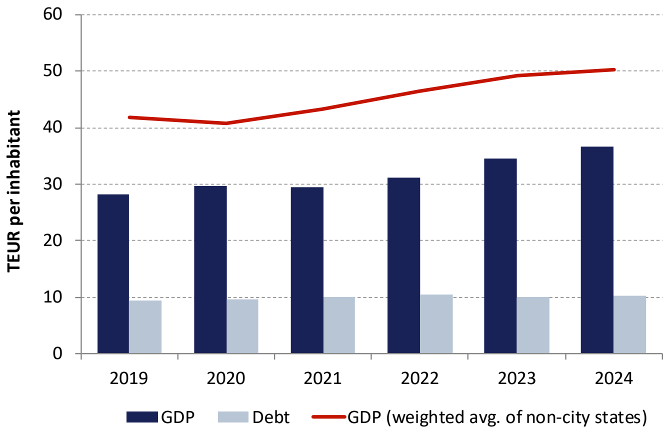


	2019	2020	2021	2022	2023	2024
Operating expense	5,135	5,664	5,744	5,941	6,122	6,484
Staff expenditure	1,201	1,257	1,278	1,336	1,377	1,436
Capital expenditure	752	715	716	793	838	843
Interest expense	164	150	154	127	177	187
Grants to municipals	1,216	1,391	1,357	1,425	1,486	1,688
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Manufacturing industries prominent
+ Low personnel expenses and pension liabilities

Weaknesses/Risks

– Lowest economic power in per capita terms
– Below-average debt sustainability

Schleswig-Holstein

Covering a total area of 15,804 km², Schleswig-Holstein is the smallest non-city state in Germany apart from the Saarland. Founded on 23 August 1946, it was the first federal state to ratify its own state constitution after the promulgation of the Basic Law. Steady growth in tourism has seen this particular sector become a vital pillar of the economy of Schleswig-Holstein. In this respect, annual tourism revenues came in just below EUR 11bn in 2024, which is on a par with revenues generated by major industrial sectors (2014: EUR 7.5bn). Prior to COVID-19, around three quarters of gross value added was generated via the service sector, which is slightly above the national average. Economic development activities are concentrated in particular on the food industry, information technology, telecommunications and media, life sciences, logistics, aviation, as well as microtechnology and nanotechnology. Traditionally, fishing has also been an important area of the economy. In fact, Schleswig-Holstein accounts for approx. two thirds of the German fishing industry. Located between the North Sea and Baltic Sea, the sub-sovereign accordingly focuses on the maritime economy and the renewable energies sector. The latter is an essential element of the Schleswig-Holstein's future economic planning. For example, the sub-sovereign has set its sights on becoming an exporter of green energy. The federal state government underlined these ambitions to become a more sustainable energy economy by recently adopting the Energy Transformation and Climate Protection Act, which supplements existing efforts in the area of wind power by expanding photovoltaic capacities and establishing municipal heating networks. By 2030, Schleswig-Holstein is striving to cut greenhouse gas emissions by at least 65% in comparison with the levels recorded in 1990, and by at least 88% by 2040, before achieving greenhouse gas neutrality in 2045. In 2024, Schleswig-Holstein generated GDP in the amount of EUR 126.8bn, which corresponds to approx. 2.9% of economic output at national level. At the same time, real GDP growth of +1.2% was recorded. At 5.7%, unemployment came in below the national average.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
2,959,517

State capital
Kiel

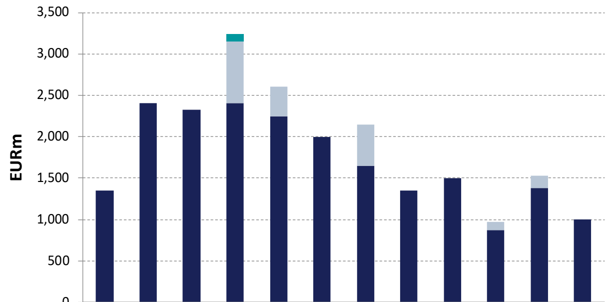
Government
CDU/Greens

Minister-President
Daniel Günther (CDU)

Expected next election date
Spring 2027

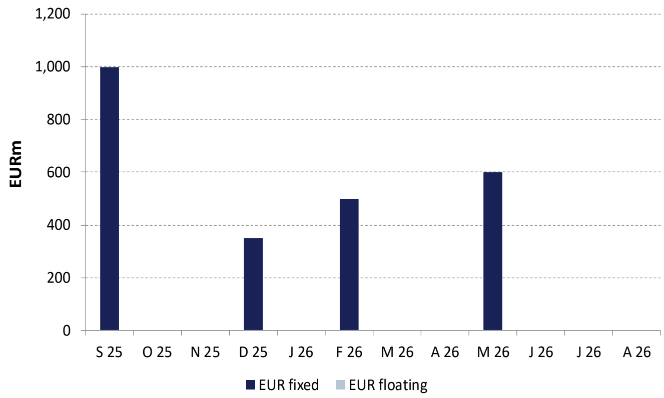
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

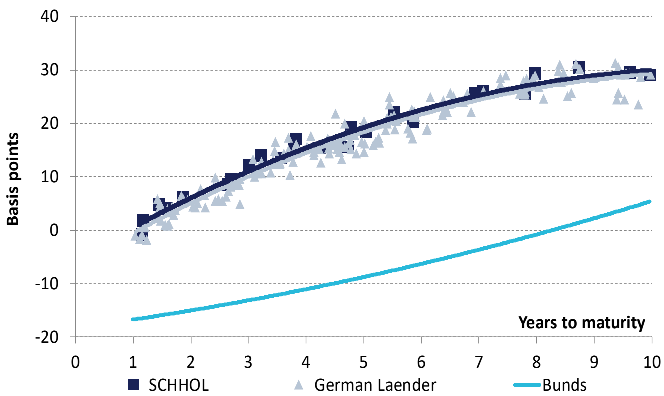


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
Foreign currencies	0	0	0	92	0	0	0	0	0	0	0	0
EUR floating	0	0	0	750	350	0	500	0	0	100	150	0
EUR fixed	1,350	2,400	2,325	2,400	2,250	2,000	1,650	1,350	1,500	875	1,375	1,000

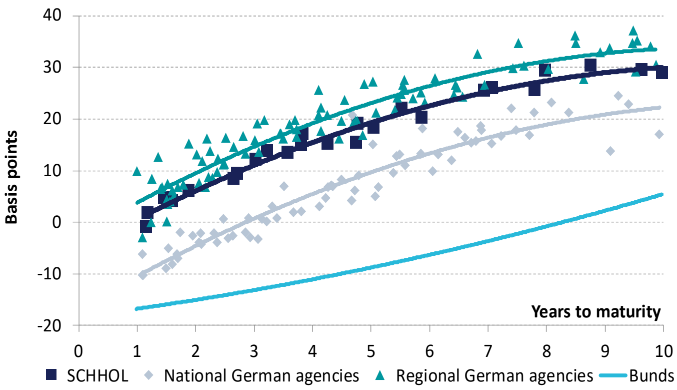
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 31.9bn (11th)

Outstanding bonds
EUR 22.4bn

ESG volume
EUR 0.0bn

Bloomberg ticker
SCHHOL

Economy 2024

GDP (ranking)
EUR 126.8bn (10th)

GDP per capita (ranking)
EUR 42,855 (10th)

Real GDP growth (ranking)
1.2% (3rd)

Unemployment (ranking)
5.7% (5th)

Key figures 2024

Tax-interest coverage (ranking)
22.3x (12th)

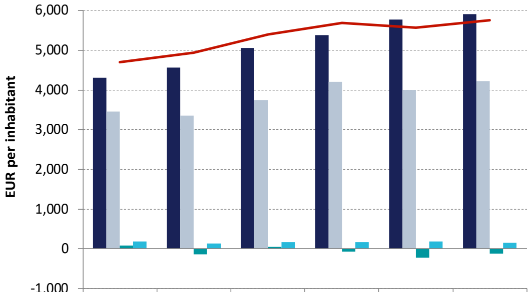
Total revenue/interest paid (ranking)
30.3x (13th)

Debt/GDP (ranking)
25.2% (12th)

Debt/revenue (ranking)
1.88x (14th)

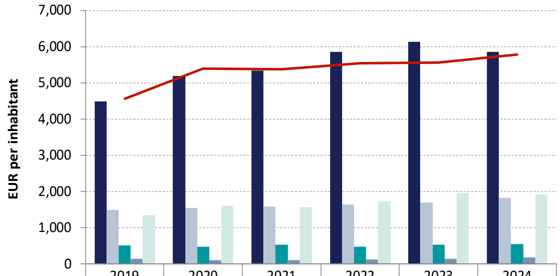
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



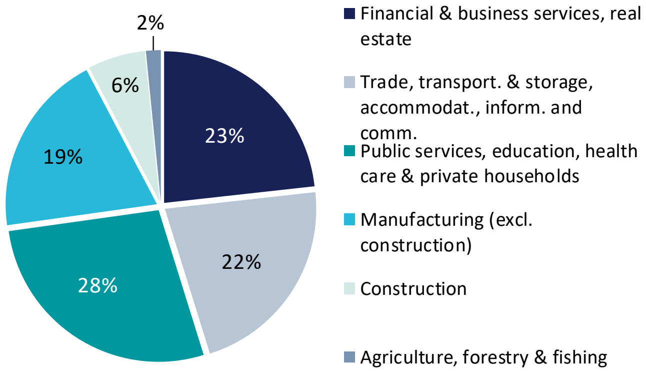
	2019	2020	2021	2022	2023	2024
Operating revenue	4,313	4,565	5,052	5,381	5,781	5,905
Tax revenue	3,449	3,354	3,753	4,211	3,997	4,217
Deficit/surplus	82	-147	45	-75	-234	-129
Equalisation mechanism (net)	185	128	172	161	189	144
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

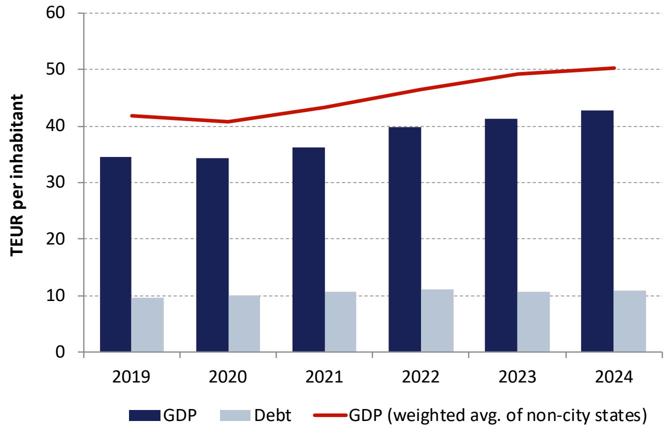


	2019	2020	2021	2022	2023	2024
Operating expense	4,484	5,199	5,336	5,856	6,139	5,857
Staff expenditure	1,495	1,547	1,592	1,647	1,708	1,830
Capital expenditure	517	477	534	471	527	551
Interest expense	142	112	115	120	152	189
Grants to municipals	1,346	1,614	1,569	1,744	1,955	1,920
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



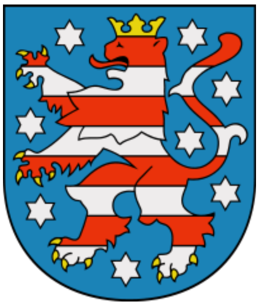
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Well-diversified economy
+ Below-average unemployment rate
+ Beneficiary of the energy transition

Weaknesses/Risks

– Below-average debt sustainability and interest coverage
– High and rising level of pension commitments
– Below-average GDP per capita



Thuringia

Covering an area of 16,202km^2, the Free State of Thuringia is the smallest of the East German Laender (excluding the city state of Berlin) in terms of area. However, with a population of around 2.1m people, only Saxony is more densely populated among the non-city states in the Eastern Germany. The federal state, which was established in 1990, has an economy dominated in particular by manufacturing industries, which account for a greater proportion of gross value added than in any other of the eastern German Laender. Including the construction sector, which is responsible for a higher share in only three other German sub-sovereigns, manufacturing industries account for nearly one third of the gross value added generated by Thuringia. A large part of the economic output is attributable to the region around the chain of cities extending from Erfurt to Jena via Weimar. The automotive and mechanical engineering sectors as well as the optical and medical technology sectors are of particular significance here. The economy of the Free State is also characterised by a high capacity for innovation. In recent years, a discrepancy has become evident between the planning region in the south-west of Thuringia and the rest of the Free State. This region is increasingly developing into the economic growth engine. Investments are also being made in the education and research centers of Thuringia, with a particular focus in this regard on Jena, Erfurt and Ilmenau with its University of Technology. After being ranked in third place in the Education Monitor 2023, Thuringia slipped one place to fourth in the 2024 version. Nevertheless, this continues to represent an appropriate basis from which Thuringia can confront issues such as a lack of skilled workers and demographic trends, which are factors that represent major challenges for this sub-sovereign as well. At 6.2% in the previous year, Thuringia occupies a mid-table position as far as unemployment is concerned. Moreover, with GDP of 78.2bn, the Free State contributes around 1.8% to national economic output. Since its inclusion in the federal financial equalisation system, Thuringia has always been a net recipient.

Bundesland & politics

Link to the Ministry of Finance
Homepage

Population (2024)
2,100,277

State capital
Erfurt

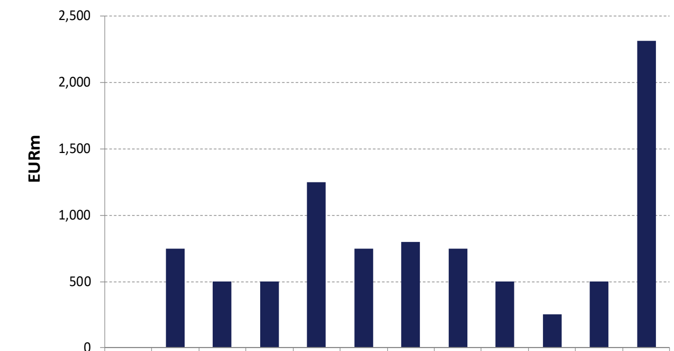
Government
CDU/BSW/SPD

Minister-President
Mario Voigt (CDU)

Expected next election date
Autumn 2029

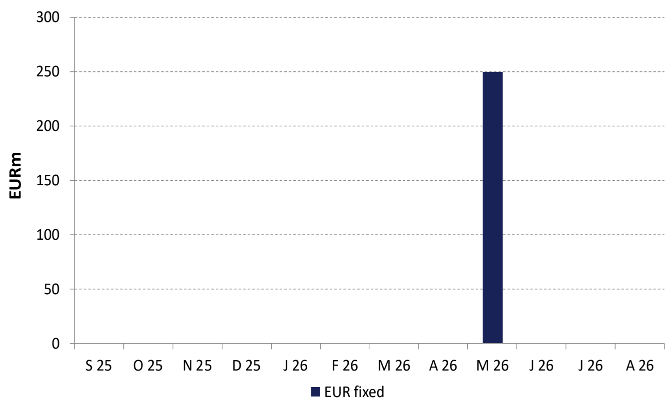
Ratings	Long-term	Outlook
Fitch	AAA	stab
Moody's	-	-
S&P	-	-
Scope	-	-

Overall maturity profile

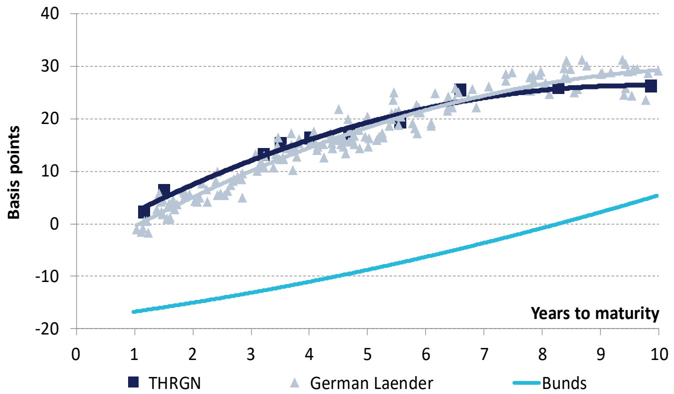


	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR fixed	0	750	500	500	1,250	750	800	750	500	250	500	2,315

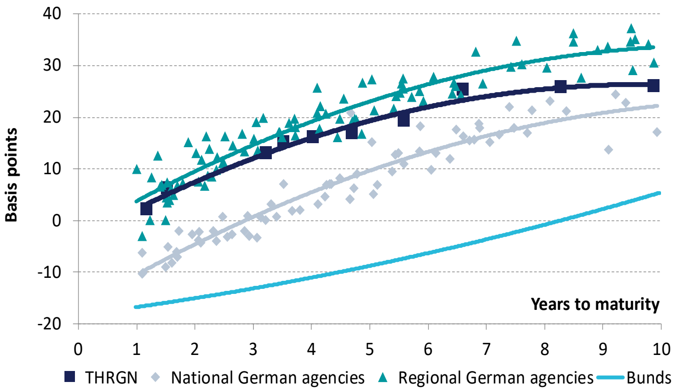
Bond amounts maturing in the next 12 months



ASW spreads vs. Bunds & peers



ASW spreads vs. German agencies



NB: Foreign currencies converted into EUR as at 25 August 2025; residual term to maturity ≥1 year and ≤10 years; outstanding volume at least EUR 0.5bn.
Source: Bloomberg, NORD/LB Floor Research

Capital market

Debt level* (ranking)**
EUR 14.8bn (4th)

Outstanding bonds
EUR 8.9bn

ESG volume
EUR 0.0bn

Bloomberg ticker
THRGN

Economy 2024

GDP (ranking)
EUR 78.2bn (13th)

GDP per capita (ranking)
EUR 37,210 (15th)

Real GDP growth (ranking)
-1.3% (15th)

Unemployment (ranking)
6.2% (8th)

Key figures 2024

Tax-interest coverage (ranking)
41.3x (9th)

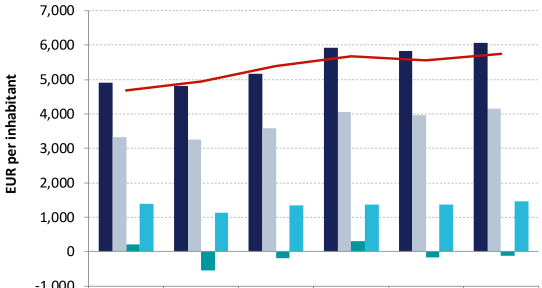
Total revenue/interest paid (ranking)
60.5x (8th)

Debt/GDP (ranking)
18.9% (10th)

Debt/revenue (ranking)
1.16x (6th)

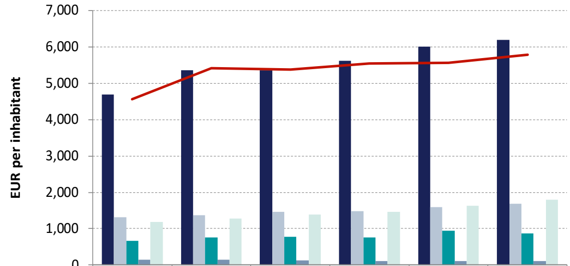
* As reported at the end of the previous year.
** Ranking of the sub-sovereign among the German Laender for the respective key figure, where 1 is the best figure in the Laender comparison.
Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Development of revenue



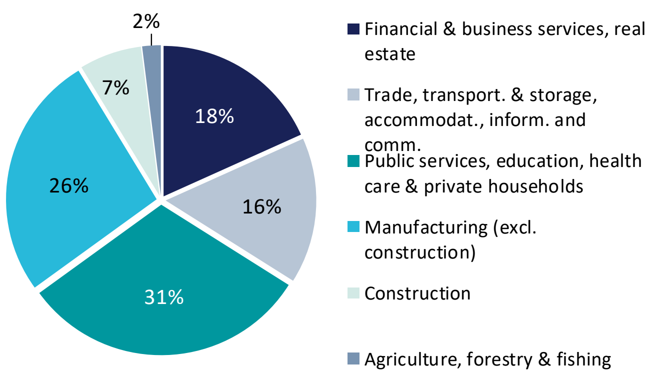
	2019	2020	2021	2022	2023	2024
Operating revenue	4,909	4,808	5,172	5,922	5,842	6,081
Tax revenue	3,320	3,258	3,580	4,063	3,965	4,151
Deficit/surplus	210	-550	-185	301	-165	-114
Equalisation mechanism (net)	1,381	1,139	1,340	1,376	1,373	1,460
Ø of operating revenues (non-city states)	4,699	4,940	5,401	5,680	5,571	5,748

Development of expenditure

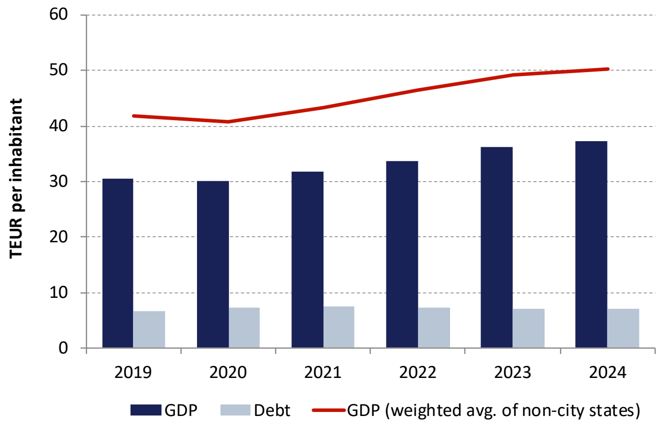


	2019	2020	2021	2022	2023	2024
Operating expense	4,699	5,359	5,356	5,621	6,008	6,195
Staff expenditure	1,312	1,374	1,455	1,488	1,602	1,678
Capital expenditure	672	764	775	758	949	867
Interest expense	147	136	130	116	106	100
Grants to municipals	1,191	1,269	1,393	1,468	1,629	1,800
Ø of operating expenses (non-city states)	4,558	5,407	5,385	5,545	5,571	5,783

Gross value added by economic sector



Trend in GDP and debt level



Source: Federal Statistical Office, Federal Ministry of Finance, national accounts produced by the Laender, NORD/LB Floor Research

Strengths/Chances

+ Low absolute debt level
+ Manufacturing industries prominent
+ Low level of pension liabilities
+ Strong education system

Weaknesses/Risks

– Below-average GDP per capita
– Demographic trend as a risk factor
– Increasing discrepancy between urban and rural areas

Link to bond overview

Homepage

Ratings

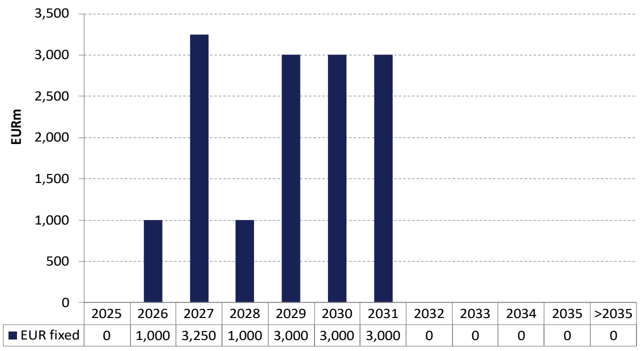
	Long-term	Outlook
Fitch	AAA*	-
Moody's	-	-
S&P	-	-
Scope	-	-

* Issuer ratings not available. However, Fitch awards a rating for each individual bond.

Gemeinschaft deutscher Laender (Joint Laender)

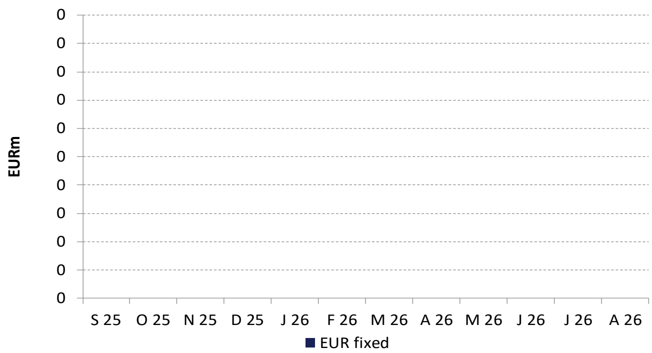
An idiosyncrasy of the bond market in general, and one specific to Germany, is the Joint Laender issuance vehicle (Gemeinschaft deutscher Laender; ticker: LANDER). Within this framework, several Laender come together to issue joint bonds ("Laender jumbos"; issuance volumes EUR ≥1bn), whereby each federal state assumes several (but not joint) liability for the issuance overall. As a result, joint and several liability structures do not exist for such deals. The first time that several Laender teamed up to issue such a bond was in 1996. Since then, the Joint Laender has become an established issuer on the bond market, with several sub-sovereigns joining forces to place joint bonds on an almost regular basis (mostly twice per year). The Laender jumbos enable the sub-sovereigns involved, which are characterised by comparatively low refinancing requirements, to generate economies of scale that are reflected in lower interest expenses. In total, six Laender (G6) are (still) involved in the bond issuances currently in circulation. While Saxony-Anhalt, Hesse and NRW ceased to use Laender jumbos as a funding instrument after the first issuance in 1996, and with Berlin subsequently opting not to participate in the joint issuance vehicle since 2002, the following Laender have at times made use of Laender jumbos as (key) funding instrument: Bremen, Hamburg, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland and Schleswig-Holstein. In fact, these sub-sovereigns have raised substantial amounts of their respective funding volumes through the Joint Laender bonds currently in circulation. With bond No. 47 falling due at the start of February, Brandenburg recently dropped out of this group of issuers. As a result of the structure of the Joint Laender issuance vehicle, there is no issuer rating. Instead, Fitch rates each individual issuance in order to take account of the differing participation structures. However, this does not lead to any differences: since Laender jumbo #11, Fitch has assigned a rating of AAA to all bonds. As justification for the rating, Fitch cites the structure comprising the principle of federal loyalty and the federal financial equalisation system, in which it generally sees an exceptionally low default risk. In total, the Laender jumbos account for an outstanding volume of EUR 14.3bn distributed over 14 bonds issued by the Joint Laender, which therefore represents a significant player on the market for Laender bonds. The outstanding volume is solely EUR-denominated and features a fixed coupon. Other instruments such as Schuldscheindarlehen (SSD) are not jointly issued. Having issued a Laender jumbo in the form of a floating rate note in 2008, the Joint Laender has subsequently refrained from using this instrument for joint refinancing activities. Here, too, the coupon was at times as low as 0.0% or 0.01%. The first year in which a zero preceded the decimal point was 2015. There have now been 66 separate bond deals issued under the LANDER ticker. The previous deal #65 is the bond with the longest outstanding maturity and is set to fall due in October 2031, while the largest bond has a volume of EUR 1.25bn (#53). In 2025, there has been one new deal (5y) so far. The bond featured a volume of EUR 1bn and was priced at ms +27bp.

Overall maturity profile



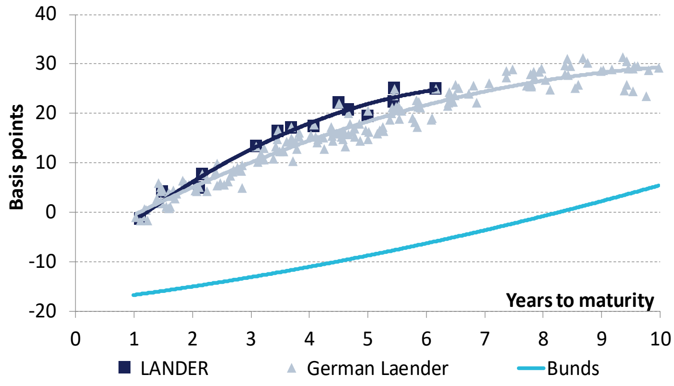
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	>2035
EUR fixed	0	1,000	3,250	1,000	3,000	3,000	3,000	0	0	0	0	0

Bond amounts maturing in the next 12 months

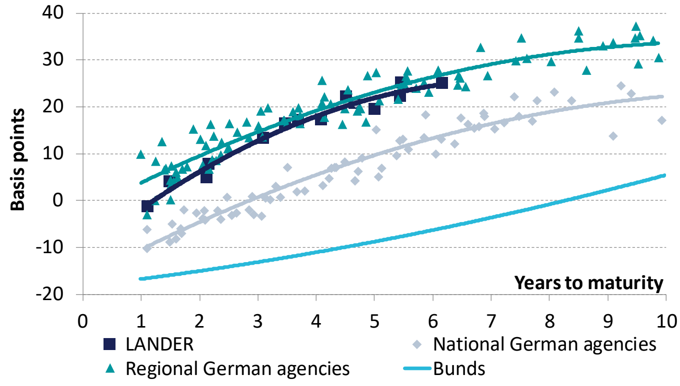


Source: Bloomberg, NORD/LB Floor Research

ASW spreads vs. Bunds & peers

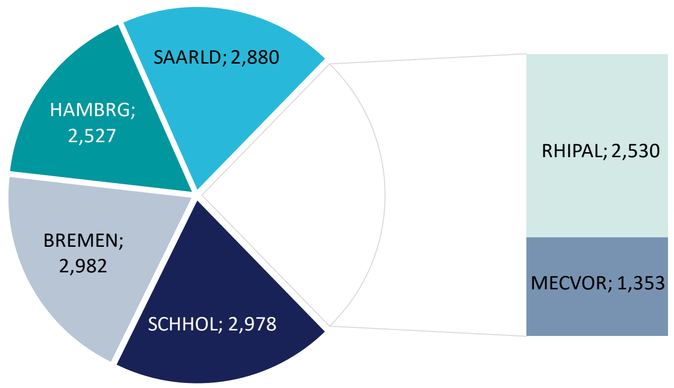


ASW spreads vs. German agencies

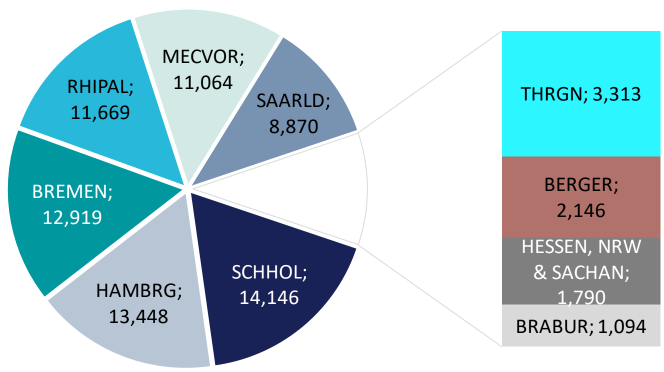


Source: Bloomberg, NORD/LB Floor Research

Share of current outstanding volume attributable to the Laender (EURm)



Cumulative shares in the total issuance volume since 1996 (EURm)



Source: Ministry of Finance of Rhineland-Palatinate, NORD/LB Floor Research

Strengths/Chances

+ Includes smaller issuers
+ More liquid bond volumes

Weaknesses/Risks

– Participants tend to be Laender with budgetary problems, high-level dependency on the federal financial equalisation system and/or below-average economic output
– Complex structure
– Several (but not joint) liability

NORD/LB

Appendix

Overview by debt level, Kassenkredite and non-public sector loans* in addition to outstanding bond volumes

Issuer	Ticker	Official debt level** (EURbn)	Of which outstanding Kassenkredite** (EURbn)	Of which outstanding loans** (EURbn)	Outstanding volume of bonds (EURbn)	Number of benchmark bonds
Baden-Wuerttemberg	BADWUR	33.7	-	12.6	22.6	26
Bavaria	BAYERN	17.5	-	8.4	9.4	8
Berlin	BERGER	61.6	-	13.7	50.0	43
Brandenburg	BRABUR	20.1	0.03	3.5	16.9	24
Bremen	BREMEN	23.3	0.002	5.1	15.1	24
Hamburg	HAMBRG	21.9	0.02	3.9	15.6	20
Hesse	HESSEN	44.4	0.04	6.7	39.9	34
Mecklenburg-Western Pomerania	MECVOR	8.0	-	4.7	2.8	5
Lower Saxony	NIESA	54.2	-	9.8	46.9	40
North Rhine-Westphalia	NRW	160.9	1.1	31.2	128.0	53
Rhineland-Palatinate	RHIPAL	29.1	0.3	6.5	21.6	25
Saarland	SAARLD	12.5	0.3	5.1	6.1	8
Saxony	SAXONY	3.9	-	0.3	6.0	12
Saxony-Anhalt	SACHAN	21.8	0.5	8.0	14.4	14
Schleswig-Holstein	SCHHOL	31.9	0.9	6.4	22.4	31
Thuringia	THRGN	14.8	-	5.7	8.9	14
Gemeinschaft deutscher Laender	LANDER	-	-	-	14.3	14
Bund-Laender bond	BULABO	-	-	-	Fell due: 15 July 2020	0
Total	**-**	**559.6**	**3.2**	**131.1**	**440.8**	**395**

* Excludes supplementary budgets
** As reported at the end of the previous year
Source: Bloomberg, issuers, Federal Ministry of Finance, NORD/LB Floor Research

Appendix

Ratings overview

Issuer (Bloomberg ticker)	Fitch		Moody's		S&P		Scope	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
BW (BADWUR)	-	-	Aaa	stab	AA+	stab	AAA	stab
BY (BAYERN)	-	-	Aaa	stab	AAA	stab	AAA	stab
BE (BERGER)	AAA	stab	Aa1	stab	-	-	AAA	stab
BB (BRABUR)	-	-	Aaa	stab	-	-	-	-
HB (BREMEN)	AAA	stab	-	-	-	-	-	-
HH (HAMBRG)	AAA	stab	-	-	-	-	-	-
HE (HESSEN)	-	-	-	-	AA+	stab	AAA	stab
MV (MECVOR)	AAA	stab	-	-	-	-	-	-
NI (NIESA)	AAA	stab	-	-	-	-	-	-
NW (NRW)	AAA	stab	Aa1	stab	AA	neg	AAA	stab
RP (RHIPAL)	AAA	stab	-	-	-	-	-	-
SL (SAARLD)	AAA	stab	-	-	-	-	-	-
SN (SAXONY)	-	-	-	-	AAA	neg	-	-
ST (SACHAN)	AAA	stab	Aa1	stab	-	-	AAA	stab
SH (SCHHOL)	AAA	stab	-	-	-	-	-	-
TH (THRGN)	AAA	stab	-	-	-	-	-	-
Joint Laender (LANDER)*	AAA*	-	-	-	-	-	-	-

* Ratings for all bonds currently in circulation; no outlook provided
Source: Bloomberg, NORD/LB Floor Research

Appendix

Key figures 2024 – at a glance

Key metrics as at year-end 2024 (EURm)	Adjusted revenue	Adjusted expenses	Balance	Debt	Nominal GDP	Debt/GDP	Balance/GDP
Baden-Wuerttemberg	64,076	65,187	-1,111	33,688	650,225	5.2%	-0.2%
Bavaria	74,186	74,756	-570	17,539	791,603	2.2%	-0.1%
Berlin	36,601	39,629	-3,028	61,601	207,058	29.8%	-1.5%
Brandenburg	15,656	17,014	-1,358	20,083	97,540	20.6%	-1.4%
Bremen	7,837	9,019	-1,182	23,272	41,357	56.3%	-2.9%
Hamburg	20,373	21,035	-662	21,947	161,856	13.6%	-0.4%
Hesse	35,234	38,847	-3,613	44,362	368,298	12.0%	-1.0%
Mecklenburg-Western Pomerania	11,516	11,162	354	7,969	61,245	13.0%	0.6%
Lower Saxony	43,710	41,955	1,755	54,247	381,267	14.2%	0.5%
North Rhine-Westphalia	102,507	100,906	1,601	160,901	871,867	18.5%	0.2%
Rhineland-Palatinate	23,639	22,532	1,107	29,065	184,043	15.8%	0.6%
Saarland	5,940	5,740	201	12,501	42,589	29.4%	0.5%
Saxony	24,025	24,864	-839	3,912	161,910	2.4%	-0.5%
Saxony-Anhalt	14,263	13,846	417	21,789	79,421	27.4%	0.5%
Schleswig-Holstein	16,955	17,335	-381	31,946	126,829	25.2%	-0.3%
Thuringia	12,772	13,011	-240	14,806	78,150	18.9%	-0.3%
Total	**509,288**	**516,837**	**-7,549**	**559,628**	**4,305,260**	**13.0%**	**-0.2%**

Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Appendix Laender budgets 2024

2024 (EURm)	**BW**	**BY**	**BE**	**BB**	**HB**	**HH**	**HE**	**MV**
Adjusted revenue	**64,076**	**74,186**	**36,601**	**15,656**	**7,837**	**20,373**	**35,234**	**11,516**
Tax revenue	47,561	57,341	27,302	10,726	5,295	15,468	26,787	6,762
as a % of total revenue	74.2%	77.3%	74.6%	68.5%	67.6%	75.9%	76.0%	58.7%
Federal supplementary grants (BEZ)	-	-	1,797	649	424	-	-	653
as a % of total revenue	-	-	4.9%	4.1%	5.4%	-	-	5.7%
Special-need BEZ (SoBEZ)	-	-	59	97	60	-	-	82
as a % of total revenue	-	-	0.2%	0.6%	0.8%	-	-	0.7%
Financial Power Equalisation (FKA)	-	-	3,943	1,442	925	-	-	1,428
as a % of total revenue	-	-	10.8%	9.2%	11.8%	-	-	12.4%
Total equalisation payments	-	-	5,799	2,188	1,409	-	-	2,163
as a % of total revenue	-	-	15.8%	14.0%	18.0%	-	-	18.8%
Adjusted expenses	**65,187**	**74,756**	**39,629**	**17,014**	**9,019**	**21,035**	**38,847**	**11,162**
Personnel expenditure	21,590	29,230	11,665	4,094	2,375	5,896	13,333	2,584
as a % of total expenditure	33.1%	39.1%	29.4%	24.1%	26.3%	28.0%	34.3%	23.2%
Interest expenditure	637	363	722	221	503	346	889	123
as a % of total expenditure	1.0%	0.5%	1.8%	1.3%	5.6%	1.6%	2.3%	1.1%
Grants to municipalities	20,257	17,003	4	5,814	14	16	9,409	3,355
as a % of total expenditure	31.1%	22.7%	0.0%	34.2%	0.2%	0.1%	24.2%	30.1%
Investment expenditure	7,453	10,876	4,541	2,141	1,777	2,003	4,849	1,968
as a % of total expenditure	11.4%	14.5%	11.5%	12.6%	19.7%	9.5%	12.5%	17.6%
Financial Power Equalisation (FKA)	5,038	9,774	-	-	-	106	3,736	-
as a % of total expenditure	7.7%	13.1%	-	-	-	0.5%	9.6%	-
Budget balance	**-1,111**	**-570**	**-3,028**	**-1,358**	**-1,182**	**-662**	**-3,613**	**354**
Total debt	**33,688**	**17,539**	**61,601**	**20,083**	**23,272**	**21,947**	**44,362**	**7,969**

Source: Federal Ministry of Finance, NORD/LB Floor Research

Appendix Laender budgets 2024 (continued)

2024 (EURm)	**NI**	**NW**	**RP**	**SL**	**SN**	**ST**	**SH**	**TH**
Adjusted revenue	**43,710**	**102,507**	**23,639**	**5,940**	**24,025**	**14,263**	**16,955**	**12,772**
Tax revenue	33,438	76,580	17,844	3,829	16,969	8,706	12,480	8,718
as a % of total revenue	76.5%	74.7%	75.5%	64.5%	70.6%	61.0%	73.6%	68.3%
Federal supplementary grants (BEZ)	633	197	200	285	1,483	829	93	937
as a % of total revenue	1.4%	0.2%	0.8%	4.8%	6.2%	5.8%	0.5%	7.3%
Special-need BEZ (SoBEZ)	-	-	48	66	73	86	66	86
as a % of total revenue	-	-	0.2%	1.1%	0.3%	0.6%	0.4%	0.7%
Financial Power Equalisation (FKA)	1,537	847	524	630	3,252	1,816	267	2,043
as a % of total revenue	3.5%	0.8%	2.2%	10.6%	13.5%	12.7%	1.6%	16.0%
Total equalisation payments	2,170	1,044	772	981	4,808	2,731	426	3,066
as a % of total revenue	5.0%	1.0%	3.3%	16.5%	20.0%	19.1%	2.5%	24.0%
Adjusted expenses	**41,955**	**100,906**	**22,532**	**5,740**	**24,864**	**13,846**	**17,335**	**13,011**
Personnel expenditure	15,633	33,613	8,276	1,968	5,978	3,067	5,415	3,524
as a % of total expenditure	37.3%	33.3%	36.7%	34.3%	24.0%	22.1%	31.2%	27.1%
Interest expenditure	694	3,458	377	213	74	400	559	211
as a % of total expenditure	1.7%	3.4%	1.7%	3.7%	0.3%	2.9%	3.2%	1.6%
Grants to municipalities	13,324	31,778	7,205	1,153	6,646	3,604	5,682	3,781
as a % of total expenditure	31.8%	31.5%	32.0%	20.1%	26.7%	26.0%	32.8%	29.1%
Investment expenditure	2,712	10,207	1,262	574	3,478	1,801	1,632	1,821
as a % of total expenditure	6.5%	10.1%	5.6%	10.0%	14.0%	13.0%	9.4%	14.0%
Financial Power Equalisation (FKA)	-	-	-	-	-	-	-	-
as a % of total expenditure	-	-	-	-	-	-	-	-
Budget balance	**1,755**	**1,601**	**1,107**	**201**	**-839**	**417**	**-381**	**-240**
Total debt	**54,247**	**160,901**	**29,065**	**12,501**	**3,912**	**21,789**	**31,946**	**14,806**

Source: Federal Ministry of Finance, NORD/LB Floor Research

Appendix Overview by key economic indicators

Development of nominal GDP (EURbn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	468.6	483.2	506.8	526.4	536.1	516.9	555.7	595.4	631.5	650.2	**3**
Bavaria	564.1	586.9	614.3	629.0	651.2	634.8	675.0	723.6	773.6	791.6	**2**
Berlin	129.3	136.4	144.1	152.0	159.6	159.0	171.2	184.5	197.9	207.1	**6**
Brandenburg	66.8	68.6	72.1	74.0	77.2	76.2	81.2	89.5	96.4	97.5	**11**
Bremen	**31.1**	**31.9**	**32.8**	**33.4**	**33.4**	**32.4**	**35.5**	**38.8**	**40.3**	**41.4**	**16**
Hamburg	112.9	115.2	121.4	124.3	129.9	124.2	137.6	155.7	153.7	161.9	**9**
Hesse	268.5	279.8	288.0	294.4	302.8	293.8	313.3	332.4	354.5	368.3	**5**
Mecklenburg-Western Pomerania	40.8	41.8	45.1	45.3	48.2	47.3	50.2	55.7	59.2	61.2	**14**
Lower Saxony	265.5	285.3	292.6	303.8	314.5	306.7	321.1	343.6	369.1	381.3	**4**
North Rhine-Westphalia	**651.1**	**666.2**	**693.4**	**716.7**	**731.5**	**717.5**	**754.4**	**806.9**	**851.0**	**871.9**	**1**
Rhineland-Palatinate	135.5	139.2	143.1	146.0	150.5	147.8	167.8	176.9	180.6	184.0	**7**
Saarland	34.7	35.1	36.3	36.8	37.0	35.5	37.0	40.9	42.1	42.6	**15**
Saxony	115.5	119.3	124.1	127.5	132.6	129.4	136.3	147.3	157.9	161.9	**8**
Saxony-Anhalt	57.7	59.3	61.4	62.4	65.3	64.3	67.6	74.2	78.5	79.4	**12**
Schleswig-Holstein	85.2	87.8	93.3	95.8	100.2	99.9	105.7	117.1	122.2	126.8	**10**
Thuringia	58.4	60.2	62.2	63.2	64.9	63.9	66.9	71.5	76.8	78.2	**13**
Federal government	3,085.6	3,196.1	3,331.1	3,431.1	3,534.9	3,449.6	3,676.5	3,953.8	4,185.5	4,305.3	

Development of nominal GDP in EUR per capita

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	42,910	44,123	46,279	47,557	48,294	46,554	49,949	53,310	56,233	57,819	**5**
Bavaria	43,445	45,386	47,504	48,102	49,616	48,313	51,226	55,218	58,714	59,748	**2**
Berlin	35,741	38,146	40,301	41,711	43,491	43,397	46,551	50,790	54,042	56,185	**6**
Brandenburg	26,442	27,516	28,906	29,448	30,604	30,108	31,992	35,178	37,751	38,150	**14**
Bremen	45,739	47,013	48,307	48,888	49,079	47,700	52,454	55,795	57,408	58,672	**3**
Hamburg	**60,935**	**63,613**	**67,081**	**67,518**	**70,328**	**67,027**	**74,242**	**84,942**	**83,030**	**86,900**	**1**
Hesse	42,422	45,027	46,357	46,978	48,149	46,693	49,771	53,288	56,560	58,639	**4**
Mecklenburg-Western Pomerania	**24,954**	**25,943**	27,982	**28,151**	29,991	**29,360**	**31,135**	35,317	37,495	38,920	**13**
Lower Saxony	33,186	35,905	36,826	38,054	39,339	38,315	40,007	43,047	46,096	47,632	**8**
North Rhine-Westphalia	35,899	37,239	38,760	39,968	40,758	40,026	42,087	44,914	47,234	48,344	**7**
Rhineland-Palatinate	32,966	34,225	35,201	35,731	36,761	36,058	40,854	43,049	43,775	44,567	**9**
Saarland	34,302	35,223	36,466	37,181	37,498	36,062	37,692	40,371	41,490	42,078	**11**
Saxony	27,908	29,228	30,393	31,273	32,555	31,891	33,717	36,368	38,940	40,053	**12**
Saxony-Anhalt	25,617	26,510	**27,478**	28,263	**29,766**	29,487	31,173	34,503	36,622	**37,189**	**16**
Schleswig-Holstein	29,809	30,479	32,373	33,079	34,516	34,316	36,166	39,843	41,387	42,855	**10**
Thuringia	26,563	27,886	28,823	29,512	30,429	30,160	31,714	**33,748**	**36,308**	37,210	**15**
Federal government	37,046	38,731	40,366	41,329	42,504	41,484	44,169	47,569	50,153	51,512	

NB: Lowest values in orange, highest values in blue.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Real GDP growth Y/Y

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	2.4%	1.7%	3.8%	2.2%	-0.1%	-5.2%	5.6%	2.1%	0.2%	-0.4%	**7**
Bavaria	2.2%	2.5%	3.5%	0.5%	1.6%	-4.1%	4.2%	1.9%	1.0%	-1.0%	**12**
Berlin	**3.9%**	3.9%	3.6%	**3.3%**	2.8%	-2.4%	5.3%	**4.4%**	**1.5%**	0.8%	**4**
Brandenburg	0.3%	1.7%	2.9%	0.3%	1.6%	-3.1%	2.0%	0.6%	-1.4%	-0.7%	**10**
Bremen	0.2%	1.8%	0.9%	0.1%	**-1.9%**	-4.8%	5.5%	3.8%	-1.1%	-1.0%	**13**
Hamburg	1.9%	2.2%	1.4%	0.4%	3.0%	-5.7%	0.5%	3.1%	-2.1%	**1.7%**	**1**
Hesse	0.9%	2.7%	2.0%	0.9%	1.1%	-5.0%	4.5%	1.8%	0.4%	0.6%	**5**
Mecklenburg-Western Pomerania	0.6%	1.4%	**4.6%**	**-1.6%**	**3.5%**	-3.7%	1.5%	1.4%	0.2%	1.3%	**2**
Lower Saxony	**-0.3%**	**6.3%**	**0.9%**	1.8%	1.4%	-4.1%	1.8%	**-0.5%**	1.2%	0.4%	**6**
North Rhine-Westphalia	1.7%	1.1%	2.7%	1.3%	0.2%	-3.6%	2.2%	0.3%	-1.3%	-0.4%	**9**
Rhineland-Palatinate	1.8%	1.4%	1.4%	0.1%	0.9%	-3.5%	**11.2%**	-0.2%	**-4.3%**	-1.1%	**14**
Saarland	0.6%	**0.1%**	2.4%	-0.5%	-1.2%	**-5.8%**	1.5%	4.0%	-4.1%	**-1.9%**	**16**
Saxony	2.7%	1.9%	2.4%	0.9%	1.4%	-4.1%	2.8%	2.0%	0.0%	-0.4%	**8**
Saxony-Anhalt	0.4%	1.7%	1.5%	-0.7%	2.1%	-3.3%	1.4%	-0.4%	-2.4%	-0.9%	**11**
Schleswig-Holstein	1.0%	2.3%	3.1%	0.7%	2.3%	**-2.2%**	**-0.3%**	1.2%	-0.7%	1.2%	**3**
Thuringia	1.2%	1.7%	1.7%	-0.2%	0.2%	-3.3%	2.5%	0.8%	0.4%	-1.3%	**15**
Federal government	1.7%	2.3%	2.7%	1.1%	1.0%	-4.1%	3.7%	1.4%	-0.3%	-0.2%	

Unemployment rate

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	3.8%	3.8%	3.5%	3.2%	3.2%	4.1%	3.9%	3.5%	3.9%	4.2%	**2**
Bavaria	**3.6%**	**3.5%**	**3.2%**	**2.9%**	**2.8%**	**3.6%**	**3.5%**	**3.1%**	**3.4%**	**3.7%**	**1**
Berlin	10.7%	9.8%	9.0%	8.1%	7.8%	9.7%	9.8%	8.8%	9.1%	9.7%	**15**
Brandenburg	8.7%	8.0%	7.0%	6.3%	5.8%	6.2%	5.9%	5.6%	5.9%	6.1%	**7**
Bremen	**10.9%**	**10.5%**	**10.2%**	**9.8%**	**9.9%**	**11.2%**	**10.7%**	**10.2%**	**10.6%**	**11.1%**	**16**
Hamburg	7.4%	7.1%	6.8%	6.3%	6.1%	7.6%	7.5%	6.8%	7.4%	8.0%	**14**
Hesse	5.5%	5.3%	5.0%	4.6%	4.4%	5.4%	5.2%	4.8%	5.2%	5.5%	**4**
Mecklenburg-Western Pomerania	10.4%	9.7%	8.6%	7.9%	7.1%	7.8%	7.6%	7.3%	7.7%	7.9%	**13**
Lower Saxony	6.1%	6.0%	5.8%	5.3%	5.0%	5.8%	5.5%	5.3%	5.7%	5.9%	**6**
North Rhine-Westphalia	8.0%	7.7%	7.4%	6.8%	6.5%	7.5%	7.3%	6.8%	7.2%	7.5%	**11**
Rhineland-Palatinate	5.2%	5.1%	4.8%	4.4%	4.3%	5.2%	5.0%	4.6%	4.9%	5.3%	**3**
Saarland	7.2%	7.2%	6.7%	6.1%	6.2%	7.2%	6.8%	6.3%	6.8%	7.0%	**10**
Saxony	8.2%	7.5%	6.7%	6.0%	5.5%	6.1%	5.9%	5.6%	6.2%	6.5%	**9**
Saxony-Anhalt	10.2%	9.6%	8.4%	7.7%	7.1%	7.7%	7.3%	7.1%	7.5%	7.7%	**12**
Schleswig-Holstein	6.5%	6.3%	6.0%	5.5%	5.1%	5.8%	5.6%	5.2%	5.5%	5.7%	**5**
Thuringia	7.4%	6.7%	6.1%	5.5%	5.3%	6.0%	5.6%	5.3%	5.9%	6.2%	**8**
Federal government	6.4%	6.1%	5.7%	5.2%	5.0%	5.9%	6.3%	5.3%	5.7%	6.0%	

NB: Lowest values in orange, highest values in blue. Reversed for unemployment rate figures.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

NORD/LB

Appendix Overview by budget indicators

Official debt level (EURbn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	40.7	40.6	37.6	35.4	35.3	38.9	38.0	34.2	30.5	33.7	**12**
Bavaria	22.6	19.4	16.9	14.6	12.9	17.8	19.8	18.9	17.2	17.5	**5**
Berlin	58.6	58.0	56.5	54.4	53.9	59.6	59.6	59.4	58.9	61.6	**15**
Brandenburg	16.7	16.2	15.4	14.8	15.3	17.3	17.8	17.2	18.3	20.1	**6**
Bremen	21.2	21.0	20.5	21.5	29.7	39.0	36.0	22.4	22.6	23.3	**9**
Hamburg	23.2	22.9	22.3	23.9	23.2	24.9	25.4	25.1	22.6	21.9	**8**
Hesse	42.6	42.7	40.9	39.9	40.4	43.0	40.4	40.0	41.0	44.4	**13**
Mecklenburg-Western Pomerania	9.2	8.3	7.8	7.5	7.4	8.4	8.5	8.2	7.2	8.0	**2**
Lower Saxony	58.1	57.2	57.2	56.6	56.4	61.8	61.6	59.9	56.4	54.2	**14**
North Rhine-Westphalia	**136.9**	**137.0**	**138.8**	**135.6**	**142.9**	**153.8**	**158.6**	**162.2**	**163.0**	**160.9**	**16**
Rhineland-Palatinate	32.1	32.5	31.1	30.5	29.8	30.8	28.5	28.0	26.5	29.1	**10**
Saarland	14.1	13.8	13.8	13.6	13.7	13.9	13.5	13.0	12.2	12.5	**3**
Saxony	**2.3**	**1.9**	**1.6**	**1.4**	**1.1**	**3.6**	**4.3**	**3.5**	**3.3**	**3.9**	**1**
Saxony-Anhalt	20.0	20.2	20.8	19.9	20.9	21.2	21.9	22.9	22.0	21.8	**7**
Schleswig-Holstein	26.7	26.5	25.7	27.4	27.8	29.1	31.0	32.6	31.5	31.9	**11**
Thuringia	15.6	14.8	15.3	14.3	14.3	15.4	16.1	15.5	15.1	14.8	**4**

Debt per capita in EUR

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	3,717	3,710	3,432	3,201	3,177	3,503	3,420	3,060	2,720	2,996	**3**
Bavaria	1,750	1,499	1,310	1,115	983	1,353	1,504	1,442	1,307	1,324	**2**
Berlin	16,390	16,225	15,810	14,918	14,701	16,279	16,219	16,350	16,093	16,715	**15**
Brandenburg	6,692	6,481	6,173	5,878	6,084	6,852	6,994	6,765	7,179	7,855	**9**
Bremen	**31,275**	**30,941**	**30,272**	**31,437**	**43,668**	**57,393**	**53,167**	**32,183**	**32,189**	**33,016**	**16**
Hamburg	12,828	12,647	12,311	12,987	12,555	13,457	13,693	13,685	12,224	11,783	**13**
Hesse	6,854	6,868	6,587	6,369	6,422	6,840	6,419	6,411	6,544	7,063	**8**
Mecklenburg-Western Pomerania	5,741	5,180	4,866	4,679	4,628	5,198	5,246	5,233	4,547	5,064	**4**
Lower Saxony	7,313	7,193	7,194	7,093	7,050	7,718	7,679	7,507	7,046	6,777	**5**
North Rhine-Westphalia	7,652	7,659	7,757	7,563	7,962	8,579	8,847	9,029	9,046	8,922	**10**
Rhineland-Palatinate	7,883	7,985	7,658	7,462	7,286	7,526	6,944	6,808	6,421	7,038	**6**
Saarland	14,156	13,890	13,865	13,696	13,850	14,133	13,777	12,833	12,017	12,351	**14**
Saxony	**562**	**454**	**381**	**346**	**279**	**876**	**1,060**	**868**	**804**	**968**	**1**
Saxony-Anhalt	8,961	9,043	9,285	9,024	9,518	9,730	10,094	10,658	10,240	10,203	**11**
Schleswig-Holstein	9,268	9,195	8,910	9,467	9,574	10,000	10,615	11,091	10,671	10,794	**12**
Thuringia	7,211	6,877	7,110	6,662	6,701	7,248	7,632	7,292	7,117	7,050	**7**

NB: Lowest values in blue, highest values in orange.
Source: Federal Ministry of Finance, NORD/LB Floor Research

Official debt level to GDP

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	8.69%	8.41%	7.42%	6.73%	6.58%	7.52%	6.85%	5.74%	4.84%	5.18%	**3**
Bavaria	4.01%	3.30%	2.76%	2.32%	1.98%	2.80%	**2.94%**	2.61%	2.23%	**2.22%**	**1**
Berlin	45.33%	42.53%	39.23%	35.76%	33.80%	37.51%	34.84%	32.19%	29.78%	29.75%	**15**
Brandenburg	25.01%	23.55%	21.35%	19.96%	19.88%	22.76%	21.86%	19.23%	19.02%	20.59%	**11**
Bremen	**68.30%**	**65.81%**	**62.67%**	**64.30%**	**88.98%**	**120.32%**	**101.36%**	**57.68%**	**56.07%**	**56.27%**	**16**
Hamburg	20.57%	19.88%	18.35%	19.24%	17.85%	20.08%	18.44%	16.11%	14.72%	13.56%	**6**
Hesse	15.86%	15.25%	14.21%	13.56%	13.34%	14.65%	12.90%	12.03%	11.57%	12.05%	**4**
Mecklenburg-Western Pomerania	22.65%	19.97%	17.39%	16.62%	15.43%	17.70%	16.85%	14.82%	12.13%	13.01%	**5**
Lower Saxony	21.88%	20.03%	19.53%	18.64%	17.92%	20.14%	19.19%	17.44%	15.28%	14.23%	**7**
North Rhine-Westphalia	21.03%	20.57%	20.01%	18.92%	19.53%	21.43%	21.02%	20.10%	19.15%	18.45%	**9**
Rhineland-Palatinate	23.66%	23.33%	21.76%	20.88%	19.82%	20.87%	17.00%	15.81%	14.67%	15.79%	**8**
Saarland	40.70%	39.43%	38.02%	36.84%	36.93%	39.19%	36.55%	31.79%	28.96%	29.35%	**14**
Saxony	**1.99%**	**1.55%**	**1.25%**	**1.10%**	**0.86%**	**2.75%**	3.14%	**2.39%**	**2.06%**	2.42%	**2**
Saxony-Anhalt	34.70%	34.11%	33.79%	31.93%	31.98%	33.00%	32.38%	30.89%	27.96%	27.43%	**13**
Schleswig-Holstein	31.34%	30.17%	27.52%	28.62%	27.74%	29.14%	29.35%	27.84%	25.78%	25.19%	**12**
Thuringia	26.65%	24.66%	24.67%	22.57%	22.02%	24.03%	24.07%	21.61%	19.60%	18.95%	**10**

Official debt level/tax revenue

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	1.23x	1.12x	1.00x	0.87x	0.86x	1.03x	0.91x	0.74x	0.67x	0.71x	**3**
Bavaria	0.54x	0.42x	0.36x	0.29x	0.25x	0.40x	0.40x	0.34x	0.32x	0.31x	**2**
Berlin	4.30x	3.93x	3.67x	3.19x	3.08x	2.88x	2.42x	2.18x	2.24x	2.26x	**12**
Brandenburg	2,50x	2,24x	2,02x	1,81x	1,84x	2,12x	1,88x	1,63x	1,71x	1,87x	**10**
Bremen	**7.82x**	**6.89x**	**6.57x**	**6.42x**	**8.82x**	**10.15x**	**7.99x**	**4.79x**	**4,46x**	**4,40x**	**16**
Hamburg	2.29x	2.12x	1.92x	1.90x	1.78x	2.13x	1.80x	1.57x	1.44x	1.42x	**5**
Hesse	2.17x	1.93x	1.80x	1.74x	1.66x	2.02x	1.61x	1.51x	1.56x	1.66x	**8**
Mecklenburg-Western Pomerania	2.10x	1.84x	1.62x	1.50x	1.39x	1.54x	1.54x	1.23x	1.10x	1.18x	**4**
Lower Saxony	2.64x	2.40x	2.37x	2.20x	2.07x	2.34x	2.12x	1.82x	1.67x	1.62x	**6**
North Rhine-Westphalia	2.75x	2.55x	2.49x	2.29x	2.30x	2.52x	2.32x	2.19x	2.20x	2.10x	**11**
Rhineland-Palatinate	2.92x	2.71x	2.43x	2.39x	2.14x	2.26x	1.71x	1.74x	1.62x	1.63x	**7**
Saarland	5.14x	4.75x	4.56x	4.24x	4.16x	4.16x	3.83x	3.23x	2.76x	3.26x	**15**
Saxony	**0.21x**	**0.16x**	**0.13x**	**0.11x**	**0.09x**	**0.27x**	**0.30x**	**0.21x**	**0.21x**	**0.23x**	**1**
Saxony-Anhalt	3.31x	3.11x	3.13x	2.84x	2.87x	3.02x	2.83x	2.58x	2.56x	2.50x	**13**
Schleswig-Holstein	3.31x	3.03x	2.83x	2.90x	2.78x	2.98x	2.83x	2.63x	2.67x	2.56x	**14**
Thuringia	2.67x	2.39x	2.38x	2.10x	2.02x	2.22x	2.13x	1.79x	1.79x	1.70x	**9**

NB: Lowest values in blue, highest values in orange.
Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Tax revenue/interest expenditure

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	21.5x	24.7x	27.2x	29.1x	33.3x	32.2x	26.5x	38.9x	42.0x	74.6x	**3**
Bavaria	**50.5x**	**60.9x**	65.2x	**86.3x**	98.5x	92.9x	125.3x	147.7x	166.7x	157.8x	**2**
Berlin	8.5x	10.7x	11.8x	13.8x	15.1x	21.4x	22.7x	28.2x	35.8x	37.8x	**10**
Brandenburg	18.4x	21.7x	25.5x	29.1x	30.8x	41.1x	38.1x	52.6x	55.9x	48.6x	**5**
Bremen	**4.2x**	**5.1x**	**5.1x**	**5.7x**	**5.6x**	**6.3x**	**7.6x**	**8.2x**	**9.7x**	**10.5x**	**16**
Hamburg	17.0x	19.5x	23.3x	28.1x	29.1x	29.1x	37.3x	44.4x	38.4x	44.7x	**8**
Hesse	16.7x	21.6x	22.7x	23.9x	27.0x	24.3x	29.7x	35.4x	33.3x	30.1x	**11**
Mecklenburg-Western Pomerania	15.5x	18.1x	21.4x	23.6x	27.1x	28.1x	33.0x	41.9x	34.5x	55.1x	**4**
Lower Saxony	15.8x	18.8x	20.9x	24.2x	27.6x	43.8x	50.4x	40.3x	63.5x	48.2x	**6**
North Rhine-Westphalia	15.0x	19.2x	21.0x	24.2x	31.0x	44.1x	43.3x	51.7x	25.3x	22.1x	**13**
Rhineland-Palatinate	13.4x	14.6x	17.1x	22.1x	29.4x	36.6x	50.3x	43.7x	48.9x	47.3x	**7**
Saarland	6.4x	7.4x	8.0x	8.9x	10.4x	11.6x	14.0x	16.2x	20.6x	18.0x	**15**
Saxony	50.0x	60.8x	**69.9x**	79.7x	**108.2x**	**171.4x**	**186.6x**	**332.1x**	**384.6x**	**228.7x**	**1**
Saxony-Anhalt	11.0x	12.8x	14.6x	19.1x	20.3x	21.5x	23.2x	32.5x	22.6x	21.8x	**14**
Schleswig-Holstein	12.4x	14.8x	18.4x	20.5x	24.3x	30.0x	32.6x	35.0x	26.2x	22.3x	**12**
Thuringia	11.6x	14.3x	16.7x	20.5x	22.7x	24.0x	27.6x	34.9x	37.3x	41.3x	**9**

Adjusted revenue (EURm)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	44,054	47,670	49,888	53,335	54,999	55,139	61,821	64,034	61,887	64,076	**3**
Bavaria	54,048	56,989	59,917	63,792	65,949	62,468	72,849	74,275	70,917	74,186	**2**
Berlin	24,713	26,283	27,701	29,340	29,812	31,116	35,831	37,379	35,456	36,601	**5**
Brandenburg	10,764	11,198	11,612	12,279	12,334	12,572	13,859	15,015	15,569	15,656	**11**
Bremen	4,839	5,277	5,491	5,734	5,961	6,288	7,286	7,313	7,389	7,837	**15**
Hamburg	12,851	13,757	14,541	15,641	16,200	16,211	19,620	20,732	20,235	20,373	**9**
Hesse	24,512	27,083	28,043	28,826	29,936	31,937	36,705	35,374	34,067	35,234	**6**
Mecklenburg-Western Pomerania	7,737	7,863	8,063	8,301	8,583	9,284	10,508	11,104	10,607	11,516	**14**
Lower Saxony	28,893	30,131	30,753	33,420	34,188	35,494	36,501	40,667	44,100	43,710	**4**
North Rhine-Westphalia	**63,688**	**68,432**	**71,801**	**75,534**	**78,369**	**93,192**	**96,390**	**103,576**	**99,741**	**102,507**	**1**
Rhineland-Palatinate	15,284	16,343	17,287	17,289	18,470	18,984	22,985	21,711	22,188	23,639	**8**
Saarland	**3,745**	**3,968**	**4,265**	**4,381**	**4,438**	**4,728**	**4,905**	**5,564**	**6,027**	**5,940**	**16**
Saxony	18,041	17,640	18,268	20,268	19,385	20,025	20,418	22,726	22,695	24,025	**7**
Saxony-Anhalt	10,795	10,811	10,888	11,033	11,313	11,455	12,464	13,560	12,735	14,263	**12**
Schleswig-Holstein	10,649	11,544	12,223	12,493	13,256	14,706	15,725	16,991	17,438	16,955	**10**
Thuringia	9,344	9,772	10,087	10,399	10,473	10,195	10,907	12,548	12,356	12,772	**13**

NB: Lowest values in blue, highest values in orange. Reversed for tax revenue/interest expenditure as well as adjusted revenue.
Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Adjusted revenue in EUR per capita

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	4,049	4,353	4,555	4,818	4,955	4,966	5,557	5,734	5,510	5,698	**12**
Bavaria	4,208	4,407	4,634	4,878	5,025	4,754	5,528	5,668	5,382	5,599	**15**
Berlin	7,021	7,352	7,749	8,050	8,124	8,492	9,743	10,289	9,681	9,932	**3**
Brandenburg	4,332	4,489	4,655	4,888	4,891	4,967	5,461	5,899	6,095	6,123	**6**
Bremen	**7,206**	**7,774**	**8,090**	8,395	8,751	**9,245**	**10,771**	10,511	10,516	**11,118**	**1**
Hamburg	7,190	7,599	8,032	**8,495**	**8,770**	8,751	10,583	**11,313**	**10,928**	10,938	**2**
Hesse	3,969	4,359	4,514	4,601	4,761	5,075	5,831	5,672	5,435	5,610	**14**
Mecklenburg-Western Pomerania	4,799	4,882	5,006	5,157	5,337	5,764	6,522	7,045	6,722	7,318	**4**
Lower Saxony	**3,519**	**3,792**	**3,870**	**4,187**	**4,277**	**4,435**	**4,547**	**5,094**	5,507	**5,461**	**16**
North Rhine-Westphalia	3,565	3,825	4,013	4,212	4,367	5,199	5,378	5,766	5,536	5,684	**13**
Rhineland-Palatinate	3,771	4,019	4,251	4,232	4,511	4,632	5,597	5,284	**5,379**	5,724	**11**
Saarland	3,761	3,982	4,279	4,423	4,497	4,805	4,993	5,498	5,943	5,869	**9**
Saxony	4,417	4,322	4,475	4,970	4,761	4,936	5,050	5,611	5,597	5,943	**8**
Saxony-Anhalt	4,808	4,835	4,869	4,996	5,155	5,253	5,746	6,306	5,938	6,679	**5**
Schleswig-Holstein	3,725	4,006	4,241	4,313	4,565	5,052	5,381	5,781	5,905	5,729	**10**
Thuringia	4,304	4,528	4,674	4,852	4,909	4,808	5,172	5,922	5,842	6,081	**7**

Adjusted expenditure (EURm)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking*
Baden-Wuerttemberg	44,050	47,483	48,173	50,312	51,608	58,430	60,373	60,558	61,309	65,187	-
Bavaria	51,966	55,178	56,938	59,579	64,680	68,602	71,959	71,531	70,915	74,756	-
Berlin	24,507	26,147	26,691	26,918	28,222	32,889	36,017	36,432	37,145	39,629	-
Brandenburg	10,527	10,778	11,114	11,619	13,350	13,313	14,667	14,828	16,060	17,014	-
Bremen	5,100	5,271	5,508	5,668	5,867	6,598	7,415	**7,472**	7,716	9,019	-
Hamburg	12,628	13,470	13,532	16,771	15,508	16,868	19,686	18,272	19,145	21,035	-
Hesse	24,738	26,609	27,827	27,750	28,389	32,775	34,286	33,703	34,746	38,847	-
Mecklenburg-Western Pomerania	7,402	7,546	7,387	8,064	8,557	12,382	10,526	10,587	10,688	11,162	-
Lower Saxony	28,049	29,155	29,917	30,631	32,391	40,405	37,924	38,129	40,372	41,955	-
North Rhine-Westphalia	**65,635**	**68,398**	**73,025**	**74,466**	**76,648**	**104,807**	**99,925**	**105,999**	**101,384**	**100,906**	-
Rhineland-Palatinate	15,852	16,019	16,430	16,422	17,211	20,329	20,688	20,522	21,197	22,532	-
Saarland	**3,986**	**4,119**	**4,227**	**4,236**	**4,321**	**4,752**	**4,715**	7,960	**5,813**	**5,740**	-
Saxony	18,193	17,782	17,585	19,017	19,383	21,449	20,424	20,991	23,826	24,864	-
Saxony-Anhalt	10,369	10,348	10,704	10,718	11,269	12,351	12,459	12,775	13,130	13,846	-
Schleswig-Holstein	10,563	11,160	12,099	14,409	13,019	15,133	15,592	17,213	18,129	17,335	-
Thuringia	9,106	9,181	9,171	9,776	10,025	11,362	11,296	11,911	12,709	13,011	-

NB: Lowest values in orange, highest values in blue. Reversed for adjusted expenditure figures.
* No ranking, as low/high expenditure values are neither positive or negative per se.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Adjusted expenditure in EUR per capita

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking*
Baden-Wuerttemberg	4,049	4,336	4,399	4,545	4,649	5,262	5,427	5,423	5,459	5,797	-
Bavaria	4,046	4,267	4,403	4,556	4,928	5,221	5,461	5,458	5,382	5,642	-
Berlin	6,962	7,314	7,466	7,385	7,691	8,976	9,794	10,028	10,142	10,753	-
Brandenburg	4,237	4,320	4,455	4,626	5,294	5,260	5,779	5,826	6,287	6,654	-
Bremen	**7,594**	**7,766**	**8,115**	8,299	**8,613**	**9,701**	**10,961**	**10,739**	**10,981**	**12,795**	-
Hamburg	7,065	7,440	7,474	**9,109**	8,395	9,106	10,618	9,970	10,340	11,294	-
Hesse	4,005	4,283	4,479	4,429	4,515	5,208	5,447	5,404	5,544	6,185	-
Mecklenburg-Western Pomerania	4,591	4,685	4,586	5,010	5,321	7,687	6,533	6,718	6,773	7,093	-
Lower Saxony	**3,539**	**3,669**	**3,765**	**3,837**	**4,052**	5,049	**4,724**	**4,776**	**5,041**	**5,241**	-
North Rhine-Westphalia	3,674	3,823	4,082	4,153	4,271	5,847	5,575	5,900	5,627	5,595	-
Rhineland-Palatinate	3,911	3,940	4,041	4,020	4,204	4,960	5,038	4,995	5,138	5,456	-
Saarland	4,003	4,133	4,291	4,227	4,378	**4,829**	4,800	7,866	5,732	5,671	-
Saxony	4,454	4,356	4,308	4,663	4,760	5,287	5,052	5,183	5,876	6,151	-
Saxony-Anhalt	4,618	4,627	4,786	4,854	4,854	5,664	5,744	5,941	6,122	6,484	-
Schleswig-Holstein	3,695	3,872	4,198	4,974	4,484	5,199	5,336	5,856	6,139	5,857	-
Thuringia	4,195	4,254	4,249	4,561	4,699	5,359	5,356	5,621	6,008	6,195	-

Budget balance (EURm)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	4	187	1,715	3,023	**3,391**	-3,291	1,447	**3,476**	578	-1,111	**12**
Bavaria	**2,081**	**1,811**	**2,979**	**4,213**	1,269	-6,135	889	2,744	2	-570	**9**
Berlin	206	137	1,009	2,422	1,590	-1,773	-186	947	**-1,689**	-3,028	**15**
Brandenburg	237	420	498	660	**-1,016**	-741	-808	186	-492	-1,358	**14**
Bremen	-266	5	-17	66	94	-310	-128	-159	-327	-1,182	**13**
Hamburg	223	287	1,009	-1,130	692	-657	-66	2,461	1,091	-662	**10**
Hesse	-226	474	217	1,076	1,547	-838	**2,419**	1,671	-679	**-3,613**	**16**
Mecklenburg-Western Pomerania	335	317	676	237	26	-3,098	-18	516	-81	354	**5**
Lower Saxony	-156	976	836	2,789	1,798	-4,911	-1,423	2,539	**3,728**	**1,755**	**1**
North Rhine-Westphalia	**-1,947**	34	**-1,225**	1,069	1,722	**-11,615**	**-3,536**	**-2,423**	-1,643	1,601	**2**
Rhineland-Palatinate	-568	324	857	867	1,258	-1,346	2,297	1,189	991	1,107	**3**
Saarland	-241	**-151**	-12	145	117	**-24**	190	-2,396	214	201	**6**
Saxony	-152	-142	683	1,251	2	-1,425	-6	1,735	-1,131	-839	**11**
Saxony-Anhalt	426	464	185	315	44	-896	5	785	-395	417	**4**
Schleswig-Holstein	87	384	125	**-1,917**	237	-427	133	-222	-691	-381	**8**
Thuringia	238	592	917	624	448	-1,167	-389	637	-350	-240	**7**

NB: Highest values in orange, lowest values in blue. Reversed for budget balance figures.
* No ranking, as low/high expenditure values are neither positive or negative per se.
Source: Federal Statistical Office, national accounts produced by the Laender (VGRdL), NORD/LB Floor Research

Budget balance per capita in EUR

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	0	17	157	273	305	-296	130	311	51	-99	**8**
Bavaria	162	140	230	322	97	-467	67	209	0	-43	**7**
Berlin	58	38	282	**664**	**433**	-484	-51	261	-461	-822	**15**
Brandenburg	95	168	200	263	**-403**	-293	**-318**	73	-192	-531	**13**
Bremen	**-389**	8	-25	96	138	-456	-190	-229	**-465**	**-1,677**	**16**
Hamburg	125	158	**557**	-614	374	-354	-36	**1,343**	**589**	-355	**12**
Hesse	-37	76	35	172	246	-133	384	268	-108	-575	**14**
Mecklenburg-Western Pomerania	**208**	197	420	147	16	**-1,923**	-11	328	-52	225	**2**
Lower Saxony	-20	123	105	349	225	-614	-177	318	466	219	**3**
North Rhine-Westphalia	-109	2	**-68**	60	96	-648	-197	-135	-91	89	**6**
Rhineland-Palatinate	-140	80	211	212	307	-328	**559**	289	240	**268**	**1**
Saarland	-242	**-151**	-12	147	119	**-24**	193	**-2,368**	211	198	**4**
Saxony	-37	-35	167	307	0	-351	-2	428	-279	-208	**11**
Saxony-Anhalt	190	207	83	142	20	-411	2	365	-184	195	**5**
Schleswig-Holstein	30	133	43	**-662**	82	-147	45	-75	-234	-129	**10**
Thuringia	109	**274**	425	291	210	-550	-185	301	-165	-114	**9**

Budget balance as a % of GDP

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ranking
Baden-Wuerttemberg	0.00%	0.04%	0.34%	0.57%	0.63%	-0.64%	0.26%	0.58%	0.09%	-0.17%	**8**
Bavaria	0.37%	0.31%	0.49%	0.67%	0.19%	-0.97%	0.13%	0.38%	0.00%	-0.07%	**7**
Berlin	0.16%	0.10%	0.70%	**1.59%**	**1.00%**	-1.11%	-0.11%	0.51%	**-0.85%**	-1.46%	**15**
Brandenburg	0.35%	0.61%	0.69%	0.89%	**-1.32%**	-0.97%	**-1.00%**	0.21%	-0.51%	-1.39%	**14**
Bremen	**-0.84%**	0.02%	-0.05%	0.20%	0.28%	-0.96%	-0.36%	-0.41%	-0.81%	**-2.86%**	**16**
Hamburg	0.20%	0.25%	0.83%	-0.91%	0.53%	-0.53%	-0.05%	**1.58%**	0.71%	-0.41%	**11**
Hesse	-0.08%	0.17%	0.08%	0.37%	0.51%	-0.29%	0.77%	0.50%	-0.19%	-0.98%	**13**
Mecklenburg-Western Pomerania	**0.82%**	0.76%	**1.50%**	0.52%	0.05%	**-6.55%**	-0.04%	0.93%	-0.14%	0.58%	**2**
Lower Saxony	-0.06%	0.34%	0.29%	0.92%	0.57%	-1.60%	-0.44%	0.74%	**1.01%**	0.46%	**5**
North Rhine-Westphalia	-0.30%	0.01%	**-0.18%**	0.15%	0.24%	-1.62%	-0.47%	-0.30%	-0.19%	0.18%	**6**
Rhineland-Palatinate	-0.42%	0.23%	0.60%	0.59%	0.84%	-0.91%	**1.37%**	0.67%	0.55%	**0.60%**	**1**
Saarland	-0.70%	**-0.43%**	-0.03%	0.39%	0.32%	**-0.07%**	0.51%	**-5.87%**	0.51%	0.47%	**4**
Saxony	-0.13%	-0.12%	0.55%	0.98%	0.00%	-1.10%	0.00%	1.18%	-0.72%	-0.52%	**12**
Saxony-Anhalt	0.74%	0.78%	0.30%	0.50%	0.07%	-1.39%	0.01%	1.06%	-0.50%	0.52%	**3**
Schleswig-Holstein	0.10%	0.44%	0.13%	**-2.00%**	0.24%	-0.43%	0.13%	-0.19%	-0.57%	-0.30%	**9**
Thuringia	0.41%	**0.98%**	1.47%	0.99%	0.69%	-1.82%	-0.58%	0.89%	-0.46%	-0.31%	**10**

NB: Highest values in blue, lowest values in orange.
Source: Federal Ministry of Finance, Federal Statistical Office, NORD/LB Floor Research

Appendix Age structure of the Laender populations

Share of different age groups in the population

	Under the age of 6	6 to 15 years old	15 to 25 years old	25 to 45 years old	45 to 65 years old	Aged 65+
Baden-Wuerttemberg	5.7%	8.7%	10.5%	26.1%	27.5%	21.5%
Bavaria	5.7%	8.5%	10.0%	26.3%	28.0%	21.6%
Berlin	5.5%	8.3%	10.0%	31.6%	25.3%	19.2%
Brandenburg	4.5%	8.7%	8.7%	22.0%	29.7%	26.5%
Bremen	5.8%	8.7%	11.1%	28.0%	25.7%	20.8%
Hamburg	5.8%	8.5%	10.5%	31.1%	26.1%	18.0%
Hesse	5.5%	8.6%	10.3%	25.9%	28.0%	21.7%
Mecklenburg-Western Pomerania	4.3%	8.2%	8.9%	21.7%	28.9%	28.0%
Lower Saxony	5.5%	8.5%	10.0%	24.5%	28.3%	23.2%
North Rhine-Westphalia	5.5%	8.6%	10.2%	25.6%	28.0%	22.0%
Rhineland-Palatinate	5.4%	8.5%	9.7%	24.8%	28.2%	23.3%
Saarland	5.0%	7.8%	9.3%	24.4%	28.1%	25.4%
Saxony	4.5%	8.6%	9.5%	23.3%	26.9%	27.2%
Saxony-Anhalt	4.3%	8.0%	8.9%	21.8%	28.6%	28.5%
Schleswig-Holstein	5.0%	8.4%	9.8%	23.8%	28.9%	24.0%
Thuringia	4.2%	8.3%	9.1%	22.0%	28.3%	28.0%
Federal government	5.4%	8.5%	10.0%	25.5%	27.9%	22.7%

Source: Federal Statistical Office, NORD/LB Floor Research

Appendix Election calendar

Provisional dates for the next Laender parliamentary (Landtag) elections (and frequency)

Baden-Wuerttemberg	08 March 2026	5 years
Bavaria	Autumn 2028	5 years
Berlin	20 September 2026	5 years
Brandenburg	Autumn 2029	5 years
Bremen	Spring 2027	4 years
Hamburg	Spring 2030	5 years
Hesse	Autumn 2028	5 years
Mecklenburg-Western Pomerania	20 September 2026	5 years
Lower Saxony	Autumn 2027	5 years
North Rhine-Westphalia	Spring 2027	5 years
Rhineland-Palatinate	22 March 2026	5 years
Saarland	Spring 2027	5 years
Saxony	Autumn 2029	5 years
Saxony-Anhalt	06 September 2026	5 years
Schleswig-Holstein	Spring 2027	5 years
Thuringia	Autumn 2029	5 years

Source: German Federal Council (Bundesrat), NORD/LB Floor Research

Appendix

Data and definitions used

Data source and actuality for securities

Nearly all of the data on securities used within this Issuer Guide is based on the Bloomberg financial information system. Information regarding the respective composition of the iBoxx indices was obtained from data provider Markit.

Data source and assumptions for assessment of budget situation

Federal Ministry of Finance cash statistics were used to analyse the German Laender budgets for the financial year 2024. It should be noted that these figures do not necessarily reflect the actual budgets. Rather, the cash statistics relate to payments made in 2024. In our opinion, however, this does not appropriately illustrate the movements in financial resources connected to the system of financial equalisation among the German Laender (FKA) for the 2024 budget year. For instance, a payment claim can arise in one financial year, but actual payments can take place in part in the following year. Payments from federal supplementary grants (BEZ) are similar in this regard, which is why we use the provisional annual financial statements for 2024 of the Federal Ministry of Finance to illustrate the figures relating to the federal financial equalisation system. The historical data for the German Laender budgets is based on the final results of the development of the German Laender budgets.

Terminology: debt sustainability and interest coverage

Determining the debt sustainability and interest coverage represents an important part of our analysis of the budgets of the German Laender. These terms relate to the various key indicators that measure debt and interest expenses against other variables. Here, we use debt in relation to economic output or the total revenue of a sub-sovereign as one example of debt sustainability. In our debt sustainability analysis, we also look at debt per capita. When determining interest coverage, we focus primarily on the ratio of revenue or taxes to the interest expenses during a given period.

Data source and assumptions for assessment of economic situation

When analysing the economic situation in a federal state, we used data from the Federal Statistical Office (Destatis) and from the respective statistical offices in the Laender. In some instances, we also used data from other sources, such as the German Patent and Trade Mark Office (DPMA). In some cases, the data used is based on analyses carried out by our NORD/LB Regional Economy and Sector Strategy (formerly known as Regional Research) teams.

Special thanks to our helping hands

We would like to take this opportunity to thank Stéfan Berninger for his valuable contributions to this study. His commitment and ideas have resulted in a highly differentiated presentation of the market for bonds issued by German Laender in a slightly adapted format. Merci beaucoup!

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