Covered Bond & SSA View

NORD/LB Floor Research

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Marketing communication (see disclaimer on the last pages)

Agenda

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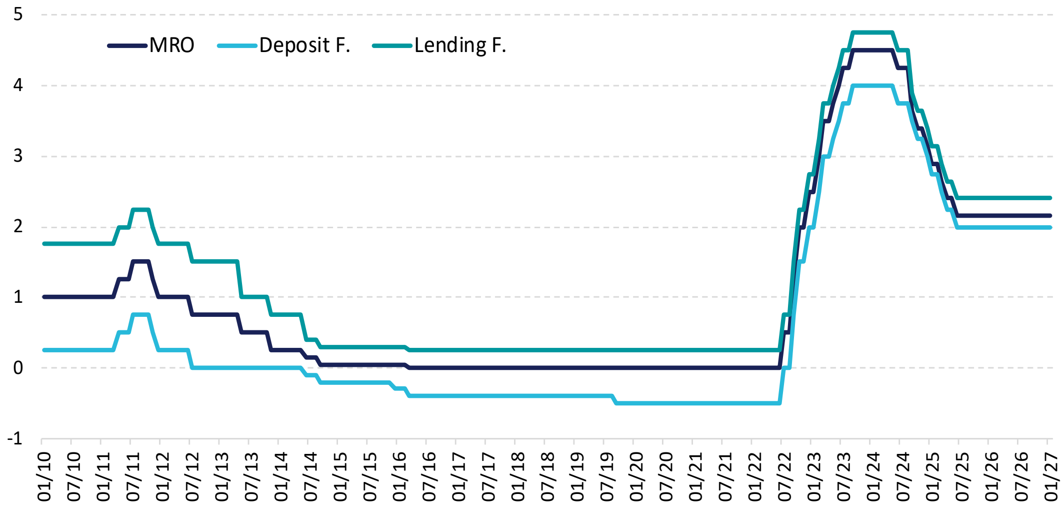
Outlook 2026
The bigger picture – ECB and four daring suppositions

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

ECB: an (extended) interest rate pause or the end of the line without even realising it?

In 2026, the covered bond and SSA segments are likely to continue to be driven by the ECB's monetary policy stance and discussions about possible activation of the Transmission Protection Instrument (TPI). We currently have a long way to go before the ECB announces that it is touching the key interest rates again. There is, of course, a certain potential for disappointment if the ECB decides to remain silent for the entire forthcoming year. At the very least, we are not expecting any technically driven (gradual) spread widening on the bond market, and so sentiment-driven widening seems (more) likely over the course of the year, depending on the situation. This could be the case, for example, if politicians make incomprehensible decisions or if the TPI is used contrary to expectations. According to the criteria for activation, this could not happen in the case of France at present in any event, as we have already explained in full. In today's edition, we are focusing on covered bonds, European supranationals and agencies as well as German Laender. However, other regions within the Eurozone with a significantly lower supply of bonds (such as Belgian, Canadian or French regions) are also affected by the current market climate. The members of the ECB's Governing Council and the Executive Board chairing the Council have so far avoided clear statements. The committee will also meet again on 18 December before we know how we will ultimately start the new year. Our current baseline scenario is that there will be no interest rate adjustments at any of the meetings in the coming year. We had assumed for a long time that the next interest rate movement would be downwards. However, at the moment there are increasing signs that the next step – albeit not until 2027 – could also be upwards. Nevertheless, the ECB is not revealing its hand and any premature step needs to be well prepared.

ECB key interest rates (in %; including our expected interest rate pause)



Source: ECB, Bloomberg, NORD/LB Floor Research

Four daring suppositions that bode for a less joyful festive season

After focusing intensively on possible developments in the coming year and discussing potential scenarios, a brainstorming session led us to the following four (in some cases "bold") theories – these are more or less realistic and/or worrying:

1. Negative outlook for Germany in 2026/27 from a major rating agency
2. AfD achieves absolute majority in Saxony-Anhalt
3. Despite all peace efforts, continued war in Ukraine – without US involvement
4. Fed launches new QE programme at the long end

Negative outlook for Germany in 2026/27 from a major rating agency

Since the end of October 2024, S&P's outlook for North Rhine-Westphalia has been negative. At the end of March 2025, S&P no longer rated Baden-Wuerttemberg as positive, but rather as stable. NRW has the most interesting range among the four well-known rating agencies anyway: AAA (like everyone at Fitch), Aa1 (Moody's), AA (S&P) and AAA (Scope). Why are we mentioning this? In discussions with investors, concerns have repeatedly been expressed as to what exactly Germany will do with the special funds that have been approved but are accompanied by unprecedented levels of debt. Therefore, it is conceivable that Germany's top rating could be assigned a negative outlook by a major rating agency in 2026/27. Under what circumstances – stand-alone or in combination – could this step be taken?

- Further fiscal deterioration (structural deficit)
- No broad political consensus for tax increases or spending cuts
- Special funds turn into pure debt instruments
- Industry unattractive internationally (energy prices, regulation, location costs)
- Relapse into recession in 2026, while the US and Southern Europe grow
- Productivity stagnates, investment ratio remains too low
- Capital market stress/higher interest costs
- Government debt ratio rises to 70-75% — no tragedy, but enough to mark a "negative trend"
- Early elections again in 2026/27? Minority government?
- Harsh EU conflicts?

A negative rating outlook would naturally have implications for the capital market. When it comes to SSA, we are thinking first and foremost here about the Laender, particularly in terms of spread widening for those with weaker structures and budgets. The rating agencies would, of course, also consider negative outlooks for the Laender. This would also be conceivable for national and regional promotional banks, which would lose some of their relative strength. This development would have little to no direct impact on the ratings of covered bonds, but softening Bunds, coupled with weakening Pfandbrief refinancing conditions, would cause spreads to widen by 5-10bp. For example, Dutch government bonds could be considered a "safe alternative to German Bunds" in 2026/27.

AfD achieves absolute majority in Saxony-Anhalt

Another scenario up for discussion is political: the AfD could win 42-44% of the vote in the state elections in Saxony-Anhalt. The more parties that fail to pass the 5% hurdle, the fewer votes are needed for an absolute majority, which is why 50% does not have to be achieved at all. Ulrich Siegmund, AfD's lead candidate on 06 September, has ambitious goals: "We want to turn this country upside down", said the 34-year-old opposition leader. Under what circumstances could this happen?

- Fragmentation of the political landscape
- Low voter turnout → AfD mobilises above-average support
- Declines in production (chemicals, solar, semiconductors) or site closures
- Unemployment rises noticeably in the East
- Migration a dominant issue once again in 2026 election year
- Divided coalition, no decision-making clout, further budgetary shortfalls
- Structural neglect noticeable → protest vote grows in strength

This would naturally also have implications for the capital market: not only state financing under the ticker SACHAN could be subject to a "political risk premium", but the whole of eastern Germany could be affected. Investors historically avoid sub-national issuers when extreme political uncertainty looms (see France). EU funding for regions could be called into question politically and fiscal risks are also increasing. This scenario would not have an immediate impact on covered bonds, but in the long term it would affect property values in eastern Germany, which could also suffer from political uncertainty.

Despite all peace efforts, continued war in Ukraine – without US involvement

The threat of "America First" from the United States is becoming more and more palpable. This would be tantamount to the withdrawal of US military aid. In addition, Congress could block further spending. The hypothesis goes something like this: Europe cannot completely bridge this gap. For example, Germany and France would supply too little ammunition. At the same time, Ukraine could stabilise the front lines without being able to advance. The EU replenishes SAFE and other funds but only slowly and insufficiently. The years 2026/27 will see what is known as a "frozen conflict": the front lines will be similar to 2024/25 — no major offensives. Russia will switch to "war maintenance mode". At the same time, the US is increasingly focusing on China. Europe must bear "its" security burden alone. What would be the implications for the capital markets?

- Defence and reconstruction funds in Europe continue to rise
- Higher EU issuance requirements
- EU bonds become "quasi-safe assets", spread over Bunds narrows
- EU members with already high defence budgets (including Poland, Finland) must take on more debt
- Spreads could rise moderately, especially at the long end

Once again, no direct impact on covered bonds, but government defence spending would squeeze urgently needed funding for housing promotion. Energy prices would remain volatile.

Fed launches new QE programme at the long end

Under what circumstances would a new QE programme be conceivable at the long end? For example, in an economic downturn combined with an unemployment rate of 5.5-6% and a sharp decline in consumption. However, triggered by political pressure, it would also be conceivable at the moment: Republicans are pushing for an expansionary monetary policy to save the economy. Fiscal policy cannot deliver due to congressional deadlock. If the core inflation were to fall below 2.2%, the Fed could even take action without losing face. What would be the implications for the capital market? Global core markets rallying massively, with European SSAs also standing to benefit, e.g. spread compression for sovereigns, Laender and supras. Pfandbriefe could become relatively more expensive, as investors seek duration and global yield curves flatten.

Conclusion and outlook

Holy sh… well isn't this a hot mess? At the very least, today's introduction will provide food for thought and encourage us – and you! – to think about 2026. Let us briefly summarise and digest what has been suggested:

1. A negative outlook for Germany from one of the three major rating agencies would be the result of stagnant growth, unresolved budgetary problems and political instability – ASW spreads would react markedly in the SSA segment.
2. An absolute AfD majority in Saxony-Anhalt on 06 September 2026 would only be possible if several established parties simultaneously failed to clear the 5% hurdle and the region was economically frustrated – but it is not. Investors would price all eastern German Laender risks higher (contagion effects). Other elections are taking place in 2026 in Baden-Wuerttemberg (08 March), Rhineland-Palatinate (22 March), Berlin and Mecklenburg-Western Pomerania (both on 20 September).
3. A Ukraine war without US involvement would shift military and financial responsibility even further to Europe, resulting in more EU bond issues, increased risk premiums for eastern European Member States and a more expensive yield curve at the long end.
4. A new round of QE by the Fed would require systemic financial market stress or a significant recession – globally, SSAs would benefit.

Covered Bonds
Market overview

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

Primary market: no new deals as we enter December

Things are really slowing down on the primary market now. Over the past five trading days, we did not see a single new issue. However, this is a chance for us to take a closer look at the possibility of covered bond issuances in December. Traditionally, the final month of the year is one of the weakest months for covered bond issuances each year. For example, we have not recorded a single new deal in the pre-Christmas period beginning in December for the past two years. In previous years, however, some issuers approached investors on the primary market even late in the year. In 2021, for instance, new bonds with a volume of EUR 3.3bn were placed in December, although it is also important to remember that 2021 was still overshadowed by the effects of the COVID-19 pandemic that markedly distorted classic issuance patterns in the covered bond market. While the end of the year made itself known early on in 2024, due in no small part to the uncertainty regarding the relative value of covered bonds that first arose in November and stemmed from a significant correction in the Bund-swap spread, the primary market remained pretty busy well into November this year. This was reflected in particular in the continued strong investor interest in new issues, whereby the average bid-to-cover ratio for the nine covered bonds placed in November came to 3.3x, which is actually in excess of the average value seen across the year to date (2.8x). As a result, several banks took advantage of the attractive issuance window to carry out some prefunding activities. New issue premiums for the deals placed in November amounted to a paltry 0.3bp on average. Given the high level of maturities in the EUR benchmark segment, which total EUR 155bn for 2026, and the anticipated highly dynamic start to the year, this would appear to constitute an interesting funding window. In this sense, we are not quite ready yet to sound the death knell for primary market activities in 2025, although we would assess the prospects of any additional new deals coming to market in the current month as fairly unlikely. As the end of the year inches ever closer, the Focus Article in this present edition of our weekly publication is dedicated to looking ahead at the covered bond market in 2026. In addition to our issuance forecast, the article also includes broader considerations that are likely to be of relevance in the covered bond market next year.

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

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

Secondary market: excess demand leads to spread performance for new issues

With the end of the year now rapidly approaching and in the context of a dearth of new issues, things have markedly calmed down on the secondary market in recent trading days as well. Significant excess demand can be observed here, which is driving the continued performance of primary market deals placed over recent weeks in particular. Geographically, the focus has been primarily on bonds from jurisdictions that offer a certain pick-up over Pfandbriefe.

Internal matters: publication of the NORD/LB Issuer Guide Covered Bonds 2025

Last Thursday, we published the 13th edition of our annual NORD/LB Issuer Guide Covered Bonds. As usual, the study offers readers a comprehensive overview of the covered bond market. The focus of the Issuer Guide is once again on issuers of covered bonds and the relevant cover pools. In 2025, the study encompasses information from a total of 188 institutions, which each have outstanding EUR benchmark and/or sub-benchmark deals. The evaluation involved compiling data from 224 cover pools across 27 jurisdictions.

Moody's upgrades the rating of Italian covered bond programmes

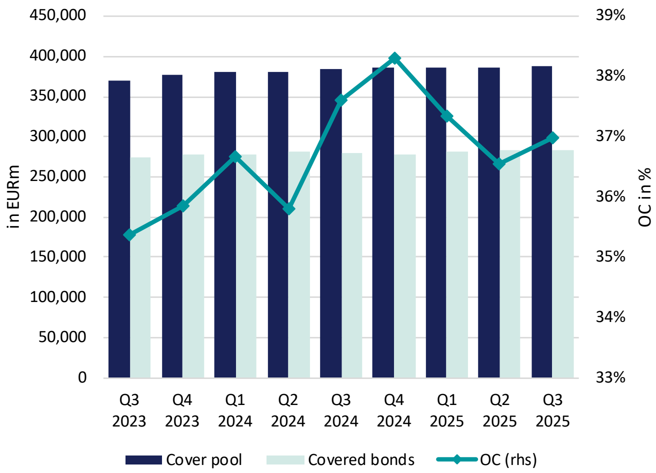
In the wake of the upgrade to Italy's sovereign rating (which we reported on last week), the rating agency Moody's moved to upgrade the ratings of 16 Italian covered bond programmes on 25 November as well. The highest possible rating that covered bonds from this jurisdiction can now receive is Aa2, up from Aa3 (following the upgrade of the local-currency bond country ceiling). All upgraded programmes feature a suitable level of overcollateralisation (OC) for their new rating. Covered bonds placed by the eight Moody's-rated issuers in the EUR benchmark segment, namely Banca Monte dei Paschi di Siena, Banca Sella, Banco BPM, BPER Banca, Credit Agricole Italia, Credito Emiliano, Iccrea Banca, Intesa Sanpaolo and UniCredit, are among the upgraded programmes. For further details on the ratings and other key figures of Italian issuers in this market segment, please refer to our recently published study NORD/LB Issuer Guide Covered Bonds 2025. In the current year, we have recorded a new issuance volume of EUR 5.1bn from Italy, which produces a negative net supply of EUR -4.4bn when maturities of EUR 9.5bn are factored into the equation. In our outlook for 2026, we are projecting new issuances in the amount of EUR 8bn on the part of Italian banks. More information on the primary market in 2026 can be found in our Focus Article in this present edition of our weekly publication.

Scope publishes Italian Bank Outlook 2026

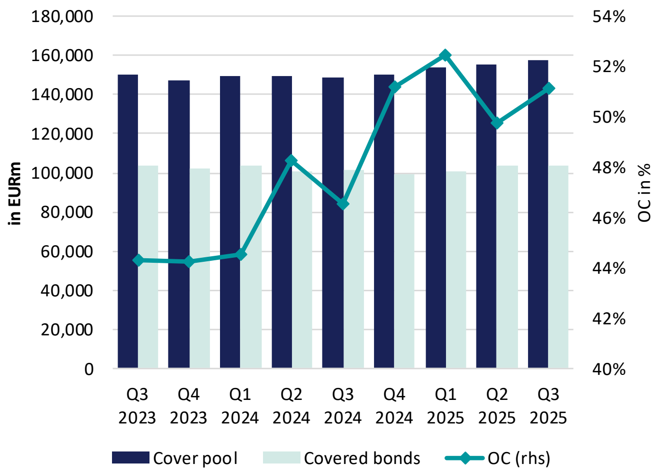
In their recently published Italian Bank Outlook 2026, the rating experts from Scope expect that Italian banks will develop in stable fashion overall, supported by continued solid fundamental data despite a challenging macroeconomic environment. Even if profitability remains below the record level of 2024, the rating experts expect an average risk-weighted asset return of 2.7-2.8% for the six Italian banks reviewed in the publication. Drivers of the profitability growth include the elimination of margin pressures in the interest business, moderate loan growth and continued increases in fee income in tandem with a stable cost base. Despite a normalisation of default rates due to a weakening corporate sector and an increase in loan loss provisions of around 40bp by the end of 2027, Scope does not expect asset quality to deteriorate owing to the banks' proactive approach to risk management. Capitalisation reportedly remains at a comfortable level and provides a buffer against economic and market shocks. At the same time, however, the rating agency does highlight that some banks are beginning to use excess buffers for M&A activity, which suggests that peak capitalisation levels may have been exceeded. The Italian government's 2026 draft budget includes planned levies and tax measures with the potential to create structural problems for the banking sector and to strain investor confidence in the medium term, although no negative impact is expected in the short term.

Transparency requirements §28 PfandBG: A look at the German Pfandbrief market
In the current issuance year, German Pfandbrief banks again rank among the key drivers of primary market activities, both in the EUR benchmark and EUR sub-benchmark segments. From our perspective, looking in greater detail at the composition of the cover pools of German Pfandbrief issuers also provides a little more clarity regarding CRE exposure and its specific characteristics in relation to the programmes under consideration. The main focus here is on both the type of cover (residential vs. commercial) and the geographical distribution of the real estate assets. In this context, the reports published each quarter by the Association of German Pfandbrief Banks (vdp) within the framework of the transparency disclosures pursuant to §28 PfandBG regularly represent an important input variable. Based on this data, we recently published our NORD/LB Covered Bond Special "Transparency requirements §28 PfandBG Q3/2025". In this study, we present cover pool data for 37 mortgage Pfandbrief programmes, 21 public sector Pfandbrief programmes and two ship Pfandbrief programmes, in addition to again manually adding in cover pool data for Deutsche Bank, whose data is not reported on the vdp website. At the same time, with the publication of the study "Transparency requirements §28 PfandBG Q3/2025 Sparkassen", we also take a closer look at the Pfandbrief programmes of German savings banks. In total, these institutions operate 43 mortgage programmes and 12 programmes featuring underlying public sector cover assets. Based on the current figures for mortgage Pfandbriefe in Q3/2025, the total cover pool volume of vdp member institutions has increased from EUR 387.1bn in the previous quarter to a current level of EUR 388.9bn. The total volume of outstanding mortgage-backed Pfandbriefe has also increased from EUR 283.5bn to EUR 283.9bn in the current quarter. And we are seeing a similar trend in the area of public sector Pfandbriefe: in this case, the outstanding volume has increased for the third consecutive quarter and now stands at EUR 104.1bn. This trend is even more pronounced in relation to the cover pool volume of public sector Pfandbriefe, which increased from EUR 155.1bn in the previous quarter to EUR 157.3bn.

Market development: Mortgage Pfandbriefe



Market development: Public Sector Pfandbriefe



Source: vdp, Deutsche Bank, NORD/LB Floor Research

SSA/Public Issuers
Market overview

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

KfW presents Green Bond Impact Report for 2023

On 27 November, KfW (ticker: KFW) published its Green Bond Impact Report for 2023. The report contains information on all green bond issues (including taps) in the reporting year, thereby concluding the reporting cycle for 2023. The report also provides a comprehensive overview of the Green Bond Framework applicable at the time, the use of net proceeds and the environmental and social impact of the projects financed under KfW's promotional programmes. Annual reductions in CO_2-equivalent emissions of around 195 tonnes for every EUR 1m invested are expected for the projects financed with the green bonds issued in 2023. Based on the net proceeds collected through green bonds, which totalled EUR 12.9bn in 2023, annual reductions in CO_2-equivalent emissions of around 2.5m tonnes can therefore be expected. Green bonds have long been an integral part of KfW's funding strategy. According to information from Germany's largest promotional bank, KfW has placed green bonds with a total volume of almost EUR 97bn since 2014, making it one of the largest issuers of bonds of this type worldwide. In 2023, KfW issued a total of 22 green bonds in nine different currencies – accounting for 14.3% of KfW's total funding in that year (2023: EUR 90.2bn). "KfW is firmly committed to climate targets and promotes environmentally friendly technologies that pave the way for a climate-neutral future and protect biodiversity. Sustainable financing, especially green bonds, are key instruments for directing capital in this direction", said Tim Armbruster, KfW Treasurer.

Bremen: Senate approves draft budgets for 2026/27 – state uses structural component

After the Bremen Senate approved the supplementary budget for 2025 in October, the 2026/27 draft budgets for the state of Bremen (ticker: BREMEN) and the city municipality have now also been approved. The financial situation in Bremen remains challenging, not least because of the weak tax revenue growth coupled with rising social expenditure. For 2026, the sub-sovereign is expecting expenditure of EUR 6.3bn, which equates to an increase of +4.5% year on year compared with 2025. More than EUR 1bn of this will be spent on social benefits. In 2027, total expenditure is set to amount to EUR 4.4bn. On the revenue side, Bremen is expecting a decline of -0.6% year on year to EUR 6bn in 2026, while revenues will increase to EUR 6.2bn in the following year. At EUR 4.5bn in 2026 and EUR 4.7bn in 2027, tax revenues (including federal supplementary grants) will be higher than in the current year (EUR 4.3bn), although they will be lower than assumed in the last financial planning. In order to close the gap of EUR 272.8m and EUR 144.8m between revenue and expenditure to achieve a balanced state budget in 2026/27, withdrawals from reserves will be just as necessary as net new borrowing. This will amount to EUR 238.8m in 2026 and to EUR 140.7m in the following year. Despite the challenging financial situation, Bremen will therefore comply with both the debt brake and the provisions of the restructuring aid agreement.

EAA presents interim report as at 30 September

The German agency Erste Abwicklungsanstalt (EAA, ticker: ERSTAA) has published its official interim report for the first nine months of the current year, with EAA's financial situation once again significantly influenced by its winding-up mandate. The key performance indicator at EAA is a reduction in the nominal volume of its portfolio. While the nominal volume of the banking book was down by -11.8% to EUR 5.0bn in the first three quarters, the nominal volume of the trading book decreased by -4.2% to EUR 43.1bn in the same period. The result after tax amounted to EUR -0.4m in the reporting period and was particularly influenced by general administrative expenses of EUR 38.4m and net commission income, which at EUR -15.0m was almost at the level of the previous year. Net interest income stood at EUR 41.3m, which was EUR 4.0m lower than the figure for Q1-Q3/2024 in absolute terms, mainly due to the ongoing reduction of the portfolio. Net income from the trading portfolio also declined year on year, totalling EUR 1.6m (-78.4% Y/Y), while the balance of other expenses and income rose significantly from EUR 3.7m to EUR 10.7m. EAA's total assets fell by EUR -1.8bn compared with year-end 2024, primarily due to the reduction in the banking book, and amounted to EUR 11.2bn at the end of September. The business volume, which also included off-balance sheet items, decreased by -14.5% to EUR 11.8bn (end of 2024: EUR 13.9bn).

NRW.BANK presents interim report - volumes up across all promotional areas

The German regional promotional bank NRW.BANK (ticker: NRWBK) has also presented its figures for the third quarter, providing an insight into the development of its promotional business. Accordingly, in the first nine months of the current year, NRW.BANK granted funding with a total volume of EUR 10.9bn, significantly more than in the previous year (Q1-Q3/2024: EUR 7.1bn). This increase in demand was seen across all three promotional areas. In addition to the improving business sentiment in North Rhine-Westphalia over the course of the year, the reason for this growth is also the willingness of many local authorities to invest in modernising and renewing their infrastructure. Consequently, the promotional field of Infrastructure/Housing also posted the highest growth at +85% year on year. Promotional volumes amounted to EUR 5.3bn in the period under review. Of this, EUR 2.2bn was attributable to the promotional programme "NRW.BANK.Infrastructure" alone, which was set up in July 2024 to finance projects in the areas of renewable energies, climate protection, broadband provision and education. Promotional volumes in the "Economy" programme also increased significantly, up +26% to EUR 2.4bn compared with Q1-Q3/2024. Commitments in the promotional field Housing amounted to EUR 3.2bn (+36% Y/Y) in the first three quarters of 2025, with "NRW.BANK.Home Ownership" in particular contributing to this growth. New commitments in the area of owner-occupied housing promotion grew to EUR 430.4m – reflecting an increase of +64% year on year. Gabriela Pantring, designated CEO of NRW.BANK was suitably satisfied: "Our current quarterly figures clearly show that our funding is providing important impetus for the transformation of the economy and society. With tailor-made programmes, we are helping companies and local authorities in North Rhine-Westphalia to invest in their future viability. It is clear that the necessary change has gained additional momentum this year."

Moody's upgrades Italy - CDP and 16 other Italian agencies follow suit

After Moody's raised Italy's rating from Baa3 to Baa2 (outlook: stable) on 21 November for the first time in 23 years (!) against the backdrop of the tangible successes of economic and fiscal policy reforms and political stability, the (expected) adjustment of the ratings and outlooks of 17 government-related entities then followed on 25 November. In the course of this, the rating of the Italian promotional bank Cassa Depositi e Prestiti (CDP, ticker: CDEP), which features in our coverage, was also adjusted to match that of the Italian state. Moody's justified this step with the public mandate exercised by CDP and the resulting close ties with Italian politics and the state. The background to this is that the Italian state, represented by the Ministry of Economics and Finance, is a majority shareholder of the bank, which was established to promote the Italian economy, while the majority of CPD's liabilities (post office savings deposits) are covered by a government guarantee.

Primary market

With the start of Advent, issuance activities on the SSA primary market traditionally slow down and a sense of calm and reflection increasingly sets in. Moreover, many of the issuers included in our coverage have already (largely) reached their funding targets for the current year and are therefore increasingly turning their backs on the SSA primary market. With the exception of an EU auction, we have no further transactions to report for the trading week under review: as is now the norm, the European Union (ticker: EU) once again topped up three of its bonds in the course of its sixth and final bond auction of H2/2025. The volume of the 2028 zero bond was increased by EUR 1.7bn, the volume of the 2032 bond with a coupon of 2.75% was increased by EUR 1.9bn and the volume of the 2041 bond with a coupon of 0.45% was increased by EUR 901m. The bid-to-cover ratios were 1.29x, 1.15x and 1.51x. This should wrap up the EU's funding activities for this year. However, the new year is already making its presence felt: in addition to the invitation to KfW's "Global Investor Broadcast" mentioned last week, in which the German promotional bank will communicate its funding requirements for 2026, the EU is also expected to issue an invitation to a "Global Investor Call" in December to present its funding requirements for H1/2026. While we assume that KfW will have a refinancing target of EUR 70-75bn, we estimate that the EU's funding target for 2026 as a whole will amount to EUR 160-170bn. The NORD/LB Floor Research team is also looking ahead: this present edition of our weekly publication contains our Outlook for 2026. Among other aspects, it covers the ECB's monetary policy stance, a projected issuance volume for the German Laender, important E-supras and large (inter)national agencies. In addition, we have put forward some (admittedly "bold") theories in order to provide some food for thought as we head into the new year.

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

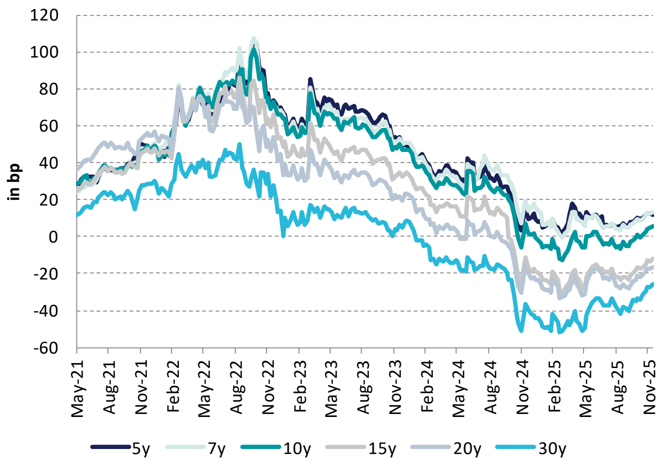
Source: Bloomberg, NORD/LB Floor Research (Rating: Fitch / Moody's / S&P)

Covered Bonds
Our view of the covered bond market heading into 2026

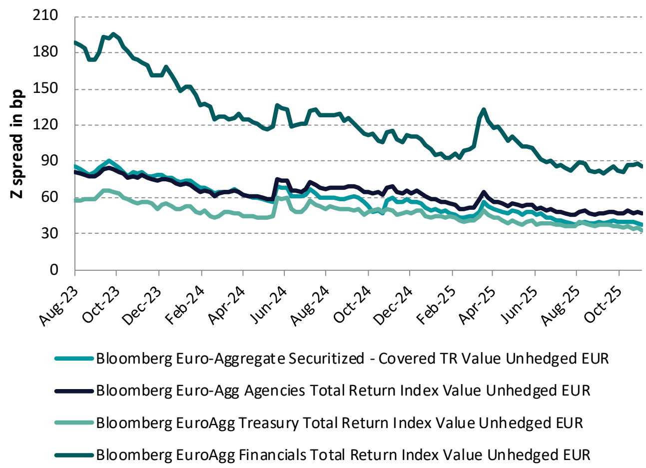
Authors: Lukas Kühne // Dr Norman Rudschuck, CIIA

The covered bond market in 2026 – no anticipation of a downturn in demand
As 2025 draws to a close on the covered bond market, investors are increasingly focusing on what the relevant aspects will be heading into 2026. Having been dominated by developments in the Bund swap spread at the end of 2024, which made covered bonds increasingly unattractive compared with other asset classes (SSA and sovereigns) from a relative value perspective, the market environment is currently more than accommodating. Accordingly, we do not expect any significant shifts between the individual asset classes as far as spreads are concerned. Rather even EUR benchmark transactions placed on the primary market recently have been well received by the market and in most cases also performed well on the secondary market. There were no signs of any concessions on spreads, which might indicate a lack of investor demand, among recent primary market transactions. With regard to the beginning of the year, in particular, we believe that the relative appeal of covered bonds can be viewed as a positive sign that there should be no break in demand for covered bonds in January either. We are expecting a very active start to the covered bond year on the primary market in 2026, although the ball is unlikely to get rolling on the first official working day (Friday, 02 January) because of the way dates fall next year. In addition to the beginning of the year, we wish to provide an overview of other topics of relevance to the covered bond market in 2026 on the following pages. These include our issuance and spread forecast as well as further-reaching considerations of the maturity ranges preferred by issuers or changes in the relative values of covered bonds. Here, we consider the question of how the spread of bonds to those issued by SSA/public entities will develop is crucial, as these often act as an anchor for covered bonds.

Bund swap spreads



Z-spread: covereds vs. SSA vs. financials

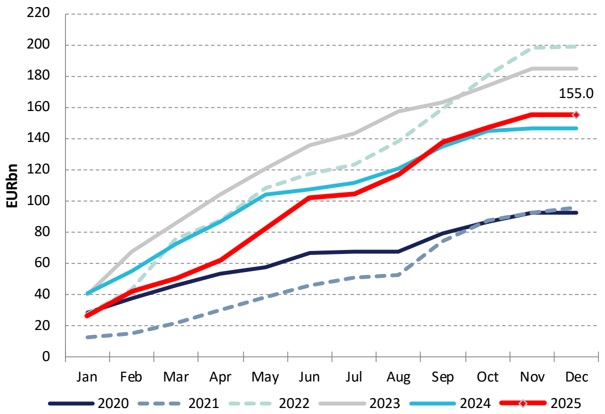


Source: Market data, Bloomberg, NORD/LB Floor Research

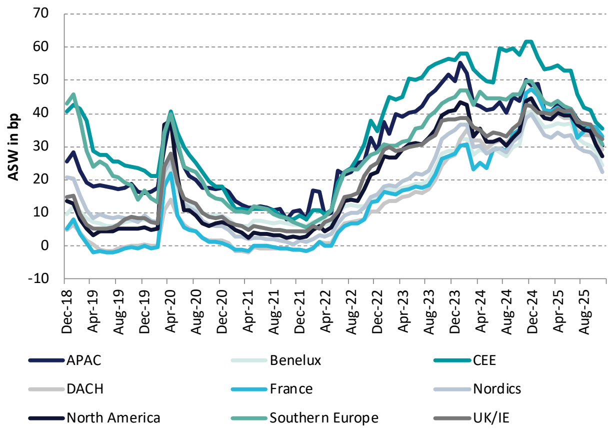
A brief review of 2025 on the primary market

With a gross issuance volume of EUR 155.0bn, 2025 is likely to have been a somewhat stronger year than the previous year (EUR 146.5bn) but remains well down on the record years of 2023 (EUR 184.7bn) and 2022 (EUR 198.6bn). However, the same is not true as far as the calculated net new supply is concerned, which in our opinion regularly constitutes the basis for spread developments under technical market considerations. In 2025, the figure presently stands at EUR 19.5bn, after the EUR benchmark segment increased by EUR 29.5bn in the previous year. This is attributable, in particular, to higher volumes of bonds maturing (EUR +18.5bn) in comparison with the previous year. However, technical market factors are not the only considerations that influence the spread trend. The relative appeal of covered bonds compared with other asset classes is another relevant input factor. Bonds from the SSA/Public Issuers segment traditionally operate as a key reference for spread movements in the covered bond market. As a rule, pressure on spreads in this asset class also leads to widening tendencies on the market for covered bonds.

EUR BMK: issuance trend



ASW spreads by region (5y; generic)



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

Spreads in the EUR benchmark segment in 2025: compression across a broad front

Having initially been characterised by uncertainty regarding the expectations of issuers and investors in terms of pricing with regard to newly placed deals at the beginning of 2025, the market found itself in a sweet spot from the perspective of both sides following the first successful primary market transactions. This was reflected in low new issue premiums and high bid-to-cover ratios. Constant strong demand for covered bonds resulted in lower spreads on the covered bond market. Undoubtedly, the higher attractiveness of covered bonds compared to senior bonds from a relative value perspective was also positive for spread performance. However, this general trend must be viewed in more nuanced terms with regard to developments in the various jurisdictions. Accordingly, spread performance in France was far weaker than in the majority of the other EU benchmark jurisdictions because of increased political uncertainty and the substantial budget deficit. French covered bonds – particularly at the long end – are currently trading within French sovereign bonds (OATs). However, as we explain below, issuers from France are not likely to be unduly deterred with regard to their funding behaviour in 2026. In actual fact, we still see a large number of other (fundamental) factors that will keep the issuance volume high.

Primary market in 2026: low market growth in prospect

Before we look in detail at anticipated changes in spreads, we would first like to present our forecast for net new supply. We expect the EUR benchmark segment to grow slightly in 2026. Accordingly, maturities of EUR 156.2bn should be offset by newly placed deals of EUR 166bn (excluding taps and floaters). As such, net new supply would come to around EUR 10bn and would therefore be below the previous year's level (2025 ytd: EUR 19.5bn). Based on our bottom-up approach, the "growth candidates" in 2026 will include France (net supply: EUR 5.3bn), Germany (EUR 5.2bn), Singapore (EUR 2.3bn) and the UK (EUR 1.9bn), among other jurisdictions. Slower growth on the real estate market combined with significant flexibility in the choice of funding options, especially with regard to the asset class (senior or covereds) and the choice of currency, is likely to shrink the Canadian EUR benchmark segment next year (net supply: EUR -6.2bn). Nevertheless, the issuance volume from Canada should still total a considerable EUR 17.0bn. We also expect negative net issuance volumes from Austria (EUR -4.0bn), Spain (EUR -2.5bn) and Finland (EUR -1.4bn). We believe that this development is caused by high deposit volumes and, in some cases, a slowdown in new real estate business.

NORD/LB forecast for 2026: issues and maturities by jurisdiction

Jurisdiction	Issues 2025ytd as at 02 December 2025 (EURbn)	Outstanding volume as at 02 December 2025 (EURbn)	Maturities 2026 (EURbn)	Issues 2026e (EURbn)	Net supply 2026e (EURbn)
AT	4.00	60.60	9.50	**5.50**	-4.00
AU	9.85	35.00	5.75	**7.00**	1.25
BE	2.75	23.70	3.75	**3.00**	-0.75
CA	9.50	81.45	23.20	**17.00**	-6.20
CH	2.25	6.00	0.00	**1.00**	1.00
CZ	1.25	3.75	1.00	**1.50**	0.50
DE	30.50	222.52	29.80	**35.00**	5.20
DK	1.75	7.25	1.25	**1.25**	0.00
EE	0.50	1.00	0.00	**0.50**	0.50
ES	3.25	50.96	7.50	**5.00**	-2.50
FI	6.50	40.50	6.85	**5.50**	-1.35
FR	32.00	273.62	23.68	**29.00**	5.32
GB	6.20	27.11	3.60	**5.50**	1.90
GR	0.00	0.00	0.00	**0.50**	0.50
HU	1.00	1.00	0.00	**1.00**	1.00
IE	0.00	0.00	0.00	**0.00**	0.00
IS	0.00	0.50	0.50	**0.50**	0.00
IT	5.10	49.05	7.60	**8.00**	0.40
JP	0.50	5.10	1.75	**2.00**	0.25
KR	2.20	10.75	3.60	**4.00**	0.40
LU	0.00	0.50	0.00	**0.00**	0.00
NL	10.00	88.47	7.50	**8.50**	1.00
NO	10.25	52.75	8.00	**8.50**	0.50
NZ	2.00	8.70	1.25	**1.50**	0.25
PL	0.50	0.50	0.00	**0.50**	0.50
PT	2.00	7.35	0.85	**2.00**	1.15
SE	4.50	29.58	4.50	**4.50**	0.00
SG	3.60	9.50	1.75	**4.00**	2.25
SK	3.00	11.20	3.00	**3.75**	0.75
TK	0.00	0.00	0.00	**0.00**	0.00
∑	**154.95**	**1,108.40**	**156.18**	**166.00**	**9.82**

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

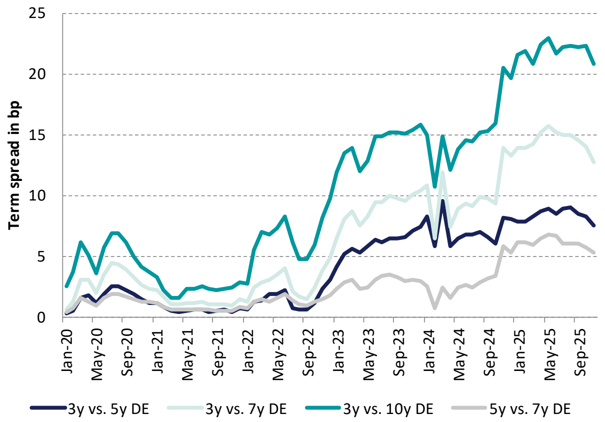
New supply in 2026: fundamental considerations regarding the framework parameters
As usual, a number of assumptions are involved when making our supply forecast. This applies both with regard to the actual funding requirement and in relation to the funding mix. For some investors or syndicates – especially at the beginning of the year – the question of execution risk is likely to play an important role. Here, we definitely see reciprocal influences on the choice of guidance, the target issue size and the initial residual term of the new bond. With regard to the more fundamental consideration, we believe that a modest uptick in lending and more subdued growth in deposits will have a positive impact on demand for covered bond funding. It will be interesting to see whether issuers prioritise the choice between unsecured and covered funding. Last year, the spread level between covered bonds and seniors increasingly converged and is currently stuck at a relatively tight level by historical standards. Banks could exploit this favourable issuance window (for issuers) for senior bonds to prioritise the issue of these bonds at the beginning of the year especially. This would also be due to the fact that covered bonds are, comparatively speaking, less volatile than seniors. Nevertheless, their more favourable spread levels (in absolute terms) mean that covered bonds should not become less significant as a funding vehicle. Issuance activities will also be driven by momentum on the property markets in the jurisdictions we cover. Since it is probable that the ECB stopped cutting interest rates in mid-2025 and that these will remain at the current level, it is likely that this factor combined with sustained strong demand for housing will also boost demand for credit. In this context, the vdp recently drew attention to the fact that the majority of the growth in lending for residential property financing in Germany in 2025 was not attributable to new property projects but was used for existing housing stock. It is clear that this dynamic is not spread equally across all jurisdictions but depends on the respective political frameworks. By and large, we expect the stabilisation in the sub-market for commercial property finance to continue.

Forecast risks: choice of currency may reduce EUR benchmark supply
Our expectations of primary market activity are also subject to a certain forecast risk in 2026. For jurisdictions outside the Eurozone – that is, Canada, APAC, the Nordics and the UK, in particular – this arises from the choice of issuance currency, for example. In our baseline scenario, the euro remains a very important funding currency for the majority of issuers. The composition of funding by refinancing instruments also poses significant forecast risk, as they may vary significantly from jurisdiction to jurisdiction. Spain, which traditionally ranked as one of the states with the highest new issuance volume on the covered bond market, can be viewed as a representative example here. As a consequence of significant market consolidation in the Spanish banking sector in recent years, combined with high deposits, demand for covered funding has fallen sharply. We therefore expect the covered bond market to shrink yet again in Spain in 2026, having already reported a negative net supply of EUR -13bn (ytd) for 2025. From today's perspective, the greatest uncertainties for 2026 are political and budget-related developments in some European countries and changes to the deposit base in banks' balance sheets.

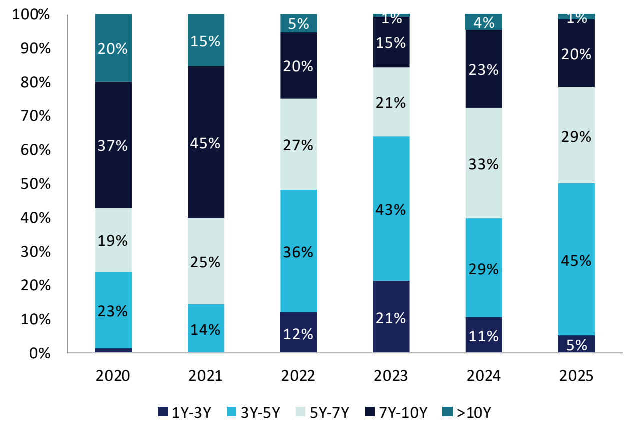
The maturity question: is the long end making a comeback?

We repeatedly associated the avoidance of excessively high issuance spreads with the emergence of longer dated deals in the past. In considering the issue year 2025, we can report that the issuers continue to make lower than average use of the longer-term ranges (“7Y-10Y” or “>10Y”; see chart below). Accordingly, the combined shares of these two maturity segments do not come up to the levels observed in the past. In 2026, we continue to assume there will be isolated deals with terms of more than seven years. However, at the beginning of the year, in particular, this proportion could be somewhat higher due to strong demand. Nevertheless, the question as to an “adequate” proportion of long-dated bonds on the primary market arises, since reference to previous years, which were characterised by extremely low rates of interest and returns, is misleading as a comparison in our opinion. However, it must definitely be stated that covered funding (relative to unsecured funding) is intended more for the long end. We see little reason to think that the centre of gravity in terms of maturities will shift towards the long term (among outstanding EUR benchmark volumes). In our view, new lending dynamics in particular are not currently strong enough to trigger this long-term funding requirement. Furthermore, in our opinion, the term premium remains an obstacle that is likely to be distorted downwards in the absence of sufficient issuance activity.

EUR BMK: term premium for Pfandbriefe



EUR BMK: issue share by maturity segment



Source: Market data, NORD/LB Floor Research

No consensus among the investor base regarding preferred terms

The fact that opinions differ to some extent on the question of term is also clear from looking at investors. We know from numerous discussions with clients and from questioning traders that the sweet spot is between five to seven years. In our opinion, this can also be explained by the steepness of the spread curve. For investors, the additional spread on a deal from the “10Y” segment compared with bonds with terms of five or seven years does not seem sufficient to compensate for the longer duration or the risks associated with this. At the same time, the investor base is not as homogenous as it appears at first glance. While the sweet spot may be well below the threshold of ten years, there are still investors that seek precisely this longer duration and for them long-dated covered bonds may also represent an attractive investment.

The NORD/LB take on spreads: no significant shifts expected

We expect spreads for EUR benchmarks to widen slightly at the beginning of the year. This development will be driven – as in previous years – by the high issuance volume due to seasonal factors. Given that spreads in the senior segment are still attractive, the flood of new issues should, however, be less than in the record year of 2024, at EUR 40.9bn. Over the course of the year, spreads on the covered bond market should tighten slightly again until they reach the present level or even somewhat lower. In addition to the three factors discussed as part of our spread forecasting (I. technical market considerations, II. fundamental data and III. sentiment), the relative value aspect should be emphasised as a key determining variable for spread change in 2026. The covered bond segment acts as the interface between the different asset classes here. While the spreads for some "rates investors" are too tight or covered bonds are too expensive, the level for covereds seems rather attractive for real money or "credit" investors. In actual fact, we also view the composition or motivation of investors as a key variable for 2026. Ultimately, it must be assumed that the spread differences between the different asset classes should remain largely constant. Market participants will also focus on issuance activities in the "adjacent" asset classes in terms of the influence on covered bond spreads. The specific EUR funding of major participants from the public sector is now all the more significant. The key phrase "turning point" or the efforts by European countries to improve their military equipment and increase their defence capability should be reflected in increased funding activities from this sector. We come to the same conclusion with regard to the German special infrastructure fund and the easing of the debt brake for German Laender. These deals placed by these issuers frequently serve as an anchor point for covered bond spreads. Should an increase in the supply of new bonds in this segment be reflected in an increase in spread levels, this would without doubt also exert pressure on the spreads of covered bonds. You can discover the relevant aspects for the SSA/Public Issuers segment in 2026 as part of our other Focus Article below.

NORD/LB spread forecast

Current levels					as of 30/06/2026(e)					Expected spread change				
in bp	3y	5y	7y	10y	*in bp*	3y	5y	7y	10y	*in bp*	3y	5y	7y	10y
AT	21.0	29.8	36.7	42.5	AT	21.0	29.0	36.0	43.0	AT	0.0	-0.8	-0.7	0.5
AU	14.3	24.8	31.9	39.2	AU	14.0	24.0	31.0	40.0	AU	-0.3	-0.8	-0.9	0.8
BE	18.3	26.9	39.0	47.1	BE	18.0	27.0	38.0	48.0	BE	-0.3	0.1	-1.0	0.9
CA	18.4	27.7	35.8	40.3	CA	18.0	27.0	35.0	41.0	CA	-0.4	-0.7	-0.8	0.7
CZ	32.2	35.4			CZ	32.0	35.0			CZ	-0.2	-0.4		
DE	11.9	19.4	24.7	32.5	DE	12.0	19.0	24.0	33.0	DE	0.1	-0.4	-0.7	0.5
DK	15.1	25.2	36.4		DK	15.0	25.0	36.0		DK	-0.1	-0.2	-0.4	
EE	27.3	30.0			EE	27.0	30.0			EE	-0.3	0.0		
ES_Single	17.0	25.6	32.7	46.0	ES_Single	17.0	25.0	32.0	46.0	ES_Single	0.0	-0.6	-0.7	0.0
FI	14.7	22.4	26.7	28.4	FI	15.0	22.0	26.0	29.0	FI	0.3	-0.4	-0.7	0.6
FR	19.9	33.1	44.4	53.6	FR	20.0	33.0	44.0	54.0	FR	0.1	-0.1	-0.4	0.4
GB	21.5	32.1	39.8	43.5	GB	22.0	32.0	39.0	44.0	GB	0.5	-0.1	-0.8	0.5
IS	16.0	22.6	34.6	45.9	IS	16.0	22.0	34.0	46.0	IS	0.0	-0.6	-0.6	0.1
IT	22.6	34.6	45.9	57.4	IT	23.0	34.0	45.0	58.0	IT	0.4	-0.6	-0.9	0.6
JP	34.2	35.4			JP	34.0	35.0			JP	-0.2	-0.4		
KR	27.9	31.6			KR	28.0	31.0			KR	0.1	-0.6		
LU	22.9				LU	23.0				LU	0.1			
NL	14.4	21.3	26.0	33.6	NL	14.0	21.0	25.0	34.0	NL	-0.4	-0.3	-1.0	0.4
NO	10.8	20.0	27.6	31.7	NO	11.0	20.0	27.0	32.0	NO	0.2	0.0	-0.6	0.3
NZ	22.0	34.5	39.3		NZ	22.0	34.0	39.0		NZ	0.0	-0.5	-0.3	
PL	35.7	35.7			PL	36.0	35.0			PL	0.3	-0.7		
PT	20.2	26.4	28.4		PT	20.0	26.0	28.0		PT	-0.2	-0.4	-0.4	
SE	10.9	20.7	26.7	28.1	SE	11.0	20.0	26.0	29.0	SE	0.1	-0.7	-0.7	0.9
SG	20.5	23.8			SG	21.0	23.0			SG	0.5	-0.8		

Source: Bloomberg, NORD/LB Floor Research

Forecast risk for spread change in 2026: France again?

The deviation risks for our point forecast in the jurisdiction and maturity combinations can be derived from the factors determining spread change. France is not likely to escape the attention of market participants given the possibility that political instability may rear up at any time (key word: majority in the National Assembly) and the ongoing substantial budget deficit. These unresolved problems resulted in an increase in OATs and also put French covered bonds' spreads under pressure. This "political impasse" in France will probably remain an unresolved problem until the next presidential election (scheduled for 2027). We therefore see little potential for spreads on French covered bonds tightening significantly; in our view, downside scenarios predominate at this point. In the context of considering fundamentals, we do not see any significant potential for disruptions to our 2026 forecast. General market turbulence cannot be ruled out against the backdrop of persistent geopolitical tensions but is not included in our forecast. With regard to capitalisation, liquidity and ratings outlooks, the banking sector should remain stable.

ESG in 2026: respectable issuance volume anticipated

The sub-market of sustainable issues in 2026 is likely to be similar to the previous twelve months. We expect sound issuance levels although it is still doubtful whether the ESG primary market can come close to the record year of 2022. In our opinion, the proportion of ESG deals on the primary market is likely to slightly exceed 10%, which would equate to issues of around EUR 17bn with our forecast supply. The exacting requirements of the EU Taxonomy are likely to present challenges for the sub-market of green covered bonds, in particular, meaning that very few issuing banks are likely to choose the EU Green Bond Standard for their green covered bonds in the short to medium term. At present, there are no issuers with an outstanding EUR benchmark in this format, although we welcomed the first uncovered EU green bonds in benchmark format to the market in 2025.

Conclusion

To the extent foreseeable at present, the covered bond segment will start the new year in a very positive market environment. This was clear from the EUR benchmark issues successfully placed in late November, which despite the imminent end to the year attracted considerable investor interest. Nonetheless, the first deals are likely to feature limited spread concessions, to reduce any possible execution risk as much as possible. Potential saturation tendencies related to high issuance volumes should dissipate during the first half of the year, so that in our view the spread level should remain largely stable. The issuance volume in the EUR benchmark segment should increase slightly in 2026, while the net issuance volume is expected to be well down on previous years. Overall, we are projecting fresh supply of EUR 166bn in 2026. Of this figure, the majority of the new issues should originate in Germany and France. We expect markets to shrink in response to high levels of deposits, slower growth in real estate markets and the use of other funding tools for refinancing activities, especially in Canada, Austria and Spain.

NORD/LB

SSA/Public Issuers
SSA outlook 2026: More debt, less scope?

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

When supply increases and patience decreases: public issuers in 2026

As the 2025 SSA year slowly but surely approaches its end, we were again offered lots to discuss, but we will save this for the annual review within the first weekly publication in the new year. Today, we would instead like to take this opportunity to look ahead and provide an outlook for the coming twelve months, in which some landmark decisions are likely to be made – both in economic, monetary and (geo)political terms. These have a direct impact on the framework conditions under which the issuers operate in our relevant SSA definition (i.e. excluding sovereigns). In the coming year, the SSA segment is likely to continue to be primarily influenced by fiscal developments. In addition to the German government's multi-billion "Rambo Zambo" debt package, the main influencing factors include the ongoing debates related to the budget and national debt in France, a country which can still be regarded in particular as a problem child on the market. For example, the current yield on French sovereign bonds (5y, 10y) is above that of bonds issued by the Italian state, which is also not exactly known for being a prime example of sustainable budget management. Concerns about the budget situation and national debt are likely to continue to occupy the capital markets in the coming year and will mean higher refinancing costs in the future, especially for French agencies – whose ratings are often equated with those of the state. With regard to the political situation in Germany, the government is facing a crucial test. In many central policy areas, such as tax and social policy, the CDU and SPD continue (for the most part) to disagree. In addition, the question remains whether the new special fund for infrastructure and climate protection will really contribute to a sustainable recovery of the economy or prove to be a toothless tiger. We will briefly discuss what we believe to be the central design flaws of the special fund again in due course. That debt in Germany will continue to grow is certain, especially against the background of the reformed debt brake – at the level of both Bund and Laender. Aggregated across all 16 sub-sovereigns, the scope for net new debt is likely to increase by almost EUR 15bn. What's more, some Laender are facing landmark elections that could swing the balance of power in the political spectrum (significantly) further to the right. Alongside the challenges in Germany, we must keep an eye on the geopolitical picture: the war in Ukraine continues and all peace efforts to date have not exactly been successful. Tensions have cooled somewhat in the Middle East, but further conflicts cannot be ruled out here either. The USA also has a serious debt problem, which has already resulted in renewed downgrades in 2025. While in principle we do not assume that anything comparable will happen to the German federal government next year, potential rating and outlook changes cannot be ruled out for German Laender with a strained budget and financial situation. In this respect, the risks of spread widening in the SSA segment remain high, even though we assume in our baseline scenario that the movement is likely to trend laterally.

(Net) supply is likely to see further growth

By now (i.e. at our editorial deadline), most issuers have completed their refinancing for the current year or are on the home stretch when it comes to funding. Since the start of the year, there have been (among the SSAs we analysed) a total of 209 EUR benchmark issuances amounting to around EUR 313bn overall. This was the second-strongest figure ever in our SSA coverage and is only trumped by issuance activity in the 2021 pandemic year (EUR 326.3bn). However, we see no signs that the new issue volume is likely to decline in the coming year. There is just too much pressure for action and a need to catch up in the areas of infrastructure, security and defence, and demographics, which results in a continuing need for financing and burdens on public budgets – from German municipalities to supranationals. This will continue to have a significant impact on the funding volume in 2026 (and beyond). For the coming year, we therefore expect EUR benchmark issues in a range of EUR 310-320bn, subject to a certain degree of uncertainty. This figure would once again be above the pre-crisis volume and consequently stabilise at a very high level.

Focus: German Laender

The reform of the debt brake at the Laender level in spring 2025 gave sub-sovereigns a previously unauthorised net margin for new borrowing of 0.35% of their nominal economic output, which currently corresponds to an amount of just under EUR 15bn. This was already evident in the current year: the Laender issued an aggregated volume of EUR 51.7bn in EUR benchmarks – only in 2020 was this figure higher (EUR 66.3bn). This year's credit authorisations were correspondingly high, as reported by the sub-sovereigns in their budget planning, albeit with no obligation to utilise this volume in full. In this category, we expect (gross) credit authorisations of over EUR 100bn again for the 16 Laender in the coming year. This figure would represent a significant increase compared with previous years and underpin the sub-sovereigns' focus on fiscal clout.

Credit authorisations of German Laender: 2025 vs. 2026e (EURbn)

	2025	2026e
Baden-Wuerttemberg	30.10	27
Bavaria	1.17	1
Berlin	7.23	9
Brandenburg	2.80	3
Bremen	1.84	2
Hamburg	5.93	6
Hesse	8.20	9
Mecklenburg-Western Pomerania	1.00	1
Lower Saxony	8.65	10
North Rhine-Westphalia	15.34	18
Rhineland-Palatinate	7.20	8
Saarland	2.40	2
Saxony	1.00	1
Saxony-Anhalt	3.20	4
Schleswig-Holstein	4.87	4
Thuringia	1.08	2
Total	**102.01**	**104**

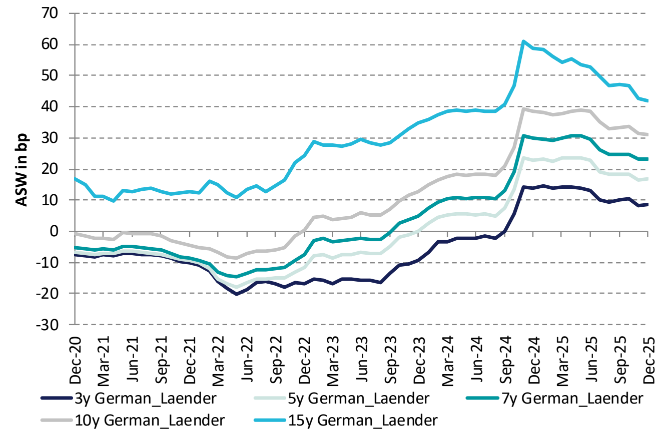
e = estimate

Source: Bloomberg, NORD/LB Floor Research

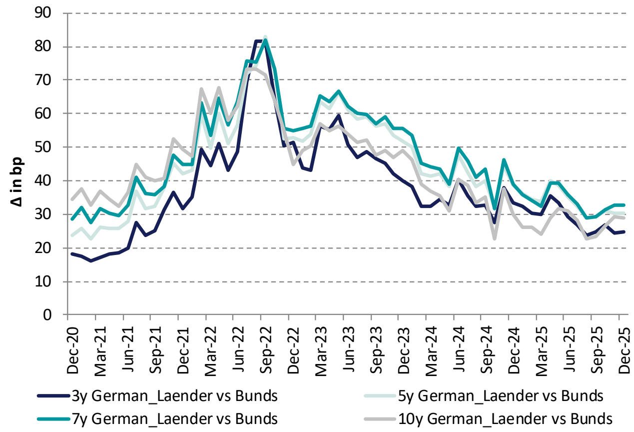
Higher funding expected for German Laender in 2026

In the regional bond segment, bonds from German Laender are still by far the most important sub-sovereign market – the 16 Laender extended their lead and thus their importance in 2020 especially, but also in 2021. However, before that there had been a decline in funding volumes for many years. For 2026, we expect new bonds in a gross volume of EUR 75-80bn to be placed. When set against maturities of just under EUR 42bn in the coming year, this would lead to a positive net supply of EUR 33-38bn. In both cases, this consists not just of EUR benchmark bonds, but also foreign currency and SSD deals. This volume by no means detracts from the relevance of German Laender bonds in this key segment. Furthermore, we expect Laender jumbos placed by the Joint Laender issuance vehicle (Ticker: LANDER) in the amount of EUR 2.0-2.5bn overall. On the subject of LANDER: we currently see signs that those Laender still participating are likely to be increasingly critical of the construct and increasingly questioning the suitability of the vehicle. In addition, the funding plans of the Laender should not ignore the fact that the sub-sovereigns will receive a total of EUR 100bn over the next 12 years from the special fund for infrastructure and climate protection. However, it is becoming increasingly apparent that these financial resources are not being used for additional investments and instead replace other expenditure in the core budgets. In light of budget transparency and serious real infrastructure deficits, we definitely consider this to be the wrong approach. Therefore, the austerity measures implemented by the Laender over recent years are likely to be (partially) shelved for the time being. With regard to spread trends in the coming year, we assume that the repricing observed in 2024 and H1/2025 has largely been concluded. Market players' expectations in times of higher debt and more pronounced budget deficits coupled with political disagreement are likely to have already been priced in to a large extent. However, there are still risks of a new wave of repricing: the Laender finances are facing increasing challenges due to pension entitlements and the municipal budget situation, among other aspects. If these structural problems are not solved in the long term, the financial burdens are likely to grow steadily in the future and mean an increasing need to take on debt. Ratings could also come under pressure, which can be expected to negatively impact funding conditions.

Spread trend of German Laender



Spreads of German Laender vs. Bunds



Source: Bloomberg, NORD/LB Floor Research; data as at 02 December 2025

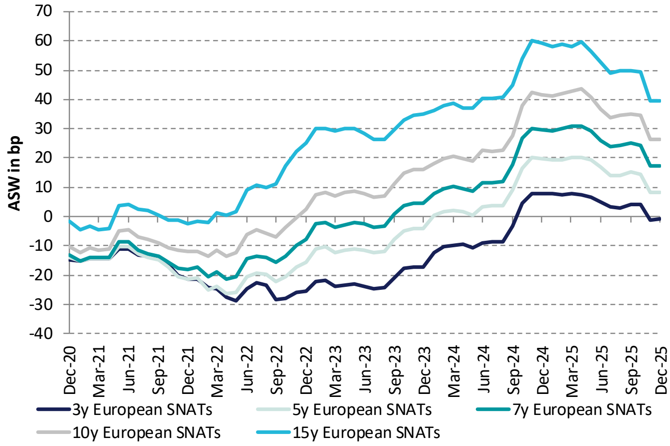
EIB and EU between defence and climate protection

The (few) E-supranationals remain an important category in the SSA universe and since 2021 have now been larger than all German EUR benchmark issuers combined in our coverage. The EIB will of course continue to be a regular player in the primary market in 2026. Compared with 2025, we expect a slightly higher funding target of EUR 65-70bn – again split between a large number of different currencies. In addition, the EIB is expected to further expand its ESG activities with a new European Green Bond. In contrast, maturities of around EUR 41bn await us next year. At European level, the overall picture is dominated by a few major names: for example, the expansion of EUR benchmark issues in the recent past can be largely attributed to the EU's noticeably increased funding requirements as part of its NGEU programme, which will expire at the end of 2026. In addition, the international community has launched the Security Action for Europe (SAFE) programme, a new EUR 150bn instrument to provide financial support for security and defence capabilities in Europe. SAFE is to be financed entirely through joint borrowing on the capital market. Within the framework of NGEU, the EU has now built up a significant stock of financial resources not yet accessed by the Member States, which now causes tangible interest costs and tends to reduce the need for additional new capital. However, we believe that against the background of the necessary financing of the SAFE programme, the funding goal is likely to be at a slightly higher level than in the previous year. For 2026 as a whole, we expect the EU to reach a funding target of EUR 160-170bn, which would mean a positive net supply of around EUR 123bn. EU bills always complement these figures and are therefore not included. The EU is expected to raise EUR 50bn in new funds via NGEU Green Bonds. In the coming days, the EU will publish the funding plan for H1/2026 and also invite people to the "Global Investor Call". It will remain intriguing to see whether the market is ripe for the inclusion of EU bonds in Govie indices next year, after another index provider – Intercontinental Exchange (ICE) – ruled out this possibility in 2025.

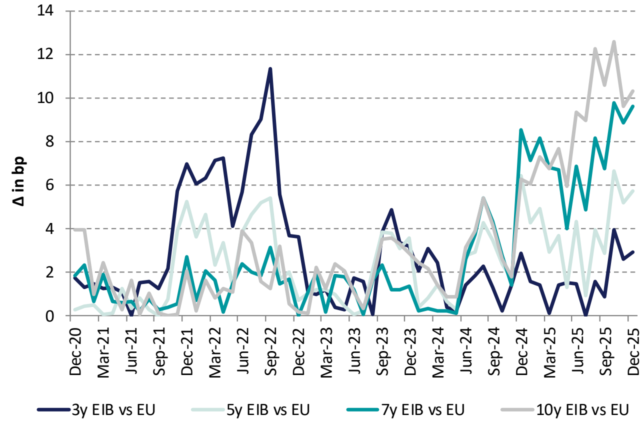
Diminishing net new supply for ESM and EFSF

For the ESM, we expect a negative net supply of EUR -5.3bn for the coming year, set against EUR 7bn of new issuances entering the market (maturities: EUR 12.3bn). For the EFSF, we expect a decline in new issuance activities to EUR 18bn, compared with EUR 21.5bn this year. With maturities of EUR 21bn in 2026, this would produce a negative net supply of EUR -3bn. We do not envisage any changes to the planning in this respect. In addition, we expect the ESM to once more appear on the market with a USD bond next year, and also to further expand the digital bond segment. The top ratings of the E-supras could come under further pressure in the future if, for example, France suffers further downgrades from the major agencies. The EFSF is now only rated A+ by Fitch and S&P. Moreover, against the backdrop of necessary investments in the European defence sector, we are seeing the establishment of a new supranational: the Defence, Security, and Resilience (DSR) Bank is a new player expected to finance national security and defence projects through bond issuances from 2027 onwards. We expect (annual) funding volumes of around EUR 100bn here.

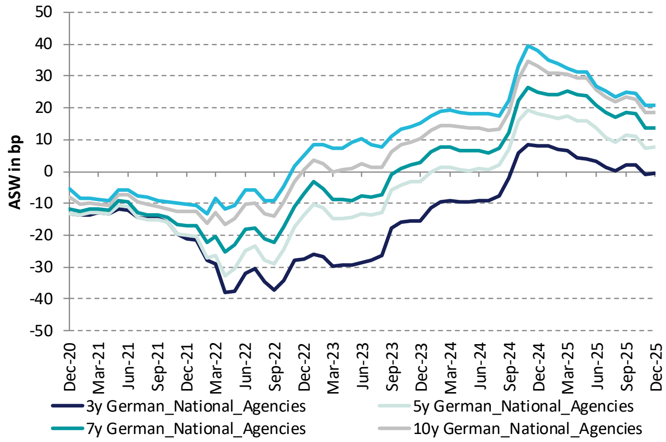
Spread trend of E-supranationals



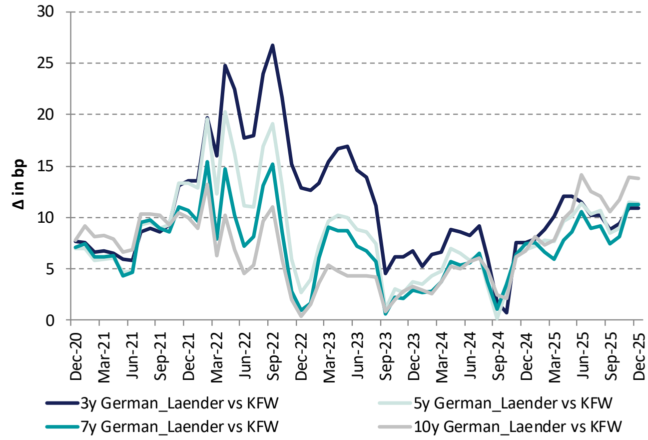
Spread differences: EIB vs. EU



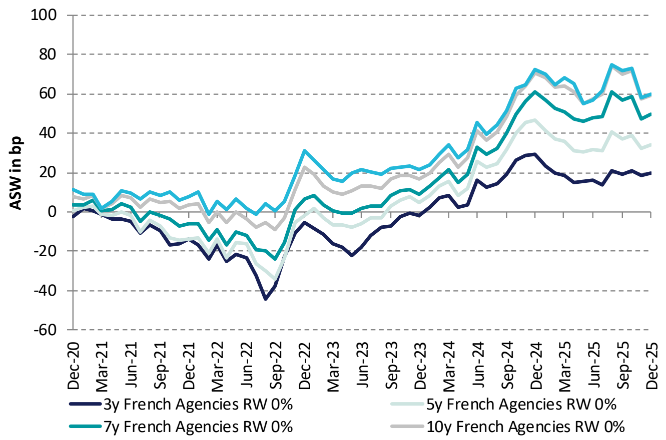
Spread trend of German national agencies



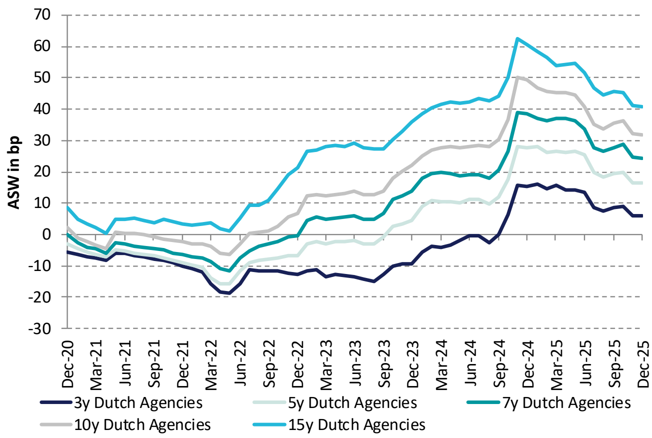
Spread differences: German Laender vs. KfW



Spread trend of French agencies (0%)



Spread trend of Dutch agencies



Source: Bloomberg, NORD/LB Floor Research; data as at 2 December 2025

German agencies to record (slightly) positive net supply overall

For the German agency market, we expect a (slightly) positive net supply overall, with funding volumes likely to trend upwards due to the German government's fiscal package and the recovery of the economy. As the most dominant market player, KfW will announce its funding target for 2026 at the upcoming Global Investor Broadcast on 09 December. We are projecting a refinancing requirement of EUR 70-75bn, which is traditionally spread across a variety of currencies. In contrast, maturities of around EUR 69bn are expected in 2026. Accordingly, the net supply would therefore be in positive territory. As the second national agency, we expect a stable refinancing requirement for Landwirtschaftliche Rentenbank. The maturities for 2026 amount to EUR 8.7bn, so it is our view that Rentenbank should once again come up with a target of EUR 9-11bn. With regard to the regional development institutions, we are assuming that new funds of EUR 11-13bn will be raised by NRW.BANK, which would again be in line with this year's target. The maturities meanwhile amount to EUR 7.8bn, resulting in a positive net supply overall. Against the backdrop of the German government's fiscal package, KfW is likely to benefit primarily from the positive effects of an increased volume of promotional activities. In contrast, we believe that the effect on the promotional institutions of the Laender is likely to remain rather modest, as the funds from the special fund are more likely to be used for other or consumption expenditures than for investments due to the configuration errors. We also tend to see a lateral movement in spreads of the well-known agencies, although there is still potential for a renewed widening of the spreads here as well.

In the throes of debt: 2026 a stress test for French issuers

After the German agency market, the French sub-market is the second largest in Europe. Due to the pandemic, significant upward adjustments were also made to funding targets in some cases, though these were selectively adjusted downwards again in subsequent years. In our view, France is and will remain the problem child of the Eurozone. However, the escalating national debt in combination with a tightening of the deficit budget situation and political instability that makes any sustainable reforms almost impossible give little cause for optimism. Rating downgrades have already led to far-reaching regulatory land-slides in recent months in terms of risk weight and LCR eligibility of individual agencies, and this trend could continue in 2026 if Moody's risk experts also see sufficient reasons for a credit rating downgrade. At the end of October 2025, only the outlook was lowered here, meaning that a rating downgrade would be the next logical step. Specifically, the Société de Financement Local (SFIL) and the Société des Grands Projets (SGP) would be affected. In the event of a Moody's downgrade, both would suffer an increase in risk weight to 50% (currently: 20%). Furthermore, the SGP would lose its LCR eligibility (cur-rently: Level 2A). We assume that French agencies will expand their funding activities in the coming year. For example, Unédic has already announced that it will increase its medi-um and long-term refinancing to EUR 10bn in 2026, raising more funds than in the previ-ous four years combined. With regard to other major players such as CADES (forecast: EUR 10bn), Bpifrance (EUR 8.4bn) and AFD (EUR 9bn), we also do not expect the funding targets to decrease compared with 2025. In this respect, the pressure on public budgets in France will continue to increase and thus also weigh on refinancing conditions.

Dutch and Nordics remain active

Other significant issuers in the European SSA segment include Dutch promotional banks. BNG's funding target for 2026 is expected to be EUR 15-20bn again. Furthermore, their Sustainability and Social Housing Bonds are already well established. In the future, green bonds could also be added to this, after the agency recently launched a pilot for granting green loans to Dutch social housing associations and thereby took an important step towards issuing such securities (cf. weekly publication dated 19 November). NWB is also a regular issuer of ESG bonds: each year, it issues EUR equivalent of EUR 11-13bn in various currencies, with a share of around one third attributable to in-house Water Bonds and SDG Housing Bonds (known as Affordable Housing until 2019). Both Dutch banks are strongly diversified across currencies – only surpassed in this regard by the Nordics. In the context of Scandinavian agencies, it is important to mention that the Danish KommuneKredit has not been active on the capital market itself since the end of March 2025, with its refinancing activities instead taken over by the Danish state. However, this agreement between the municipal financier and the state does not lead to any change in the existing conditions or the collateral for bonds already issued (cf. weekly publication dated 02 April).

Canadians with opportunistic EUR funding

On the other side of the Atlantic, it is always hard to predict what benchmark EUR issuances might come from Canadian provinces. First and foremost, all of these issuers tend to prefer their domestic currency and therefore use the euro only opportunistically. We do not expect a repeat of the EUR 11bn seen in 2025, a strong year, but instead anticipate EUR benchmark bonds of approximately EUR 7-9bn. As of this year, we have also included Canadian pension funds active in the EUR market in our SSA coverage. For these, we are forecasting EUR benchmarks in the amount of EUR 5-6bn.

European Defence Bonds

As discussed on the previous pages, special attention is being paid to security and defence issues at the moment. In order to identify bonds primarily "aligned with Europe's defence, security and strategic autonomy priorities", the Euronext stock exchange has created a corresponding label called the European Defence Bond (EDB). Issuers declare that at least 85% of the proceeds will be allocated to financing defence, security and qualified dual-use projects. Up to 15% may be used for other economic activities, provided they do not contradict the EU's objectives of the label. In contrast to other new bond labels – such as the European Green Bond Standard (see next page) – the bonds are not subject to certification by an external auditor. There is no extensive review of eligibility by the stock exchange, whose involvement is strictly limited to verifying the formal consistency and completeness of the issuer's self-declaration form. EDBs are not an option for ESG investors, in our view, even though the ICMA does not categorically rule out compatibility between defence and ESG in its Guidance Handbooks, which was last updated in June 2025: "The objective of defence was not envisaged under any of the specified eligible project categories under the Principles, although the evaluation of sustainability characteristics is not inherently incompatible with investment in defence projects or companies." In the SSA segment, only the French Bpifrance has so far been active on the market with an EDB (cf. weekly publication dated 19 November).

ESG: further growth impetus from European Green Bonds?

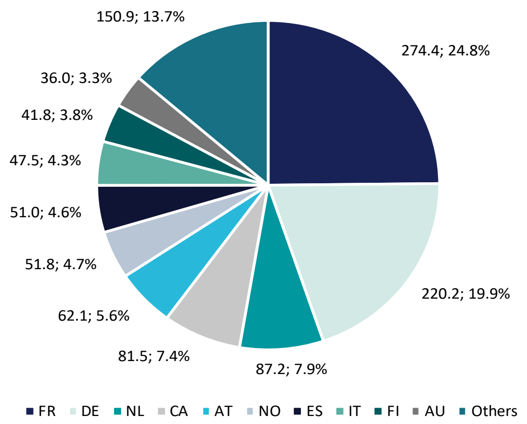
The volume of green bonds issued has increased sharply over time since the EIB's first issuance of this kind back in 2007. The ESG segment also received an additional boost from the EU social issuances. The EU's SURE programme alone consisted of almost EUR 100bn in social bonds, although this expired on 31 December 2022. Through NGEU, the EU will also become the world's largest green issuer with a planned volume of EUR 250bn by the end of 2026. In this respect, we expect new issues of EUR 50bn for next year, as already outlined. The French issuers Unédic, CADES, AFD and SGP are also active with large volumes and various ESG formats. In addition, the EIB's green transformation process will continue in 2026. The pioneering role of the inventor of green bonds thus remains undisputed. However, KfW and the federal state of North-Rhine Westphalia have also now built up a green, sustainable and at the same time extremely liquid curve, which will be boosted by new supply next year. It is also possible that another German sub-sovereign will come in with a corresponding framework and a first new issue. We still see significant growth potential in this regard. We expect new issuances in the ESG segment of at least EUR 3bn from the Laender segment. The issuance of European Green Bonds is also likely to grow in the future. For almost a year now, issuers have been able to assign this label to their bonds which meet the high sustainability standards of the EU taxonomy as regards use of proceeds. For the coming year, we predict that IDFMOB and the EIB are likely to once again be active in this format. From the sub-sovereign segment, the Madrid region launched a successful test balloon that can serve as a model for other subnational authorities. However, the high requirements and availability of corresponding projects are likely to continue to prove to be a hurdle for the majority of SSA issuers. For 2026, we expect new EuGB issuances of EUR 9-12bn. With increasing establishment and ongoing efforts by the European Commission to make the regulations more practice-oriented, the issuance conditions are also likely to made more straightforward.

Conclusion and outlook

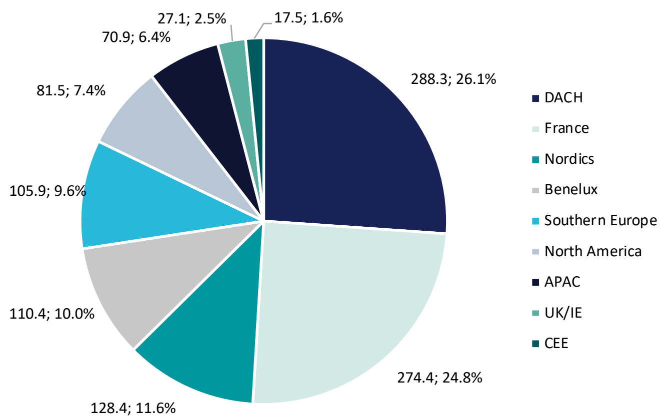
In the coming year, the SSA segment is likely to continue to be significantly influenced by fiscal developments. In particular, worries about the budget situation and government debt are therefore likely to still concern the capital markets in 2026. However, these are not limited to France alone and also apply to other European countries. In this context, the focus is likely to also increasingly fall on Germany in the future if the special fund does not provide the desired and crucial economic stimulus. In addition, 2026 will continue to be marked by geopolitical crises. The war in Ukraine is ongoing and all previous peace efforts have not (yet) culminated in success. Nonetheless, we do not see any signs that the volume of new issues is likely to decline next year versus 2025. There is too much pressure for action as regards demographic developments as well as in other important areas such as infrastructure, security and defence, and climate protection. This will result in an ongoing need for financing and burdens on public budgets – from German municipalities to supranationals. We are curious how seasonal patterns will play out, especially in terms of the strength of issuance activities in January. Looking at spreads, we tend to expect a lateral movement. Nevertheless, the challenges remain great – and spread widening in the SSA segment cannot be ruled out.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



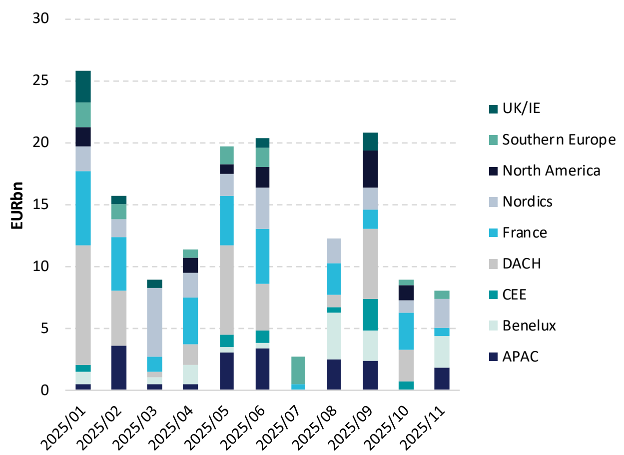
EUR benchmark volume by region (in EURbn)



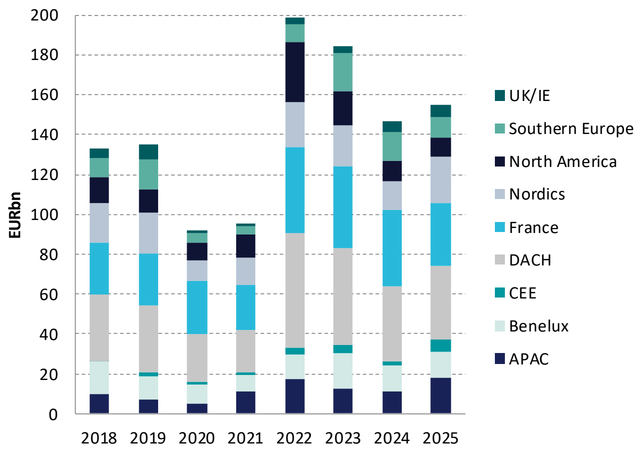
Top 10 jurisdictions

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	274.4	267	37	0.97	9.0	4.3	1.72
2	DE	220.2	310	49	0.66	7.7	3.6	1.77
3	NL	87.2	85	4	0.96	10.3	5.2	1.58
4	CA	81.5	60	1	1.34	5.5	2.2	1.70
5	AT	62.1	103	5	0.60	7.9	3.5	1.68
6	NO	51.8	61	10	0.85	7.1	3.2	1.43
7	ES	51.0	44	4	1.05	10.1	3.2	2.29
8	IT	47.5	61	6	0.75	8.1	3.7	2.18
9	FI	41.8	50	4	0.82	6.6	3.0	1.94
10	AU	36.0	35	0	1.03	7.2	3.4	1.96

EUR benchmark issue volume by month

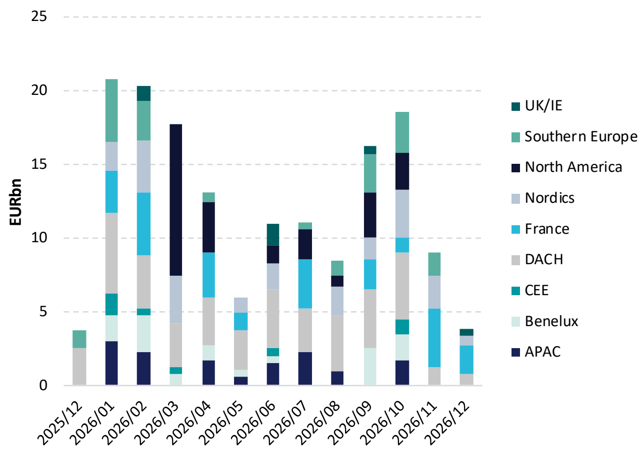


EUR benchmark issue volume by year

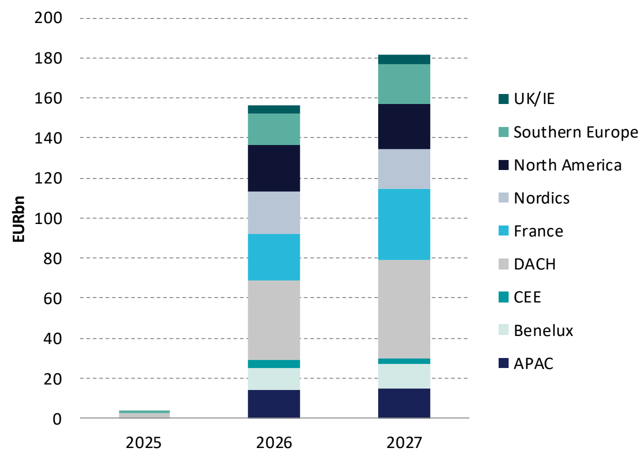


Source: Market data, Bloomberg, NORD/LB Floor Research

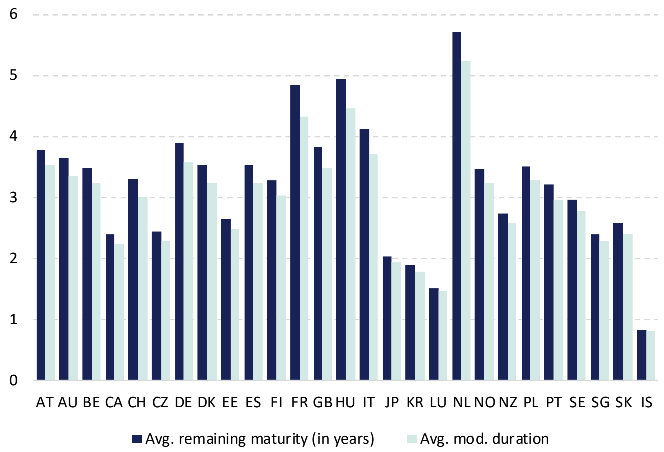
EUR benchmark maturities by month



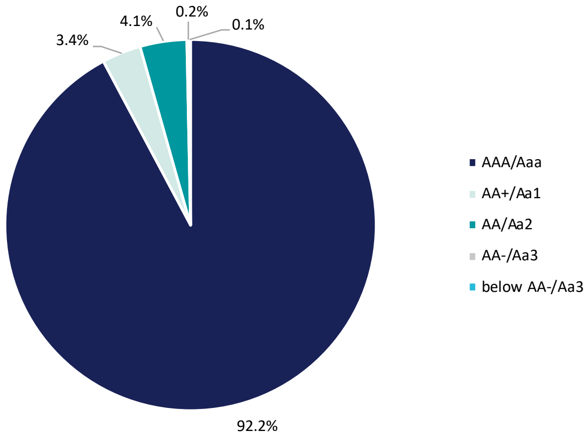
EUR benchmark maturities by year



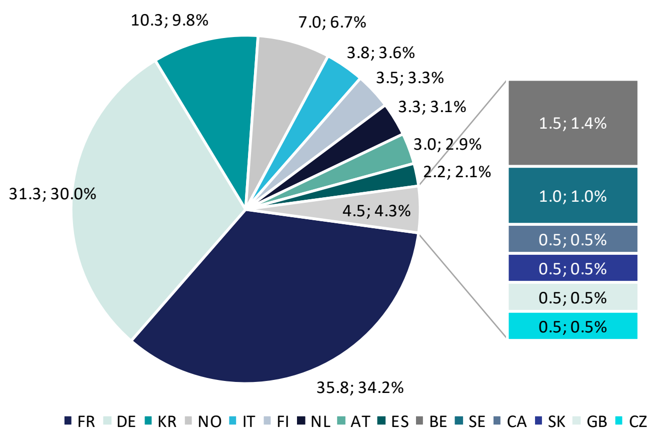
Modified duration and time to maturity by country



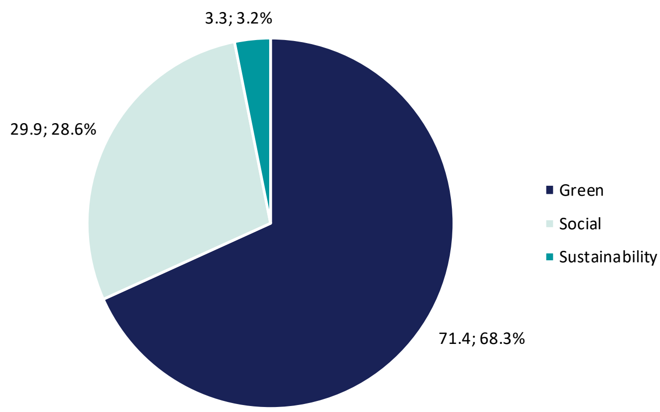
Rating distribution (volume weighted)



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

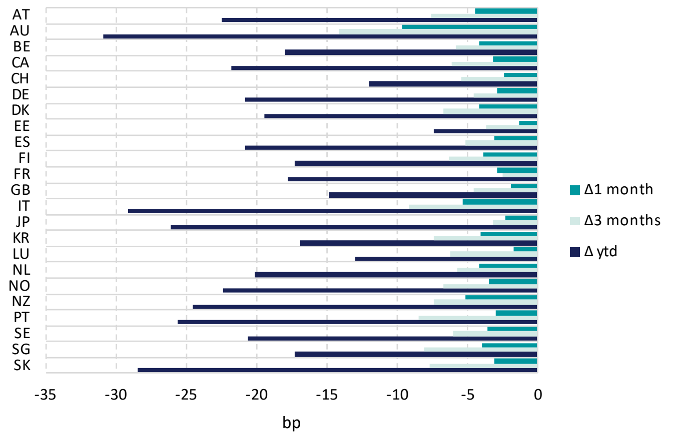


EUR benchmark volume (ESG) by type (in EURbn)

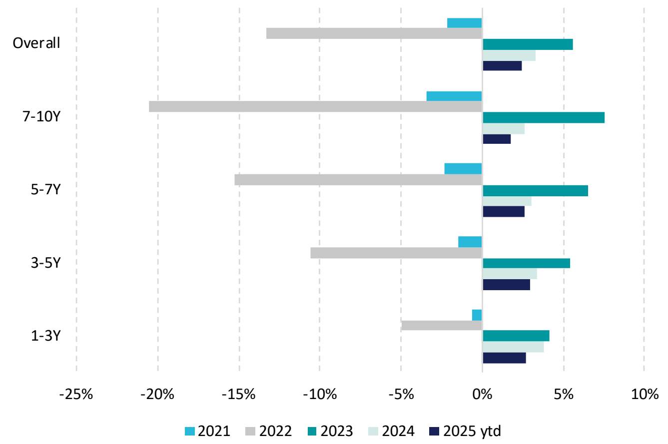


Source: Market data, Bloomberg, NORD/LB Floor Research

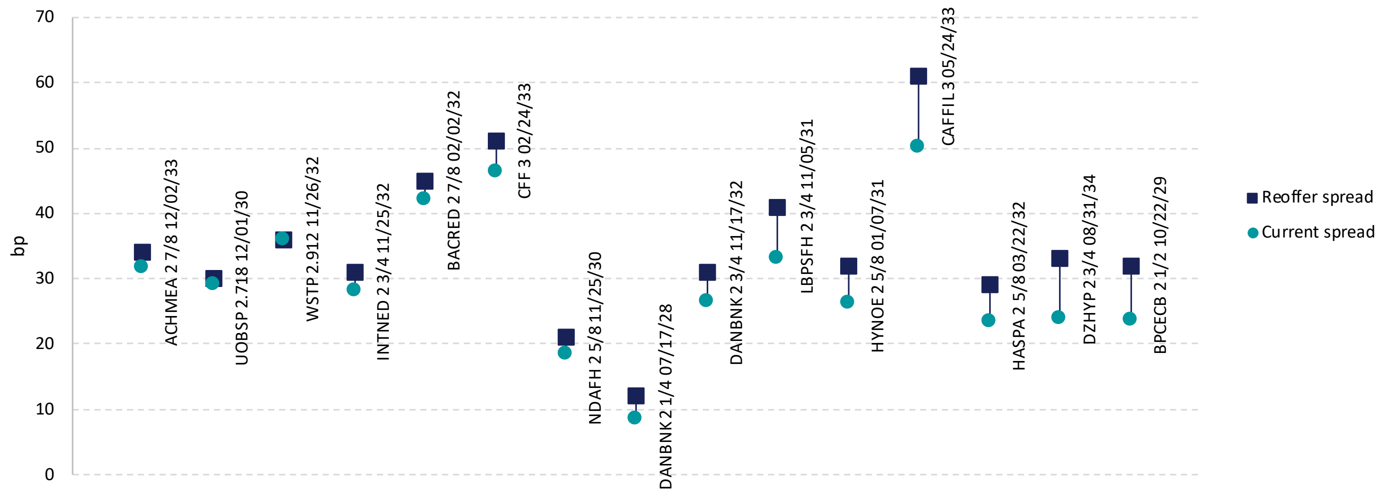
EUR benchmark emission pattern



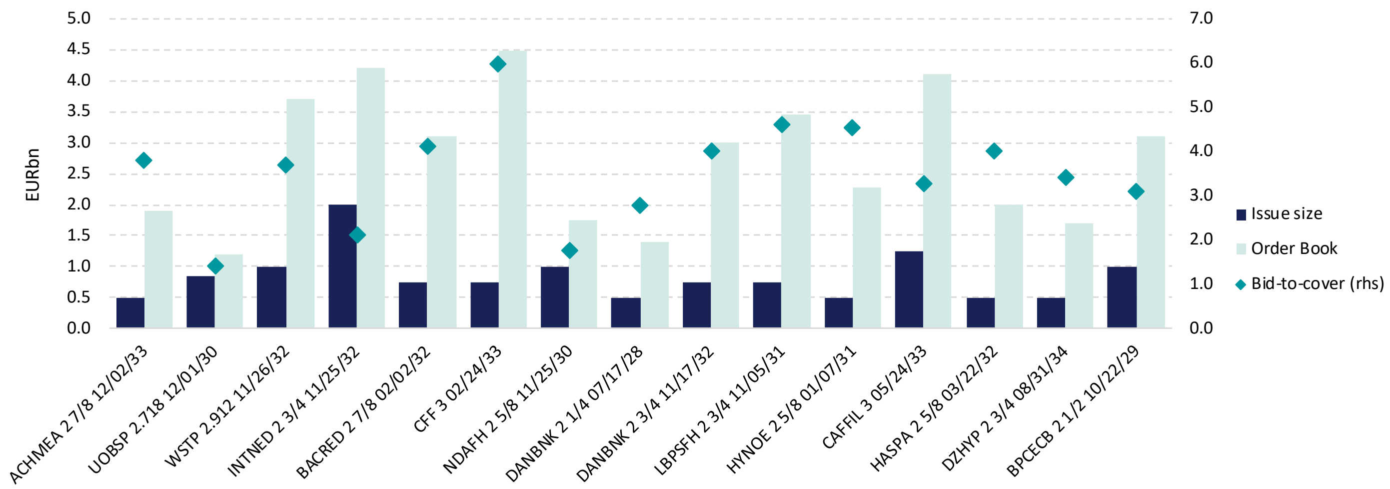
Covered bond performance (Total return)



Spread development (last 15 issues)



Order books (last 15 issues)

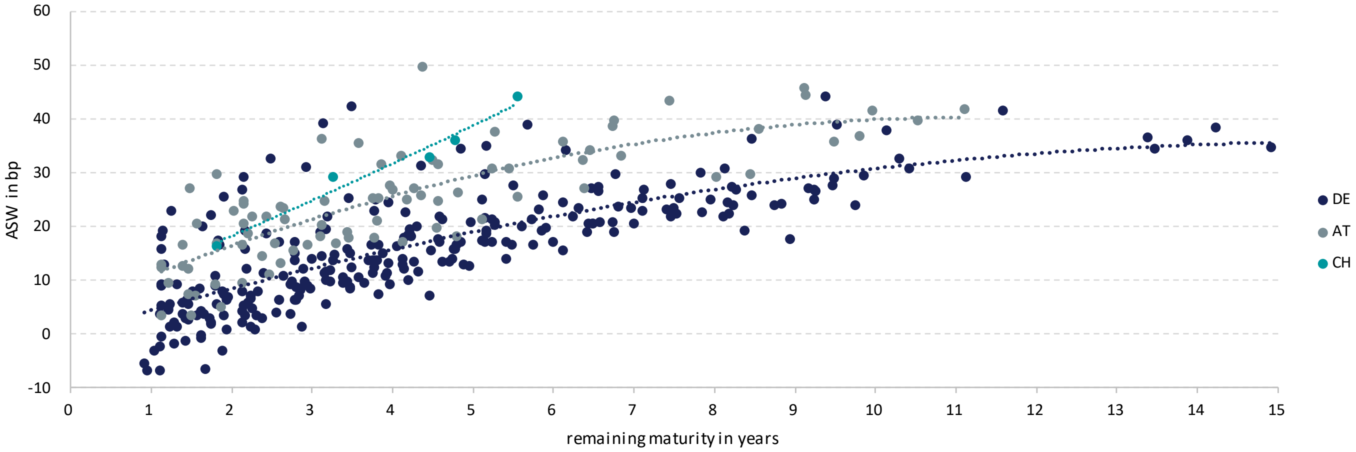


Source: Market data, Bloomberg, NORD/LB Floor Research

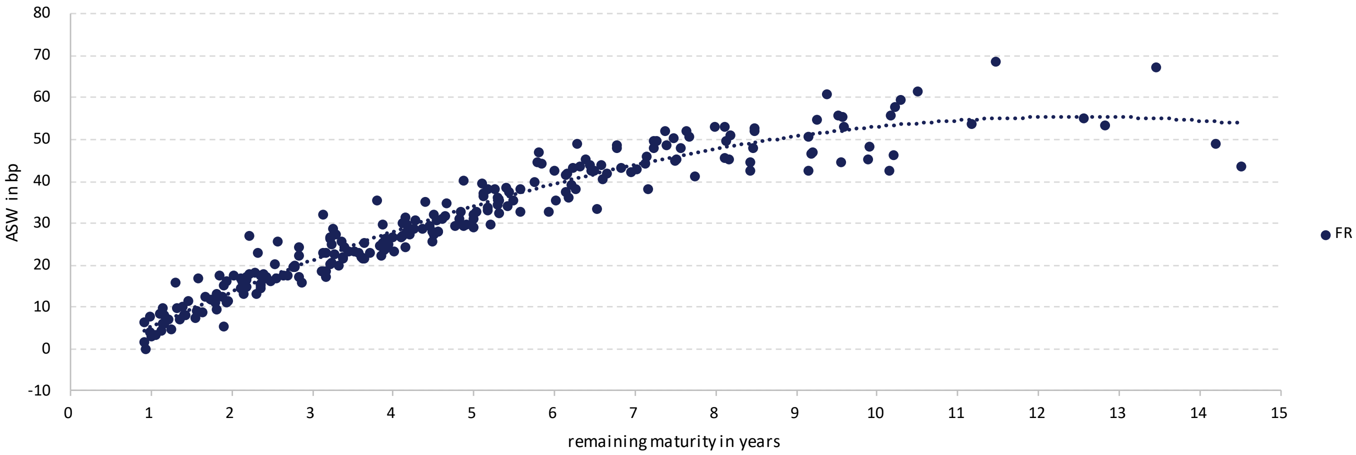
NORD/LB

Spread overview[1]

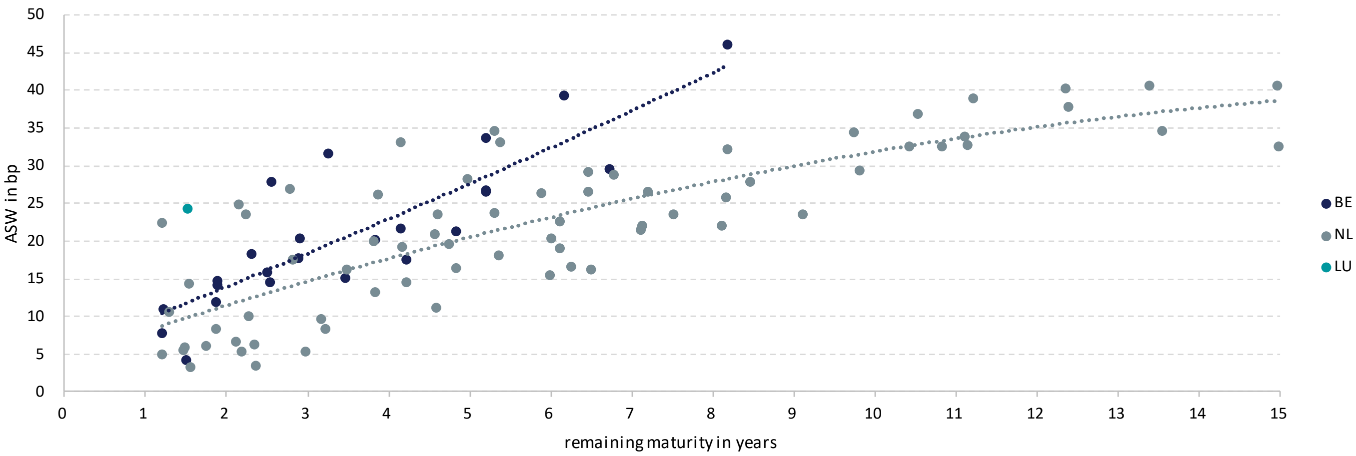
DACH



France

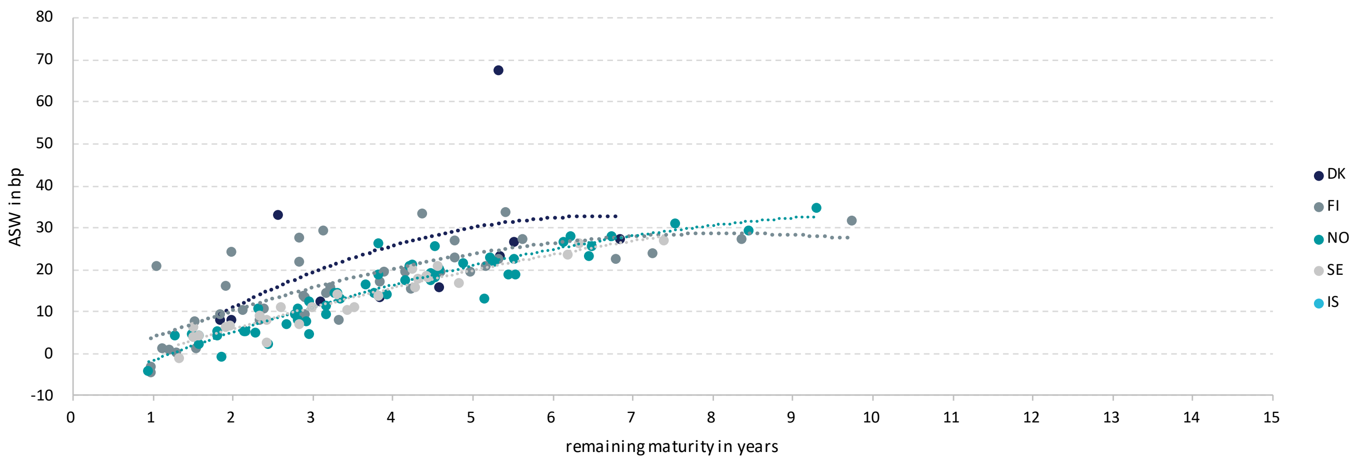


Benelux

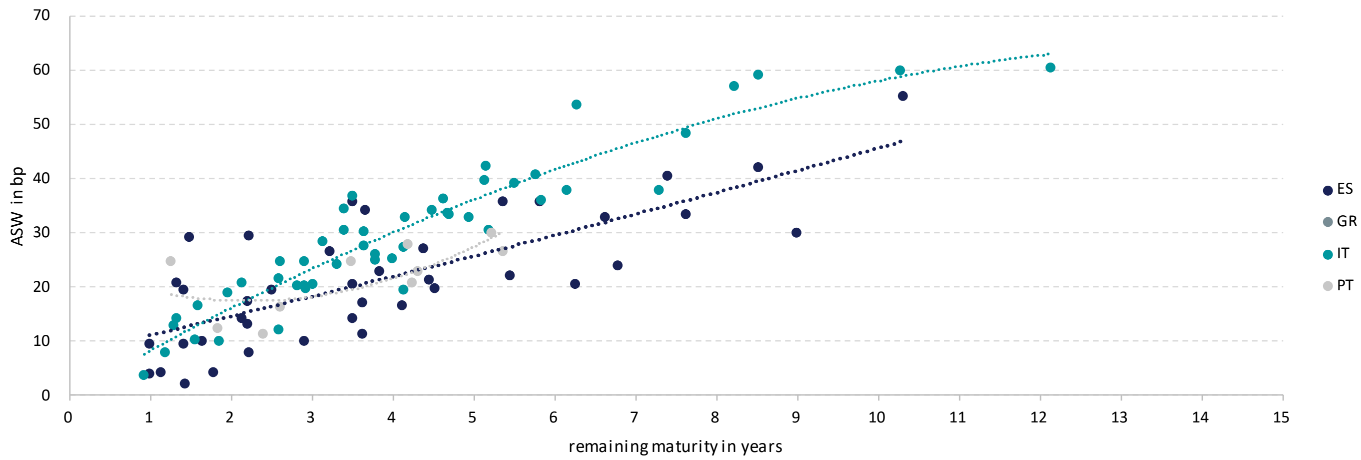


Source: Market data, Bloomberg, NORD/LB Floor Research [1] Time to maturity 1 ≤ y ≤ 15

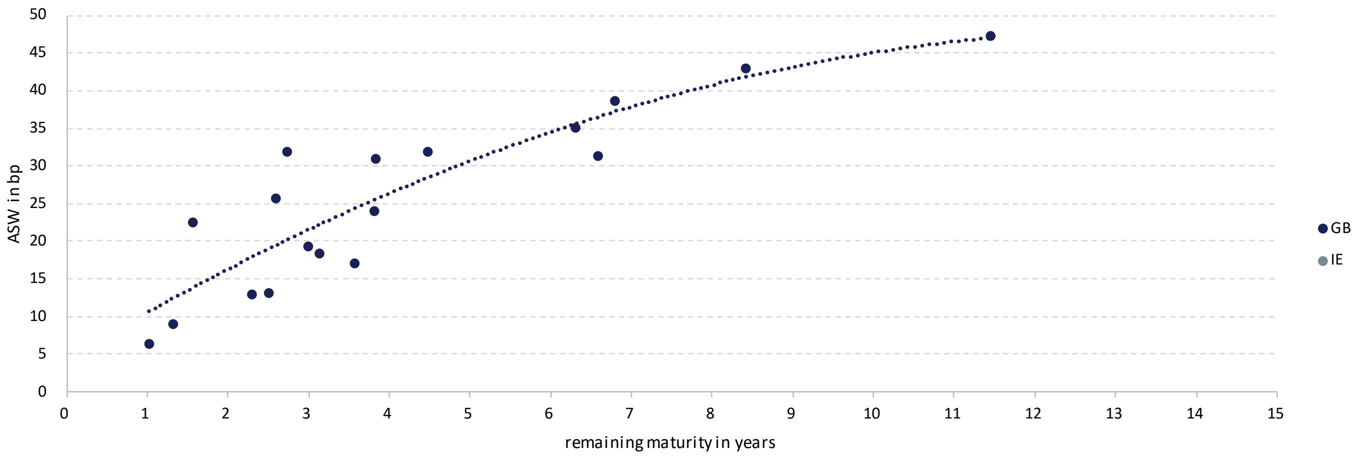
Nordics



Southern Europe

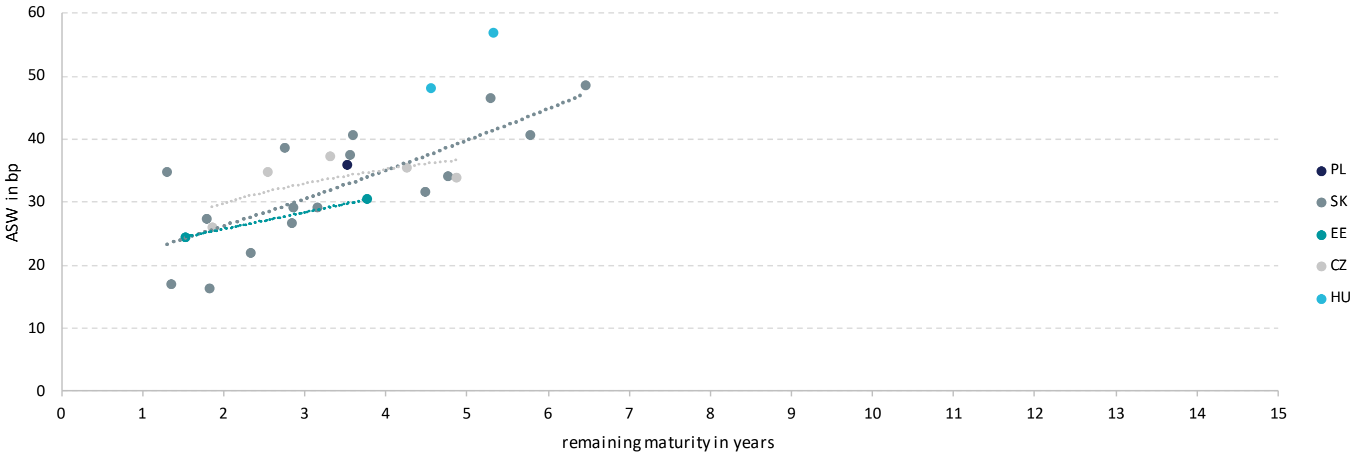


UK/IE

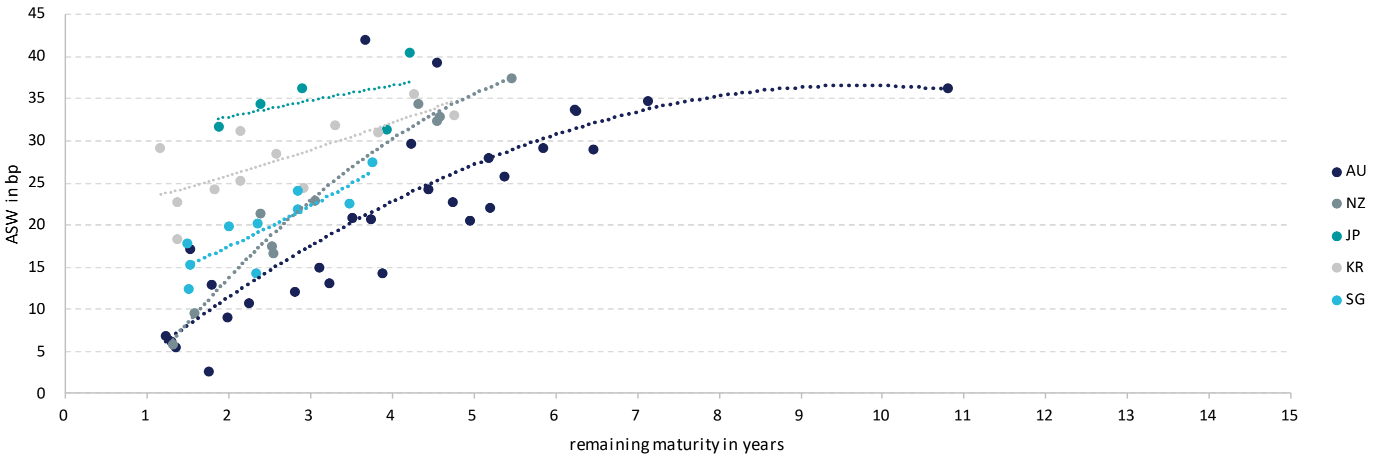


Source: Market data, Bloomberg, NORD/LB Floor Research

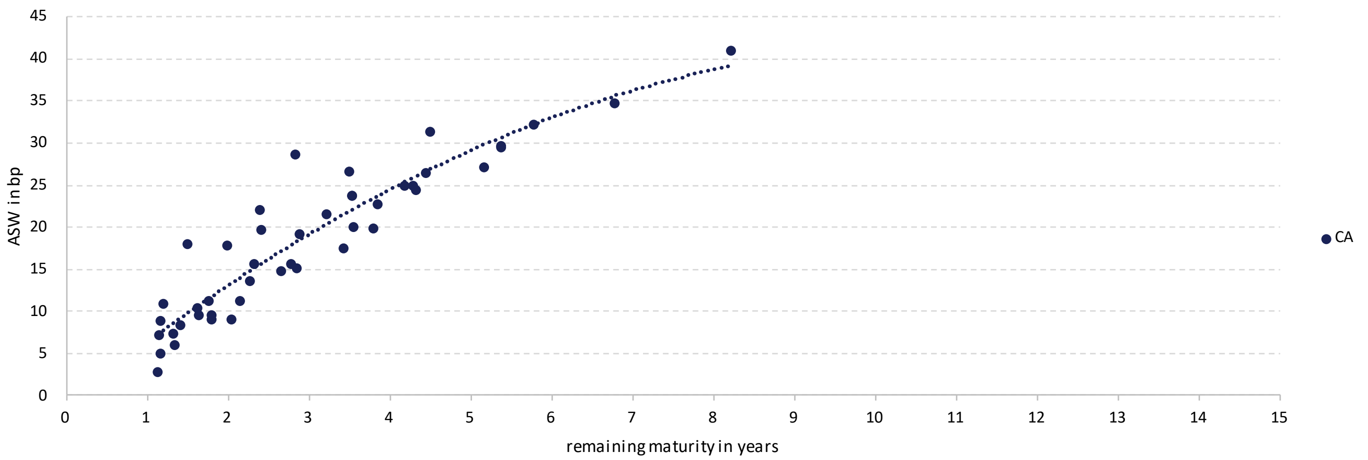
CEE



APAC



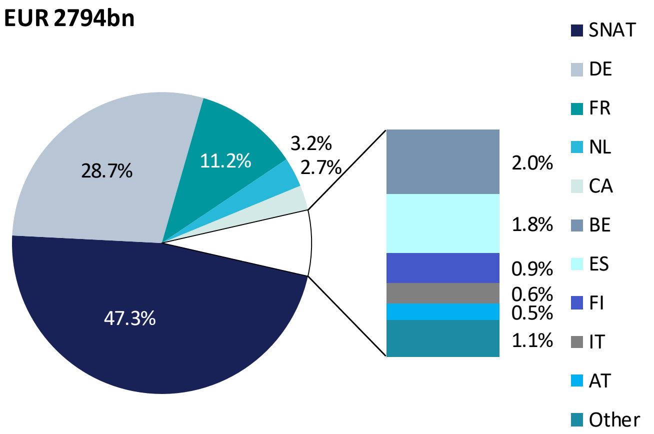
North America



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

Charts & Figures
SSA/Public Issuers

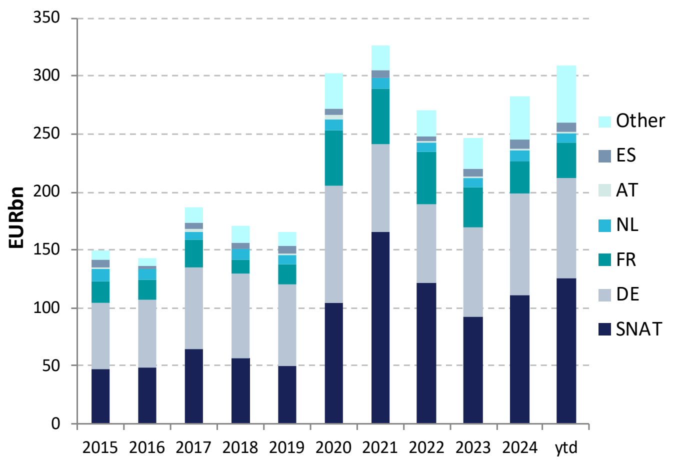
Outstanding volume (bmk)



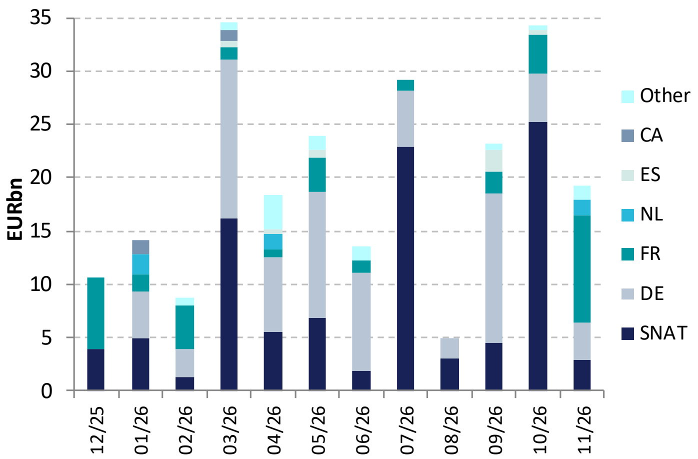
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,320.7	263	5.0	7.6
DE	801.8	610	1.3	5.8
FR	311.7	205	1.5	5.2
NL	88.2	69	1.3	5.9
CA	74.4	67	1.1	6.1
BE	56.3	52	1.1	9.4
ES	51.4	75	0.7	4.8
FI	26.2	27	1.0	3.9
IT	17.3	22	0.8	4.2
AT	14.5	21	0.7	5.2

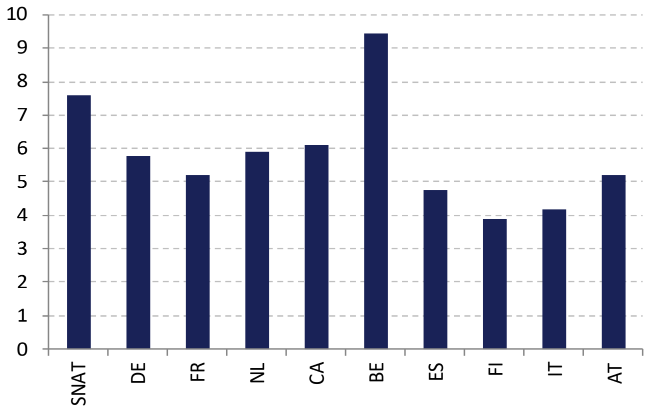
Issue volume by year (bmk)



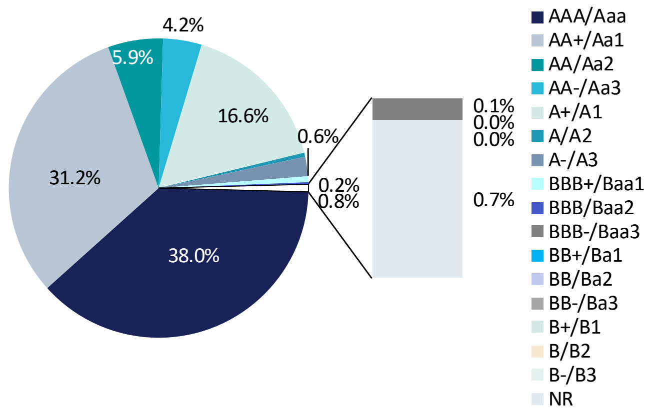
Maturities next 12 months (bmk)



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

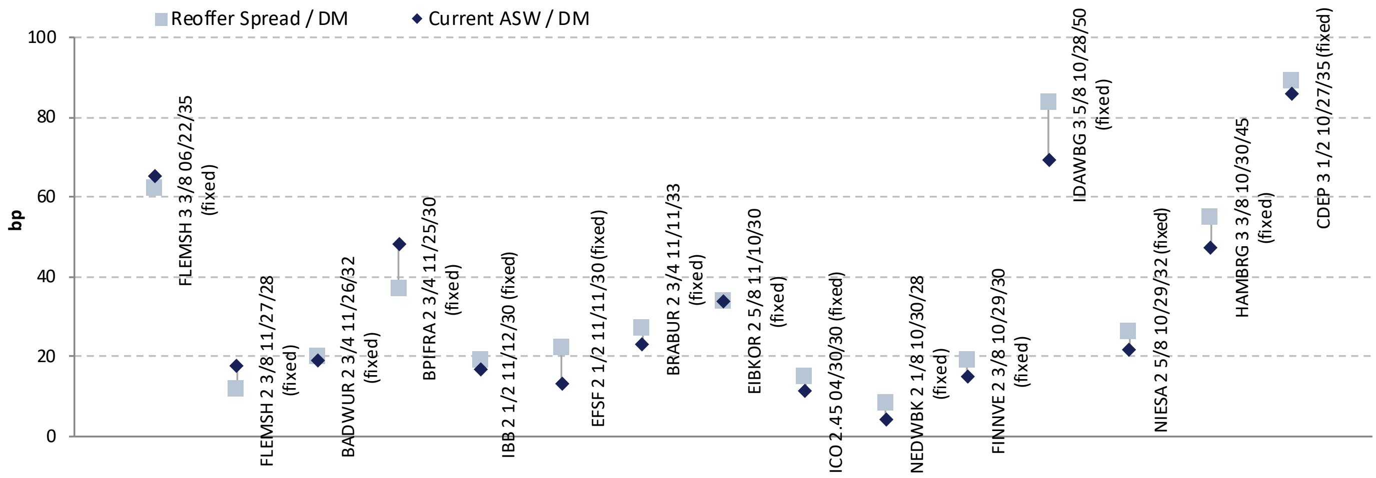


Rating distribution (vol. weighted)

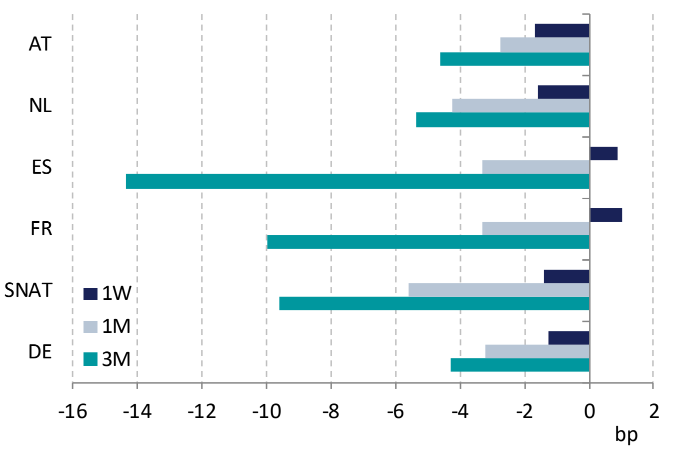


Source: Bloomberg, NORD/LB Floor Research

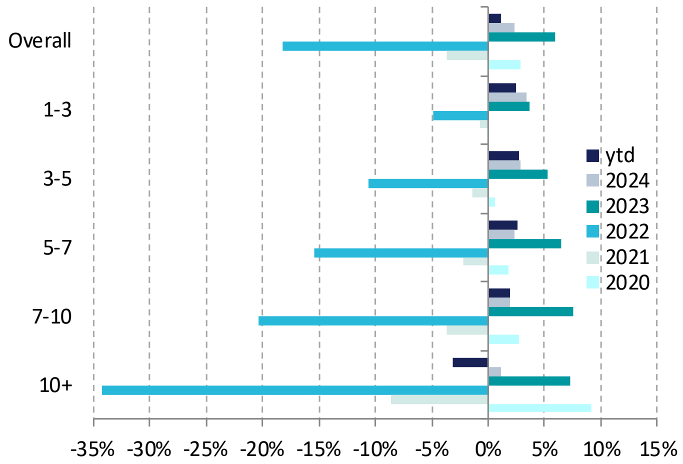
Spread development (last 15 issues)



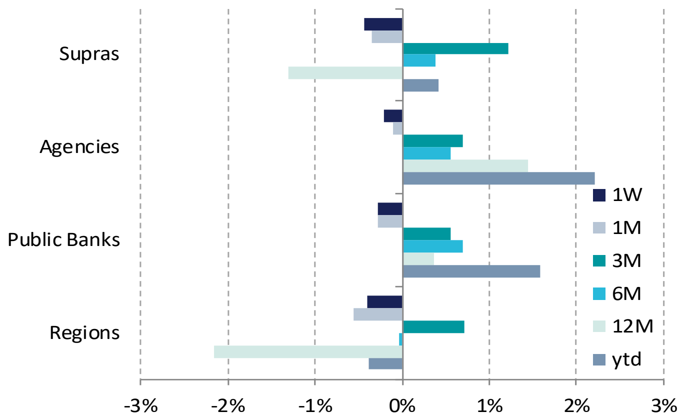
Spread development by country



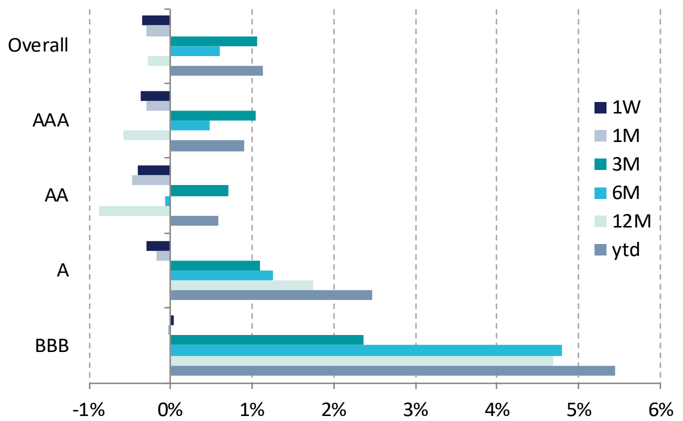
Performance (total return)



Performance (total return) by segments

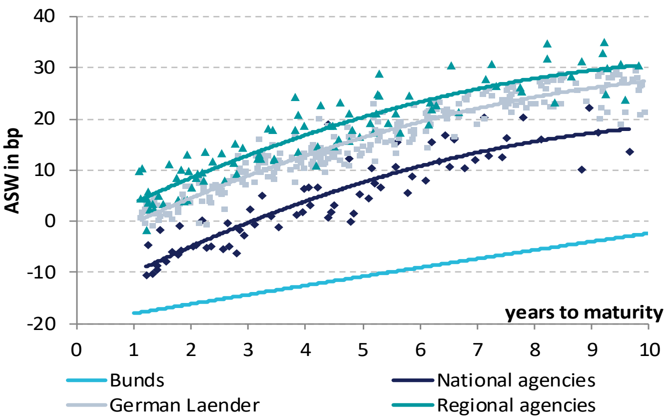


Performance (total return) by rating

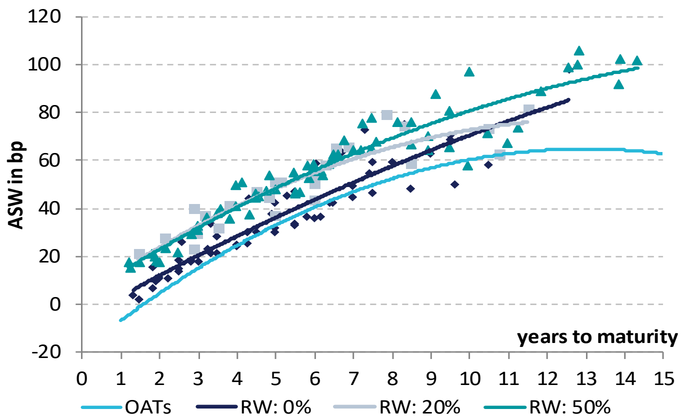


Source: Bloomberg, NORD/LB Floor Research

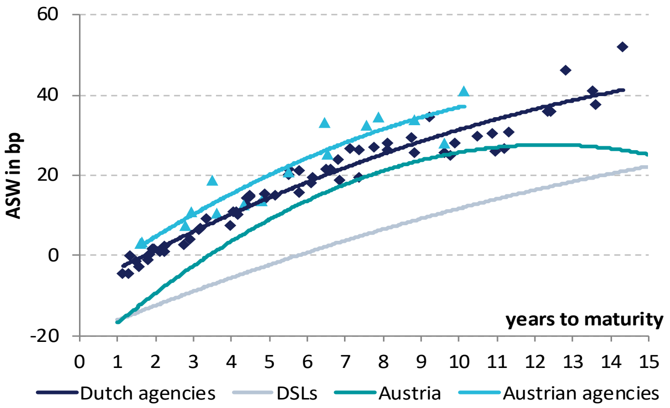
Germany (by segments)



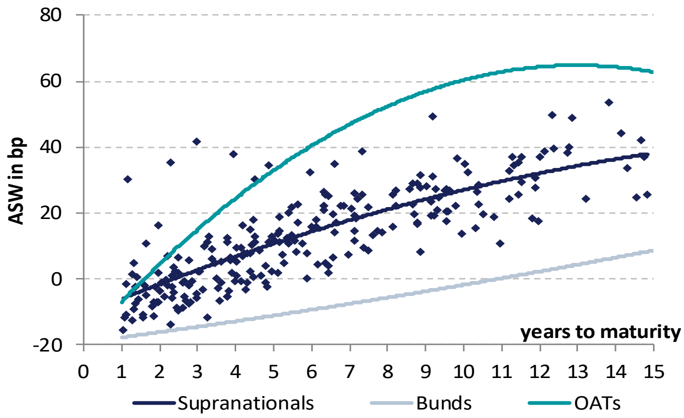
France (by risk weight)



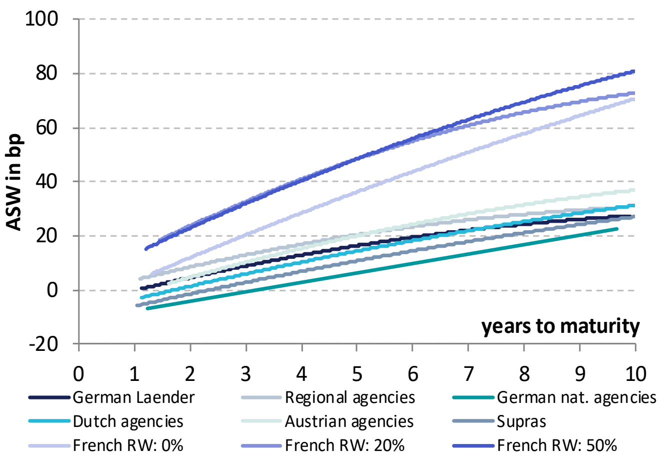
Netherlands & Austria



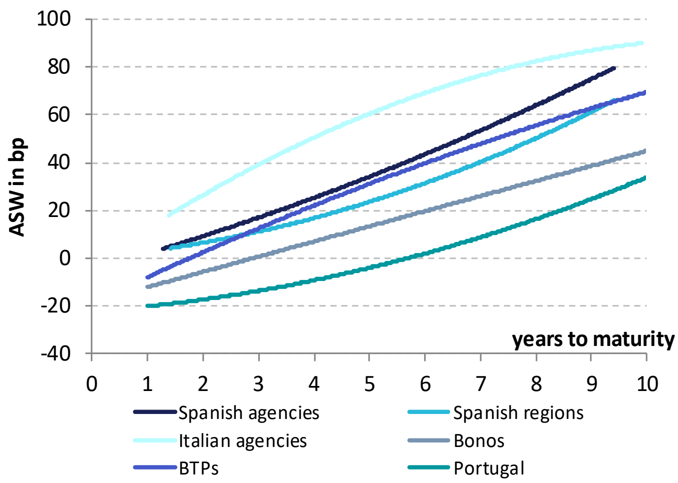
Supranationals



Core



Periphery

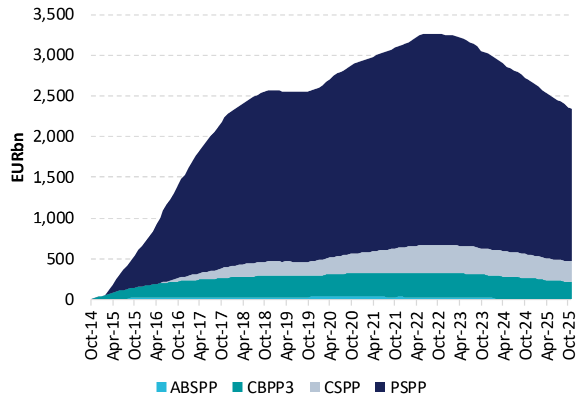


Source: Bloomberg, NORD/LB Floor Research

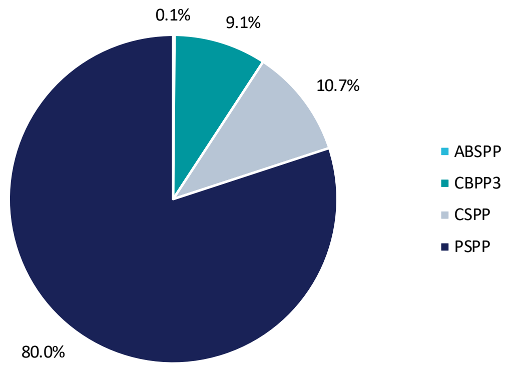
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

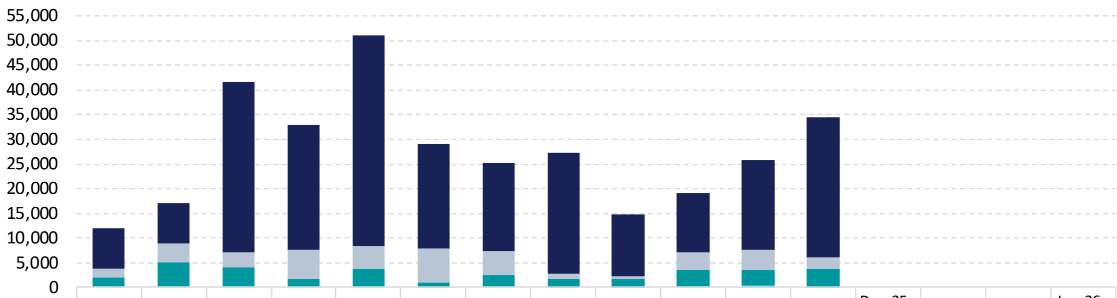
APP: Portfolio development



APP: Portfolio structure

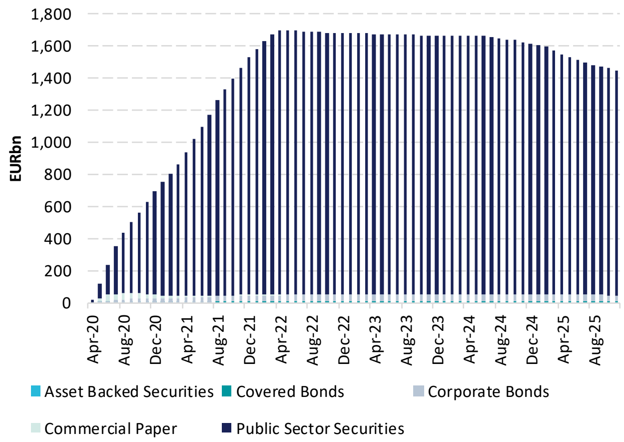


Expected monthly redemptions (in EURm)

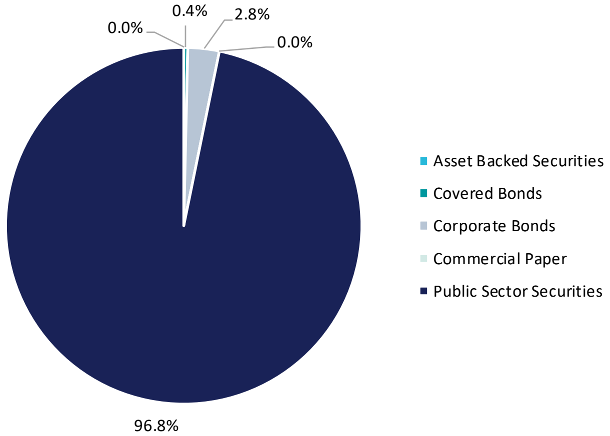


	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-25 - Nov-26	2024	2025	Jan-26 - Nov-26
APP	12,078	17,119	41,523	32,837	51,023	29,020	25,281	27,197	14,893	19,219	25,849	34,527	330,566	335,094	332,840	318,488
PSPP	8,274	8,318	34,465	25,111	42,657	21,135	17,964	24,306	12,570	12,097	18,215	28,397	253,509	264,479	252,566	245,235
CSPP	1,693	3,815	2,926	5,886	4,562	6,820	4,857	1,245	684	3,610	4,069	2,398	42,565	32,191	33,961	40,872
CBPP3	1,903	4,740	3,911	1,575	3,685	1,003	2,317	1,554	1,566	3,281	3,123	3,692	32,350	32,173	42,332	30,447
ABSPP	208	246	221	265	119	62	143	92	73	231	442	40	2,142	6,251	3,981	1,934

PEPP: Portfolio development



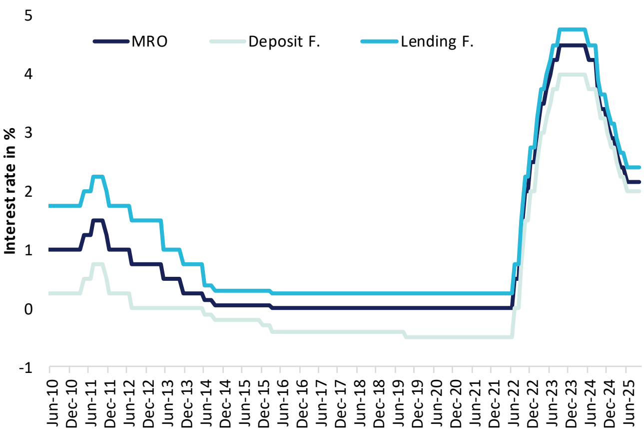
PEPP: Portfolio structure



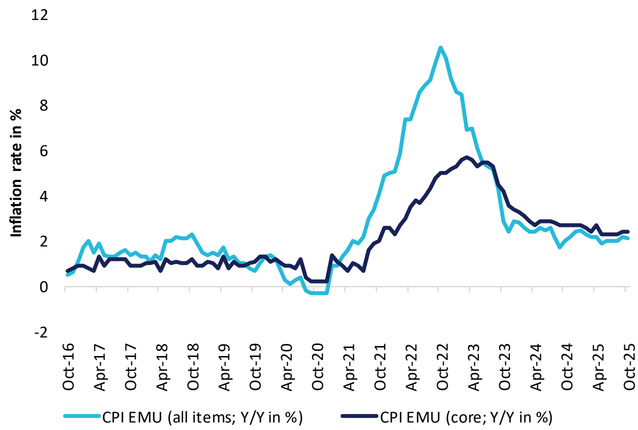
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

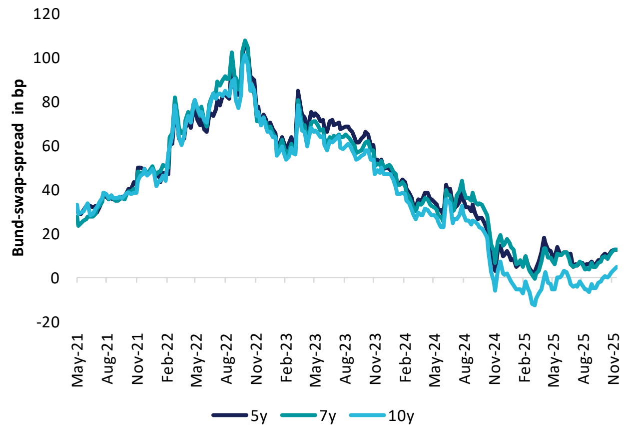
ECB key interest rates



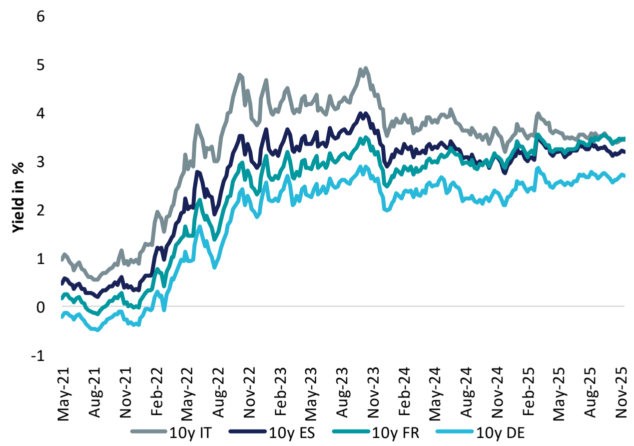
Inflation development in the euro area



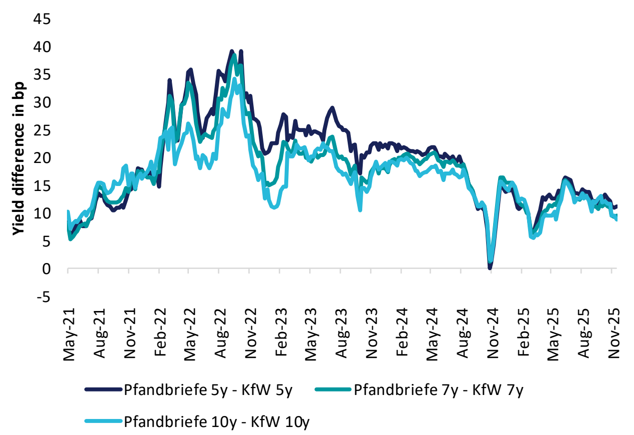
Bund-swap-spread



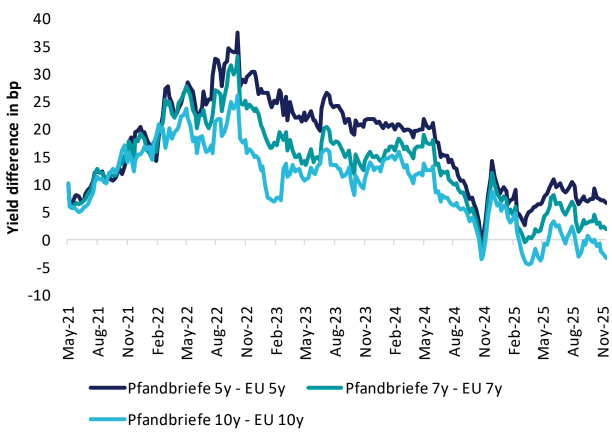
Selected yield developments (sovereigns)



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
40/2025 ♦ 26 November	▪ Cross Asset // Call for evidence: EU Taxonomy under review
39/2025 ♦ 19 November	▪ A covered bond view of the Nordics ▪ Teaser: Issuer Guide – French Agencies 2025
38/2025 ♦ 12 November	▪ Covereds: Development of the German property market (vdp index) ▪ Funding strategies of Canadian provinces – an overview
37/2025 ♦ 05 November	▪ Covereds: Savings banks as primary market issuers ▪ Auvergne-Rhône-Alpes Region – spotlight on REGRHO
36/2025 ♦ 29 October	▪ Covereds: A look at the EUR sub-benchmark segment ▪ SSA: Canadian pension funds in the spotlight
35/2025 ♦ 22 October	▪ ESG benchmark segment at a crossroads? ▪ Teaser: Issuer Guide – European Supranationals 2025
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

NORD/LB:
Floor Research

NORD/LB:
Covered Bond Research

NORD/LB:
SSA/Public Issuers Research

Bloomberg:
Weekly: DS NDB <GO>

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Appendix
Publication overview

Covered Bonds:

- Issuer Guide – Covered Bonds 2025
- Risk weights and LCR levels of covered bonds (updated semi-annually)
- Transparency requirements §28 PfandBG Q3/2025 (quarterly update)
- Transparency requirements §28 PfandBG Q3/2025 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 2025
- Issuer Guide – Non-European Supranationals (MDBs) 2025
- Issuer Guide – German Agencies 2025
- Issuer Guide – French Agencies 2025
- 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 Council meeting: The silence of autumn

Appendix
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