



# Covered Bond & SSA View

NORD/LB Floor Research

01 October 2025 ♦ 32/2025

Marketing communication (see disclaimer on the last pages)



# Agenda

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# Market overview Covered Bonds

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# Primary market: dynamic end to the quarter

Following the exceptionally comprehensive review of primary market activities in the previous edition of our Covered Bond & SSA View (on account of the previous publication break), we can report on a more "normal" number of transactions this week. Our conclusion: the primary market has been incredibly dynamic at the end of the third quarter. For example, we registered five transactions from five jurisdictions across the previous five trading days. The Dutch bank ABN AMRO got the ball rolling in this regard at the end of the previous calendar week with a new deal at the short end (4.0y). A full EUR 1.5bn was successfully placed with investors at a reoffer spread of ms +19bp. This latest deal from the Netherlands saw the jurisdiction leap into second place in terms of the largest new issuance volumes in Q3/2025 (cf. our quarterly review below). At the start of the new week, Bayerische Landesbank (BayernLB) and Commonwealth Bank of Australia (CBA) both issued fresh six-year covered bonds on the primary market. While BayernLB opted for a final volume of EUR 750m placed at ms +26bp, CBA chose an issuance volume of EUR 1.25bn after closing the books for this deal. Australia's largest bank managed to record narrowing of seven basis points in the reoffer spread in relation to the original guidance (ms +46bp area). The high level of investor demand was also reflected in a bid-to-cover ratio of 2.4x. On Tuesday, the French issuer Credit Commercial de France (CCF; for further details, please refer to our Issuer View) placed its third covered bond in the current year. Following deals worth EUR 1bn in January and EUR 750m in April, the institution opted for another volume of EUR 750m in this latest transaction (3.5y), which was guided at ms +38bp area. During the marketing phase, the books filled up to more than EUR 2.3bn, meaning that the spread could be priced seven basis points narrower at ms +31bp. In addition, on the same day Raiffeisenlandesbank Steiermark from Austria took advantage of an opportunity to issue a covered bond in the amount of EUR 500m (4.5y) in WNG format at a reoffer spread of ms +32bp.

| Issuer         | Country | Timing | ISIN         | Maturity | Size   | Spread   | Rating        | ESG |
|----------------|---------|--------|--------------|----------|--------|----------|---------------|-----|
| CCF SFH        | FR      | 30.09. | FR00140134M3 | 3.5y     | 0.75bn | ms +31bp | - / Aaa / -   | -   |
| RLB Steiermark | AT      | 30.09. | AT0000A3PPN3 | 4.5y     | 0.50bn | ms +32bp | - / Aaa / -   | -   |
| СВА            | AU      | 29.09. | XS3197812855 | 6.0y     | 1.25bn | ms +39bp | AAA / Aaa / - | -   |
| BayernLB       | DE      | 29.09. | DE000BYL0E21 | 6.0y     | 0.75bn | ms +26bp | - / Aaa / -   | -   |
| ABN AMRO       | NL      | 25.09. | XS3195051647 | 4.0y     | 1.50bn | ms +19bp | AAA / Aaa / - | -   |

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

# Secondary market: investors hungry for more deals

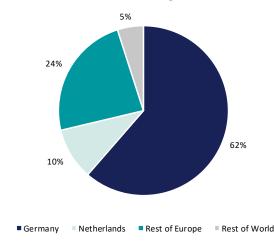
On the secondary market, investors are currently focused on maturities of three to seven years. As such, current transactions are performing well on the secondary market and this situation is expected to continue. However, demand remains intact for longer deals, although none of these have actually been seen on the market since the end of August. Spreads may also benefit from the strong demand, with high-beta names from Italy, as well as the CEE and APAC regions, continuing to be subject to particularly high demand.



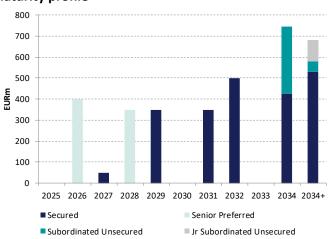
# **OLB: Pfandbrief issuer undergoing takeover process**

In March 2025, Credit Mutuel Alliance Federale (CMAF) announced its intention to acquire Oldenburgische Landesbank (OLB) through its wholly owned subsidiary TARGO Deutschland GmbH (parent company of TARGOBANK). For now, OLB is still almost entirely owned by a consortium that comprises Apollo Global Management, Grovepoint Investment Management and the Teacher Retirement System of Texas. CMAF expects that the transaction will be successfully finalised in the first half of 2026. We would like to take this ongoing acquisition process as an opportunity to look in greater detail at OLB. When this deal is eventually closed, OLB will become part of one of France's largest cooperative banking groups, which is owned by its 9.2m members (FY/2024). With this takeover, TARGOBANK is taking a significant step in the direction of becoming a universal bank in the context of its transformation process. OLB's strengths lie in particular in the development of its offerings for private real estate financing and in the market position in SME financing. These areas also constitute focal points for OLB's business activities. Over recent years, the bank has become increasingly active in other European countries to complement its domestic market business, with its performance characterised by steady growth. In this context, for example, the bank successfully completed the acquisition of Degussa Bank in April. In addition to a network of 80 branches located throughout Germany and a strong footprint in Northwest Germany, the bank also offers digital platforms, through which it serves around 1m retail and corporate customers. The loan portfolio of OLB is composed almost equally of loans to retail and commercial customers (H1/2025: 51%) on the one hand, and corporate and diversified lending (49%) on the other. On both sides, the focus of lending activities is on Germany, although there is significantly more geographical diversification in relation to the corporate and diversified lending business in particular. For example, Germany accounts for 62% of the loan volume (H1/2025), followed by the Netherlands (10%) and other European countries (24%). The majority of the funding mix at OLB is based on customer deposits (H1/2025: 64.4% of liabilities) and is supplemented in targeted fashion by capital market placements. In addition to uncovered refinancing instruments, this also includes the issuance of Pfandbriefe in the EUR benchmark segment since January 2024. As at the reporting date of 30 June 2025, the outstanding Pfandbrief volume of OLB came to EUR 2.2bn in total.

# Corporate and diversified lending



# Maturity profile





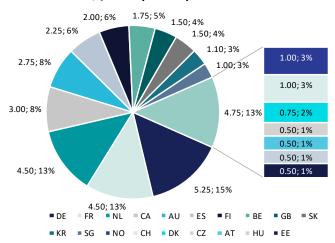
# Q3 review: quarter ends on a strong note after the summer break

Although the third quarter of a year traditionally also includes a break from issuance activities in the EUR benchmark segment over the summer, this period certainly did not disappoint overall. We recorded a total issuance volume of EUR 35.9bn split across 44 bonds, which reflects significant growth versus the same period of the previous year (EUR 27.7bn; 31 bonds). At a total volume of EUR 137.9bn in the year to date, the overall issuance volume recorded in the previous year (EUR 135.1bn) was actually exceeded by the end of the third quarter of 2025. This is all the more remarkable when we take into account what was a rather weak start to the year (particularly in the period between February and April). The summer break began relatively early this year, with the result that only three issuances were seen in July right at the beginning of the month. Crelan Home Loan (EUR 500m) and Banco Santander (dual tranche: EUR 1.25bn and EUR 1bn) were able to finalise transactions at high levels of demand prior to the summer recess getting underway. Following a break from issuance activities lasting just under six weeks, ING Belgium (EUR 1.25bn) and the Finnish issuer Nordea Bank (EUR 1bn) eventually took the plunge and "reopened" the market on 18 August. Thereafter came a busy few weeks during which the number of new deals remained almost consistently high, until the primary market took another break of around a week-and-a-half in anticipation of the ECB meeting on 11 September and the ECBC conference in Seville the following week. At the end of the month, the remaining seven trading days were once again fairly dynamic, with nine new issues recorded in this period. Looking at the various jurisdictions, it is clear that three of the traditionally largest markets, namely Germany (EUR 5.3bn), the Netherlands (EUR 4.5bn) and France (EUR 3.8bn), were the most strongly represented in Q3/2025, followed by the overseas jurisdictions of Canada (EUR 3bn) and Australia (EUR 2.75bn). It was pleasing to see activity from Spain, where the issuance volume came to the previously mentioned figure of EUR 2.25bn, while three of the five active EUR benchmark issuers from Slovakia ventured onto the market with fresh supply in the third quarter. The second deal of OTP Mortgage Bank from Hungary (again with a volume of EUR 500m) following its comeback transaction in June is also worth highlighting. Demand remained pretty dynamic across the quarter, with an average bid-to-cover ratio of 2.3x, even though spread sensitivity on the part of investors did increase somewhat towards the end of the quarter.

# **EUR BMK: issuances over time**

# 220 200 180 160 137.9 140 120 100 80 60 40 20 0 Jul Oct 2020 --- 2021 --- 2022 -- 2023 2024 **2**025

# EUR BMK in Q3/2025 (EURbn)



Source: Market data, Bloomberg, NORD/LB Floor Research



# Market overview SSA/Public Issuers

Authors: Dr Norman Rudschuck, CIIA // Lukas-Finn Frese // Tobias Cordes, CIIA

# S&P upgrades ICO's rating from A to A+ with stable outlook

The rating experts at S&P have upgraded the rating of the Spanish promotional bank Instituto de Crédito Oficial (ticker: ICO) from A to A+ (outlook: stable), aligning it with Spain's sovereign rating, which S&P upgraded on 12 September 2025. The background is that ICO has an explicit guarantee from the Kingdom of Spain, meaning that the promotional bank's rating is inextricably linked to that of Spain, in view of the fact that ICO is a government-related entity (GRE). According to S&P, the rating upgrade for Spain was based on an improved external financial situation that is primarily supported by the private sector and resulted from high savings ratios, steady current account surpluses based on the strength of an increasingly services-oriented economy which is becoming less dependent on tourism, and diminishing foreign indebtedness.

# NWB publishes its half-year report for 2025

Dutch local government finance provider Nederlandse Waterschapsbank (NWB, ticker: NEDWBK) published its figures for the first six months of the current year. The accompanying press release stated that the agency made new financing of EUR 5bn available to clients (H1/2024: EUR 4.4bn). This means that the total loan portfolio rose to a record EUR 58bn. The lion's share of new loans during the reporting period, amounting to EUR 3.8bn, was granted to social housing companies, which traditionally represent the group of clients with the highest financing requirement. Net profit totalled EUR 64m in H1/2025, following EUR 58m in the same period of the previous year. Net interest income amounted to EUR 121m and was almost unchanged on H1/2024. According to information provided by NWB itself, the financial position remained sound in the first six months of 2025. The Common Equity Tier 1 (CET1) ratio was 35.2% compared with 35.7% as at yearend 2024. Taking into account hybrid capital, the Core Capital ratio (Tier1) amounted to 40.9% (FY/2024: 41.4%). In addition, NWB's total assets increased by EUR 11bn, compared with year-end 2024, to EUR 89.8bn. This increase mainly resulted from growth in the loan portfolio, a higher number of bonds held in the liquidity portfolio and increased holdings of cash reserves at the central bank as part of a liquidity buffer. On the funding side, the agency raised EUR 7.4bn on the international capital markets during H1/2025. Of this, around 34% was secured by means of issuing SDG Housing Bonds. Consequently, NWB has already collected more than 60% of its goal of a funding target amounting to EUR 11bn to EUR 13bn (average of EUR 12bn) for this year. The municipal financier was most recently present in the SSA primary market last week, when it placed a Water Bond issue, which is a construct devised by NWB itself. A total of EUR 1bn (7y) was issued at ms +31bp (guidance: ms +33bp area, order book: EUR 5bn), (cf. weekly publication of 24 September). Furthermore, the bank's strategic aim in the long term is for one-third of all the bonds it issues to carry an ESG label. With regard to the future, NWB assumes that the investment required to manage social challenges in the coming years will increase significantly, as will demand from clients for financing. Against this backdrop, the agency's loan portfolio is likely to increase further in H2/2025.



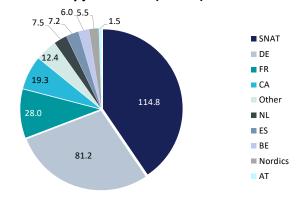
# SSA primary market activities as at the end of Q3/2025

As part of today's publication, we are taking a quick look at SSA primary market developments in the year to date. The new issuance volume in terms of EUR benchmark bond deals totalled EUR 283.2bn as at the end of September, which already exceeds the level for the full year 2024 (EUR 282.9bn). In total, 95 different issuers placed 187 bonds in the market. The demand side in the form of aggregated order books was also remarkable. At present, the figure amounts to EUR 1,734.7bn. We assume that the previous record level from 2021 is likely to be exceeded by the end of this year (FY/2021: EUR 1,831.2bn). Supranationals accounted for the largest part of the new issuance volume. All in all, EUR 114.8bn (39 bonds), or almost 41% of the total amount issued, were attributable to this group. At some distance behind, the German Laender, agencies and municipalities followed next, with a new issuance volume totalling EUR 81.2bn (73 bonds). French issuers completed the top three, with an aggregated volume of EUR 28bn divided across 20 ISINs. Recently, the focus has been on French agencies in particular, mainly as a result of the deterioration in the risk weights applied to these issuers in the wake of the downgrade to France's sovereign rating (cf. weekly publication of 24 September). With regard to individual issuers, the EU collected the biggest amount of capital at EUR 38.0bn (six bond issues), followed by the other established heavyweights, the EIB (EUR 31.0bn, seven bond issues) and KFW (EUR 22.0bn, six ISINs). In the ESG segment, an area that is equally important to investors and issuers, a total of EUR 88.6bn came onto the market in the period from January to September this year, distributed across 60 transactions. The ESG share in relation to the total new issuance volume accordingly amounted to approximately 31%. Green bonds dominated activities by a considerable margin, accounting for a total of EUR 44.1bn (50%). They were followed by sustainability bonds (EUR 22.3bn, 25%). At EUR 11.5bn, social bonds accounted for the smallest share (13%). Although tap issues are not traditionally included in our "big" dataset, they are always worth examining. As at the end of September, the issuers included in our coverage raised EUR 92.3bn in total by tapping 48 existing bond issues. In this respect, the EU accounted for the lion's share. It raised EUR 78.9bn by means of auctions and syndicated transactions. We now expect that the pace of primary market issuance activities will steadily slow over the course of the remaining months of the year. Bond maturities in the fourth quarter of the current year amount to EUR 46.4bn. However, it is unlikely that the entire amount will be refinanced.

# Issuance volume in the course of the relevant year

# 350 300 250 250 150 100 50 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec —2020 —2021 —2022 —2023 —2024 —2025

# Issuance volume by jurisdiction (EURbn)





# CAF – island nation of Grenada joins as new shareholder

The Latin American development bank Corporación Andina de Fomento (ticker: CAF) has gained a new shareholder, thereby expanding the group of shareholders after the inclusion of the Caribbean island state of Grenada. Now that Grenada's admission process has officially been concluded, the number of CARICOM (Caribbean Community and Common Market) Member States among CAF's 24 shareholders has risen to six. Since 2021, CAF has continually expanded its membership. In addition to the reintegration of Chile, the Dominican Republic, Honduras, El Salvador and Costa Rica have been admitted. Guatemala has also been approved as a member. Grenada's admission represents a further stage of CAF's growing commitment in the Caribbean. Previously, the Bahamas joined in November 2024, Antigua and Barbuda in May 2025, and St Lucia in June 2025 after a resolution by the Board of Directors of CAF. As things stand, further Latin American and Caribbean countries are currently at various stages of the admission process.

# Hessian Investment Fund – municipalities receive record level of support

At the beginning of September, Dr R. Alexander Lorz, Finance Minister of Hesse, published details on the promotional lending of Hessian Investment Fund for 2025. This year, 151 local authority projects are to be supported by means of various favourable types of loans to the tune of around EUR 362m. The districts, cities and municipalities in the federal state will therefore be receiving more capital than ever before from the regional government fund set up in 1970.

# Berlin – budget consolidation will remain a long-term responsibility

After State Minister (Senator) of Finance Stefan Evers proposed a budget, the Senate of Berlin (ticker: BERGER) resolved the city state's financial planning for the years spanning the period from 2025 to 2029. The relevant press release stated that against the backdrop of the current economic environment in Germany, the budget reflected difficult general conditions. Weak structural growth would have a negative impact on the city state budget. Moreover, Germany's capital city faces a large number of challenges. In addition to depleted financial reserves, interest expenses are set to continue to increase rapidly. The trend in pension expenses also represents an increasing burden on Berlin's budget. On this basis, consolidation of the city state's budget remains an urgent necessity. At the same time, the city reportedly intends to maintain its investment approach. As early as 2026, planned investment costs are to increase by +24% on 2025 - from EUR 4.7bn to EUR 5.8bn. Furthermore, from the coming year onwards, funds from the German federal government's specific infrastructure and climate neutrality fund are to be made available to finance projects for the first time. Over a period of twelve years, Berlin is to receive around EUR 435m per year from this pot. Additional financial resources from the federal government's special fund would therefore amount to around 5.3bn. According to information provided by the Senate of Berlin, it intends to draw on these investible funds and spend them as soon as possible. State Minister of Finance Stefan Evers explained: "Financial planning represents a strategic compass towards which our financial policy actions are geared. In the current situation, this means taking into account the enormous investment requirements while consistently continuing necessary consolidation measures and reforms at the same time. The top priority is to secure financial leeway for the future – without jeopardising our city's social balance. This takes courage and political will, both at national and state level."



# First issuers conclude their funding for 2025

Although (astronomical) autumn only began just over a week ago, the end of the year is already on the horizon. This is evident as much in the falling temperatures as it is in the fact that some issuers have already concluded their funding for 2025. In this context, the Asian Infrastructure Investment Bank (ticker: AIIB) announced after its third USD-denominated bond issue in benchmark format this year (3y, USD 2bn, order book: USD 6.2bn), that it had completed its funding activities for 2025. Domenico Nardelli, Treasurer at AIIB, said, "We are thrilled to conclude the 2025 funding programme with such a strong result. This year, AIIB has completed nine benchmark issuances across seven currencies, reflecting exceptional support from our global investor base and their confidence in AIIB's mission." AIIB was also present (again) with activities in the EUR benchmark bond segment this year. In May, it issued a <u>Sustainable Development Bond</u> (7y) worth EUR 1bn. The reoffer spread was ms +39bp (guidance ms +40bp area) and the order book amounted to EUR 1.8bn. In addition, KfW (ticker: KFW), Germany's biggest promotional bank, also concluded its benchmark-based funding programme for 2025 last week, with a bond issue worth EUR 3bn that was placed at ms +11bp (guidance: ms +13bp area).

# **Primary market**

Following numerous bond issues in the previous week(s), the SSA primary market was slightly less dynamic during the trading week under review. Nevertheless, issuers according to our SSA definition were certainly not standing idly by either. Starting in chronological order, as announced in the previous issue of our publication, the Dutch development bank Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO, ticker: NEDFIN) ventured onto the floor shortly after going to press. It issued the first social bond (5y) under its recently updated framework. A total of EUR 500m was placed at ms +18bp (guidance: ms +22bp area, order book: EUR 4.4bn). Yesterday, Tuesday, the federal state of North Rhine-Westphalia (ticker: NRW) seized the opportunity to meet its funding requirement by placing EUR 2bn (7y) at ms +26bp (guidance: ms +28bp area, bid-to-cover ratio: 1.7x). In this context, it is worth mentioning that the German sub-sovereign revised its funding requirement for the current year downwards by -15% to EUR 11.7bn, according to the information provided in its recently published investor presentation. Previously, the figure communicated had been EUR 13.7bn. Including the bond issued yesterday, NRW has raised EUR 11.4bn on the international capital markets in the current year. This means that it has (probably) completed at least its syndicated funding activities for 2025. In addition, our notes once again include a Canadian issuer to report on: the Province of British Columbia (ticker: BRCOL) raised EUR 2bn at ms +98bp (guidance: ms +100bp area) and selected a maturity of 20 years for this bond issue. In contrast, the Free and Hanseatic City of Hamburg (ticker: HAMBRG) decided to increase its 2035 bond issue. The amount issued was boosted by EUR 250m, placed at ms +32bp in line with the guidance (order book: EUR 265m). Furthermore, the EU has sent out its RfP to the relevant banking group for the upcoming third syndicated transaction in H2/2025 (cf. funding plan). A fascinating new mandate to mention relates to the Islamic Development Bank (ticker: ISDB), which intends to issue a green sukuk bond with a maturity of five years.

| Issuer | Country | Timing | ISIN         | Maturity | Size   | Spread   | Rating         | ESG |
|--------|---------|--------|--------------|----------|--------|----------|----------------|-----|
| BRCOL  | CA      | 30.09. | XS3197768347 | 20.0y    | 2.00bn | ms +98bp | AA+ / Aa1 / A+ | -   |
| NRW    | DE      | 30.09. | DE000NRW0P73 | 7.0y     | 2.00bn | ms +26bp | AAA / Aa1 / AA | -   |
| NEDFIN | NL      | 24.09. | XS3192981424 | 5.0y     | 0.50bn | ms +18bp | AAA / - / AAA  | Χ   |

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



# **Covered Bonds**

Teaser: EBA report on the review of the EU covered bond

framework

Authors: Alexander Grenner // Lukas Kühne // Dr Norman Rudschuck, CIIA

# Covered Bond Special: EBA report on the EU covered bond framework

After the European Banking Authority (EBA) submitted its long-awaited Report on the Review and Performance of the Covered Bond Directive (CBD) on 23 September, we would like to use this publication as an opportunity to present a structured summary of the EBA's proposed amendments to the CBD and other important legal acts in the context of covered bonds as part of a Covered Bond Special. This is due to be published in the coming days and will provide a detailed insight into the various topics analysed by the EBA. In particular, it will focus on the EBA's 29 recommendations for changes to the legal covered bond framework in the EU. The review of the covered bond framework, which has now been completed, was already laid out in Article 31 of the first version of the CBD and covers 14 main topics in total. In our focus article, we intend to take an initial look at two of the most relevant issues covered in the EBA report. In our view, these include the proposed changes to the CBD regarding the types of assets permitted in the cover pool and the pros and cons of a third-country equivalence regime.

# Cover pool assets defined in the CBD

Under Article 6 (1) CBD, three categories of assets are, in principle, eligible for cover pools. Category I comprises all seven types of cover pool assets defined in Article 129 (1) of the Capital Requirements Regulation (CRR). Mortgage loans, loans to public institutions and exposures to credit institutions form the three main assets classes, plus loans secured by maritime liens on ships. Only covered bonds whose cover pool assets are classified as Category I are entitled to use the label "European Covered Bond (Premium)", provided they meet all the other requirements outlined in Article 129 CRR, in particular para. 1a (limitation of the proportion of exposures to credit institutions) and para. 3 (valuation rules for immovable property). Category II mainly includes high-quality physical assets secured by a mortgage, lien, or other form of collateral. These include aircraft, ships, railways and mortgages that do not meet the requirements of Article 129 CRR, for example because their LTV is too high. Category II also includes high-quality assets that represent exposures to a counterparty with the power to levy taxes (such as central governments) as well as exposure to a counterparty that is subject to ongoing supervision of its operational soundness and financial solvency (usually credit institutions or insurance companies). Under Category III, loans to public enterprises may also be used as cover pool assets under certain conditions. According to Article 6 (4) CBD, public enterprises must provide essential public services, be subject to public oversight and be financially sound. The OC ratio for cover pools of this kind must come to at least 10%.



# Description of the problems and requested changes to cover pool assets

The definition of cover pool assets in categories I and II, and this is only in the CBD, has led to a very mixed picture in terms of how the directive is implemented in the individual Member States. While the seven asset classes defined in Article 129 CRR may be used in all EU Member States, this applies to assets from Category II in only half of the Member States and to assets from Category III in only six EU Member States (including Portugal and Slovakia). Notwithstanding the permission to include assets from categories II and III in the cover pool, these are hardly ever used in practice, according to the EBA. This is one of the reasons why the EBA recommends deleting categories II and III, i.e. Article 6 letters (b) and (c) CBD, and only retaining the seven cover assets defined in Article 129 (1) CRR. Along with the low utilisation of asset categories II and III, the EBA sees the lack of supervisory experience, inadequate investor protection mechanisms and the unclear definition of "highquality assets" - which leads to inconsistent implementation in national legislation - as problematic. In the event that the two categories are deleted, the EBA thinks this will hardly impact the functionality of the covered bond market. Issuers would still have the option of issuing covered bonds outside the legal framework of the CBD and could therefore continue to finance lower quality assets.

Covered bond structures: clarification of Article 9 CBDA is advisable according to the EBA Different structures are possible for covered bond issues. According to the definition under Article 8 CBD, covered bonds may be issued in bundles via an intra-group structure. Member States shall lay down rules for the issuance of covered bonds under such a structure, whereby internally issued bonds may be used as cover assets for the external issuance of another institution within the same group. Article 8 CBD defines minimum requirements, including the requirement that the issuance of external bonds must be intended for investors outside the group. A total of ten Member States have transposed this article into national law, but it is rarely applied in any jurisdiction, with the exception of Denmark. Article 9 CBD regulates the transfer of cover assets from a counterparty to the covered bond issuer. To do this, Articles 6 and 12 CBD must be met in particular. It is at the discretion of the national legislator to specify further requirements. Under Article 9 (3) CBD, assets from non-credit institutions may also be included in the cover pool. While 14 Member States have transposed the first two paragraphs of Article 9 CBD into national law, only eleven states have done so in the case of paragraph 3. According to the EBA, the use of this approach is severely limited due to stricter national requirements. Overall, the EBA considers the existing provisions under Articles 8 and 9 of the CBD to be sufficient, but identifies a potential interpretation issue between paragraphs 2 and 3 of Article 9 CBD. While paragraph 2 allows the transfer of financial collateral under Directive 2002/47/EC – which also covers non-credit institutions - paragraph 3 allows the use of assets belonging to noncredit institutions. The EBA argues that if a Member State implements both paragraphs, assets belonging to non-credit institutions can be included in the cover pool via financial collateral. As a recommendation, the supervisory body advises legislators to clarify the hierarchy between Article 9 (2) and (3) and define whether both provisions can be used simultaneously.



# Introduction of a third-country equivalence regime

The EBA has also examined in detail the possible introduction of a third-country equivalence regime. An equivalence regime for covered bonds from third countries would form the basis for preferential treatment in three relevant dimensions. 1) Preferential risk treatment; 2) Eligibility for LCR or NFSR treatment and 3) Central bank eligibility for repo transactions with the ECB. Market participants would welcome the introduction of a thirdcountry regime, as it should promote the harmonisation of covered bonds both within and outside the EU and improve the regulatory treatment of covered bonds. Overall, the EBA has identified various arguments for and against harmonisation. It sees short-term advantages primarily in the possible diversification of funding and investment strategies for issuers and investors and in the expansion of the European framework to third countries. The EU could then be perceived as a kind of trailblazer in this area and strengthen covered bonds as a product worldwide. However, the EBA also identifies risks in its report associated with the introduction of an equivalence regime, such as reputational problems that could arise in the event of a possible default on a covered bond from a third country considered to be "equivalent". Spillover effects on the EU market would be possible consequences. We will discuss other advantages and disadvantages in our special report.

# Three relevant dimensions of a third-country regime

The EBA identifies three relevant dimensions for the design of a third-country equivalence regime. In the first dimension, certain conditions would have to be met, consisting of the basic requirements for the issuance of covered bonds (see table), the maturity of the covered bond market in third countries and cooperation with the competent authorities of a third country on the basis of reciprocity. The second dimension covers the scope of the equivalence assessment, which includes the main CBD principles and also clarifies how compliance with Article 129 CRR can be achieved. Finally, the third dimension involves the practical steps of the procedure for introducing the regime. In the following, we would in particular like to take a closer look at dimensions two (scope of the equivalence assessment) and three (designing the implementation process).

| , , , , , , , , , , , , , , , , , , ,  |                  |                    |  |  |  |  |  |
|--|------------------|--------------------|--|--|--|--|--|
| Principles for<br>European CB label    | Article<br>(CBD) | Article<br>(Basel) | Description  |  |  |  |  |
| Nature of the issuer                   | 2                | CRE20.33           | The issuer is a credit institution established in the applicant country, i.e. an entity the business activities of which include the kind mentioned in Article 4(1)(1) of the CRR (316) and is subject to prudential supervision as well as to supervision for compliance with mandatory covered bond law. The requirement implies equivalence of treatment of unsecured exposures as per Article 119 of the CRR, (317) and it is assessed against the COM Implementing Decision on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with the CCR. (318) The issuer is supervised by a foreign authority whose confidentiality and professional secrecy regime has been deemed equivalent. |  |  |  |  |
| Fundamental definition of covered bond | 3(1)             | CRE20.33           | The instrument is a debt obligation that is issued by a credit institution and secured by cover assets to which covered bond investors have direct recourse as preferred creditors in accordance with the applicable insolvency law.   |  |  |  |  |

Source: EBA, NORD/LB Floor Research



# Scope of the equivalence assessment and designing the implementation process

According to the EBA's recommendation, an equivalence assessment should be closely aligned with the basic principles of the CBD – i.e. key requirements such as a dual recourse structure, public oversight and transparency obligations. In addition, the report also provides for covered bonds from third countries to be given preferential treatment under the CRR (e.g. lower risk weight or LCR eligibility). To this end, the third country would have to provide, among other aspects, an official list of covered bonds potentially eligible under the CRR and also supply a legally verified confirmation that the contractual terms comply with EU standards. This should also give investors in third country bonds the same protection as for EU covered bonds. Moreover, if approved, such bonds could be marketed as "European Covered Bonds (Premium)". The actual implementation process should begin with a formal application from the competent supervisory authority of the jurisdiction to the European Commission. In specific terms, the required steps include (1) a selfassessment of market readiness, regulatory proximity and supervisory structure; (2) legal documentation translated into English and (3) a letter of intent on reciprocity with EU covered bonds. The EBA will then assess the equivalence of content based on specified criteria, while the European Commission has the final say. At the same time, the process provides for close cooperation with the national supervisory authorities of the EU Member States in order to ensure consistency and reliability of recognition.

# **Summary and conclusion**

In summary, the EBA Report on the Review and Performance of the Covered Bond Directive contains a comprehensive collection of proposed amendments from the supervisory authority. Taking two of the most relevant topics in this report, we have outlined the legal basis and the deliberation processes relevant to the EBA in its decision-making. It is striking that the EBA is keen to have clear and unambiguous definitions in the CBD, while always keeping in mind the individual circumstances in the different Member States. For example, it cites the unclear definition of high-quality assets as a reason for proposing that the categories of cover pool assets defined in Article 6 letters (b) and (c) be deleted. In addition, the EBA calls on Member States to incorporate a clear distinction between primary and secondary cover pool assets in their national legislation. Furthermore, the EBA advocates the introduction of an equivalence regime for covered bonds from third countries to strengthen the EU market internationally, to broaden the investor base and access to capital, and to set global standards. In the EBA's opinion, advantages such as higher demand and market integration outweigh potential risks such as additional competition or reputational damage. However, this is subject to strict minimum standards (regulated institutions, dual recourse structure, market maturity, reciprocity) and close scrutiny according to CBD and CRR principles. Successful implementation could lead to a robust regime that ensures long-term growth and confidence in the covered bond market, while positioning the EU as a kind of trailblazer. Now, however, the ball is back in the court of European legislators to take the next steps towards adapting the covered bond legal framework in the EU.



# SSA/Public Issuers Update on German municipality bonds: DEUSTD and NRWGK

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## Introduction

In February 2014, six cities in North Rhine-Westphalia placed what was then the largest municipal communal bond in Germany to date. It was the first time in the history of Germany that half a dozen cities in one of the German Laender raised funds jointly on the capital market. Since then, German cities and municipalities have looked for new, albeit established forms of financing, as more and more banks have given up traditional credit-based municipal financing in response to ever diminishing yields. So far, seven joint NRW municipality bonds have been issued under the ticker NRWGK, of which four are still outstanding. The composition of the local authorities involved has varied from one issue to another. As things stand at present, the bonds are set to mature between June 2026 and August 2032 with outstanding volumes of EUR 125-250m. The last bond in benchmark format matured last February. Municipality bonds offer a series of attractive advantages for cities and municipalities: as already mentioned, this opens up a new funding avenue, the use of which spares existing lines of credit from the authorities' main banks. Moreover, the joint municipality bond approach makes it possible to take advantage of economies of scale. However, such issues also pose challenges: fixed costs, arranger fees, legal advice and similar costs. In some cases, issuers also have to factor in requirements associated with sustainabilityrelated reporting when the bond to be placed is in ESG format. Even though the ECB began to initiate a downward interest turnaround in June 2024, refinancing costs currently remain high for municipalities. This is mainly due to the spread widening that has taken place in relation to Bunds and Laender bonds.

# Inaugural German cities bond - ticker: DEUSTD

An innovative new bond was launched for the first time on the German bond market at the end of November 2018: the security issued was innovative in that cities from various German Laender were active in the market jointly for the first time under the ticker DEUSTD. The issuers of Bochum, Celle, Emden, Essen and Saarbrücken participated in the bond with varying amounts: Essen (EUR 55m), Saarbrücken (EUR 55m) and Bochum (EUR 50m) had the largest stake in the bond, which totalled EUR 200m overall, while Emden (EUR 25m) and Celle (EUR 15m) had a much smaller share. Such differences are not unusual in this segment and were also a feature of the joint municipal bonds from NRW. Although the order book was strongly oversubscribed at just over EUR 336m, the issue size was not increased. Strong demand nevertheless speaks to the appeal of joint city bonds as an asset class. The coupon was set at 1% and, at ms +20bp, pricing of the ten-year bond was a few basis points more expensive for investors than expected. Most recently (30 September 2025), the bond was trading at around 95% of its nominal value and the yield would have been just under 2.6% for current buyers. At one time, banks and savings banks were the main buyers, with 14% of the bond being sold to investors outside Germany. This new form of bond transfers the principle behind the Joint Laender issuance vehicle (ticker: LANDER) to lower administrative levels.



# Municipal downward spiral: budget deficits at record level in 2024

In 2024, German municipalities and municipal associations reported a record budget deficit of EUR -24.8bn (core and additional budgets). In the prior year, the municipal balance was still EUR -6.6bn, with the deficit almost quadrupling based on a direct year-on-year comparison. Adjusted municipal expenditure in 2024 rose by +12.6% to a total of EUR 400.9bn and, in terms of core budgets, was mainly driven by social benefits, which rose by +11.7% to EUR 84.5bn. This reflected higher rates for citizen's income (Bürgergeld) and for income support. Core budgets were also hit by a +8.9% rise to EUR 88.1bn in personnel expenses, primarily due to wage increases and staff growth. Interest expenses rose sharply again, by +39.2% to EUR 4.1bn. Although the adjusted revenues of municipal budgets rose by +7.6% year on year to stand at EUR 376.1bn in 2024, this was not nearly enough to offset the rise in expenditure. Overall, tax revenues rose only moderately by +1.5%.

# ESG also gaining ground among municipalities

To talk of sustainability bonds as a trend does not do justice to either their volume or significance. It is a fact that sustainability is a growing topic for municipalities as well and we welcome this development. Hanover, the capital of Lower Saxony (ticker: HANNOV), led the way in 2018 with the issue of a Green & Social Schuldscheindarlehen (SSD) from which it raised EUR 100m for 30 years on the capital market, subsequently investing the proceeds exclusively in the municipal housing stock. Last May, Lower Saxony issued its second ESG SSD deal worth EUR 250m, with terms ranging from 12 to 30 years agreed with investors. Sustainable municipal securities are now also well established in Bavaria: in 2020, the city of Munich (ticker: MUENCH) placed its first social bond. The volume was EUR 120m (12y) and was used to secure affordable housing. In June 2024, the city of Munich decided to extend its presence in the ESG segment with a seven year green bond worth EUR 300m (reoffer spread: ms +47bp). In September 2022, the city of Münster (ticker: MUENST) in NRW was the first to successfully to place a green SSD for environmental and social investment purposes on the market. In light of lively interest, the city opted to increase the size of the bond from an initially planned EUR 100m to EUR 140m. The second green bond (for EUR 170m) followed in May 2024. The city of Cologne (ticker: KOELNC) is now also ranked among the issuers of green municipality bonds. After announcing precise details for the placement of a green bond in December 2022, the issue took place in February 2024 (volume: EUR 150m). In April 2025, the city of Offenbach joined the small group of municipal ESG bond issuers, becoming the first municipality in Hesse to issue a green SSG in the amount of EUR 136.5m.

# **Database of DEUSTD participants**

In the following section, we look at transactions that have taken place to date along with the municipal and regional authorities involved in the inaugural German cities bond, focusing on economic figures, budget and borrowing data from vdpKommunalScore provided by vdpExpertise GmbH. In order to avoid inaccuracies caused by different accounting policies (single and double-entry), the ongoing income and expenses of bodies using single-entry accounting are adjusted. Imputed variables, transfers from the administrative to the capital budget and target shortfalls in the administrative budget are not taken into account.



| Economic and structural key metric     | cs      |         |         |         |          |
|--|---------|---------|---------|---------|----------|
| Population                             | 2019    | 2020    | 2021    | 2022    | 2023     |
| Bochum (independent city)              | 365,587 | 364,454 | 363,441 | 365,742 | 366,385  |
| Celle (independent municipality)       | 69,540  | 69,399  | 69,279  | 70,138  | 70,293   |
| Emden (independent city)               | 49,913  | 49,874  | 49,523  | 50,535  | 50,659   |
| Essen (independent city)               | 582,760 | 582,415 | 579,432 | 584,580 | 586,608  |
| Saarbrücken (independent municipality) | 180,374 | 179,349 | 179,634 | 181,959 | 183,509  |
| Population growth rate in %            | 2019    | 2020    | 2021    | 2022    | 2023     |
| Bochum (independent city)              | 0.26%   | -0.31%  | -0.28%  | 0.63%   | 0.18%    |
| Celle (independent municipality)       | -0.09%  | -0.20%  | -0.17%  | 1.22%   | 0.22%    |
| Emden (independent city)               | -0.56%  | -0.08%  | -0.70%  | 2.04%   | 0.25%    |
| Essen (independent city)               | -0.06%  | -0.06%  | -0.51%  | 0.89%   | 0.35%    |
| Saarbrücken (independent municipality) | -0.20%  | -0.57%  | 0.16%   | 1.29%   | 0.85%    |
| Nominal GDP per capital in EUR         | 2019    | 2020    | 2021    | 2022    | 2023e    |
| Bochum (independent city)              | 34,990  | 34,952  | 38,124  | 42,676  | 42,676*  |
| Celle (independent municipality)       | 30,770  | 30,040  | 32,949  | 35,418  | 35,418*  |
| Emden (independent city)               | 75,088  | 65,332  | 67,683  | 71,619  | 71,619*  |
| Essen (independent city)               | 45,158  | 44,489  | 46,522  | 48,277  | 48,277*  |
| Saarbrücken (independent municipality) | 44,709  | 43,671  | 46,168  | 48,598  | 48,598*  |
| Germany                                | 41,810  | 40,929  | 43,481  | 46,264  | 46,264*  |
| Nominal GDP per capital in %           |         |         |         |         |          |
| in relation to Germany                 | 2019    | 2020    | 2021    | 2022    | 2023e    |
| Bochum (independent city)              | 83.69%  | 85.40%  | 87.68%  | 92.24%  | 92.24%*  |
| Celle (independent municipality)       | 73.59%  | 73.40%  | 75.78%  | 76.56%  | 76.56%*  |
| Emden (independent city)               | 179.59% | 159.62% | 155.66% | 154.81% | 154.81%* |
| Essen (independent city)               | 108.01% | 108.70% | 106.99% | 104.35% | 104.35%* |
| Saarbrücken (independent municipality) | 106.93% | 106.70% | 106.18% | 105.04% | 105.04%* |
| Unemployment rate in %                 | 2019    | 2020    | 2021    | 2022    | 2023     |
| Bochum (independent city)              | 8.5%    | 9.4%    | 9.1%    | 8.6%    | 8.6%     |
| Celle (independent municipality)       | 5.7%    | 6.4%    | 6.0%    | 5.5%    | 5.7%     |
| Emden (independent city)               | 8.2%    | 9.0%    | 8.5%    | 8.2%    | 8.1%     |
| Essen (independent city)               | 10.2%   | 11.0%   | 10.8%   | 10.0%   | 10.5%    |
| Saarbrücken (independent municipality) | 8.8%    | 10.3%   | 9.6%    | 8.8%    | 9.5%     |
| Germany                                | 5.0%    | 5.9%    | 6.3%    | 5.3%    | 5.7%     |

Source: vdpKommunalScore, Federal Statistical Office, NORD/LB Floor Research

<sup>\*</sup> taken from the previous year



# Structural data

If we look at the economic and structural figures of the cities involved in the inaugural DEUSTD issue, it is clear that there are considerable differences. These vary significantly firstly in terms of the number of inhabitants and secondly in their economic performance. For example, in terms of population, Essen is almost 12 times bigger than Emden, but nominal per capita GDP in the East Frisian city, whose economy is dominated by the automotive manufacturer VW and various suppliers, the industrial harbour, tourism and the growing renewable energy market, is by far the highest of the five municipalities. Each of the cities reported fairly constant population figures last year – albeit the trend is rising slightly. Apart from Emden and Bochum, where the unemployment rate fell slightly or remained unchanged, all the other regional and local authorities reported an increase. Moreover, the unemployment rate in 2023 was higher than the German average in almost all the municipalities under consideration. Only the unemployment rate in Celle was on a par with the national average at 5.7%. In a direct city comparison, unemployment was lowest in Celle, while Essen had the highest rate of 10.5%.

| Key budget metrics                     |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| Current revenues (EURm)                | 2019      | 2020      | 2021      | 2022      | 2023      |
| Bochum (independent city)              | 1,413.64  | 1,446.06  | 1,568.75  | 1,634.00  | 1,740.76  |
| Celle (independent municipality)       | 201.12    | 181.71    | 176.90    | 167.13    | 178.88    |
| Emden (independent city)               | 164.79    | 166.48    | 186.99    | 182.45    | 218.76    |
| Essen (independent city)               | 3,042.35  | 3,176.61  | 3,203.03  | 3,296.80  | 3,626.14  |
| Saarbrücken (independent municipality) | 490.02    | 552.18    | 498.23    | 526.45    | 572.88    |
| Current expenses (EURm)                | 2019      | 2020      | 2021      | 2022      | 2023      |
| Bochum (independent city)              | 1,282.65  | 1,339.16  | 1,447.81  | 1,474.84  | 1,566.09  |
| Celle (independent municipality)       | 182.61    | 148.05    | 152.49    | 164.24    | 173.52    |
| Emden (independent city)               | 157.47    | 165.64    | 175.66    | 187.73    | 214.53    |
| Essen (independent city)               | 2,832.43  | 2,973.15  | 3,134.32  | 3,153.48  | 3,436.95  |
| Saarbrücken (independent municipality) | 450.77    | 451.69    | 444.90    | 492.62    | 555.06    |
| Of which interest payments (TEUR)      | 2019      | 2020      | 2021      | 2022      | 2023      |
| Bochum (independent city)              | 18,706.68 | 19,831.58 | 15,793.44 | 17,097.08 | 26,826.56 |
| Celle (independent municipality)       | 3,711.59  | 3,308.48  | 3,098.92  | 2,604.91  | 2,052.32  |
| Emden (independent city)               | -736.13   | -1,401.49 | -1,678.00 | -1,569.75 | -609.22   |
| Essen (independent city)               | 31,330.51 | 25,627.55 | 24,170.25 | 20,682.98 | 38,290.32 |
| Saarbrücken (independent municipality) | 10,761.64 | 10,089.74 | 9,974.02  | 9,345.63  | 7,835.40  |
| Interest payments as %                 |           |           |           |           |           |
| of current revenues                    | 2019      | 2020      | 2021      | 2022      | 2023      |
| Bochum (independent city)              | 1.32%     | 1.37%     | 1.01%     | 1.05%     | 1.54%     |
| Celle (independent municipality)       | 1.85%     | 1.82%     | 1.75%     | 1.56%     | 1.15%     |
| Emden (independent city)               | -0.45%    | -0.84%    | -0.90%    | -0.86%    | -0.28%    |
| Essen (independent city)               | 1.03%     | 0.81%     | 0.75%     | 0.63%     | 1.06%     |
| Saarbrücken (independent municipality) | 2.20%     | 1.83%     | 2.00%     | 1.78%     | 1.37%     |
|  |           |           |           |           |           |

Source: vdpKommunalScore, NORD/LB Floor Research



# **Key budget metrics**

There are also major differences in the size of the cities' budgets due to the differences in population. As expected, Essen, where both revenues and expenses in 2023 were higher than in the four other municipalities put together, stands out in this regard. It is noticeable that interest payments have risen considerably year on year, particularly in Essen and Bochum. This is also evident in relation to current revenues, where the city of Bochum (1.54%) has now assumed the unenviable mantle of top spot from Saarbrücken. The reverse is true of Emden, which only reported interest income in the period under review, albeit at a slightly lower level (again) recently.

| Key debt figures                       |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Total debt (EURm)                      | 2019     | 2020     | 2021     | 2022     | 2023     |
| Bochum (independent city)              | 1,722.45 | 1,777.88 | 1,756.51 | 1,709.33 | 1,779.76 |
| Celle (independent municipality)       | 272.52   | 269.22   | 252.32   | 250.94   | 264.00   |
| Emden (independent city)               | 199.03   | 198.90   | 219.00   | 254.80   | 276.76   |
| Essen (independent city)               | 3,357.57 | 3,034.72 | 3,050.64 | 3,065.72 | 3,086.06 |
| Saarbrücken (independent municipality) | 1,379.02 | 1,293.66 | 1,250.96 | 1,620.69 | 1,074.70 |
| Debt per capita (EUR)                  | 2019     | 2020     | 2021     | 2022     | 2023     |
| Bochum (independent city)              | 4,711.45 | 4,878.19 | 4,833.00 | 4,673.59 | 4,857.61 |
| Celle (independent municipality)       | 3,918.93 | 3,879.37 | 3,642.03 | 3,577.80 | 3,755.77 |
| Emden (independent city)               | 3,987.62 | 3,988.04 | 4,422.10 | 5,041.98 | 5,463.25 |
| Essen (independent city)               | 5,761.50 | 5,210.57 | 5,264.87 | 5,244.31 | 5,260.85 |
| Saarbrücken (independent municipality) | 7,645.36 | 7,213.10 | 6,963.96 | 8,906.88 | 5,856.40 |
| Debt as % of total revenues            | 2019     | 2020     | 2021     | 2022     | 2023     |
| Bochum (independent city)              | 117.55%  | 118.70%  | 108.13%  | 100.78%  | 97.58%   |
| Celle (independent municipality)       | 132.17%  | 136.56%  | 131.59%  | 140.57%  | 133.25%  |
| Emden (independent city)               | 117.11%  | 114.19%  | 113.65%  | 133.84%  | 122.28%  |
| Essen (independent city)               | 106.44%  | 92.36%   | 91.88%   | 89.50%   | 82.63%   |
| Saarbrücken (independent municipality) | 276.22%  | 226.29%  | 246.59%  | 303.09%  | 184.93%  |
| Share of Kassenkredite as % of debt    |          |          |          |          |          |
| of original administration             | 2019     | 2020     | 2021     | 2022     | 2023     |
| Bochum (independent city)              | 26.75%   | 25.38%   | 22.58%   | 17.40%   | 16.67%   |
| Celle (independent municipality)       | 24.43%   | 22.35%   | 21.09%   | 21.03%   | 26.04%   |
| Emden (independent city)               | 0.00%    | 0.00%    | 0.00%    | 0.00%    | 6.63%    |
| Essen (independent city)               | 48.46%   | 42.09%   | 40.07%   | 36.83%   | 33.26%   |
| Saarbrücken (independent municipality) | 61.47%   | 55.53%   | 52.83%   | 48.10%   | 44.92%   |

Source: vdpKommunalScore, NORD/LB Floor Research



# **Key debt metrics**

The level of debt of the five cities under consideration stood at between just under 85% and 140% of revenues in the case of Bochum, Celle, Emden and Essen in the period from 2019 to 2023. By contrast, this figure was significantly higher in Saarbrücken, averaging 247% during the period under review. In 2023, however, Saarland managed to significantly reduce its overall debt and increase its revenue (once again), resulting in debt measured against total revenue reaching its lowest level since 2019 at around 185%. Nevertheless, this remained well above the level of the other regional and local authorities, all of which were also able to improve their debt ratios. It is worth taking a look at short-term liabilities in the form of Kassenkredite: while Emden has made use of such loans again for the first time since 2019, the trend in other cities, with the exception of Celle, has been consistently downwards. An important factor in the context of debt and debt sustainability is that municipalities can fundamentally never go bankrupt. Insolvency is not possible for a municipality under Section 128 (2) GO NRW (municipal code for the Bundesland of North Rhine-Westphalia) and Section 12 (1) InsO (German Insolvency Act). Ultimately, the federal states act as guarantors for their municipalities and, in accordance with the principle of federal loyalty, the Bund, or federal German government, provides an implicit guarantee for the German Laender.

# **Explanation of the following table**

In the following section, we look at transactions that have taken place to date in the German municipality bond segment. The table does not include SSD deals (both conventional and those carrying a form of ESG label) of the kind issued by the cities of Hanover or Cologne for example, among other aspects. With the exception of the relevant NRW cities bonds, we no longer list bonds which have matured in this table. In our view, the existing data nevertheless ensures adequate comparability of pricing. Especially in the case of the city of Dortmund, it is clear how refinancing costs have risen over the last few years. Another highlight is likely to be Munich's latest transaction, with the Bavarian capital being the first German municipality to issue a benchmark bond.

Initial

Initial

# German municipality bonds (outstanding): issuance history

| Issuer                | Coupon | Timing   | ISIN         | Maturity | Spread   | Volume |
|-----------------------|--------|----------|--------------|----------|----------|--------|
| NRW Cities #1         | Fix    | 06.02.14 | DE000A11QCH9 | 4.0y     | ms +35bp | 500m*  |
| NRW Cities #2         | Fix    | 19.02.15 | DE000A14KP45 | 10.0y    | ms +50bp | 500m   |
| NRW Cities #3         | Fix    | 10.06.15 | DE000A161UQ4 | 7.0y     | ms +40bp | 250m   |
| Bochum                | Fix    | 11.05.16 | DE000A2AATG1 | 10.0y    | ms +50bp | 115m   |
| NRW Cities #4         | Fix    | 31.05.16 | DE000A2AAWM3 | 10.0y    | ms +49bp | 125m   |
| Dortmund              | Fix    | 22.03.17 | DE000A2E4YF9 | 10.0y    | ms +35bp | 140m   |
| NRW Cities #5         | Fix    | 04.04.17 | DE000A2DALY5 | 10.0y    | ms +38bp | 250m   |
| Ludwigshafen          | Fix    | 28.11.17 | DE000A2GSSS7 | 10.0y    | ms +22bp | 150m   |
| NRW Cities #6         | Fix    | 20.02.18 | DE000A2G8VA5 | 10.0y    | ms +24bp | 250m   |
| Joint Cities (DEUSTD) | Fix    | 28.11.18 | DE000A2LQRG8 | 10.0y    | ms +20bp | 200m   |
| Dortmund              | Fix    | 14.10.19 | DE000A2YN264 | 10.0y    | ms +17bp | 130m   |
| Munich                | Fix    | 11.02.20 | DE000A254SP3 | 12.8y    | ms +15bp | 120m   |
| Bochum                | Fix    | 11.11.20 | DE000A289FM3 | 10.0y    | ms +23bp | 250m   |
| NRW Cities #7         | Fix    | 24.08.22 | DE000A30VKN0 | 10.0y    | ms +25bp | 125m   |
| Dortmund              | Fix    | 23.05.23 | DE000A351TQ3 | 7.0y     | ms +38bp | 110m   |
| Munich                | Fix    | 18.09.24 | DE000A383VA6 | 7.0y     | ms +47bp | 300m   |
| Dortmund              | Fix    | 30.02.25 | DE000A4DFC81 | 7.0y     | ms +65bp | 150m   |
| Bochum                | Fix    | 01.04.25 | DE000A4DFSW9 | 8.0y     | ms +68bp | 200m   |
| Munich                | Fix    | 18.09.25 | DE000A460N04 | 9.0y     | ms +50bp | 500m   |
|                       |        |          |              |          |          |        |

<sup>\*</sup> Subsequently increased by EUR 100m Source: Bloomberg, NORD/LB Floor Research



# Overview – municipal bonds from NRW

A look in the rearview mirror provides the most important key figures for the seven joint municipal bonds issued so far by North Rhine-Westphalia under the ticker NRWGK. The eighth bond in this format was in the starting blocks in autumn 2024, but it never made it to our screens. A record seven cities would have come together for joint funding purposes and the bond was set to have a nine-year maturity. However, as the transaction eventually came to nothing, two of the cities involved — Dortmund and Bochum — decided to raise fresh capital individually on the SSA primary market in spring 2025.

# Joint NRW municipality bonds (ticker: NRWGK)

| Joint municipal bond #1 (alı | ready matured) |           | Joint municipal bond #2 (al | ready matured) |          |
|------------------------------|----------------|-----------|-----------------------------|----------------|----------|
| City                         | Share          | Size      | City                        | Share          | Size     |
| Dortmund                     | 20%            | EUR 400m  | Bochum                      | 25%            | EUR 500m |
| Essen                        | 28%            | Coupon    | Essen                       | 40%            | Coupon   |
| Herne                        | 8%             | 1.125%    | Herne                       | 10%            | 1.125%   |
| Remscheid                    | 18%            | Maturity  | Remscheid                   | 5%             | Maturity |
| Solingen                     | 6%             | 4 years   | Solingen                    | 10%            | 10 years |
| Wuppertal                    | 20%            | Increase  | Wuppertal                   | 10%            | Increase |
| Total                        | 100%           | Yes       | Total                       | 100%           | No       |
| Issued: February 2014        |                | EUR +100m | Issued: February 2015       |                |          |
| Joint municipal bond #3 (ali | ready matured) |           | Joint municipal bond #4     |                |          |
| City                         | Share          | Size      | City                        | Share          | Size     |
| Bielefeld                    | 20%            | EUR 250m  | Hagen                       | 30%            | EUR 125m |
| Essen                        | 20%            | Coupon    | Remscheid                   | 30%            | Coupon   |
| Gelsenkirchen                | 24%            | 1.25%     | Solingen                    | 40%            | 1.00%    |
| Hagen                        | 16%            | Maturity  | Total                       | 100%           | Maturity |
| Remscheid                    | 20%            | 7 years   |                             |                | 10 years |
| Total                        | 100%           | Increase  |                             |                | Increase |
| Issued: June 2015            |                | No        | Issued: May 2016            |                | No       |
| Joint municipal bond #5      |                |           | Joint municipal bond #6     |                |          |
| City                         | Share          | Size      | City                        | Share          | Size     |
| Essen                        | 42%            | EUR 250m  | Essen                       | 44%            | EUR 250m |
| Gelsenkirchen                | 30%            | Coupon    | Hagen                       | 16%            | Coupon   |
| Remscheid                    | 16%            | 1.00%     | Herne                       | 16%            | 1.375%   |
| Solingen                     | 12%            | Maturity  | Remscheid                   | 8%             | Maturity |
|                              |                | 10 years  | Solingen                    | 16%            | 10 years |
| Total                        | 100%           | Increase  | Total                       | 100%           | Increase |
| Issued: April 2017           |                | No        | Issued: February 2018       |                | No       |
| Joint municipal bond #7      |                |           |                             |                |          |
| City                         | Share          | Size      |                             |                |          |
| Essen                        | 44%            | EUR 125m  |                             |                |          |
| Hagen                        | 32%            | Coupon    |                             |                |          |
| Remscheid                    | 24%            | 1.95%     |                             |                |          |
|                              |                | Maturity  |                             |                |          |
|                              |                | 10 years  |                             |                |          |
| Total                        | 100%           | Increase  |                             |                |          |
| Issued: August 2022          |                | No        |                             |                |          |

Source: Issuers, NORD/LB Floor Research



# Each city is liable in accordance with its share

Things become more interesting if a debtor gets into arrears in repayment of the bond or defaults. In such a case, the rules governing liability within the group of issuing cities are as follows: the joint debtors of the bond are the respective participating cities, which are only liable in line with their share of the bond. Interest payments must also be made in proportion to these shares. The creditworthiness of a city will not be affected if one of the issuing cities gets into financial difficulties during the term of the bond or at the repayment date. For the reasons mentioned above, they are not subject to "financial problems" (in the narrower sense). Furthermore, municipalities are not rated, nor are any joint cities bonds. These factors are also key for some investors, since each participant in the issuer group often requires a separate check and/or due diligence, and the participating municipalities frequently change from bond to bond. Furthermore, regarding regulatory treatment: all German municipality bonds benefit from a 0% risk weight under CRR/Basel III, a classification as a Level 1 asset in the context of the LCR as well as preferential treatment under Solvency II. They therefore benefit from the same regulatory advantages as German Laender bonds or Bunds. In our opinion, the ECB will also accept such securities to collateralise central bank liquidity. We furthermore assume that municipal Schuldscheindarlehen (SSD) will be treated identically to municipal bonds from a regulatory perspective.

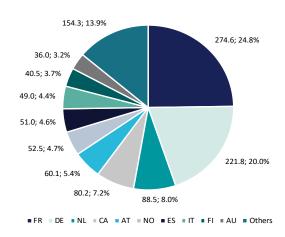
# **Conclusion and outlook**

Cities and municipalities are likely to continue joining forces on a regular basis to issue joint bonds. One of the crucial arguments for issuers is likely to remain unchanged, namely that they can appeal to more investors by issuing comparatively larger amounts, which in turn is likely to have a favourable impact on refinancing costs. On top of this, the regulatory burden associated with a joint city bond and the associated costs are often too much for the cities involved on their own. SSDs, which offer advantages over bearer bonds due to their streamlined documentation and the fact that they are both familiar to and popular with investors, therefore constitute a sensible alternative. Although international investors have also become far more aware of SSDs in recent years, they are still unlikely to be as familiar as traditional bonds. In addition, jointly issued bonds frequently involve a lot of paperwork for institutional investors since, depending on their internal guidelines, they require a separate credit line for each municipality. Even though the size of the first German cross-Laender cities bond was not especially large at EUR 200m, it is nevertheless fair to say that joint bond issuances on the part of cities and municipalities across Laender borders should continue to function in future. As far as ESG topics are concerned, many municipalities that have not been able to put in place a suitable framework to date face similar challenges. In addition, there are strict and costly reporting standards involved in the issuance of securities in this format even after placement. However, on balance, ESG topics should enjoy an ongoing boost since many municipalities are likely to face similar dilemmas in order to be better equipped for the future. Nevertheless, cities such as Hanover or Munich have already done a lot of the groundwork, which municipalities can use to guide their own plans. Going forward, therefore, we not only expect further joint new issues by cities, but also fresh supplies in the ESG segment.

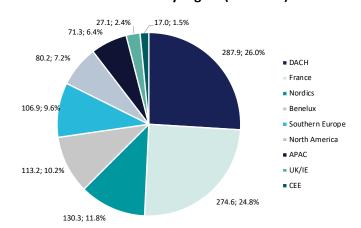


# Charts & Figures Covered Bonds

# **EUR** benchmark volume by country (in EURbn)



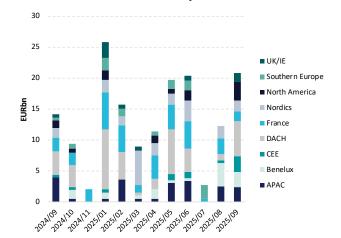
# EUR benchmark volume by region (in EURbn)



**Top 10 jurisdictions** 

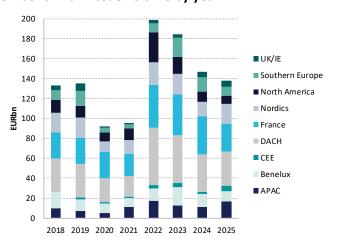
| Rank | Country | Amount outst.<br>(EURbn) | No. of<br>BMKs | There of ESG BMKs | Avg.<br>issue size<br>(EURbn) | Avg. initial<br>maturity<br>(in years) | Avg. mod.<br>Duration<br>(in years) | Avg. coupon<br>(in %) |
|------|---------|--------------------------|----------------|-------------------|-------------------------------|--|-------------------------------------|-----------------------|
| 1    | FR      | 274.6                    | 267            | 37                | 0.97                          | 9.0                                    | 4.5                                 | 1.71                  |
| 2    | DE      | 221.8                    | 311            | 49                | 0.66                          | 7.7                                    | 3.6                                 | 1.74                  |
| 3    | NL      | 88.5                     | 88             | 4                 | 0.94                          | 10.1                                   | 5.3                                 | 1.54                  |
| 4    | CA      | 80.2                     | 59             | 1                 | 1.34                          | 5.5                                    | 2.4                                 | 1.69                  |
| 5    | AT      | 60.1                     | 99             | 5                 | 0.60                          | 7.9                                    | 3.6                                 | 1.68                  |
| 6    | NO      | 52.5                     | 63             | 11                | 0.83                          | 7.0                                    | 3.2                                 | 1.40                  |
| 7    | ES      | 51.0                     | 44             | 4                 | 1.05                          | 10.1                                   | 3.4                                 | 2.29                  |
| 8    | IT      | 49.0                     | 63             | 6                 | 0.75                          | 8.2                                    | 3.7                                 | 2.15                  |
| 9    | FI      | 40.5                     | 48             | 5                 | 0.83                          | 6.6                                    | 3.1                                 | 1.92                  |
| 10   | AU      | 36.0                     | 35             | 0                 | 1.03                          | 7.1                                    | 3.3                                 | 1.97                  |

# EUR benchmark issue volume by month



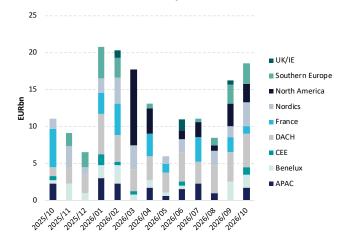
# Source: Market data, Bloomberg, NORD/LB Floor Research

# EUR benchmark issue volume by year

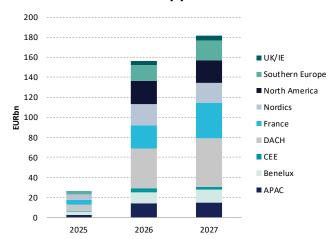




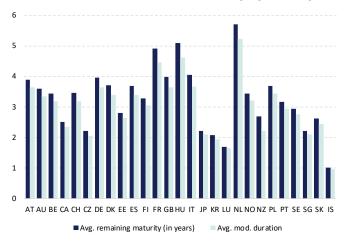
# **EUR benchmark maturities by month**



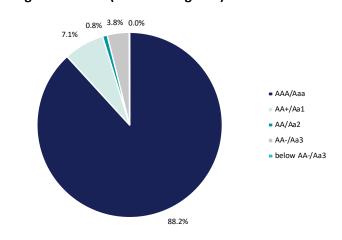
# EUR benchmark maturities by year



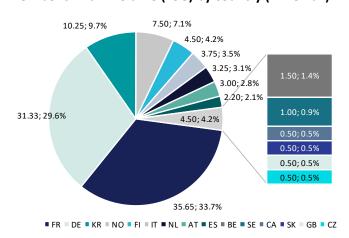
# Modified duration and time to maturity by country



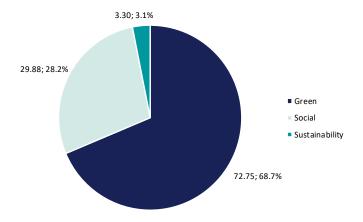
Rating distribution (volume weighted)



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



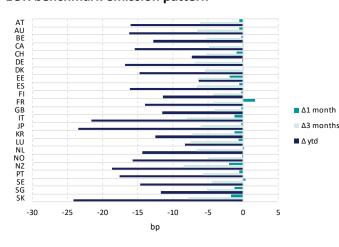
# EUR benchmark volume (ESG) by type (in EURbn)



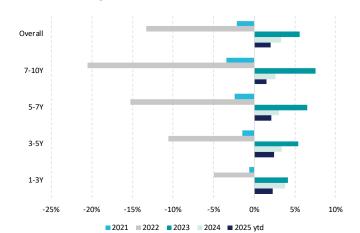
Source: Market data, Bloomberg, NORD/LB Floor Research



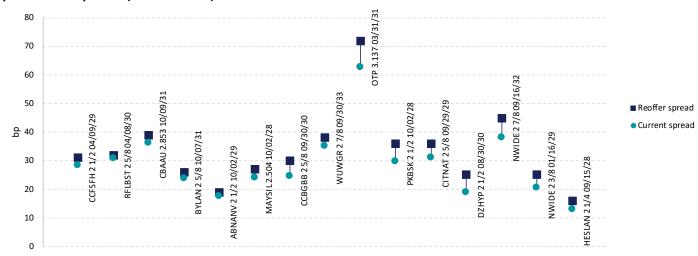
# **EUR benchmark emission pattern**



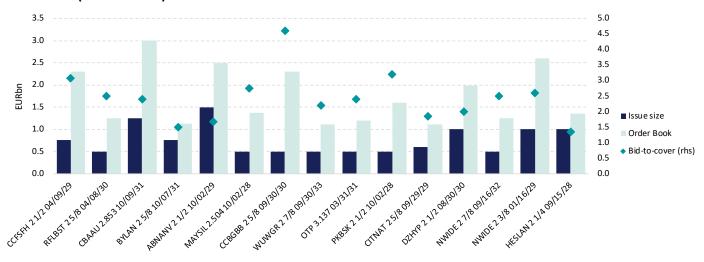
# **Covered bond performance (Total return)**



# Spread development (last 15 issues)



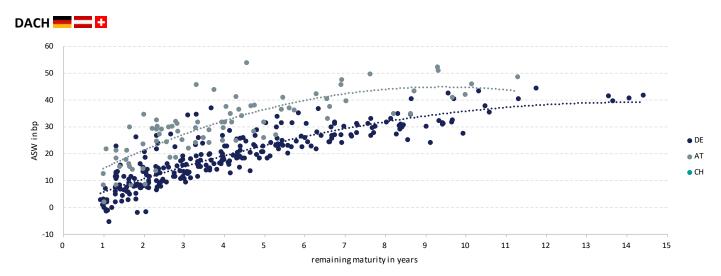
# Order books (last 15 issues)

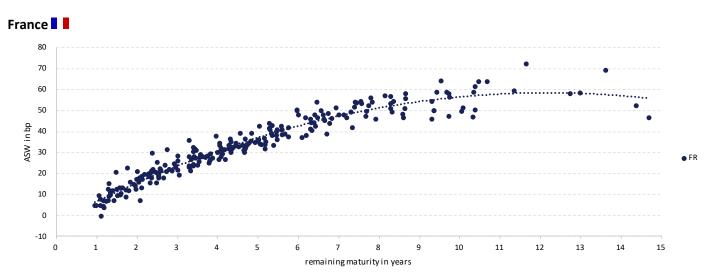


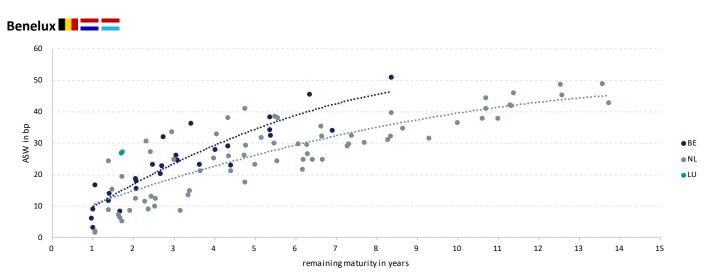
Source: Market data, Bloomberg, NORD/LB Floor Research



# Spread overview<sup>1</sup>

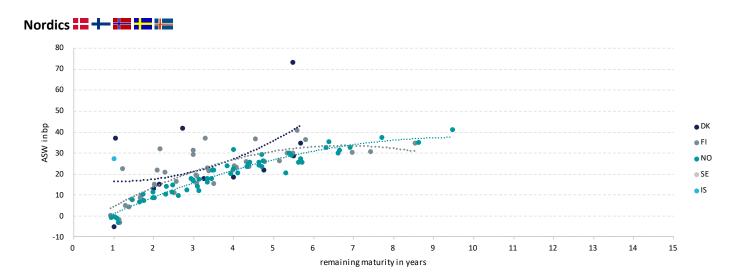


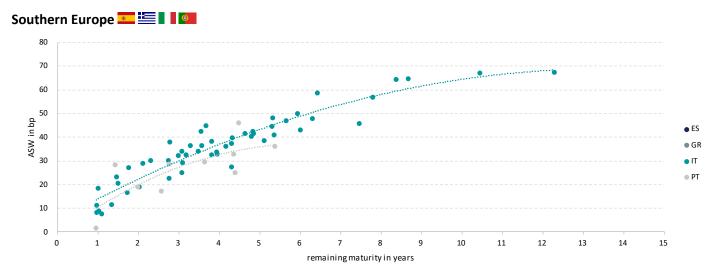


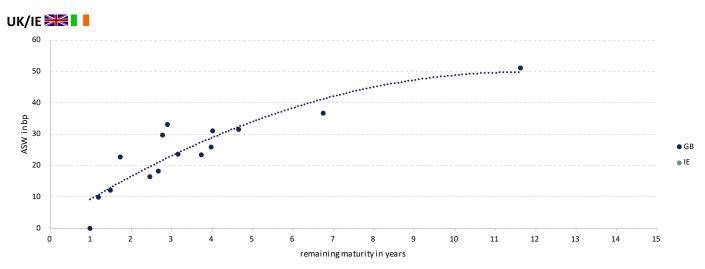


Source: Market data, Bloomberg, NORD/LB Floor Research  $^1$ Time to maturity  $1 \le y \le 15$ 



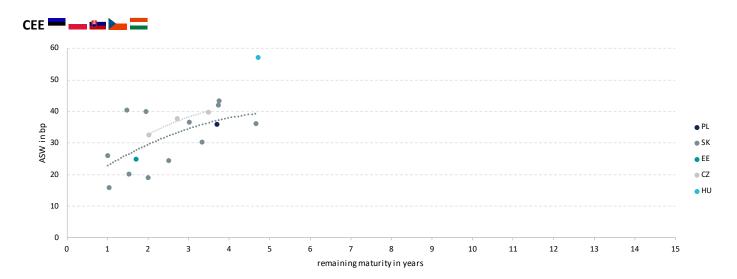


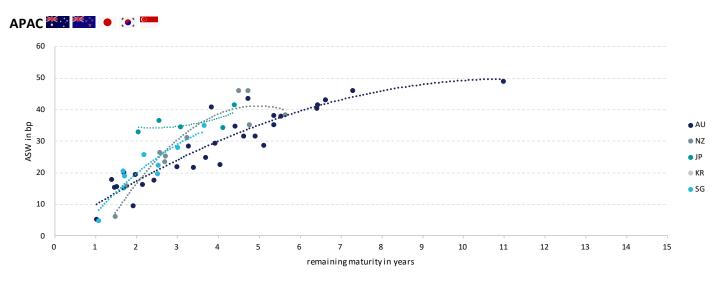


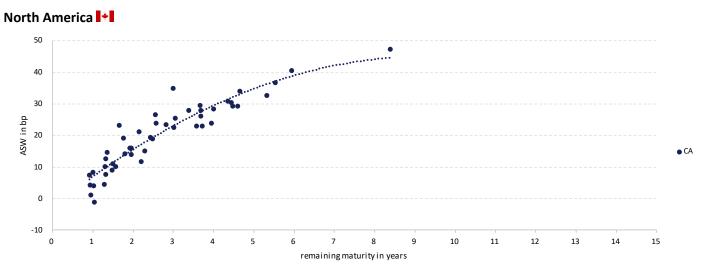


Source: Market data, Bloomberg, NORD/LB Floor Research







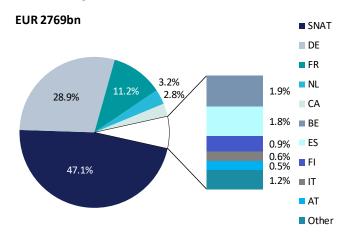


Source: Market data, Bloomberg, NORD/LB Floor Research



# Charts & Figures SSA/Public Issuers

# **Outstanding volume (bmk)**



# Top 10 countries (bmk)

| Country | Vol.<br>(EURbn) | No. of bonds | ØVol.<br>(EURbn) | Vol. weight.<br>ØMod. Dur. |
|---------|-----------------|--------------|------------------|----------------------------|
| SNAT    | 1,303.3         | 264          | 4.9              | 7.6                        |
| DE      | 799.5           | 607          | 1.3              | 5.9                        |
| FR      | 310.7           | 206          | 1.5              | 5.3                        |
| NL      | 88.2            | 69           | 1.3              | 6.0                        |
| CA      | 76.6            | 69           | 1.1              | 6.2                        |
| BE      | 51.3            | 49           | 1.0              | 9.7                        |
| ES      | 50.9            | 74           | 0.7              | 4.9                        |
| FI      | 25.1            | 26           | 1.0              | 4.0                        |
| IT      | 16.6            | 21           | 0.8              | 4.1                        |
| AT      | 14.5            | 21           | 0.7              | 5.3                        |

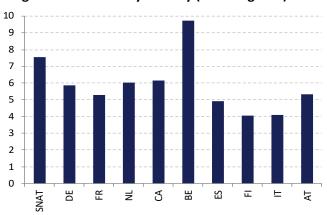
# Issue volume by year (bmk)



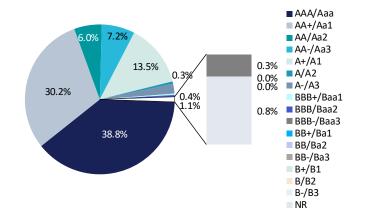
Maturities next 12 months (bmk)



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

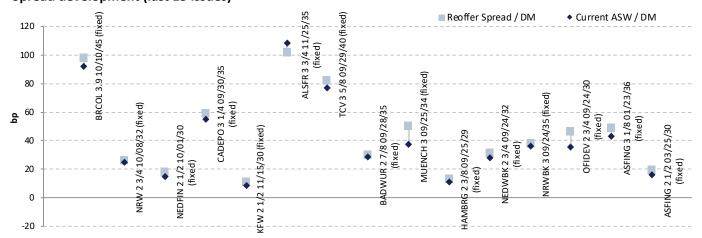


Rating distribution (vol. weighted)

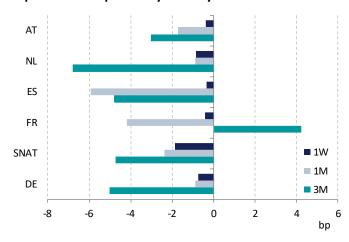




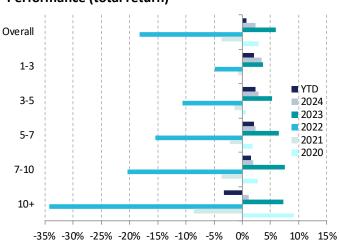
# Spread development (last 15 issues)



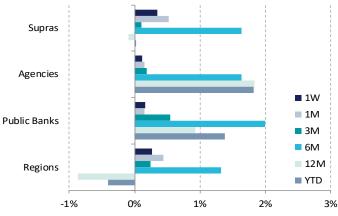
# Spread development by country



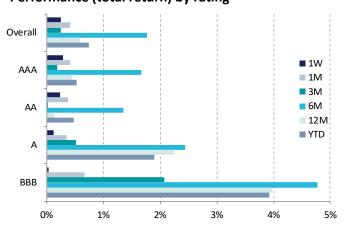
# Performance (total return)



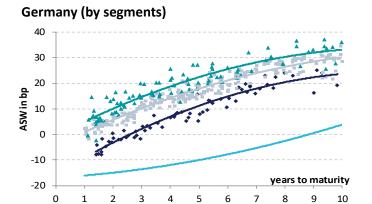
# Performance (total return) by segments



# Performance (total return) by rating

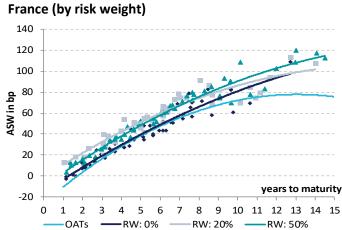


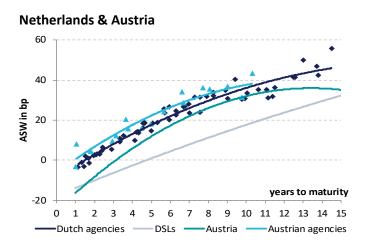




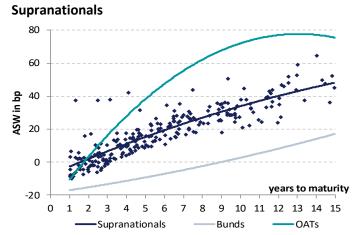
National agencies

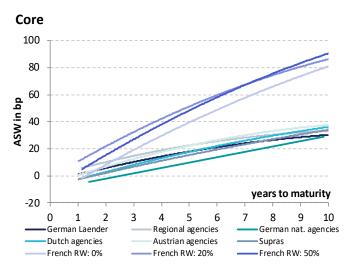
Regional agencies

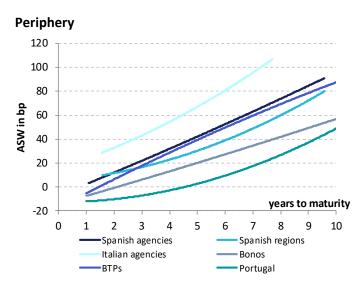




German Laender





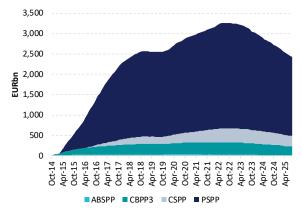




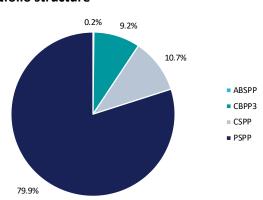
# Charts & Figures ECB tracker

# **Asset Purchase Programme (APP)**

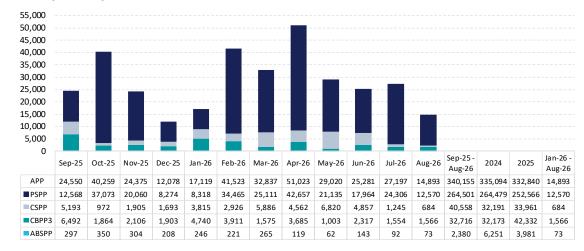
# **APP: Portfolio development**



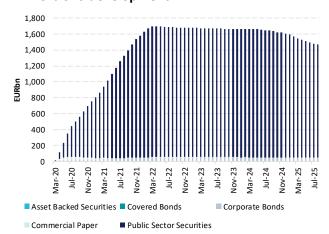
# **APP: Portfolio structure**



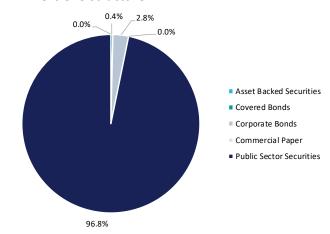
# **Expected monthly redemptions (in EURm)**



# **PEPP: Portfolio development**



# **PEPP: Portfolio structure**

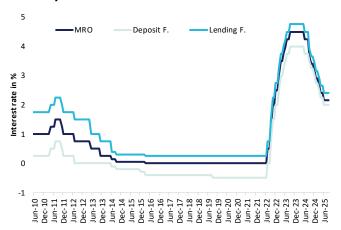


Source: ECB, NORD/LB Floor Research



# Charts & Figures Cross Asset

# **ECB** key interest rates



# **Bund-swap-spread**

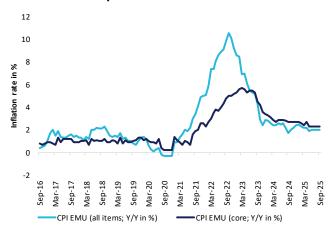


# Pfandbriefe vs. KfW

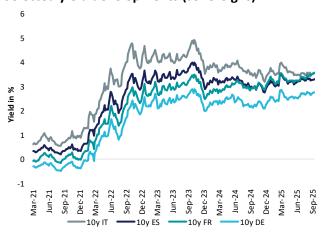


Source: ECB, Bloomberg, NORD/LB Floor Research

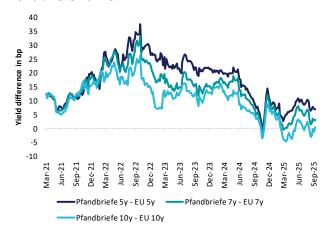
# Inflation development in the euro area



# Selected yield developments (sovereigns)



# Pfandbriefe vs. EU





# **Appendix**

# Overview of latest Covered Bond & SSA View editions

| 31/2025 ♦ 24 September | <ul> <li>The rating approach of Morningstar DBRS</li> </ul>   |  |  |
|------------------------|---|--|--|
|                        | <ul> <li>Teaser: Beyond Bundeslaender – Greater Paris (IDF/VDP)</li> </ul>                              |  |  |
| 30/2025 ♦ 03 September | A look at the German banking market   |  |  |
|                        | ECB repo collateral rules and their implications for Supras & Agencies                                  |  |  |
| 29/2025 ♦ 27 August    | <ul> <li>The rating approach of Standard &amp; Poor's</li> </ul>  |  |  |
| -                      | Pension avalanche and municipal debt: Laender under pressure  |  |  |
| 28/2025 ♦ 20 August    | Transparency requirements §28 PfandBG Q2/2025   |  |  |
|                        | <ul> <li>Teaser: Issuer Guide – Spanish Agencies 2025</li> </ul>  |  |  |
| 27/2025 ♦ 13 August    | Covereds – Relative value analysis: a stocktake of the situation  |  |  |
|                        | SSA review: EUR-ESG benchmarks in H1/2025   |  |  |
| 26/2025 ♦ 06 August    | Repayment structures on the covered bond market: an update  |  |  |
|                        | Teaser: Issuer Guide – German Agencies 2025   |  |  |
| 25/2025 ♦ 09 July      | The covered bond universe of Moody's: an overview   |  |  |
|                        | <ul> <li>Spotlight on the EU as a mega issuer</li> </ul>  |  |  |
| 24/2025 ♦ 02 July      | Covereds: Half-year review and outlook for second half of 2025  |  |  |
|                        | SSA half-year review 2025 and outlook   |  |  |
| 23/2025 ♦ 25 June      | The ratings approach of Scope   |  |  |
|                        | <ul> <li>Classification of Supranationals and Agencies under Solvency II</li> </ul>                     |  |  |
| 22/2025 ♦ 18 June      | The UK covered bond market  |  |  |
|                        | <ul> <li>Stability Council convenes for 31st meeting</li> </ul>   |  |  |
| 21/2025 ♦ 11 June      | <ul> <li>Moody's: rating approach Covered Bonds</li> </ul>  |  |  |
|                        | <ul> <li>Teaser: Issuer Guide – Austrian Agencies 2025</li> </ul>                                       |  |  |
| 20/2025 ♦ 28 May       | <ul> <li>Cross Asset // Teaser: ESG update 2025 – Focus on greenium and socium+</li> </ul>              |  |  |
| 19/2025 ♦ 21 May       | Development of the German property market (vdp index)   |  |  |
|                        | Teaser: Issuer Guide – Nordic Agencies 2025   |  |  |
| 18/2025 ♦ 14 May       | <ul> <li>Transparency requirements §28 PfandBG Q1/2025</li> </ul>                                       |  |  |
|                        | Current LCR classification for our SSA coverage   |  |  |
| 17/2025 ♦ 07 May       | Fitch: rating approach covered bonds  |  |  |
|                        | Credit authorisations of the German Laender for 2025  |  |  |
| 16/2025 ♦ 30 April     | Special report on LCR classification and risk weights: a (regulatory) look at the EUR benchmark segment |  |  |
|                        | Teaser: Issuer Guide – Dutch Agencies 2025  |  |  |
| 15/2025 ♦ 16 April     | Cross Asset: Relative value – What is the state of play?  |  |  |
| 14/2025 ♦ 09 April     | The covered bond universe of Moody's: an overview   |  |  |
|                        | SSA review: EUR-ESG benchmarks in Q1/2025   |  |  |
| 13/2025 ♦ 02 April     | Review of the first quarter in the covered bond segment   |  |  |
|                        | A review of Q1/2025 in the SSA segment  |  |  |
| NORD/LB:               | NORD/LB: NORD/LB: Bloomberg:  |  |  |
| Floor Research         | Covered Bond Research SSA/Public Issuers Research Weekly: DS NDB <go></go>                              |  |  |



# Appendix Publication overview

# **Covered Bonds:**

Issuer Guide - Covered Bonds 2024

Risk weights and LCR levels of covered bonds (updated semi-annually)

Transparency requirements §28 PfandBG Q2/2025 (quarterly update)

Transparency requirements §28 PfandBG Q2/2025 Sparkassen (quarterly update)

Covered bonds as eligible collateral for central banks

# SSA/Public Issuers:

<u>Issuer Guide – German Laender 2025</u>

<u>Issuer Guide – Canadian Provinces & Territories 2024</u>

Issuer Guide – Down Under 2024

<u>Issuer Guide – European Supranationals 2024</u>

<u>Issuer Guide – Non-European Supranationals (MDBs) 2025</u>

<u>Issuer Guide – German Agencies 2025</u>

**Issuer Guide – French Agencies 2024** 

<u>Issuer Guide - Nordic Agencies 2025</u>

**Issuer Guide – Dutch Agencies 2025** 

**Issuer Guide – Austrian Agencies 2025** 

**Beyond Bundeslaender: Belgium** 

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

**Beyond Bundeslaender: Spanish regions** 

# **Fixed Income Specials:**

**ESG-Update 2025** 

ECB: Anchor of stability on rough seas

NORD/LB: NORD/LB: Bloomberg:

Floor Research Covered Bond Research SSA/Public Issuers Research Weekly: DS NDB <GO>



# Appendix Contacts at NORD/LB

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| Institutional Sales                            | +49 511 9818-9440 |
|--|-------------------|
| Sales Sparkassen & Regionalbanken              | +49 511 9818-9400 |
| Institutional Sales MM/FX                      | +49 511 9818-9460 |
| Fixed Income Relationship<br>Management Europe | +352 452211-515   |

# Trading

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

# **Origination & Syndicate**

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

# **Sales Wholesale Customers**

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

# **Treasury**

+49 511 9818-9620 +49 511 9818-9650

# **Relationship Management**

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



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