Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

Floor analysts:

Head of Desk

Dr Norman Rudschuck, CIIA
norman.rudschuck@nordlb.de

Covered Bonds/Banks

Lukas Kühne
lukas.kuehne@nordlb.de

Alexander Grenner
alexander.grenner@nordlb.de

SSA/Public Issuers

Lukas-Finn Frese
lukas-finn.frese@nordlb.de

Tobias Cordes, CIIA
tobias.cordes@nordlb.de

NORD/LB:
Floor Research

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Covered Bond Research

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Market overview
Covered Bonds

Author: Alexander Grenner

Primary market: issuance weeks are becoming calmer

Activities on the primary market for covered bonds in EUR benchmark format are slowly declining. This ties in with our comments from last week that although the frequency of new issues is on the slide, issuers do still have funding requirements and additional new deals can therefore still be expected. Over the past five trading days, two issuers were active with covered bond deals on the primary market, with both deals notable for multiple reasons: Hamburger Sparkasse (HASPA), whose last new issue dated back to February 2024, issued a Pfandbrief deal in public format for the first time on Wednesday. The bank opted to guide its inaugural public sector deal (6.4y) at ms +35bp area and decided in advance to set the issue size at EUR 500m. Incredibly high demand was recorded during the marketing phase, resulting in an order book volume of EUR 4.0bn. The reoffer spread ultimately came to ms +29bp. The majority of orders originated from Germany (62%), although the Nordics were also well represented with a share of 18%. In total, 55% of the investors came from the category of "Banks", followed by "Asset Managers/Funds" with a share of 30%. The second transaction was the fifth primary market appearance made by Caisse Francaise de Financement Local (CAFFIL) this year. The books for this deal were opened on Monday, which followed hot on the heels of S&P downgrading France's sovereign rating from AA- to A+ that had only been announced on Friday. As a result, French government bonds (OATs) came under pressure. Fitch had already downgraded the sovereign rating in September (also to A+). The French issuer chose ms +65bp area as guidance for its current transaction. However, during the marketing phase it became apparent – similar to the BPCE transaction the previous week – that covered bonds from France remain subject to strong investor demand despite the tumultuous political situation at present. The books filled up to a remarkable EUR 4.1bn, which produced a bid-to-cover ratio of 3.3x (reoffer spread: ms +61bp) for a final issuance volume of EUR 1.25bn. It will be interesting to see whether other French issuers also seek to take advantage of this positive momentum by making further primary market appearances. Overall, we expect fresh supply amounting to EUR 750m from the EU's second-largest economy before the end of the year.

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
CAFFIL	FR	20.10.	FR0014013O90	7.6y	1.25bn	ms +61bp	- / Aaa / -	-
Hamburger Sparkasse	DE	15.10.	DE000A460CJ3	6.4y	0.50bn	ms +29bp	- / Aaa / -	-

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

Secondary market: declining transaction volume encourages spread narrowing

As in the previous week, the declining transaction volume in the primary market continues to impact the secondary market, leading to cross-jurisdictional spread narrowing. A high proportion of real money investors are dominating the buy side, which is largely focused on maturities of between three and five years, while Pfandbriefe are particularly in demand in the longer 8-10y maturity segment. The sell side remains more focused on the short end.

BSK 1818 places successful sub-benchmark deal after change of name

Last Thursday, the former Landesbank Berlin successfully issued its first Pfandbrief in the EUR sub-benchmark segment under its new name BSK 1818 (cf. Issuer View). Similar to Sparkasse Bremen the previous week, the Berlin-based bank opted for a slightly longer maturity segment and placed its 7y covered bond worth EUR 300m at a reoffer spread of ms +31bp, after the initial guidance had been set at ms +36bp area (bid-to-cover ratio: 1.8x). This was the issuer's second sub-benchmark appearance this year, following a EUR 250m deal that was issued back in January.

Moody's assesses EBA recommendations for CBD revision

Moody's recently commented on the EBA's recommendations for revising the Covered Bond Directive and analysed the potential rating impacts arising from these. Overall, the agency assesses the EBA's proposals as largely positive or neutral, although further details are required on some points. In particular, Moody's highlights the planned restrictions on eligible cover assets (only senior, low-risk assets in accordance with Article 129 CRR) as a positive step. At the same time, the rating agency welcomes stricter rules governing valuation methodologies and more clearly defined disclosure requirements. These measures would reportedly promote the quality of cover pools and the stability of the covered bond market as a whole. The introduction of a third-country equivalence regime is also viewed as a positive, as harmonising international standards would reduce both funding costs and risks, in addition to expanding the investor base for third-country covered bonds within the EU. In terms of the EBA's proposals with regard to derivatives in cover pools, maturity extensions and liquidity requirements, Moody's identifies a mixture of impacts on the creditworthiness of issuers. While stricter collateral and counterparty requirements tend to be positive, Moody's points out that they could also reduce the use of swaps. Moreover, while restrictions on maturity extensions should strengthen investor protection, they could also increase the complexity of transactions. The risk experts also view stricter conditions for exemption from liquidity buffer requirements as a positive aspect of the proposals, although some aspects with regard to timing and the plan for replenishing the buffers remain unclear.

Scope publishes NPL heatmap of European banks

In a recently published analysis of NPL ratios across the EU banking sector for the second quarter of 2025, the rating experts at Scope found that the asset quality of financial institutions remained largely stable, although risks are continuing to increase at present in the form of tensions related to international trade policy and geopolitical uncertainties. The average share of NPLs remained at 1.84% across the EU. While marginal increases were recorded in Germany, France and Denmark, the ratios improved slightly in Spain, Italy and the Netherlands. The relatively high NPL ratios in the corporate sector (average of 3.4%) remained stable. In terms of other individual sectors, slight deteriorations were recorded in wholesale and retail, as well as the real estate sector, while the ratios in the manufacturing sector improved slightly. NPLs for households also declined across the majority of jurisdictions, especially in Spain and the Netherlands. In comparison with the EU average, the share of Stage 2 loans (with increased default risk) declined slightly to 9.4%, with Germany and Austria in particular continuing to report double-digit figures. In its baseline scenario, Scope assumes a moderate deterioration in asset quality, particularly in the export-dependent economies of the European Union.

Market overview
SSA/Public Issuers

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

Berlin presents stability report - key figures highlight strained financial situation

The Senate of the federal state of Berlin (ticker: BERGER) has approved the Stability Report 2025 presented by Senator for Finance, Stefan Evers, which has to be submitted once a year to the Stability Council – the national body responsible for budget oversight. The Stability Council assesses the budgetary position based on four budgetary indicators, namely budget balance, credit financing ratio, interest-tax ratio and debt level. The period under review is generally considered to be problematic and warrant further investigation if at least three out of the four relevant key figures are exceeded. While the key figures for budget balance and debt level exceed the limits in the current budget period (2023-25) and are therefore considered to be anomalies, this does not apply to the budgetary situation as a whole. In contrast, with the exception of the interest-tax ratio, three out of the four key figures in the 2026-29 financial planning period – and therefore also the period as a whole – have been identified as anomalies, meaning that overall the federal state is facing a budgetary emergency in terms of its current and future financial situation. The fact that the respective thresholds are exceeded is mainly due to the financing deficits and additional (planned) borrowing, which will increase the level of debt and interest expenditures, among other things. In accordance with Section 4(2) of the German Stability Council Act, the Council initiates an audit of a federal state government if at least one of the two periods is flagged. A corresponding decision could therefore be taken at the next meeting of the Stability Council in December 2025. However, the debt brake requirements under state law will be observed throughout the entire period under review. "The budget monitoring indicators clearly show that the financial situation is becoming increasingly tight. Berlin must and will continue to take decisive countermeasures. However, especially the obligations under federal law threaten to exceed the sustainability of Berlin's budget. This makes the impact of the reform and consolidation measures pursued at federal and state level all the more urgent in the coming years", as Stefan Evers, Senator for Finance, explains.

Baden-Wuerttemberg also launches municipal investment programme for infrastructure

Following Brandenburg (ticker: BRABUR) and Thuringia (ticker: THRGN), which have already launched extensive municipal investment programmes (cf. weekly publication from 15 October), Baden-Wuerttemberg (ticker: BADWUR) has now also announced that it is putting together a multi-billion euro package for its municipalities. According to the press release, the sub-sovereign would have around EUR 13.1bn from the federal government's special fund for infrastructure investments at its disposal, two-thirds of which, i.e. approximately EUR 8.8bn, would be passed on directly to municipalities. These, in turn, can use the funds at their discretion and independently decide which infrastructure areas are to be financed. Baden-Wuerttemberg intends to use the remaining funds, amounting to around EUR 4.4bn, for its own investments, e.g. in hospitals, universities and transport. In addition, BADWUR has announced that municipalities are to receive added financial support totalling EUR 550m in 2025 and 2026 as part of the municipal financial equalisation system.

AFD pays tribute to a decade of the Sustainable Development Goals

To mark the 10th anniversary of the United Nations' 17 Sustainable Development Goals (SDGs), the French development bank Agence Française de Développement (AFD; ticker: AGFRNC) has taken a look back and highlighted its commitment to achieving a sustainable future. It has set itself the goal of becoming the first public development bank to align all of its financing activities with the SDGs. This project represents one of its key strategic priorities for the period 2025-30. As a means of achieving this milestone, the agency is taking a close look at all projects during the review phase to ensure that they are fully aligned with the SGDs. Each project will undergo thorough analysis based on six key areas, namely biodiversity, climate, social cohesion, gender equality, governance and the economy. "These six key areas demonstrate how we have incorporated the Sustainable Development Goals into our operational framework, which is now used by AFD […]", says Thomas Melonio, Chief Economist at the development bank. AFD regularly issues its own Sustainable Development Bonds to fund its sustainable lending business. Last year, the agency raised a total of EUR 4.4bn through such bonds, which corresponded to 56% of its funding volume. In 2025, AFD has been active twice on the SSA primary market with its sustainable bonds in EUR benchmark format, placing a total of EUR 3.5bn. Its funding target for the full year stands at EUR 8bn, of which EUR 6.5bn has already been raised as of October. The promotional bank intends to carry out all its refinancing through sustainable bonds in future.

ISDB – successful conclusion of 2025 funding programme

In our last edition, we reported on the latest issue of a green Sukuk bond (5y) in the amount of EUR 500m by the Islamic Development Bank (ticker: ISDB) in our analysis of the primary market. It was priced at ms +44bp (order book: EUR 2.6bn; guidance: ms +47bp area). The transaction was conducted in line with ISDB's Sustainable Finance Framework, which was expanded in July. This replaced the previous framework from 2019 and aligns with the latest editions of the ICMA Principles and Guidelines. The Framework introduces more stringent eligibility criteria for green project categories and detailed criteria for social project categories. The Bank also added two new eligible categories in the Framework, namely (a) Climate Change Adaptation and (b) Food Security and Sustainable Food Systems, reinforcing their role in its overall operations strategy and reflecting the increasing project approvals in these sectors in the past. The deal described above was ISDB's first EUR benchmark issue this year and also marked the end of its funding activities in 2025. In total, the bank has raised USD 4.5bn (EUR equivalent: EUR 3.9bn) in new funds on the international capital markets. Dr Zamir Iqbal, Vice President (Finance) and CFO of ISDB, commented on the final transaction as follows: "The work on the Bank's enhanced Sustainable Finance Framework reflects the Bank's commitment to further scale up sustainable development in our Member Countries. The latest AAA-rated EUR Green Sukuk is a landmark achievement that showcases the Bank's impact and capabilities. The strongest credential for the Bank is very strong interest of investors – we are grateful for their endorsement and confidence in the Bank's mission and its sustainable finance framework."

European Investment Bank expands investments outside of the EU

The EIB (also its ticker) intends to significantly boost its global activities. Its strategic orientation, which has been approved by the supranational organisation's Board of Directors, focuses on international partnerships and a strong European voice in the world. It will serve as a compass for EIB investments outside the EU in clearly defined priority areas such as clean energy and sustainable transport, global health, better education, infrastructure projects that strengthen supply chains and female empowerment. Investment volumes for strategic infrastructure and private sector development in Ukraine, potential new EU Member States and neighbouring regions are set to increase as planned. Specifically, up to EUR 10bn per year is to be made available until 2027, including more technical assistance to boost local ownership and speed up the preparation and roll-out of projects. To this end, financing procedures are to be simplified by leveraging mutual trust in development banks and synergies with EU partners to fast-track investments in flagship projects worldwide. In addition, the EIB will continue to work with the European Commission, among others, to simplify and optimise mandates from the EU budget. The supranational is also currently developing a new pan-European trade and investment initiative to channel EU guarantees and financing to exporters and companies bidding internationally through the network of national export credit agencies.

Primary market

Aside from the regular primary market activity there was an announcement at the end of last week, which, at least in terms of the timing, was unexpected: The rating agency S&P decided to downgrade France's credit rating from AA- to A+ with a stable outlook. This coming Friday will also see Moody's regular review of the rating (currently Aa3, outlook: stable). The market environment therefore remains challenging. This week we can report on two new EUR benchmarks, one sub-benchmark and three taps. The agency Cassa Depositi e Prestiti (ticker: CDEP) got the ball rolling in this regard. The Italian financial institution approached investors with a EUR 750m bond in the ten-year maturity segment. The final price was set at BTPS +22bp (equivalent to approximately ms +89bp). The order book ultimately totalled EUR 6.1bn, with the deal more than 8.0x oversubscribed in process. Yesterday, Tuesday, the Free and Hanseatic City of Hamburg (ticker: HAMBRG) was active. The transaction worth EUR 750m with a 20-year maturity was priced at a reoffer spread of ms +55bp (order book: EUR 1.6bn; guidance: ms +60bp area). In the sub-benchmark segment, Tokyo Prefecture (ticker: TOKYO) arrived on our screens, issuing a sustainable Resilience Bond with a volume of EUR 300m and a five-year term. The bond was finally priced at ms +40bp (guidance: ms +46bp area; order book: EUR 2.2bn). We also have three taps to report on, all of which are attributable to the EU as part of its fourth bond auction in H2/2025 (cf. funding plan). The 2028 bond was increased by EUR 2.3bn, the green 2033 bond by EUR 1.8bn and the 2045 bond by EUR 1.3bn. New mandates include NIESA (BMK, 7y), IDAWBG (BMK, 25y, ESG) and FINNVE (EUR 1bn, WNG, 5y).

Issuer	Country	Timing	ISIN	Maturity	Size	Spread	Rating	ESG
HAMBRG	DE	21.10.	DE000A3MQTH8	20.0y	0.75bn	ms +55bp	AAA / - / -	-
CDEP	Other	20.10.	IT0005675597	10.0y	0.75bn	ms +89bp	BBB+ / - / BBB+	-

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

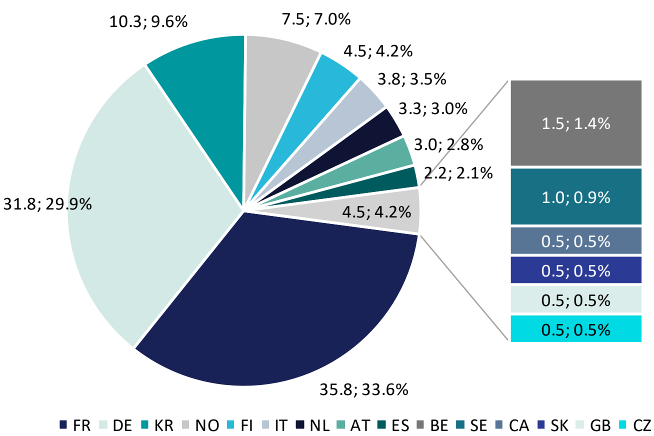
Covered Bonds
ESG benchmark segment at a crossroads?

Authors: Alexander Grenner // Dr Norman Rudschuck, CIIA

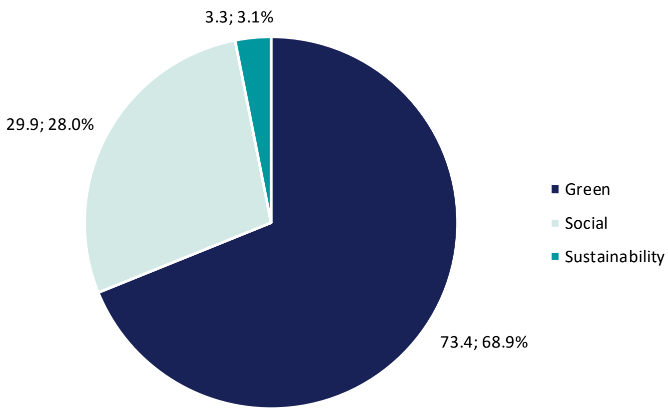
The market for ESG covered bonds: an update

As part of our annual ESG Update, we regularly discus general developments in the ESG segment and, in doing so, focus on both momentum in the sub-market of ESG-compliant covered bonds in benchmark format as well as progress in terms of regulation and the legal framework. In today's edition of our weekly publication, we will focus on current developments on the ESG sub-market for EUR benchmarks and new issues in the current year. At the same time, we shall also delve into the EBA's current assessments of green covered bonds and ESG risks in cover pools (please also refer to our recently published EBA Special).

ESG covered bonds by country (EUR BMK; EURbn)



ESG covered bonds by type (EUR BMK; EURbn)



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

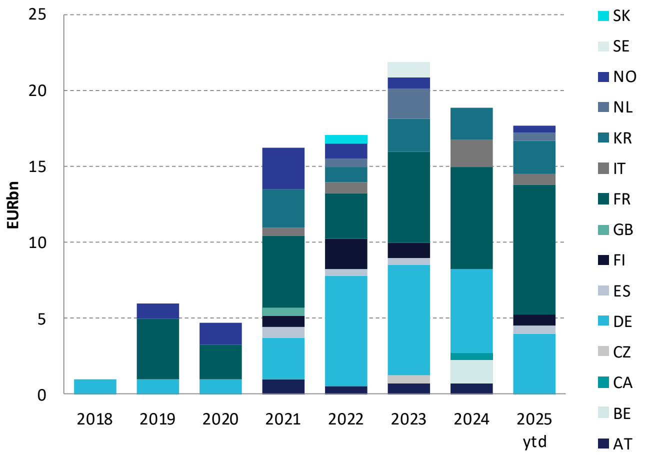
EUR benchmarks in ESG format: green bonds still dominate

Currently, the total outstanding volume of EUR benchmarks comes to approximately EUR 1,112.1bn. Of this figure, EUR 106.6bn is attributable to covered bonds in ESG format. Green bonds remain clearly dominant, accounting for a share of EUR 73.4bn (68.9%), followed by social bonds at the current figure of EUR 29.9bn (28.0%). At EUR 3.3bn (3.1%), the "sustainability" segment plays more of a niche role, although we have already seen three new issues in this format in the current year from KEB Hana Bank and Caja Rural de Navarra in January (EUR 500m in each case) and Kookmin Bank in September (EUR 600m). Generally speaking, only issuers from South Korea and Spain have launched covered bonds from this sub-category on the market to date. The dominance of green bonds is hardly surprising given the asset class and the highlighted cover assets (residential or commercial property loans).

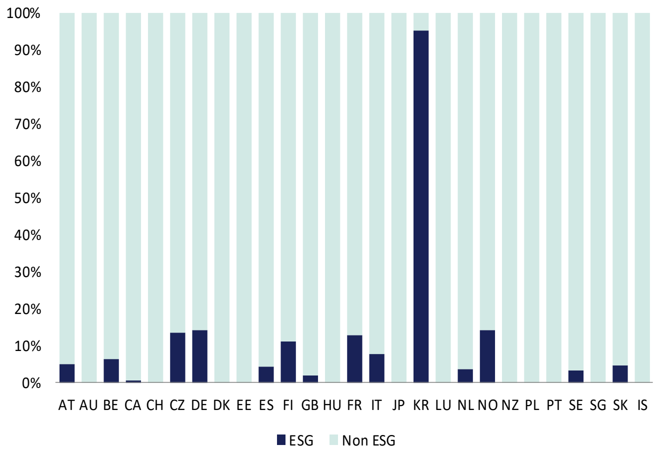
France is now the largest source of ESG covered bonds

An analysis by country of the 146 covered bonds that are currently outstanding in ESG format shows that France (EUR 35.8bn; 37 bonds) has now replaced Germany (EUR 31.8bn; 50 bonds) as the largest issuer in terms of volume. They are followed by South Korea (EUR 10.3bn; 17 bonds) and Norway (EUR 7.5bn; 11 bonds). In the case of the South Korean issuers, the fact that the market has an extremely high proportion of ESG issues, primarily because of Korea Housing Finance Corporation (KHFC)'s role in providing social housing, must be noted as an idiosyncrasy. This is also clear from looking at the market level, where the proportion of ESG bonds in the outstanding covered bonds remains very heterogeneous, but the high proportions of ESG bonds tend to be attributable to smaller markets. In total, 15 countries currently make use of the ESG market for EUR benchmarks. At present, there are currently no issuers of covered bonds in ESG format from Australia, Switzerland, Denmark, Estonia, Iceland, Japan, Luxembourg, New Zealand, Poland, Portugal, Singapore and Hungary on the market.

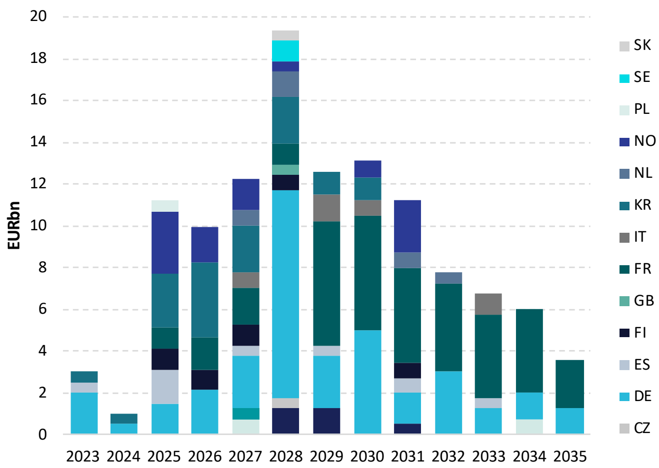
ESG covered bond deals (EUR BMK)



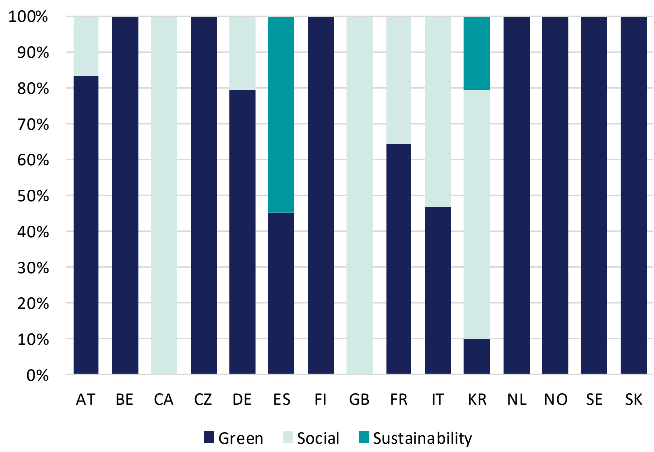
ESG covered bonds: market shares (EUR BMK)



ESG covered bond maturities (EUR BMK)



ESG covered bonds: market shares by ESG type (EUR BMK)



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

Current market developments in 2025 and outlook

In the current calendar year of 2025, new EUR benchmark deals in the ESG segment currently amount to EUR 17.7bn. This figure is divided into EUR 11.3bn of green bonds and EUR 4.9bn of social bonds, plus EUR 1.6bn in the sustainability format. Given that the end of the year is fast approaching, it looks as though the record in terms of new issuance volume achieved in 2023 (EUR 21.9bn) is unlikely to be achieved. We would even need a few more ESG transactions to match last year's figure (EUR 18.9bn). However, the issuance volume already exceeds the totals for 2021 (EUR 16.3bn) and 2022 (EUR 17bn). A similar picture emerges in terms of the number of individual issues: 24 ESG deals have been placed so far (after 31 in 2023 and 29 in 2024), meaning that in this regard too the current year is slightly down on the level of previous years. At first glance, the figures previously analysed and the trend in 2024 and 2025 suggest that the market is more or less stagnating. However, if we look at the previous chart showing maturities, this is only true to a limited extent. In the last two years, maturities only amounted to EUR 3bn (2023) and EUR 1bn (2024), respectively. Net new issuance of ESG bonds therefore amounted to EUR 18.9bn (2023) and EUR 17.9bn (2024), which indicates a significantly larger market in both cases. However, with regard to maturities in the current year, we cannot assume this is the case for 2025: with much higher maturities totalling EUR 11.2bn, the net new issuance volume for the current year is only EUR 6.5bn. When net new issuance volumes are compared, it is therefore clear for the first time that the market for ESG covered bonds in EUR benchmark market is growing far less strongly. At the same time, the market has also stagnated in terms of absolute issuance volume in 2025. However, the increasing demands in terms of the "quality" of ESG bonds cannot be disregarded here either, particularly with regard to issuers and their business models. Nonetheless, it will be interesting to see how things play out over the next few years. With an issuance volume of EUR 145.6bn in the EUR benchmark segment to date, the above-mentioned total of EUR 17.7bn of "new" ESG bonds in 2025 accounts for a share of just under 12.2% of the total primary market. On average over the last five years (2021 to 2025), the percentage share of new issues attributable to ESG placements is 12.7%, with this figure having previously risen continuously because issuance volumes were very low in 2020 and the preceding years. At the same time, the particularly strong performance in 2021, when ESG bonds accounted for a 16.5% share of new placements, has a major impact here.

ESG covered bonds in benchmark format: 45 active issuers

Having not welcomed any new issuers onto the market in 2025 as a whole, the number of active ESG issuers in the EUR benchmark segment now stands at 45 compared with 49 in the previous year. Credit Agricole Home Loan ventured onto the market for sustainable bonds three times, issuing EUR 3.5bn in ESG format, which was spread across two green bonds and one social bond. CAFFIL was also very active, issuing two social bonds and one green bond, which totalled EUR 2.3bn. DZ Hyp also accounted for multiple ESG issues, namely two green covered bonds totalling EUR 1.5bn. Given its role in providing social housing, KHFC traditionally issues social covered bonds and it raised a total of EUR 1.1bn from its investors, which was also spread across two bonds.

European Green Bond Standard: new option for issuing sustainable bonds
In the following section, we shall take a look at a selection of the regulatory frameworks in somewhat greater detail and refer to our annual ESG Update for further information. Currently, issuers intending to issue internationally recognised covered bonds in ESG format have the option of applying the ICMA Bond Principles firstly. The Green Bond Principles (GBP), Social Bond Principles (SBP) and the Sustainability Bond Guidelines (SBG) are customary here. On 21 December 2024, the EU Green Bond Standard (EUGBS) also came into effect and consequently provides issuers with another option for launching sustainable bonds audited by an external supervisory authority on the market. The EUGBS is ultimately regarded as a voluntary standard and aims to help financial markets "go green" by providing a better regulatory framework. It may be applied by both private and public-sector issuers.

Requirements for EU green bonds
Potential issuers must comply with certain requirements to have their bonds certified in accordance with the new European Green Bond Standard. Firstly, they must publish an externally audited "EU Green Bond Factsheet". They are subject to detailed reporting requirements including complete transparency as to the application of the bond proceeds (allocation reporting) and their environmental benefits (impact reporting). At the same time, the proceeds must be used for projects that are entirely compliant with the EU taxonomy (exemption as per Art. 5(1): 85%), whereby grandfathering of seven years applies in the case of changes to the taxonomy. An external auditor is required to monitor correct compliance with the requirements of the taxonomy. The auditor must be both registered with and supervised by the European Securities and Markets Authority (ESMA) to ensure that audits are high quality and reliable (investor protection and market integrity).

EU taxonomy: a key component in financing sustainable growth
The EU Taxonomy Regulation is the key component of the EU Action Plan on Sustainable Finance published in 2018, which aims to promote the capitalisation of sustainable investment to achieve carbon neutrality in the EU by 2050 and is compatible with the aims of the Paris Agreement of 2015. The EU taxonomy classifies economic activities in terms of how sustainable they are and serves as a guide for investors when financing sustainable economic activities. To be classified as environmentally sustainable, the economic activity must a) make a material contribution to achieving one of the six defined environmental targets; b) not lead to other environmental targets being significantly impaired; c) be exercised in compliance with minimum social standards and d) be compliant with technical evaluation criteria. At the same time, special acts (delegated acts) have been defined, which refine and complement the EU Taxonomy Regulation. One example of these is the Climate Delegated Act, which among other matters makes specific requirements regarding economic activities for the construction sector.

EBA recommendations for green covered bonds and ESG risks in cover pools

The European Banking Authority (EBA) recently published its Report on the Review and Performance of the Covered Bond Directive (CBD) (please refer to our Covered Bond Special for further details). In its remarks, the EBA comments on the regulations governing green covered bonds and ESG risks in cover pools. Its primary criticism here is that the current regulations mainly apply at the level of banks as a whole, but do not relate to the respective cover pools. Specific requirements regarding ESG aspects or the transparency of sustainable cover assets are missing here but are of significant relevance for investors in green covered bonds in particular. The EBA also finds transparency and comparability lacking because of the various definitions and classifications of cover assets and also believes there is an increased risk of greenwashing. In contrast, however, it recognises that excessive reporting obligations could cause problems for banks and generate substantial costs. It therefore actually recommends the introduction of a specific disclosure obligation at the level of cover pools, restricted to the climate and transition risks affecting properties. This reporting obligation is only to apply to properties for which the relevant key risk figures are available, and reporting is to take place annually according to the recommendation.

Conclusion

The market for covered bonds in ESG format currently seems to be stagnating after some years of strong growth. While the net issuance volume is again positive, it is actually well below the levels seen in previous years – although, as we make clear, this is largely due to increasing maturities in 2025. Even in terms of absolute issuance volume, there are signs of a slight fall for the second year in succession. This did not really have an impact last year because of the very small number of maturing bonds but will become even more apparent in the current year. It will be interesting to see whether this development is only temporary or whether it will continue over the next few years. Nevertheless, the market for ESG bonds is still growing. Like the EBA, we view the current regulations governing covered bonds in ESG format as fundamentally positive, albeit we do also consider the lack of comparability and transparency combined with more exacting requirements for quality and reporting to be a challenge. We therefore welcome the EBA's recommendations, even though there are no signs of concrete steps on the part of the European Commission at present. We remain convinced that the covered bond segment can also serve as a key component in the (re)financing of the green transformation.

SSA/Public Issuers
Teaser: Issuer Guide – European Supranationals 2025

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

EU clearly dominates EUR-denominated supranational supply

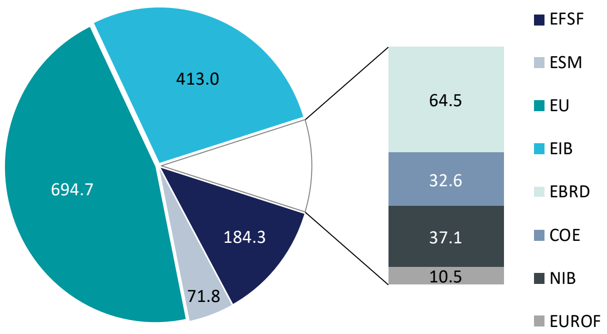
The segment of European supranationals (E-supras) is the largest within the global market. With an outstanding bond volume of around EUR 1,508bn, European issuers account for roughly two thirds of the worldwide supranational market, whereby the European single currency dominates this supply. The outstanding EUR bond volume attributable to E-supras totals around EUR 1,237bn, while the corresponding volume from other supras amounts to just a fraction of this. At the same time, the segment of E-supras as a sub-market has also undergone more changes in recent years than any other. As a result of the sovereign debt crisis in the Eurozone, credit facilities such as the EFSF and ESM were set up that then developed into the biggest supranational issuers within a short period of time. Furthermore, the EU has launched various programmes since October 2020, including NGEU and the new SAFE initiative. In this regard, the EU (Bloomberg ticker: EU) is well on its way to becoming one of the biggest issuers worldwide by 2026. In fact, it has been the largest issuer of social bonds since 2021 (in excess of EUR 98bn since the start of the pandemic). In addition, the EU plans to issue green bonds worth up to EUR 250bn by 2026 – this represents additional impetus for the ESG segment. Furthermore, the market is shaped by supranational funding institutions, the importance of which has increased markedly in the wake of a series of financial and economic challenges and crises that have occurred both in recent years and over the past couple of decades. In this regard, the EIB should be highlighted, which is the second-largest issuer in this market as measured by outstanding bond volume. Regarding the classification in regulatory frameworks, the issuer group of E-supras benefits from excellent treatment: with the exception of EUROFIMA, all market players enjoy a 0% risk weight in accordance with CRR/Basel III. Moreover, they are classified as Level 1 assets under the LCR (EUROFIMA: "Not eligible"). Issuers on the European supras market are also categorised as "preferred" (EUROFIMA: non-preferred) in line with Solvency II.

European supranationals – an overview

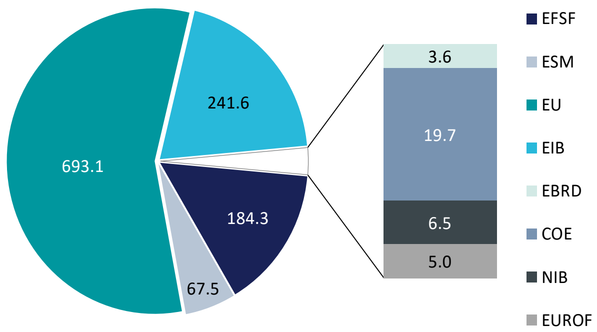
Institution	Type	Owner(s)	Guarantee	Risk weight
European Financial Stability Facility (EFSF)	Credit facility	17 Eurozone Member States	Guarantee ceiling of: EUR 780bn	0%
European Stability Mechanism (ESM)	Credit facility	20 Eurozone Member States	Callable capital: EUR 627.5bn	0%
European Union (EU)	Credit facility	27 EU Member States	Maintenance obligation	0%
European Investment Bank (EIB)	Promotional bank	27 EU Member States	Callable capital: EUR 226.6bn	0%
European Bank for Reconstruction and Development (EBRD)	Promotional bank	79 states, EU and EIB	Callable capital: EUR 23.6bn	0%
Nordic Investment Bank (NIB)	Promotional bank	Eight Nordic and Baltic states	Callable capital: EUR 7.5bn	0%
Council of Europe Development Bank (CEB)	Promotional bank	43 Member States of the Council of Europe	Callable capital: EUR 7.9bn	0%
European Company for the Financing for Railroad Rolling Stock (EUROFIMA)	Promotional bank	26 railway companies from 25 European states	Callable capital: EUR 1.9bn	20%

Source: Issuers, NORD/LB Floor Research

Outstanding equivalent bond volumes (EURbn)



Outstanding EUR benchmarks (EURbn)



NB: Benchmarks are defined as bonds with a minimum volume of EUR 0.5bn.
Foreign currencies are converted into EUR at rates as at 21 October 2025.
Source: Bloomberg, NORD/LB Floor Research

Overview of European supranationals (EURbn/EUR equivalent)

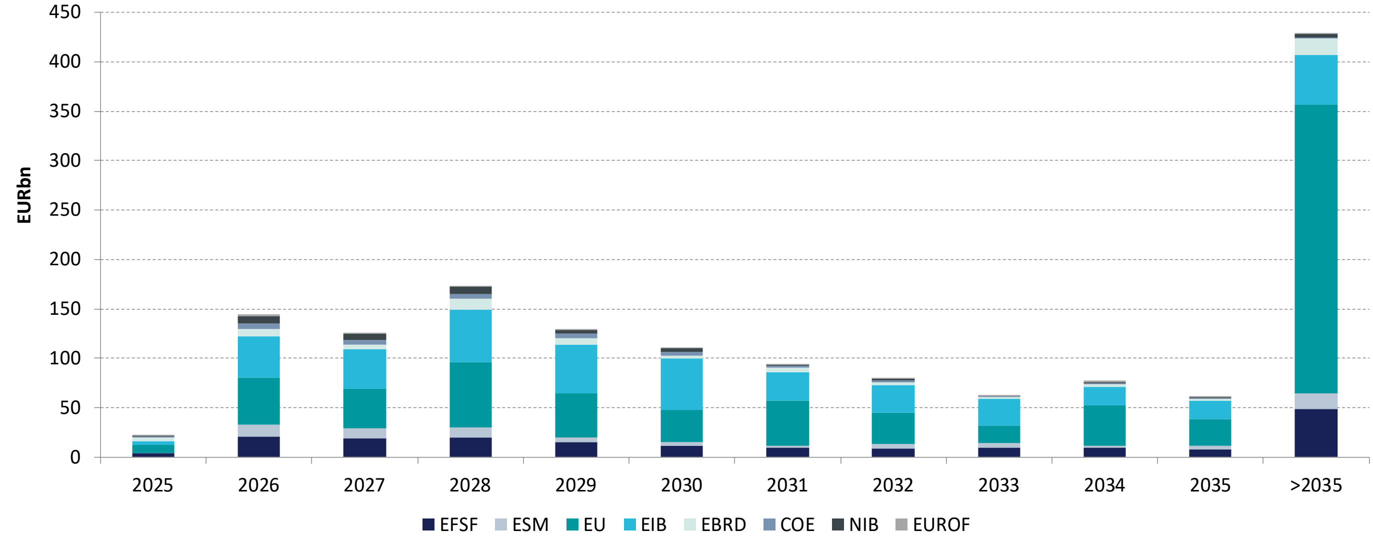
Name	Ticker	Rating (Fitch/Moody's/S&P/Scope)	Outstanding Volume	Of which in EUR volume	Funding target 2025	Maturities 2025	Net Supply 2025	Number of ESG bonds	ESG volume
EFSF	EFSF	A+ / Aaa / AA- / AA+	184.3	184.3	21.5	21.5	0.0	0	0.0
ESM	ESM	AAA / Aaa / AAA / AAA	71.8	67.5	7.0	12.0	-5.0	0	0.0
EU	EU	AAA / Aaa / AA+ / AAA	694.7	694.7	160.0	28.6	131.4	18	176.6
EIB	EIB	AAA / Aaa / AAA / AAA	413.0	246.1	62.5	62.1	0.4	85	110.5
EBRD	EBRD	AAA / Aaa / AAA / AAA	64.5	8.7	14.5	11.3	3.2	52	5.7
NIB	NIB	- / Aaa / AAA / AAA	37.1	9.5	9.0	7.8	1.2	20	7.4
CEB	COE	AAA / Aaa / AAA / AAA	32.6	19.7	7.5	4.5	3.0	17	10.9
EUROFIMA	EUROF	AA / Aa2 / AA / -	10.5	6.4	1.3	1.0	0.3	14	6.3
Total			**1,508.5**	**1,236.9**	**283.3**	**148.8**	**134.5**	**206**	**317.4**

Foreign currencies are converted into EUR at rates as at 21 October 2025.
On account of the issuer's individual funding mix, the values for "funding target" and "net supply" in particular may deviate from reality.
Source: Bloomberg, issuers, NORD/LB Floor Research

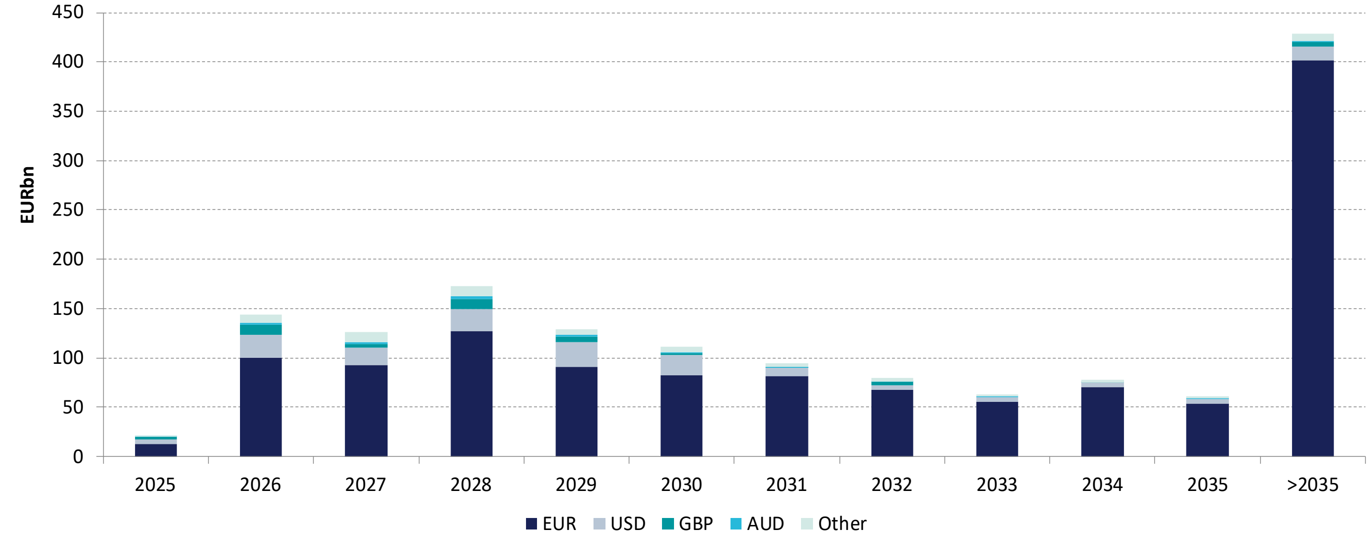
High positive net supply of conventional and ESG bonds

The European supranational market offers a substantial supply of bonds with different maturities, naturally with a particular emphasis on the EUR in terms of currency. This is largely due to the EFSF and EU, as these conduct all of their refinancing activities exclusively in the single currency. Yet, in absolute terms, the volume of outstanding bonds denominated in foreign currencies is also very high – especially when compared with other markets. For example, the EIB, EBRD and NIB turn to a range of diverse currencies when it comes to their respective refinancing strategies, whereby there is a distinct focus on the USD and GBP in this regard. In the coming years, the EU is expected to continue dominating the fresh supply. For the current year, the EU intends to raise a total of EUR 160bn in new funding. It eclipses other institutions, including in terms of the total volume outstanding, by quite some distance. After the EU, the EIB has announced the second highest funding requirement for 2025 of EUR 60-65bn (average: EUR 62.5bn). In addition, the existing volume of outstanding ESG bonds should also be highlighted: a remarkable 206 ESG-related bond issues with a total volume equivalent to EUR 317.4bn are already outstanding in this segment – and all the signs point towards further growth here as well.

European supranationals: outstanding bonds by issuer



European supranationals: outstanding bonds by currency



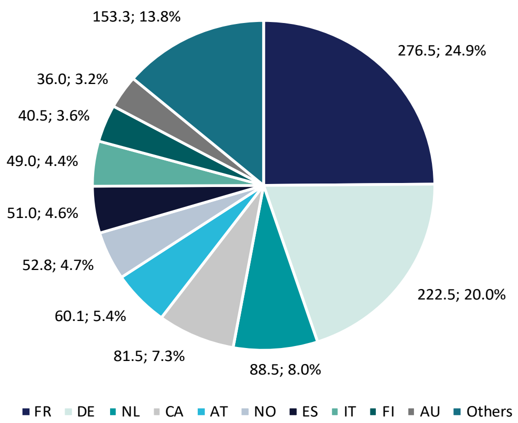
NB: Foreign currencies are converted into EUR at rates as at 21 October 2025.
Source: Bloomberg, NORD/LB Floor Research

Comment and conclusion

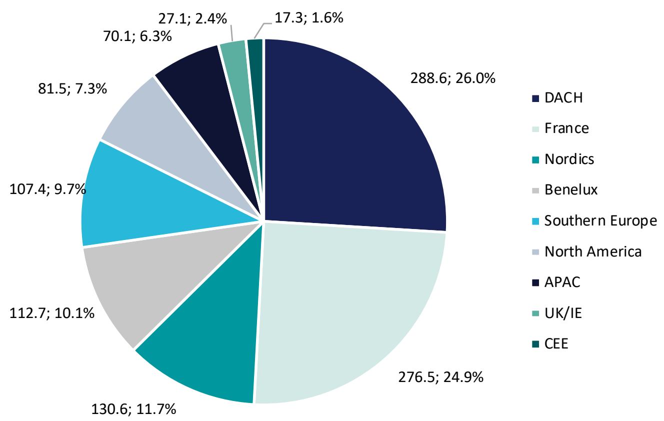
The segment of the European supranationals has undergone a process of extensive change over recent decades. Starting with the sovereign debt crisis, which necessitated the establishment of credit facilities that subsequently developed into major issuers within a very short period of time, the COVID-19 pandemic then sounded the starting pistol for the EU's transformation into a mega issuer. The E-supras market therefore offers a wide range of outstanding bonds across practically all maturity segments. In the (ultra) long maturity segment, too, the outstanding volumes are high for numerous bond issues. For a long time, the EIB and EFSF accounted for much of the supply and in future will continue to play a defining role in this regard. However, since launching its SURE and NGEU programmes, the EU has evolved into a major player in this segment and will surely continue to dominate this sub-market in the years to come, with a particular emphasis in this regard on the newly established SAFE programme.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



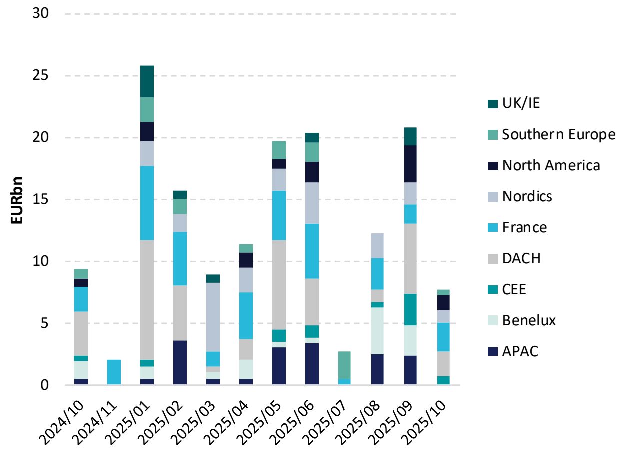
EUR benchmark volume by region (in EURbn)



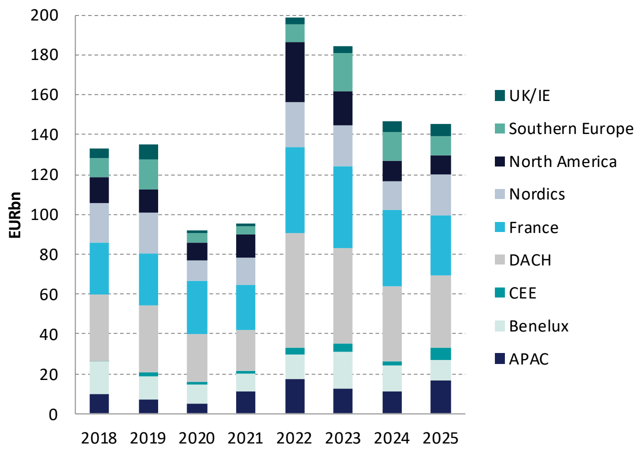
Top 10 jurisdictions

Rank	Country	Amount outst. (EURbn)	No. of BMKs	There of ESG BMKs	Avg. issue size (EURbn)	Avg. initial maturity (in years)	Avg. mod. Duration (in years)	Avg. coupon (in %)
1	FR	276.5	268	37	0.97	9.0	4.4	1.72
2	DE	222.5	313	49	0.66	7.7	3.7	1.76
3	NL	88.5	88	4	0.94	10.1	5.2	1.54
4	CA	81.5	60	1	1.34	5.5	2.4	1.70
5	AT	60.1	99	5	0.60	7.9	3.6	1.68
6	NO	52.8	63	11	0.84	7.0	3.2	1.43
7	ES	51.0	44	4	1.05	10.1	3.4	2.29
8	IT	49.0	63	6	0.75	8.2	3.6	2.15
9	FI	40.5	48	5	0.83	6.6	3.0	1.92
10	AU	36.0	35	0	1.03	7.1	3.2	1.97

EUR benchmark issue volume by month

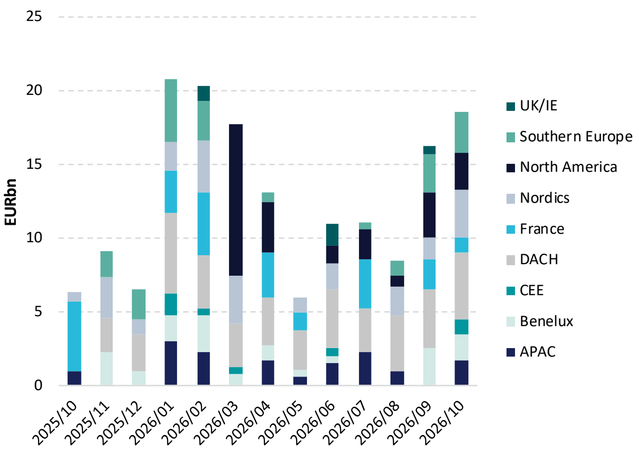


EUR benchmark issue volume by year

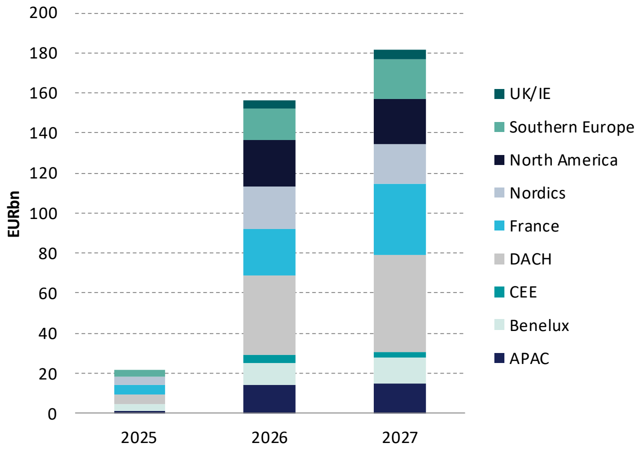


Source: Market data, Bloomberg, NORD/LB Floor Research

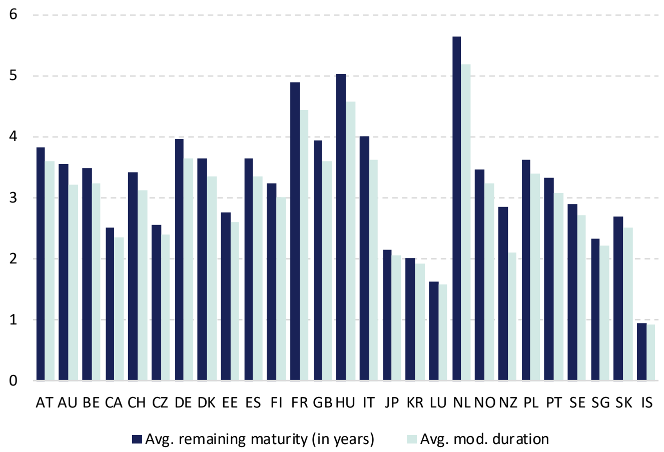
EUR benchmark maturities by month



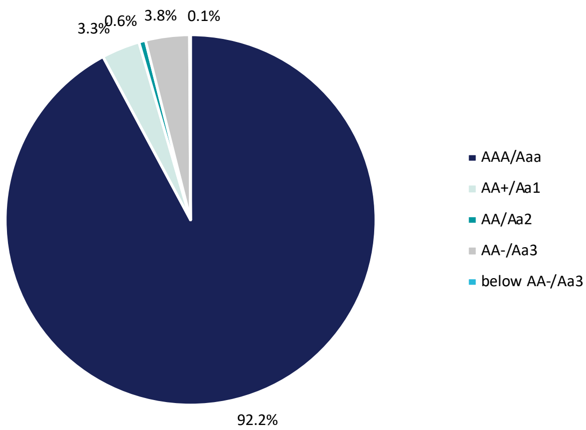
EUR benchmark maturities by year



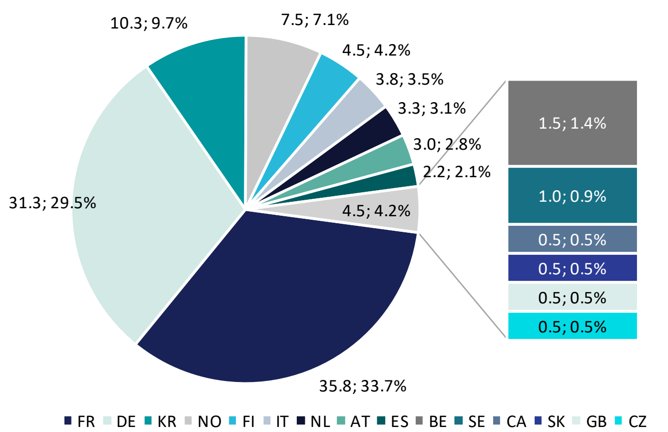
Modified duration and time to maturity by country



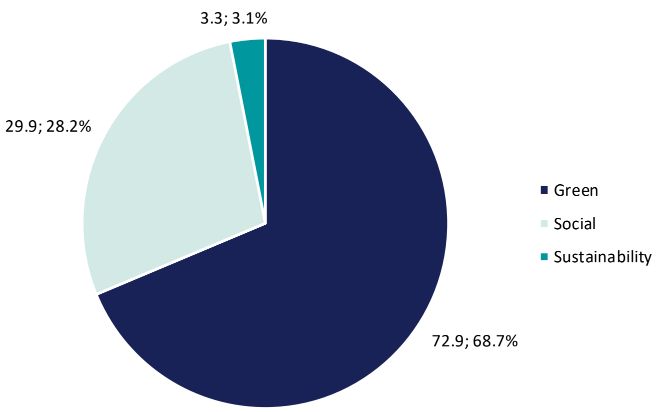
Rating distribution (volume weighted)



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

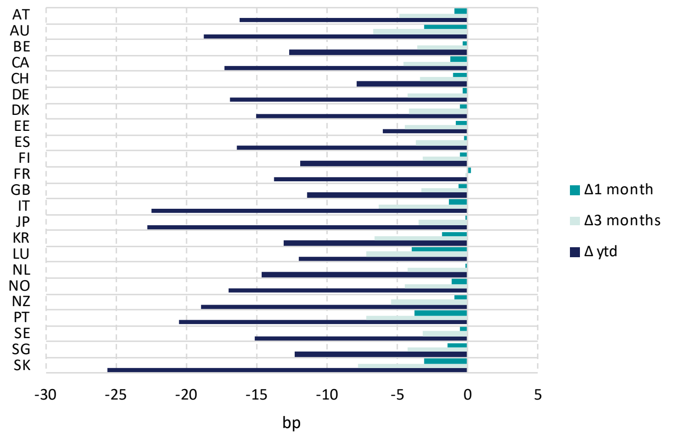


EUR benchmark volume (ESG) by type (in EURbn)

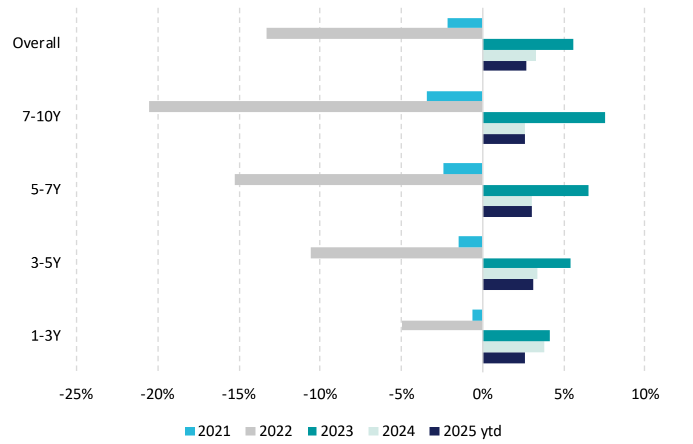


Source: Market data, Bloomberg, NORD/LB Floor Research

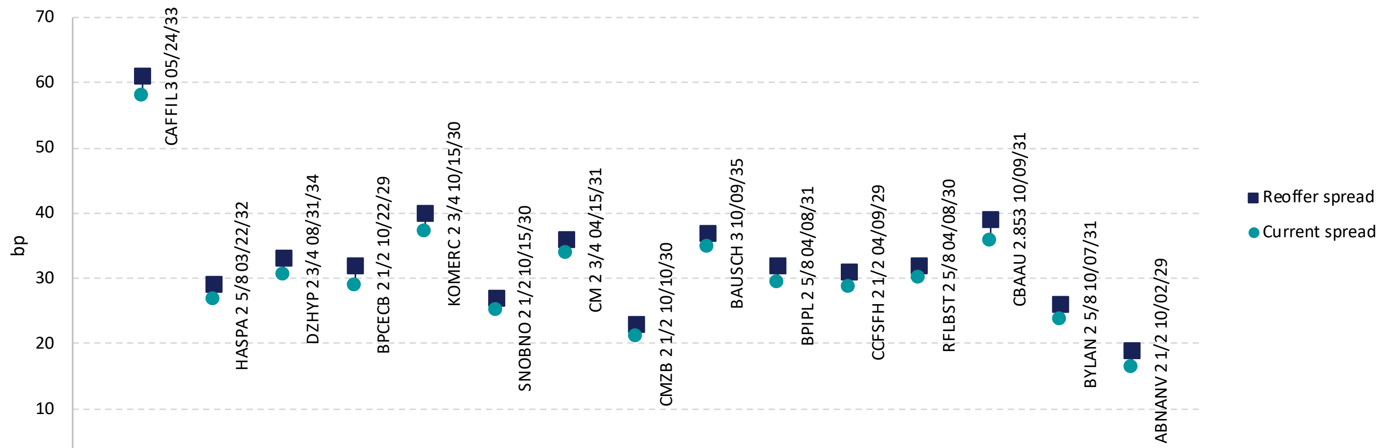
EUR benchmark emission pattern



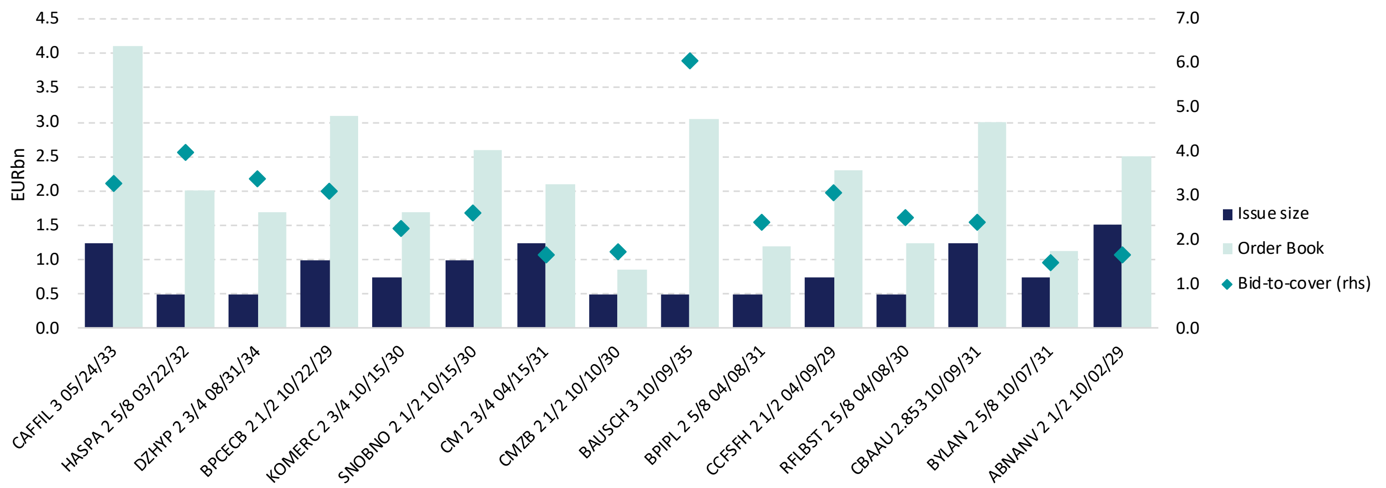
Covered bond performance (Total return)



Spread development (last 15 issues)



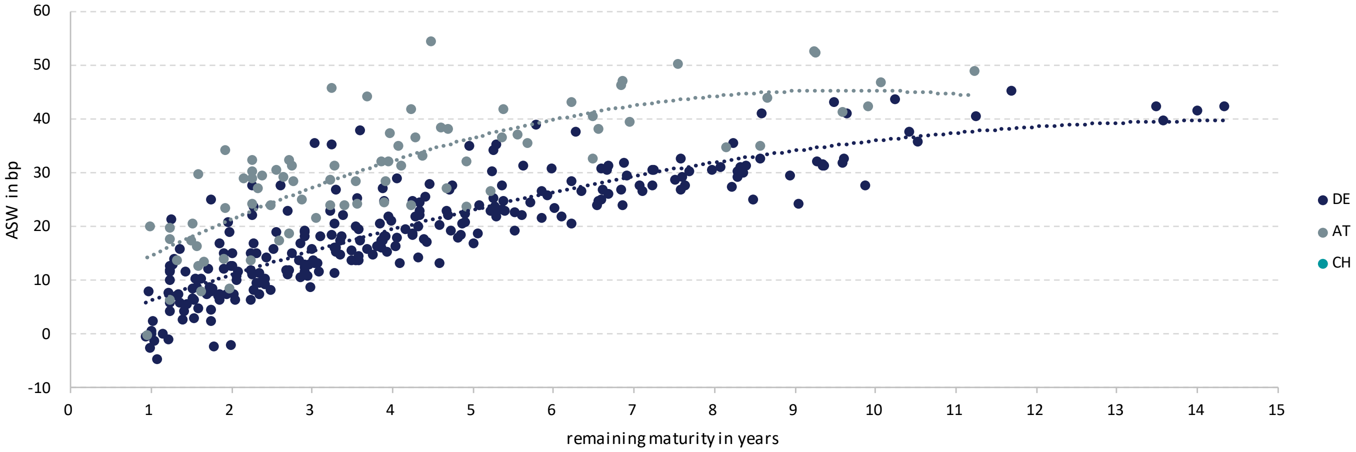
Order books (last 15 issues)



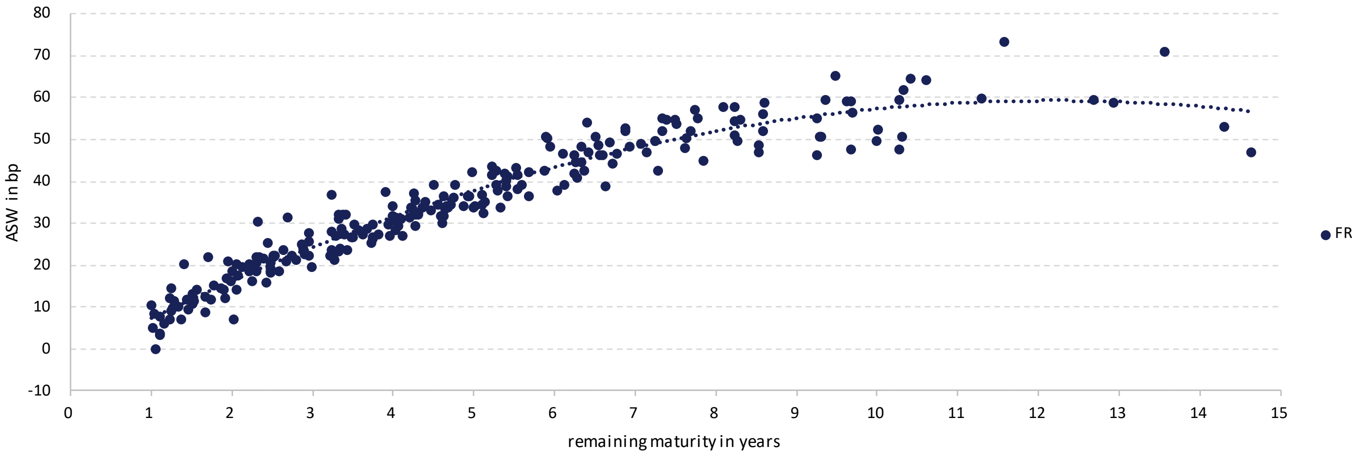
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

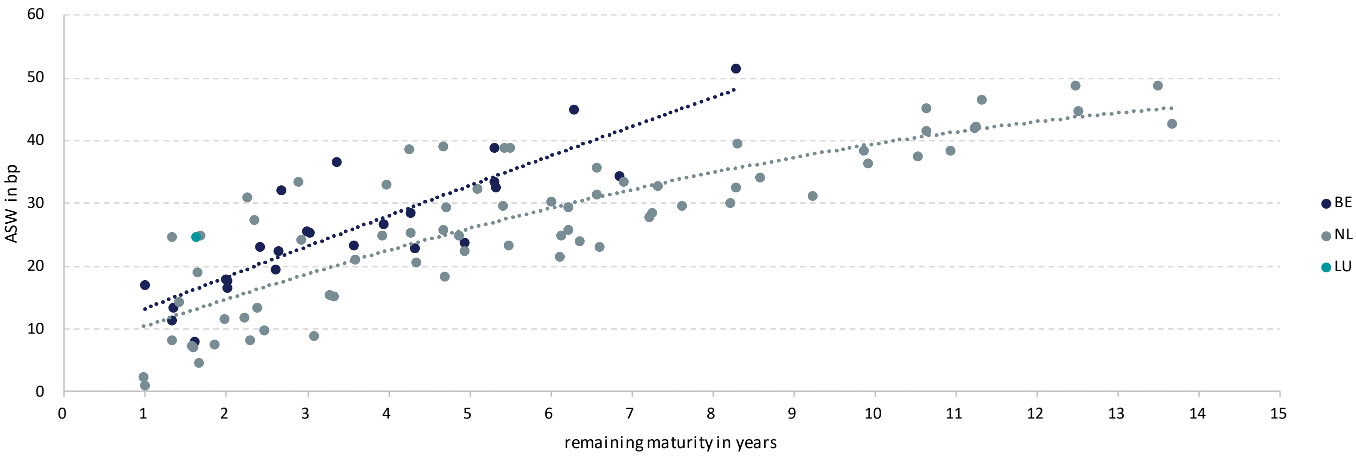
DACH



France

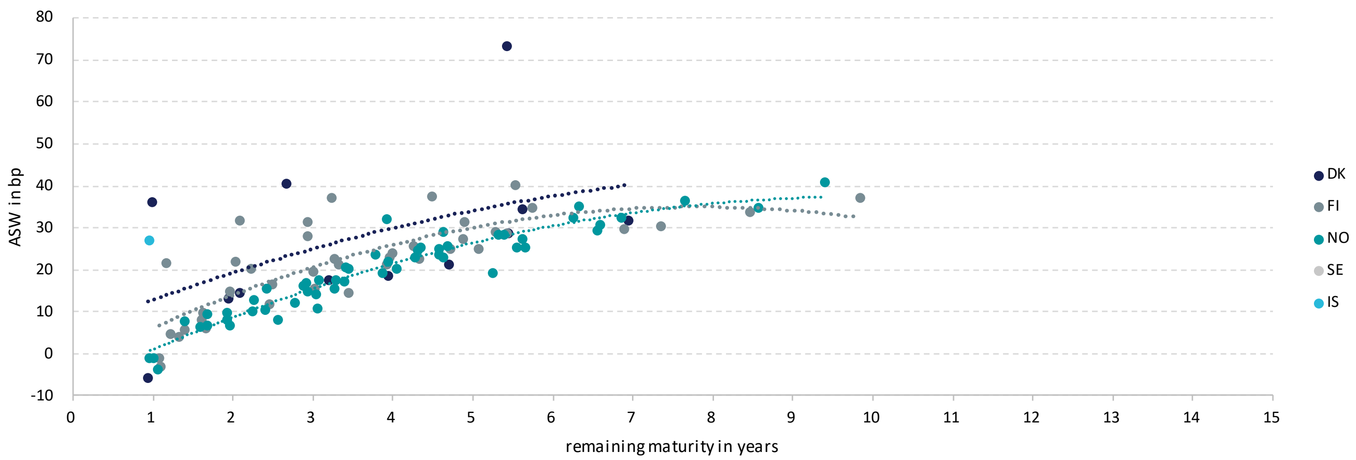


Benelux

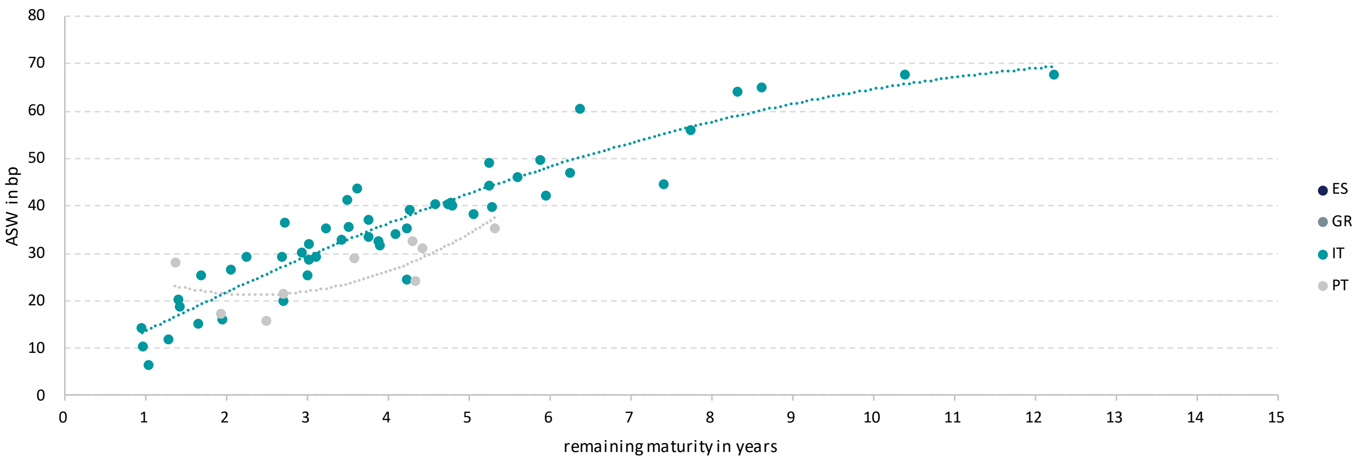


Source: Market data, Bloomberg, NORD/LB Floor Research [1] Time to maturity 1 ≤ y ≤ 15

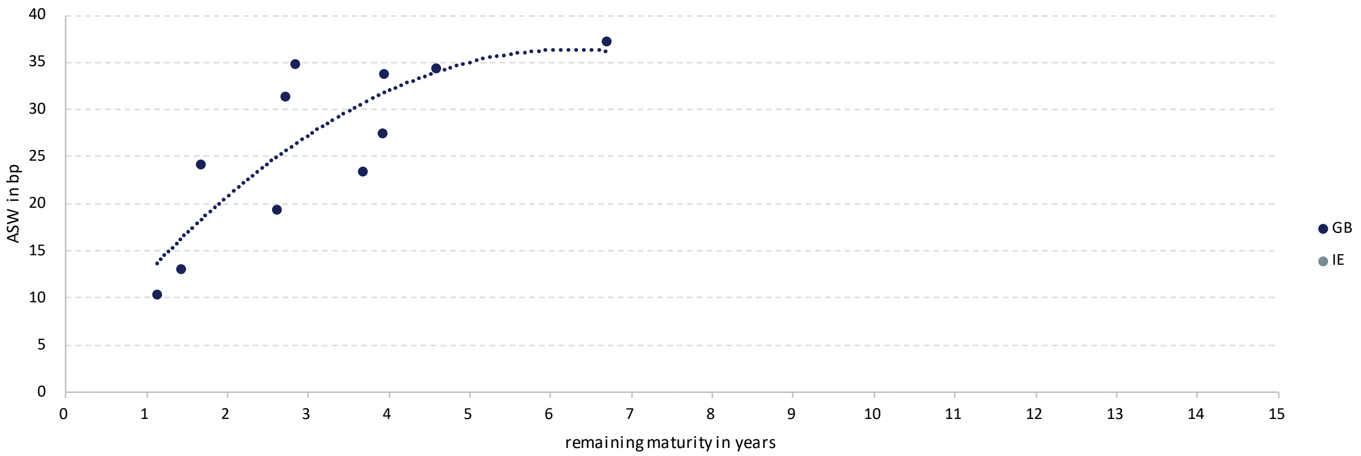
Nordics



Southern Europe

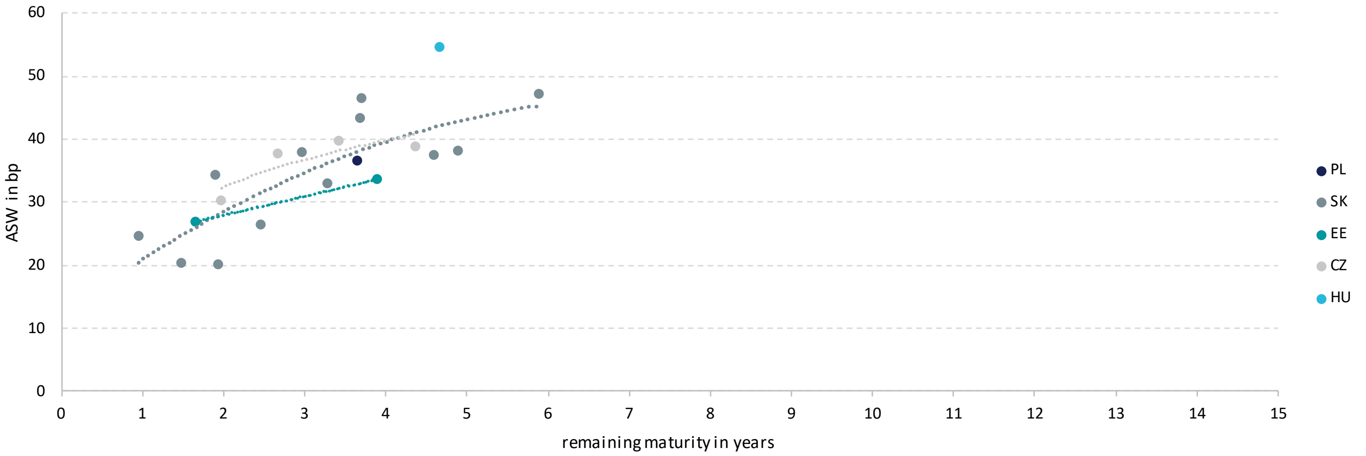


UK/IE

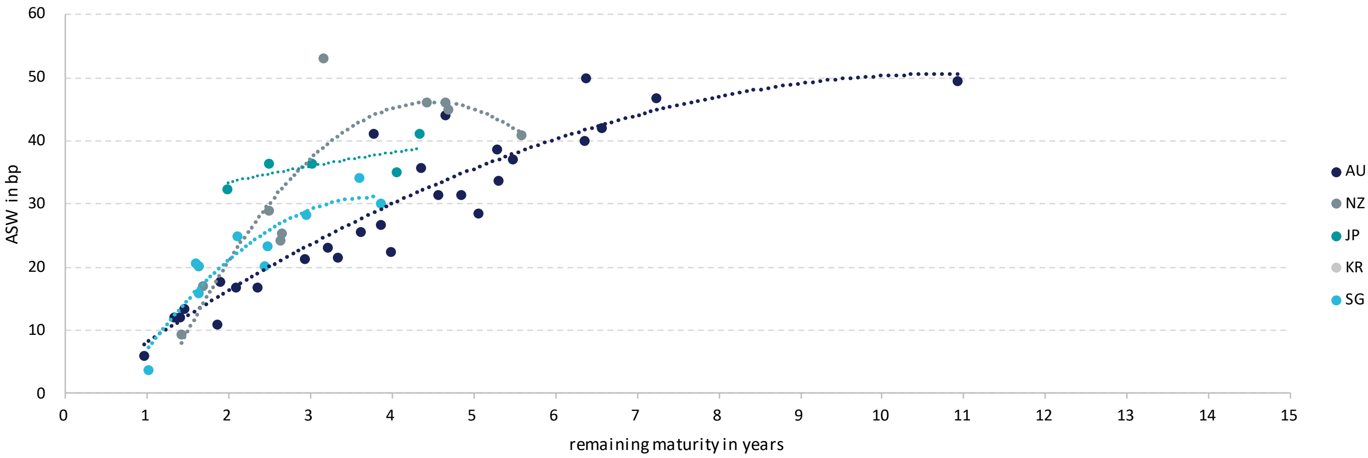


Source: Market data, Bloomberg, NORD/LB Floor Research

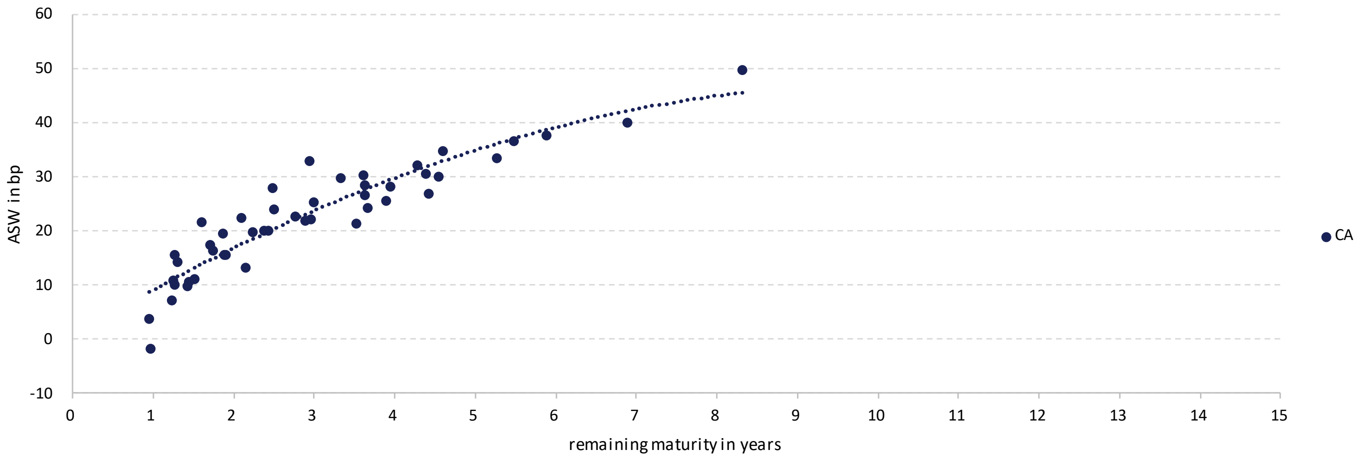
CEE



APAC



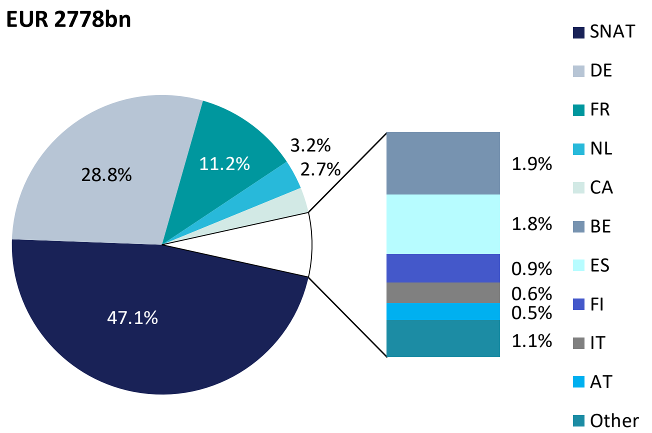
North America



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

Charts & Figures
SSA/Public Issuers

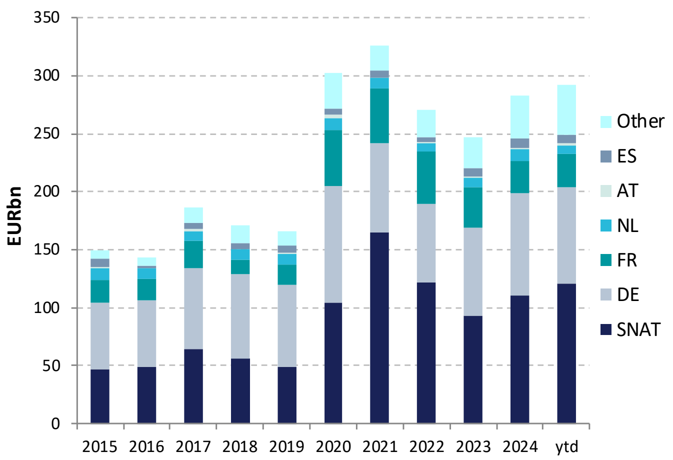
Outstanding volume (bmk)



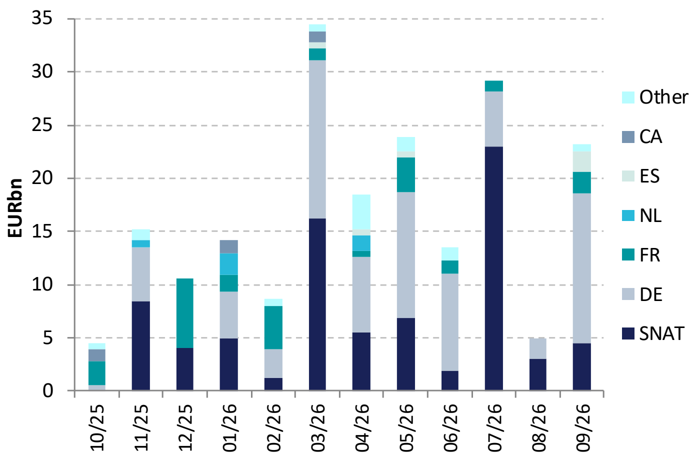
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,309.0	264	5.0	7.6
DE	800.7	608	1.3	5.9
FR	312.0	207	1.5	5.3
NL	87.8	69	1.3	6.0
CA	76.1	68	1.1	6.2
BE	52.8	50	1.1	9.9
ES	50.9	74	0.7	4.9
FI	25.2	26	1.0	4.0
IT	17.3	22	0.8	4.3
AT	14.5	21	0.7	5.3

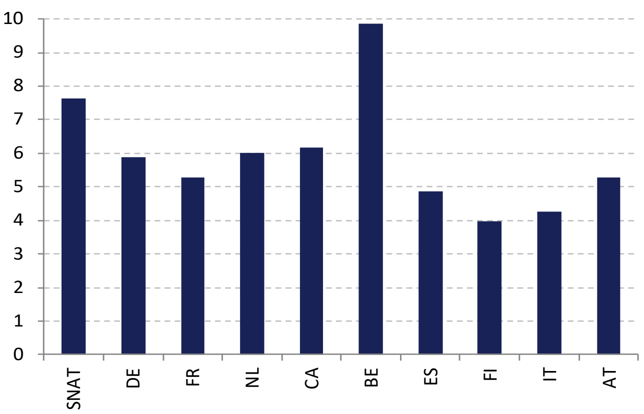
Issue volume by year (bmk)



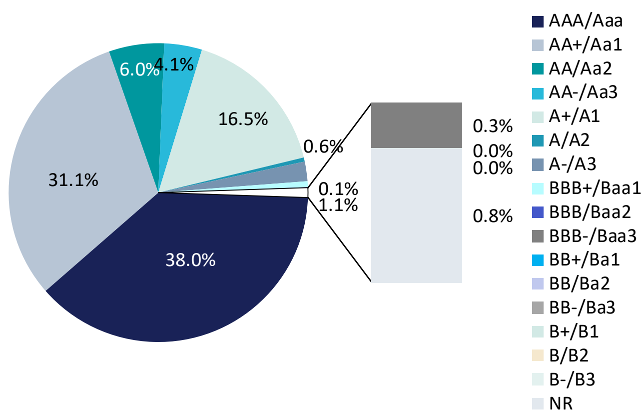
Maturities next 12 months (bmk)



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



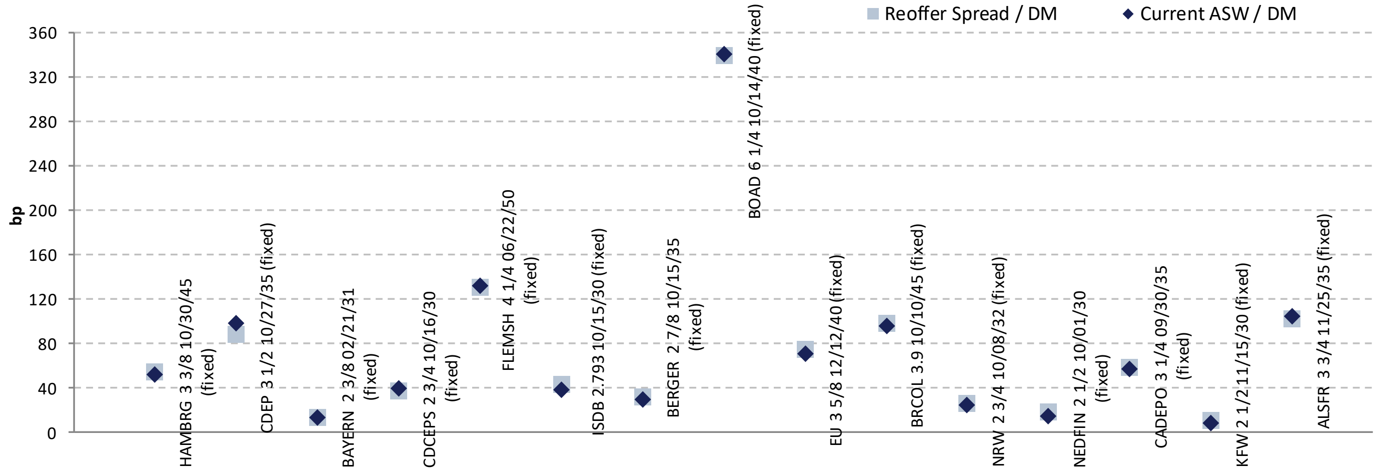
Rating distribution (vol. weighted)



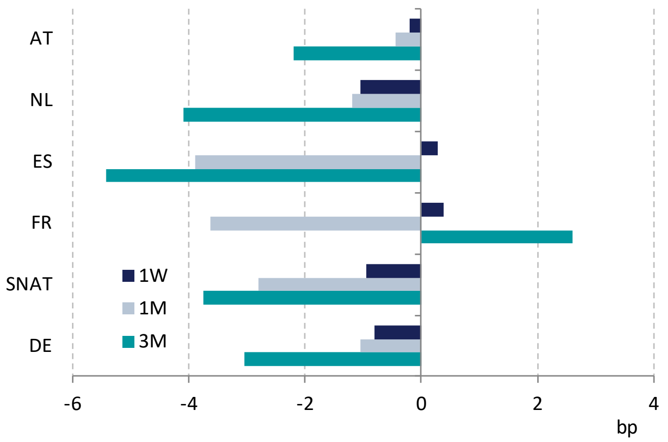
Source: Bloomberg, NORD/LB Floor Research

NORD/LB

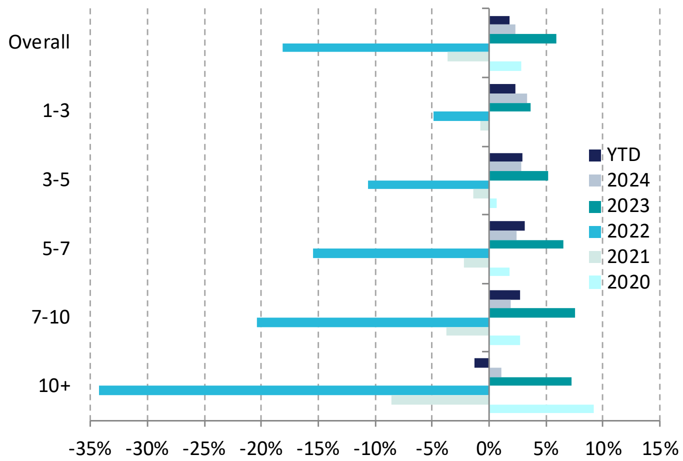
Spread development (last 15 issues)



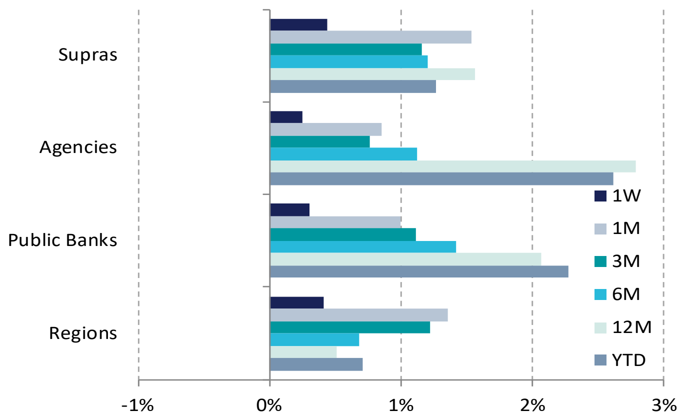
Spread development by country



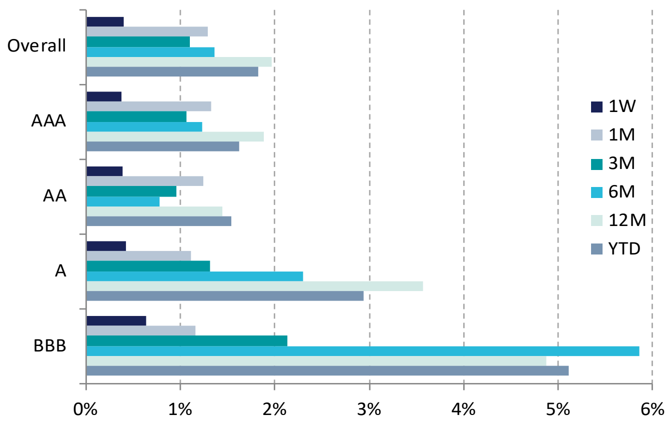
Performance (total return)



Performance (total return) by segments

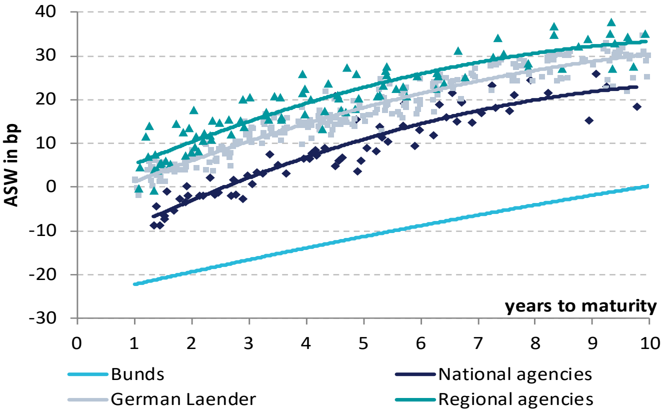


Performance (total return) by rating

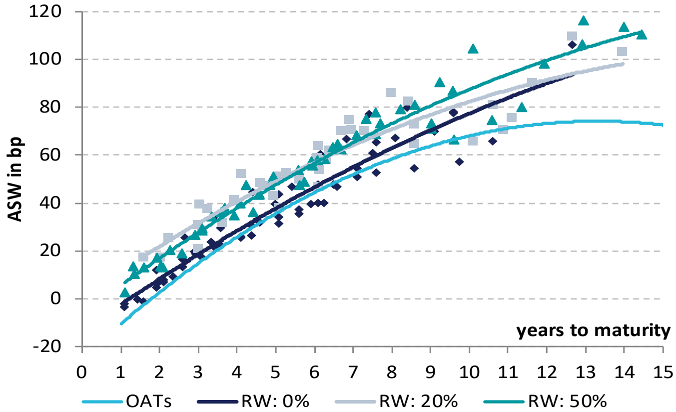


Source: Bloomberg, NORD/LB Floor Research

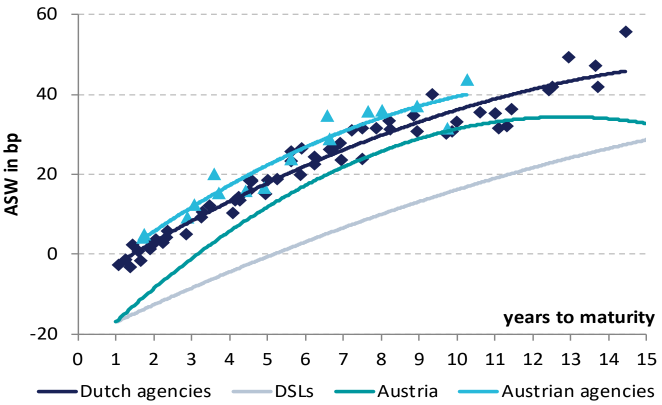
Germany (by segments)



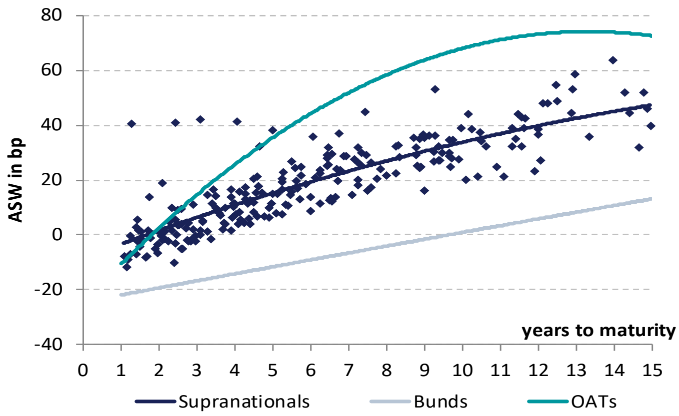
France (by risk weight)



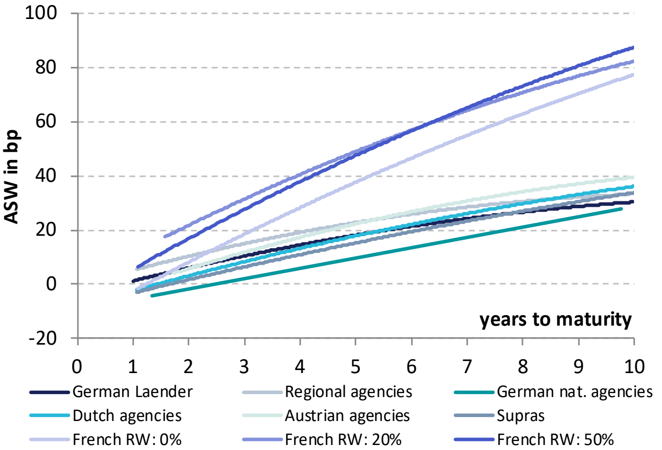
Netherlands & Austria



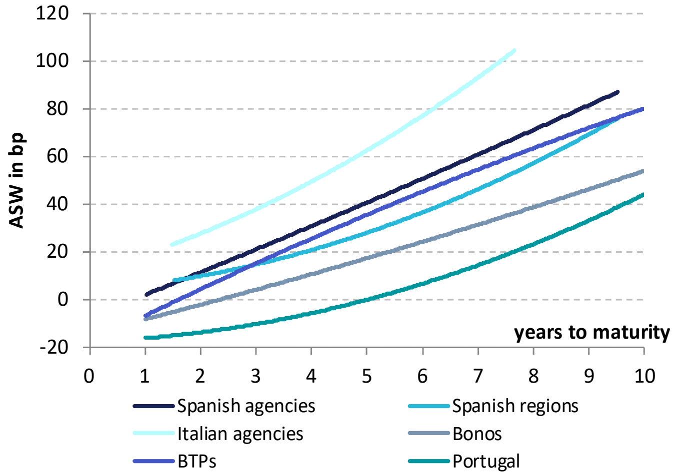
Supranationals



Core



Periphery

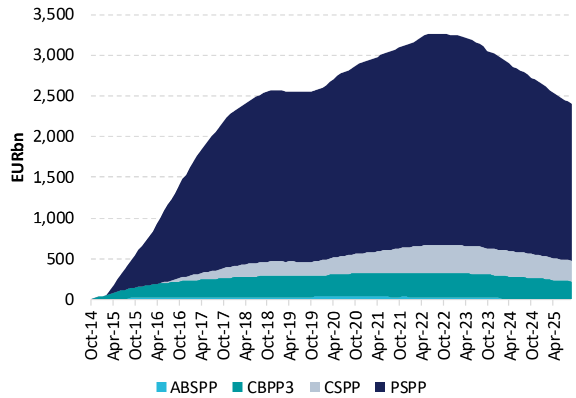


Source: Bloomberg, NORD/LB Floor Research

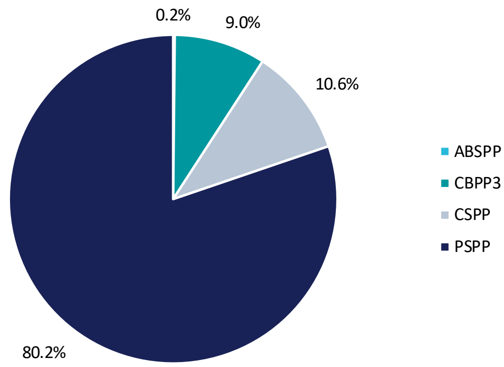
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

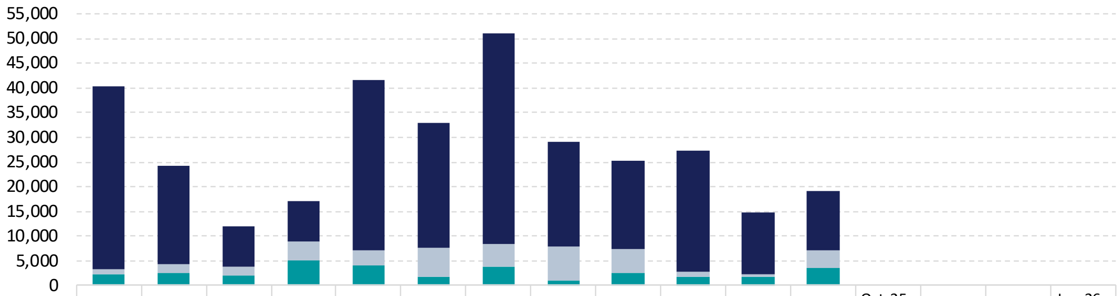
APP: Portfolio development



APP: Portfolio structure

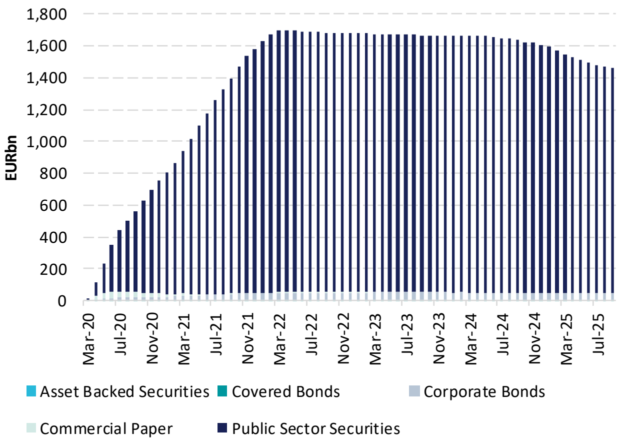


Expected monthly redemptions (in EURm)

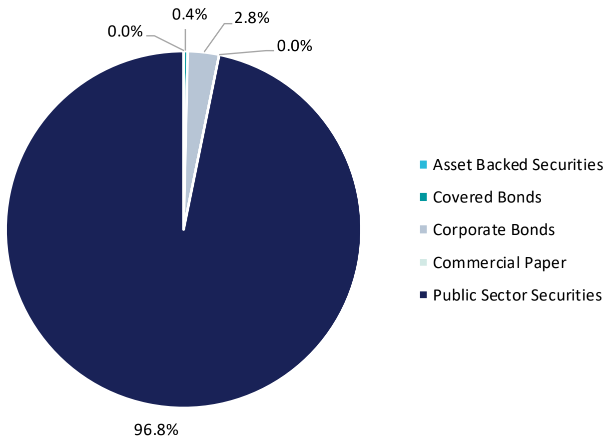


	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-25 - Sep-26	2024	2025	Jan-26 - Sep-26
APP	40,259	24,375	12,078	17,119	41,523	32,837	51,023	29,020	25,281	27,197	14,893	19,219	334,824	335,094	332,840	258,112
PSPP	37,073	20,060	8,274	8,318	34,465	25,111	42,657	21,135	17,964	24,306	12,570	12,097	264,030	264,479	252,566	198,623
CSPP	972	1,905	1,693	3,815	2,926	5,886	4,562	6,820	4,857	1,245	684	3,610	38,975	32,191	33,961	34,405
CBPP3	1,864	2,106	1,903	4,740	3,911	1,575	3,685	1,003	2,317	1,554	1,566	3,281	29,505	32,173	42,332	23,632
ABSPP	350	304	208	246	221	265	119	62	143	92	73	231	2,314	6,251	3,981	1,452

PEPP: Portfolio development



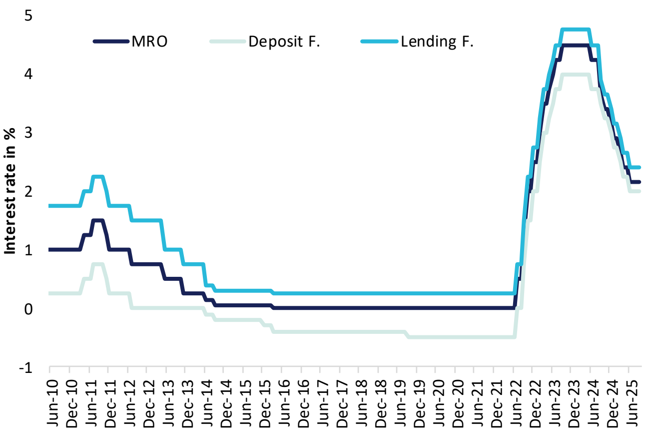
PEPP: Portfolio structure



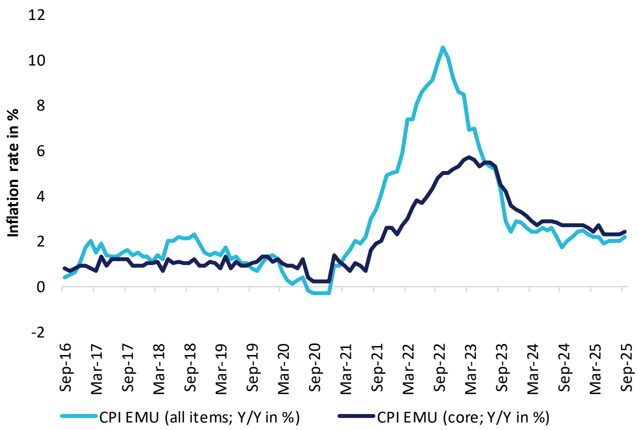
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

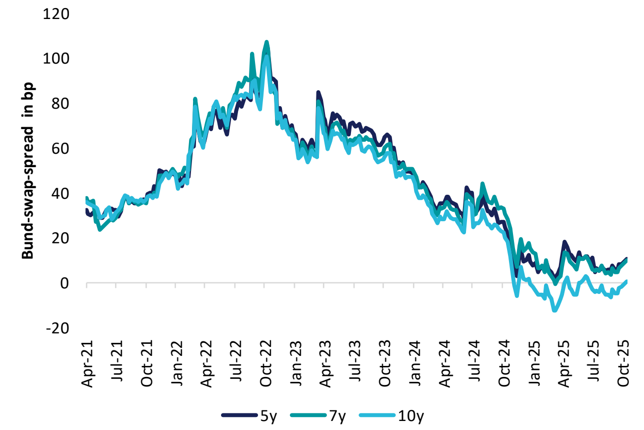
ECB key interest rates



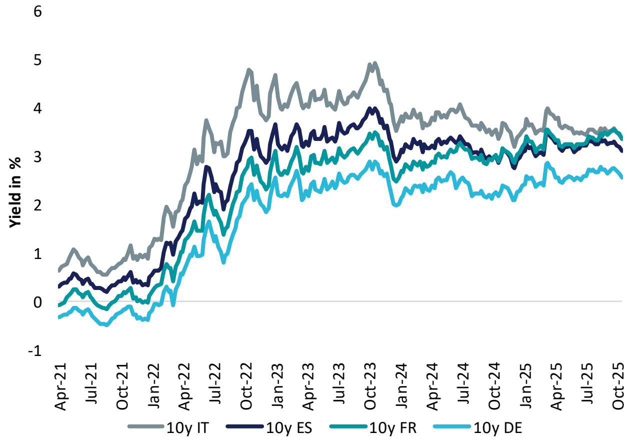
Inflation development in the euro area



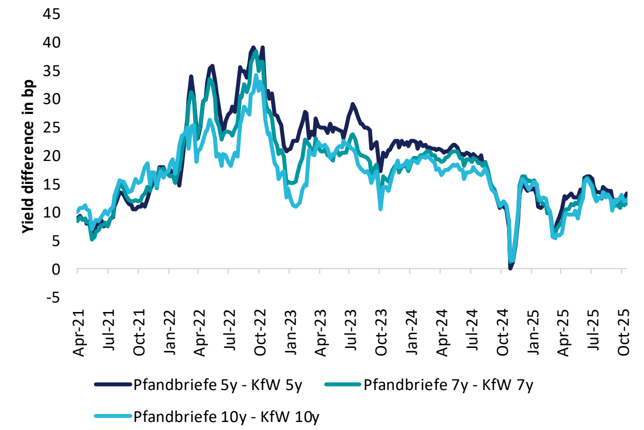
Bund-swap-spread



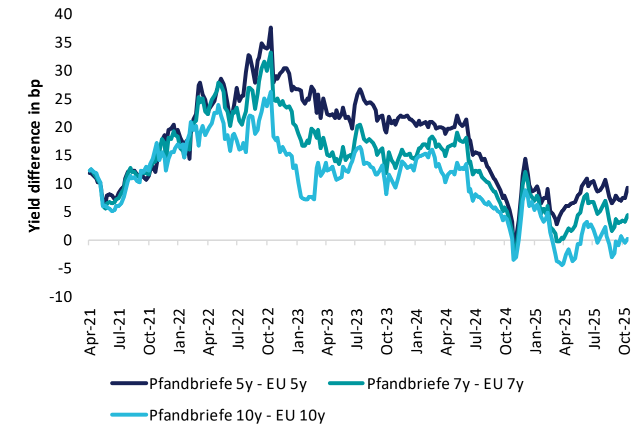
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

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Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
34/2025 ♦ 15 October	▪ Greece: covered bond jurisdiction on the rise? ▪ Agencies and resolution instruments of the BRRD
33/2025 ♦ 08 October	▪ Solvency II and covered bonds ▪ NGEU: Green Bond Dashboard
32/2025 ♦ 01 October	▪ Teaser: EBA report on the review of the EU covered bond framework ▪ Update on German municipality bonds: DEUSTD and NRWGK
31/2025 ♦ 24 September	▪ The rating approach of Morningstar DBRS ▪ Teaser: Beyond Bundeslaender – Greater Paris (IDF/VDP)
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	▪ The rating approach of Standard & Poor's ▪ Pension avalanche and municipal debt: Laender under pressure
28/2025 ♦ 20 August	▪ Transparency requirements §28 PfandBG Q2/2025 ▪ Teaser: Issuer Guide – Spanish Agencies 2025
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 ▪ Spotlight on the EU as a mega issuer
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 ▪ Classification of Supranationals and Agencies under Solvency II
22/2025 ♦ 18 June	▪ The UK covered bond market ▪ Stability Council convenes for 31st meeting
21/2025 ♦ 11 June	▪ Moody's: rating approach Covered Bonds ▪ Teaser: Issuer Guide – Austrian Agencies 2025
20/2025 ♦ 28 May	▪ Cross Asset // Teaser: ESG update 2025 – Focus on greenium and socium+
19/2025 ♦ 21 May	▪ Development of the German property market (vdp index) ▪ Teaser: Issuer Guide – Nordic Agencies 2025
18/2025 ♦ 14 May	▪ Transparency requirements §28 PfandBG Q1/2025 ▪ 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

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Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
Weekly: DS NDB <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
- EBA report on the review of the EU covered bond framework

SSA/Public Issuers:

- Issuer Guide – German Laender 2025
- Issuer Guide – Canadian Provinces & Territories 2024
- Issuer Guide – Down Under 2024
- Issuer Guide – European Supranationals 2024
- Issuer Guide – Non-European Supranationals (MDBs) 2025
- Issuer Guide – German Agencies 2025
- Issuer Guide – French Agencies 2024
- Issuer Guide – Nordic Agencies 2025
- 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

Appendix
Contacts at NORD/LB

Floor Research

Dr Norman Rudschuck, CIIA
Head of Desk

+49 152 090 24094
norman.rudschuck@nordlb.de

Lukas Kühne
Covered Bonds/Banks

+49 176 152 90932
lukas.kuehne@nordlb.de

Lukas-Finn Frese
SSA/Public Issuers

+49 176 152 89759
lukas-finn.frese@nordlb.de

Alexander Grenner
Covered Bonds/Banks

+49 157 851 65070
alexander.grenner@nordlb.de

Tobias Cordes, CIIA
SSA/Public Issuers

+49 162 760 6673
tobias.cordes@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Institutional Sales MM/FX	+49 511 9818-9460
Fixed Income Relationship 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

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Asset Finance	+49 511 361-8150

Treasury

Liquidity Management/Repos	+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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