Merry Xmas and Happy New Year!
Many thanks to our loyal readers
Our next weekly publication
will be released on **14 January 2026**

Covered Bond & SSA View

NORD/LB Floor Research

17 December 2025 ♦ 43/2025

Marketing communication (see disclaimer on the last pages)

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Covered Bonds
Market overview

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

Primary market: no further deals, attention turns to the start of 2026

In the final edition of our weekly publication for 2025, (as expected) we have no further transactions in the EUR benchmark segment on which to report. As such, the primary market for covered bonds has to all intents and purposes now bid farewell to 2025 and entered a period of Christmas calm. Although December saw no new issuances, which has also been the case over the past few years, we can still speak of a very pleasing end to the year in 2025. From the market relaunch following the summer recess all the way through to November, we recorded satisfactory levels of market activities on the part of issuers, with the new issuance volumes notably high in some cases. For example, we recorded the second busiest September in the past nine years with a new issuance volume of EUR 20.9bn, which even beat the “record year” of 2022. At EUR 12.3bn, August was only slightly down on the years 2022 and 2023. This value is well in excess of those recorded in the month of August in the other years of our nine-year retrospective. While November did not set any new records at EUR 8.1bn, this is still a marked improvement on the EUR 2.0bn registered in the same month last year. In 2025, November saw eight issuers come to the primary market with nine transactions. In particular, Finland was strongly represented with three deals, including a dual tranche from Danske Mortgage Bank (issuance volume: EUR 750m and EUR 500m) and a transaction by Nordea Mortgage Bank (EUR 1.0bn). Two issuers from the Netherlands were also active, namely ING Bank (EUR 2.0bn) and Achmea Bank (EUR 500m). The deal placed by Achmea Bank on 25 November will in all likelihood also represent the final new issuance of 2025. Other issuers active during the month of November included Compagnie de Financement Foncier and Mediobanca (issuance volume of EUR 750m in each case), plus Westpac Banking Corporation (EUR 1.0bn) and United Overseas Bank (EUR 850m). Attention now inevitably turns to what we can expect from the resumption of issuance activities at the start of 2026: as we head into the new year, tradition dictates that January is likely to be the strongest month in terms of new issuance activities again. Over the past nine years, January has accounted for 22.3% of the annual issuance volume on average, which far exceeds the shares attributable to other months of the year. While the equivalent value for 2025 was actually below average at 16.7%, this can probably be put down to the number of the public holiday dates and how these fell in the calendar. In the new year, we are again not expecting a whole host of new issuance activities before the end of the second week of January. At the same time, however, we would not rule out the possibility of seeing the odd deal placed during this period.

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

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

Secondary market: barely any transactions as the year draws to a close

The secondary market is also heading directly for the Christmas break, with only the odd transaction in evidence now. What deals there are to be seen are largely focused on the medium maturity segment. At the long end, too, demand is thin on the ground, although this is set against exceptionally low supply.

ECB Governing Council proposes simplification of banking regulations

The ECB recently published recommendations for the Simplification of the European prudential regulatory, supervisory and reporting framework. The starting point is the assessment that the existing regulations have become significantly more complex in recent years, which has resulted in considerable administrative costs for banks and supervisory authorities. The ECB Governing Council is therefore calling for the rules to be more proportional depending on the size and risk profile of the institutions. Specifically, the prudential supervisory regime should be simplified for smaller banks in particular. These smaller banks should accordingly benefit from simplified requirements for reporting, disclosure, and individual supervisory procedures, while large, systemically important banks will continue to be subject to comprehensive requirements. At the same time, the regulatory framework as a whole should be made more understandable and consistent, while the rules concerning licensing, governance, and counterparty transactions should be harmonised. The consolidation of supervisory and disclosure data would also further reduce the reporting burden. In its recommendations, the ECB specifically mentions the creation of a fully integrated reporting system at European level for statistical, prudential and resolution purposes, ideally via the Joint Bank Reporting Committee. However, the ECB Governing Council emphasises that these simplifications should not be misconstrued as an attempt at deregulation, with key elements including the robust capital and liquidity requirements, effective risk controls and strong supervision set to be retained unchanged. Overall, the proposal aims to strengthen the efficiency, competitiveness and risk focus of the European banking sector without jeopardising the stability of the financial system.

Moody's Global Covered Bond Outlook 2026

The rating experts at Moody's recently published their outlook for the global covered bond market in 2026. Similar to their colleagues from S&P (which we reported on last week), they are forecasting that the credit quality of covered bonds will remain robust overall, supported by the high overall quality of the underlying cover pool assets (in particular residential mortgage loans). Further positive factors include issuers with generally stable credit ratings, declining inflation, stable labour markets and moderately falling mortgage rates. Conversely, geopolitical and trade policy uncertainties are hampering the global fiscal recovery, which consequently feeds into the outlook for the various jurisdictions. In specific terms, Moody's reports a negative sovereign outlook for Austria, France, Belgium, Poland and Hungary. Although this increases the risk for some covered bond programmes, the credit quality of most issuers is expected to remain stable or positive. In terms of regulatory aspects, the reform process of the covered bond framework in Europe is expected to continue. For example, this could extend to valuation rules, derivatives and third country equivalence (for further details in this regard, please refer to our recently published EBA Special). From a market perspective, high refinancing requirements, rising mortgage demand and the use of covered bonds for liquidity management are expected to have a positive impact on issuance activities, although narrow spreads compared with senior and sovereign bonds provide something of a headwind.

EU Rapporteur proposes easing capital requirements for covered bonds

After the European Commission previously presented its recommendations to adapt the framework for securitisations back in June, which included a reduction of the minimum risk weight for securitisations from 10% to 5%, German representatives at European level also expressed their support for relaxing the risk weights for covered bonds (which we reported on). The background to this was a concern that securitisations could benefit from unjustified preferential treatment compared with covered bonds. Similar concerns were raised by the authors of a study published this week on securitisation reforms following the 2007/08 global financial crisis by the Financial Stability Institute of the Bank for International Settlements (BIS). This study also highlights the problematic nature of the proposed unilateral reduction of the risk weight for securitisations. Headed up by Ralf Seekatz as Rapporteur, the Economic and Monetary Affairs (ECON) Committee has now addressed these points of criticism as part of a draft report published on 12 December regarding the amendment of the EU Capital Requirements Regulation (CRR) in relation to the requirements for securitisation positions. In this report, the ECON Committee also recommends adjusting the risk weights that apply to covered bonds in line with Article 129 (4) of the CRR. For example, covered bonds allocated to Credit Quality Step 1 (CQS 1) should benefit from a preferred risk weight of 5% under the standardised approach in future. This would eliminate any potential disadvantage for covered bonds compared to securitisations from a risk weight perspective. However, the legislative process remains at an early stage, and further adjustments and amendments cannot be ruled out at present. In line with the current plans, amendments can be introduced up to the end of January 2026. As such, the draft report is likely to be debated in the European Parliament during the first half of next year. The trilogue negotiations following the parliamentary process will also take some time. Accordingly, we do not expect the adjustments to the CRR to be implemented before 2027.

Potential impact of lowering the risk weight to 5%

A reduction in the risk weight as outlined in the draft report would certainly entail implications for the attractiveness of covered bonds compared with other asset classes. Covered bonds would become more attractive, particularly in comparison with the sovereign bonds of EU Member States (risk weight 0%) and versus bonds from the SSA/Public Issuer universe as well. Specifically, bank treasuries could benefit from the reduced risk weight applicable to covered bonds under the standardised credit risk approach. Against this backdrop, the spread difference between covered bonds and bonds issued by public issuers could become narrower as well. However, the potential for further spread compression in this case is gradually becoming very limited. For example, in our generic spread analysis, German Pfandbriefe are currently trading just a few basis points above German government bonds. Only covered bonds placed by issuers based in an EU Member State stand to benefit from the reduction in risk weight in line with Article 129 CRR. In contrast, covered bonds from non-EU sovereigns, such as Canada or the UK, would continue to feature the best possible risk weight of 20%. In our view, this harbours the potential for spread widening between covered bonds from the European Economic Area (EEA) and those placed by issuers domiciled outside of Europe.

Fitch publishes “APAC Covered Bonds Monitor – 3Q/25”

The rating agency Fitch continues to attest to high credit quality on the part of covered bond issuers in the Asia-Pacific region in its APAC Covered Bonds Monitor covering the third quarter of 2025, although the rating experts also highlight the fact that interest rates have fallen across all four jurisdictions covered in the report (Fitch rates covered bond programmes in Australia, New Zealand, South Korea and Singapore). As a general rule, lower interest rates tend to have a positive impact on the debt servicing capacity of borrowers and increase lending capacity, which at the same time could also encourage a higher risk appetite with regard to investment loans or induce borrowers to accept higher loan-to-value ratios. Nevertheless, Fitch remains of the view that the quality of the loans is assured on account of high OC ratios, low LTV ratios and structural safeguard mechanisms in the covered bonds. Generally speaking, Fitch views the covered bond programmes as stable due to strong legal frameworks in the jurisdictions, conservative underwriting criteria with regard to the cover pools and the predominantly solid creditworthiness of the issuers, although the macroeconomic risks should not be overlooked either. In September, the agency revised its covered bond rating methodology. In this context, the primary aim was to adjust the conditions for granting a resolution uplift and the determination of the OC ratio required to maintain a specific rating. However, existing ratings were not impacted by this process. In Q3/2025, Fitch rated a total of 20 covered bond programmes from the APAC region, including ten from Australia, five from New Zealand, three from South Korea and two from Singapore. All programmes have been awarded the top rating of “AAA”.

SSA/Public Issuers
Market overview

Authors: Dr Norman Rudschuck, CIIA // Tobias Cordes, CIIA

ECB preview: no cut on interest rates ahead of Christmas

The mood we noted within the ECB circle has markedly changed since the last ECB meeting at the end of October. While some members were still emphasising downward risks to inflation at the last key interest rate meeting, suggesting that a further interest rate cut could not be ruled out in the foreseeable future, Isabel Schnabel spoke in favour of a key interest rate hike as the ECB's next monetary policy step in an interview with Bloomberg at the beginning of December that garnered a great deal of attention. The hawks therefore appear to be slowly regaining control at the ECB. In any case, the previously anticipated interest rate cut at year-end has gradually been priced out. In our ECB preview, we therefore assume that the ECB's Governing Council will once again refrain from making any adjustments to the three key interest rates at its upcoming meeting. This means that the deposit facility rate is likely to remain at 2.0%, while the rates for the main refinancing operations and the marginal lending facility would remain at 2.15% and 2.4% respectively. The ECB still feels vindicated in its current stance. In our view, this is likely to mean that interest rates will stay the same for some time to come – very probably throughout the whole of 2026. Initial market opinions even suggest that the next move on interest rates might not take place until 2027, and that at this point it would be upwards again.

Rentenbank plans funding volume of around EUR 11bn in 2026

Landwirtschaftliche Rentenbank (ticker: RENTEN) has announced its funding target for the coming year and plans a funding volume of EUR 11bn. Of this, up to 50% of its medium-term and long-term funding volume is to be raised by issuing benchmark bonds denominated in EUR and USD, while the remainder will come from liquid issuances and private placements in various currencies. This year, the promotional bank has (so far) raised around EUR 10.8bn in the international capital markets, including a benchmark bond in EUR with a volume of EUR 1.25bn (7.3y) as well as a green bond (EUR 1bn) with a 7-year term. In addition, Landwirtschaftliche Rentenbank issued two USD benchmark, each with a volume of USD 1.5bn and a term of five years. The average term of the bank's issues remained unchanged from the previous year at 6.4 years. In terms of currency diversification, Landwirtschaftliche Rentenbank was active in seven currencies in 2025 (2024: four currencies), with the share of EUR-denominated deals amounting to 48%, down from 55% in the previous year. While the shares of both USD (29%) and AUD (6%) deals declined year on year (2024: 32% and 8% respectively), the share of GBP transactions increased to 8% (2024: 5%). In 2025, the bank also issued bonds in CHF for the first time since 2011, whereby this currency accounted for 6% of its funding volume. "The broad diversification of our issuance currencies provides Rentenbank with a particularly stable and resilient foundation and sustainably strengthens the flexibility and security of our funding. The successful reintroduction of the Swiss franc as an issuance currency this year underscores our ability to respond flexibly to investor needs and to strategically expand our refinancing portfolio", as Rentenbank Chairwoman Nikola Steinbock explains in a press release.

ESM approves Bulgarian membership // Latvia's ECB capital contribution key adjusted

Following the European Council's decision on 08 July this year to allow Bulgaria to adopt the EUR as of 01 January 2026, the Board of Governors of the European Stability Mechanism (ticker: ESM) has now also approved Bulgaria's application to become a member of the ESM. This means the process of ratifying the ESM Treaty as well as its Amending Agreement can now begin. Only when this process has been completed, which is expected to take place in the first half of 2026, will Bulgaria officially become an ESM Member. To fulfil its obligations arising from accession to the ESM, Bulgaria will contribute around EUR 600m in the first twelve years, initially benefiting from lower contribution obligations during the (correction) period. At the end of this period, Bulgaria will pay the remaining amount, and its total paid-in capital will reach EUR 992m. "I am delighted that the ESM Board of Governors approved Bulgaria's application to become the ESM's 21st Member. This decision is a key milestone as the country prepares to adopt the EUR and deepen its integration into Europe's financial framework. Membership will strengthen Bulgaria's resilience to risks and support its stability. The continued growth of the ESM and the euro area underscores the strength and appeal of the single currency and the safety net it provides," said ESM Managing Director Pierre Gramegna. In addition, the ESM Board of Governors decided to adjust the capital key for Latvia's capital contributions after the temporary correction of its contribution key had expired. The background to this is that in line with Art. 42 of the ESM Treaty, ESM Members whose GDP per capita is less than 75% of the EU average when they join the institution benefit from a temporary correction of their contribution key for a period of 12 years after the date of their adoption of the EUR. During this period, the subscription to the authorised capital stock of the Member State concerned is reduced. Nevertheless, the country fully benefits from the protection afforded by ESM membership from the outset. Once the correction period ends, the capital key is adjusted in accordance with the provisions of the ESM Treaty. The correction period for Latvia ends on 01 January 2026. Consequently, Latvia will increase its contribution to the paid-in capital of the ESM to EUR 324.4m. Besides Latvia – and Bulgaria, as described above – a temporary correction of the contribution key of this kind has already been applied to Slovenia, Malta, Slovakia and Estonia in the past. Lithuania and Croatia will continue to benefit from a similar provision until the end of 2026 and 2034 respectively.

Evaluation report: Stability Council sees no imminent budgetary crisis in Saarland

In accordance with the decision by the Stability Council on 05 December 2024, the Evaluation Committee has comprehensively reviewed the current budgetary and financial position of Saarland (ticker: SAARLD) after the indicators for assessing the budgetary situation reported in the Saarland 2024 Stability Report pointed to an impending budgetary emergency. On the basis of the evaluation report and the stability report submitted for 2025, which, unlike last year, did not reveal any anomalies, the Stability Council concluded that, pursuant to section 4(4) of the Stability Council Act, there is *no* imminent budgetary crisis. Nevertheless, according to the Stability Council, Saarland's current financial situation remains marked by structural risks, although the current indicators for 2023-25 and the medium-term financial planning for 2026-29 were deemed to be compliant overall. The high level of per capita debt is a particular cause for concern. Further details will be provided in one of our first weekly publications in 2026.

KBN: government to consider equating risk weight with central state

The Norwegian parliament has submitted a motion to the government to review the regulatory treatment of exposure to the municipal financier Kommunalbanken (ticker: KBN). Specifically, the question is whether exposure should be treated in the same way as exposure to the central government. In addition, the government will examine whether KBN should be granted the status of a promotional bank. So far, parliament has only requested the review and it is uncertain whether the government will propose changes and what the implications of such changes would actually be. Currently, we believe that a risk weight of 20% should be applied to KBN. If exposure to KBN were treated in the same way as exposure to the central government, this would result in a risk weight of 0% in our opinion. This would indicate a classification as a Level 1 asset under the LCR (currently Level 2A).

ECB sets capital requirements for NWB and BNG

The ECB has confirmed the capital requirements for 2026 for the municipal financier Nederlandse Waterschapsbank (NWB; ticker: NEDWBK) as part of its annual Supervisory Review and Evaluation Process (SREP). Accordingly, the agency will continue to be subject to a total SREP capital requirement of 10.25% from 01 January onwards. This consists of the market requirements for Pillar I (8%) and the additional capital requirements of Pillar II (2.25%). In contrast, for BNG Bank N.V. (ticker: BNG) the ECB has set the SREP capital requirement at 10%, with the capital requirements for Pillar I and Pillar II amounting to 6% and 4% respectively. Under European banking supervision rules, credit institutions are also required to maintain additional capital buffers: in the case of NWB and BNG the general capital conservation buffer is 2.5% for both institutions. In addition, the Dutch central bank has introduced a countercyclical capital buffer for domestic lending activities of 2% that applies to both NWB and BNG.

Primary market

The same procedure as every year… Socks again? Hang on, though – what's that under the Christmas tree? Why, it's the first SSA mandate of 2026 of course! The best form of self-promotion for the federal state of Lower Saxony: Practically every long-standing market participant expects to see the NIESA ticker right at the start of the year and it will be making an appearance once again in 2026, albeit "only" on 05 January. Specifically, the issuer announced yesterday that it would be placing a dual tranche in the new year. As NIESA rarely opts for terms of longer than ten years, we had hoped for the all-important 10-year term for the general market. Only three NIESA bonds from 2018, 2020 and 2021 each have a term of 15 years. In addition, the shorter term is five years, meaning that fair pricing can be achieved here compared with, for example, KfW or covered bonds, depending on the respective points of view (keyword: relative value). This would once again set two very helpful benchmarks for the new year, around which other issuers could scramble and accordingly fall into line. To recap: January is usually one of the busiest or even the busiest month of the year, but in 2026 it is only the month with the eighth-highest level of impending maturities. Forecasts vary between full speed ahead and more of a "wait and see" approach. Speaking of forecasts: the EIB (EUR 60-65bn) and the EU (EUR 90bn) are the first European supranationals to have announced their funding targets for 2026 and H1/2026 respectively. We will close this chapter by wishing all of our readers a Merry Christmas and, of course, a happy new year as well – thank you for the trust and encouragement you have shown us in 2025!

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

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

Cross Asset
Dutch pension funds in the spotlight

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

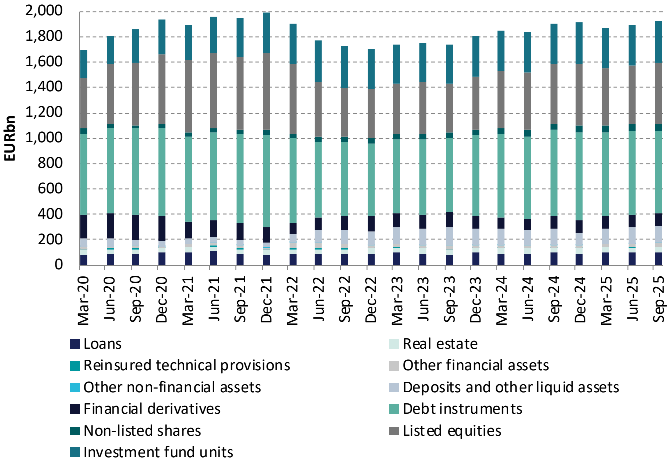
Introduction

This cross-asset article in today's edition of our weekly publication examines the structural changes happening at Dutch pension funds. Altered demand for swap contracts and adjustments to the investment portfolios of pension funds are evidence of the change in the system used with regard to the type of pension commitments. Our intention is to provide a structured presentation and categorisation of these elements on the following pages.

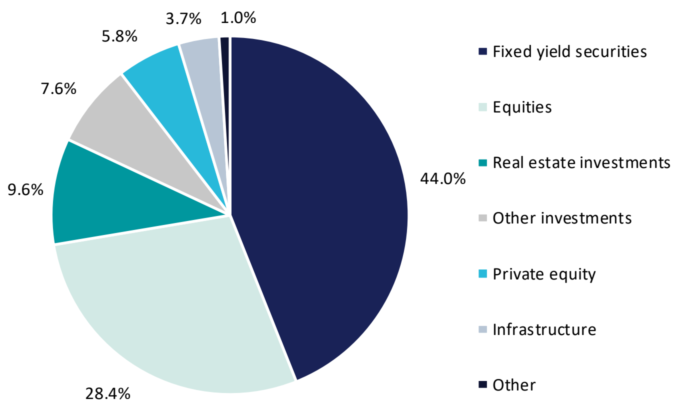
Dutch pension funds switch to defined contribution system

With new legislation on the future of pension funds, which came into force in July 2023, the Dutch government made considerable changes to the existing pension system. The pension system was changed from defined benefits (DB), whereby the level of future pensions was specified, to defined contributions (DC), whereby future benefits depend on the contributions made and the performance of the investment portfolio. All pension funds must implement the new system by 01 January 2028, the end of a transitional phase. The reasons for this switch include difficulties associated with linking benefits to an index during periods of low interest rates, demographic developments and partly inadequate pensions for self-employed people and freelancers. The majority of pension funds plan to carry out this step in the coming two years. Hardly any of the pension funds will be making use of the option to continue the previous DB system in parallel for existing pension funds. The DC system facilitates, in particular, investing the contributions of younger people in high-risk asset classes that provide a higher yield, whereas the investment risk for older people is to decrease over time.

Pension fund assets



Breakdown of the investment volume (09/2025)

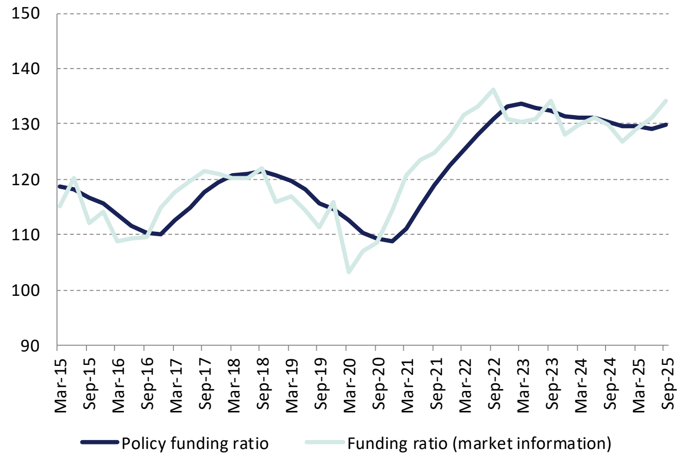


Source: DeNederlandscheBank, Bloomberg, NORD/LB Floor Research

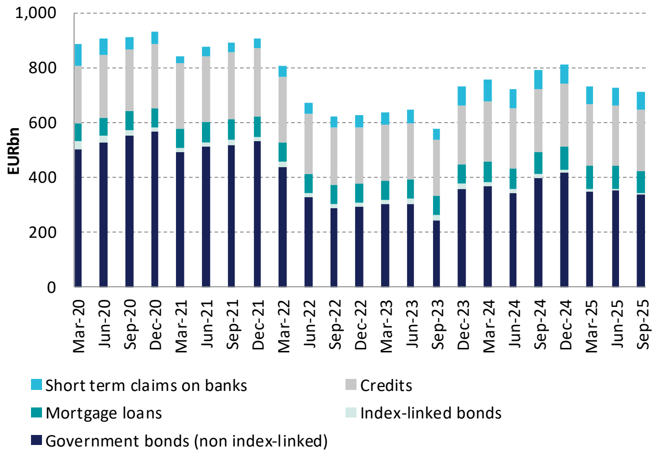
Portfolio adjustments following the change in system

In total, Dutch pension funds manage assets amounting to more than EUR 1,900bn overall (Q3/2025). This represents more than 1.6 times the GDP of the Netherlands (FY/2024: EUR 1,122bn). Debt instruments are the biggest item and play an important role, followed by listed shares and investment fund units. Among the debt instruments, fixed-income products from the credit segment (EUR 226.3bn) play a significant role, in addition to government bonds accounting for EUR 336bn (Q3/2025). The share invested in government bonds decreased by -15.9% compared with the same quarter of the previous year. At the same time, the share of investments in bonds from the credit segment remained largely constant. The switch in system from DB to DC is likely to impact particularly on demand for government bonds at the long end of the market. In view of the fact that most major pension funds plan to switch their portfolios in 2026/27, the repercussions of changing to the DC system are set to become increasingly relevant. For example, the Dutch central bank expects pension funds to reduce their exposure to government bonds and interest rate swaps with maturities of 25 years or more by EUR 100-150bn. The cause of this is a lower requirement for interest rate hedging transactions resulting from the change in system. Previously, such transactions were used to hedge defined benefits. In particular, demand for interest rate hedging is likely to decrease in connection with future pensions for younger people. In contrast, for people approaching retirement age, demand will continue for products used to hedge interest rate risks. However, the central bank has pointed out that it is by no means certain that demand will be lower at the long end, because pension funds have only provided an indicative overview of their planned investments and have not yet finalised their future strategy. Funding ratios represent one of the most important elements for a successful transformation of the pension funds system in the Netherlands. The policy funding ratio describes the average cover ratio of pension commitments divided by assets, based on market data for the past twelve months. As things stand, the risks associated with changing the system are limited by historically high cover ratios. This trend has been driven by equity market performance and the increased interest rate level.

Funding ratios of pension funds (%)



Trend in fixed-yield securities

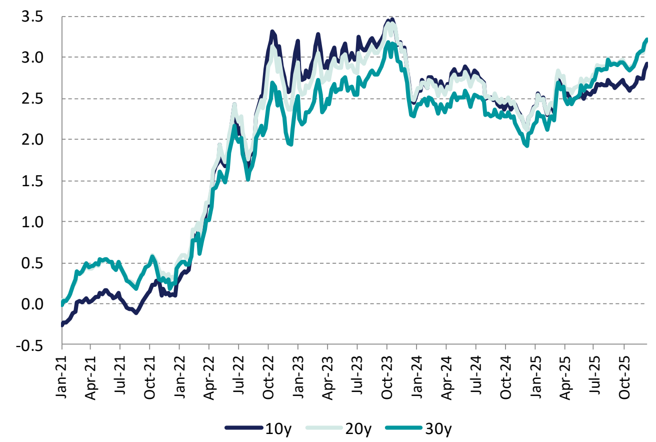


Source: DeNederlandscheBank, Bloomberg, NORD/LB Floor Research

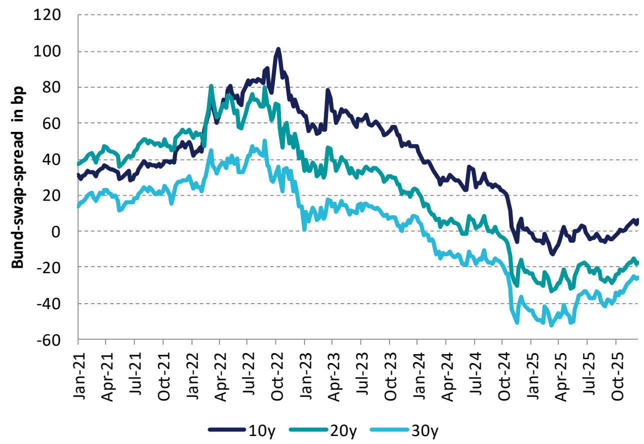
Demand for interest rate swaps expected to decline at the ultra-long end

In our view, the system switch from DB to DC has the potential to change demand from Dutch pension funds for long-term swap contracts (receiver swaps) on a sustained basis. We refer to swaps with maturities of a minimum of 25 years, in particular. The changeover to a DC system means that there no longer is a need to hedge interest rate risks by means of swap contracts to the previous extent. This applies especially to the pension entitlements of younger members. Accordingly, we assume that demand for long-term swaps will decrease in the coming years. This may be reflected in rising swap rates for maturities of over 25 years. With regard to shorter maturities, the effects of the switch are likely to be far less marked. As a result of the approaching deadline for changing the system, the first pension funds have already started to restructure their portfolios. Consequently, an abrupt drop in demand is unlikely to occur. A gradual decline over the coming years is rather more likely. Two smaller pension funds have already completed the transition to the DC system in 2025. PFZW (Pensioenfonds Zorg en Welzijn), the second largest pension fund, has announced that it will be switching its system as of 01 January 2026.

EUR swaps (%)



Bund-swap-spread



Source: Bloomberg, NORD/LB Floor Research

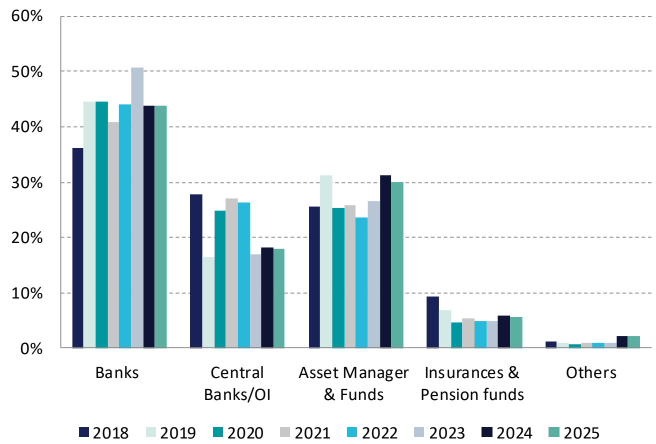
Impact of system change on the Bund-swap-spread likely to be limited

The role of Dutch pension funds as buyers of swaps was discussed extensively last year in connection with considerable shifts in the Bund-swap-spread. Towards the end of 2024, the spread for the 10y maturity segment was in negative territory for the first time ever. In our opinion, Dutch pension funds only played a minor role in this respect. Our assessment is that monetary policy implications such as the tapering of the ECB's purchase programmes, for example, outweighed the effects of pension funds in the Netherlands gradually reducing their government bond exposure. The switch in system from DB to DC will in all likelihood give rise to a reduction in demand for interest rate swaps as well as government bonds. Dutch pension funds have significant holdings of German government bonds. As a matter of fact, ABP (largest pension fund in the Netherlands) reported German government securities worth EUR 21.7bn (Q2/2025). We expect effects on the Bund-swap-spread from a reduction in demand to be more likely at the ultra-long end of the market. However, in our view, they should be modest because many market participants have already repositioned themselves in the meantime.

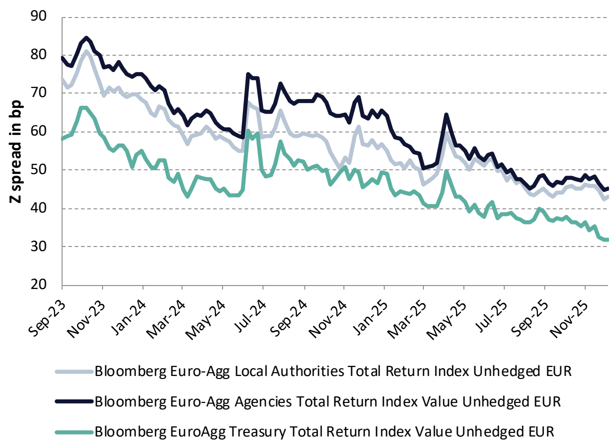
Limited impact expected on the Covered Bond and SSA/Public Issuers segments

With regard to the asset classes in the Covered Bond and SSA/Public Issuers universe which we closely observe, we consider the impact of the system changeover by Dutch pension funds to be limited. At present, we do not really expect significant switching out of long-dated government bonds into covered bonds. Pension funds continue to focus on a rather long-term investment horizon, whilst the fresh supply of covered bonds in the maturity range of more than ten years fell to a new all-time low in 2025. Although pension funds and insurance companies are important investors in the covered bond market, they only accounted for a combined share of around 5% of the allocated issuance volume of all EUR benchmark bond transactions. Accordingly, we do not expect the bulk of the volume invested approaching maturity to be switched into covered bonds. In addition to equities and credit, we believe it is more likely that the focus will be on bonds from the SSA/Public Issuers universe. Some of these offer an attractive pick compared to government bonds and may be more appropriate for the portfolios of pension funds in terms of maturity preferences. Conversely, a significant change in the Bund-swap-spread would have a greater impact on the asset classes we keep an eye on. However, we expect rather minor adjustments in this regard, which are especially likely to affect the ultra-long end of the curve. The consequences of the change in system are therefore likely to be limited for the Covered Bonds and SSA/Public Issuers asset classes.

Covered bonds: investor breakdown by type



Z-spread: SSA vs Treasury



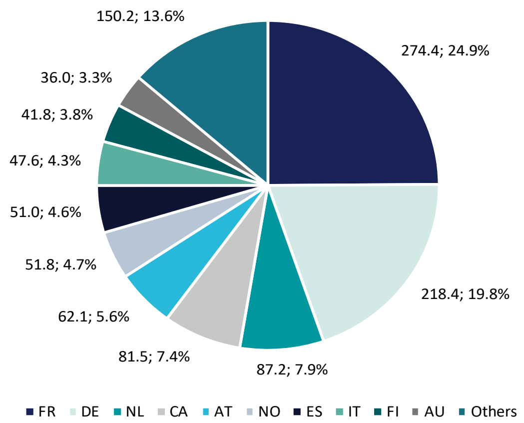
Source: Bloomberg, NORD/LB Floor Research

Conclusion

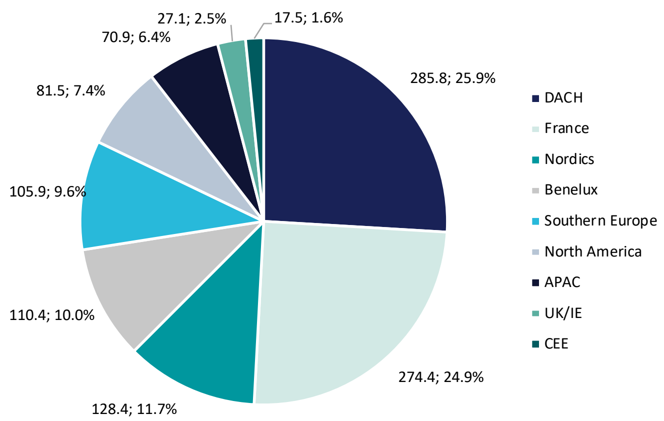
In the wake of switching from a DB to DC system, Dutch pension funds are faced with structural adjustments to their investment portfolios. It is probable that demand for long-term interest rate swaps and government bonds in the maturity ranges of >25 years will decrease particularly significantly. The biggest pension funds plan to complete the system changeover in the coming two years. With regard to the asset classes of Covered Bonds and SSA/Public Issuers that we analyse, we only expect a limited impact in terms of the reallocation of pension fund portfolios. In view of the maturities preferred by pension funds, we rather expect a stronger focus on bond issues by the public sector, particularly given that new issues in the covered bond market during recent years mainly focused on the maturity ranges of between three and seven years. We also anticipate any potential impact on the trend in the Bund-swap-spread to be limited.

Charts & Figures
Covered Bonds

EUR benchmark volume by country (in EURbn)



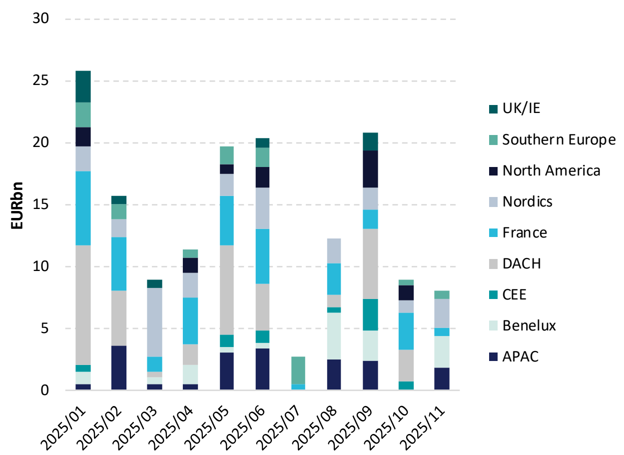
EUR benchmark volume by region (in EURbn)



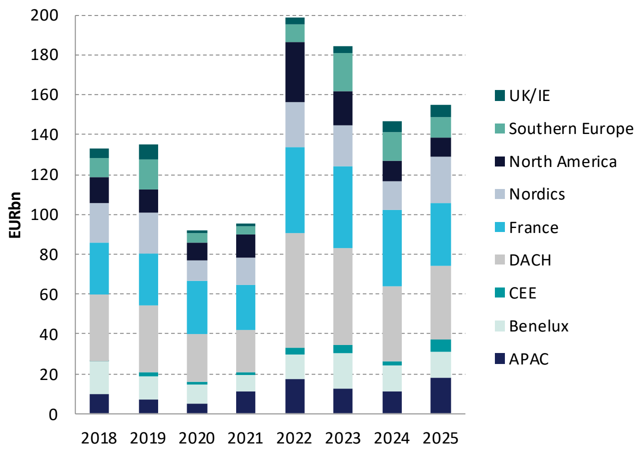
Top 10 jurisdictions

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	218.4	308	49	0.66	7.8	3.6	1.76
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	47.6	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

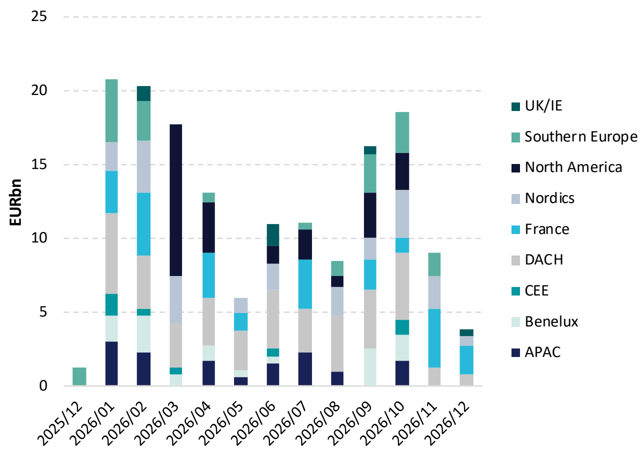


EUR benchmark issue volume by year

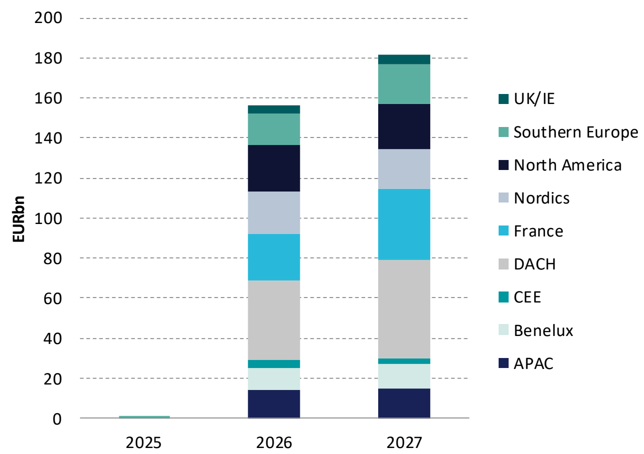


Source: Market data, Bloomberg, NORD/LB Floor Research

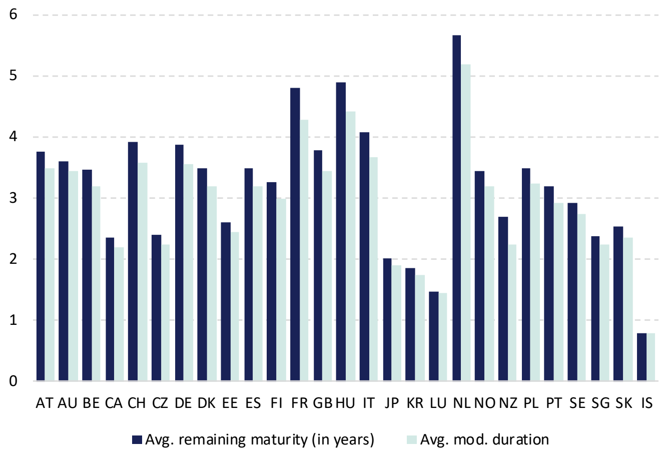
EUR benchmark maturities by month



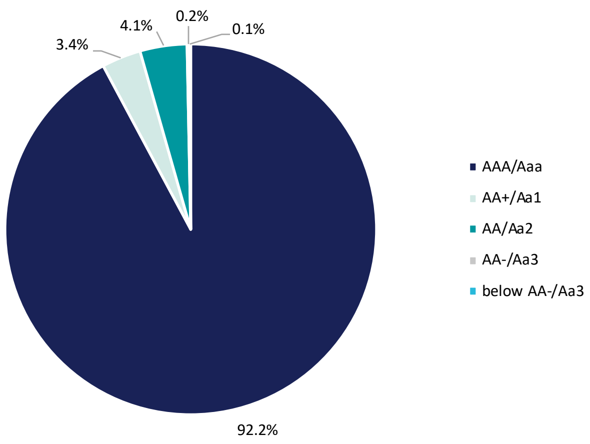
EUR benchmark maturities by year



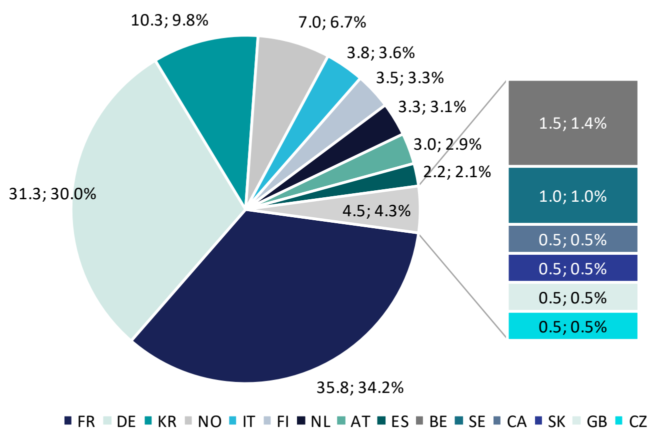
Modified duration and time to maturity by country



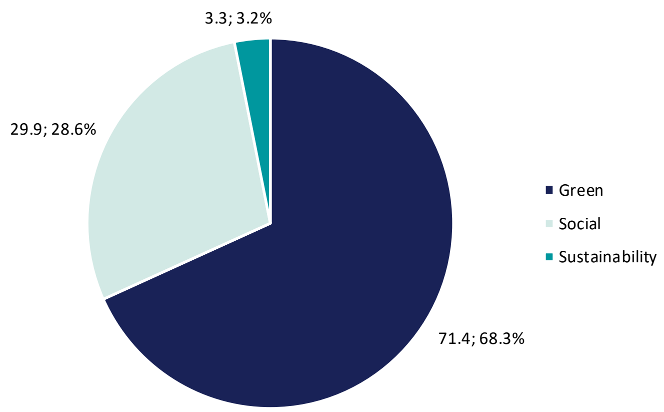
Rating distribution (volume weighted)



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

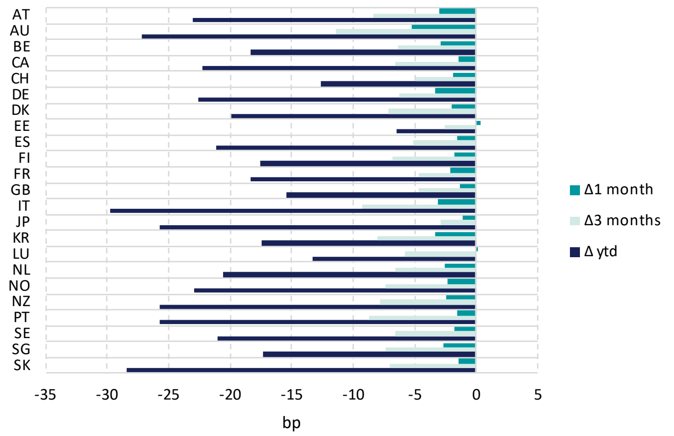


EUR benchmark volume (ESG) by type (in EURbn)

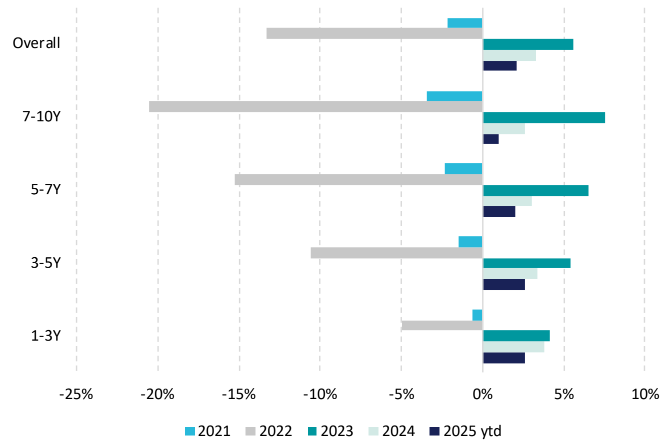


Source: Market data, Bloomberg, NORD/LB Floor Research

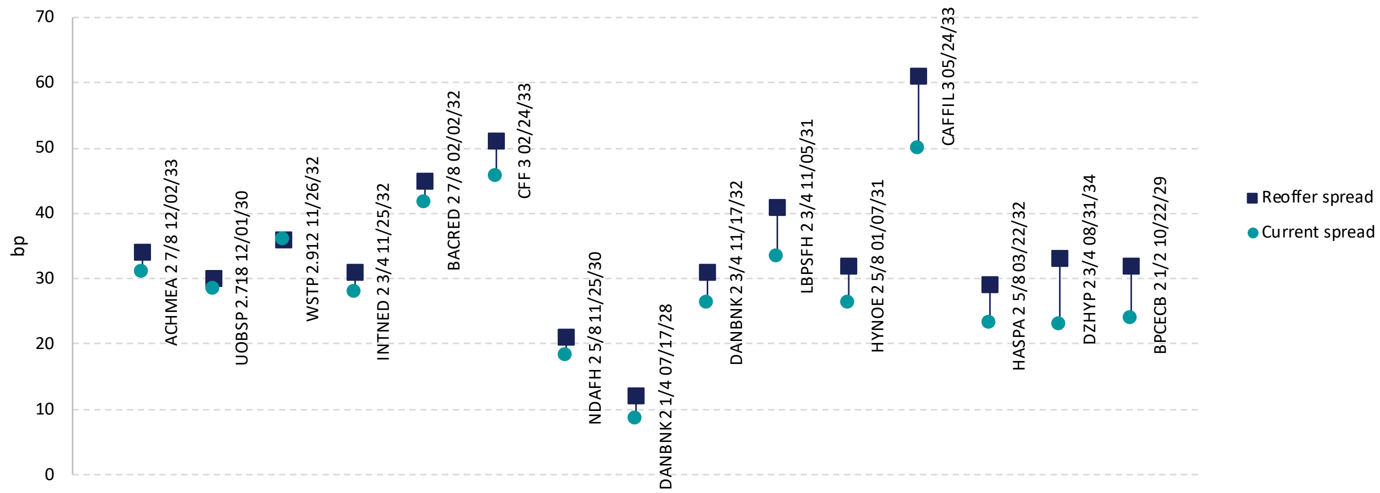
Spread development by country



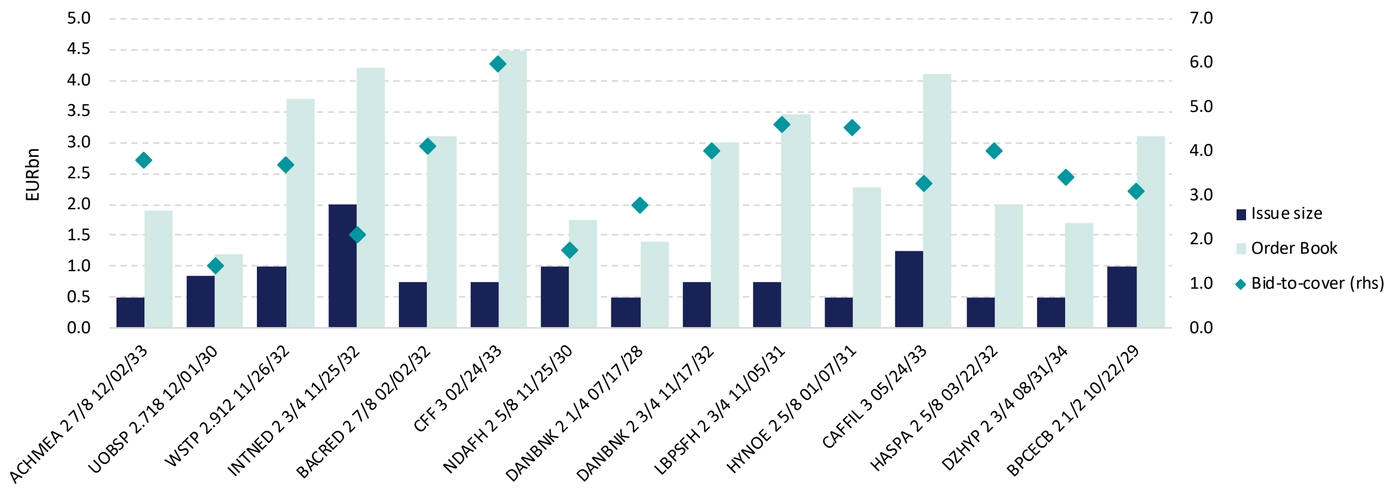
Covered bond performance (Total return)



Spread development (last 15 issues)



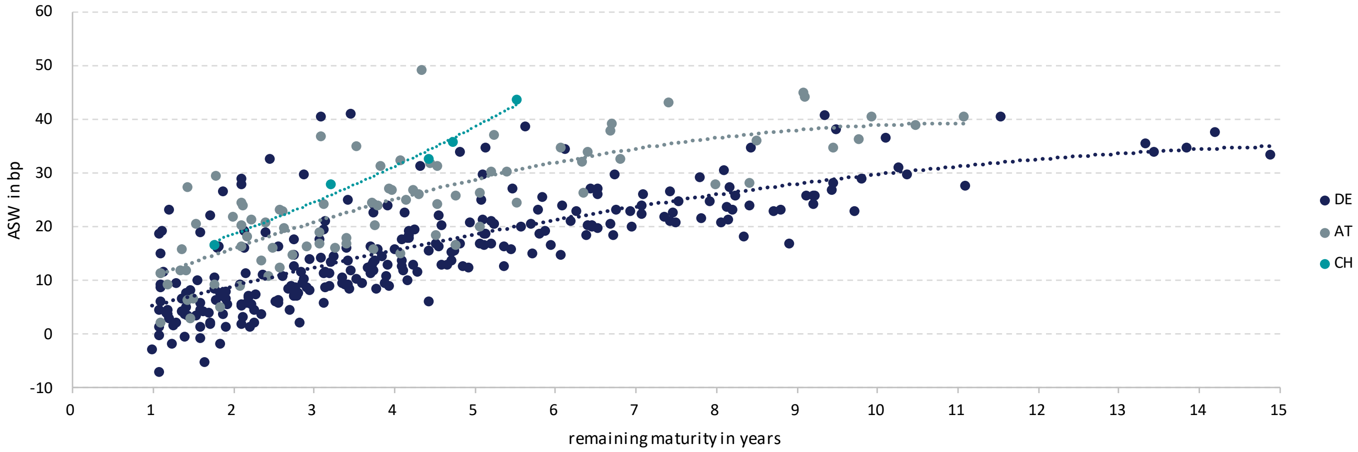
Order books (last 15 issues)



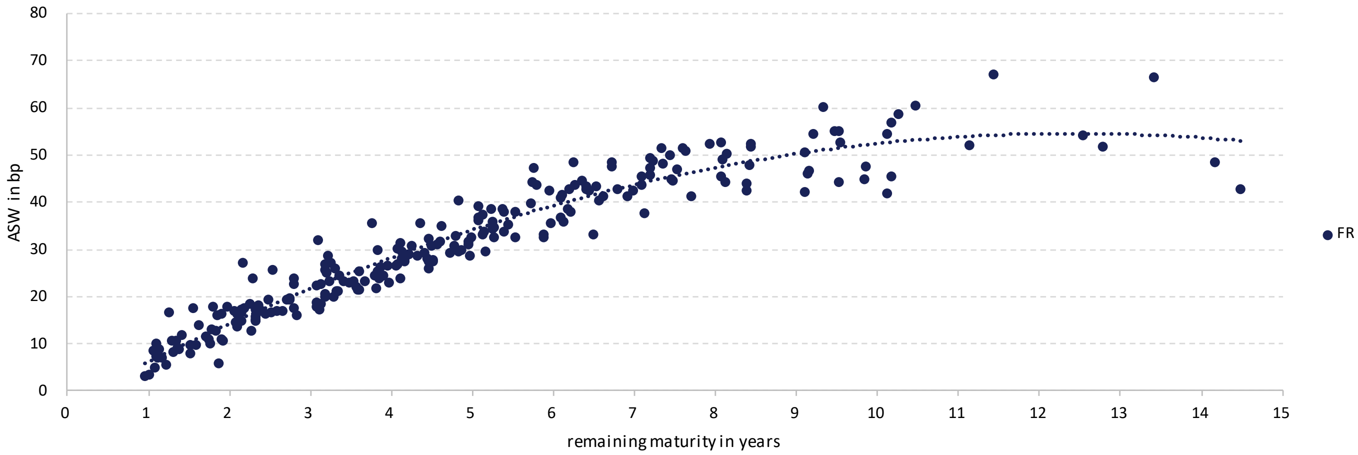
Source: Market data, Bloomberg, NORD/LB Floor Research

Spread overview[1]

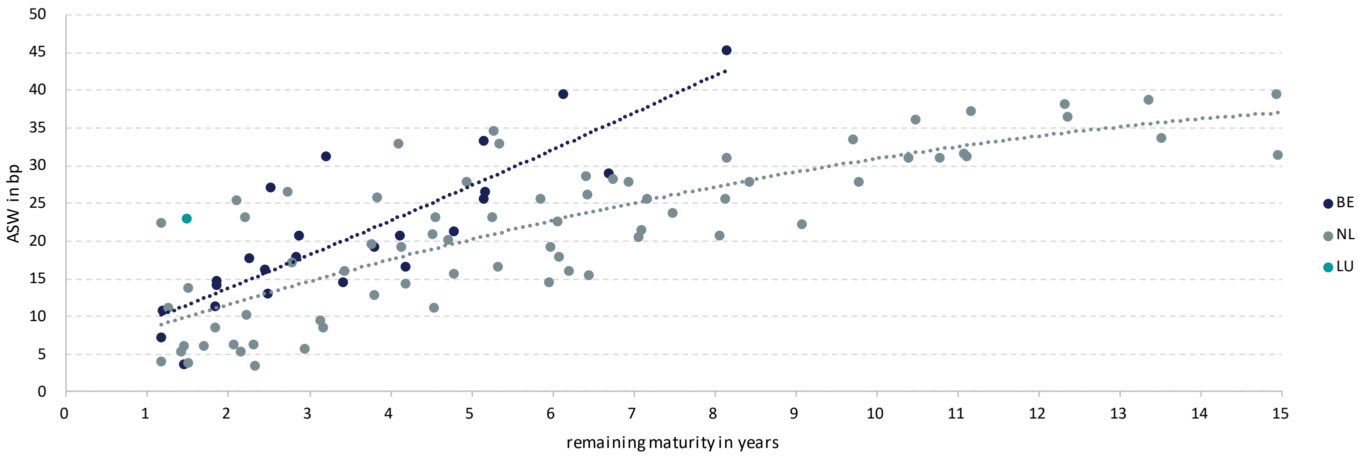
DACH



France

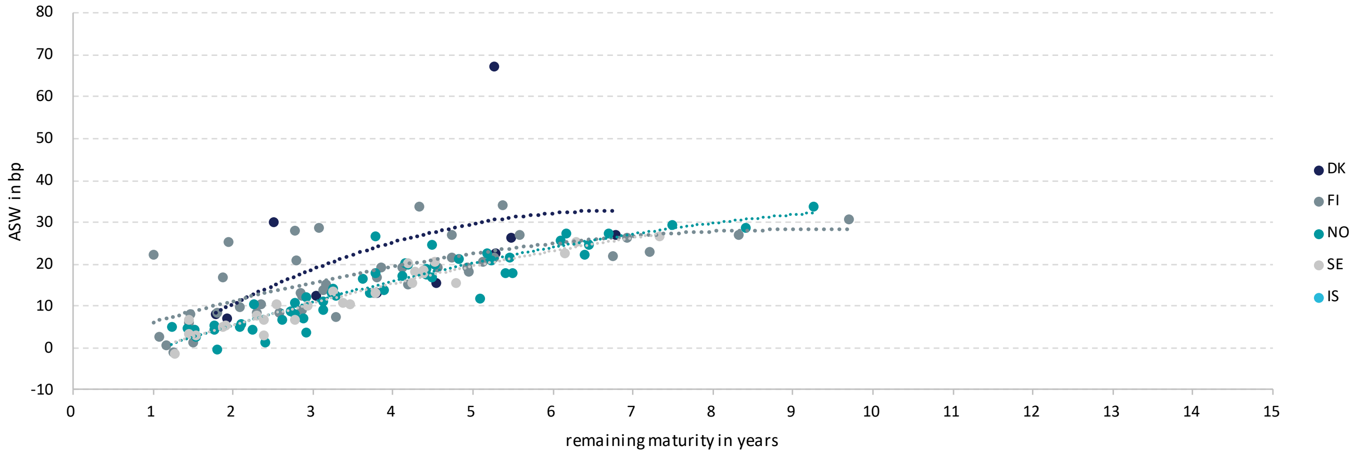


Benelux

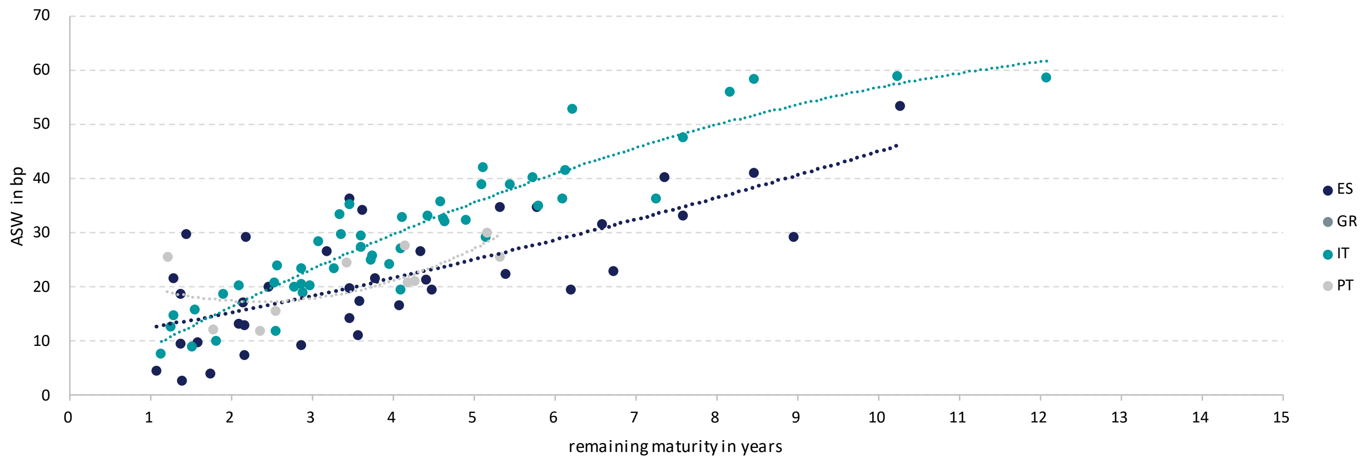


Source: Market data, Bloomberg, NORD/LB Floor Research [1] Time to maturity 1 ≤ y ≤ 15

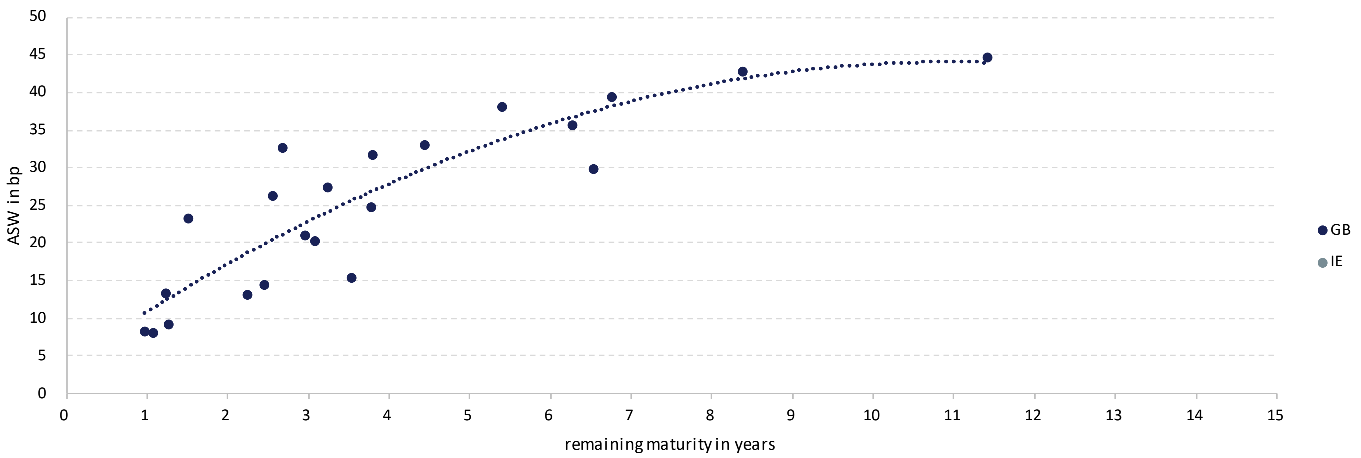
Nordics



Southern Europe

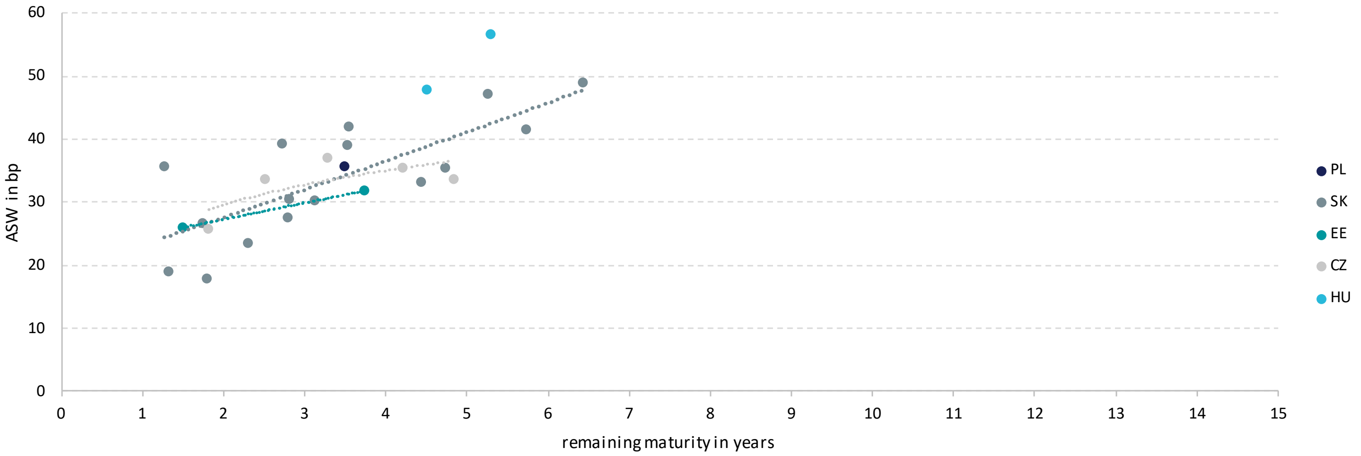


UK/IE

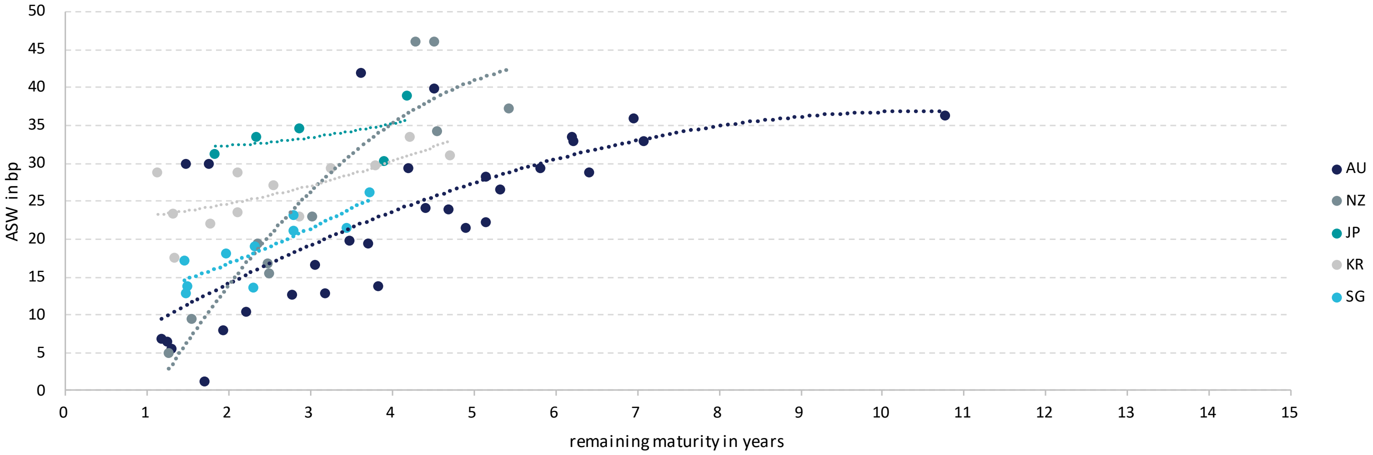


Source: Market data, Bloomberg, NORD/LB Floor Research

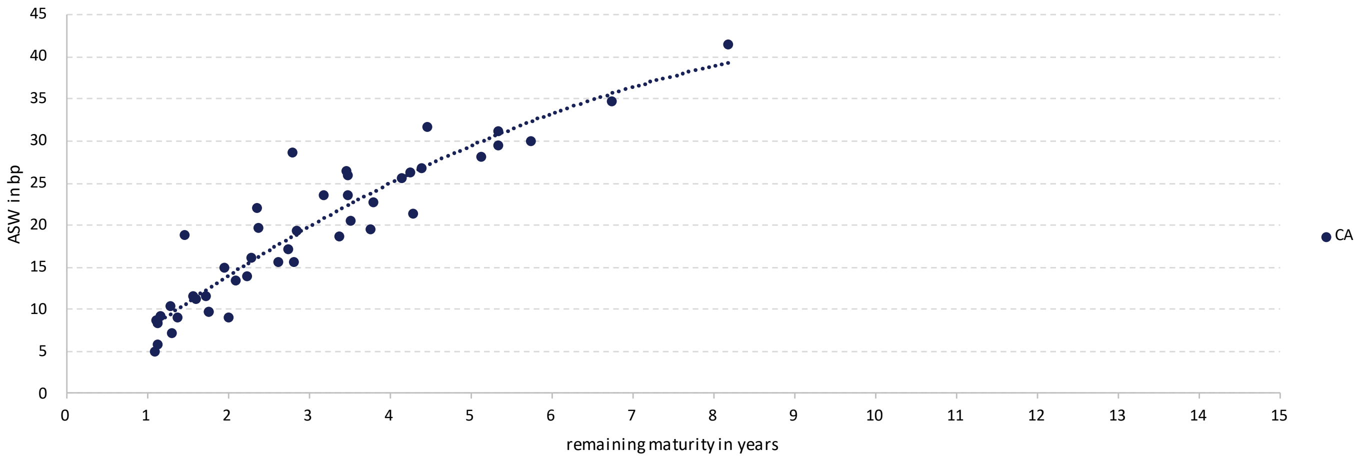
CEE



APAC



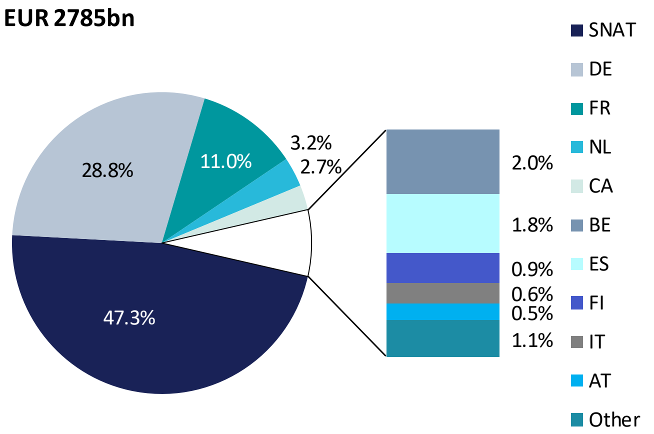
North America



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

Charts & Figures
SSA/Public Issuers

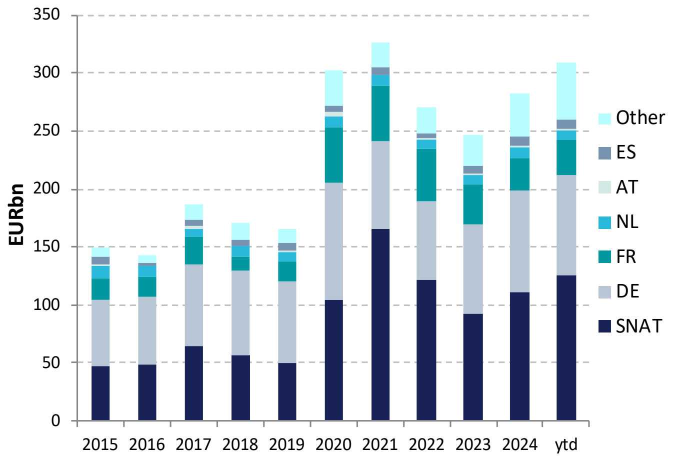
Outstanding volume (bmk)



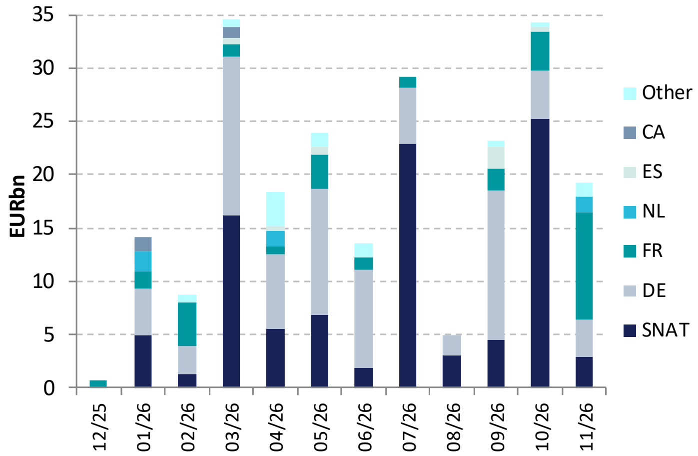
Top 10 countries (bmk)

Country	Vol. (EURbn)	No. of bonds	ØVol. (EURbn)	Vol. weight. ØMod. Dur.
SNAT	1,316.7	263	5.0	7.5
DE	801.8	610	1.3	5.7
FR	305.8	204	1.5	5.3
NL	88.2	69	1.3	5.9
CA	74.2	67	1.1	6.1
BE	57.0	52	1.1	9.4
ES	51.4	75	0.7	4.7
FI	26.2	27	1.0	3.9
IT	17.3	22	0.8	4.1
AT	14.5	21	0.7	5.1

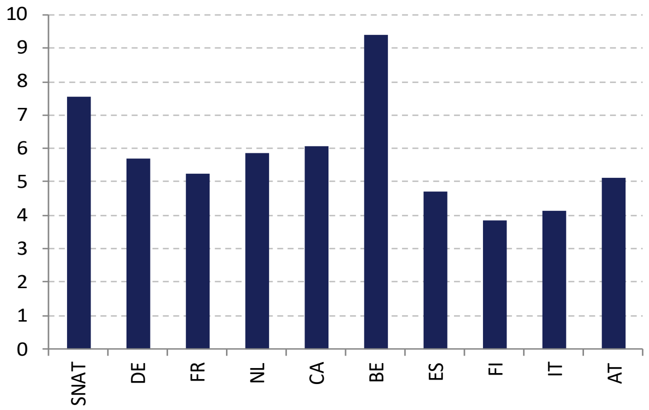
Issue volume by year (bmk)



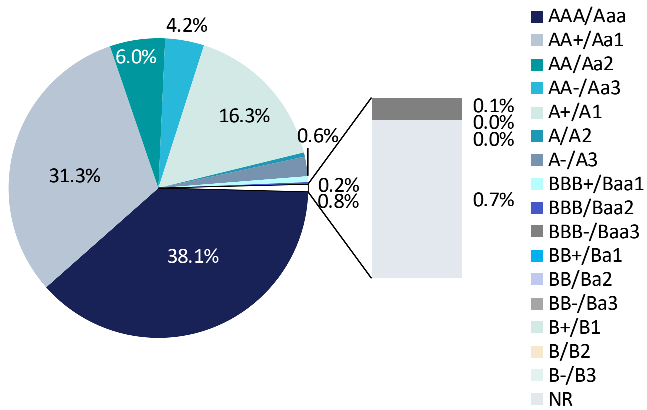
Maturities next 12 months (bmk)



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

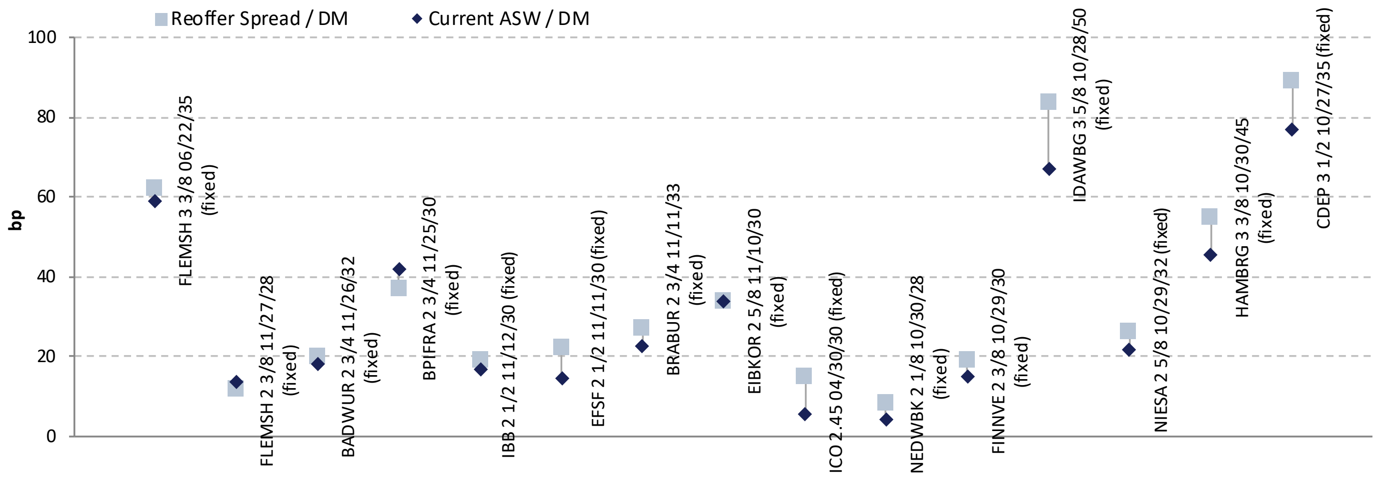


Rating distribution (vol. weighted)

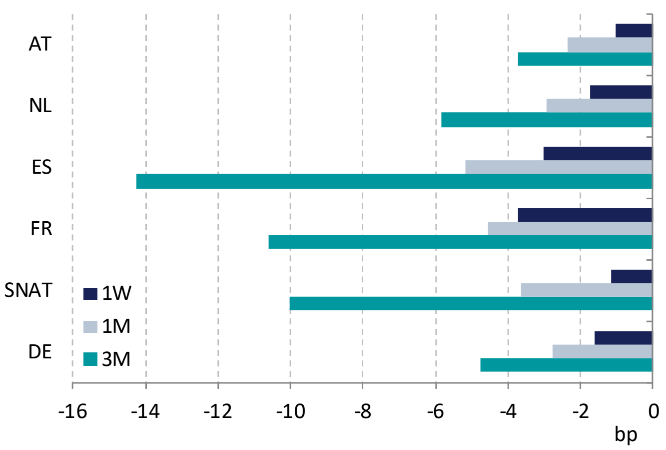


Source: Bloomberg, NORD/LB Floor Research

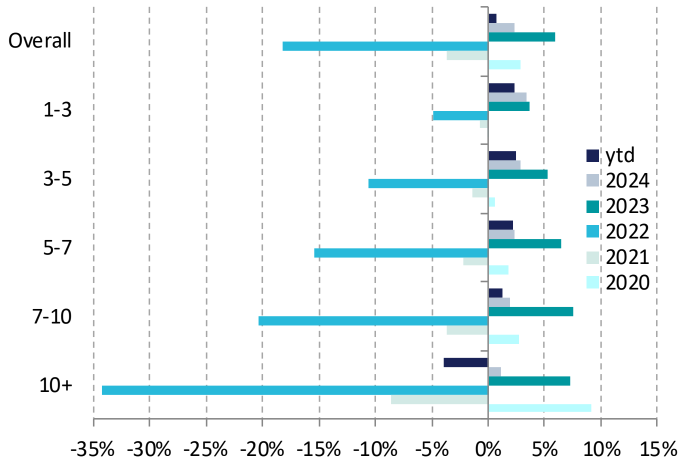
Spread development (last 15 issues)



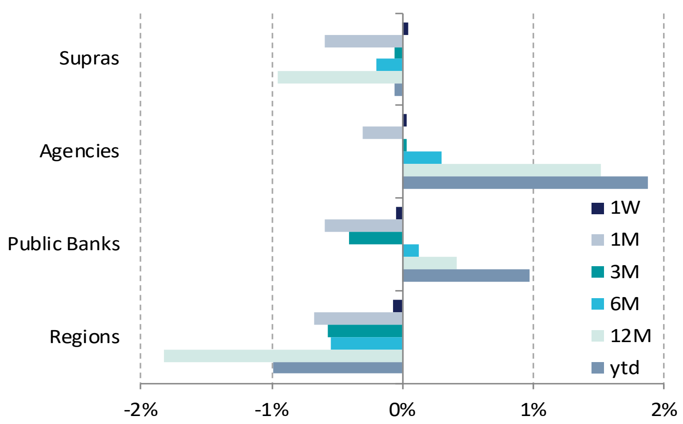
Spread development by country



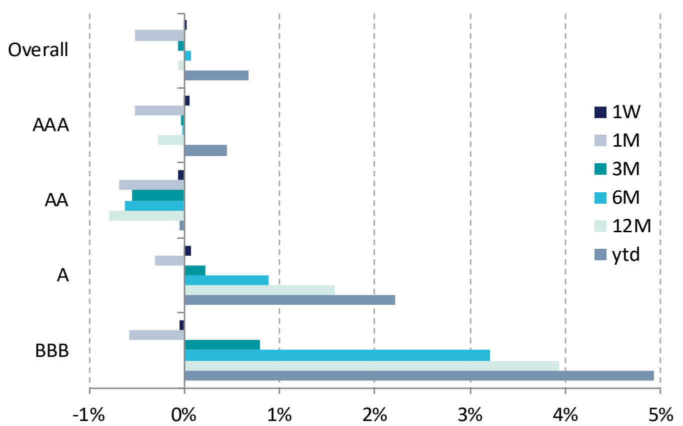
Performance (total return)



Performance (total return) by segments

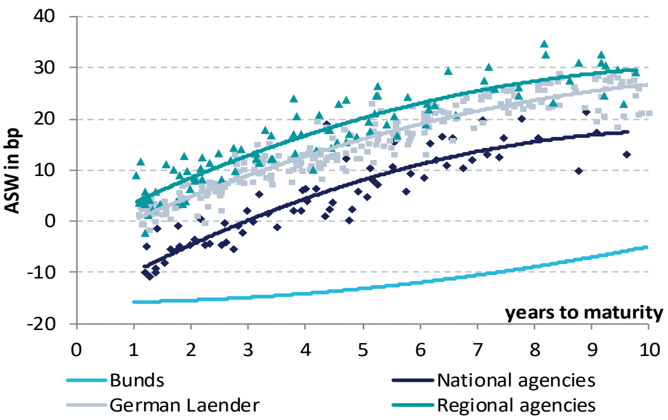


Performance (total return) by rating

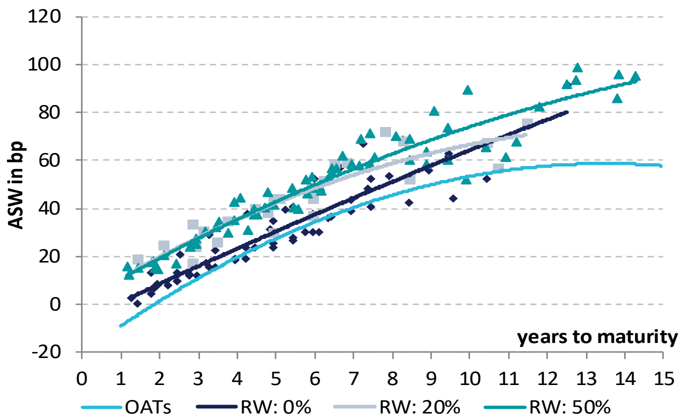


Source: Bloomberg, NORD/LB Floor Research

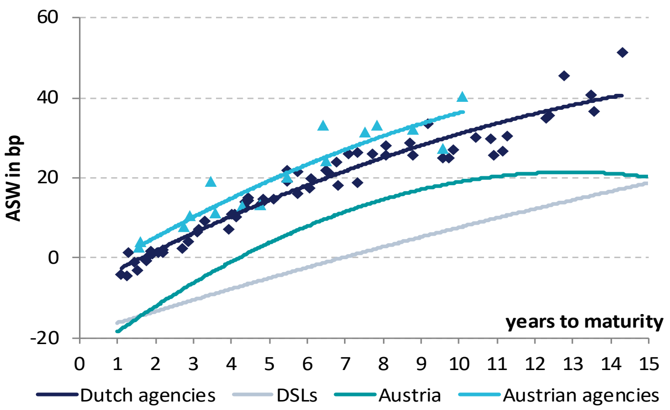
Germany (by segments)



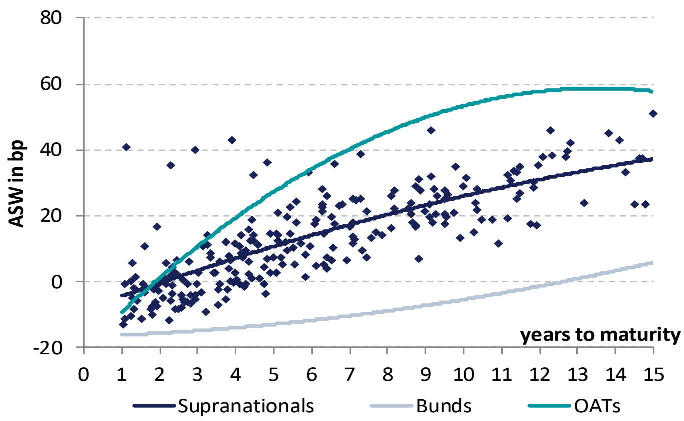
France (by risk weight)



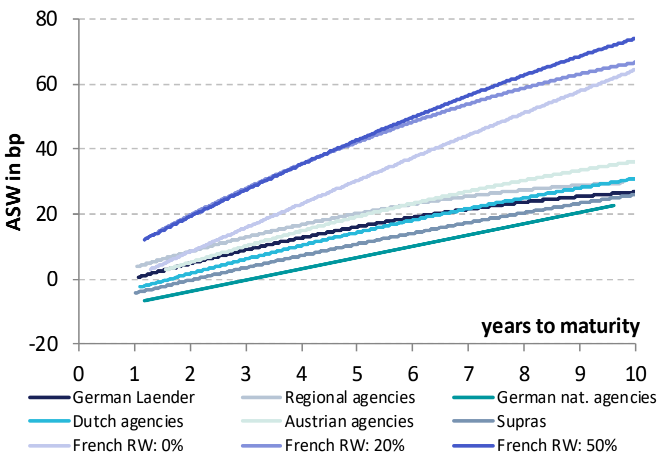
Netherlands & Austria



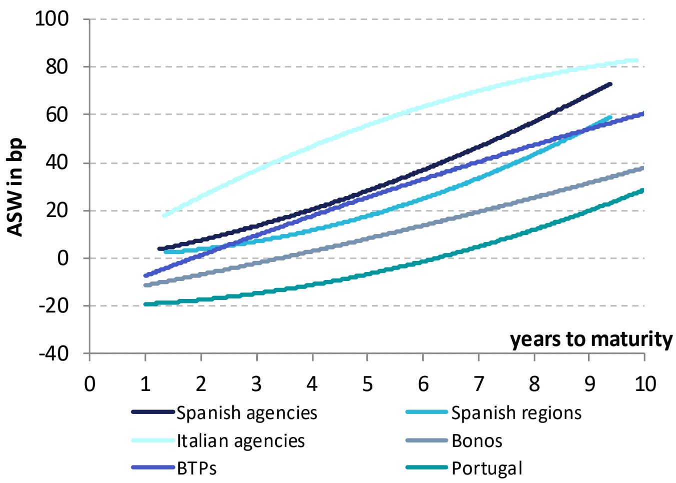
Supranationals



Core



Periphery

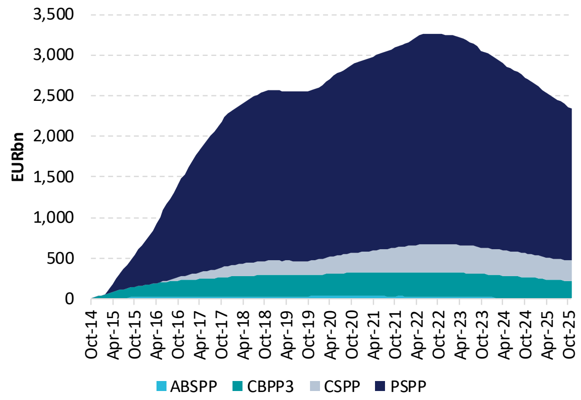


Source: Bloomberg, NORD/LB Floor Research

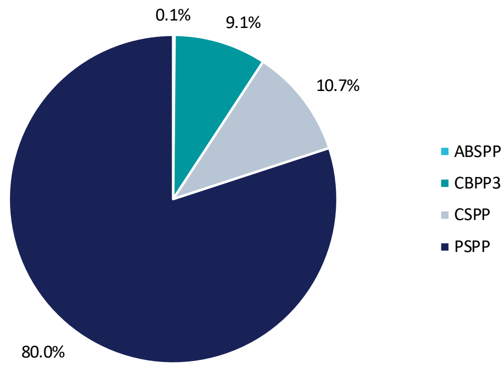
Charts & Figures
ECB tracker

Asset Purchase Programme (APP)

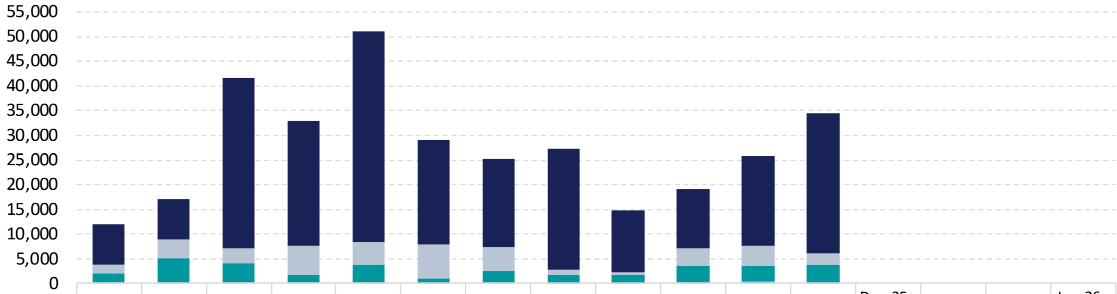
APP: Portfolio development



APP: Portfolio structure

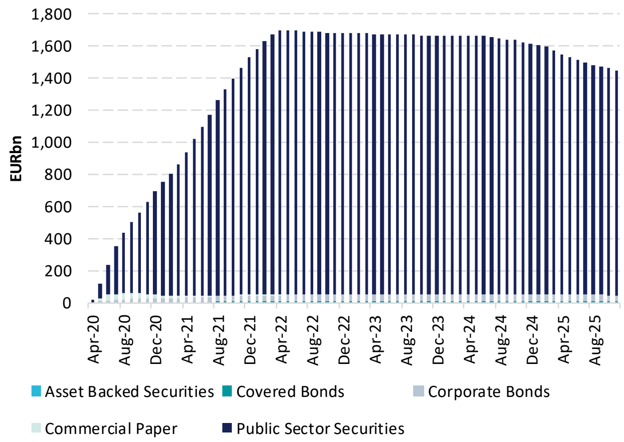


Expected monthly redemptions (in EURm)

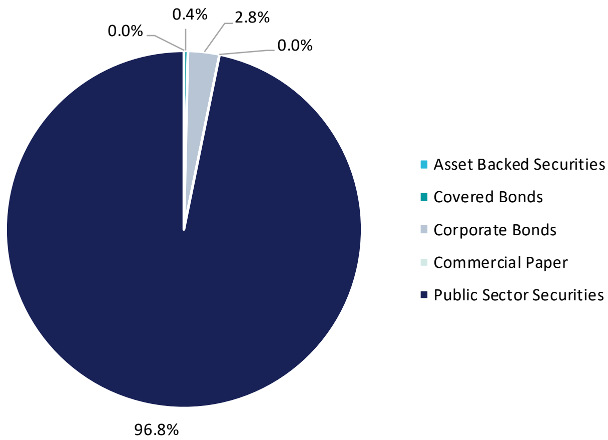


	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-25 - Nov-26	2024	2025	Jan-26 - Nov-26
APP	12,078	17,119	41,523	32,837	51,023	29,020	25,281	27,197	14,893	19,219	25,849	34,527	330,566	335,094	332,840	318,488
PSPP	8,274	8,318	34,465	25,111	42,657	21,135	17,964	24,306	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



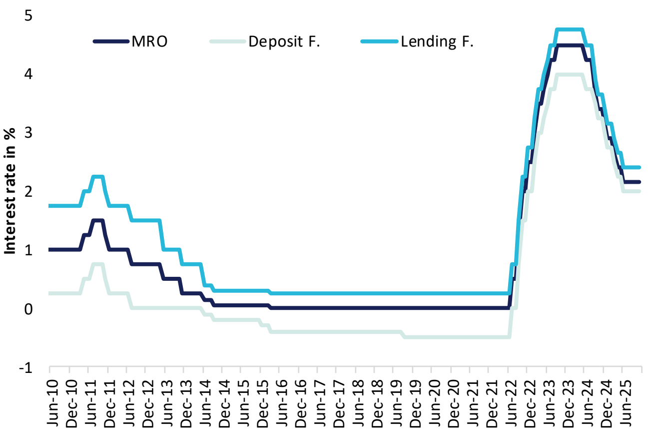
PEPP: Portfolio structure



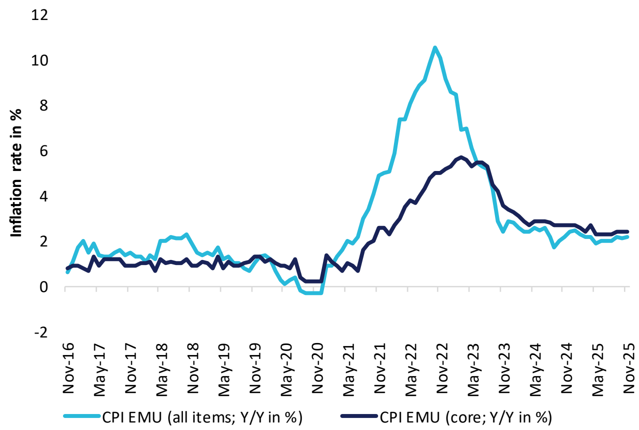
Source: ECB, NORD/LB Floor Research

Charts & Figures
Cross Asset

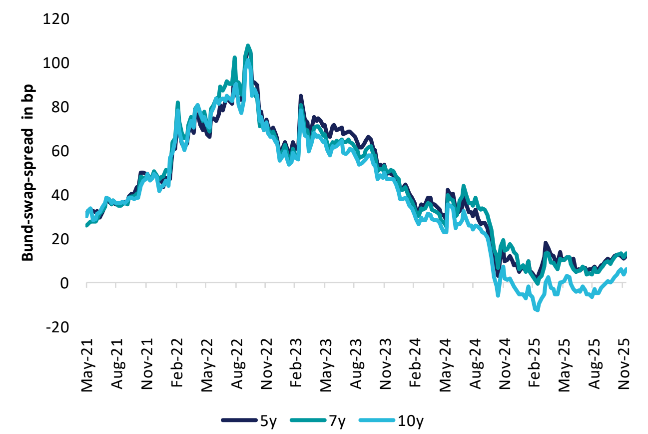
ECB key interest rates



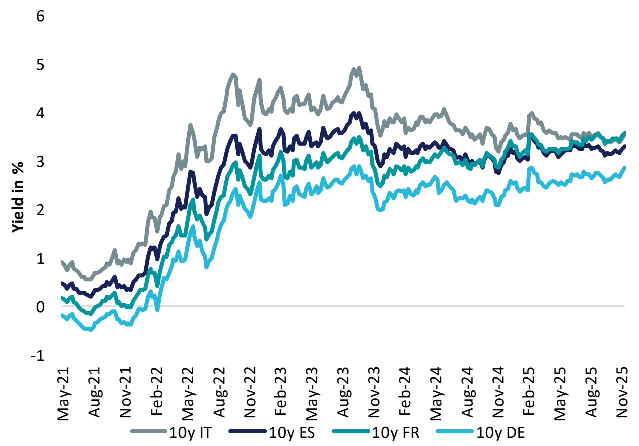
Inflation development in the euro area



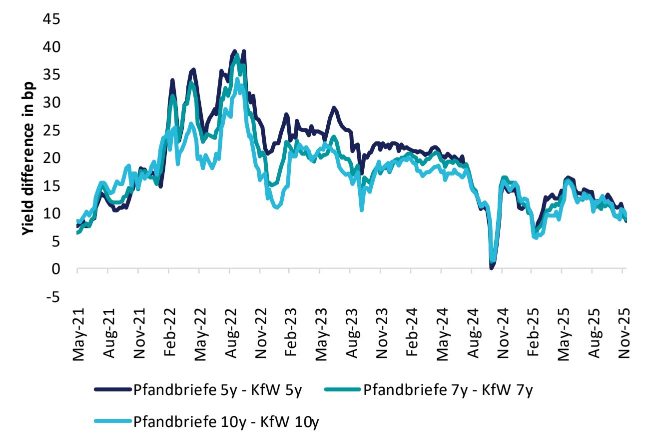
Bund-swap-spread



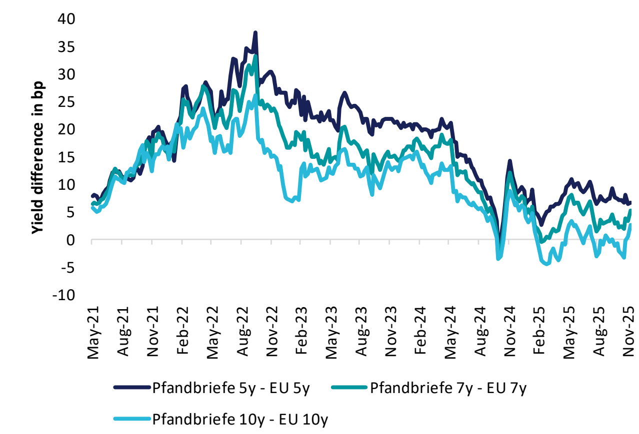
Selected yield developments (sovereigns)



Pfandbriefe vs. KfW



Pfandbriefe vs. EU



Source: ECB, Bloomberg, NORD/LB Floor Research

NORD/LB

Appendix
Overview of latest Covered Bond & SSA View editions

Publication	Topics
42/2025 ♦ 10 December	▪ Focus on spread relationships: Covereds vs. Seniors ▪ Teaser: Beyond Bundeslaender – Belgium
41/2025 ♦ 03 December	▪ The bigger picture – ECB and four daring suppositions ▪ Our view of the covered bond market heading into 2026 ▪ SSA outlook 2026: More debt, less scope?
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

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

No cut – Santa Owl expected to arrive empty-handed

Appendix
Contacts at NORD/LB

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Institutional Sales MM/FX	+49 511 361-9460
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Retail & Structured Products	+49 511 361-9420

Trading

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Financials	+49 511 9818-9490
Governments	+49 511 9818-9660
Länder/Regionen	+49 511 9818-9660
Frequent Issuers	+49 511 9818-9640

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